中粮
COFCO

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

2017 Annual Report

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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 Executive Director
Mr. Jiang Guojin

Executive Director
Mr. Xu Jianong

Non-executive Directors
Ms. Yang Hong
Mr. Wolhardt Julian Juul
Dr. Cui Guiyong
Mr. Zhou Qi
Mr. Zhang Lei
Dr. Huang Juhui

Independent Non-executive Directors
Dr. Chen Huanchun
Mr. Fu Tingmei
Mr. Li Michael Hankin
Mr. Lee Ted Tak Tai

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

Audit Committee
Mr. Lee Ted Tak Tai (Chairman)
Mr. Fu Tingmei
Dr. Cui Guiyong
Mr. Li Michael Hankin

Nomination Committee
Mr. Jiang Guojin (Chairman)
Dr. Chen Huanchun
Mr. Fu Tingmei

Remuneration Committee
Mr. Li Michael Hankin (Chairman)
Mr. Lee Ted Tak Tai
Mr. Jiang Guojin

Food Safety Committee
Dr. Chen Huanchun (Chairman)
Dr. Huang Juhui
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
802 West Bay Road
Grand Cayman, KY1-1205
Cayman Islands

Corporate Information

Principal Place of Business in Hong Kong

33/F, COFCO Tower
262 Gloucester Road
Causeway Bay
Hong Kong

Head Office in the PRC

COFCO Fortune Plaza
No.8, Chao Yang Men South St.
Chao Yang District, Beijing,
China

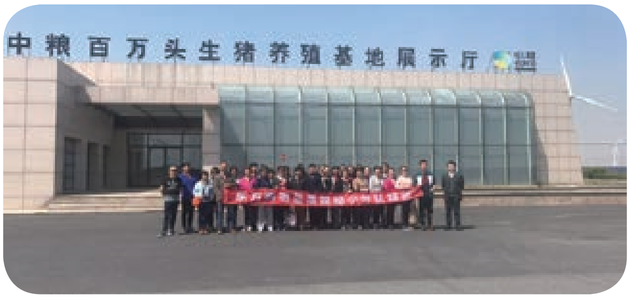
Compliance Adviser

Guotai Junan Capital Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Major Events in COFCO Meat in 2017

April

The on-site visit of COFCO Meat Dongtai Integrated Value Chain Base was held. As of the end of 2017, the activity has been held for 61 times with total participants of 2,715 consumers. The brand concepts of "integrated value chain" and "5 check points to ensure meat safety" have been continuously deepened during the visits through interactions with consumers and staff's professional presentation, which has strengthened the trust of new and regular customers in JOYCOME brand, played a role of increasing stickiness and maintaining customers, and improved brand loyalty.



June

According to the Beijing Entry-Exit Inspection and Quarantine Bureau, the first batch of US beef imported by COFCO Meat passed the quarantine inspection and completed the customs clearance process on June 23, which marked the return of US beef to the Chinese market after fourteen years and the successful implementation of the Hundred-day Plan of the Sino-US Economic Cooperation.


CNR

美国牛肉时隔十四年重返中国市场 中粮推动中美经济合作百日计划实施

May

The commencement ceremony for the healthy hog production project of COFCO Meat (Yongcheng)* (中糧肉食永城) was held in Peiqiao Town, Yongcheng City, Henan Province. COFCO Meat would take this project construction as an opportunity to further deepen cooperation with Yongcheng City and actively explore new paths to the sustainable development of recycling agriculture.

June

In order to strengthen the product line of low-temperature leisure sausage products and increase market share, Maverick launched the new product cheese-filled sausage in key markets such as Guangzhou and Shenzhen and coordinated with publicity in way of outdoor bus advertisements for a period of three months.

July

The 2017 COFCO JOYCOME Dance Competition was successfully held in Shanghai from July to September. 220 teams and 3,308 contestants in total took part in the competition. The winner, runner-up and second runner-up were finally decided after two rounds of sea election, 4 quarter-finals, the voting for revival and the final. The number of cumulative votes reached 243,300. The number of viewers on applet was totalled to 874,800 and the number of cumulative followers was 98,200. Television medias such as DRAGON TV and Channel Young, web portals such as Sina and Sohu and print medias such as Global Times and Youth Daily jointly reported the final round of the square dancing competition held by COFCO JOYCOME.

October

COFCO JOYCOME (Chifeng) Co., Ltd.* (中糧家佳康（赤峰）有限公司) and the People's Government of Wengniuteqi in Chifeng City held the signing ceremony of strategic cooperation in hog production industry for poverty alleviation in Wudan Town. Under the precondition of adhering to green development, the Company will actively promote the contract farming project combining with the government's poverty alleviation policies, and fulfilling its social responsibilities as a central enterprise, so as to contribute to the economic development of Wengniuteqi.

October

The processed meat products project of COFCO Meat (Jiangsu) Co., Ltd.* (中糧肉食（江蘇）有限公司) was put into initial operations. The Dongtai processed meat products project was an important step in the strategic layout of COFCO Meat in Eastern China. Dongtai processed meat products factory mainly served catering customers, which marked a substantial step of deep processing business towards channel transformation.

November

Hosted by China Entry-Exit Inspection and Quarantine Association and co-organized by COFCO Meat and Brazil Foods (BRF), the 2017 International Seminar on Meat Products Safety was held at Beijing International Convention Center. Representatives present at the Seminar jointly analyzed the international development trend of the safety management of imported and exported meat products and exchanged the experiences in the management of imported and exported meat products safety in China.

Major Events in COFCO Meat in 2017

November

COFCO Meat and BRF held a strategic cooperation signing ceremony in Beijing. According to the agreement, the two parties will establish strategic cooperation in fields such as meat product processing, meat trading and processing and achieve "combination of giants and win-win cooperation".

2017

The 18th FMCG High-level Annual Meeting themed as "New era for quality consumption: from cross-border to boundless" was held by the Shanghai Commercial Information Center, and JOYCOME was rewarded as the "best-selling product" of 2017.

November

COFCO Maverick Food Products Co., Ltd.* (中糧萬威客食品有限公司) held a completion ceremony for its factory in Longkou Town of Heshan City. Guests of the ceremony cut the ribbon for the completion of the project together and visited the production workshops of the new factory. With the high market share of Maverick Brand in the southern China market, the new factory would further improve its R&D and production level to serve consumers.

Financial Highlights

Key operating data

	Year ended December 31,		
	2017	2016	Change (%)
Hog production volume (unit: ’000 heads)[1]	**2,226**	1,712	30.0%
Fresh pork sales volume (unit: ’000 tons)[1]	**172**	143	20.5%
Ratio of revenue from branded business (%)[2]	**15.58%**	13.16%	2.42 percentage points

Key financial data

	Year ended December 31,			
	2017		2016	
	Before biological assets fair value adjustments	**After biological assets fair value adjustments**	Before biological assets fair value adjustments	After biological assets fair value adjustments
	RMB’000	***RMB’000***	*RMB’000*	*RMB’000*
	(Unless otherwise stated)			
Revenue from continuing operations[3]	**6,960,567**	**6,960,567**	6,616,068	6,616,068
Profit for the year[4]	**496,725**	**444,807**	890,203	951,856
Profit attributable to the owners of the Company[5]		**451,629**		951,912
Basic earnings per share[6]		**RMB0.1157**		RMB0.2767

Notes:

1. *The Group’s core businesses maintained at a high growth rate. The production volume of hog and sales volume of fresh pork increased by 30.0% and 20.5% year-on-year, respectively.*

2. *The ratio of revenue from branded business means the revenue of branded fresh pork and processed meat products business divided by the revenue of the Company. The revenue of branded business increased by 24.6% and the ratio of revenue increased by 2.42 percentage points year-on-year, benefiting from brand promotion and channel development.*

3. *Revenue from continuing operations amounted to RMB6,961 million, representing a year-on-year increase of 5.2%. The rapid growth of sales volume has driven the increase in revenue and completely offset the impact of hog price on the revenue.*

4. *Profit for the year before biological assets fair value adjustments amounted to RMB497 million, representing a year-on-year decrease of 44.2%. The decline was mainly caused by the year-on-year decrease of 19.8% in hog price. However, the Group focused on scale increasing, cost management and control, customer development and brand promotion, and successfully increased sales volume and gained higher profit margin from branded business. The abovementioned operation improving measures significantly offset the effect brought by the decrease of hog price.*

5. *Profit attributable to the owners of the Company amounted to RMB452 million. The biological assets fair value was adjusted based on the hog price at the end of December 2017. The number of our live hogs increased by 22.2% as compared to that as of December 31, 2016, while the hog price decreased.*

6. *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.*

The Board did not recommend the declaration of final dividend for the year ended December 31, 2017.

Chairman's Statement

Dear Shareholders,

The year of 2017 is the first year after the Company's listing, and also a key year for the intensive development of the Company. The Company focused on operation improvement and brand building with each of its businesses reached new level. Firstly, the core business kept growing rapidly, where the hog production volume and the sales volume of fresh pork increased by 30% and 20%, respectively, on a year-on-year basis. Secondly, the operation quality continued to be improved, with lower hog production cost and a higher utilization rate of fresh pork production capacity. Thirdly, a major breakthrough was achieved in the branded business, with both sales volume and profits hitting a record high and brand awareness being improved significantly. Fourthly, the geographic footprint was further improved: the construction of feed mills was accelerated; the pilot contract farming has achieved favorable results; the channel structure of processed meat product business was further optimized, and trial production at the new plant in Dongtai was carried out smoothly.

This is the moment when all the competitors are striving to overtake one another. The pork industry in China is undergoing an unprecedented industrial upgrading period with the upstream large-scale farming keeping accelerating and the downstream consumption continuing to be upgraded, which will inevitably bring brand new opportunities for the development of the Company. Meanwhile, we are well aware of the challenges to the performance of the Company in 2018 due to the sluggish domestic pork market.

"Break the wave as the wind is strong and spur the horse as the burden is heavy and the journey is long." The year of 2018 will be a year for the Company to accumulate more power to make great breakthroughs. The Company will continue to carry forward the enterprising spirit to embark on a new journey of high quality development. We will:

Further expand hog production capacity, accelerate the expansion rate, and realize the "two-wheel drive" of integrated farming and contract farming;

Keep improving production efficiency, keep being goal-oriented, and keep reducing hog production cost;

Further expand the sales volume of fresh pork and achieve leap-forward development in branded business;

Complete the layout of fresh pork business in Hubei Province and Beijing surrounding areas as soon as possible, and ensure the commencement of construction of these two slaughtering and processing plants, to further match the upstream production capacity;

Increase the sales of imported beef vigorously, promote the business model of trading plus processing, and optimize domestic sales channels;

Stimulate the initiative and creativity of the team by further improving the incentive mechanism and being value creation-oriented.

I, on behalf of the Board and the management, hereby express my sincere gratitude to our Shareholders for their trust and support, to our partners for their full cooperation and to our staff for their diligence and dedication! In 2018, we will forge ahead with firm determination, keep marching on despite any difficulties, seize opportunities and take leaps, to make concrete progress in businesses in return for your support and to compose a new chapter with unstoppable passion!

Jiang Guojin
Chairman of the Board

March 28, 2018

Management Discussion and Analysis

I. Company Profile

1. Company introduction

COFCO Meat Holdings Limited is a meat business platform under COFCO and was listed on the main board of the Stock Exchange on November 1, 2016 (stock code: 1610).

The main businesses of the Company include feed production, hog production, slaughtering and cutting, production, distribution and sale of fresh pork and processed meat products, import and distribution of meat products (including pork, beef, poultry and mutton). As a leading meat enterprise with operations covering the integrated value chain in China, the Company seized the opportunity of industrial transformation and upgrading and formed a strategic layout throughout the country, so that the scale of hog production and fresh pork business has been rapidly growing. We adhere to the operation principle of "leading the safety standards in the industry and assuring meat safety for citizens" through providing consumers with high-quality meat products. "Joycome" chilled pork and "Maverick" low-temperature meat products continue to rise in popularity in major first-tier cities.

2. Business segments introduction

Hog production

Hog production segment includes businesses such as feed production, hog breeding and hog farming. The Company has established modern hog production bases and inhouse feed mills in provinces and cities including Jilin, Inner Mongolia, Tianjin, Hebei, Henan, Jiangsu and Hubei and planned to further expand its hog production capacity.

Fresh pork

Fresh pork segment includes hog slaughtering and cutting, distribution and sale of fresh pork, and the main products are chilled pork. The Company owns two modern slaughtering and processing bases in Jiangsu and Hubei, and vigorously develops branded business. The "Joycome" brand covers the pork consumption market in major cities and areas such as Shanghai and the Yangtze River Delta, Beijing and Wuhan.

Processed meat products

The processed meat products segment includes the production, distribution and sale of various types of processed meat products (mainly western-style low-temperature processed meat products). The Company owns three modern processed meat product processing bases in Jiangsu, Hubei and Guangdong. Our two brands, namely "Joycome" and "Maverick", cover the processed meat products consumption market in major domestic first-tier cities.

Meat import

Meat import segment includes import of meat products (including pork, beef, poultry and mutton) and by-products and distribution in the PRC. The Company combines imported raw materials with domestic processing capacity and key account service, and provides high value-added products to well-known domestic food processors, large chain catering enterprises, etc.

II. Business Review

1. Market overview

In 2017, the domestic hog price dropped as compared with that of the same period of last year, and the profit margins of the industry narrowed accordingly. Although the price factor is unfavorable, the accelerating trend of transformation and upgrading of pork industry has not been changed. The accelerated upstream large-scale farming expansion and the upgraded downstream consumption have created favorable conditions for the healthy and steady growth of the Company.

Hog price was restrained by slightly increased hog production volume within the year

In 2017, the national sow and hog stocks continued to decrease. However, concentrated hog supply resulting from demolition of hog farms in prohibited areas, together with improving production efficiency leads to a steady rise of the industry output. This year, the country's total hog production volume was 689 million heads and the pork output was 53.4 million tons, increased by 0.5% and 0.8% year-on-year, respectively. This posed a pressure on the increasing of hog price – hog price dropped in the first half of the year, stabilized in the second half of the year, and the annual average price decreased by nearly 20% as compared with that of the previous year.

Strict implementation of environmental protection policies become a norm state, and may provide a long-term support for hog price

The assignment of prohibited areas, and demolition and relocation of hog farms happened frequently in 2017. According to incomplete statistics, over 153,000 farms throughout the country were demolished during the year. The demolition caused slaughtering of some sows and sale of finishing hogs in advance, thereby increasing market supply in short term, but would restrain the growth of hog production capacity in the long run. Strict implementation of follow-up environmental policies will become normal, resulting in further elimination and restriction of non-compliance capacity, which may provide a long-term support for hog price, and thus being conducive to the orderly development of the industry.

The layout of large-scale hog production enterprises is accelerating, further improving the entry barriers to the industry

In recent years, large-scale hog production enterprises with refined management, advanced facilities and adequate capital grew rapidly. The hog production volume CAGR was -1.4% in China from 2015 to 2017, while the leading enterprises expanded with a growth rate of over 20%. Besides the expansion model of integrated farming, they are also in line with the policy of "targeted poverty alleviation" to develop a variety of contract farming models. The development of large-scale farming has raised the entry barrier to the industry, and the backyard farming as outdated production capacity continued to be phased out.

With consumption upgrading, the trend of commercialization show in mid and high-end pork products

In the current age of consumption upgrading, mid and high-income groups are more concerned with food safety and brands, and are willing to pay a premium for safe and nutritious meat products. Although the hog price was weaker during the year, the price of mid and high-end branded pork product remained high. Meanwhile, the continuous emergence of new retail formats (mid and high-end fresh food stores, fresh food e-commerce platforms, community convenience stores, etc.) has also raised the demand for branded pork. The above trend of consumption upgrading is conducive to the rapid development of the Company's branded businesses.

2. Results of operation

The Company's annual results highlights in 2017 are as follows:

	2017	2016	Change
Hog production volume (unit: '000 heads)	**2,226**	1,712	30.0%
Fresh pork sales volume (unit: '000 tons)	**172**	143	20.5%
Branded pork sales volume (unit: '000 tons)	**33**	20	64.5%
Revenue from continuing operations (RMB million)	**6,961**	6,616	5.2%
Hog production	**3,293**	3,150	4.5%
Fresh pork	**2,914**	2,738	6.4%
Processed meat products	**350**	336	4.2%
Meat import	**1,916**	2,034	-5.8%
Ratio of revenue from branded business (%)	**15.6%**	13.2%	2.4 percentage points
Profit for the year of continuing operations (before biological assets fair value adjustments) (RMB million)	**497**	892	-44.3%
Profit attributable to owners of the Company (after biological assets fair value adjustments) (RMB million)	**452**	952	-52.6%

In 2017, although the hog price declined, the Company's core business scale continued to maintain rapid growth, which drove the increase of overall revenue. Except for the slight revenue decrease of meat import segment, which was due to the active control of imported meat volume given the downward price, income of other segments has been all improved to different extents.

In 2017, the Company achieved a profit for the year of RMB497 million from continuing business (before biological assets fair value adjustments), decreasing by RMB395 million as compared with the previous year, mainly because: (1) The profit from hog production business dropped by RMB456 million year-on-year, within which a negative effect of RMB701 million was caused by the year-on-year decrease of 20% in hog price. However, the hog production volume increased by 30% year-on-year, and production cost decreased continuously, which greatly offset the unfavorable impact of the decrease in hog price; (2) The result of the fresh pork segment hit a record high, increasing by RMB78 million year-on-year, and the sales volume of the segment increased by 20% as compared with that of last year (the sales volume of branded fresh pork significantly increased by 65%), resulting in the increase of both the scale and the profit.

Overall, the Company overcame the uncontrollable factors of the decrease in hog price and focused on operation improvements and brand building. As a result, the Company's core businesses continued to maintain rapid growth and the branded businesses developed rapidly with continuous improvements in operation quality.

Hog production business

The hog production segment's annual results highlights in 2017 are as follows:

	2017	2016	Change
Hog production volume (unit: '000 heads)	**2,226**	1,712	30.0%
Segment revenue (RMB million)	**3,293**	3,150	4.5%
Segment result (RMB million)	**554**	1,010	-45.1%
Days to market (calculated with the 100kg standard) (unit: day)	**170**	173	3 days earlier

Increase self-sufficiency ratio of feed, strengthen production management, and continuously reduce production cost

The continuous decline of production costs is mainly due to: (1) accelerating construction of inhouse feed mills and continuously increasing self-sufficiency ratio; (2) centralized purchase of feed ingredients to reduce procurement costs; (3) increasing investment in breeding to improve the performance of commodity hogs from the source; and (4) implementation of "batch production" to improve hog production efficiency.

Pilot contract farming, "two-wheel drive" to accelerate the expansion rate of production capacity

In order to accelerate the construction of hog production capacity, the Company has conducted a pilot project of contract farming in the North since 2016 and also integrated the project with the government's "targeted poverty alleviation" policy. After more than one year's exploration, multiple batches of the hog production through contract farming has achieved satisfactory results. The Company has taken contract farming as an important driving force for the next phase and strove to form a "two-wheel drive" with integrated farming so as to jointly promote the rapid expansion of hog production capacity.

Fresh pork business

The fresh pork segment's annual results highlights in 2017 are as follows:

	2017	2016	Change
Segment sales volume (unit: ’000 tons)	**172**	143	20.5%
Branded fresh pork sales volume (unit: ’000 tons)	**33**	20	64.5%
Number of branded sales terminals (pcs.)	**1,629**	1,327	22.8%
Segment revenue (RMB million)	**2,914**	2,738	6.4%
Ratio of revenue from branded fresh pork	**25.2%**	19.5%	5.7 percentage points
Capacity utilization (%)	**81.2%**	69.4%	11.8 percentage points
Segment result (RMB million)	**89.8**	12.3	633.0%

With simultaneous rise of sales volume and profit, segment performance hit new high

In 2017, the sales volume of fresh pork increased by 20% over the previous year, among which, the sales volume of branded fresh pork significantly increased by 65%, leading to a year-on-year increase of 6 percentage points in ratio of revenue from branded fresh pork. The number of branded sales terminals increased to 1,629 with a year-on-year increase of 23%. Segment results amounted to RMB90 million, significantly increasing by 633% over the previous year. Driven by the branded business, segment gross profit margin increased by 3.6 percentage points over the previous year.

With active launch of on-line and off-line campaigns, sales volume of branded small-pack products in East China doubled

The Company continued to promote the brand positioning of “five checkpoints for product safety and quality assurance from company owned farms” through channels such as television shopping, subway and bus advertisements. More than 2,500 brand promotion activities were carried out in sales terminals and communities. The brand awareness of “Joycome” and consumer loyalty further improved. The Company also cooperated closely with mid and high-end fresh food e-commerce platforms such as FreshHeMa. The branded small-pack products are characterized by safety, freshness, convenience and fine segmentation, which fit well with the demands of new retail channels and mid and high-end consumer groups.

High-end products are being researched and developed to enhance the brand image

In order to further enhance the brand premium and brand image, the fresh pork segment is working closely with the hog production segment to research and develop high-end products. Breeding work is carried out based on meat quality characteristics, such as the color of meat, water retaining capacity, intramuscular fat, etc. Multiple high quality grains are used during the breeding process. Based on test by authority organization, the new product tastes fresh and tender, is rich in various trace elements and is scheduled to be launched in April 2018.

Processed meat products business

The processed meat products segment's annual results highlights in 2017 are as follows:

	2017	2016	Change
Segment sales volume (unit: '000 tons)	**10.7**	9.7	9.9%
Segment revenue (RMB million)	**350**	336	4.2%
Segment gross profit margin (%)	**36.6%**	35.9%	0.7 percentage point
Segment result (RMB million)	**5.5**	8.4	-34.3%

Improve layout of production capacity, optimize channel structure

In 2017, Guangdong Heshan Plant successfully relocated to the new plant. The new plant in Dongtai, Jiangsu province successfully completed its trial production, focusing on deep processing of imported beef and food client service.

Great progress has been made in exploiting the channels of convenience stores. It has expanded a market of a accumulative total of 10,000 outlets, providing various categories of processed meat products to 7-Eleven, LAWSON, C&U, etc. The sales volume through convenience stores has increased by 4 times over the same period of last year.

With intensive study of market demand, develop best sellers

During the year, a total of 104 new stock keeping units were launched, achieving 1,335 tons of new product sales. The Company actively develops popular products. Following the success of "cheese-filled sausage", "chewy meat stick" and other best sellers, we will also make further innovation in product function positioning.

Meat import business

The meat import segment's annual result highlights in 2017 are as follows:

	2017	2016	Change
Segment sales volume (unit: '000 tons)	**85**	107	-20.1%
Segment revenue (RMB million)	**1,916**	2,034	-5.8%
Revenue of beef business (RMB million)	**815**	560	45.6%
Segment result (RMB million)	**37**	79	-53.2%

The sales of beef increased sharply, and the "trading plus processing" model started to bear fruit

In 2017, the domestic and international pork market faced price inversion. The meat import segment focused on high-value products on the basis of risk control, resulting in a decrease in volume but increase in price. After deducting non-operating profits and losses (mainly being the insurance compensation of RMB37 million for the damaged inventory caused by Tianjin Port explosion in 2015 received and confirmed in the same period of last year), the result was basically in line with that of the same period of last year.

Expanding the sales volume of imported beef is a strategic focus of this business. The meat import segment continued to promote the "trading plus processing" model and provided customized products to food and e-commerce channels. The revenue of beef business for the year increased by 45.6% over the same period of last year. In the first half of this year, the Company also successfully imported the first batch of beef from USA to help the development and maintenance of high-value customers.

III. Financial Review

Overall Performance

In 2017, revenue of the Group from continuing operations was RMB6,961 million, representing a year-on-year increase of 5.2% as compared with RMB6,616 million for the same period in 2016. Before the adjustments of fair value of biological assets, the net profit of the Group was RMB497 million, representing a decrease of RMB393 million as compared with RMB890 million for the same period in 2016, with a year-on year decrease of 44.2%.

Revenue

In 2017, revenue of the Group from continuing operations was RMB6,961 million, representing a year-on-year increase of RMB345 million as compared with RMB6,616 million for the same period in last year, mainly benefiting from the effective development of branded business channels and the rapid growth of overall sales volume. Meanwhile, hog production volume recorded a year-on-year increase of 30.0%, which jointly offset the effect from the year-on-year decrease of commodity pig price during the reporting period.

Gross Profit Margin

During the reporting period, the gross profit margin of continuing operations before adjustments of fair value of biological assets decreased from 21.0% to 15.5%, mainly due to the effect of the year-on-year decrease of commodity pig price, which was offset in part by the increased space of overall gross profit of branded business including fresh pork.

Selling and Distribution Expenses/ Administrative Expenses

During the report period, the total selling and distribution expenses and administrative expenses of the continuing operations amounted to RMB502 million, representing a year-on-year increase of 12.1% as compared with RMB448 million for the same period in 2016, mainly due to the increase of branded business investments.

Finance Costs

During the reporting period, the finance costs of continuing operations were RMB81 million, representing a year-on-year decrease of 26.6% as compared with RMB110 million for the same period in last year, which was mainly because that we obtained raised funds (before deducting related listing expenses) of approximately RMB1,704 million in November 2016, and the Company was operating well with adequate operating cash flow in 2017, meanwhile, the Group implemented the centralised management of funds, promoted the efficiency of cash flow and repaid some bank loans in advance.

Other Income, Other Gains and Losses

During the reporting period, other income from continuing operations was RMB84 million, representing an increase of RMB28 million, mainly due to the increase of RMB21 million from interest income of banks and the increase of RMB12 million from government grants (including pig insurance indemnity).

Other gains and losses turned from gains of RMB42 million for the same period in 2016 to losses of RMB80 million during the reporting period, mainly because the volatility in the exchange rates caused exchange losses and fair value losses of foreign exchange forward contract amounting to RMB66 million in total, while the insurance compensation of RMB37 million for the damaged inventory caused by Tianjin Port explosion in 2015 was received and confirmed in the same period in 2016.

Profit/Loss for the Year from Continuing Operations

For the reasons above, the Group recorded a profit of RMB497 million from the continuing operations of the Group before biological assets fair value adjustments during the reporting period, representing a decrease of RMB395 million as compared with RMB892 million for the same period in 2016.

Significant Investments and Significant Acquisitions and Disposals of Subsidiaries

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

Major Financial Ratios

The financial ratios of the Group as at December 31, 2017 and December 31, 2016 are set forth below:

	December 31, 2017	December 31, 2016
Return on equity[(1)]	**9.5%**	26.9%
Return on assets[(2)]	**5.2%**	12.1%
Interest coverage ratio[(3)]	**5.59 times**	8.37 times
Current ratio[(4)]	**1.15**	1.25
Net debt-to-equity ratio[(5)]	**31.5%**	24.4%

Notes:

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

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

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

(4) *Equals current assets divided by current liabilities as at the balance sheet date.*

(5) *Equals total interest-bearing bank loans and loans from the related parties less cash and cash equivalents, divided by total equity as at the balance sheet date and multiplied by 100%.*

Analysis on Capital Resources

Liquidity and Financial Policy

In 2017, by adhering to the steady financial policy, the Group was committed to expanding financing channels externally and strengthening financing capability construction, 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 Group 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 COFCO Finance. 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.

Certain subsidiaries of the Group that are engaged in meat import business or that have foreign currency borrowings may expose us to exchange rate risks mainly related to U.S. dollars. We paid close attention to the volatility in the exchange rates and timely adopted currency forward contracts to hedge the majority of exchange rate risks.

As at December 31, 2017, the cash and cash equivalents owned by the Group amounted to approximately RMB1,185 million (December 31, 2016: approximately RMB1,588 million). The decrease was primarily attributable to expenditures on construction of fixed assets, etc.

As at December 31, 2017, the current ratio was 1.15 (December 31, 2016: 1.25). As at December 31, 2017, our unused bank credit facilities were RMB8,504 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 cash needs as well.

In 2017, the EBITDA (before biological assets fair value adjustments) of the Group's continuing operations was RMB911 million (the same period in 2016: RMB1,263 million). Net cash generated from our operating activities was RMB586 million (the same period in 2016: RMB1,352 million). The net cash used in our investment activities was RMB522 million (the same period in 2016: RMB604 million), including RMB972 million (the same period in 2016: RMB1,044 million) for the purchase of property, plant and equipment. The net cash generated from our financing activities was RMB3 million (the same period in 2016: RMB33 million). In summary, during the reporting period, our net cash has increased by RMB67 million.

Capital Structure

As at December 31, 2017, the total numbers of issued shares of the Company remained unchanged at 3,901,998,323 shares.

As at December 31, 2017, the Group had interest-bearing bank loans of approximately RMB2,300 million (December 31, 2016: approximately RMB2,586 million). The annual interest rate on bank loans ranged from 1.66% to 4.90% (December 31, 2016: from 1.33% to 5.15%). Most of the bank loans were based on floating interest rates.

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

Unit: RMB in million	**December 31, 2017**	December 31, 2016
Within one year	**1,360**	1,737
One to two years	**227**	195
Three to five years	**619**	593
More than five years	**94**	61
Total	**2,300**	2,586

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

Unit: RMB in million	**December 31, 2017**	December 31, 2016
Fixed-rate borrowings	**524**	300
Variable-rate borrowings	**1,776**	2,286
Total	**2,300**	2,586

As at December 31, 2017, the Group had approximately RMB441 million loans from related parties (December 31, 2016: approximately RMB87 million).

As at December 31, 2017, the Group had net assets of approximately RMB4,945 million (December 31, 2016: approximately RMB4,438 million). The net debts of the Group[1] amounted to approximately RMB1,556 million (December 31, 2016: approximately RMB1,085 million), while the net debt to equity ratio was approximately 31.5% (December 31, 2016: approximately 24.4%).

Note:

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

Contingent Liabilities and Pledge of Assets

As at December 31, 2017 and December 31, 2016, the Group had no significant contingent liabilities.

As at December 31, 2017 and December 31, 2016, the Group had no bank loans secured by buildings, land use rights and time deposits of the Group.

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.

In 2017, the Group's capital expenditure was RMB995 million (the same period in 2016: RMB1,064 million). The following table sets forth the capital expenditure for the years indicated:

Unit: RMB in million	**December 31, 2017**	December 31, 2016
Payments for property, plant and equipment	**972**	1,044
Payment for prepayment for lease payments	**22**	19
Payments for other intangible asset	**1**	1
Total	**995**	1,064

As of December 31, 2017, our demand for capital expenditure mainly came from the construction of hog production farms in Hebei Province, Hubei Province, Jilin Province and the Inner Mongolia Autonomous Region.

Capital Commitment

The capital commitment of the Group is mainly related to the construction of hog production farms and other production and ancillary facilities. As of December 31, 2017, the capital commitment of the Group was RMB529 million (December 31, 2016: RMB359 million).

Biological Assets (Continuing Operations)

Biological assets of the Group primarily consist of commodity pigs at various stages of growth and breeding hogs used to create future animals. As at December 31, 2017, we owned 1,431 thousand live hogs in total, which included 1,288 thousand commodity pigs and 143 thousand breeding hogs, representing an increase of 22.2% as compared with 1,171 thousand heads as at December 31, 2016. The fair value of our biological assets was RMB1,566 million as at December 31, 2017 and RMB1,468 million as at December 31, 2016. Our results have been and are expected to be affected by changes in fair value of biological assets.

Our cost of sales is adjusted for changes in fair value of biological assets, with fair value gains increasing our costs of sales and fair value losses decreasing our cost of sales, although the timing of these adjustments 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 in fair value of live hogs for that period less cost of sales; and (ii) changes in fair value less cost of sales of biological assets recognized in the previous period.

In 2017 and 2016, such adjustments have increased our cost of sales by RMB1,021 million and RMB1,339 million, respectively. Additionally, during the reporting period, gains arising from fair value less cost of sales of agricultural products at the point of harvest and from changes in fair value less costs of sales of biological assets resulted in earnings of RMB509 million and RMB460 million, respectively (the same period in 2016: earnings of RMB882 million and RMB512 million, respectively). In general, net effect of biological assets fair value adjustment on profit was losses of RMB52 million during current period and was gains of RMB56 million during the same period in 2016.

IV. Human Resources

The continuing operations of the Group hired 6,172 employees as of December 31, 2017 (December 31, 2016: 5,161 employees). Remuneration for employees was determined according to their job nature, personal performance and the market trends. For the year ended December 31, 2017, total remuneration amounted to approximately RMB580 million (2016: RMB443 million).

The Group adopted a share incentive scheme 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, KKR, Baring, Temasek and Boyu after negotiation. For details, please refer to the prospectus of the Company, our announcement dated March 27, 2017 and the "Share Incentive Scheme and its Updates" part in "Directors' Report" section of this annual report.

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

V. 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:

Price Risks

Price risks refer to the losses of costs increase and profits decrease due to the fluctuation of the purchase price and the sales price. 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 the risk of 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 the risk of 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, especially the prices of live hogs, have had and are 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.

Food safety risks

Food safety risks refer to risks of customer complaints, product recalls and other negative effects resulted from unqualified food quality and safety indicators due to deficient food security system, unsound risk identification and assessment mechanism and unfulfilled food safety control measures and early warning mechanism. To solve possible food safety risks, the Group has formulated standards for quality and safety system, such as, Provisions for the Food Safety Management of COFCO Meat, Standards for Meat Industry Chain of COFCO Group (Fascicule of Livestock Meat Chain Industry), Prohibition on Food Safety of COFCO Meat and Food Safety Responsibility System of COFCO Meat, established management mechanism, carried out quality and safety training and guidance, conducted regular supervision and inspection and evaluated and reviewed the results. All departments strictly comply with relevant standards and actively prevent food safety risks. To solve food safety risks, the Group has defined that the decisive department of risk management of food safety is the Quality and Safety Management Department, and has formulated the early warming indicators and bottom line indicators. The Group does not have any significant concentration of food safety risks in 2017.

Safe production risks

Safe production risks refer to risks of safety accidents, interrupted operation or tarnished corporate reputation due to lack of sound safety management system and preventive measures. The Group has formulated Measures for Administration of Production Safety Accidents of COFCO Meat and Comprehensive Emergency Plans for Production Safety Accidents of COFCO Meat to standardize management and implement accidents prevention. The Group has defined that the decisive department of risk management of safe production is the Quality and Safety Management Department, and has formulated the early warming indicators and bottom line indicators. The Quality and Safety Management Department organizes all grassroots enterprises to conduct all-round risk identification and to identify the safety risks in the enterprise production and operation; to evaluate and classify the identified risks and formulate corresponding management and control measures; to formulate special risk prevention and control measures for major risks; to organize all grassroots enterprises to perfect inspection system, organize regular safety inspection and confirm the effectiveness of risk management and control measures. The Company also conducts regular supervision and inspection to evaluate the operation of management system and risk management and control and promote the improvement and development of grassroots enterprises. The Group does not have any significant concentration of safe production risks in 2017.

Environmental protection risks

Environmental protection risks refer to risks of property loss and bad influence on enterprise image due to environmental pollution resulted from unstable production, deficient environmental protection facilities and excessive emission of pollutants. To solve environmental protection risks, the Group has formulated Regulations of Administration on Energy Conservation and Emission Reduction of COFCO Meat, Energy Conservation and Emission Reduction Responsibility System of COFCO Meat and Emergency Plans for Environmental Pollution Accidents of COFCO Meat, which defined the requirements of environmental protection compliance and standardized the management of environmental pollution accidents to effectively carry out environmental protection risk prevention. The Group has defined that the decisive department of risk management of environmental protection risks is the Quality and Safety Management Department, and has formulated the early warming indicators and bottom line indicators. In 2017, the Quality and Safety Management Department regularly carried out environmental inspection, systematically checked the environmental protection problems of each unit, followed up the implementation of rectifications to sort environmental compliance issues of each unit, organized all units to carry out compliance rectifications, and established environmental risk warning and monitoring system to timely find and warn environmental protection risks early and to effectively implement the responsibility of environmental protection.

Competition risks

Competitive risks refer to the loss of decrease in market share and return rate due to the change of competitive environment. The Group controls competition risks mainly by decreasing costs and increasing benefits, coordinating upstream and downstream relationship of industrial chain and enhancing enterprise's competitive edge. In the current complex and competitive market environment, the Group always maintains a sense of crisis and actively seizes the initiative of market competition. Firstly, all departments are highly concerned about changes of market environment and make decisions to response and adjust in a timely and decisive manner. Secondly, all departments pay attention to the information, such as, product category, price information, market occupation, salesman distribution and main sales channels of competitors in the same industry every day, analyze their marketing strategies according to the basic information collected and actual situation of competitors and develop targeted marketing programs to achieve further increase of market share. Thirdly, the Group attaches great importance to the consumption experience of terminal customers, actively carries out market researches to survey consumer satisfaction, and improves product quality and service quality according to consumers' feedback.

VI. The Outlook

At present, opportunities and challenges coexist in China's pork industry: accelerating industrial transformation and upgrading creates brilliant future for leading enterprises in the industry; meanwhile it faces severe challenges such as environmental requirements, land scarcity and talent cultivation. In 2018, the Company will focus on the following tasks:

First, continue to accelerate the strategic layout. Expand integrated farming capacity and promote contract farming; and implement the site selection and construction of fresh pork factories in North China and Central China, thus matching upstream and downstream production capacity.

Second, improve quality and efficiency. Continue to improve production efficiency, reduce production costs and establish core strengths.

Third, vigorously develop branded business, and transform high-quality hogs into high-premium pork products.

We believe that the Company will achieve better performance and create greater value for shareholders with the implementation of the above measures.

Biographies of Directors and Senior Management

Board of Directors

The Board consists of twelve Directors, of whom two are executive Directors, six are non-executive Directors and the remaining four are independent non-executive Directors.

JIANG Guojin[1]
Chairman of the Board and Executive Director

Mr. JIANG Guojin (江國金), aged 50, was appointed as an executive Director and the Chairman of the Board on January 4, 2018. Mr. Jiang joined COFCO Group in 1989 and was the general manager of COFCO Malt (Dalian) Co., Ltd. from December 1995 to August 2000, the general manager of the malt division of China Foods (Beijing) Company from August 2000 to December 2007 and a deputy general manager and the general manager of the brewing materials division of China Agri (a company listed on the Stock Exchange, stock code: 606) from December 2007 to July 2008. Mr. Jiang served as the general manager of COFCO Meat Investments from July 2008 to September 2013. Mr. Jiang was the Managing Director and an executive director of China Foods Limited (a company listed on the Stock Exchange, stock code: 506) from September 2013 to December 2017. Mr. Jiang serves as the chairman of the board of Jiugui Liquor Co., Ltd. (a company listed on Shenzhen Stock Exchange, stock code: 799) from January 2016 to February 2018.

Mr. Jiang graduated from Beijing Institute of Light Industry (北京輕工業學院) (now Beijing Technology and Business University (北京工商大學)) with a Bachelor's degree in engineering and holds a degree of Executive Master of Business Administration from China Europe International Business School and has extensive experience in food, oil and meat as well as brand business and general management of enterprise.

XU Jianong
Executive Director

Mr. XU Jianong (徐稼農), aged 53, 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 26 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.

Note:

1. *As at January 4, 2018, Mr. Ma Jianping resigned as the Chairman of the Board and a non-executive Director of the Company due to his other business commitments that require more of his dedication, and Mr. Jiang Guojin was appointed as an executive Director of the Company and the Chairman of the Board. For details, please refer to the announcement of the Company dated January 4, 2018.*

YANG Hong

Non-executive Director

Ms. YANG Hong (楊 紅), aged 51, 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 an executive director of China Agri (a company listed on the Stock Exchange, stock code: 606). 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, and served as the chairlady of Tully Sugar Limited (塔裡糖業有限公司). She has over 26 years' experience in sugar business and has extensive experience in enterprise management.

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

WOLHARDT Julian Juul

Non-executive Director

Mr. WOLHARDT Julian Juul, aged 44, 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.

Mr. Wolhardt is currently the CEO of DCP Advisors, Limited. (德弘資本集團) focusing on private equity transactions in the Greater China region. Prior to founding DCP Advisors, Limited. 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 55, 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.

ZHOU Qi
Non-executive Director

Mr. ZHOU Qi (周奇), aged 36, 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. Afterwards, Mr. Zhou also received his master's degree in accounting from Tsinghua University in July 2005.

ZHANG Lei[1]
Non-executive Director

Mr. ZHANG Lei (張磊), aged 37, was appointed as a non-executive Director on December 12, 2017. Mr. Zhang is primarily responsible for assisting the Chairman of the Board and the Managing Director in formulating the corporate and business strategies and making major corporate and operational decisions of the Company.

Mr. Zhang joined Haier Financial Services China Co., Ltd.* (海爾融資租賃(中國)有限公司) ("**Haier Financial**") (principally engaged in the provision of integrated financial services, technology exchange services, management consulting services and diverse resource integration services) in 2015 and currently serves as the chief executive officer of Haier Financial. Mr. Zhang has extensive experiences in strategic planning, business management, financial innovation, financial internationalisation and financial lease. Prior to joining Haier Financial, in 2007, Mr. Zhang joined Zoomlion Financial Services Co., Ltd.* (中聯重科金融服務公司), a subsidiary of Zoomlion Heavy Industry Science and Technology Co., Ltd.* (中聯重科股份有限公司), a company listed on the Shenzhen Stock Exchange and the Stock Exchange respectively, its respective stock code being SZ.000157 and HK.01157, and served as deputy general manager from 2012 to 2015. He is one of the founders of Zoomlion Financial Services Co., Ltd., the founder of Zoomlion Global Financial Services System (Offshore)* (中聯重科全球金融服務體系(境外)) and a pioneer of leading local finance leasing companies in China to truly "Go Global".

Mr. Zhang obtained a bachelor's degree in business administration at Hebei University of Technology (河北工業大學) in July 2003 and subsequently obtained a master's degree in business administration at Nankai University (南開大學) in July 2006.

HUANG Juhui[1]
Non-executive Director

Dr. HUANG Juhui (黃菊輝), aged 52, was appointed as a non-executive Director on December 12, 2017. Dr. Huang is primarily responsible for assisting the Chairman of the Board and the Managing Director in formulating the corporate and business strategies and making major corporate and operational decisions of the Company.

Dr. Huang serves as vice president of public affairs, Greater China for BRF S.A. (a company listed on the New York Stock Exchange and the Brazilian Stock Exchange respectively, its respective stock code being BRFS and BRFS3) since January 2017. Dr. Huang worked at the Green Food Development Center of China's Ministry of Agriculture from July 1994 to September 1996, and subsequently held senior positions on government affairs and business development in large multinational agriculture and food companies. He has over 20 years' experience in management in agriculture and food-related industries. Prior to joining BRF S.A., he served as senior director of government relations and chief representative of Beijing Representative Office for Archer Daniels Midland Company (a company listed on the New York Stock Exchange, its stock code being ADM) from January 2011 to December 2016. He also served as vice president of government affairs at the R&D-based Pharmaceutical Industry Association Committee under the China Association of Enterprises with Foreign Investment from November 2008 to December 2009, and director of government affairs and business development at Cargill Inc. from March 2003 to October 2008. He held positions as manager of biotechnology regulatory affairs and senior manager of government relations at Syngenta AG (a company listed on the New York Stock Exchange and the Swiss Stock Exchange respectively, its respective stock code being SYT and SYNN) and its predecessor Zeneca Agrochemicals from October 1996 to October 2002. Currently, he is also a co-chair of the Agricultural Forum of American Chamber of Commerce in China and one of the founders of US-China Agriculture and Food Partnership.

Dr. Huang graduated from China Agricultural University (中國農業大學) with a doctorate in agronomy in July 1994. He also obtained a master's degree in agronomy at Southwest University (西南大學) in July 1988 and a bachelor's degree of agronomy at Hunan Agricultural University (湖南農業大學) in July 1985.

Note:

1. *As at December 12, 2017, Mr. Xu Yang and Dr. Wu Hai resigned as non-executive Directors of the Company due to their other business commitments that require more of their dedication, and Mr. Zhang Lei and Dr. Huang Juhui were appointed as non-executive Directors of the Company. For details, please refer to the announcement of the Company dated December 12, 2017.*

CHEN Huanchun
Independent Non-Executive Director

Dr. CHEN Huanchun (陳煥春), aged 64, was appointed as an independent non-executive Director on May 23, 2016. Dr. Chen has been holding 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 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 been an academician at the Chinese Academy of Engineering (中國工程院) since December 2003, 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 October 2016.

FU Tingmei
Independent Non-Executive Director

Mr. FU Tingmei (傅廷美), aged 51, 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). From July 2008 to June 2017, Mr. Fu served as an independent non-executive director in Beijing Enterprises Holdings Limited (北京控股有限公司) (a company listed on the Stock Exchange, stock code: 392). 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), 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), China Resources Pharmaceutical Group Limited (華潤醫藥集團有限公司) (a company listed on the Stock Exchange, stock code: 3320) 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 Director

Mr. LI Michael Hankin (李恆健), aged 53, was appointed as an independent non-executive Director on May 23, 2016. He has more than 21 years' experience in financial and accounting matters, fundraising, mergers and acquisitions, restructuring and international business development. Mr. Li has been an independent non-executive director of Huiyin Smart Community Co., Ltd. (匯銀智慧社區有限公司) (a company listed on the Stock Exchange, stock code: 1280) since August 2017, a director of Banro Corporation, which entered into support agreements with major stock holders to support the recapitalization plan (for details, please refer to the announcement of the Company dated March 7, 2018), since April 2017. 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. 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 is currently the deputy general manager of Shougang Concord Grand (Group) Limited (首長四方(集團)有限公司) (a company listed on the Stock Exchange, stock code: 730)

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

LEE Ted Tak Tai[1]

Independent Non-Executive Director

Mr. LEE Ted Tak Tai (李德泰), aged 67, was appointed as an independent non-executive Director on December 12, 2017. Mr. Lee has a long history of providing advice on cross border investments, mergers and acquisitions, and has extensive experience in providing audit and accounting services to international and multinational companies in China and the United States. Mr. Lee is currently the Managing Director of T Plus Capital Limited which primarily engages in the provision of strategic, financial and business development advisory services in China. Mr. Lee is currently also an independent non-executive director of Daphne International Holdings Limited (a company listed on the Stock Exchange, stock code: 210), ENM Holdings Limited (a company listed on the Stock Exchange, stock code: 128) and East West Bank (China) Limited (a wholly-owned China subsidiary of East West Bancorp listed on NASDAQ). Mr. Lee had also served as an executive director at Prax Capital, a private equity firm specializing in China-focused investments. Mr. Lee is a US certified public accountant (inactive) and was a senior partner at Deloitte, where he worked for over 30 years both in the United States and Asia prior to his retirement from the firm in 2007.

Mr. Lee graduated from California State University, Fresno with a bachelor's degree in accounting and obtained an MBA degree from University of Southern California.

Note:

1. *As at December 12, 2017, Mr. Wu Chi Keung resigned as an independent non-executive Director of the Company due to his other business commitments that require more of his dedication, and Mr. Lee Ted Tak Tai was appointed as an independent non-executive Director of the Company. For details, please refer to the announcement of the Company dated December 12, 2017.*

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 53, 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.

LI Zhili

Mr. LI Zhili (李志利), aged 55, serves as a deputy general manager of the Company and general manager of the hog production division. Mr. Li joined COFCO since April 1996 and has successively served as engineer, department manager, assistant general manager, deputy general manager and Deputy Managing Director of COFCO Malt (Dalian) Co., Ltd. He served as the general manager of COFCO Malt (Jiangyin) Co., Ltd. from June 2005 to August 2006. He served as the deputy general manager of brewing materials division of China Cereals, Oils and Foodstuffs (Group) Company Limited from August 2006 to May 2009. Since May 2009, Mr. Li has joined COFCO Meat as a general manager of engineering and production management division and has been the deputy general manager of COFCO Meat since January 2011. Mr. Li has served as the general manager of the hog production division of COFCO Meat since August 2017.

Mr. Li obtained a bachelor's degree of engineering in Mechanical Technology and Equipment from Beijing Institute of Technology (北京理工大學) in September 1990.

LI Lei

Mr. LI Lei (李雷), aged 36, is the chief financial officer of the Company and is primarily responsible for the relevant matters on 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 and was appointed as assistant to general manager of the Company in May 2017. Mr. Li has over 11 years of professional 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 and master's degree in business administration from Tsinghua University (清華大學) in June 2017.

LI Zhengfang

Ms. LI Zhengfang (李正芳), aged 43, was appointed as the general manager of the Company's international trading division on January 17, 2018. 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, and was appointed as a deputy general manger (executive) of the international trading division of the Company on April 27, 2016. Ms. Li has extensive experience in meat trade and procurement. Prior to the above, Ms. Li served as a clerk at business division No. 1 of COFCO Meat and Poultry Import and Export Co., Ltd. (中糧畜禽肉食進出口公司) and 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 36, was appointed as the general manager of strategy department in May 2017 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, 2017, 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, 2017.

Corporate Governance

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 maintain 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 for the year ended December 31, 2017.

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 for the year ended December 31, 2017.

The Board

1. Roles and Responsibilities

For the year ended December 31, 2017, the Board, led by the former 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, 2017 and up to the date of this annual report are as follows:

Chairman and Executive Director:

Mr. JIANG Guojin *(appointed on January 4, 2018; Chairman of the Board and chairman of the Nomination Committee and member of the Remuneration Committee)*

Executive Director:

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

Former Chairman and Non-executive Director:

Mr. MA Jianping *(resigned since January 4, 2018; former Chairman of the Board and chairman of the Nomination Committee and member of the Remuneration Committee)*

Non-executive Directors:

Mr. XU Yang *(resigned since December 12, 2017)*

Mr. WOLHARDT Julian Juul

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

Dr. WU Hai *(resigned since December 12, 2017; former member of the Food Safety Committee)*

Mr. ZHOU Qi

Ms. YANG Hong

Mr. ZHANG Lei *(appointed on December 12, 2017)*

Dr. HUANG Juhui *(appointed on December 12, 2017; member of the Food Safety Committee)*

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 and appointed as member of the Audit Committee on December 12, 2017)*

Mr. WU Chi Keung *(resigned since December 12, 2017; former chairman of the Audit Committee and former member of the Remuneration Committee)*

Mr. LEE Ted Tak Tai *(appointed on December 12, 2017; 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. For the year ended December 31, 2017 and currently, Chairman of the Board and Managing Director (namely, the chief executive officer of the Company) are two independent positions, and have specific scope of powers and functions, held by Mr. Ma Jianping (currently by Mr. Jiang Guojin) as the Chairman of the Board and Mr. Xu Jianong as the Managing Director, respectively during 2017. 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

As at 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 or the date of appointment (as the case may be), 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 or the date of appointment (as the case may be), the term shall be automatically renewed for one year upon expiry of the term. 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 Shareholders' meeting during the year ended December 31, 2017 and up to the date of this annual report is set out in the following table:

	Number of meetings present in person or by proxies/The number of meeting													
Directors	Board Meeting		Audit Committee Meeting		Remuneration Committee Meeting		Nomination Committee Meeting		Food Safety Committee Meeting		Extraordinary General Meeting		Annual 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	Number of meetings present in person/The number of meetings	Number of meetings present by proxy/The number of meetings
Mr. Ma Jianping[1]	7/8	1/8	N/A	N/A	2/2	0/2	2/2	0/2	N/A	N/A	1/1	0/1	1/1	0/1
Mr. Jiang Guojin[2]	2/2	0/2	N/A	N/A	1/1	0/1	1/1	0/1	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Xu Jianong	10/10	0/10	N/A	N/A	N/A	N/A	N/A	N/A	2/2	0/2	1/1	0/1	1/1	0/1
Ms. Yang Hong	10/10	0/10	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1/1	0/1	1/1	0/1
Mr. Xu Yang[3]	6/7	0/7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1/1	0/1	1/1	0/1
Mr. Wolhardt Julian Juul	9/10	0/10	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0/1	0/1	1/1	0/1
Dr. Cui Guiyong	7/10	2/10	3/4	0/4	N/A	N/A	N/A	N/A	N/A	N/A	0/1	0/1	1/1	0/1
Dr. Wu Hai[4]	5/7	0/7	N/A	N/A	N/A	N/A	N/A	N/A	1/1	0/1	0/1	0/1	0/1	0/1
Mr. Zhou Qi	9/10	0/10	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1/1	0/1	1/1	0/1
Mr. Zhang Lei[5]	2/3	0/3	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dr. Huang Juhui[6]	3/3	0/3	N/A	N/A	N/A	N/A	N/A	N/A	1/1	0/1	N/A	N/A	N/A	N/A
Dr. Chen Huanchun	6/10	1/10	N/A	N/A	N/A	N/A	3/3	0/3	1/2	1/2	0/1	0/1	1/1	0/1
Mr. Fu Tingmei	10/10	0/10	4/4	0/4	N/A	N/A	3/3	0/3	N/A	N/A	1/1	0/1	1/1	0/1
Mr. Li Michael Hankin[7]	10/10	0/10	1/1	0/1	3/3	0/3	N/A	N/A	N/A	N/A	1/1	0/1	1/1	0/1
Mr. Wu Chi Keung[8]	7/7	0/7	3/3	0/3	2/2	0/2	N/A	N/A	N/A	N/A	1/1	0/1	1/1	0/1
Mr. Lee Ted Tak Tai[9]	3/3	0/3	1/1	0/1	1/1	0/1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1. *Mr. Ma Jianping resigned as the Chairman of the Board and a non-executive Director of the Company, and ceased to be the chairman and a member of the Nomination Committee and a member of the Remuneration Committee since January 4, 2018.*

2. *Mr. Jiang Guojin was appointed as an executive Director of the Company, the Chairman of the Board, a member and the chairman of the Nomination Committee and a member of the Remuneration Committee on January 4, 2018.*

3. *Mr. Xu Yang resigned as a non-executive Director of the Company since December 12, 2017.*

4. *Dr. Wu Hai resigned as a non-executive Director of the Company, and ceased to be a member of the Food Safety Committee since December 12, 2017.*

5. *Mr. Zhang Lei was appointed as a non-executive Director of the Company on December 12, 2017.*

6. *Dr. Huang Juhui was appointed as a non-executive Director of the Company and a member of the Food Safety Committee on December 12, 2017.*

7. *Mr. Li Michael Hankin was appointed as a member of the Audit Committee on December 12, 2017.*

8. *Mr. Wu Chi Keung resigned as an independent non-executive Director of the Company, and ceased to be the chairman and a member of the Audit Committee and a member of the Remuneration Committee since December 12, 2017.*

9. *Mr. Lee Ted Tak Tai was appointed as an independent non-executive Director of the Company, a member and the chairman of the Audit Committee and a member of the Remuneration Committee on December 12, 2017.*

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 Directors are provided with reading materials on corporate governance and the latest developments on the relevant laws, rules and regulations.

The Directors participated in the following trainings for the year ended December 31, 2017 and up to the date of this annual report:

Name of Director	Continuous Professional Development Attending briefings, seminars, conference and/or reading materials relevant to director's duties and responsibilities
Former Chairman of the Board and Non-executive Director	
Mr. Ma Jianping *(resigned since January 4, 2018)*	✓
Chairman of the Board and Executive Director:	
Mr. Jiang Guojin *(appointed on January 4, 2018)*	✓
Executive Director	
Mr. Xu Jianong	✓
Non-executive Directors	
Ms. Yang Hong	✓
Mr. Xu Yang *(resigned since December 12, 2017)*	✓
Mr. WOLHARDT Julian Juul	✓
Dr. Cui Guiyong	✓
Dr. Wu Hai *(resigned since December 12, 2017)*	✓
Mr. Zhou Qi	✓
Mr. Zhang Lei *(appointed on December 12, 2017)*	✓
Dr. Huang Juhui *(appointed on December 12, 2017)*	✓
Independent Non-executive Directors	
Dr. Chen Huanchun	✓
Mr. Fu Tingmei	✓
Mr. Li Michael Hankin	✓
Mr. Wu Chi Keung *(resigned since December 12, 2017)*	✓
Mr. Lee Ted Tak Tai *(appointed on December 12, 2017)*	✓

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

Mr. Wu Chi Keung resigned as an independent non-executive Director of the Company and ceased to be the chairman and a member of the Audit Committee since December 12, 2017. Mr. Lee Ted Tak Tai was appointed as an independent non-executive Director, a member and the chairman of the Audit Committee on December 12, 2017. Mr. Li Michael Hankin, an independent non-executive director of the Company, was appointed as a member of the Audit Committee on December 12, 2017. The Audit Committee currently comprises one non-executive Director and three independent non-executive Directors, namely Mr. Lee Ted Tak Tai, Mr. Fu Tingmei, Dr. Cui Guiyong and Mr. Li Michael Hankin. Mr. Lee Ted Tak Tai was the chairman of the Audit Committee and a US certified public accountant (inactive), who has professional qualifications in accountancy. The Audit Committee held a total of four meetings during the year ended December 31, 2017 and up 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.

During the year ended December 31, 2017 and up 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

Mr. Ma Jianping resigned as chairman of the Board and a non-executive Director of the Company and ceased to be the chairman and a member of the Nomination Committee since January 4, 2018. Mr. Jiang Guojin was appointed as an executive Director of the Company, the chairman of the Board, and a member and the chairman of the Nomination Committee on January 4, 2018. The Nomination Committee currently comprises three members, namely Mr. Jiang Guojin, being a Chairman of the Board and executive Director, and two independent non-executive Directors, namely Dr. Chen Huanchun and Mr. Fu Tingmei. Mr. Jiang Guojin is the chairman of the committee. The Nomination Committee held a total of three meetings during the year ended December 31, 2017 and up 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. During the year ended December 31, 2017 and up 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

Mr. Wu Chi Keung resigned as an independent non-executive Director of the Company, and ceased to be a member of the Remuneration Committee since December 12, 2017. Mr. Lee Ted Tak Tai was appointed as an independent non-executive Director of the Company and a member of the Remuneration Committee on December 12, 2017. Mr. Ma Jianping resigned as the Chairman of the Board and a non-executive Director of the Company, and ceased to be a member of the Remuneration Committee since January 4, 2018. Mr. Jiang Guojin was appointed as an executive Director of the Company, the Chairman of the Board, and a member of the Remuneration Committee on January 4, 2018. The Remuneration Committee currently comprises three members, namely Mr. Jiang Guojin, being the Chairman of the Board and executive Director and two independent non-executive Directors, namely Mr. Li Michael Hankin and Mr. Lee Ted Tak Tai. Mr. Li Michael Hankin is the chairman of the committee. The Remuneration Committee held a total of three meetings during the year ended December 31, 2017 and up 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".

During the year ended December 31, 2017 and up 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 2017 are set out in Note 13 to the consolidated financial statements. The emoluments paid or payable to senior management during the year 2017 were within the following bands:

RMB yuan	**Number of Senior Management**
0 – 500,000	0
500,001 – 1,000,000	1
1,000,001 – 1,500,000	3
1,500,001 – 2,000,000	2
Over 2,000,000	1

4. Food Safety Committee

Dr. Wu Hai resigned as a non-executive Director of the Company and ceased to be a member of the Food Safety Committee since December 12, 2017. Dr. Huang Juhui was appointed as a non-executive Director of the Company and a member of the Food Safety Committee on December 12, 2017. The Food Safety Committee currently comprises three members, namely Mr. Xu Jianong, being an executive Director, Dr. Huang Juhui, 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 of two meetings relating to the effective control of food quality and safety during the year ended December 31, 2017 and up 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 year ended December 31, 2017, Dr. Zhang Nan has taken not less than 15 hours of relevant professional training.

During the year ended December 31, 2017, 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, 2017 is set out in the Independent Auditor's Report on page 78 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, Hong Kong Listing Rules, Corporate Governance Code, Internal Control 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 significant 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;

- On its own initiative or as delegated by the Board, research any major findings of investigations on 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 the internal audit function in the Company, and review and supervise whether the internal audit function 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 supervision 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 of the Company, which covers all risks occurring in operation and management. Moreover, it focuses the management on key risks.

Every year, the Company take steps such as holding 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 2017, in accordance with the Comprehensive Risk Management Guidance for Central Enterprise of State-owned Assets Supervision and Administration Commission of the State Council and the requirements of COFCO Group's risk control work, the Company organized comprehensive risk management works and compiled Comprehensive Risk Management Report of COFCO Meat. The management of the Company strengthened monitoring and management of key risks. The Audit and Supervision Department was responsible for organizing and conducting comprehensive risk management work at the company level. Various risk gateway departments were responsible for supervising the implementation of risk management work in each business segment. Various business segments were responsible for implementing specific risk management work including risk identification, risk assessment, risk control, risk events response and risk management strategy formulation, and took primary responsibility for risk events in each business segment.

At the beginning of 2017, the Audit and Supervision Department of the Company organised all departments to conduct comprehensive risk assessment work, the scope of which covered all business departments and functional departments of COFCO Meat. Various departments scored 74 risks from two dimensions, which are the possibility of occurrence and the impact extent, respectively. The Audit and Supervision Department summarized and ranked the score results on the basis of the collected score results of various departments and senior management of the Company. The top ten most risky risks were identified as major risks in 2017, and the risk assessment results were submitted to senior management for review and approval according to procedures. Upon the approval of senior management, major risks of the Company in 2017 were eventually determined. For details, please refer to the Management Discussion and Analysis section of this annual report.

After identifying major risks in 2017, the Audit and Supervision Department organized all risk-related departments to conduct risk analysis on key all risks, identify the relevant gateway departments and the departments responsible for major risks, and determine various risk management strategies based on risk characteristics and risk preferences, set key risk indicators (KRI) corresponding to various types of risks and formulate risk solutions so that key risks could be effectively controlled.

Various departments of the Company actively carried out risk prevention and control work, focused on major risk supervision, so that all major risks were under control, and we achieved good results in comprehensive risk management work.

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 2017, the Audit and Supervision Department of the Company actively conducted risk and problem-oriented internal audit according to the work requirements of relevant regulatory institutions, and compiled the Internal Control Evaluation Report for 2017. A total of 14 projects of internal audit were carried out throughout the year, including eight audit projects and six internal control evaluation projects; the audit projects included four economic responsibility audits and four infrastructure construction audits; the internal control evaluation projects covered 14 business procedures including sales operations, production management, procurement operations, fixed assets and intangible assets. Internal audit has generally covered the main aspects of the Company's operating, management without material omission. For various audit problems and internal control defects found in the internal audit process, the Audit and Supervision Department regularly followed up and propelled the rectifications made by the audited entity.

By conducting internal control evaluation and internal audit, the Company evaluated the operation mode and management status of the business segments and various 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 reviews 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 proper 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 Group did not change auditor in the last three years.

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, 2017, 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	650

Note: The non-audit services mainly related to services rendered for interim review 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 the general 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, Chairmen 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 the general 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 Company 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 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 the 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

There was no change to the Company's memorandum and Articles of Association during the year ended December 31, 2017. 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, 2017.

During the year ended December 31, 2017 and up to the date of this report, the members of the Board are as follows:

Chairman and Executive Director:
Mr. Jiang Guojin[1]

Executive Director:
Mr. Xu Jianong

Former Chairman and Non-executive Director:
Mr. Ma Jianping[1]

Non-executive Directors:
Mr. Xu Yang[2]
Mr. Wolhardt Julian Juul
Dr. Cui Guiyong
Dr. Wu Hai[2]
Mr. Zhou Qi
Ms. Yang Hong
Mr. Zhang Lei[2]
Dr. Huang Juhui[2]

Independent Non-executive Directors:
Dr. Chen Huanchun
Mr. Fu Tingmei
Mr. Li Michael Hankin
Mr. Wu Chi Keung[3]
Mr. Lee Ted Tak Tai[3]

Analysis of Principal Activities and Operations

The principal business of the Group is investment holding, feed production, hog production, slaughtering and cutting, production, distribution and sale of fresh pork and processed meat products, import and distribution of meat products (including pork, beef, poultry and mutton).

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

As at the date of this annual report, the Group had no material subsequent events happened after December 31, 2017 which need to be disclosed.

Analysis of Key Financial Indicators

An analysis of the Group's performance during the year using financial key performance indicators is provided in the section headed "Management Discussion and Analysis" 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 in 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 Schedule 5 of Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including a fair review of the Group's business, a discussion of major risks and uncertainties to which the Group is exposed as well as an indication 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.

Financial Risk Management Objectives and Policies

The financial risk management objectives and policies of the Group is set out in note 49 to the consolidated financial statements.

Results

Results of the Group for the year ended December 31, 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 81 of this report.

Dividend

The Board does not recommend to declare any dividend for the year ended December 31, 2017.

Notes:

1. *Mr. Ma Jianping resigned as the Chairman of the Board and a non-executive Director of the Company on January 4, 2018. On the same day, Mr. Jiang Guojin was appointed as an executive Director and the Chairman of the Board of the Company.*

2. *Mr. Xu Yang and Dr. Wu Hai resigned as non-executive Directors of the Company on December 12, 2017. On the same day, Mr. Zhang Lei and Dr. Huang Juhui were appointed as non-executive Directors of the Company.*

3. *Mr. Wu Chi Keung resigned as an independent non-executive Director of the Company on December 12, 2017. On the same day, Mr. Lee Ted Tak Tai was appointed as an independent non-executive Director of the Company.*

Share Capital
There were no movements in the Company's registered or issued share capital during the year ended December 31, 2017.

Use of Proceeds
After deducting the underwriting expenses and other related expenses payable 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, 2017, we have used the proceeds for the following purposes as disclosed in the Prospectus:

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

Share Premium and Reserves
Movements in the share premium and reserves of the Group during the year are set out on page 85 to the consolidated statement of changes in equity.

Distributable Reserves
The Company's total distributable reserves as at December 31, 2017 amounted to RMB1,851 million.

Donations
Charitable donations made by the Group during 2017 was approximately RMB388,268 (2016: RMB747).

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.

Borrowings and Capitalization of Interests
Details of borrowings are set out in Note 33 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 five financial years is 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, 2017, 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, 2017, there was no material and substantial 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 the section headed "Human Resources" under "Financial Review".

Details of the retirement benefit scheme for the year ended December 31, 2017 are set out in Note 43 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 year ended December 31, 2017.

Permitted Indemnity
During the year ended December 31, 2017, 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 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 during the year ended December 31, 2017.

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, 2017, 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

The changes in the Board and Director's information since the date of the Company's 2017 interim report are set out below:

1. Mr. Xu Yang resigned as a non-executive Director of the Company since December 12, 2017;

2. Dr. Wu Hai resigned as a non-executive Director of the Company, and ceased to be a member of the Food Safety Committee since December 12, 2017;

3. Mr. Wu Chi Keung resigned as an independent non-executive Director of the Company, and ceased to be the chairman and a member of the Audit Committee and a member of the Remuneration Committee since December 12, 2017;

4. Mr. Zhang Lei was appointed as a non-executive Director of the Company on December 12, 2017;

5. Dr. Huang Juhui was appointed as a non-executive Director of the Company and a member of the Food Safety Committee on December 12, 2017;

6. Mr. Lee Ted Tak Tai was appointed as an independent non-executive Director of the Company, a member and the chairman of the Audit Committee and a member of the Remuneration Committee on December 12, 2017;

7. Mr. Li Michael Hankin was appointed as a member of the Audit Committee on December 12, 2017;

8. Mr. Ma Jianping resigned as the Chairman of the Board and a non-executive Director of the Company, and ceased to be the chairman and a member of the Nomination Committee and a member of the Remuneration Committee since January 4, 2018;

9. Mr. Jiang Guojin was appointed as an executive Director of the Company, the Chairman of the Board, a member and the chairman of the Nomination Committee and a member of the Remuneration Committee on January 4, 2018;

10. Mr. Jiang Guojin resigned as the chairman of the board of Jiugui Liquor Co., Ltd. (a company listed on Shenzhen Stock Exchange, stock code: 799) in February 2018; and

11. Mr. Li Michael Hankin is currently the deputy general manager of Shougang Concord Grand (Group) Limited (首長四方(集團)有限公司) (a company listed on the Stock Exchange, stock code: 730). Since April 2017, Mr. Li has been a director of Banro Corporation, which entered into support agreements with major stock holders to support the recapitalization plan. For details, please refer to the announcement of the Company dated March 7, 2018.

Save as disclosed above, there has been no change in information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Disclosure of Interests

1. Directors

As of December 31, 2017, 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	5,071,599	0.13%
Wolhardt Julian Juul[1]	Interest in controlled corporation	267,416,029	6.85%

Note:

1. *These shares are held by Gourmet Bravo Ltd. which is wholly-owned by Epicure Bravo Ltd. Epicure Bravo Ltd. is wholly-owned by DCP Partners Limited which is wholly-owned by DCP, Ltd. Wolhardt Julian Juul owns 50% shareholding of DCP, Ltd. Wolhardt Julian Juul is deemed to be interested in the shares held by Gourmet Bravo Ltd. under the SFO.*

Save as disclosed above, as at December 31, 2017, 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, 2017, 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	515,207,058	13.20%
Itoham Yonekyu Holdings	*(1)&(4)*	Interest in controlled corporation	515,207,058	13.20%
Mitsubishi	*(1)&(4)*	Interest in controlled corporation	515,207,058	13.20%
KKR	*(1),(5)&(9)*	Beneficial owner	567,721,276	14.55%
Promise Meat Investment I Ltd.	*(1),(5)&(9)*	Interest in controlled corporation	567,721,276	14.55%
KKR Asian Fund II L.P.	*(1),(5)&(9)*	Interest in controlled corporation	567,721,276	14.55%
KKR Associates Asia II L.P.	*(1),(5)&(9)*	Interest in controlled corporation	567,721,276	14.55%
KKR Asia II Limited	*(1),(5)&(9)*	Interest in controlled corporation	567,721,276	14.55%
KKR Fund Holdings L. P.	*(1),(5)&(9)*	Interest in controlled corporation	567,721,276	14.55%
KKR Fund Holdings GP Limited	*(1),(5)&(9)*	Interest in controlled corporation	567,721,276	14.55%

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
KKR Group Holdings L.P.	*(1),(5)&(9)*	Interest in controlled corporation	567,721,276	14.55%
KKR Group Limited	*(1),(5)&(9)*	Interest in controlled corporation	567,721,276	14.55%
KKR & Co. L.P.	*(1),(5)&(9)*	Interest in controlled corporation	567,721,276	14.55%
KKR Management LLC	*(1),(5)&(9)*	Interest in controlled corporation	567,721,276	14.55%
Mr. Henry R. Kravis and Mr. George R. Roberts	*(1),(5)&(9)*	Interest in controlled corporation	567,721,276	14.55%
Baring	*(1),(6)&(9)*	Beneficial owner	549,764,603	14.09%
The Baring Asia Private Equity Fund V, L.P.	*(1),(6)&(9)*	Interest in controlled corporation	549,764,603	14.09%
Baring Private Equity Asia GP V, L.P.	*(1),(6)&(9)*	Interest in controlled corporation	549,764,603	14.09%
Baring Private Equity Asia GP V Limited	*(1),(6)&(9)*	Interest in controlled corporation	549,764,603	14.09%
Jean Eric Salata	*(1),(6)&(9)*	Interest in controlled corporation	549,764,603	14.09%
Temasek	*(1),(7)&(9)*	Beneficial owner	232,765,723	5.97%
Temasek Life Sciences Private Limited	*(1),(7)&(9)*	Interest in controlled corporation	232,765,723	5.97%
Fullerton Management Pte. Ltd.	*(1),(7)&(9)*	Interest in controlled corporation	232,765,723	5.97%
Temasek Holdings (Private) Limited	*(1),(7)&(9)*	Interest in controlled corporation	232,765,723	5.97%
Boyu	*(1)&(8)*	Beneficial owner	228,259,069	5.85%
	(2)&(9)		6,847,772	0.18%
Boyu Capital Fund I, L.P.	*(1)&(8)*	Interest in controlled	228,259,069	5.85%
	(2)&(9)	corporation	6,847,772	0.18%
Boyu Capital General Partner I, L.P.	*(1)&(8)*	Interest in controlled	228,259,069	5.85%
	(2)&(9)	corporation	6,847,772	0.18%
Boyu Capital General Partner I, Ltd.	*(1)&(8)*	Interest in controlled	228,259,069	5.85%
	(2)&(9)	corporation	6,847,772	0.18%
Boyu Capital Holdings Ltd.	*(1)&(8)*	Interest in controlled	228,259,069	5.85%
	(2)&(9)	corporation	6,847,772	0.18%
Haier Group (HK) Financial Holdings Limited	*(1)*	Beneficial owner	222,740,000	5.71%
Gourmet Bravo Ltd.	*(1) & (10)*	Beneficial owner	267,416,029	6.85%
Epicure Bravo Ltd.	*(1) & (10)*	Interest in controlled corporation	267,416,029	6.85%

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
DCP Partners Limited	*(1) & (10)*	Interest in controlled corporation	267,416,029	6.85%
DCP, Ltd.	*(1) & (10)*	Interest in controlled corporation	267,416,029	6.85%
Liu Haifeng David	*(1) & (10)*	Interest in controlled corporation	267,416,029	6.85%

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.

(10) Each of Epicure Bravo Ltd. (as the sole shareholder of Gourmet Bravo Ltd.), DCP Partners Limited (as the controlling shareholder of DCP, Ltd.), and Liu Haifeng David and Wolhardt Julian Juul (as the controlling shareholder of DCP, Ltd.) is deemed to be interested in such shares.

Save as disclosed above, as of December 31, 2017, 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 Updates

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**").

COFCO Poultry Co., Ltd. (中糧禽業有限公司) has disposed of COFCO Meat (Suqian) Co., Ltd. (中糧肉食(宿遷)有限公司) in January 2017. According to the relevant terms of the Share Transfer Agreement on the Employees' Share Option Incentive Scheme, the Board has resolved to adjust the Exercise Price from the Hong Kong dollars equivalent to RMB1.37 per Share to the Hong Kong dollars equivalent to RMB1.18 per Share on March 27, 2017. 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 (that is, March 27, 2017).

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.

On October 30, 2017, MIY entered into the Share Transfer Agreement with Baring and Gourmet, pursuant to which MIY agreed to, among other things, transfer to Baring and Gourmet, and Baring and Gourmet agreed to accept all of MIY's interests and obligations in the Share Incentive Scheme, respectively. On November 15, 2017, the Former Covenantors have issued written consent to MIY in respect of the aforesaid transfers.

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

Except for Mr. Xu Jianong, being the executive Director, none of the scheme participant holds directorship in our Company.

Name and Category of Participants	Date of Options Granted	Number of Options				
		At January 1, 2017	Granted During the Year	Exercised During the Year	Lapsed During the Year	At December 31, 2017
Directors						
Mr. Xu Jianong	March 27, 2015	2,891,173	1,457,633	0	0	4,310,860
Other employees	March 27, 2015	30,799,906	13,280,230	0	2,412,497	42,510,935
Total		33,691,079	14,737,863	0	2,412,497	46,821,795

Note 1: 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, the employees of the Group, which took effect on December 9, 2016, subject to vesting a 3-year period at the rate of one-third of total grant numbers each year.

Note 2: The Remuneration Committee of the Board approved the resolution on December 12, 2017 to ratify the grant of the option on December 12, 2017 for 691,582 Shares to Li Zhili (李志利), an employee of the Group, which took effect on December 12, 2017, subject to vesting a 2-year period at the rate of a half of total grant numbers each year.

Please refer to Note 39 of the consolidated financial statements for details.

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, 2017, 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, for the year ended December 31, 2017. 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, 2017.

Major Suppliers and Customers

Nearly 7.86% and 15.33% of the Group's total sales were attributable to its largest customer and five largest customers for the year ended December 31, 2017, and nearly 8.30% and 20.46% 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), which is one of 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, 2017.

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.

Connected Transactions

Non-exempt One-off Related Transactions

Wuhan COFCO Meat and COFCO Meat (Jiangsu) are wholly-owned subsidiaries of the Company, whereas China Merchandise Reserve and China Foodstuffs are wholly-owned subsidiaries of Huafu, and Huafu is a wholly-owned subsidiary of COFCO, a substantial shareholder of the Company. Accordingly they are connected persons (as defined in the Listing Rules) of the Company under Chapter 14A of the Listing Rules. The following transactions entered into with them 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. The details of the connected transactions of the Company for the year ending December 31, 2017 and up to the date of this annual report are set out bellows:

1. On May 26, 2017, Wuhan COFCO Meat and COFCO Meat (Jiangsu) supply central reserved pork to China Foodstuffs through the bid trading system of Beijing China Merchandise Reserve Exchange pursuant to the Central Reserved Pork P&S Agreements. China Merchandise Reserve and China Foodstuffs have entered into the Central Reserved Pork P&S Agreement I and the Central Reserved Pork P&S Agreement II with Wuhan COFCO Meat and COFCO Meat (Jiangsu) respectively through the bid trading system of Beijing China Merchandise Reserve Exchange. Pursuant to the terms and conditions of the Central Reserved Pork P&S Agreements, each of Wuhan COFCO Meat and COFCO Meat (Jiangsu) has agreed to sell 300 tons of frozen lean pork cuts to China Foodstuffs respectively, and China Foodstuffs has agreed to purchase those frozen lean pork cuts and pay a total of RMB14,427,000 to Wuhan COFCO Meat and COFCO Meat (Jiangsu) for purchasing such products.

   The Central Reserved Pork P&S Agreements entered into by the Company are favorable to the revenue and profit growth of the Company, as the transaction prices of the transactions contemplated under the Central Reserved Pork P&S Agreements are determined by the bidding through the electronic system of Beijing China Merchandise Reserve Exchange and are generally not lower than the market price of similar products during the same period. In addition, the participation into the supply of the central reserved pork demonstrates the recognized quality of the products of the Company and facilitates the promotion of the brands of the Company, thus enhancing the market recognition of the Company. Please refer to the announcement of the Company dated May 26, 2017 for details.

2. On January 16, 2018, pursuant to the 2018 Central Reserved Pork P&S Agreements, Wuhan COFCO Meat and COFCO Meat (Jiangsu) purchase central reserved pork from China Foodstuffs through the bid trading system of Beijing China Merchandise Reserve Exchange. Wuhan COFCO Meat and COFCO Meat (Jiangsu) have respectively entered into the 2018 Central Reserved Pork P&S Agreement I and the 2018 Central Reserved Pork P&S Agreement II (collectively referred to as the "2018 Central Reserved Pork P&S Agreements") with China Merchandise Reserve and China Foodstuffs through the bid trading system of Beijing China Merchandise Reserve Exchange. Pursuant to the terms and conditions of the 2018 Central Reserved Pork P&S Agreements, China Foodstuffs has agreed to sell 298.8 tons of frozen lean pork cuts to Wuhan COFCO Meat and COFCO Meat (Jiangsu), respectively, and Wuhan COFCO Meat and COFCO Meat (Jiangsu) have agreed to purchase the said frozen lean pork cuts and pay a total of RMB11,420,136 to China Foodstuffs for purchasing such products.

   The 2018 Central Reserved Pork P&S Agreements entered into by the Company are able to reduce the cost of raw materials and are favorable to the growth in revenue and profit of the Company, as the transaction prices of the transactions contemplated under the 2018 Central Reserved Pork P&S Agreements are determined by bidding through the electronic system of Beijing China Merchandise Reserve Exchange (the process of which is open and transparent) and are generally not higher than the market purchase price of similar products during the same period. In addition, the Company's active engagement in bidding and successfully participating in the supply of the central reserved pork represent its active response to the State's launch of delivery rotation policies of central reserved frozen meat from time to time. This demonstrates the Company's high sense of social responsibility and facilitates the promotion of the brands of the Company, thus enhancing the brand image and market recognition of the Company. Please refer to the announcement of the Company dated January 16, 2018 for details.

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), 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, 2017 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. As the 2016 Financial Services Agreement expired on December 31, 2016, and the Group intended 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.

Pursuant to the 2017 Financial Services Agreement, COFCO Finance agreed to provide our Group with the following financial services during the period commencing on January 9, 2017 until December 31, 2019:

(a) Deposit Services

COFCO Finance will provide deposit services to the Group pursuant to the 2017 Financial Services Agreement. The Group will open and maintain deposit accounts with COFCO Finance.

The interest rates for the Group's deposits with COFCO Finance will be determined in accordance with the deposit benchmark interest rates promulgated by the PBOC from time to time. The interest rates on the Deposit Services to be offered by COFCO Finance to the Group will not be lower than the deposit interest rates promulgated by the PBOC for the same type of deposits of the same period and will not be lower than the deposit interest rates offered by the major PRC commercial banks for the same type of deposits of the same period.

For the year ended December 31, 2017, the maximum daily deposit amounts placed by the Group with COFCO Finance and the interests on deposits shall not exceed the amounts stated below:

	For the year ended December 31, 2017 (RMB'000)
Deposit amounts	**1,000,000**
Interests on deposits	**7,535**

In the event that the Group suffers any financial loss by reason of the default of COFCO Finance, COFCO Finance shall compensate the Group for such loss suffered by the Group in accordance with the rules and regulations of the PBOC.

For the year ended December 31, 2017, the above-mentioned maximum daily deposit amounts reached RMB315,607,000, and the interests on deposits was RMB1,179,000.

(b) *Loan Services*

COFCO Finance will provide RMB loan services to the Group pursuant to the 2017 Financial Services Agreement.

The interest rates to be charged by COFCO Finance for the provision of the Loan Services to the Group will be determined by the Company and COFCO Finance with reference to the interest rates issued by PBOC from time to time. The interest rates on the Loan Services to be offered by COFCO Finance to the Group will not be higher than those offered by the major PRC commercial banks for the same type of loans in the same period. Moreover, no security over the assets of the Group will be granted in respect of the financial assistance given by COFCO Finance.

For the year ended December 31, 2017, the balance of the principal amounts of the loans provided by COFCO Finance and the interests on the loans payable by the Group to COFCO Finance in connection with the Loan Services shall not exceed the amounts stated below:

	For the year ended December 31, 2017 (RMB'000)
Principal amounts	**1,000,000**
Interests on loans	**28,275**

For the year ended December 31, 2017, the above-mentioned maximum daily balance of the principal amounts of the loans reached RMB80,000,000, and the interests on loans was RMB234,000.

(c) *Entrustment Loan Services*

COFCO Finance will provide the Entrustment Loan Services to the Group in accordance with the permitted scope prescribed under the PRC financial policies and the Management Methods for Group Finance Companies (企業集團財務公司管理辦法) pursuant to the 2017 Financial Services Agreement. COFCO Finance will only act as an agent for the capital management entity of the Group (i.e. COFCO Meat Investments) and charge handling fees in connection with the Entrustment Loan Services. COFCO Finance will not require the Group to provide any type of guarantees or securities with respect to the Entrustment Loan Services.

For the year ended December 31, 2017, the maximum handling fees for the year to be charged by COFCO Finance in connection with the Entrustment Loan Services shall not be higher than RMB420,000. The handling fees to be charged by COFCO Finance in connection with the Entrustment Loan Services shall not be higher than those offered by other PRC financial institutions to the Group for similar type of services.

For the year ended December 31, 2017, the handling fees charged by COFCO Finance in connection with the Entrustment Loan Services amounted to RMB160,000.

(d) *Other Financial Services*

COFCO Finance will provide other financial services to the Group in accordance with the permitted scope prescribed under the PRC financial policies and the Management Methods for Group Finance Companies (企業集團財務公司管理辦法) pursuant to the 2017 Financial Services Agreement. The handling fees and other services fees will be charged by COFCO Finance for other financial services provided to the Group pursuant to the 2017 Financial Services Agreement.

The handling fees and other services fees to be charged by COFCO Finance in connection with other financial services will not be higher than those offered by other PRC financial institutions to the Group for similar type of services.

For the year ended December 31, 2017, the handling fees and other services fees payable by the Group to COFCO Finance in connection with other financial services shall not exceed RMB727,000.

For the year ended December 31, 2017, the handling fee and other service fees charged by COFCO Finance in connection with other financial services reached Nil.

(e) Settlement Terms

Set out below are the settlement terms of the respective services under the 2017 Financial Services Agreement:

(i) Interest income from the Deposit Services

COFCO Finance pays its interests on a quarterly basis where the interests will be automatically deposited into the demand deposit account of the Group companies opened at COFCO Finance on the 21st day of the end of each quarter;

(ii) Interest expense of the Loan Services

COFCO Finance charges its interests on a quarterly basis where the interests will be deducted automatically from the demand deposit account of the Group companies opened at COFCO Finance on the 21st day of the end of each quarter. In the event of early repayment, the interests will be settled on the repayment date and deducted from the demand deposit account;

(iii) Handling fees and other service fees paid under the Entrustment Loan Services and other financial services

COFCO Finance, as an agent of the Group for entrustment loans, will not require the Group to provide any type of guarantees or securities with respect of the Entrustment Loans Services provided to the Group (for internal uses within the Group only). The handling fees in connection with entrustment loans and other financial services will not be higher than those charged by finance companies or the eight network banks for operating similar businesses.

The handling fees for the Entrustment Loan Services shall be settled upon occurrence of each business or annually by the end of each year, and the interests of the entrustment loans are settled on a quarterly/monthly basis where the interests will be paid to the entrusting party on the interest settlement date. In the event of early repayment of the entrustment loans, the interests will be settled on the repayment date and will be paid to the entrusting party.

(f) The Group may obtain financial services from other financial institutions in addition to those provided by COFCO Finance pursuant to the 2017 Financial Services Agreement.

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 our Company 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 ended 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, 2017, the aggregate transaction amount payable under the Mutual Supply Agreement was approximately RMB524,912,000.

(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 the 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, 2017 were as follows:

	For the year ended December 31, 2017 (RMB'000)
Processing fee payable by our Group to COFCO	**16,960**
Processing fee payable by COFCO to our Group	**300**

The processing fee actually paid by our Group to COFCO and actually paid by COFCO to our Group for the year ended December 31, 2017 were approximately RMB9,366,000 and Nil, 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, 2017 was as follows:

	For the year ended December 31, 2017 (RMB'000)
Purchase of feed products, feed ingredients, other materials and consultancy services	**617,374**

The aggregate purchase amount of feed products, other materials and consultancy services actually paid by our Group for the year ended December 31, 2017 was approximately RMB433,779,000.

(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.

The annual cap of the aggregate purchase amounts of frozen meat products payable by the Group for the year ended December 31, 2017 was as follows:

	For the year ended December 31, 2017 (RMB'000)
Purchase of frozen meat products	**200,000**

As COFCO has not won the bid to import frozen meat products on behalf of us for the year ended December 31, 2017, 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, 2017 was as follows:

	For the year ended December 31, 2017 (RMB'000)
Purchase of the Poultry Products	**45,150**

The aggregate purchase amount of the Poultry Products actually paid by our Group for the year ended December 31, 2017 was approximately RMB8,063,000.

(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, 2017 was as follows:

	For the year ended December 31, 2017 (RMB'000)
Service Fee	**1,610**

The aggregate service fee actually paid by our Group to COFCO for the year ended December 31, 2017 was approximately RMB869,000.

(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, 2017 was as follows:

	For the year ended December 31, 2017 (RMB'000)
Sales revenue from supply of meat products	**11,671**

The aggregate sales revenue from the supply of meat products received by our Group for the year ended December 31, 2017 was approximately RMB6,689,000.

(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 the business of our Group with that of the Disposal Group, COFCO Group has committed not to undertake import business of frozen poultry products upon Listing. 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, 2017 was as follows:

	For the year ended December 31, 2017 (RMB'000)
Sales revenue from the supply of frozen poultry products	**161,700**

The aggregate sales revenue from the supply of frozen poultry products received by our Group for the year ended December 31, 2017 was approximately RMB66,146,000.

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 ended 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 amount payable under the MIY Mutual Supply Agreement for the year ended December 31, 2017 was approximately RMB132,340,000.

(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 amount of the MIY Products payable by our Group for the year ended December 31, 2017 was as follows:

	For the year ended December 31, 2017 (RMB'000)
Purchase of the MIY Products	**199,702**

The aggregate purchase amount of the MIY Products payable by our Group for the year ended December 31, 2017 was approximately RMB117,372,000.

(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, 2017 was as follows:

	For the year ended December 31, 2017 (RMB'000)
Revenue from the supply of processed meat products	**24,380**

The aggregate revenue from the supply of processed meat products received by our Group for the year ended December 31, 2017 was approximately RMB14,968,000.

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, 2017 were approximately RMB7,196,000, RMB668,000 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, 2017 was as follows:

	For the year ended December 31, 2017 (RMB'000)
Rental expenses and management fees	**9,689**

The aggregate rental expenses and annual management fees payable by our Company for the year ended December 31, 2017 was approximately RMB7,864,000.

(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 collected by Bapton from 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, 2017 was as follows:

	For the year ended December 31, 2017 (HK$'000)
Rental expenses, service charge and rates	**1,330 (approximately RMB1,127,000)**

The aggregate annual rental expenses, service charge and rates payable by our Company for the year ended December 31, 2017 was Nil.

Annual Review of Continuing Connected Transactions

For the year ended December 31, 2017, 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. The related party transactions in respect of the remuneration of directors and chief executives of the Company constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. However, these transactions are exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The related party transactions in respect of the remuneration of key management personnel (other than directors and chief executives) of the Company did not fall under the definition of connected transactions or continuing connected transactions as defined in 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, 2017. There has been no change in the Company's auditor in any of the preceding three years. 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

Jiang Guojin
Chairman of the Board

Hong Kong, March 28, 2018

Environmental, Social and Governance Report

COFCO Meat has started to issue Environmental, Social and Governance ("**ESG**") Report ("**ESG Report**") since 2017. This is our second ESG Report, approved by the Board of Directors and included in our annual report. entities covered herein are the same as those in the Company's annual report. This report mainly discloses the operations of the Group in respect of food safety, energy saving and environmental protection, social responsibilities and corporate governance from January 1 to December 31, 2017. This report is in accordance with relevant provisions regarding "comply or explain" and "recommended disclosures" in the Environmental, Social and Governance Reporting Guide of the Stock Exchange of Hong Kong Limited ("the HKEx"). Unless otherwise specified, the source of the financial data quoted in this report is the company's audited annual report, while other data come from the Group's internal official documents and relevant statistics.

Corporate Responsibility

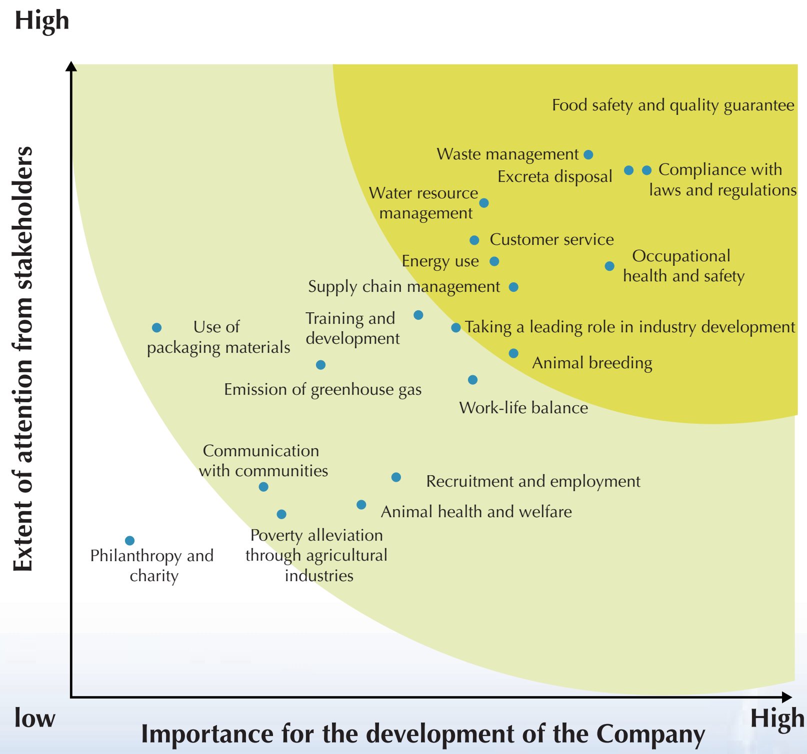
As one of the leading enterprises in China's meat industry, COFCO Meat adheres to the concept of "Leading the Safety Standards in the Industry and Assuring the Safety of Meat for the Consumers", relies on the vertical integration business model covering the integrated value chain, upholds integrity and compliance, is dedicated to providing nutritious and safe food to consumers, promotes the common development of stakeholders including shareholders, customers, environment, employees and the public, and therefore realizes the harmonious unity of economy efficiency, social efficiency and environmental efficiency.

Stakeholder Communication

We consider it vital to communicate with stakeholders. Through various channels, we spread our social responsibility ideas and practices, understand the needs of the stakeholders, and take measures to satisfy the reasonable expectations and demand of the stakeholders.

Material Issues Identification

In order to make the report more targeted and responsive, we identify ESG issues that are material by seeking for advices from the management of the Company and internal and external stakeholders in accordance with the requirements of the Environmental, Social and Governance Reporting Guide of the Stock Exchange and making reference to the disclosure of ESG issues by relevant domestic enterprises, to make sure that the information disclosed in the report fully covers significant issues that affect the development of the Company and draw attention from stakeholders.

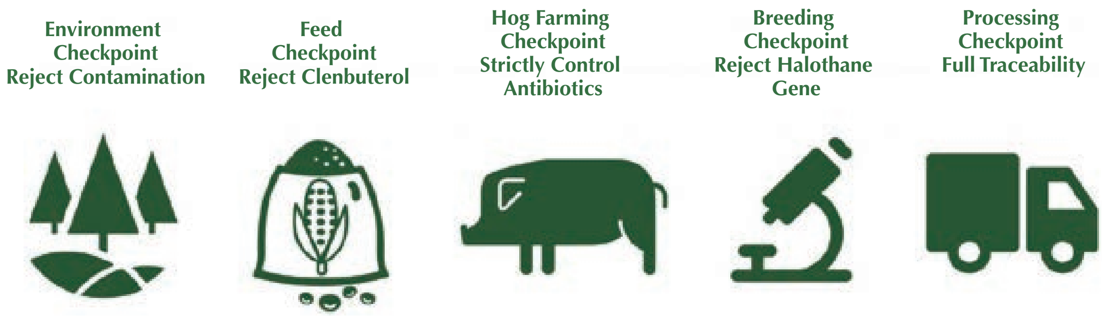


▲Analysis of Material Issues

Food Safety

We have built a quality and safety management system covering the integrated value chain including feed processing, hog breeding, hog slaughtering and segmentation, meat product processing, cold-chain logistics, product sale and meat imports through strict control of the "five important procedures of food safety", rigorously controlling each link from the source to terminals, in order to provide high-quality and high-standard products to the society.

In 2017, Food and Drug Administration departments at each level officially announced to sample 69 batches of our products, which were 100% qualified.



▲Five Important Procedures of Food Safety

■ Integrated Value Chain Quality Management

We have learned from the quality and safety management experience of relevant enterprises home and abroad and have formulated regulations such as the *COFCO Meat Industrial Chain Standard* (《中糧肉食產業鏈標準》) in accordance with the national regulations to define the quality and safety management standard for each aspect. We also take measures to ensure the quality and safety of each link to be controllable in order to fully guarantee the quality and safety of our products.

Our subordinate slaughter and processing enterprises have passed the ISO 9001 quality management system certification, ISO 22000 food safety management system certification or HACCP system certification, providing a potent guarantee for the quality and safety of products.

■ *Source Management*

Feed control. We used feed produced from natural pollution-free grain, and add minerals, vitamins and other nutrient elements based on the hogs' daily needs. Prior to warehousing, we have conducted tests in respect of mycotoxin, mildew and others on the feed ingredients, so as to strictly control the purchase and factory entering inspection checkpoint. We also strictly control the time from the completion of production to hog ingestion, so as to maximize the freshness and safety of the feed.

Hog farming. We have formulated standard operating procedures for each link in farming in accordance with requirements of the *Animal Husbandry Law of the People's Republic of China* (《中華人民共和國畜牧法》), the *Animal Epidemic Prevention Law of the People's Republic of China* (《中華人民共和國動物防疫法》) and other relevant laws and regulations, in compliance with *Guideline for Animal Husbandry and Farming Quality and Safety Management of COFCO Group* and with reference to domestic and foreign leveraged enterprises, so as to standardize the whole farming process. We have adopted various animal welfare measures to respect the natural growth rhythm of hogs, which ensured the health growth of hogs through scientific feeding.

We would make sure that all hog productions were free of residue of veterinary drug, strictly implement the three-level audit system executed by the head of farm, the charger and feeders, so as to ensure that the quality of hog productions can satisfy requirements under national laws and regulations. We have strictly implemented the national animal inspection and quarantine standards to ensure that all hog productions can pass inspection by governmental regulators, and thus to carry out sales with certificate.

Raw materials and ancillary ingredients management. In order to regulate and enhance the quality management of raw materials, we have formulated management systems such as the *Measures for Quality and Safety Management of COFCO Meat Suppliers* (《中糧肉食供應商質量安全管理辦法》) and the *Quality and Safety Assessment Standards for COFCO Meat Veterinary Drugs Suppliers* (《中糧肉食獸藥供應商質量安全評估標準》), to enforce consistent requirements on supplier approval, routine management, exit mechanisms and supervision and evaluation, as well as to continually optimize our supplier structure and to strictly control the quality and safety management for the raw materials, ancillary ingredients, additives and packaging materials.

■ *Process Control*

We systematically managed the whole production process through quality management and food safety management system. During the production process, we strictly implemented various requirements under the production standard operating procedures, conducted effective monitoring on key links by advanced devices to effectively control all parameters of the products.

We have integrated the quality and safety risk information from internal and external sources including relevant parties of the value chain, the company and our clients, establishing a risk surveillance index system to promptly receive alarm and handle the quality and safety risks during the production and operation through real-time surveillance. In order to comprehensively and effectively monitor risks, the Company have implemented strict corporate quality control standard in reliance on the Test Center of COFCO Group, with the regional laboratories as the main force, backed up by the primary level laboratories and combining with third-party examinations, to ensure the quality of our products.

Case: The Test Center of Our Wuhan Company

As a regional test center of the Group, the test center of our Wuhan company has obtained certifications from China National Accreditation Service for Conformity Assessment (CNAS) regarding the 24 key test items and 25 key test methods of the meat industry in 2017.

▲The Test Center of Our Wuhan Company

■ *Terminal Management*

We put emphasis on the "last kilometer" for food safety by strictly controlling the aspects of terminals such as cold-chain logistics, warehousing and stores, establishing procedures to standardize the admittance of, management for and exit of terminal-related parties, and implementing strict management and control for terminals in respect of six aspects: equipment and facilities, products protection, shelf life management, returns management, emergency management and traceability, so as to practically guarantee the quality and safety of our terminal products.

■ *Product Traceability*

We have established a traceability system covering all links of the integrated value chain including feed, farming, slaughtering and cutting, meat product processing and sale, to regulate the records and label management of quality information in each link of the value chain.

We established an electronic tracking system for the slaughtering and processing link, with each product given with an unique ID card through label coding, which allowed all data information uploading to our cloud database, resulting in the realization of full traceability which was continuously optimized in application. Currently, it is possible to make an one-click product traceability query with the tracking system, thus, food safety of consumers can be ensured.

■ Professional and Efficient Client Service

In order to provide high-quality, professional and efficient client service to consumers, we have been continually improving our client service system as well as formulating and regulating our complaints handling procedures, to promptly provide feedback on, follow up and handle the complaints and to enhance consumer satisfaction.

Through our consumer satisfaction survey we have collected, combined and summarized customer opinions. We analyzed the reasons for dissatisfaction and provided feedback to the relevant departments to propose an improvement plan, taking every opportunity for improvement seriously.

We place high priority on the information privacy of our clients in compliance with relevant laws and regulations, strictly controlling the information usage to completely avoid any client information leak.

Environmental Protection

Following the direction of national agricultural and environmental protection policies and regulations of the PRC, the Group further developed the eco-farming mode of "combination of farming and planting and integrated application", which minimized the impact of large-scale farming projects on environment, realized the cyclic utilization of excrement as organic fertilizer and led farming industry to healthy and green development by realizing the harmless treatment and resource utilization of excrement through anaerobic fermentation technology at the biogas station.

■ Eco-farming

According to policies and regulations such as *Regulation 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》), *Opinion of the General Office of the State Council on Accelerating the Utilization of Livestock and Poultry Waste Resources* (《國務院辦公廳關於加快推進畜禽廢棄物資源化利用的意見》) and *Action Plan for Utilization of Livestock and Poultry Excrement Resources (Year 2017 to 2020)* (《畜禽糞污資源化利用行動方案(2017-2020年)》), we pioneered the eco-farming mode of "combination of farming and planting and integrated utilization" to address the industry challenges of pig excrement treatment during the large-scale pig breeding.

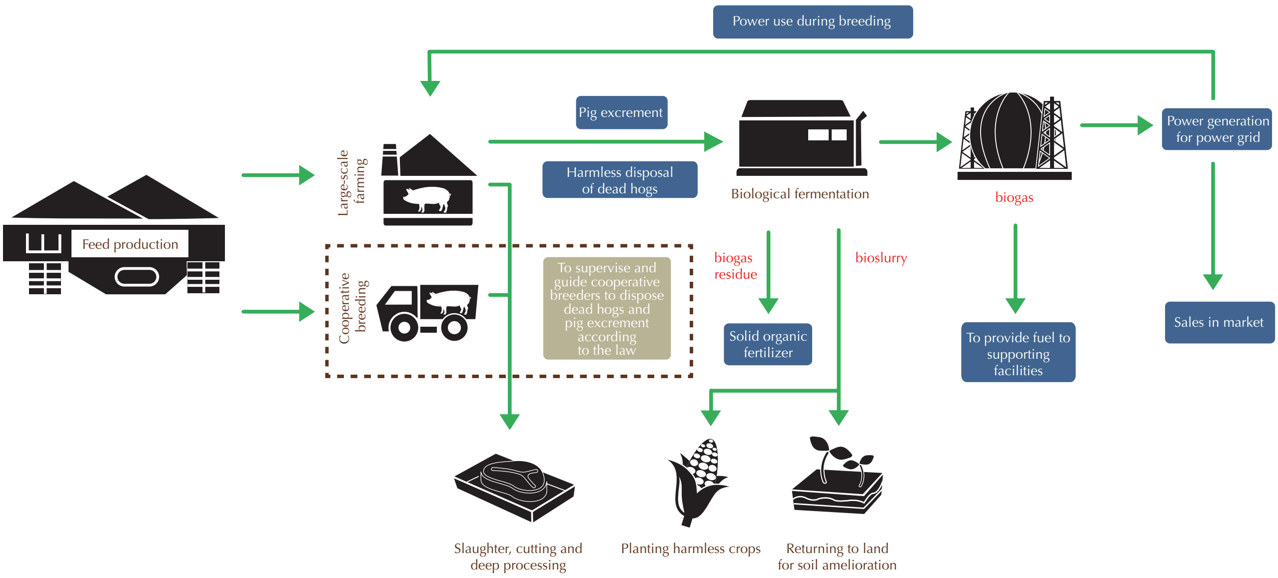
After anaerobic fermentation at the biogas station, the excrement will turn to biogas residue, biogas slurry and biogas. Biogas residue and biogas slurry are returned by growers to land as organic fertilizer, and biogas are used as energy for power generation of power grid and for use of boiler. Such mode realized the resource utilization of excrement during the breeding. As of the end of 2017, the Group has built 19 biogas stations for harmless treatment of excrement. In 2017, over 3.30 million tons of excrement was generated during the breeding stage of the Group, and over 9.50 million m^3 of biogas was created after anaerobic fermentation at the biogas station.

■ *Biogas power generation*

We conducted pilot project for biogas power generation of power grid in Jiangsu region. In 2017, about 3.3 million kwh of biogas electricity generation were created and a revenue of more than RMB2.10 million was achieved. Currently, additional power generation projects are continuously constructed, further achieving utilization of biogas in scientific and efficient way.

■ *Biogas residue and bioslurry-to-field*

In the process of utilizing bioslurry and biogas residue, we paid full regard to the capacity and consumption ability of the land. By optimizing the proportion of scale of breeding to surrounding lands, and formulating the Bioslurry and Biogas Residue-to-Field Scheme in scientific way, we can integrate reasonably the large-scale pig breeding with crop planting, and spare no efforts in developing green and recycling agricultural industrial chain.



▲Green and recycling agricultural industrial chain

Case: Combination of planting and farming can accomplish increase in production and quality of agroforestry

Jiangsu Corporation has built more than 20 modernized and standardized plants of hog farmer. Based on the excrement resource utilization principle of "disposal and utilization in close neighborhood", we invested more than RMB100 million to build 4 biogas stations as supporting facilities in Jindongtai, Liangnan, Huanghai and Xiangshui and lay more than 60 kilometers of bioslurry pipelines and construct more than 100 thousand mu of planting bases to use bioslurry as main fertilizer. Crops planted include a variety of crops, such as rice, wheat, melon and fruit, vegetables and seedlings. Such move can achieve multiple benefits of cost reduction, increase in production and quality.

▲The site of the Jiangsu company of spraying bioslurry and fertilizer

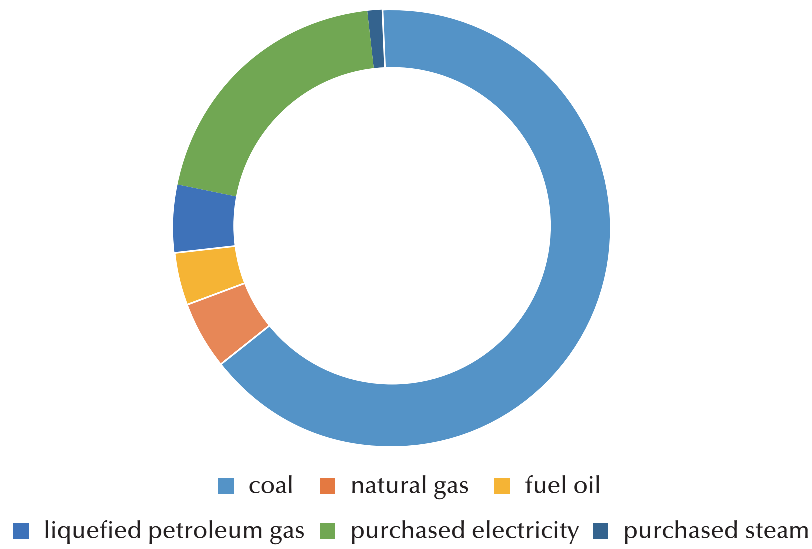
Energy Saving and Emission Reduction

Based on the *Energy Conservation Law of the People's Republic of China* (《中華人民共和國節約能源法》), *Environmental Protection Law of the People's Republic of China* (《中華人民共和國環境保護法》) and other relevant regulations and standards, we have formulated the *COFCO Meat Regulations on Energy Saving and Emission Reduction* (《中糧肉食節能減排管理規定》) to establish a long-term effective management mechanism on energy saving and emission reduction. Also, a sound energy saving and emission accountability system has been set up at every level to strengthen the awareness of all staff in energy saving and emission reduction.

Use of resources

We have formulated scientific and feasible standards for energy and water consumption limits on products, and established an assessment mechanism on energy and water consumption, through which we have effectively controlled energy and water consumption at each production stage.

In 2017, for our production and operation in general, we consumed approximately 60,000 tons of energy (standard coal), with energy consumption density about 0.09 tons of standard coal/revenue of RMB10 thousand, and approximately 5.20 million m^3 of water, with water usage density about 7.47 m^3/revenue of RMB10 thousand, and emitted approximately 250,000 tons of greenhouse gases, with emission density about 3,600 tons/revenue of RMB10 thousand.



▲**Energy Utilization in 2017**

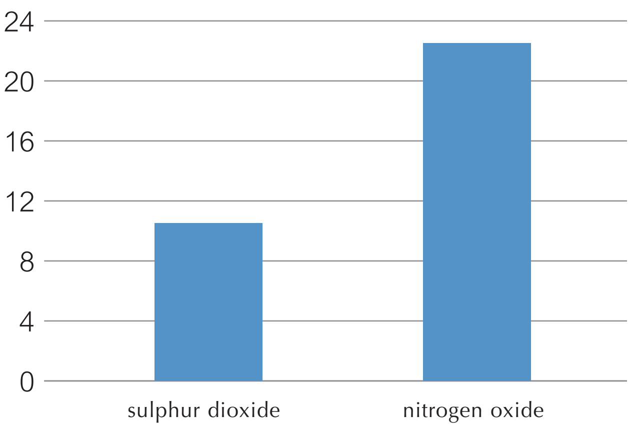
Taking into consideration the impact on environment by packing materials, we strive for simple product packaging on the condition of quality assurance, in order to minimize the negative impact on the environment. In 2017, total packing materials consumed by the Group including plastic bags, plastic films and cartons were approximately 1,600 tons, and the packing material usage density was about 2.30 kilograms/revenue of RMB10 thousand.

■ *Emission management*

We have complied with relevant national standards on environmental protection to ensure the compliant treatment and emission of pollutants, and hence to minimise the impacts of production process on environment. In 2017, the emissions produced by the Group included exhaust gas, sulphur dioxide, nitrogen oxide, and others. A total of approximately 60 million m^3 of exhaust gas and approximately 0.85 million m^3 of wastewater were emitted.

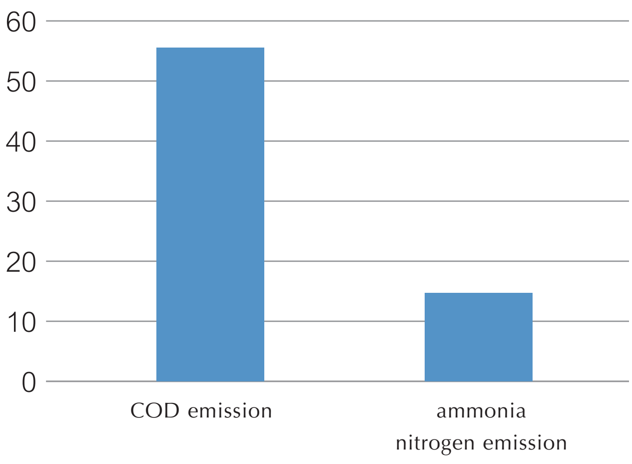
During the reporting period, the Group has produced a total of approximately 40,000 tons of non-hazardous wastes (the emission density was about 0.06 tons/revenue of RMB10 thousand) and approximately 70 tons of hazardous wastes (the emission density was about 0.10 kilogram/revenue of RMB10 thousand). The non-hazardous wastes included dead pigs, pig viscera abandoned during slaughtering, boiler slag and domestic wastes. The hazardous wastes included medical wastes, machine oils, laboratory liquid wastes, waste ink and waste light tubes. All wastes were handled in strict accordance with the *Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid* (《中華人民共和國固體廢物污染環境防治法》), *Animal Epidemic Prevention Law of the People's Republic of China* (《中華人民共和國動物防疫法》), *Processing Protocol for Biosafety Concerning Sick Animals and Products of Sick Animals (GB16548 – 2006)* (《病害動物和病害動物產品生物安全處理規程(GB16548-2006)》) and other relevant national laws and regulations.

Unit: tonne



▲**Emission of Main Pollutants – Waste Gas**

Unit: tonne



▲**Emission of Main Pollutants – Wastewater**

Win-win Cooperation in Harmony

We always adhere to the goal of simultaneous advancement of both industry and society during our business operation. Leveraging our technology, experience, talents, capital and all other advantages, we have formulated a set of industry standards and promoted the industry development. Through business development, we have also driven the overall regional economic development. Meanwhile, we always bear in mind our corporate social responsibilities, for which we have been vigorously promoting a healthy lifestyle to the public and trying our best to offer care and support to the underprivileged.

■ Promotion of Industrial Development

As one of the industry leaders, we always embrace the responsibility to lead the development of standards in the industry in a well-ordered manner and we have participated in the formulation and amendment of national and industry standards for quite a few times. In 2017, we co-operated with several relevant organizations including China Food and Drug Administration and National Technical Committee on Meat, Poultry, Eggs and their Products of Standardization Administration of China for providing professional advice on the preparation of the Rules on Meat Production Licensing Examination and participating in the revision of national standards for Bacon and Bacon-flavored Products.

We have actively participated in international and national industry communication events including the International Seminar on Meat Products Safety which we co-organized with the China Inspection and Quarantine Association.

Case: 2017 International Seminar on Meat Products Safety

On November 3, 2017, COFCO Meat and BRF S.A. participated in the co-organization of the 2017 International Seminar on Meat Products Safety convened by China Entry & Exit Inspection and Quarantine Association. The Seminar attracted nearly a hundred of experts and representatives from government departments, entry-exit meat product companies and industry associations. During the Seminar, we officially entered into the Strategic Co-operation Memorandum with BRF S.A. to establish a strategic partnership in areas including meat processing, meat trading and processing for the purpose of gaining complementary advantages under a win-win situation.

▲The signing ceremony during the International Seminar on Meat Products Safety

A Boost to the Local Economy

We took the initiative to bear the corporate social responsibilities. We were an obedient taxpayer and employer of local residents, driving the simultaneous growth of upstream and downstream enterprises in the relevant local industrial chains. Meanwhile, the Company strived to uphold the state strategy of targeted poverty alleviation, aligning the development of poverty alleviation with industry projects, key projects and policy pilot, and fuse the infrastructure construction in impoverished regions, modern urbanisation, development of specialty industries and new rural construction together to lift the poor local farmers out of poverty and offer them a promising future through large-scale farming, which will in turn promote the local economic development.

Case: Poverty alleviation for the hog production industry

In 2017, the People's Government of Wengniuteqi in Chifeng City joined hands with COFCO Joycome (Chifeng) Co., Ltd. to implement poverty alleviation strategies, promoting cooperation between villagers and enterprises in developing the hog production industry with an emphasis on supporting poor households in lack of the ability to work, resources and stable income, with a view to lifting the poor villages out of poverty and offering them a promising future.

▲The First Batch of Piglets was Transported to the Partner Farmers under the Poverty Alleviation Project of COFCO Joycome (Chifeng) Co., Ltd.

Participating in Philanthropy and Charity

We have been a promoter and provider of healthy diet. While presenting high-quality products to consumers, we have also promoted healthy ideas and lifestyle by ways of promoting in communities, offering "Healthy Courses" and inviting consumers to visit production bases, etc.

We cared for the underprivileged and actively held various public service activities such as visiting the families in hardship and offering assistance to students in need and the poor. In 2017, we donated RMB300,000 to the victims in the tornado stricken area in Chifeng and RMB50,000 to Shanghai.

Case: Established "Star Mum Club" to promote healthy lifestyle and diet

We have jointly established the "Star Mum Club" (明星媽媽俱樂部) with deyi.com (得意生活) to regularly hold food knowledge sharing events such as children's nutritious meals and healthy cooking courses to promote healthy lifestyle and diet, allowing Mums concerned about the nutrition and health of family members to learn how to make a scientifically balanced diet.

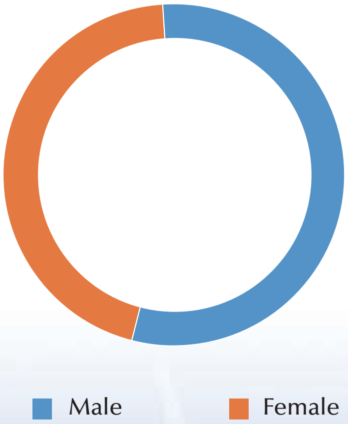
▲Sharing food knowledge with the public

Staff Development

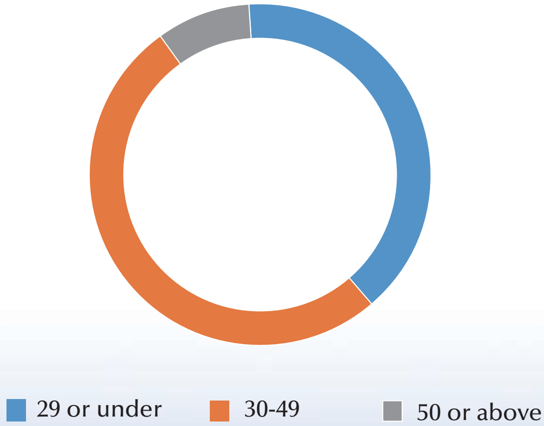
We adhere to the people-oriented operation philosophy, which is reflected in our efforts to protect employees' legitimate rights and interests; to create a safe and comfortable work environment for employees; and to build a clear career path to employees, providing them a fair and value-sharing talent development platform.

■ Staff Employment

We have set up the *Staff Recruitment and Management Measures of COFCO Meat* (《中糧肉食人員招聘管理辦法》) and other Systems according to relevant laws and regulations including the *Labor Law of the People's Republic of China* (《中華人民共和國勞動法》) and *Labor Contract Law of the People's Republic of China* (《中華人民共和國勞動合同法》) to ensure legal employment, treating all employees on just and fair basis since their application and ensuring no one is discriminated. As of the end of the reporting period, we had 6,172 employees in total.



▲Number of Employees by Gender



▲Number of Employees by Age Group

Staff Rights and Interests Protection

We fully respect and protect employees' legitimate rights and interests, and put employees' occupational health and safety as top priority. We offer various channels for employees to protect their rights and interests, to promote the democratic management, participation and supervision within enterprises.

Regarding to child labor and forced labor, no tolerance is given. We spare no effort to prevent the possibility of any labor issues.

Occupational Health

The Company has formulated and implemented *Occupational Health Management Measures of COFCO Meat* (《中糧肉食職業健康管理辦法》) and other systems following the laws and regulations in relation to occupational health such as the *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》), to create an effective occupational health management system.

We invite third parties on a regular basis to conduct occupational hazard assessment; establish outfit standards for personal protection supplies and ensure employees' correct usage; organize regular training programs on occupational health, to ensure that every employee has knowledge and skills of occupational health necessary to his work. In addition, we organize occupational disease check-up for employees regularly, and provide employees with injury insurance, accident insurance and other insurances, to protect employees' occupational health rights.

Open Communications

The Company protects the employees' right to know, right of participation, right of options and right of supervision through systems, and has established the workers congress system to strengthen communication with employees via various channels and take every suggestion and opinion of employees seriously, thus improving and optimizing the development path of the Company.

Development and Training

Staff growth and business development always complement each other, so we concern employees' career development and occupational training. We help employees giving full play to their potentials in terms of both systems and resources.

Occupational Promotions

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. We hold a talent development meeting annually to assess an employee's overall work performance and development during the year. We provide employees with satisfactory development opportunities according to their work experience and ability.

■ *Staff Training*

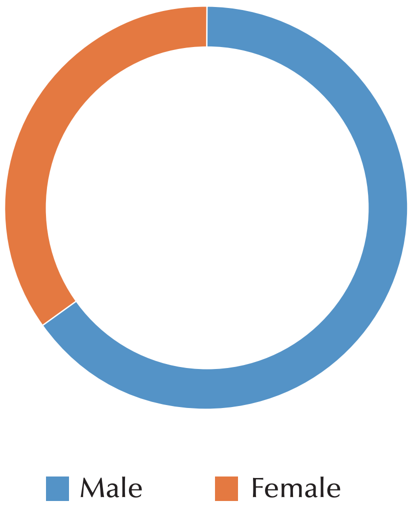
The Company always attaches importance to talent training. We set up a talent development and training system in four directions of "expertise, leadership, key talent and new staff", providing all employees abundant training opportunities. We capture employees' training requirements on regular basis to improve employees' training experience, reasonably allocate training resources and continuously improve the training programs.

▼Information on trainings of the Group in 2017

Number of training sessions	729
Number of participants	20,018
Accumulated training hours	213,684
Training hours per head	34.62

■ Anti-corruption Practice

The company strictly abides by national laws and regulations and business ethics, and advocates the integrity of employees. In 2017, we have continuously improved the construction of an anti-corruption system and set up a public reporting process while carrying out various promotion and education campaigns of anti-corruption to strengthen the whole staff's awareness of anti-corruption, thus eliminating corruption at its source. There was no corruption lawsuit happening in the Company for 2017.



▲Distribution of Training Participants by Gender

▲Distribution of Training Participants by Level

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 81 to 150, which comprise the consolidated statement of financial position as at December 31, 2017, 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, 2017, 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 resulting in determining the fair value. As disclosed in Note 23 to the consolidated financial statements, management estimated the fair value of the Group's biological assets at RMB1,566.3 million at December 31, 2017. Independent external valuations were obtained for all biological assets to assist management's estimates of the fair value of biological assets at December 31, 2017. Key assumptions adopted include estimated market price and rearing costs. Details of the related estimation uncertainty are disclosed in Note 4 to the consolidated financial statements.	Our procedures in relation to valuation of biological assets 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, including estimated market price and rearing costs, based on market available data and historical performance of the Group; and • assessing the adequacy of disclosures in Note 23 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, including individual 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 receipt in advance from customers; • checking, on a sample basis, the recorded transactions by examining the underlying supporting evidences such as sales contracts and delivery documents and, where appropriate, relevant receipts in advances from customers; • performing analytical review procedures on the revenue with advance payments, including sales quantities, rearing costs and the pattern of advance payments; and • performing background check on selected 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 28, 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2017

	NOTES	2017 Results before biological assets fair value adjustments RMB'000	2017 Biological assets fair value adjustments RMB'000	2017 Total RMB'000	2016 Results before biological assets fair value adjustments RMB'000	2016 Biological assets fair value adjustments RMB'000	2016 Total RMB'000
Continuing operations							
Revenue	5	**6,960,567**	**–**	**6,960,567**	6,616,068	–	6,616,068
Cost of sales	10	**(5,880,711)**	**(1,021,153)**	**(6,901,864)**	(5,229,349)	(1,338,572)	(6,567,921)
Gross profit		**1,079,856**	**(1,021,153)**	**58,703**	1,386,719	(1,338,572)	48,147
Other income	7	**84,306**	**–**	**84,306**	56,418	–	56,418
Other gains and losses	8	**(80,080)**	**–**	**(80,080)**	41,531	–	41,531
Selling and distribution expenses		**(271,864)**	**–**	**(271,864)**	(264,138)	–	(264,138)
Administrative expenses		**(230,243)**	**–**	**(230,243)**	(183,914)	–	(183,914)
Other expenses		**–**	**–**	**–**	(32,632)	–	(32,632)
Share of loss of joint ventures		**(1,229)**	**–**	**(1,229)**	(231)	–	(231)
Gain arising from agricultural produce at fair value less costs to sell at the point of harvest		**–**	**508,922**	**508,922**	–	882,230	882,230
Gain arising from changes in fair value less costs to sell of biological assets		**–**	**460,313**	**460,313**	–	512,231	512,231
Finance costs	9	**(81,025)**	**–**	**(81,025)**	(110,361)	–	(110,361)
Profit before tax	10	**499,721**	**(51,918)**	**447,803**	893,392	55,889	949,281
Income tax expense	11	**(2,996)**	**–**	**(2,996)**	(1,346)	–	(1,346)
Profit for the year from continuing operations		**496,725**	**(51,918)**	**444,807**	892,046	55,889	947,935
Discontinued operations							
(Loss) /profit for the year from discontinued operations	12	**–**	**–**	**–**	(1,843)	5,764	3,921
Profit for the year		**496,725**	**(51,918)**	**444,807**	890,203	61,653	951,856
Other comprehensive income/(expense), net of income tax:							
Items that may be reclassified subsequently to profit or loss							
Exchange differences arising on translation of foreign operations				**3,769**			(4,070)
Fair value loss on hedging instruments in cash flow hedges				**(4,307)**			–
Reclassification adjustments for fair value loss on hedging instruments in cash flow hedges				**4,307**			–
Other comprehensive income/(expense) for the year, net of income tax				**3,769**			(4,070)
Total comprehensive income for the year				**448,576**			947,786
Profit for the year attributable to the owners of the Company:							
– from continuing operations				**451,629**			947,991
– from discontinued operations				**–**			3,921
				451,629			951,912
Loss for the year attributable to non-controlling interests from continuing operations				**(6,822)**			(56)
Profit for the year				**444,807**			951,856

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2017

	NOTES	**2017** Results before biological assets fair value adjustments RMB'000	**2017** Biological assets fair value adjustments RMB'000	**2017** Total RMB'000	2016 Results before biological assets fair value adjustments RMB'000	2016 Biological assets fair value adjustments RMB'000	2016 Total RMB'000
Total comprehensive income/(expense) for the year attributable to:							
Owners of the Company				**455,398**			947,842
Non-controlling interests				**(6,822)**			(56)
				448,576			947,786
Basic earnings per share:	16						
From continuing and discontinued operations				**RMB11.57 cents**			RMB27.67 cents
From continuing operations				**RMB11.57 cents**			RMB27.55 cents
Diluted earnings per share:	16						
From continuing and discontinued operations				**RMB11.57 cents**			RMB27.67 cents
From continuing operations				**RMB11.57 cents**			RMB27.55 cents

Consolidated Statement of Financial Position

As at December 31, 2017

	NOTES	At December 31, 2017 RMB'000	2016 RMB'000
Non-current assets			
Goodwill	17	**100,609**	100,609
Property, plant and equipment	18	**4,950,156**	4,130,624
Prepaid lease payments	19	**131,645**	119,465
Intangible asset	20	**2,225**	2,362
Investments in joint ventures	21	**21,370**	36,071
Available-for-sale investments	22	**23,516**	23,516
Biological assets	23	**454,951**	359,721
Deposits paid for purchase of property, plant and equipment		**7,558**	8,708
Deposits paid for purchase of biological assets		**3,178**	12,028
		5,695,208	4,793,104
Current assets			
Inventories	25	**481,253**	408,477
Biological assets	23	**1,111,305**	1,108,437
Accounts receivable	26	**145,018**	159,471
Prepayments, deposits and other receivables	27	**192,348**	177,342
Amounts due from related companies	28	**59,847**	18,172
Derivative financial instruments	34	**–**	3,418
Pledged and restricted bank deposits	30	**40,457**	50,093
Cash and bank balances	30	**1,185,261**	1,588,163
		3,215,489	3,513,573
Current liabilities			
Accounts and bills payables	31	**433,009**	394,073
Other payables, accruals and deposits received	32	**602,340**	602,588
Bank borrowings	33	**1,359,617**	1,737,080
Amounts due to related companies	28	**36,770**	64,973
Loans from a non-controlling shareholder of a subsidiary	29	**39,205**	–
Loans from related companies	35	**315,200**	2,500
Derivative financial instruments	34	**8,099**	–
Current tax liabilities		**51**	59
		2,794,291	2,801,273
Net current assets		**421,198**	712,300
Total assets less current liabilities		**6,116,406**	5,505,404
Non-current liabilities			
Bank borrowings	33	**940,498**	848,759
Loans from a related company	35	**86,928**	84,629
Deferred income	36	**143,662**	133,757
		1,171,088	1,067,145
Net assets		**4,945,318**	4,438,259

Consolidated Statement of Financial Position

As at December 31, 2017

		At December 31,	
		2017	2016
	NOTES	**RMB'000**	RMB'000
Capital and reserves			
Share capital	37	**1,668,978**	1,668,978
Reserves		**3,232,400**	2,765,969
Equity attributable to the owners of the Company		**4,901,378**	4,434,947
Non-controlling interests		**43,940**	3,312
Total equity		**4,945,318**	4,438,259

The consolidated financial statements on pages 81 to 150 were approved and authorised for issue by the Board of Directors on March 28, 2018 and are signed on its behalf by:

Jiang Guojin
DIRECTOR

Xu Jianong
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended December 31, 2017

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note (a))	Capital reserve RMB'000 (Note (c))	Statutory reserve RMB'000 (Note (b))	Exchange fluctuation reserve RMB'000	Cash flow hedging reserve RMB'000	(Accumulated losses)/ retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At January 1, 2016	2,568,360	–	858,459	(30,464)	14,322	50,347	–	(816,836)	2,644,188	–	2,644,188
Profit/(loss) 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 39)*	–	–	–	5,962	–	–	–	–	5,962	–	5,962
Repurchase of shares *(Note 37)*	(899,389)	–	–	–	–	–	–	–	(899,389)	–	(899,389)
Reclassification upon disposal of subsidiaries *(Note 46)*	–	–	–	–	(5,741)	–	–	5,741	–	–	–
Deemed contribution upon disposal of subsidiaries *(Note 46)*	–	–	–	90,377	–	–	–	–	90,377	–	90,377
Issue of new shares *(Note 37)*	7	1,704,230	–	–	–	–	–	–	1,704,237	–	1,704,237
Shares issue expenses *(Note 37)*	–	(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
Profit/(loss) for the year	–	–	–	–	–	–	–	451,629	451,629	(6,822)	444,807
Other comprehensive income for the year	–	–	–	–	–	3,769	–	–	3,769	–	3,769
Total comprehensive income/(expense) for the year	–	–	–	–	–	3,769	–	451,629	455,398	(6,822)	448,576
Statutory reserve appropriation	–	–	–	–	43,658	–	–	(43,658)	–	–	–
Recognition of equity-settled share-based payments granted by shareholders (Note 39)	–	–	–	11,033	–	–	–	–	11,033	–	11,033
Acquisition of a subsidiary (Note 44)	–	–	–	–	–	–	–	–	–	47,450	47,450
At December 31, 2017	1,668,978	1,645,960	858,459	76,908	124,030	50,046	–	476,997	4,901,378	43,940	4,945,318

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)) (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) 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.

(c) The capital reserve as at January 1, 2016 mainly included (i) contribution from a shareholder of RMB30,000,000 in prior years; and (ii) differences between the amount of which the non-controlling interests are adjusted and the fair value of consideration paid or received upon the changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries debited to capital reserve of RMB64,099,000 in prior years.

Consolidated Statement of Cash Flows

For the year ended December 31, 2017

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Operating activities		
Profit for the year	**444,807**	951,856
Adjustments for:		
Income tax expense	**2,996**	2,316
Gain arising from changes in fair value less cost to sell of biological assets	**(460,313)**	(515,969)
Interest income	**(24,708)**	(9,097)
Finance costs	**81,025**	112,293
Rental income from investment properties	**–**	(5,621)
Dividend income from available-for-sale investments	**(9,917)**	(10,060)
Gain from changes in fair value of financial assets designated at fair value through profit or loss	**–**	(9,830)
Loss/(gain) on fair value changes in respect of foreign currency forward contracts	**35,351**	(23,650)
Equity-settled share based payments	**11,033**	5,962
Share of loss of joint ventures	**1,229**	231
Depreciation	**199,099**	173,317
Amortisation of prepaid lease payments	**10,531**	6,976
Amortisation of intangible assets	**882**	1,037
Recognition of deferred government grants	**(3,887)**	(4,268)
Loss on disposal of property, plant and equipment, net	**5,624**	201
Write-down of inventories	**90**	1,520
Reversal of impairment on accounts receivable, net	**(88)**	(531)
Impairment/(reversal of impairment) on other receivables, net	**66**	(70)
Exchange differences	**42,001**	(4,348)
Operating cash flows before movements in working capital	**335,821**	672,265
Decrease/(increase) in accounts receivable	**14,541**	(10,947)
Increase in prepayments, deposits and other receivables	**(10,912)**	(12,767)
(Increase)/decrease in inventories	**(71,520)**	104,107
Decrease in biological assets	**390,237**	238,758
Increase in accounts and bills payables	**35,546**	143,264
(Decrease)/increase in other payables, accruals and deposits received	**(11,971)**	126,550
(Increase)/decrease in derivative financial instruments	**(23,834)**	20,232
Increase in amounts due from fellow subsidiaries	**–**	(97,662)
Increase in amounts due to fellow subsidiaries	**–**	131,117
Decrease in amounts due from the ultimate holding company	**–**	1,789
Increase in amounts due from related companies	**(41,675)**	(13,095)
(Decrease)/increase in amounts due to related companies	**(26,965)**	56,835
Cash generated from operations	**589,268**	1,360,446
Income tax paid	**(3,004)**	(8,334)
Net cash generated from operating activities	**586,264**	1,352,112

Consolidated Statement of Cash Flows

For the year ended December 31, 2017

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Investing activities		
Interest received	**24,708**	9,097
Rental income received	**–**	5,621
Dividend received from available-for-sale investments	**9,917**	10,060
Proceeds from disposal of financial assets designated at fair value through profit or loss	**–**	509,385
Payments for property, plant and equipment	**(972,178)**	(1,044,434)
Payments for prepaid lease payments	**(21,542)**	(18,607)
Payments for intangible assets	**(745)**	(838)
Proceeds from disposal of property, plant and equipment	**1,845**	25,291
Disposal of subsidiaries *(Note 46)*	**–**	(17,193)
Placement of pledged and restricted bank deposits	**(40,457)**	(50,093)
Withdrawal of pledged and restricted bank deposits	**50,093**	39,878
Placement of time deposits with original maturity over 3 months when acquired	**(750,266)**	(670,705)
Withdrawal of time deposits with original maturity over 3 months when acquired	**1,152,951**	46,178
Investment in joint ventures	**(1,375)**	(36,302)
Acquisition of a subsidiary *(Note 44)*	**8,808**	–
Repayment from fellow subsidiaries	**–**	1,329
Advance to related companies	**–**	(3,517)
Repayment of loans to related companies	**–**	586,000
Contribution from a non-controlling shareholder of a subsidiary	**2,053**	–
Government grants received	**13,792**	5,310
Net cash used in from investing activities	**(522,396)**	(603,540)
Financing activities		
Interest paid	**(92,365)**	(110,471)
New bank borrowings	**1,544,992**	3,935,468
Repayment of bank borrowings	**(1,801,369)**	(3,780,167)
Issue of new shares *(Note 37)*	**–**	1,704,237
Share issue expense *(Note 37)*	**–**	(58,270)
Repurchase of shares *(Note 37)*	**–**	(899,389)
Contribution from non-controlling shareholders	**–**	3,368
Repayment to the immediate holding company	**–**	(19,164)
Repayment of loans from the immediate holding company	**–**	(904,970)
Advance from related companies	**–**	8,138
Loans from related companies	**732,700**	154,000
Loans from a non-controlling shareholder of a subsidiary	**39,205**	–
Repayment of loans from related companies	**(420,000)**	–
Net cash generated from financing activities	**3,163**	32,780
Net increase in cash and cash equivalents	**67,031**	781,352
Cash and cash equivalents at beginning of the year	**953,636**	172,006
Effect of foreign exchange rate changes	**(67,248)**	278
Cash and cash equivalents at end of the year	**953,419**	953,636
Cash and bank balances *(Note 30)*	**1,185,261**	1,588,163
Less: Time deposits with original maturity over 3 months when acquired *(Note 30)*	**(231,842)**	(634,527)
	953,419	953,636

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 Street, Chao Yang District, Beijing, the People's Republic of China (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, 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 prior 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 REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

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

Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

Amendments to HKAS 7 Disclosure Initiative (Continued)

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in Note 45. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in Note 45, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	*Financial Instruments*[1]
HKFRS 15	*Revenue from Contracts with Customers and the related Amendments*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[4]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[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 9	*Prepayment Features with Negative Compensation*[2]
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 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
Amendments to HKAS 28	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*[2]

[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, 2021

Except for the new HKFRSs mentioned below, the directors of the Company anticipate that the application of other new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

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

New and revised HKFRSs in issue but not yet effective (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 financial assets are measured at their fair value at 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 *Financial Instruments: Recognition and Measurement*. 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.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the Group's financial instruments and risk management policies as at December 31, 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

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

New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 9 Financial Instruments (Continued)

Classification and measurement:

- Equity securities classified as available-for-sale investments carried at cost less impairment as disclosed in Note 22: these securities qualified for designation as measured at FVTOCI under HKFRS 9, the Group plans to elect the option for designating these securities to be measured at FVTOCI and will measure these securities at fair value with subsequent fair value gains or losses to be recognised in investment revaluation reserve. Upon initial application of HKFRS 9, fair value changes related to these securities, if any, representing the differences between cost less impairment and fair value would be adjusted to retained profits as at January 1, 2018.

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment:

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at January 1, 2018 would be slightly increased as compared to the accumulated amount recognised under HKAS 39.

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

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 directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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

New and revised HKFRSs in issue but not yet effective (Continued)

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 land use rights for owned use while other operating lease payments are presented as operating cash flows. Under application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset for prepaid lease payments for land use rights 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, 2017, the Group has non-cancellable operating lease commitments of RMB283,593,000 as disclosed in Note 40. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, 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.

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 and certain financial instruments that are measured at fair values 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 a 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 and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, 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, the assets and liabilities of that subsidiary and non-controlling interest (if any) are derecognised. 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 or, 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 are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. 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. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. 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.

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 apportionment 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 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.

Leasehold land and building for own use

When the Group makes payments for a property interest which includes both leasehold 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 property is accounted for as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant 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 leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 in joint ventures.

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 exchange fluctuation 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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs and termination benefits

Payment to defined contribution retirement benefit plans 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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.

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.

Property, plant and equipment

Property, plant and equipment including buildings 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.

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 asset individually, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Recoverable amount is the higher of fair value less costs of disposal 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 (or as cash-generating unit) 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.

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). 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale ("AFS") financial assets. 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.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is 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 in the near term; or

- on initial recognition it is a 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.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

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, held-to-maturity investments 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 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 bank balances, and amounts due from 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 at 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 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.

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 receivables is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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 were 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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 payables, other payables, bank borrowings, amounts due to related companies, and loans from a non-controlling shareholder of a subsidiary and related companies) are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a 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.

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.

Hedge accounting

In the current year, the Group has designated certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and included in "other gains and losses" line item.

Amounts previously recognised in other comprehensive income and accumulated in equity (cash flow hedging reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated statement of profit or loss and other comprehensive income as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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 of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions 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 based on assessment of all relevant non-market vesting conditions. 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.

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. 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 estimated market prices, rearing costs, survival rate, species, growing conditions 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, 2017 was RMB1,566,256,000 (2016: RMB1,468,158,000). Details of the fair value measurement of biological assets are set out in Note 23.

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 flows, a material impairment loss may arise. As at December 31, 2017, the carrying amount of goodwill was RMB100,609,000 (2016: 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, 2017 was RMB4,950,156,000 (2016: RMB4,130,624,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

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,	
	2017	2016
	RMB'000	RMB'000
Hog production	**1,879,010**	1,657,236
Sales of fresh pork	**2,860,162**	2,711,262
Sales of processed meat products	**349,613**	332,995
Sales of imported meat products	**1,871,782**	1,914,575
	6,960,567	6,616,068

Over 70% of the revenue of the Group's sales transactions is under the term that requires payment before delivery for the year ended December 31, 2017 (2016: over 70%).

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.

6. SEGMENT INFORMATION (Continued)

Segment revenues and results

The following is an analysis of the Group's revenue and segment results from continuing operations by reportable 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, 2017							
Segment revenue							
External customers	1,879,010	2,860,162	349,613	1,871,782	6,960,567	–	6,960,567
Inter-segment sales	1,414,459	53,553	545	44,659	1,513,216	(1,513,216)	–
Segment revenue	3,293,469	2,913,715	350,158	1,916,441	8,473,783	(1,513,216)	6,960,567
Segment results	554,136	89,804	5,511	37,050	686,501	–	686,501
Unallocated corporate income							25,333
Unallocated corporate expenses							(129,859)
Fair value adjustments on biological assets							(51,918)
Share of loss of joint ventures							(1,229)
Finance costs							(81,025)
Profit before tax from continuing operations							447,803

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, 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

Segment profit represents the profit earned by each segment without allocation of corporate income and expenses including central administration costs and directors' emoluments, fair value adjustments on biological assets, share of loss of joint ventures, 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, 2017					
Amounts included in the measure of segment profit					
Depreciation and amortisation*	**176,343**	**23,541**	**10,201**	**49**	**210,134**
(Reversal of impairment)/impairment of accounts receivable, net	**–**	**(139)**	**(53)**	**104**	**(88)**
(Reversal of impairment)/impairment of other receivable, net**	**–**	**(152)**	**218**	**–**	**66**
Loss on disposal of property, plant and equipment, net	**2,908**	**622**	**2,094**	**–**	**5,624**
(Write-back)/write-down of inventories	**–**	**(78)**	**–**	**168**	**90**
Amounts regularly provided to CODM but not included in the measure of segment profit:					
Finance costs***	**51,817**	**6,714**	**2,291**	**5,349**	**66,171**
Year ended December 31, 2016					
Amounts included in the measure of segment profit					
Depreciation and amortisation*	129,860	24,094	11,142	70	165,166
Impairment/(reversal of impairment) of accounts receivable, net	–	38	(176)	(393)	(531)
Reversal of impairment of other receivables, net**	–	(37)	(58)	–	(95)
Loss on disposal of property, plant and equipment, net	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:					
Finance costs***	46,168	12,140	8,109	11,635	78,052

* *Depreciation and amortisation not included in the measure of segment profit or loss for the year ended December 31, 2017 amounted to RMB378,000 (2016: RMB370,000).*

** *Impairment of other receivables not included in the measure of segment profit or loss for the year ended December 31, 2017 amounted to nil (2016: RMB25,000).*

*** *Unallocated finance costs for the year ended December 31, 2017 amounted to RMB14,854,000 (2016: 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 2017 and 2016.

All the Group's non-current assets, excluding goodwill and available-for-sale investments, amounting to RMB5,571,083,000 at December 31, 2017 (2016: RMB4,668,979,000) 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 2017 and 2016.

7. OTHER INCOME

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

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Interest income from banks	**23,529**	2,220
Interest income from a fellow subsidiary*	**–**	1,081
Interest income from a related company*	**1,179**	–
Interest income from loans to related companies**	**–**	5,758
Dividend income from available-for-sale investments	**9,917**	10,060
Government grants***	**49,681**	37,299
	84,306	56,418

* *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, a subsidiary of a major shareholder of the Company, upon the Listing. Details of the deposits are set out in Note 30.*

** *During the prior 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 and certain logistic and technology improvement projects 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 36. Included in the above balances are government grants released from deferred income of RMB3,887,000 for the year ended December 31, 2017 (2016: RMB3,515,000).

8. OTHER GAINS AND LOSSES

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

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Exchange loss, net	**(31,079)**	(19,818)
Loss on disposal of property, plant and equipment, net	**(5,624)**	(353)
Write-down of inventories**	**(90)**	(1,532)
Reversal of impairment on accounts receivable, net	**88**	531
(Impairment)/reversal of impairment on other receivables, net	**(66)**	70
Gain from changes in fair value of financial assets designated as FVTPL	**–**	9,830
(Loss)/gain on fair value changes in respect of foreign currency forward contracts	**(35,351)**	23,650
Insurance compensation*	**–**	36,783
Others	**(7,958)**	(7,630)
	(80,080)	41,531

* *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, of which RMB36,783,000 and RMB50,000,000 was received during the years ended December 31, 2016 and 2015, respectively.*

** *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,	
	2017	2016
	RMB'000	RMB'000
Interest on:		
Bank borrowings	**80,234**	91,036
Loans from a fellow subsidiary*	**–**	8,784
Loans from the immediate holding company**	**–**	23,896
Loans from the ultimate holding company***	**–**	1,245
Loans from a non-controlling shareholder of a subsidiary *(Note 29)*	**409**	–
Loans from related companies *(Note 35)*	**14,021**	577
Total borrowing costs	**94,664**	125,538
Less: Borrowing costs capitalised in the cost of qualifying assets	**(13,639)**	(15,177)
	81,025	110,361

* *The amount in the prior year represented interest expense for loans from COFCO Finance, which were unsecured, bore interest ranging from 3.92% to 4.37% per annum and fully repaid during the prior year.*

** *The amount in the prior year represented interest expense for loans from the former immediate holding company, which were unsecured, bore interest at London Interbank Offered Rate ("LIBOR") plus 2% per annum and fully repaid during the prior year.*

*** *The amounts represented interest expense for loans from the former the ultimate holding company, which became a related company of the Group upon the Listing.*

Borrowing costs capitalised to qualifying assets during the years ended December 31, 2017 and 2016 were based on actual borrowing costs incurred for specific borrowings.

10. PROFIT BEFORE TAX

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

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Cost of sales		
(represented the cost of inventories recognised as expenses during the year)	**6,901,864**	6,567,921
Employee benefits expense		
(including directors' remuneration as disclosed in Note 13):		
Salaries and other allowances	**525,325**	401,412
Retirement benefit schemes contributions	**43,961**	35,624
Equity-settled share option expense	**11,033**	5,962
	580,319	442,998
Depreciation of property plant and equipment	**199,099**	157,893
Amortisation of prepaid lease payments	**10,531**	6,789
Amortisation of intangible asset	**882**	854
Total depreciation and amortisation	**210,512**	165,536
Less: Capitalised in inventories	**(183,601)**	(143,133)
	26,911	22,403
Auditors' remuneration	**1,700**	1,700
Minimum lease payments under operating		
leases in respect of land and buildings	**16,110**	9,635

11. INCOME TAX EXPENSE

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

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax (the "EIT")	**2,996**	1,346

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 (2016: 25%).

Certain of the Company'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 2017 and 2016. 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 year.

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 (2016: 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 (2016: 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,	
	2017	2016
	RMB'000	RMB'000
Profit before tax from continuing operations	**447,803**	949,281
Tax at the statutory income tax rate of 25% (2016: 25%)*	**111,951**	237,320
Effect of different tax rates for entities of the Group operating in other jurisdictions	**(3,555)**	(2,384)
Tax effect of expenses not deductible for tax purpose	**17,502**	22,924
Tax effect of income not taxable for tax purpose	**(2,479)**	(5,291)
Tax effect of the fair value adjustments on biological assets	**12,979**	(13,972)
Effect of tax exemptions granted to certain operations of certain PRC subsidiaries**	**(147,340)**	(241,441)
Tax losses utilised from previous periods	**(2,101)**	(11,642)
Tax effect of tax losses not recognised	**15,641**	15,649
Tax effect of share of results of joint ventures	**307**	58
Others	**91**	125
Income tax expense for the year	**2,996**	1,346

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

** *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. 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 of RMB90,377,000 is recorded to capital reserve. Upon the disposal, the statutory reserve attributable to the Group's poultry production business of RMB5,741,000 has been reclassified to retained profits.

12. DISCONTINUED OPERATIONS (Continued)

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

	Year ended December 31, 2016 RMB'000
Revenue	339,500
Cost of sales	(342,973)
Gross loss	(3,473)
Other income	7,582
Other gains and losses	2,201
Selling and distribution expenses	(10,640)
Administrative expenses	(7,812)
Gain arising from agricultural produce at fair value less costs to sell at the point of harvest	15,227
Gain arising from changes in fair value less costs to sell of biological assets	3,738
Finance costs	(1,932)
Profit before tax	4,891
Income tax expense	(970)
Profit for the year	3,921

	Year ended December 31, 2016 RMB'000
The Group's profit before tax from discontinued operations is arrived at after charging/(crediting):	
Interest income from banks	(38)
Gross rental income from investment properties	(5,621)
Depreciation	15,424
Amortisation of prepaid lease payments	187
Amortisation of intangible assets	183
Write-back of inventories	(12)
Gain on disposal of property, plant and equipment	(152)
Recognition of deferred government grants	(753)

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

Net cash (used in)/generated from:	
Operating activities	(62,701)
Investing activities	6,011
Financing activities	67,612
Net cash inflows	10,922

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong 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, 2017						
Executive director:						
XU Jianong	–	1,053	51	742	1,093	2,939
Non-executive directors:						
MA Jianping	–	–	–	–	–	–
WOLHARDT Julian Juul	–	–	–	–	–	–
CUI Guiyong	–	–	–	–	–	–
ZHOU Qi	–	–	–	–	–	–
YANG Hong	–	–	–	–	–	–
ZHANG Lei *(Note (b))*	–	–	–	–	–	–
HUANG Juhui *(Note (b))*	–	–	–	–	–	–
WU Hai *(Note (g))*	–	–	–	–	–	–
XU Yang *(Note (h))*	–	–	–	–	–	–
Independent non-executive directors						
CHEN Huanchun	213	–	–	–	–	213
FU Tingmei	213	–	–	–	–	213
LI Michael Hankin	213	–	–	–	–	213
LEE Ted Tak Tai *(Note (j))*	16	–	–	–	–	16
WU Chi Keung *(Note (k))*	198	–	–	–	–	198
Total	853	1,053	51	742	1,093	3,792

13. DIRECTORS' AND CHIEF EXECUTIVE'S 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, 2016						
Executive director:						
XU Jianong	–	1,050	47	1,435	408	2,940
Non-executive directors:						
MA Jianping	–	–	–	–	–	–
WOLHARDT Julian Juul	–	–	–	–	–	–
CUI Guiyong	–	–	–	–	–	–
ZHOU Qi	–	–	–	–	–	–
YANG Hong *(Note (a))*	–	–	–	–	–	–
WANG Zhiying *(Note (c))*	–	–	–	–	–	–
KIKUCHI Kiyotaka *(Note (d))*	–	–	–	–	–	–
WAKAKI Takamasa *(Note (e))*	–	–	–	–	–	–
KYOYA Yutaka *(Note (e))*	–	–	–	–	–	–
YU Xubo *(Note (f))*	–	–	–	–	–	–
SUN Yanmin *(Note (f))*	–	–	–	–	–	–
JIANG Guojin *(Note (f))*	–	–	–	–	–	–
WANG Hao *(Note (f)))*	–	–	–	–	–	–
WU Hai	–	–	–	–	–	–
XU Yang *(Note (h))*	–	–	–	–	–	–
Independent non-executive directors						
CHEN Huanchun *(Note (i))*	152	–	–	–	–	152
FU Tingmei *(Note (i))*	152	–	–	–	–	152
LI Michael Hankin *(Note (i))*	152	–	–	–	–	152
WU Chi Keung *(Note (k))*	134	–	–	–	–	134
WU Kwok Keung Andrew *(Note (l))*	–	–	–	–	–	–
Total	590	1,050	47	1,435	408	3,530

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. He is also the chief executive 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 non-executive director of the Company on December 9, 2016.

(b) These directors were appointed as non-executive directors of the Company on December 12, 2017.

(c) This director resigned as a non-executive director of the Company on December 9, 2016.

(d) This director was appointed as a director of the Company on February 24, 2016 and resigned on May 23, 2016.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Notes: (Continued)

(e) *These directors resigned as directors of the Company on February 24, 2016.*

(f) *These directors resigned as directors of the Company on May 23, 2016.*

(g) *This director resigned as a director of the Company on December 12, 2017.*

(h) *This director was appointed as director of the Company on February 22, 2016 and resigned on December 12, 2017.*

(i) *These directors were appointed as independent non-executive directors of the Company on May 23, 2016.*

(j) *This director was appointed as an independent non-executive director of the Company on December 12, 2017.*

(k) *This director was appointed as an independent non-executive director of the Company on June 23, 2016 and resigned on December 12, 2017.*

(l) *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 current and prior years, 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 39. 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 year, 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 year ended December 31, 2017 included one (2016: one) director of the Company. Details of the emoluments of the remaining four (2016: four), respectively, highest paid employees who are not a director of the Company are as follows:

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**4,036**	3,646
Retirement benefit schemes contributions	**202**	188
Equity-settled share option expense	**1,982**	1,218
	6,220	5,052

14. FIVE HIGHEST PAID EMPLOYEES (Continued)

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,	
	2017	2016
HK$1,000,001 to HK$1,500,000	**–**	2
HK$1,500,001 to HK$2,000,000	**3**	2
HK$2,000,001 to HK$2,500,000	**1**	–
	4	4

15. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2017 and 2016, 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,	
	2017 **RMB'000**	2016 RMB'000
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**451,629**	951,912

Number of shares

	Year ended December 31,	
	2017 **'000**	2016 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,901,998**	3,440,747

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 RMB451,629,000 (2016: RMB947,991,000). 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 per share, based on the profit for the year from the discontinued operations of RMB3,921,000, and the denominators detailed above for basic earnings per share.

The calculation of diluted earnings per share for the prior year did 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 shares under the related share option scheme as detailed in Note 39.

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 in prior years, are as follows:

	Year ended December 31,	
	2017	2016
	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 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:

	Year ended December 31,	
	2017	2016
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, 2016	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
Additions	29,274	–	25,601	446	20,467	870,140	945,928
Reclassification	1,197,946	–	70,805	–	–	(1,268,751)	–
Acquired on acquisition of a subsidiary *(Note 44)*	–	–	–	331	212	79,629	80,172
Disposals	(36)	(303)	(2,101)	(5,490)	(1,947)	(3,066)	(12,943)
At December 31, 2017	**3,465,941**	**17,810**	**1,406,979**	**96,435**	**73,200**	**571,865**	**5,632,230**
Accumulated depreciation:							
At January 1, 2016	(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)
Charge for the year	(67,099)	(2,449)	(99,332)	(19,971)	(10,248)	–	(199,099)
Eliminated on disposals	10	298	1,764	1,586	1,816	–	5,474
At December 31, 2017	**(357,129)**	**(13,247)**	**(226,857)**	**(52,741)**	**(32,100)**	**–**	**(682,074)**
Net carrying values:							
At December 31, 2017	**3,108,812**	**4,563**	**1,180,122**	**43,694**	**41,100**	**571,865**	**4,950,156**
At December 31, 2016	1,948,717	7,017	1,183,385	66,792	30,800	893,913	4,130,624

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 RMB31,640,000 as at December 31, 2017 (2016: RMB33,618,000) had not been issued by the relevant PRC authorities.

The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings, and the aforesaid matter did not have any significant impact on the Group's financial position as at December 31, 2017.

19. PREPAID LEASE PAYMENTS

	At December 31,	
	2017	2016
	RMB'000	RMB'000
Analysed for reporting purposes as:		
Current assets (included in prepayments, deposits and other receivables)	**10,531**	6,789
Non-current assets	**131,645**	119,465
	142,176	126,254

All prepaid lease payments are related to land use rights in the PRC, with remaining lease terms ranging from 1 to 62 years.

As at December 31, 2017, the Group is in the process of obtaining title deeds from relevant government authorities for its prepaid lease payments amounting to RMB6,314,000 (2016: RMB5,977,000).

20. INTANGIBLE ASSET

The Group's intangible asset comprises purchased computer software.

	2017	2016
	RMB'000	RMB'000
Cost:		
At beginning of the reporting period	**6,445**	5,607
Additions	**745**	838
At end of the reporting period	**7,190**	6,445
Accumulated amortisation:		
At beginning of the reporting period	**4,083**	3,229
Amortisation provided during year	**882**	854
At end of the reporting period	**4,965**	4,083
Net carrying values:		
At end of the reporting period	**2,225**	2,362

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.

21. INVESTMENTS IN JOINT VENTURES

Details of the Group's investments in joint ventures are as follows:

	At December 31,	
	2017	2016
	RMB'000	RMB'000
Cost of investment in joint ventures, unlisted	**21,968**	36,302
Share of post-acquisition losses	**(598)**	(231)
	21,370	36,071

Details of the Group's joint ventures as at December 31, 2017 are as follows:

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
		2017	2016	**2017**	2016	
Jiangsu CM/Merit Agriculture Development Co., Ltd ("Jiangsu CM")*	PRC	**N/A**	40%	**N/A**	40%	Hog production
Jiangsu Merit/CM Agricultural Development Co., Ltd	PRC	**40%**	40%	**40%**	40%	Dormant (planned to be involved in hog production)
Jiangsu Merit/COFCO-joycome Agriculture Development Co., Ltd	PRC	**40%**	40%	**40%**	40%	Dormant (planned to be involved in hog production)

* *During the current year, the Group injected additional capital to Jiangsu CM. Subsequent to the capital injection, Jiangsu CM became a subsidiary of the Company thereafter (Note 44).*

None of the joint ventures above is material to the Group. 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.

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
The Group's share of loss	**(1,229)**	(231)
The Group's share of other comprehensive income	**–**	–
The Group's share of total comprehensive expense	**(1,229)**	(231)

22. AVAILABLE-FOR-SALE INVESTMENTS

	At December 31,	
	2017	2016
	RMB'000	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 its fair value cannot be determined reliably. The Group does not intend to dispose of it in the near future.

23. 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, 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 reporting period are as follows:

	At December 31,	
	2017	2016
	'000	'000
Live hogs:		
– piglets	**198**	156
– nursery hogs	**361**	315
– medium and large finishing hogs	**700**	540
– replacement studs and gilts	**29**	47
	1,288	1,058
Breeding stock	**143**	113
	1,431	1,171

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.

23. BIOLOGICAL ASSETS (Continued)

Nature of the Group's agricultural activities (Continued)

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. 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.

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
At January 1, 2016	1,192,566
Additions: Breeding costs	2,303,636
Gain arising from changes in fair value less costs to sell of biological assets	1,394,461
Transfer to cost at the point of harvest	(3,150,266)
Decrease due to culling	(272,239)
At December 31, 2016	1,468,158
Additions: Breeding costs	2,788,322
Acquisition of a subsidiary *(Note 44)*	19,172
Gain arising from changes in fair value less costs to sell of biological assets	969,235
Transfer to cost at the point of harvest	(3,291,148)
Decrease due to culling	(387,483)
At December 31, 2017	**1,566,256**

Analysed for reporting purpose

	At December 31,	
	2017 RMB'000	2016 RMB'000
Live hogs	**1,566,256**	1,468,158
Less: current portion	**(1,111,305)**	(1,108,437)
Non-current portion	**454,951**	359,721

Fair value measurement

The Group's biological assets were valued by Savills Valuation and Professional Services Limited ("Savills"), a firm of 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.

23. 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, species, growing conditions and the professional valuation.

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, 2017 and 2016.

	At December 31,	
	2017	2016
	RMB	RMB
Live hogs		
Piglets *(Note (a))*		
Per head replacement cost	**207 to 301**	192 to 384
Nursery hogs *(Note (b))*		
Per head market price	**392 to 670**	477 to 823
Medium and large finishing hogs *(Note (c))*		
Per head market price	**689 to 1,607**	963 to 1,925
Replacement studs and gilts *(Note (d))*		
Per head cost	**842 to 29,220**	1,168 to 14,810
Breeding stock *(Note (e))*		
Per head replacement cost	**1,399 to 17,359**	1,303 to 18,000

Notes:

(a) *As there was no active market for piglets, replacement cost approach has 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 to completion, and adjusted with survival rate and risk in price uncertainty upon completion.

The unit cost to completion 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.*

23. 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.

A significant increase/decrease in the estimated market price and the estimated rearing costs 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, 2017 are grouped into Level 3 of fair value measurement. There were no transfers into or out of Level 3 during the current and prior year.

24. DEFERRED TAX ASSETS

As at December 31, 2017, the Group has unrecognised tax losses of RMB450,382,000 (2016: RMB512,449,000), and deductible temporary differences in relation to impairment of accounts receivable, other receivables and write-down of inventories not recognised of RMB437,000 (2016:nil) available for offset against future taxable income. As at December 31, 2017 and 2016, no deferred tax assets 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,	
	2017	2016
	RMB'000	RMB'000
To be expired on:		
December 31, 2017	**–**	116,227
December 31, 2018	**105,208**	112,257
December 31, 2019	**171,093**	171,093
December 31, 2020	**48,916**	50,269
December 31, 2021	**62,603**	62,603
December 31, 2022	**62,562**	–
Total unused tax losses not recognised as deferred tax assets	**450,382**	512,449

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated undistributable profits of the PRC subsidiaries amounting to RMB547,125,000 as at December 31, 2017 (2016: RMB106,241,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

25. INVENTORIES

	At December 31,	
	2017	2016
	RMB'000	RMB'000
Raw materials and consumables	**229,865**	117,961
Work in progress	**10,017**	8,829
Finished goods	**241,371**	281,687
	481,253	408,477

26. ACCOUNTS RECEIVABLE

	At December 31,	
	2017	2016
	RMB'000	RMB'000
Accounts receivable	**145,334**	159,875
Impairment loss	**(316)**	(404)
	145,018	159,471

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 within 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 as disclosed in Note 28 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,	
	2017	2016
	RMB'000	RMB'000
Within 3 months	**142,126**	149,606
3 to 6 months	**1,991**	5,160
6 months to 1 year	**199**	1,846
Over 1 year	**702**	2,859
	145,018	159,471

26. ACCOUNTS RECEIVABLE (Continued)

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 creditworthiness and the past collection history of each customer.

Movements in the impairment loss on accounts receivable are as follows:

	2017 RMB'000	2016 RMB'000
At beginning of the reporting period	**404**	935
Impairment loss reversed, net	**(88)**	(531)
At end of the reporting period	**316**	404

The aged analysis of the accounts receivable that are past due but not impaired is as follows:

	At December 31,	
	2017 **RMB'000**	2016 RMB'000
Within 3 months past due	**11,921**	7,097
More than 3 months but less than 1 year past due	**1,423**	1,512
Over 1 year past due	**313**	2,612
	13,657	11,221

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.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

An analysis of the prepayments, deposits and other receivables are as follows:

	At December 31,	
	2017 **RMB'000**	2016 RMB'000
Value-added tax recoverable	**128,331**	130,663
Prepayments	**36,441**	29,333
Current portion of prepaid lease payments *(Note 19)*	**10,531**	6,789
Other receivables	**8,892**	6,606
Deposits	**8,611**	4,369
	192,806	177,760
Impairment loss on other receivables	**(458)**	(418)
	192,348	177,342

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

The movements in the impairment loss on other receivables are as follows:

	2017	2016
	RMB'000	RMB'000
At beginning of the reporting period	**418**	488
Impairment loss recognised/(reversed) *(Note 8)*	**66**	(70)
Write off during the year	**(26)**	–
At end of the reporting period	**458**	418

28. BALANCES WITH RELATED COMPANIES

Related companies include entities controlled by major shareholders.

Included in amounts due from related companies as at December 31, 2017 were receivables in trade nature of RMB2,547,000 (2016: RMB11,778,000). 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,	
	2017	2016
	RMB'000	RMB'000
Within 3 months	**2,192**	8,226
Over 3 months but less than 1 year	**256**	3,451
Over 1 year	**99**	101
	2,547	11,778

The remaining balances of amounts due from related companies include prepayments in connection with the purchase of goods and current account balances, which are unsecured, interest-free and repayable on demand.

Included in amounts due to related companies as at December 31, 2017 were payables in trade nature of RMB30,253,000 (2016: RMB56,809,000), which 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,	
	2017	2016
	RMB'000	RMB'000
Within 3 months	**21,958**	56,466
Over 3 months but less than 1 year	**1,583**	317
Over 1 year	**6,712**	26
	30,253	56,809

The remaining balances of amounts due to related companies include deposits received in connection with the sale of goods and current account balances, which are unsecured, interest-free and repayable on demand.

29. LOANS FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The loans from a non-controlling shareholder of a subsidiary are unsecured, bear interest at 4.35% per annum and repayable within one year.

30. CASH, DEPOSITS AND BANK BALANCES

	At December 31, 2017 RMB'000	At December 31, 2016 RMB'000
Cash and bank balances	**140,305**	286,417
Time deposits with original maturity within 3 months when acquired	**800,559**	717,312
Time deposits with original maturity over 3 months when acquired	**221,842**	634,527
Deposits with a non-bank financial institution*	**53,012**	–
Time deposits with original maturity over 3 months when acquired with a non-bank financial institution*	**10,000**	–
	1,225,718	1,638,256
Less:		
Pledged and restricted bank deposits *(Note 42)*:		
– for bills payables	**40,457**	49,793
– for letters of credit	**–**	300
	40,457	50,093
	1,185,261	1,588,163

* *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 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 deposits are deposited with creditworthy banks with no recent history of default.

31. ACCOUNTS AND BILLS PAYABLES

An analysis of accounts and bills payables is as follows:

	At December 31, 2017 RMB'000	At December 31, 2016 RMB'000
Accounts payables	**349,499**	239,785
Bills payables	**83,510**	154,288
	433,009	394,073

The accounts payables are non-interest-bearing and are normally with credit periods ranging from 15 to 60 days. Bills payables are normally repayable within 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 payables as at the end of the reporting period, based on the invoice date, is as follows:

	At December 31, 2017 RMB'000	At December 31, 2016 RMB'000
Within 1 year	**343,742**	236,573
1 to 2 years	**3,127**	2,111
Above 2 years	**2,630**	1,101
	349,499	239,785

32. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

An analysis of other payables, accruals and deposits received is as follows:

	At December 31,	
	2017	2016
	RMB'000	RMB'000
Bills payables for construction work	**54,762**	126,474
Construction costs payables	**186,732**	156,467
Receipt in advance from customers	**120,103**	110,738
Deposits received	**51,605**	45,242
Salaries and wages payables	**120,408**	86,602
Accruals	**47,802**	56,773
Other payables	**20,928**	20,292
	602,340	602,588

33. BANK BORROWINGS

	At December 31,	
	2017	2016
	RMB'000	RMB'000
Unsecured bank loans	**2,300,115**	2,585,839
Carrying amount of the above borrowings repayable*:		
Within one year	**1,359,617**	1,737,080
In the second year	**226,949**	194,433
In the third to fifth year, inclusive	**619,190**	593,056
Beyond five years	**94,359**	61,270
	2,300,115	2,585,839
Less: Amounts due within one year shown under current liabilities	**(1,359,617)**	(1,737,080)
Amounts shown under non-current liabilities	**940,498**	848,759

* *The amounts due are based on scheduled repayment dates set out in the respective loan agreements.*

	At December 31,	
	2017	2016
	RMB'000	RMB'000
Fixed-rate borrowings	**523,566**	300,000
Variable-rate borrowings	**1,776,549**	2,285,839
	2,300,115	2,585,839

33. BANK BORROWINGS (Continued)

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings is as follows:

	2017	2016
Effective interest rate per annum	**1.66% to 4.90%**	1.33% to 5.15%

34. DERIVATIVE FINANCIAL INSTRUMENTS

	At December 31,	
	2017 RMB'000	2016 RMB'000
Derivatives not under hedge accounting		
Classified under current assets:		
Foreign currency forward contracts	**–**	3,418
Classified under current liabilities:		
Foreign currency forward contracts	**8,099**	–

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") and Euro ("EUR").

Major terms of the foreign currency forward contracts are as follows:

As at December 31, 2017

Notional amount	**Exchange rates**	**Maturity Date**
Buy USD1,243,106	USD1: RMB6.6253 to RMB6.9200	January 2, 2018 to August 2, 2018
Buy EUR1,421	EUR1: RMB7.8775	February 26, 2018

As at December 31, 2016

Notional amount	Exchange rates	Maturity Date
Buy USD73,732,241	USD1: RMB6.7316 to RMB7.0089	January 26, 2017 to March 30, 2017

Derivatives under hedge accounting

During the year, certain of the foreign currency forward contracts are designated as hedging instruments in order to manage the Group's foreign currency exposure. During the year, fair value loss of RMB4,307,000 (2016: nil) has been recognised in other comprehensive income and accumulated in cash flow hedging reserve included in equity and subsequently reclassified from cash flow hedging reserve upon maturity of the relevant forward contracts.

No foreign currency forward contracts outstanding as at December 31, 2017 are designated as hedging instruments (2016: nil).

35. LOANS FROM RELATED COMPANIES

The loans from related companies, which are entities controlled by a major shareholder, classified under current liabilities are unsecured and repayable within one year. Except for loans from related companies of RMB312,700,000 (2016: Nil) which bear interest ranging from 3.92% to 4.35% per annum, the remaining loans are interest-free.

The loans from a related company classified under non-current liabilities represented loans from a major shareholder, which are unsecured, bear interest at 1.2% (2016: 1.2%) per annum and repayable in November 2035 and June 2036. See Note 36 for further details.

36. 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,	
	2017	2016
	RMB'000	RMB'000
At beginning of the reporting period	**133,757**	60,769
Subsidies obtained during the year	**13,792**	5,310
Government low-interest loan*	**–**	71,193
Credited to profit or loss during the year	**(3,887)**	(3,515)
At end of the reporting period	**143,662**	133,757

* *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 which were recorded as loans from a related company under non-current liabilities (the "Loans") (Note 35). 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 at initial recognition. 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.*

37. SHARE CAPITAL

	Number of shares	**Amount USD**	**Equivalent to RMB'000**
Authorised:			
At January 1, 2016	50,000,000	N/A	N/A
At January 1, 2017 and At December 31, 2017 *	**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.*

37. SHARE CAPITAL (Continued)

A summary of the transactions during the current and prior 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, 2016	4,008,248,233	2,568,360	–	2,568,360
Repurchase of shares *(Note (i))*	(1,081,849,910)	(899,389)	–	(899,389)
Issue of new shares *(Note (ii))*	975,600,000	7	1,704,230	1,704,237
Share issue expenses *(Note (ii))*	–	–	(58,270)	(58,270)
At December 31, 2016 and 2017	**3,901,998,323**	**1,668,978**	**1,645,960**	**3,314,938**

Notes:

(i) 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.

(ii) 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.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	At December 31,	
	2017 RMB'000	2016 RMB'000
Non-current assets		
Investment in subsidiaries	**2,282,544**	2,197,049
Amount due from a subsidiary	**590,974**	563,369
	2,873,518	2,760,418
Current assets		
Loans to subsidiaries	**438,400**	–
Due from subsidiaries	**14,995**	131,640
Cash and bank balances	**1,018,765**	1,304,976
	1,472,160	1,436,616
Current liabilities		
Bank borrowings	**532,537**	565,366
Loan from a related company	**287,700**	–
Due to subsidiaries	**319**	–
Due to a related company	**4,291**	–
Other payables and accruals	**808**	7,863
	825,655	573,229
Net current assets	**646,505**	863,387
Net assets	**3,520,023**	3,623,805
Capital and reserves		
Share capital *(Note 37)*	**1,668,978**	1,668,978
Reserves *(Note)*	**1,851,045**	1,954,827
	3,520,023	3,623,805

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note: Reserves of the Company

	Share premium RMB'000 *(Note 37)*	Special reserve RMB'000 *(Note)*	Capital reserve RMB'000	(Accumulated losses)/ retained profits RMB'000	Total RMB'000
At January 1, 2016	–	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)
At December 31, 2016	1,645,960	220,351	881	87,635	1,954,827
Loss and total comprehensive expense for the year	–	–	–	(104,875)	(104,875)
Recognition of equity-settled share based payment granted by shareholder	–	–	1,093	–	1,093
At December 31, 2017	**1,645,960**	**220,351**	**1,974**	**17,240**	**1,851,045**

Note: As further detailed in Note (a)(ii) to the consolidated statement of changes in equity, on April 22, 2014, the Company alloted 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).

39. 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 (the "Trustee") have been 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, December 9, 2016, July 1, 2017 and December 12, 2017

Vesting period: Consecutively from the date of grant in equal shares to December 31, 2018, subject to adjustments based on the grantees' annual performance during the period from the respective grant date to December 31, 2018:

- if the department in which the Scheme participant is employed achieves less than 80% of the annual performance target during the relevant period, no option will be vested;
- if the department in which the Scheme participant is employed achieves between 80% and 120% of the annual performance target during the relevant period, the same percentage of option will be vested at December 31, 2018; and
- if the department in which the Scheme participant is employed achieves above 120% of the annual performance target during the relevant period, 120% of the option will be vested at December 31, 2018.

39. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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-thirds)
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.

The following table discloses movements of the share options held by a director and employees during the years ended December 31, 2017 and 2016:

	2017			2016		
	Director	**Employees**	**Total**	Director	Employees	Total
At January 1,	**2,891,173**	**30,799,906**	**33,691,079**	4,952,228	39,032,630	43,984,858
Adjustments upon share repurchased *(Note)*	**–**	**–**	**–**	(1,336,034)	(11,052,648)	(12,388,682)
Granted during the year	**1,457,633**	**13,280,230**	**14,737,863**	–	1,314,168	1,314,168
Adjustments based on performance	**(37,946)**	**843,296**	**805,350**	(725,021)	1,505,756	780,735
Lapsed during the year	**–**	**(2,412,497)**	**(2,412,497)**	–	–	–
At December 31,	**4,310,860**	**42,510,935**	**46,821,795**	2,891,173	30,799,906	33,691,079

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 37(i), 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 of the terms of the Scheme.

The exercise price for all options granted was adjusted to RMB1.18 per share on July 1, 2017 as a modification of the terms of the Scheme.

Details of options granted in different grant dates are as follows:

Date of options granted	Fair value date	Fair value	Number of options	Exercise price: (HK$ equivalent of)
March 28, 2015	At grant date	RMB50.89 cents	45,900,000	RMB1 per share
	At May 3,2016*	RMB70.33 cents	33,511,318	RMB1.37 per share
	At July 1, 2017*	RMB73.75 cents	33,511,318	RMB1.18 per share
December 9, 2016	At grant date	RMB76.25 cents	1,314,168	RMB1.37 per share
	At July 1, 2017	RMB74.33 cents	1,314,168	RMB1.18 per share
July 1, 2017	At grant date	RMB73.77 cents	14,046,281	RMB1.18 per share
December 12, 2017	At grant date	RMB69.50 cents	691,582	RMB1.18 per share

* *adjusted after modification of the terms of the share option scheme*

The above fair value of the share options were valued by Savills, independent qualified professional valuers not connected with the Group.

39. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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, 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.

	Date of grant/modifications of the terms of the share option scheme				
	March 28, 2015	**May 3,2016**	**December 9, 2016**	**July 1, 2017**	**December 12, 2017**
Share price	RMB1.00	RMB1.38	RMB1.47	RMB1.36	**RMB1.31**
Exercise price	RMB1.00	RMB1.37	RMB1.37	RMB1.18	**RMB1.18**
Expected volatility	49.94%	55.86%	54.73%	53.76%	**51.06%**
Option life	10 years	8.9 years	10 years	9.74 years	**9.29 years**
Dividend yield	1.21%	1.29%	1.30%	–	**–**
Risk-free interest rate*	4.08%	2.89%	3.10%	3.59%	**3.94%**

* *Being the yield of PRC government bond with similar maturity*

At December 31, 2017 and 2016, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 46,821,795 and 33,691,079, respectively, representing approximately 1.2% and 0.9% of the shares of the Company in issue at the respective dates. No share option was exercised during both 2017 and 2016.

The Group recognised net expenses of RMB11,033,000 for the year ended December 31, 2017 (2016: RMB5,962,000) in relation to share options granted by the Company.

40. 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,	
	2017	2016
	RMB'000	RMB'000
Within one year	**11,048**	16,110
In the second to fifth year, inclusive	**34,519**	38,524
After five years	**238,026**	196,900
	283,593	251,534

Leases for land use rights were negotiated for terms ranging from 1 to 70 years, and leases for office premises, retail shops and warehouses were negotiated for terms ranging from 1 to 8 years.

41. CAPITAL COMMITMENTS

	At December 31,	
	2017	2016
	RMB'000	RMB'000
Contracted but not provided for:		
Capital commitments in respect of:		
Purchase of property, plant and equipment	**503,280**	314,169
Investments in joint ventures	**25,353**	44,952

42. PLEDGE OF ASSETS

The carrying amount of the current assets pledged to banks to secure bills payable and letters of credit is as follows:

	At December 31,	
	2017	2016
	RMB'000	RMB'000
Bank deposits	**40,457**	50,093

43. RETIREMENT BENEFIT SCHEME

The employees of the Group in the PRC are members of a state-managed retirement benefit plan 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 plan 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 RMB43,961,000 for the year ended December 31, 2017 (2016: RMB39,446,000 including those from discontinued operation amounting to RMB3,822,000).

44. BUSINESS COMBINATION

During the year, the Group injected additional capital of RMB34,871,000 to Jiangsu CM, a then joint venture of the Group, which is principally involved in hog production. Subsequent to the capital injection, the Group's equity interests in Jiangsu CM increased from 40% to 51% and the Group has obtained control over its board of directors, and Jiangsu CM became a subsidiary of the Company thereafter. Jiangsu CM was acquired so as to continue the expansion of the Group's hog production business.

44. BUSINESS COMBINATION (Continued)

Fair value of assets and liabilities recognised at the date of the acquisition

	RMB'000
Property, plant and equipment	80,172
Prepaid lease payments	4,911
Biological assets	19,172
Deposits paid for purchase of property, plant and equipment	408
Deposits paid for purchase of biological assets	1,239
Inventories	1,346
Prepayments, deposits and other receivables	418
Amounts due from shareholders*	36,924
Cash and bank balances	8,808
Accounts payables	(3,390)
Other payables, accruals and deposits received	(53,170)
	96,838

* *The gross contractual amounts of amounts due from shareholders acquired amounted to RMB36,924,000 at the date of acquisition and the amounts were fully settled before the end of the reporting period.*

Goodwill arising on the acquisition

	RMB'000
Consideration:	
– Fair value of investment in a joint venture	14,517
– Capital injection to Jiangsu CM	34,871
Plus: Non-controlling interests (49% in Jiangsu CM)	47,450
Less: Net assets acquired	(96,838)
Goodwill arising on the acquisition	–

The non-controlling interests (49%) in Jiangsu CM recognised at the acquisition date was measured by proportionate share of net assets acquired.

Cash inflows from the acquisition

	RMB'000
Cash and bank balances acquired	8,808

Since the acquisition date, Jiangsu CM contributed revenue of RMB9,395,000 and a net loss of RMB13,221,000 to the Group's consolidated revenue and profit for the year ended December 31, 2017, respectively. Had the acquisition been completed on January 1, 2017, the total revenue of the Group and the profit of the Group's for the year ended December 31, 2017 would have been RMB6,970,336,000 and RMB430,472,000, respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2017, nor is it intended to be a projection of future results.

45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	At January 1, 2017 RMB'000	Financing cash flows RMB'000	Interest accrual RMB'000	Foreign exchange translation RMB'000	At December 31, 2017 RMB'000
Bank borrowings	2,585,839	(256,377)	–	(29,347)	2,300,115
Interest payable for bank borrowings	–	(80,234)	80,234	–	–
Loans from related parties	87,129	312,700	2,299	–	402,128
Interest payable for loans from related parties	–	(11,722)	11,722	–	–
Loans from a non-controlling shareholder of a subsidiary	–	39,205	–	–	39,205
Interest payable for loans from a non- controlling shareholder of a subsidiary	–	(409)	409	–	–
	2,672,968	3,163	94,664	(29,347)	2,741,448

46. 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 bank balances	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 a subsidiary:	
Cash and bank balances disposed of	(17,193)

Upon disposal of the subsidiaries, the statutory reserve of RMB5,741,000 has been reclassified to retained profits.

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 borrowings and loans from a non-controlling shareholder of a subsidiary and related companies disclosed in Notes 33, 29 and 35, respectively, net of pledged and restricted bank deposits, cash and bank balances 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 debts.

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,	
	2017	2016
	RMB'000	RMB'000
Financial assets		
Loans and receivables (including cash and bank balances)	**1,391,889**	1,823,579
Available-for-sale investments	**23,516**	23,516
Derivative financial instruments	**–**	3,418
Financial liabilities		
Amortised cost	**3,693,464**	3,623,864
Derivative financial instruments	**8,099**	–

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include available-for-sale investments, derivative financial instruments, accounts receivable, other receivables, accounts and bills payables, other payables, bank borrowings, loans and/or current account balances with related companies and a non-controlling shareholder of a subsidiary, pledged and restricted bank deposits, and cash and bank balances. 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 currencies. 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 monetary assets and monetary liabilities that are denominated in currencies other than the functional currencies of the relevant group entities at the end of each reporting period are as follows:

	At December 31,	
	2017	2016
	RMB'000	RMB'000
Assets		
Denominated in HKD:		
Cash and bank balances	**970**	18,067
Denominated in USD:		
Cash and bank balances	**1,007,964**	1,244,234
	1,008,934	1,262,301
Liabilities		
Denominated in USD:		
Bank borrowings	**648,997**	565,366
Accounts and bills payables	**57,005**	49,444
	706,002	614,810

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, 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. The sensitivity analysis also includes inter-company loans to foreign operations that form part of a net investment where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in post-tax profit and other equity where RMB weakening 5% (2016: 5%) against USD/HKD. For a 5% (2016: 5%) strengthen of RMB against the USD/HKD, there would be an equal and opposite impact on the profit and other equity and the balances below would be negative.

	Currency USD Impact		Currency HKD Impact	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Profit or loss	**11,324**	23,603	**36**	678
Equity	**–**	–	**27,919**	30,590

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 borrowings with a floating interest rate, for example, LIBOR and borrowing rate quoted by People's Bank of China. The effective interest rates and terms of repayment of the interest-bearing bank borrowings of the Group are disclosed in Note 33.

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 on profit or loss for the year is insignificant. The sensitivity analyses below have been determined based on the exposure to interest rates for bank 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, 2017 would decrease/increase by RMB13,789,000 (2016: RMB17,624,000). Results of the analysis above represent the effects on outstanding bank borrowings with a floating interest rate at the end of each reporting period.

Credit risk

As at December 31, 2017, 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.

As at December 31, 2017, 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 bank balances. 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 bank balances 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 bank balances 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.

	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, 2017						
Non-derivative financial liabilities						
Accounts and bills payables	–	433,009	–	–	433,009	433,009
Other payables, accruals and deposits received	–	482,237	–	–	482,237	482,237
Bank borrowings	1.66% to 4.90%	1,404,144	929,272	112,901	2,446,317	2,300,115
Amounts due to related companies	–	36,770	–	–	36,770	36,770
Loans from a non-controlling shareholder of a subsidiary	4.35%	40,910	–	–	40,910	39,205
Loans from related companies classified under current liabilities	0% to 4.35%	322,056	–	–	322,056	315,200
Loans from a related company classified under non-current liabilities	4.9%	1,848	7,392	178,024	187,264	86,928
		2,720,974	936,664	290,925	3,948,563	3,693,464
At December 31, 2016						
Non-derivative financial liabilities						
Accounts and bills payables	–	394,073	–	–	394,073	394,073
Other payables, accruals and deposits received	–	491,850	–	–	491,850	491,850
Bank borrowings	1.33% to 5.15%	1,793,361	864,033	73,181	2,730,575	2,585,839
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

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, 2017			
Foreign currency forward contracts:			
Inflows	**–**	**–**	**–**
Outflows	**8,099**	**8,099**	**8,099**
	8,099	**8,099**	**8,099**
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 derivative financial instruments as set out below, there is no financial instrument measured at fair value on a recurring basis.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At December 31, 2017				
Financial liabilities				
Derivative financial instruments	**–**	**8,099**	**–**	**8,099**
At December 31, 2016				
Financial assets				
Derivative financial instruments	–	3,418	–	3,418

There were no transfers between Level 1, 2 and 3 during the current and prior years.

The derivative financial instruments represent foreign currency forward contracts (Note 34). 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 counterparties.

Fair value of financial instruments that are not measured at fair value on a recurring basis

The fair values of financial assets and liabilities measured at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flows analysis. 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,	
	2017	2016
	RMB'000	RMB'000
Transactions with related companies**:		
Sales of goods*	**105,814**	98,589
Purchases of goods*	**566,797**	214,153
Office rental expense*	**7,403**	1,225
Property management fee expense*	**668**	163
Feeding materials processing fee expense*	**9,366**	1,912
Warehouse rental expense*	**869**	137
Interest income*	**1,179**	5,758
Interest expense*	**14,021**	577
Administrative expense	**1,753**	799
Transactions with fellow subsidiaries:		
Sales of goods*	–	83,506
Purchases of goods*	–	487,327
Property management fee expense*	–	214
Feeding materials processing fee expense*	–	8,820
Feeding materials processing fee income*	–	421
Interest income*	–	1,081
Interest expense*	–	8,784
Warehouse rental expense*	–	504
Administrative expense	–	986
Transactions with the immediate holding company**:		
Interest expense	–	23,896
Transactions with the ultimate holding company**:		
Office rental expenses*	–	6,127
Property management fee expense*	–	472
Purchases of goods*	–	1
Interest expense	–	1,245
Administrative expense	–	340

* *These related party transactions included continuing connected transactions according to the Listing Rules.*

** *These holding companies became related companies of the Group upon the Listing.*

The interest expense to related companies arose from the loans advanced therefrom. Details of the terms of these loans are set out in Notes 35.

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, 2017, certain deposits included in cash and bank balances 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, 2017 amounted to RMB63,012,000 (2016: nil). See Note 30.

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,	
	2017	2016
	RMB'000	RMB'000
Salaries and other allowances	**6,967**	7,740
Retirement benefit scheme contributions	**304**	283
Equity-settled share option expense	**3,336**	2,004
	10,607	10,027

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, 2017 and 2016 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
			2017	2016	
			%	%	
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
			2017	2016	
			%	%	
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
江蘇中慕農業發展有限公司 (Jiangsu CM/Merit Agriculture Development Co., Ltd.*) *(Note (ii))*	PRC/PRC	US$39,183,700	**51**	N/A	Hog production

* *The English names of the Chinese companies marked with "*" are translations of their Chinese names and are included for identification purpose only, and should not be regarded as their official English translation.*

Notes:

(i) This company is a wholly-foreign owned enterprise.

(ii) These companies are PRC limited liability companies.

(iii) Except for Zhuo Mao Limited, all subsidiaries were indirectly held by the Company as at December 31, 2017 and 2016.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

53. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	**2017**	2016	**2017**	2016
				RMB'000	RMB'000	**RMB'000**	RMB'000
Jiangsu CM	PRC	**49%**	N/A	**(6,478)**	–	**40,972**	–
Immaterial subsidiary with non-controlling interests						**2,968**	3,312
						43,940	**3,312**

Jiangsu CM

	At December 31, 2017 RMB'000
Current assets	69,518
Non-current assets	171,058
Current liabilities	(115,152)
Net assets	125,424
Equity attributable to the owners of the Company	84,452
Non-controlling interests of Jiangsu CM	40,972
	125,424

	From date of acquisition to December 31, 2017 RMB'000
Revenue	9,395
Expenses	(22,616)
Loss for the period	(13,221)
Loss attributable to the owners of the Company	(6,743)
Loss attributable to non-controlling interests of Jiangsu CM	(6,478)
	(13,221)

Financial Summary

A summary of the published results and the assets and liabilities of the Group for the last five financial years is set out below:

CONSOLIDATED RESULTS

	Year ended December 31,				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations					
Revenue	**6,960,567**	6,616,068	5,055,705	3,746,039	3,733,599
Profit/(loss) for the year from continuing operations	**444,807**	947,935	209,656	(349,362)	(79,617)
Discontinued operations					
Profit/(loss) for the year from discontinued operations	**–**	3,921	(58,752)	(61,605)	(162,124)
Profit/(loss) for the year	**444,807**	951,856	150,904	(410,967)	(241,741)
Total comprehensive income/(expense) attributable to:					
Owners of the Company	**455,398**	947,842	145,082	(386,520)	(221,407)
Non-controlling interests	**(6,822)**	(56)	–	(25,772)	33
	448,576	947,786	145,082	(412,292)	(221,374)

ASSETS AND LIABILITIES

	As at December 31,				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**8,910,697**	8,306,677	7,437,771	8,028,566	4,999,027
Total liabilities	**(3,965,379)**	(3,868,418)	(4,793,583)	(5,591,917)	(4,473,352)
Total equity	**4,945,318**	4,438,259	2,644,188	2,436,649	525,675
Equity attributable to:					
Owners of the Company	**4,901,378**	4,434,947	2,644,188	2,325,474	388,728
Non-controlling interests	**43,940**	3,312	–	111,175	136,947
	4,945,318	4,438,259	2,644,188	2,436,649	525,675

Investors' Calendar

Annual Results Announcement

March 28, 2018 (Wednesday)

Closure of Register of Members

For the purpose of determining the eligibility of the Shareholders to attend and vote at the annual general meeting: from Tuesday, May 29, 2018 to Friday, June 1, 2018, both days inclusive

Annual General Meetings

June 1, 2018 (Friday)

Dividend

The Board of Directors does not recommend to declare final dividend for the year ended December 31, 2017.

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
"2017 Financial Services Agreement"	the financial services agreement entered into between the Company and COFCO Finance, an indirect wholly-owned subsidiary of COFCO, on November 23, 2016
"2018 Central Reserved Pork P&S Agreement I"	the central reserved pork electronic purchase and sale agreement entered into among China Merchandise Reserve, Wuhan COFCO Meat and China Foodstuffs on January 16, 2018
"2018 Central Reserved Pork P&S Agreement II"	the central reserved pork electronic purchase and sale agreement entered into among China Merchandise Reserve, COFCO Meat (Jiangsu) and China Foodstuffs on January 16, 2018
"Central Reserved Pork P&S Agreement I"	the central reserved pork electronic purchase and sale agreement entered into among China Merchandise Reserve, Wuhan COFCO Meat and China Foodstuffs on May 26, 2017
"Central Reserved Pork P&S Agreement II"	the central reserved pork electronic purchase and sale agreement entered into among China Merchandise Reserve, COFCO Meat (Jiangsu) and China Foodstuffs on May 26, 2017
"China Foodstuffs"	China National Foodstuffs Group Corp.* (中國食品集團公司), a state-owned company incorporated in the PRC on May 9, 1989 and a wholly-owned subsidiary of Huafu
"China Merchandise Reserve"	China Merchandise Reserve Management Center* (華商儲備商品管理中心), a state-owned company incorporated in the PRC on January 21, 1998 and a wholly-owned subsidiary of Huafu
"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 of our Company
"Board" or "Board of Directors"	our board of Directors

Glossary

"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 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 (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)
"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
"non-competition undertakings"	the non-competition undertakings 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
"Entrustment Loan Services"	the provision of entrustment loans among members of the Group through COFCO Finance, which will only act as agent of the Group, under the 2017 Financial Services Agreement
"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 "Statutory and General Information" in Appendix IV of the Prospectus
"Genesus"	Genesus Inc., a limited liability company incorporated under the laws of Manitoba, Canada on April 1, 2013
"Gourmet"	Gourmet Bravo Ltd., a company incorporated under the laws of the Cayman Islands with limited liability
"Group", "our Group", "we" or "us"	our Company and its subsidiaries or for the period before our Company became the holding company of our present subsidiaries, where the context so requires, 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 (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 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

Glossary

"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 (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
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers 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 of our Company
"Wuhan COFCO Meat"	COFCO Wuhan Meat Product Co., Ltd.* (武漢中糧肉食品有限公司), a limited liability company incorporated in the PRC on September 30, 2002 and a wholly-owned subsidiary of the 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