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

2019 Annual Report

CONTENTS

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.cofcomeat.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
Mr. Fu Tingmei
Mr. Li Michael Hankin
Mr. Lee Ted Tak Tai
Dr. Ju Jiandong

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)
Mr. Fu Tingmei
Dr. Ju Jiandong

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

Food Safety Committee
Mr. Xu Jianong (Chairman)
Dr. Huang Juhui
Ms. Yang Hong

Auditor
Deloitte Touche Tohmatsu

Legal Advisers
Clifford Chance (as to Hong Kong law)

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

Authorised Representatives
Mr. Xu Jianong
Ms. Chau Hing Ling

Share Registrar and Transfer Office
Principal
Tricor Services (Cayman Islands) Limited
P.O. Box 10008, Willow House, Cricket Square
Grand Cayman KY1-1001, Cayman Islands

Hong Kong Branch
Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

Registered Office
Tricor Services (Cayman Islands) Limited
P.O. Box 10008, Willow House, Cricket Square
Grand Cayman KY1-1001, Cayman Islands

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

Major Events in COFCO Meat in 2019

April-May

COFCO Joycome carried out "The Secret of Strong and Healthy Kids(萌娃健康強壯的秘密)" online campaign and "Five Checkpoints • Aerospace Quality-Ignited the Space Dreams of Children with Aerospace On-Campus (五重守護•航天品質—航天科普進校園，點燃學童航天夢)" offline activities in Wuhan and Nanjing respectively, to promote the spirit of learning aerospace science in campuses as well as importance of consuming high-quality, healthy meat, thus creating valuable opportunities for children to learn aerospace science and experience the charm of aerospace technology, and sowing seeds of hope for the "Chinese Dream" and "Aerospace Dream".

June

The Phase III (328,400 heads) of the COFCO Meat Chifeng Company Hog Production Project was put into operation. The project consists of one integrated farming line from sow to finishing hogs and two facilitating sow farms for contract farming. Following the commencement of operation, the total production capacity of the Chifeng Company has exceeded 800,000 heads.

June

Stage I of COFCO Meat Jilin Company Project (Phase III) commenced operation. Phase III of the project is scheduled to build integrated farming lines from sows to finishing hogs, sow farms for contract farming and nucleus farm, which will increase our annual production capacity to 830,000 hogs and 12,000 breeding hogs. Following the commencement of operation of stage I, the total production capacity of the Jilin Company has exceeded 900,000 heads.

July

COFCO Joycome invited local families from Wuhan and Nanjing, staff representatives of our partners, front-line factory staffs and outstanding employees to visit the Xichang Satellite Launch Center and the Xichang Military Museum in Sichuan, for them to gain a better understanding of China's aerospace development, to witness China's aerospace dream and the tremendous success achieved so far in the aerospace industry.

August

The signing ceremony between COFCO Joycome and the Training Bureau of the General Administration of Sport was held in Beijing. COFCO Joycome was awarded the title of "guaranteed preparation product for competition by national team athletes of National Sports Training Center (NSTC) (體育•訓練局國家隊運動員備戰保障產品)" by the Training Bureau of the General Administration of Sport.

August

From August 8 to 18, 2019, The 2nd Youth Games of the PRC was successfully held. After being repeatedly tested, COFCO Joycome was selected to supply pork and processed pork products to athletes from all over the country in the athlete villages of the Youth Games, and the quality of the pork products won unanimous acclaim.

September

COFCO Joycome held the "Safety of the Food, Honor for the Country" food festival at the athletes' canteens of the Training Bureau of the General Administration of Sport. Through events such as "Serving Meals with Featured Meat" and "Best Wishes for the National Day", COFCO Joycome provided safe and quality meat products for national team athletes training for competition, to show support and cheer for the Chinese Gymnastics Team in the World Artistic Gymnastics Championships.

September

Construction of the main structure of COFCO Meat Industrial Park Project (Phase I) in Huanggang, Hubei has been completed. After the completion of the Huanggang Industrial Park Project, the scale of slaughtering and meat product processing has further expanded.

October

From October 18 to 27, 2019, the 7th CISM Military World Games was successfully held in Wuhan. During the Games, COFCO Joycome supplied pork and processed pork products to nearly 10,000 athletes from over 100 countries in the athlete villages. By achieving "zero" accidents during cold chain transportation, "zero" stimulant identified in the pork supplied and "zero" incidents on food quality and safety, COFCO Joycome successfully completed the task of ensuring food supplies for athletes' canteens in the athlete villages of the CISM Military World Games, and firmly safeguarded the smooth holding of the event.

November

At the Second China International Import Expo (CIIE), COFCO Meat entered into agreements of intention for purchase with three companies, namely Danish Crown Group and Rioplatense and Arrebeef (both based in Argentina), respectively. Entering into these agreements at the CIIE allowed COFCO Meat to have better interaction with upstream partners, promote the integration of various quality meat resources at home and abroad while furthering its development, and achieve the enrichment of procurement categories, diversification of our international supplier portfolio and sustainable procurement. The Company will introduce premium European pork and South American beef to China to fill the gap of China's meat protein supply and satisfy the people's consumption needs for meat.

December

In a cross-industry innovative collaboration with CAR Inc. and KOL, COFCO Joycome produced the travel and food VLOG "Watching the rocket launch with COFCO Joycome and CAR Inc.", taking viewers to witness the great launch of the Long March 5 Y3 Rocket. The interactive Vlog has built a brand reputation for the Company on Weibo.

Financial Highlights

Key operating data

	2019	2018	Change (%)
Average selling price of finishing hogs (RMB/kg) (1)	**16.16**	11.56	39.8%
Hog production volume (unit: '000 heads) (1)	**1,985**	2,550	-22.2%
Fresh pork sales volume (unit: '000 tons) (2)	**146**	190	-23.3%
Branded small-packed fresh pork sales volume (unit: '000 boxes) (3)	**26,426**	18,202	45.2%
Ratio of revenue from branded business of total fresh pork business (3)	**32.0%**	30.8%	1.2 percentage points
Meat import sales volume (unit: '000 tons) (4)	**179**	93	93.3%

Key financial data

	2019		2018	
	Before biological assets fair value adjustments *RMB'000*	**After biological assets fair value adjustments** *RMB'000*	Before biological assets fair value adjustments *RMB'000*	After biological assets fair value adjustments *RMB'000*
Revenue (5)	**11,078,665**	**11,078,665**	7,168,488	7,168,488
Profit for the period (6)	**373,406**	**1,522,223**	-216,667	-646,649
Profit attributable to the owners of the Company (7)	**424,910**	**1,573,727**	-204,052	-627,667
Basic earnings per share (8)	**RMB0.1094**	**RMB0.4033**	RMB-0.0523	RMB-0.1609

Notes:

1. *With domestic severe epidemic of African swine fever this year, the Group strengthened its capabilities of disease prevention and control under biosecurity system through comprehensive upgrade of related infrastructures to ensure hog supply. Despite the 22.2% year-on-year decrease in hog production volume in 2019, the income and profit from hog production business increased significantly due to the year-on-year increase in average selling price of finishing hogs by 39.8% as a result of decreased hog supply across the country.*

2. *Affected by the country-wide shortage of hog supply, hog procurement volume of the Group's fresh pork segment declined. In addition, the Group also increased certain pork inventory strategically. As a result, fresh pork sales volume decreased year on year.*

3. *"Ratio of revenue from branded business of total fresh pork business" refers to revenue from branded fresh pork divided by total fresh pork revenue. The ratio increased by 1.2 percentage points year on year, benefiting from brand promotion and channel development. Despite adverse circumstances, branded small-packed fresh pork sales volume increased significantly by 45.2% year on year.*

4. *To deal with the tightening domestic meat supply, the Group expanded its import procurement and sales volume, and the meat import sales volume increased significantly by 93.3% year on year.*

5. *Revenue amounted to RMB11,079 million, representing a year-on-year increase of 54.5%, including the revenue of RMB5,175 million from the meat import business, representing a year-on-year increase of 123.4%. Hog production, fresh pork and processed meat products also recorded a year-on-year increase in revenue.*

6. *Profit for the period before biological assets fair value adjustments amounted to RMB373 million, representing a year-on-year increase of RMB590 million. The Group focused on epidemic prevention and control, channel optimization and cost management, significantly increased the results of the hog production segment and the meat import segment year on year, and greatly improved the overall performance of the Group.*

7. *Profit attributable to the owners of the Company amounted to RMB1,574 million. The fair value of biological assets was adjusted based on hog prices as at the end of December 2019. Compared with December 31, 2018, the price of hogs significantly increased while hog stock decreased.*

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

The Board recommended the declaration of final dividend for the year ended December 31, 2019. The dividends to be declared and paid will be in the amount of HK$0.048 per share and in aggregate amount to approximately HK$187 million.

Chairman's Statement

Dear Shareholders,

2019 was a year of ups and downs. The Company has gone all out to overcome all difficulties and challenges with our concerted efforts, and achieved steady and healthy development across all lines of business.

First, we continued to enhance our production capacity layout. The hog production capacity amounted to over 5 million heads, and the construction of the main structure of the Huanggang, Hubei new plant for our fresh pork business with an annual slaughtering capacity of 1 million heads has been completed. Meanwhile we promoted our slaughtering capacity layout in northern China to strengthen our upstream and downstream businesses matching;

Second, our core business operation capabilities have enhanced. As to our hog production business, we strictly contained the African swine fever, seized industry opportunities, and significantly improved our performance results. Faced with the challenges of rising hog price and the shortage of hog supply, the fresh pork segments optimized its product and channel structure and has gradually formed a profitable model;

Third, we have successfully raised our brand awareness. The ratio of revenue from branded business of the fresh pork business increased to 32%, sales of small-packed pork has increased significantly by 33% year on year, and Joycome has been awarded "guaranteed preparation product for competition by national team athletes of National Sports Training Center (NSTC)", continually enhancing our brand awareness and reputation;

Fourth, our meat import business has recorded rapid growth. Our self-operated import business ranked first among industry peers, with revenue from the import segment exceeding RMB5 billion.

"Practice enriches knowledge and more knowledge leads to better practice." Since the outbreak of African swine fever, the Company has continuously strengthened the construction of biosecurity system to comprehensively enhance its prevention and control capabilities, accumulating experience through practice and forging ahead through exploration. In 2020, with strong determination and confidence, the Company will continue to carry forward the high-quality development process. Furthermore, we will:

On top of epidemic prevention and control, proactively expand sow stocks and hog production volume to fully ensure hog supply, continuously enhance our operational efficiency and quality, and improve the industrial layout;

Keep pace with the consumption upgrades, spare no effort to enhance brand influence, and promote innovation in downstream products;

Fully utilize the two markets and two resources of the domestic and import business segments to achieve a "two-wheel drive".

I, on behalf of the Board and the management, hereby express my sincere gratitude to our Shareholders and business partners for their trust and support and all employees for their hard work and dedication. In 2020, we will continue to rise to the challenges, pursue excellence, and achieve high-quality development in return for your support.

Jiang Guojin
Chairman of the Board and Executive Director

April 20, 2020

Management Discussion and Analysis

I. Company Profile

Company Introduction

The Company is a meat business platform under COFCO Corporation ("COFCO") and was listed on the main board of The Stock Exchange of Hong Kong Limited 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.

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 in-house 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 is building a new slaughtering and processing base in Hubei. The Company vigorously develops branded business through the "Joycome" brand, which 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 "Maverick" and "Joycome", 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. Market overview

With the intensive and complicated situation for prevention and control of the African swine fever, the upgrading of the meat industry is accelerating

The African swine fever has polluted a relatively large portion of China ever since its introduction into the country in August 2018. Due to the complicated ways of transmission of the epidemic while vaccines are still under research and development, the prevention and control of the African swine fever will be a prolonged battle. Under such circumstances, the transformation and upgrading of the meat industry is accelerating. Firstly, the entry barrier for hog production has been greatly raised and large-scale enterprises will secure higher market shares and profits. Secondly, the policies have imposed severe crack down on illegal transportation and private slaughter and encouraged the shifting of "transporting hog" into "transporting pork", while the slaughtering capacity will transfer to the major areas of hog production and a large number of backward and inefficient slaughtering capacity will be eliminated. Thirdly, the industry chains for hog production and slaughtering will extend to each other and enterprises covering the integrated value chain will have first-mover advantage during the industry transformation.

Significant decrease in hog production across the country driving rapid rise in hog prices

In 2019, domestic hog production volume was 544 million heads, representing a year-on-year decrease of 21.6%; pork output was 43 million tons, representing a year-on-year decrease of 21.3%. The supply gap drove hog prices to rise rapidly and reach RMB41.0/kg in early November.

In the fourth quarter, the basic inventory of sows in China showed a rebound momentum but a full recovery will take time

The second half of 2019 saw significant decrease in domestic hogs and sow stocks. With the government's introduction of a number of measures to promote production, inventory of sows recorded month-on-month growth for three consecutive months in December 2019. As it took time for resumption of capacity, coupled with the short-term difficulties in replenishment caused by the outbreak of the COVID-19, tightened domestic supply of hogs will persist in 2020, which in turn will support hog prices for the whole year.

Consumption upgrading led to brand-oriented pork consumption

Driven by consumption upgrades and the impact of the African swine fever, product quality and food safety became the focus of consumers' attention. Branded pork with excellent quality, safety and healthiness will be more favored and gain higher brand premium and loyalty.

Year-round significant increase in meat imports

In 2019, China's pork (excluding by-products) imports amounted to 2,108 thousand tons, representing an increase of 75% year on year and accounting for approximately 5.0% of domestic pork production; beef imports amounted to 1,659 thousand tons, representing an increase of 59.7% year on year and accounting for approximately 24.9% of domestic beef production.

III. Results of operation

In 2019, amid complicated external environment, the Company strengthened prevention and control of epidemic diseases, promoted brand building, and expanded the scale of meat import and sales. During the reporting period, profit attributable to the owners of the Company before biological assets fair value adjustment was RMB425 million, representing a year-on-year increase of RMB629 million, mainly driven by the increase in hog production segment and meat import segment.

Hog production business

Improving hardware facilities to enhance the prevention and control capabilities against African swine fever

The Company strengthened construction of biosecurity system to enhance the capabilities of prevention and control of the African swine fever. Firstly, in terms of hardware, we comprehensively upgraded facilities by the new construction of nearly 80 high-standard vehicle cleaning and disinfection stations and high-temperature drying rooms as well as the addition of high-temperature ripening devices for the feed plants. Secondly, in respect of the management of vehicles, personnel and materials flows, vehicles are docked to designated hog farm after thorough decontamination and drying. Personnel must strictly implement off-site and on-site isolation before entering the production area, while all materials are centrally delivered on site by special cars after concentrated disinfection in regional warehouses. Thirdly, in respect of disease prevention and control, frequency of hog farm patrols are increased and abnormal hogs are disposed of in a timely manner. Fourthly, in respect of production management, experience for prevention and control of African swine fever are shared through weekly regular meetings.

Accelerating the progress of production and actively expanding sow stocks to ensure output

In 2019, the Company's hog production volume was 1,985 thousand heads, representing a decrease of 22.2% year on year, and the average finishing weight was at 107.1 kg/head, which was stable year on year.

The Company accelerated its operations of new sites and rehabilitation of old sites. By the end of 2019, a total hog production capacity of 5,024 thousand heads was reached, representing an increase of 936 thousand heads as compared with that at the beginning of the year. Standard rehabilitation process was developed to accelerate the progress of resuming production, with sow stocks increasing steadily during the second half of 2019. Plans for introducing the nucleus herds were actively promoted to provide breeding source.

Optimizing incentive mechanisms to improve production efficiency

To fully mobilize the enthusiasm and sense of responsibility of employees, the Company has optimized the production incentive mechanism. Basic salary and batch performance bonus for front-line employees were increased, with monthly batch performance bonuses increasing by 45%; incentives were established for production management staff for prevention and control of major epidemics and excessive hog production volume.

Fresh pork business

Strict control of process risks with 100% product pass rate

The Company carried out advance inspections in areas of supplier access, entry and exit of personnel and vehicles as well as factory environment disinfection, and enabled full coverage of process risks through inspection of live hogs before their entrance at the factory as well as during and after they are slaughtered. In all 234 batches of government spot checks in 2019, the Company's pass rate of fresh pork and processed meat products was 100%.

Strengthening brand promotion with growing proportion of revenue from branded fresh pork business

In 2019, the Company adequately increased its pork inventory, recording sales volume of fresh pork of 146 thousand tons, representing a decrease of 23.3% year on year. With continuous strengthening of brand construction, revenue from branded fresh pork grew by 17.1% to reach RMB1,027 million, and the ratio of branded fresh pork revenue increased by 1.2 percentage points year on year to 32.0%.

As "A partner of China Space", the Company continued to carry out activities centering around the positioning of "Safety with Zero Mistake" such as "Aerospace Science Campus Events" and "Aerospace Launch Viewing Ceremony", and further enhanced the brand awareness and reputation. In August 2019, Joycome became a "guaranteed preparation product for competition by national team athletes of National Sports Training Center (NSTC)", successively supplying pork products for the 2nd National Youth Games and the 7th Military World Games by achieving "zero" failure in cold chain transportation, "zero" detection of stimulants, and "zero" accidents in food quality and safety. The Company will continue to polish every production process with "champion quality" to provide national team athletes and consumers with safe, reliable, healthy and nutritious high-quality meat.

Improving production capacity layout to cater for the trend from "transporting hogs" to "transporting pork"

To cater for the trend from "transporting hogs" to "transporting pork", the Company accelerated its slaughtering capacity layout. The main structure of Huanggang, Hubei new plant with an annual slaughtering capacity of 1 million heads has been completed, and the arrangement for production will subsequently be made according to hog sources. The slaughtering capacity layout will continue to proceed in Northeast and North China.

Sales of small-packed fresh pork showing explosive growth, and the opening up of e-commerce retail channels for fresh food has first shown effectiveness

The Company's small-packed fresh pork recorded annual sales volume of 26.4 million boxes, representing an increase of 45.2% year on year with daily sales volume exceeding 72 thousand boxes. The Company carried out in-depth cooperation with new retail channels, and its small-packed fresh pork has entered 134 stores of a certain mid-to-high-end fresh food e-commerce company. The opening up of e-commerce retail channels for fresh food has also shown effectiveness, with the growth in sales and revenue from e-commerce channels exceeded 100% year on year.

Meat import business

Expanding import procurement and sales volume to deal with tightening domestic meat supply

In 2019, amid tightening domestic meat supply, the Company enhanced its procurement that covered almost a hundred suppliers in 20 countries. The sales volume of the segment was 179 thousand tons, representing an increase of 93.3% year on year, of which sales volume of beef was 72 thousand tons, representing an increase of 86.3% year on year; sales volume of pork was 66 thousand tons, representing an increase of 105.8% year on year; revenue from the segment amounted to RMB5,175 million, representing an increase of 123.4% year on year.

Continuous optimization of channel structure

The Company continued to further its penetration into regions and channels, with its terminal (catering, corporate customers and retail) business revenue increasing by 131.6% year on year. The sales volume of imported chilled pork, beef and high-end grain-fed products increased rapidly, with the loyalty of high-end retail and catering customers further strengthened.

IV. Financial Review

Overall Performance

In 2019, the revenue of the Group was RMB11,079 million, representing a year-on-year increase of RMB3,911 million as compared with RMB7,168 million for the same period in 2018. Before biological assets fair value adjustments, the net profit of the Group was RMB373 million, turning around from a loss to a profit as compared with losses of RMB217 million for the same period in 2018, with an increase in profit of RMB590 million.

Revenue

In 2019, the revenue of the Group was RMB11,079 million, representing a year-on-year increase of 54.5% as compared with RMB7,168 million for the same period in 2018, mainly due to the year-on-year increase of 93.3% in sales volume of the meat import business. Meanwhile, the average selling price of finishing hogs in the hog production business was RMB16.16/kg for the year, representing a year-on-year increase of 39.8%.

Gross Profit Margin

In 2019, the gross profit margin before biological assets fair value adjustments of the Group was 8.9%, representing a year-on-year increase of 4.2 percentage points, mainly due to the rapid rise of domestic hog prices in the second half of the year; meanwhile, trade opportunities emerged and the profitability of meat import business improved.

Selling and Distribution Expenses/ Administrative Expenses

In 2019, the total selling and distribution expenses and administrative expenses of the Group amounted to RMB611 million, representing a year-on-year increase of 18.9% as compared with RMB514 million for the same period last year, mainly due to the increase in refrigeration charges and freight costs incurred by the significant expansion of scale of the meat import business during the year.

Finance Costs

In 2019, the Group's finance costs amounted to RMB162 million, representing an increase of RMB38 million as compared with RMB124 million in 2018, mainly due to the expansion of scale of the meat import business, which in turn resulted in increased borrowings.

Other Income, Other Expenses, Other Gains and Losses

In 2019, the Group's other income, other expenses, other gains and losses amounted to RMB165 million in total, representing a year-on-year increase of RMB69 million as compared with that of the same period in 2018, mainly due to gains from commodity future contracts of RMB128 million for the year.

Profit/Loss for the Period

For the reasons above, the Group recorded profit before biological assets fair value adjustments of RMB373 million in 2019, turning around from a loss to a profit as compared with losses of RMB217 million for the same period in 2018, with an increase in profit of RMB590 million.

Significant Investments and Acquisitions and Disposals of Subsidiaries

Save as disclosed in this annual report, the Group had neither other significant investments nor significant acquisitions and disposals of relevant subsidiaries in 2019.

Major Financial Ratios

The financial ratios of the Group as at December 31, 2019 and December 31, 2018 are set forth below:

	December 31, 2019	December 31, 2018
Return on equity[(1)]	**27.8%**	-13.3%
Return on assets[(2)]	**11.5%**	-6.7%
Interest coverage ratio[(3)]	**8.85 times**	-3.68 times
Current ratio[(4)]	**1.01**	0.81
Net debt-to-equity ratio[(5)]	**117.0%**	61.4%

Notes:

(1) Equals profit/loss for the year divided by the average of the beginning and ending total equity for that year and multiplied by 100%.

(2) Equals profit/loss for the year divided by the average of the beginning and ending total assets for that year and multiplied by 100%.

(3) Equals profit/loss before finance costs and income tax expense for the year divided by finance costs (with capitalised interest added back) for that year 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 bank balances divided by total equity as at the balance sheet date and multiplied by 100%.

Analysis on Capital Resources

Liquidity and Financial Policy

Adhering to the steady financial policy, externally, the Group was committed to expanding financing channels and strengthening financing capability construction, as well as strengthening the cooperation with banks to obtain adequate credit facilities and ensure the capital liquidity. Internally, the Group implemented intensive management for surplus capital to improve the turnover efficiency for inventories and receivables and the 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 Corporation Limited ("**COFCO Finance**"). At the same time, the Group also used the capital pool in Mainland China, so as to be more effective in utilising cash, reducing average borrowing costs of the Group, and accelerating clearing services among the companies under the Group.

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

As at December 31, 2019, the cash and bank balances owned by the Group amounted to approximately RMB630 million (December 31, 2018: approximately RMB1,140 million). The decrease was mainly due to the rapid expansion of scale of the meat import business during the year.

As at December 31, 2019, our current ratio was 1.01 (December 31, 2018: 0.81). As at December 31, 2019, our unused bank credit facilities were RMB7,478 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 2019, the EBITDA of the Group (before biological assets fair value adjustments) was RMB929 million (same period in 2018: RMB322 million). Net cash used in our operating activities was RMB1,049 million (generated during the same period in 2018: RMB42 million). Net cash generated in our investment activities was RMB4 million (used during the same period in 2018: RMB1,955 million), including RMB966 million for the purchase of property, plant and equipment (same period in 2018: RMB1,333 million). Net cash generated from our financing activities was RMB1,441 million (generated during the same period in 2018: RMB1,256 million). Our time deposits over three months decreased by RMB866 million as compared to that at the beginning of 2019. In summary, in 2019, our net decrease in cash and bank balances was RMB510 million.

Capital Structure

As at December 31, 2019, the total number of issued shares of the Company remained unchanged at 3,901,998,323 shares.

As at December 31, 2019, the Group had interest-bearing bank loans of approximately RMB7,634 million (December 31, 2018: approximately RMB3,505 million). The annual interest rate on bank loans ranged from 2.58% to 4.99% (December 31, 2018: from 2.14% to 4.99%). 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, 2019**	December 31, 2018
Within 1 year	**6,301**	2,057
1 to 2 years	**256**	335
3 to 5 years	**714**	921
Over 5 years	**363**	193
Total	**7,634**	3,505

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

Unit: RMB in million	**December 31, 2019**	December 31, 2018
Fixed-rate borrowings	**5,801**	756
Variable-rate borrowings	**1,833**	2,749
Total	**7,634**	3,505

As at December 31, 2019, the Group had approximately RMB205 million loans from related parties (December 31, 2018: approximately RMB565 million).

As at December 31, 2019, the Group had net assets of approximately RMB6,160 million (December 31, 2018: approximately RMB4,774 million). Net debts of the Group[1] amounted to approximately RMB7,209 million (December 31, 2018: approximately RMB2,930 million), while the net debt to equity ratio was approximately 117.0% (December 31, 2018: approximately 61.4%).

Note:

1. *Net debts of the Group refer to interest-bearing bank loans and loans from related parties less cash and bank balances.*

Contingent Liabilities and Pledge of Assets

As at December 31, 2019 and December 31, 2018, the Group had no significant contingent liabilities.

As at December 31, 2019 and December 31, 2018, the Group had no bank loans secured by buildings, land use rights and time deposits of the Group.

Capital Expenditure

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

In 2019, the Group's capital expenditure was RMB982 million (same period in 2018: RMB1,422 million). The following table sets forth our capital expenditure for the years indicated:

Unit: RMB in million	**2019**	2018
Payments for property, plant and equipment	**966**	1,333
Payments for prepaid lease payments	**14**	88
Payments for other intangible assets	**2**	1
Total	**982**	1,422

As of December 31, 2019, our demand for capital expenditure mainly came from the construction of hog farms and facilities in Jilin Province, Henan Province and the Inner Mongolia Autonomous Region, as well as slaughter house and facilities in Hubei Province.

Capital Commitment

Capital commitment of the Group is mainly related to the construction of hog farms and other production and ancillary facilities. As at December 31, 2019, capital commitment of the Group was RMB433 million (December 31, 2018: RMB522 million).

Biological Assets

Biological assets of the Group primarily consist of commodity pigs at different growth stages and breeding hogs used to give birth to animals in the future. As at December 31, 2019, we owned 167 thousand breeding and replacement hogs in total, representing a decrease of 9.2% as compared with 184 thousand heads as at December 31, 2018. The fair value of our biological assets was RMB1,925 million as at December 31, 2019 and RMB1,464 million as at December 31, 2018. 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 adjust 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 periods.

During the same periods in 2019 and 2018, such adjustments have increased our cost of sales by RMB898 million and RMB326 million, respectively. Additionally, gains arising from fair value of agricultural products at the point of harvest less cost of sales amounted to RMB868 million (same period in 2018: loss of RMB134 million); gains arising from changes in fair value of biological assets less cost of sales amounted to RMB1,179 million (same period in 2018: gains of RMB30 million). In general, the net effect of adjustment in fair value of biological assets on profit was gains of RMB1,149 million during the current period and losses of RMB430 million during the same period in 2018.

V. Human Resources

The continuing operations of the Group hired 6,442 employees as at December 31, 2019 (December 31, 2018: 6,989 employees). Remuneration for employees was determined based on their job nature, personal performance and the market trends. For the year ended December 31, 2019, total remuneration amounted to approximately RMB688 million (2018: RMB611 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 Corporation, Promise Meat Investment II Ltd., Baring Private Equity Asia V Holding (16) Limited, TLS Beta Pte. Ltd. and Shiny Joyful Limited after negotiation. For details, please refer to the prospectus of the Company and our announcement dated March 27, 2017.

The Group provides basic social insurance and housing accumulation fund for company 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.

VI. Significant Risks and Uncertainties

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

Epidemic Risks

Epidemic risks are the major risks faced by the development of animal husbandry. The epidemics spreading in hog production mainly include porcine reproductive and respiratory syndrome, classical swine fever, porcine respiratory disease, porcine epidemic diarrhea, porcine pseudorabies, porcine circovirus, etc. In 2019, African swine fever epidemic continued all across the country. There are three categories of risks brought about by epidemics. First, the outbreak of epidemic diseases will lead to hog mortalities, which will directly cause a decrease in hog production and result in direct economic losses for the Company. Second, the epidemic diseases will put hog farms under enormous pressure and increase the amount of resources used by the Company in epidemic prevention. In addition, the epidemic will continuously affect the production in hog farms because the purification process reduces the production efficiency of the farms and increases the operating costs, resulting in reduced effectiveness. Third, the large-scale outbreak and spread of epidemic diseases may cause panic among most consumers and thus lower the total demand for related products, which adversely affects the sales of hogs. To solve epidemic risks, the Group has formulated regulations such as The Incentive Measures for Prevention and Control of Major Outbreak of Epidemic Diseases (《重大疫情防控激勵辦法》) and refined the contingency plan for major animal disease prevention and control to improve the level and capacity of biosecurity control as well as to comprehensively prevent and curb major animal diseases such as African swine fever.

In addition, at the end of 2019, the COVID-19 epidemic broke out in China and further spread to other countries. Until now, tens of thousands of people nationwide have been infected. The risks brought by the COVID-19 can be classified into three categories. Firstly, the disease is relatively contagious, and poses direct threats to the health and safety of employees. Secondly, various disease prevention and transportation control measures could affect work resumption of employees, transportation of all sorts of materials for production as well as inter-province (region) sales of products, thus decreasing the production and operation efficiency of the Company. Thirdly, the disease may lower the demand for catering channels in the near future, adversely affecting the sales of meat of the Company. To cope with the risks caused by the COVID-19, the Group set up a team to lead disease-prevention work, formulated a comprehensive and stringent prevention and control plan according to the development trend of the epidemic and national policies, and strived to ensure employee safety, stable production and smooth sales.

Price Risks

Price risks refer to the losses of costs increase or 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 an effect on our profitability. Commodity prices generally fluctuate with market conditions, including supply and demand, diseases, government policies and weather conditions in major agricultural and farming regions.

Food Safety Risks

Food safety risks refer to risks of severe customer complaints, large-scale product recalls and other negative effects resulted from unqualified product and food safety indicators due to deficient food safety management system, unsound risk identification and assessment mechanism and unfulfilled food safety control measures as well as early warning mechanism. To solve possible food safety risks, the Group continued to enhance its food safety management systems, and has stipulated standards for food safety management system, such as, Provisions for the Food Safety Management of COFCO Meat, Food Safety Responsibility System of COFCO Meat, Standards for Meat Industry Chain of COFCO Group and Prohibition on Food Safety of COFCO Meat, and has formulated specific early warning indicators and bottom line indicators. The Group organized and carried out food safety training and guidance, conducted regular supervision inspection and supervision examination of samples, and evaluated and reviewed the results. All grassroots enterprises strictly implement the food safety management requirements and actively prevent food safety risks.

Safe Production Risks

Safe production risks refer to risks of corporate property loss, temporary production suspensions or tarnished reputation due to production safety accidents caused by deficient safety management system or inadequate accident preventive measures. The Group has formulated Regulations on Safety Production Management of COFCO Meat, Measures for Administration of Production Safety Accidents of COFCO Meat and Comprehensive Emergency Plans for Production Safety Accidents of COFCO Meat to standardize safety risks management and prevent accidents. The Group has formulated the early warning indicators and bottom line indicators, and organized all grassroots enterprises to conduct all-round risk identification, evaluation and classification, 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; and to 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.

Environmental Protection Risks

Environmental protection risks refer to risks of corporate property loss and bad influence on social image due to excessive emission of pollutants and environmental pollution resulted from deficient environmental protection facilities and unstable operation. The Group has formulated standards, such as 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 formulated specific early warning indicators and bottom line indicators, and 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 detect and provide early warnings on environmental protection risks in a timely manner and to effectively implement the responsibility of environmental protection.

VII. The Outlook

Epidemics such as the African swine fever and the COVID-19 will bring greater challenges to the industry in the short term, but industry opportunities are brought by the crisis. In 2020, we will prepare ourselves in the following aspects:

Firstly, we are determined to carry out prevention and control work on African swine fever to safeguard the smooth and stable operation of our farming system. On this basis, we will continue to speed up hog production layout and accelerate sow introduction and hog production.

Secondly, we will vigorously carry out the differentiated and branded operation of our fresh pork business, expand the sales of small-packed products, and convert high-quality hogs into high-premium pork products.

Thirdly, we will take advantage of the industrial link between the domestic and foreign businesses, expand the volume of import procurement and sales, continuously push forward the trade plus processing business model, and enhance the profit contribution from our import business.

Fourthly, prevention and control work on the COVID-19 will be implemented properly. The outbreak of the COVID-19 in the end of 2019 has had different degrees of impact on the recovery of meat production capacity in various aspects. Facing adverse factors such as transportation restrictions, difficulties of personnel in returning to factories as well as short-term declining demand for catering, the Company set up a team to lead disease-prevention work in a timely manner to formulate a comprehensive and stringent prevention and control plan to safeguard its production and supply. In respect of transportation, the Company actively reported to and communicated with governments at all levels to ensure the smooth transportation of feed, medicines and hogs. In respect of production, the Company made great efforts to conduct disinfection for epidemic prevention in production sites, and realized commencement of operation of all factories as of February 11, 2020. In respect to sales, we focused on ensuring supply to supermarkets, e-commerce platforms and sales of small-packed products in the short term, while maintaining good relationships with mid- and high-end customers in the catering and processing channels so as to prepare ourselves for the consumption growth after the end of the epidemic.

Due to the strict prevention and control measures, the Company's business operations have been stable since 2020. In particular, as hog production is a business of continuous production, the production volume was less affected by the COVID-19, while the sales in other segments for February 2020 recorded a month-on-month decline affected by the delayed resumption of work and demand in the market, which is expected to pick up after the COVID-19 is under control. The Company will continue to implement the prevention work on the COVID-19 to safeguard employee safety, stable production and smooth sales.

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

Chairman of the Board and Executive Director

Mr. JIANG Guojin (江國金), aged 52, 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. (中糧麥芽(大連)有限公司) from December 1995 to August 2000, the general manager of the malt division of China Foods (Beijing) Company (中國食品(北京)公司) from August 2000 to December 2007 and a deputy general manager and the general manager of the brewing materials division of China Agri (中國糧油) (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 (中國食品有限公司) (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. (酒鬼酒股份有限公司) (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 (中歐國際工商學院) 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 55, 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 28 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 (中國糧油) from August 2000 to September 2008, from September 2008 to May 2010 and from May 2010 to September 2013, respectively.

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

YANG Hong

Non-executive Director

Ms. YANG Hong (楊紅), aged 54, 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) and a director of China Foods Trading Limited (中國食品貿易有限公司). Ms. Yang held positions as vice president and the general manager of sugar division at COFCO Tunhe Co., Ltd. (中糧屯河股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600737, currently known as COFCO Tunhe Sugar Co., Ltd. (中糧屯河糖業股份有限公司)), and served as a director from June 2013 to November 2016, and served as the chairlady of Tully Sugar Limited (塔裡糖業有限公司). She has over 28 years' experience in sugar business and has extensive experience in enterprise management.

Ms. Yang graduated from the University of International Business and Economics (中國對外經濟貿易大學) in Beijing and obtained a master's degree of arts. She is also a senior international business operator.

WOLHARDT Julian Juul

Non-executive Director

Mr. WOLHARDT Julian Juul, aged 46, 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 (國巨股份有限公司) (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), an independent non-executive director of China Mengniu Dairy Company Limited (中國蒙牛乳業有限公司) (a company listed on the Stock Exchange, stock code: 2319) and a director of Niu Technologies (北京牛電科技有限責任公司) (a Company listed on NASDAQ, stock code: NIU). Mr. Wolhardt was an independent non-executive director of Global Cord Blood Corporation (國際臍帶血庫企業集團) (a company listed on the New York Stock Exchange, stock code: 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 (美國伊利諾大學) (Urbana-Champaign) in the United States in May 1995.

CUI Guiyong
Non-executive Director

Dr. CUI Guiyong (崔桂勇), aged 57, 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 (霸菱亞洲投資有限公司) 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 (工商東亞融資有限公司). 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. He also served as a non-executive director of 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) from March 2014 to June 2018.

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 39, 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 partner 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
Non-executive Director

Mr. ZHANG Lei (張磊), aged 39, 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. (中聯重科全球金融服務公司), 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
Non-executive Director

Dr. HUANG Juhui (黃菊輝), aged 55, 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. (巴西食品公司) (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 (中國農業部綠色食品發展中心) 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 22 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 (美國阿徹丹尼爾斯米德蘭公司) (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 (中國外商投資企業協會藥品研製和開發行業委員會政府事務) 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 (先正達公司) (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 (捷利康公司) from October 1996 to October 2002. Currently, he is also a co-chair of the Agricultural Forum of American Chamber of Commerce in China (中國美國商會農業論壇) 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 bachelor's degree of agronomy at Hunan Agricultural University (湖南農業大學) in July 1985 and a master's degree in agronomy at Southwest University (西南大學) in July 1988.

FU Tingmei

Independent Non-Executive Director

Mr. FU Tingmei (傅廷美), aged 53, was appointed as an independent non-executive Director on May 23, 2016. Mr. Fu has extensive 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), he also served as an independent non-executive director in CPMC Holdings Limited (中糧包裝控股有限公司) (a company listed on the Stock Exchange, stock code: 906) from June 2008 to July 2019. Mr. Fu is currently an independent non-executive director of 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 (英國倫敦大學), 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 56, was appointed as an independent non-executive Director on May 23, 2016. He has more than 23 years' experience in financial and accounting matters, fundraising, mergers and acquisitions, restructuring and international business development. Mr. Li served as 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) from August 2017 to June 2018, and a director of Banro Corporation from April 2017 to May 2018. 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. From November 2017 to August 2019, he was 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 (洛杉磯加州州立大學) at Los Angeles in June 1985, and a master's degree in business administration from Columbia University, New York (紐約哥倫比亞大學) in May 1992.

LEE Ted Tak Tai
Independent Non-Executive Director

Mr. LEE Ted Tak Tai (李德泰), aged 69, 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 (泰伽投資有限公司) 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 ENM Holdings Limited (安寧控股有限公司) (a company listed on the Stock Exchange, stock code: 128) and East West Bank (China) Limited (華美銀行（中國）有限公司) (a wholly-owned China subsidiary of East West Bancorp listed on NASDAQ). Mr. Lee had also served as an executive director at Prax Capital (普凱投資資金公司), a private equity firm specializing in China-focused investments and served as an independent non-executive director of Daphne International Holdings Limited (達芙妮國際控股有限公司) (a company listed on the Stock Exchange, stock code: 210). Mr. Lee is a US certified public accountant (inactive) and was a senior partner at Deloitte, where he worked for over 32 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 (加州州立大學弗雷斯諾) with a bachelor's degree in accounting and obtained an MBA degree from University of Southern California (南加州大學).

JU Jiandong
Independent Non-Executive Director

Dr. Ju Jiandong, aged 56, was appointed as an independent non-executive Director on November 21, 2018. Dr. Ju is a Unigroup Chair Professor at the PBC School of Finance, Tsinghua University, the director of the Center for International Finance and Economics Research of the PBC School of Finance and a distinguished professor under the Yangtze River Scholars Programme of the Ministry of Education of China. He was the dean and a professor at School of International Business Administration of Shanghai University of Finance and Economics from 2014 to 2017, a professor at School of Economics and Management and the director at the Center for International Economic Research in Tsinghua University from 2009 to 2015; an assistant professor, an associate professor (Tenure Track) and a professor at the Department of Economics of University of Oklahoma (美國俄克拉荷馬大學) in the U.S.A. from 1995 to 2014, and a resident scholar in the International Monetary Fund and a consultant for World Bank from 2007 to 2009. Dr. Ju focuses his research on international trade, international finance and industrial organization. He has published various papers in American Economic Review, Journal of International Economics, Journal of Monetary Economics, American Economic Journal and other international leading academic journals, and won the "Pushan Award for Excellent Paper on International Economics" in 2016.

Dr. Ju obtained a bachelor's degree in mathematics from Nanjing University (南京大學) in July 1982, a master's degree in economics from Tsinghua University (清華大學) in July 1987, and a doctorate in economics from Pennsylvania State University (美國賓夕法尼亞州立大學) in May 1995.

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 55, 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 57, 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. (中糧麥芽（大連）有限公司). He served as the general manager of COFCO Malt (Jiangyin) Co., Ltd. (中糧麥芽（江陰）有限公司) 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 (中國糧油食品（集團）有限公司) 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 December 2010. 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.

ZHU Longhu

Mr. ZHU Longhu (朱龍虎), aged 46, was appointed as the deputy general manager of the Company and the general manager of the fresh product division of the Company in January 2018. He is mainly responsible for the operation and management of the fresh product and processed meat product business. Mr. Zhu has more than 20 years' experience in the Chinese meat industry as well as extensive experience in corporate management. Mr. Zhu joined the Shuanghui Group since 1996 and had successively served as a technician, the production supervisor, and the director of sterilization workshop in Chinachem Shuanghui. He had been the main leader at Shuanghui's fresh product and processed meat product divisions since 2000 and the general manager of Tangshan Shineway Food Co., Ltd. (唐山雙匯食品有限責任公司) from 2010 to 2016.

Mr. Zhu obtained a bachelor's degree in engineering from Beijing Institute of Technology (北京理工大學) in July 1996 and a master's degree in Management from Renmin University of China (中國人民大學) in December 2004.

LI Lei

Mr. LI Lei (李雷), aged 38, is the assistant to general manager and 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 extensive 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 45, 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 (對外經濟貿易大學) in the PRC in July 1997.

ZHANG Nan

Dr. ZHANG Nan (張楠), aged 38, is the assistant to general manager and the general manager of strategy department of the Company, 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 has obtained the confirmation from the Stock Exchange in relation to her qualification of a company secretary as required under Rule 3.28 of the Listing Rules on October 11, 2019.

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

For the year ended December 31, 2019, 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.

The Board is pleased to present the Corporate Governance Report of the Company for the year ended December 31, 2019.

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 requirements 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 code provisions of the Corporate Governance Code for the year ended December 31, 2019.

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, 2019.

The Board

1. Roles and Responsibilities

For the year ended December 31, 2019, the Board, led by the Chairman, Mr. Jiang Guojin, 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, 2019 and up to the date of this annual report are as follows:

Chairman and Executive Director:

Mr. JIANG Guojin (*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 chairman of the Food Safety Committee)*

Non-executive Directors:

Ms. YANG Hong *(member of the Food Safety Committee)*

Mr. WOLHARDT Julian Juul

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

Mr. ZHOU Qi

Mr. ZHANG Lei

Dr. HUANG Juhui *(member of the Food Safety Committee)*

Independent non-executive Directors:

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

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

Mr. LEE Ted Tak Tai *(chairman of the Audit Committee and member of the Remuneration Committee)*

Dr. JU Jiandong *(member of the Nomination 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, 2019 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. Jiang Guojin as the Chairman of the Board and Mr. Xu Jianong as the Managing Director, respectively. 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 of 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 adopts 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. For the policy for nomination of directors, please refer to the paragraph head "Nomination Committee" in this section.

The executive Director has entered into a service contract with the Company, 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.

Each of the non-executive Directors has entered into a letter of appointment with the Company 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. Each of the independent non-executive Directors has entered into a letter of appointment with the Company 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, without presence of other Directors.

The attendance of each Director at the Board meetings, Board Committees meetings and Shareholders' meetings during the year ended December 31, 2019 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. Jiang Guojin	5/7	1/7	N/A	N/A	2/2	0/2	2/2	0/2	N/A	N/A	0/2	0/2	0/1	0/1
Mr. Xu Jianong	7/7	0/7	N/A	N/A	N/A	N/A	N/A	N/A	2/2	0/2	2/2	0/2	1/1	0/1
Ms. Yang Hong	7/7	0/7	N/A	N/A	N/A	N/A	N/A	N/A	2/2	0/2	2/2	0/2	1/1	0/1
Mr. Wolhardt Julian Juul	6/7	0/7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0/2	0/2	0/1	0/1
Dr. Cui Guiyong	6/7	0/7	5/7	0/7	N/A	N/A	N/A	N/A	N/A	N/A	0/2	0/2	0/1	0/1
Mr. Zhou Qi	7/7	0/7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0/2	0/2	0/1	0/1
Mr. Zhang Lei	6/7	1/7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1/2	0/2	0/1	0/1
Dr. Huang Juhui	7/7	0/7	N/A	N/A	N/A	N/A	N/A	N/A	2/2	0/2	1/2	0/2	1/1	0/1
Mr. Fu Tingmei	7/7	0/7	7/7	0/7	N/A	N/A	2/2	0/2	N/A	N/A	2/2	0/2	1/1	0/1
Mr. Li Michael Hankin	7/7	0/7	7/7	0/7	2/2	0/2	N/A	N/A	N/A	N/A	2/2	0/2	1/1	0/1
Mr. Lee Ted Tak Tai	7/7	0/7	7/7	0/7	2/2	0/2	N/A	N/A	N/A	N/A	2/2	0/2	1/1	0/1
Dr. Ju Jiandong	7/7	0/7	N/A	N/A	N/A	N/A	2/2	0/2	N/A	N/A	2/2	0/2	1/1	0/1

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 all Directors to 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, 2019 and up to the date of this annual report:

	Continuous Professional Development
Name of Director	**Attending briefings, seminars, conference and/or reading materials relevant to director's duties and responsibilities**
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	
Mr. Fu Tingmei	✓
Mr. Li Michael Hankin	✓
Mr. Lee Ted Tak Tai	✓
Dr. Ju Jiandong	✓

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

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 7 meetings during the year ended December 31, 2019 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, 2019 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

The Nomination Committee currently comprises three members, namely Mr. Jiang Guojin, being the Chairman of the Board and an executive Director, and two independent non-executive Directors, namely Mr. Fu Tingmei and Dr. Ju Jiandong. Mr. Jiang Guojin is the chairman of the committee. The Nomination Committee held a total of 2 meetings during the year ended December 31, 2019 and up to the date of this annual 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.

Diversity Policy

According to Rule 13.92 of the Listing Rules, the listed company should adopt the policy of diversification of the board members. During the year ended December 31, 2019 and up to the date of this annual report, the Board has adopted the above said policy, and held discussion about all quantifiable targets established for implementing the policy. In 2020, the Board will continue to discuss and set specific quantifiable targets and disclose the targets in the annual report. The Company understands and believes the advantages of diversification of the Board members, aiming to ensure 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, race, professional experience, skills, knowledge and term of service. The final decision will be made based on merit principle and contributions brought to the Board by the candidate to be appointed.

The Company will ensure that the recruitment and selection of directors are conducted in accordance with appropriate systematic procedures so as to attract candidates from a variety of backgrounds for the Company's consideration. The Company will also develop and implement relevant schemes to train a larger variety and diversity of employees with relevant working skills and experience, with an aim to foster future directors and senior management.

The Nomination Committee will discuss and agree on all quantifiable targets annually for implementing diversity of the Board and recommend the targets to the Board for adoption. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

Nomination Policy

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 reviews the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy and on the appointment or reappointment of directors and succession planning for directors, in particular the chairman and the chief executive officer.

The Nomination Committee's procedures and criteria for selecting and making recommendations for appointment of directors 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

The Remuneration Committee currently comprises three members, namely Mr. Jiang Guojin, being the Chairman of the Board and an 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 2 meetings during the year ended December 31, 2019 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 can also seek independent professional advice if necessary. Its written terms of reference are available on the websites of the Company and the "HKEXnews".

During the year ended December 31, 2019 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 2019 are set out in Note 12 to the consolidated financial statements. The emoluments paid or payable to senior management during the year 2019 were within the following bands:

RMB yuan	**Number of Senior Management**
0 – 500,000	0
500,001 – 1,000,000	0
1,000,001 – 1,500,000	3
1,500,001 – 2,000,000	4
Over 2,000,000	0

4. Food Safety Committee

The Food Safety Committee currently comprises three members, namely Mr. Xu Jianong, being an executive Director, and two non-executive Directors, namely Dr. Huang Juhui and Ms. Yang Hong. Mr. Xu Jianong is the chairman of the committee. The Food Safety Committee held a total of 2 meetings relating to the effective control of food quality and safety during the year ended December 31, 2019 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 ensure 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 ensuring the compliance with the policies and procedure of the Board and applicable laws, rules and regulations.

To maintain good corporate governance and ensure the compliance with the 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 company secretary service), as our another joint company secretary, to assist Dr. Zhang Nan to perform her duties as the joint company 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, 2019, Dr. Zhang Nan has taken not less than 15 hours of relevant professional training.

During the year ended December 31, 2019, 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, 2019 is set out in the Independent Auditor's Report on page 77 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 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 takes 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 2019, 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 the Annual Comprehensive Risk Management Report of COFCO Meat to report to the Group. The management of the Company strengthened monitoring and management of key risks. The Audit Department of COFCO Meat 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 respective business segment.

At the beginning of 2019, the Audit Department of the Company organized 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 55 risks from two dimensions, which are the possibility of occurrence and the impact extent, respectively. The Audit 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 three most risky risks were identified as major risks in 2019, 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 2019 were eventually determined as price risks, health, safety and environmental risks, and procurement risks.

After identifying major risks in 2019, the Audit Department organized all risk-related departments to conduct risk analysis on key risks, identify the relevant gateway departments and the departments responsible for major risks, determine various risk management strategies based on risk characteristics and risk preferences, and formulate risk solutions so that key risks could be effectively controlled.

Various departments of meat companies actively carried out risk prevention and control work as well as focused on major risk supervision. In 2019, with collective efforts devoted by all employees of COFCO Meat, 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 2019, the Audit Department of the Company actively conducted risk and problem-oriented internal audit according to the work requirements of relevant regulatory institutions and the Group, and compiled the Annual Internal Control Evaluation Report of COFCO Meat to report to the Group. A total of 36 projects of internal audit were carried out throughout the year, including 33 audit projects, 3 internal control evaluation projects; the audit projects included 10 economic responsibility audits, 7 investment audits and 16 special audits. Internal audit has generally covered all the subordinate business sectors and the main aspects of the Company's operation and management without material omission. For various audit problems and internal control defects found in the internal audit process, the Audit Department regularly followed up and propelled the rectifications made by the audited entity.

By conducting internal control, the Company evaluated the operation mode and management status of the business segments and each various subordinate outlets and improved the overall management, operating efficiency and internal control of the Company.

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 considered 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.

The Board reviews and evaluates the effectiveness of the internal control and risk management system of the Company twice a year. For the year ended December 31, 2019, the Board completed the review and evaluation of the effectiveness of the internal control and risk management system of 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 four 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, 2019, 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	600

Note: The non-audit services are mainly related to services rendered for interim review and continuing connected transactions, etc.

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.cofcomeat.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 effective communication with investors is the key to build confidence of investors and attract new investors.

Our Company mainly communicates 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, 2019. 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, 2019.

During the year ended December 31, 2019 and up to the date of this report, the members of the Board are as follows:

Chairman 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:
Mr. Fu Tingmei
Mr. Li Michael Hankin
Mr. Lee Ted Tak Tai
Dr. Ju Jiandong

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

Saved as disclosed in this annual report, as at the date of this annual report, the Group had no material subsequent events happening after December 31, 2019 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 are set out in Note 50 to the consolidated financial statements.

Results

Results of the Group for the year ended December 31, 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 80 of this report.

Dividend

The Board has recommended the payment of a final dividend for 2019 in the amount of HK$0.048 per share to the shareholders of the Company. Subject to shareholders' approval at the forthcoming annual general meeting ("**Annual General Meeting**") of the Company to be held on June 2, 2020, the final dividend will be paid on or around July 31, 2020 to the shareholders whose names appear on the registers of members of the Company on June 10, 2020.

Dividend Policy

The Company has adopted a dividend policy (the "**Dividend Policy**"), pursuant to which, the Company will declare and pay dividends to shareholders of the Company with the dividends expected to be declared and paid in aggregate amounting to 20% to 70% of the net profits before biological assets fair value adjustments of the Company for the year, upon satisfaction of the following conditions:

1. Declaration and payment of dividends of the Company will not affect the normal operation of the Group; and

2. Declaration and payment of dividends of the Company will not affect the significant investments to be made by the Group.

Declaration and payment of dividends of the Company are also subject to any restriction of the Articles of Association and the Cayman Islands Company Law. The Company will continue to review its dividend policy from time to time.

Closure of Register of Members

The register of members of the Company will be closed from May 28, 2020 to June 2, 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to ascertain shareholders' eligibility to attend and vote at the Annual General Meeting, all transfer forms for shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before 4:30 p.m. on May 27, 2020.

In addition, the registers of members of the Company will be closed from June 8, 2020 to June 10, 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the 2019 final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before 4:30 p.m. on June 5, 2020.

Share Capital

There were no movements in the Company's registered or issued share capital during the year ended December 31, 2019.

Use of Proceeds

After deducting the underwriting expenses and other related expenses payable by the Company in connection with the global offering, the Company raised a total of HK$1,847 million in 2016, equivalent to RMB1,613 million. As of December 31, 2019, the Company have used all the above-mentioned proceeds for the purposes as disclosed in the Prospectus.

Share Premium and Reserves

Movements in the share premium and reserves of the Group during the year are set out on page 83 to the consolidated statement of changes in equity.

Distributable Reserves

The Company's total distributable reserves as at December 31, 2019 amounted to RMB2,052 million.

Donations

Charitable donations made by the Group during 2019 was RMB6,672,000 (2018: RMB1,489,102).

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in Note 17 to the consolidated financial statements.

Borrowings and Capitalization of Interests

Details of borrowings are set out in Note 35 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, 2019, 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, 2019, 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, 2019 are set out in Note 46 to the consolidated financial statements.

Purchase, Sale or Redemption of the Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities for the year ended December 31, 2019.

Permitted Indemnity

During the year ended December 31, 2019, 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, 2019.

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 any time during the year ended December 31, 2019, 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 2019 interim report are set out below:

1. Mr. Fu Tingmei resigned as 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) on July 2, 2019.

2. Mr. Li Michael Hankin resigned as a 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) on August 31, 2019.

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, 2019, the interests and short positions of the Directors and chief executive officer of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he or she was taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests in Shares or underlying Shares of the Company

Name of Director	Capacity/Nature of Interest	Number of underlying Shares held in long position	Approximate percentage of shareholding interest
Xu Jianong	Beneficial owner	3,551,599	0.09%
Wolhardt Julian Juul[1]	Interest in controlled corporation	198,161,124	5.08%

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, 2019, 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 the 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, 2019, 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)*	Beneficial owner	1,078,377,782	27.64%
China Foods (Holdings)	*(1)*	Interest in controlled corporation	1,078,377,782	27.64%
COFCO (HK)	*(1)*	Interest in controlled corporation	1,078,377,782	27.64%
		Beneficial owner	57,015,000	1.46%
COFCO	*(1)*	Interest in controlled corporation	1,135,392,782	29.10%
KKR	*(2), (4)*	Beneficial owner	420,693,878	10.78%
Promise Meat Investment I Ltd.	*(2), (4)*	Interest in controlled corporation	420,693,878	10.78%
KKR Asian Fund II L.P.	*(2), (4)*	Interest in controlled corporation	420,693,878	10.78%
KKR Associates Asia II L.P.	*(2), (4)*	Interest in controlled corporation	420,693,878	10.78%
KKR Asia II Limited	*(2), (4)*	Interest in controlled corporation	420,693,878	10.78%
KKR Fund Holdings L. P.	*(2), (4)*	Interest in controlled corporation	420,693,878	10.78%

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 Fund Holdings GP Limited	*(2), (4)*	Interest in controlled corporation	420,693,878	10.78%
KKR Group Holdings Corp.	*(2), (4)*	Interest in controlled corporation	420,693,878	10.78%
KKR & Co. Inc	*(2), (4)*	Interest in controlled corporation	420,693,878	10.78%
KKR Management LLC	*(2), (4)*	Interest in controlled corporation	420,693,878	10.78%
Mr. Henry R. Kravis and Mr. George R. Roberts	*(2), (4)*	Interest in controlled corporation	420,693,878	10.78%
Baring	*(3), (4)*	Beneficial owner	407,387,591	10.44%
The Baring Asia Private Equity Fund V, L.P.	*(3), (4)*	Interest in controlled corporation	407,387,591	10.44%
Baring Private Equity Asia GP V, L.P.	*(3), (4)*	Interest in controlled corporation	407,387,591	10.44%
Baring Private Equity Asia GP V Limited	*(3), (4)*	Interest in controlled corporation	407,387,591	10.44%
Jean Eric Salata	*(3), (4)*	Interest in controlled corporation	407,387,591	10.44%
Gourmet Bravo Ltd.	*(5)*	Beneficial owner	198,161,124	5.08%
Epicure Bravo Ltd.	*(5)*	Interest in controlled corporation	198,161,124	5.08%
DCP Partners Limited	*(5)*	Interest in controlled corporation	198,161,124	5.08%
DCP, Ltd.	*(5)*	Interest in controlled corporation	198,161,124	5.08%
Liu Haifeng David	*(5)*	Interest in controlled corporation	198,161,124	5.08%

Notes:

(1) 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.

(2) 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 Corp. (as the general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings GP Limited), KKR & Co. Inc. (as the sole shareholder of KKR Group Holdings Corp.), KKR Management LLC (as the general partner of KKR & Co Inc.), 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.

(3) 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.

(4) 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 have been transferred to Acheson Limited as trustee for the purpose of the Former Share Incentive Scheme.

(5) 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 herein, as at December 31, 2019, so far as was known to the Directors, no other persons had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the interest register 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 and amended the Former Share Incentive Scheme on March 27, 2017, after the discussion between the board of COFCO Meat Investments and the then Shareholders.

The 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.

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

		Number of Options					
Name and Category of Participants	Date of Options Granted	At January 1, 2019	Granted During the year	Exercised During the year	Adjustments based on performance	Lapsed During the year	At December 31, 2019
Director							
Mr. Xu Jianong	March 27, 2015	4,564,440		1,520,000	0		3,044,440
Other employees	March 27, 2015	40,505,616		14,024,953	0	0	26,480,663
Total		45,070,056	–	15,544,953	0	0	29,525,103

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, 2019, 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, 2019. 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, 2019.

Major Suppliers and Customers

Nearly 3.0% and 8.2% of the Group's total sales were attributable to its largest customer and five largest customers for the year ended December 31, 2019, and nearly 6.3% and 19.6% 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, 2019.

Environmental Policies and Performance

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

Sufficient Public Float

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

Continuing Connected Transactions

The connected person of our Company for the purpose under Chapter 14A of the Listing Rules include COFCO (being a substantial shareholder). Accordingly, the following transactions entered into with COFCO 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 ended December 31, 2019 are set out below:

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 has been obtaining various financial services from COFCO Finance. On October 12, 2016 and November 23, 2016 (after trading hours), our Company and COFCO Finance, an indirect wholly-owned subsidiary of COFCO, entered into the 2016 Financial Services Agreement and 2017 Financial Services Agreement, respectively. For the disclosures of the details of the 2016 Financial Services Agreement and 2017 Financial Services Agreement, please refer to the Prospectus, the announcement of the Company dated November 23, 2016 and the circular dated December 20, 2016. As the 2017 Financial Services Agreement has expired on December 31, 2019, thus, on November 23, 2018 (after trading hours), the Company and COFCO Finance entered into the 2018 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 2018 Financial Services Agreement took effect upon consideration and approval by the general meeting of the Company on February 28, 2019, and will be valid until December 31, 2021. For details of the 2018 Financial Services Agreement, please refer to the announcement of the Company dated November 23, 2018 and the circular dated February 4, 2019.

Pursuant to the 2018 Financial Services Agreement, COFCO Finance agreed to provide our Group with the following financial services during the period commencing on January 1, 2019 until December 31, 2021:

(a) Deposit Services

COFCO Finance will provide deposit services to the Group pursuant to the 2018 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 standard deposit 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 standard deposit rates promulgated by PBOC for the same type of deposits of the same period and will not be lower than the 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, 2019, 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, 2019 (RMB'000)
Deposit amounts	**1,000,000**
Interests on deposits	**7,000**

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, 2019, the above-mentioned maximum daily deposit amounts reached RMB452,901,000, and the interests on deposits was RMB2,055,000.

(b) *Loan Services*

COFCO Finance will provide RMB loan services to the Group pursuant to the 2018 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 of 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 of 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, 2019, 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, 2019 (RMB'000)
Principal amounts	**1,200,000**
Interests on loans	**30,450**

For the year ended December 31, 2019, the above-mentioned maximum daily balance of the principal amounts of the loans reached RMB110,700,000, and the interests on loans was RMB2,439,000.

(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 2018 Financial Services Agreement. COFCO Finance will only act as an agent for the capital management entity of the Group (i.e. COFCO Meat Investments Company limited (中糧肉食投資有限公司)) 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, 2019, 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, 2019, the handling fees charged by COFCO Finance in connection with the Entrustment Loan Services amounted to RMB171,000.

(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 2018 Financial Services Agreement. Handling fees and other services fees will be charged by COFCO Finance for Other Financial Services provided to the Group pursuant to the 2018 Financial Services Agreement.

The handling fees and other services fees to be charged by COFCO Finance in connection with the 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, 2019, the handling fees and other service fees payable by the Group to COFCO Finance in connection with other financial services shall not exceed RMB967,000.

For the year ended December 31, 2019, the handling fees and other service fees charged by COFCO Finance in connection with other financial services were RMB0.

(e) Settlement Terms

Set out below are the settlement terms of the respective services under the 2018 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 offered by finance companies or the eight network banks operating similar businesses.

Handling fees for the Entrustment Loan Services shall be settled upon occurrence of each services or annually by the end of each year, and interests of the entrustment loans are settled on a quarterly or 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 the interests 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 2018 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. The 2016 Mutual Supply Agreement has already expired on December 31, 2018 and the Group intends to continue the various transactions contemplated under the 2016 Mutual Supply Agreement. On November 23, 2018 (after trading hours), our Company and COFCO entered into the 2018 Mutual Supply Agreement in relation to the mutual supply of products and services, pursuant to which our Company agreed to trade on the following products and services:

- Purchase of feed processing services by the Group from COFCO Group;
- Purchase of feed, other materials and services by the Group from COFCO Group;
- Purchase of poultry products by the Group from COFCO Group;
- Use of cold storage services by the Group from COFCO Group;
- Purchase of central reserved pork by the Group from COFCO Group;
- Supply of meat products by the Group to COFCO Group;
- Supply of central reserved pork by the Group to COFCO Group; and
- Supply of product processing services by the Group to COFCO Group.

The 2018 Mutual Supply Agreement has a term commencing on January 1, 2019 until December 31, 2021 and may be renewed by agreement between the parties. For the disclosures of the details of 2018 Mutual Supply Agreement, please refer to the announcement of the Company dated November 23, 2018 and the circular dated February 4, 2019.

Pursuant to Rule 14A.81 of the Listing Rules, the aggregate transaction amounts payable under the 2018 Mutual Supply Agreement for the years ending December 31, 2019, 2020 and 2021 are expected to be approximately RMB1,531,720,000, RMB1,856,110,000 and RMB2,206,820,000 respectively.

For the year ended December 31, 2019, the aggregate transaction amount payable under the Mutual Supply Agreement was approximately RMB610,244,000.

(a) Purchase of Feed Processing Services from COFCO Group

Pursuant to the 2018 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.

The annual caps of the processing fee payable by our Group to COFCO for the year ended December 31, 2019 were as follows:

	For the year ended December 31, 2019 (RMB'000)
Processing fee payable by our Group to COFCO	**9,100**

The processing fee actually paid by our Group to COFCO for the year ended December 31, 2019 was approximately RMB4,665,000.

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

Pursuant to the 2018 Mutual Supply Agreement, our Group will purchase from COFCO Group and/or its associates feed including feed products, feed ingredients, materials for production and business and other related products and services at prevailing market price. The purchase price of feed, other materials and services is determined based on the quotations provided by other qualified suppliers or services providers which are Independent Third Parties for similar goods of similar quality.

The annual cap of the aggregate purchase amounts of feed, other materials and services payable by our Group for the year ended December 31, 2019 was as follows:

	For the year ended December 31, 2019 (RMB'000)
Purchase of feed, other materials and services	**1,257,000**

The aggregate purchase amount of feed, other materials and services actually paid by our Group for the year ended December 31, 2019 was approximately RMB158,832,000.

(c) Purchase of Poultry Products from COFCO Group

Pursuant to the 2018 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 quotations provided by other qualified suppliers which are Independent Third Parties 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, 2019 was as follows:

	For the year ended December 31, 2019 (RMB'000)
Purchase of the Poultry Products	**7,720**

The aggregate purchase amount of the Poultry Products actually paid by our Group for the year ended December 31, 2019 was approximately RMB7,264,000.

(d) Use of Cold Storage Services from COFCO Group

Pursuant to the 2018 Mutual Supply Agreement, our Group will obtain from COFCO and its subsidiaries and/or associates cold storage services. The service fee is determined based on the standard price offered by other service providers which are Independent Third Parties.

The annual cap of the aggregate service fee payable by our Group to COFCO for the year ended December 31, 2019 was as follows:

	For the year ended December 31, 2019 (RMB'000)
Service fees	**7,100**

The aggregate service fee actually paid by our Group to COFCO for the year ended December 31, 2019 was approximately RMB3,294,000.

(e) Purchase of Central Reserved Pork from COFCO Group

Pursuant to the 2018 Mutual Supply Agreement, the Group will purchase from COFCO Group and/or its associates central reserved pork which is No.2 Pork that is the fore leg muscle of hog and No.4 Pork that is the hind leg muscle of hog, at prices which are determined upon price bidding.

The annual cap of the aggregate purchase amounts of central reserved pork payable by our Group to COFCO for the year ended December 31, 2019 was as follows:

	For the year ended December 31, 2019 (RMB'000)
Purchase of central reserved pork	**12,300**

The aggregate purchase amount of central reserved pork actually paid by our Group for the year ended December 31, 2019 was approximately RMB69,133,000.

(f) Supply of Meat Products to COFCO Group

Pursuant to the 2018 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, frozen pork and processed meat products such as ham, sausages and bacon and frozen poultry, beef and mutton 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 which are Independent Third Parties;

(ii) for products to be sold for consumption and resale, the price is determined based on prevailing market prices; and

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

The annual cap of the aggregate sales revenue from the supply of meat products received by our Group for the year ended December 31, 2019 was as follows:

	For the year ended December 31, 2019 (RMB'000)
Sales revenue from supply of meat products	222,000

The aggregate sales revenue from the supply of meat products received by our Group for the year ended December 31, 2019 was approximately RMB146,558,000.

(g) Supply of Central Reserved Pork to COFCO Group

Pursuant to the 2018 Mutual Supply Agreement, the Group will sell to COFCO Group and/or its associates central reserved pork which is No.2 Pork that is the fore leg muscle of hog and No.4 Pork that is the hind leg muscle of hog at the prices which are determined upon price bidding.

The annual cap of the aggregate purchase amounts of central reserved pork payable by COFCO to our Group for the year ended December 31, 2019 was as follows:

	For the year ended December 31, 2019 (RMB'000)
Supply of central reserved pork	14,500

The aggregate sales revenue from the supply of central reserved pork received by our Group for the year ended December 31, 2019 was approximately RMB193,071,000.

(h) Supply of Product Processing Services to COFCO Group

Pursuant to the 2018 Mutual Supply Agreement, the Group will supply the product processing services to COFCO Group and/or its associates. The processing fee payable by COFCO to the Group is determined based on the prevailing market price. The Group will adopt following measures to determine the processing fee for supply of product processing services to the COFCO Group:

- collect market price information about the product processing services; and
- make references to 3 quotations offered by the independent qualified service providers to COFCO Group for similar services.

The annual cap of the aggregate sales revenue from processing fee for supply of product processing services payable by COFCO to our Group for the year ended December 31, 2019 was as follows:

	For the year ended December 31, 2019 (RMB'000)
Processing fees	**2,000**

The aggregate sales revenue from processing fee for supply of product processing services received by our Group for the year ended December 31, 2019 was approximately RMB322,000.

3. Revised Annual Caps and the New Continuing Connected Transaction for the Continuing Connected Transactions Contemplated under the Supplemental Mutual Supply Agreement

On November 23, 2018 (after trading hours), the Company entered into the 2018 Mutual Supply Agreement with COFCO, in relation to mutual provision of products and services between the Group and COFCO Group for a term from January 1, 2019 to December 31, 2021.

Given that the annual cap for the three years ending December 31, 2021 in respect of the Transactions under the 2018 Mutual Supply Agreement may not be sufficient for the Group's future requirements, and the Group planned to conduct cooperation with COFCO Group on the agent services for purchase of meat products, on September 9, 2019, the Company and COFCO entered into the Supplemental Mutual Supply Agreement to:

- revise the existing annual cap for the three years ending December 31, 2021 to the Revised Annual Caps; and
- stipulate that the Group provides the agent services for purchase of meat products to COFCO Group.

Pursuant to Rule 14A.81 of the Listing Rules, the aggregate transaction amounts under the 2018 Mutual Supply Agreement (together with the Supplemental Mutal Supply Agreement) for the years ended December 31, 2019, 2020 and 2021 are expected to be approximately RMB2,445,420,000, RMB5,066,310,000 and RMB6,019,520,000, respectively.

Save as the Revised Annual Caps and the New Continuing Connected Transaction as stipulated in the Supplemental Mutual Supply Agreement, the rest of terms of the 2018 Mutual Supply Agreement remain unchanged.

(a) The Revised Annual Caps for Purchase of Central Reserved Meat

Pursuant to the 2018 Mutual Supply Agreement, the Group will purchase central reserved meat from COFCO Group and/or its associates at prices which were determined upon price bidding.

The proposed annual cap for purchase amount of central reserved pork under the Supplemental Mutual Supply Agreement for the year ended December 31, 2019 was as follow:

	For the year ended December 31, 2019 (RMB'000)
Procurement expenses from purchase of central reserved meat	**607,000**

The aggregate purchase amount of central reserved pork actually paid by our Group for the year ended December 31, 2019 was approximately RMB69,133,000.

(b) The Revised Annual Caps for Supply of Central Reserved Meat

Pursuant to the 2018 Mutual Supply Agreement, the Group will sell central reserved meat to COFCO Group and/or its associates at the prices which are determined upon price bidding or through arm's length negotiation respectively.

The proposed annual cap for sales revenue from the supply of central reserved pork under the Supplemental Mutual Supply Agreement for the year ended December 31, 2019 was as follow:

	For the year ended December 31, 2019 (RMB'000)
Sales revenue from the supply of central reserved meat	**279,500**

The aggregate sales revenue from the supply of central reserved pork received by our Group for the year ended December 31, 2019 was approximately RMB193,071,000.

(c) New Continuing Connected Transaction

Pursuant to the Supplemental Mutual Supply Agreement, the Group would provide the agent services for purchase of meat products to COFCO Group and/or its associates.

The proposed annual cap amount for the agent services for purchase of meat products payable by COFCO to the Group under the Supplemental Mutual Supply Agreement for the year ended December 31, 2019 was as follow:

	For the year ended December 31, 2019 (RMB'000)
Agent fee	**54,000**

The aggregate agent fee for purchase of meat products received by our Group for the year ended December 31, 2019 was approximately RMB 27,105,000.

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

As the 2016 Beijing Property Leasing Contract, the 2016 Beijing Property Management Contract and the 2016 Hong Kong Tenancy Agreement have expired on December 31, 2018, on November 23, 2018 (after trading hours), the Company entered into a property leasing contract with COFCO (the "**2018 Beijing Property Leasing Contract**"), a property management contract with COFCO Sunshine Property Management (Beijing) Co., Ltd. ("**COFCO Sunshine**") (the "**2018 Beijing Property Management Contract**"), a Hong Kong tenancy agreement with Bapton Company Limited ("**Bapton**") (the "**2018 Hong Kong Tenancy Agreement**"). For details of the 2018 Beijing Property Leasing Contract, 2018 Beijing Property Management Contract, 2018 Hong Kong Tenancy Agreement and 2018 Administrative Services Agreement, please refer to the announcement of the Company dated November 23, 2018.

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 2018 Beijing Property Leasing Contract and the 2018 Beijing Property Management Contract and 2018 Hong Kong Tenancy Agreement for the years ending December 31, 2019, 2020 and 2021 are expected to be approximately RMB12,044,000, RMB13,866,000 and RMB15,989,000, 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, 2019 were approximately RMB7,711,000, RMB947,000 and RMB244,000, respectively.

(a) Lease of Office Premises in Beijing

On November 23, 2018, our Company entered into the 2018 Beijing Property Leasing Contract with COFCO, pursuant to which we leased from COFCO the office premises of COFCO Fortune Plaza in Beijing and several underground car parking spaces in COFCO Fortune Plaza for a term commencing from January 1, 2019 to December 31, 2021. 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 current 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 November 23, 2018, our Company entered into the 2018 Beijing Property Management Contract with COFCO Sunshine, 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 from January 1, 2019 to December 31, 2021. 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 2018 Beijing Property Management Contract and each subsequent installment being payable within 10 business days prior to the start of each quarter. The annual rent and management fees under the 2018 Beijing Property Leasing Contract and the 2018 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 and management services in the vicinity and the current prevailing market rates;

(ii) comparable rental price quotations and management services offered by Independent Third Parties for similar properties and similar services 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, 2019 was as follows:

	For the year ended December 31, 2019 (RMB'000)
Rental expense and management fee	**11,600**

The aggregate rental expenses and annual management fees payable by our Company for the year ended December 31, 2019 was approximately RMB8,658,000.

(b) Lease of Office Premises in Hong Kong

On November 23, 2018, our Company entered into the 2018 Hong Kong Tenancy Agreement with Bapton, pursuant to which our Company leased from Bapton the office premises of COFCO Tower at 262 Gloucester Road, Causeway Bay, Hong Kong for a term of three years commencing on January 1, 2019. The annual rent and service charge are determined based on prevailing market prices. The Company shall also be responsible for payment of government rates, at an annual rate percentage charge of 5% of the annual rent payable. The monthly rent and service charge under the 2018 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 to other tenants.

The annual cap of the aggregate annual rental expenses, service charge and rates payable by our Company for the year ended December 31, 2019 was as follows:

	For the year ended December 31, 2019 (HK$'000)
Rental expense, service charge and rates	**504 (approximately RMB444,000)**

The aggregate annual rental expense, service charge and rates payable by our Company for the year ended December 31, 2019 was RMB244,000.

5. Administrative Services

On November 23, 2018, the Company entered into the 2018 Administrative Services Agreement with COFCO (the "**2018 Administrative Services Agreement**"). Pursuant to the 2018 Administrative Services Agreement, COFCO Group and/or its associates shall provide the Company with certain administrative services, including but not limited to telecommunication services, IT services, catering services, human resources services, legal and company secretarial services, training and other related services, at prevailing market prices for a term commencing from January 1, 2019 to December 31, 2021.

The purchase price of administrative services under the 2018 Administrative Services Agreement is determined as follows:

(i) the fees charged by Independent Third Parties to the Group in the ordinary and usual course of business on normal commercial terms for similar or same services of same quality; and

(ii) standard fees charged by COFCO to all tenants and service users.

The annual cap of the aggregate amount administrative services payable by our Company for the year ended December 31, 2019 was as follow:

	For the year ended December 31, 2019 (RMB'000)
Purchase price of administrative services	**6,100**

The aggregate amount of administrative services payable by our Company for the year ended December 31, 2019 was approximately RMB1,760,000.

Annual Review of Continuing Connected Transactions

For the year ended December 31, 2019, 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 49 to 59 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 52 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 52 to the 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, 2019. 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, April 20, 2020

Environmental, Social and Governance Report

COFCO Meat Holdings Limited has started to issue Environmental, Social and Governance (ESG) Report since 2016. This is our fourth 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 business 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, 2019. 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. 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

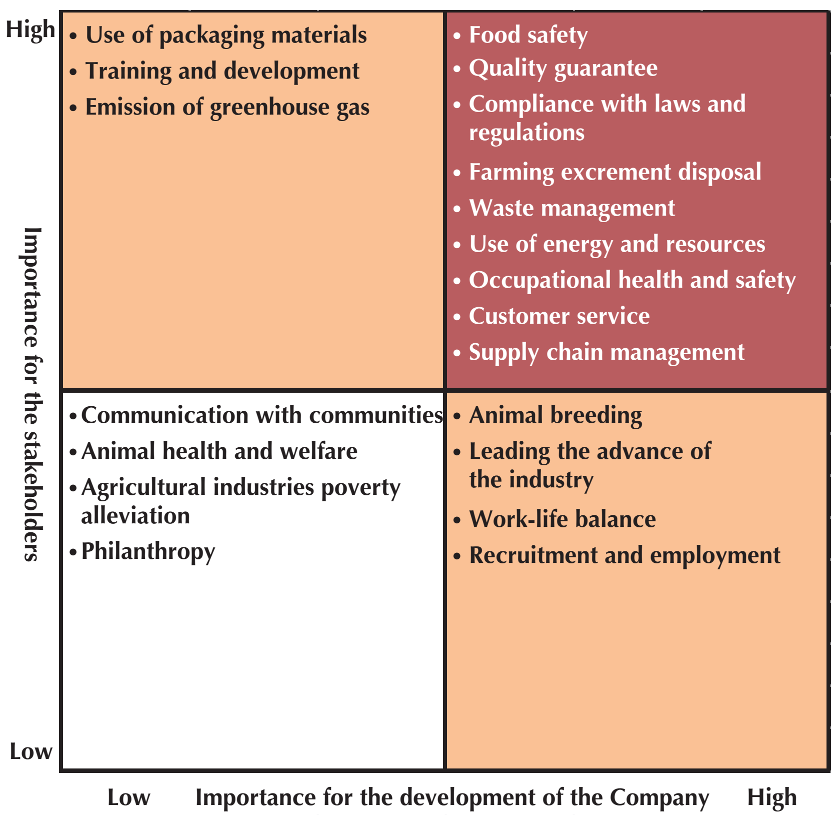
As one of the leading enterprises in China's meat industry, COFCO Meat adheres to the concept of social responsibility of "Leading the Safety Standards in the Industry and Assuring the Safety of Meat for the Consumers", relies on the vertical integration business model covering the integrated value chain, upholds integrity and compliance, and is dedicated to providing nutritious and safe food to consumers, promotes the common development of stakeholders including shareholders, customers, environment, employees and the public, so as to realize 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 various 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 advice 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 The Stock Exchange of Hong Kong and making reference to the disclosure of ESG issues made 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.



Food Safety

Safety and quality are our top priorities. We have built a business system covering feed production, hog breeding, slaughtering and cutting, fresh pork and processed meat product production, distribution and sale, and import and distribution of meat imports (including pork, beef, poultry and mutton) through strict control of the rigorous "five important procedures of safety", to make available high-quality, safe, healthy and nutritious meat products for thousands of households, and to ensure the safety of meat products for the citizenry.

In 2019, government administration departments at each level sampled 256 batches of our products, which were 100% qualified.

Example: Champion Quality, Safe Meat

On August 8, 2019, our product became a "guaranteed preparation product for national team athletes of National Sports Training Center (NSTC) during training", providing safe and high-quality pork products for national team athletes receiving training at National Sports Training Center in preparation for their sports competitions.

All the anti-doping tests previously conducted proved that our products were 100% qualified. Our champion-level meat safety is attributable to our strict control of product quality. We adhere to the production concept of "five important procedures of safety", polish every production process and produce each product with "champion quality" in pursuit of ultimate product safety, to provide national team athletes with safe, reliable, healthy and nutritious high-quality food.

■ Integrated Value Chain Quality and Safety Management

We have learned from the advanced quality and safety management experience of relevant enterprises at home and abroad and established the risk management system for food quality and safety of the integrated value chain in accordance with the requirements of the national regulations, to ensure the quality and safety of each link to be controllable in order to fully guarantee the quality and safety of our products.

The feed processing, hog production, slaughtering and meat processing enterprises of the Group have passed the certification of ISO9001 quality management system (QMS), ISO22000 food safety management system (FSMS), hazard analysis and critical control point (HACCP) system and China Good Agricultural Practice (ChinaGAP) system. Their advanced production techniques coupled with cold chain preservation during the whole process from processing to distribution also provide a strong guarantee for product quality and safety.

■ *Source Management*

Feed control. We used feed produced from safe and pollution-free grain. Prior to warehousing, we have conducted tests in respect of pesticide residues, heavy metal and mycotoxin on the feed ingredients according to the requirements of each category, so as to ensure quality and safety. Throughout the production process, we feed in minerals, vitamins and other nutrient elements based on the hogs' daily needs and monitor each procedure in the production process in accordance with related national regulations and standards. We carry out strict inspections and tests to ensure that the feed products we have produced are safe and nutritious. We also strictly controlled 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 hog farming in accordance with requirements of the Agricultural Product Quality Safety Law of the People's Republic of China (《中華人民共和國農產品質量安全法》), 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, with reference to the advanced experiences of domestic and foreign leveraged enterprises, so as to standardize the whole hog farming process. We have provided 11 animal welfare measures to respect the natural growth rhythm of hogs, which ensured the healthy growth of hog groups in different stages through scientific feeding, which adopted an automated environmental control and feeding system.

During the hog farming process, we developed a comprehensive immunity and health care process to provide seamless care for hogs. We strictly comply with related national regulations and standards, and utilize veterinary drugs in accordance with relevant laws and regulations. We make sure that all hog productions are free of veterinary drug residue, strictly implement the three-level auditing executed by the head of farms, the chargers and feeders, so as to ensure the food safety of hog productions. 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.

Supplier management. We value the importance of sustainability, therefore we integrate ecological environmental protection, energy conservation and emission reduction, social responsibility and corporate governance into our daily business operations. We established the Supplier Quality and Safety Management System, and specified the requirements on suppliers including basic conditions, qualifications and certifications, selection criteria, approval management, routine management and elimination and exit, etc. We have also established a professional assessment team to evaluate and closely monitor supplier qualifications, production process as well as upstream management and control. Meanwhile, we continually optimized our supplier structure and strengthened suppliers' management of corporate responsibility, selected large-scale suppliers with good reputation while insisting priority on internal supply, to jointly achieve sustainable development of our environment and society.

■ *Process Control*

We established a quality and safety management system, formulated and implemented the corporate quality and safety management standards stricter than national standards, and systematically managed the whole production process. During the production process, we effectively monitored key links and ensured the products meet the qualification requirements by utilizing advanced devices and strictly implement the quality control requirements of the production process.

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 effectively during the production and operation through real-time risk surveillance. In order to comprehensively and effectively monitor risks, we relied on the National Non-staple Food Quality Supervision and Inspection Center (國家副食品質量監督檢驗中心) of COFCO Nutrition and Health Research Institute to establish a inspection and test system with the regional laboratories as the main force, backed up by the primary level laboratories and combining with external third-party examinations.

■ *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 aspects including equipment and facilities, products protection, shelf life management, returns management, emergency management and traceability, so as to practically guarantee the quality and safety of 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 have established an electronic tracking system for the slaughtering and processing link, with each product given with an unique ID card through label coding, which allows all data information uploading to cloud database, resulting in the realization of full traceability which is continuously optimizing in application. Currently, it is possible to make a one-click product traceability query, and 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 clients, we have been continually improving our client service system as well as formulating and regulating our client complaints handling procedures, to promptly provide feedback on, follow up and handle the complaints and to enhance client satisfaction.

We have also collected, combined and summarized customer opinions through our consumer satisfaction survey. We analyze the reasons for dissatisfaction and provide 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 and attach great importance to keeping the privacy of brands and customers in confidence. In the course of branding activities, we ask relevant workers whose work involves customer data to sign confidentiality agreements, strictly controlling the information usage to completely avoid any consumer information leak.

Advertising and Trademarks

We enforce in strict standard the Advertising Law of the PRC (《中華人民共和國廣告法》) and Administrative Measures for Business Promotion of COFCO Corporation (Trial) (《中糧集團有限公司商業推廣管理辦法(試行)》) and we formulated Measures for Commercial Promotion Activities in 2019 to ensure that our business promotion activities are factual, lawful, rooted in science, accurate, not deceptive or misleading, and strictly adhere to laws and regulations.

We also value the importance of intellectual property protection and has established a sector for "intellectual property" under the legal affair management system to manage and protect intellectual property in a collective manner. The trademarks we currently use have been registered or have engaged professional trademark agencies for submitting application to trademark registry for exclusive rights of the trademarks. In 2019, the Group submitted 7 applications for trademark registry.

During our cooperation with external institutions, including third parties, we also strictly regulate the authorization of trademark and usage of logo to protect the interests of the Company and the brand. In 2019, we formulated Measures for Brand Use Authorization Management to provide a detailed regulation on authorization condition, application procedure and user's rule. The Company would enter into a "Distribution Agreement" with dealers in the course of businesses. This agreement specifically provides that the dealers shall not register or use all the trademarks, graphics, logos, scripts, clothing, collage of colors and other related marks that carry "COFCO Meat", "Joycome", "Maverick" and the names of subsidiaries belong to the Company without prior written consent by the Company.

We proactively registered domain names that are relevant to the Company's trademarks and business operations through the approach of "trademark+domain names website resources" to establish a brand system. A policy of "Network-wide protection" is also put in force with attention on the core keywords of "cofco-joycome" and "cofcomeat". In total, we have registered 5 domain names.

We also safeguard our interests by applying for patents and copyrights. In 2019, the Group applied for 3 patents for copyrights and obtained 2 patents for appearance design. On the basis of adopting aforementioned intellectual property protection measures, with respect to proprietary know-how that is not patentable and processes for which patents are difficult to enforce, we rely on trade secret protection and confidentiality agreements to safeguard our interests.

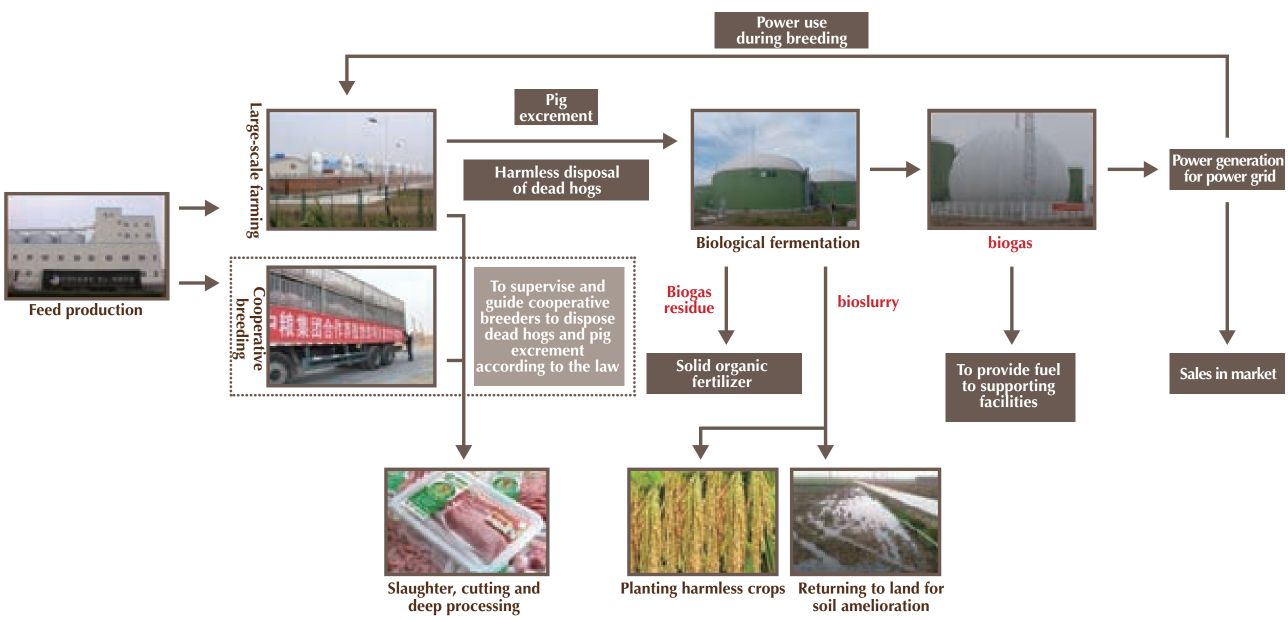
Environmental Protection

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 utilization of farming excrement resources and led the farming industry to healthy and green development.

■ Eco-farming

Pursuant 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 established the eco-farming mode of "eco-farming and combination of farming and planting" to address the industry challenges of farming excrement treatment during the large-scale pig breeding. Based on thorough consideration on the environmental carrying capacity, we optimized the proportion of scale of breeding to surrounding lands, implemented biogas for heating and electricity generation, promoted bioslurry-to-field, and facilitated the integration of livestock and crops, sparing no efforts in developing a green and recycling agricultural industry value chain. After anaerobic fermentation at the biogas station, the excrement generated from farming will turn to biogas residue, biogas slurry and biogas. Biogas residue and biogas slurry are returned to growers as organic fertilizer, and biogas are used as energy for power generation or for use of boiler. Such mode realized the resource utilization of excrement during the breeding.

We built over 30 advanced detoxification stations for farming waste treatment nationwide as supporting facilities, laid more than 200 kilometers of bioslurry pipelines and provided bioslurry free-of-charge for soil amelioration and growing crops. These actions have given rise to over 200 thousand mu of farmlands that integrated livestock and crops, and have led to an increase in both production and revenue for farmers. In 2019, over 12.19 million m^3 of biogas was generated at the biogas station of the Group.

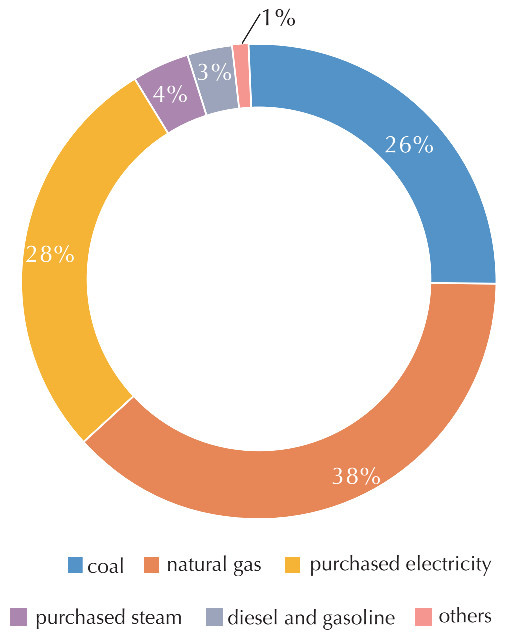


▲COFCO Meat green and recycling agricultural industrial value chain

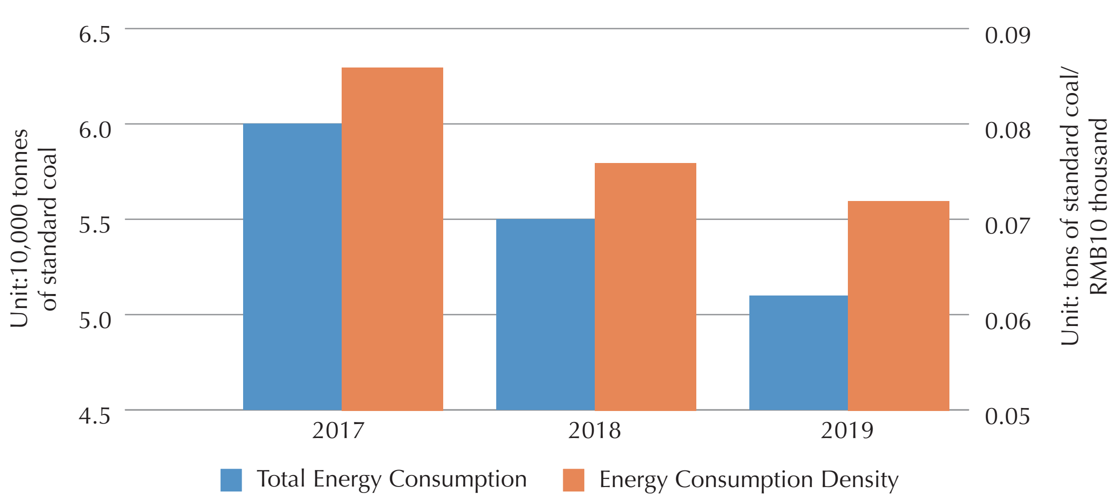
■ *Use of resources*

We clearly understand our duties as a responsible corporate citizen in protecting the environment and maintaining ecological balance. By strictly controlling resource and energy consumption in production and operation, we are gradually achieving the goal to reduce our environmental impact and actively responding to climate change. We have put great efforts into management, technology and process transformation. We have formulated scientific and feasible standards and an assessment mechanism for energy and water consumption limits, while actively renovating the equipment and facilities of our plant, and continuously improving energy and resource utilization efficiency. In 2019, for our production in general, we consumed approximately 51,000 tons of energy (standard coal), with energy consumption density about 0.072 tons of standard coal/revenue of RMB10 thousand, realizing a 3 year consecutive decrease of total energy consumption and energy consumption density.

Energy Utilization in 2019



Energy Consumption from 2017 to 2019

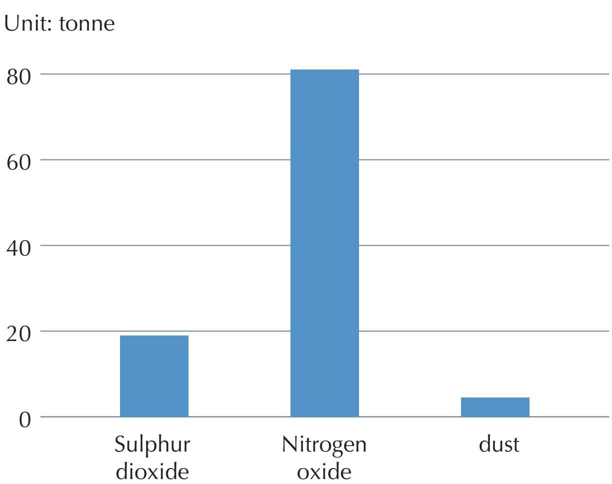


Our businesses operations, ranging from hog production, slaughtering and cutting, production of fresh pork and processed meat products, require large amounts of water. We comprehensively transform our water conservation and emission reduction designs by launching a multi-tier water utilization metering systems. We have also developed water utilization standards and assessment plans to further reduce water consumption. In 2019, water consumption of the Group was about 4,318,000 m^3, representing a decrease of 34% compared with that of last year, and water usage density about 3 m^3/revenue of RMB10 thousand.

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 2019, total packing materials consumed by the Group including plastic bags, plastic films and cartons were approximately 3,868 tons, and the packing material usage density was about 5.4 kilograms/ revenue of RMB10 thousand.

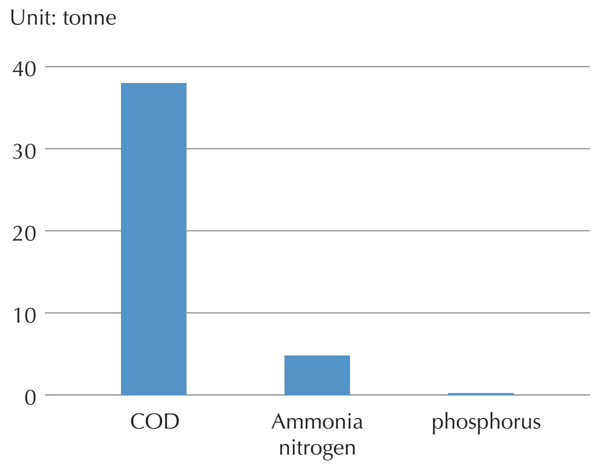
■ *Emission management*

We have strictly complied with relevant state laws and regulations such as Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), Prevention of Air Pollution of the People's Republic of China (《中華人民共和國大氣污染防治法》), Prevention and Control of Water Pollution of the People's Republic of China (《中華人民共和國水污染防治法》) and 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》) for the regulation of emission management of pollutants, and are committed to reducing pollutants, greenhouse gases, as well as ensuring our production and operations are within the environmental carrying capacity, to reduce the impact on the surrounding ecological environment.



2019 Emission of Main Pollutants - Waste Gas

In 2019, the air emissions produced by the Group included exhaust gas, sulphur dioxide, nitrogen oxide, and others. A total of approximately 300 million m^3 of exhaust gas were emitted. Approximately 210,000 tons of greenhouse gases were emitted, representing a decrease of 21% as compared with the same period last year, with emission density about 0.29 tons/ revenue of RMB10 thousand.



2019 Emission of Main Pollutants - Wastewater

In 2019, the wastewater pollutants generated by the Group included COD, ammonia nitrogen, phosphorus and others. A total of approximately 0.55 million tons of wastewater were emitted, representing a decreased of 2% as compared with the same period last year, with wastewater emission density about 0.76 tons/revenue of RMB10 thousand.

All wastes generated from our production and operation were all handled in strict accordance with 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》), Technical Specifications on the Harmless Treatment of Carcasses or Sick Animals (《病死及病害動物無害化處理技術規範》) and other relevant national laws and regulations. Among which, non-hazardous wastes, including dead pigs, pig viscera abandoned during slaughtering, boiler slag and domestic wastes, were treated and reused based on the principles of reduction, recycle and detoxification. Hazardous wastes including medical wastes, machine oils, laboratory liquid wastes, waste ink and waste light tubes, were stored in the temporary storage and collected and processed by qualified third-party agencies for transfer and disposal.

In 2019, the Group has produced a total of approximately 25,000 tons of non-hazardous wastes (the emission density was about 0.035 tons/revenue of RMB10 thousand) and approximately 106 tons of hazardous wastes (the emission density was about 0.15 kilogram/revenue of RMB10 thousand).

■ Energy Conservation and Emission Reduction

We emphasize environmental protection and work hard on minimizing the environmental impact of our business operations. We want to try our utmost best to reduce our reliance on natural resources and to ensure sustainability of earth's ecology. To strengthen the awareness of energy conservation and emission reduction for all employees, we have formulated the Management Regulations for Energy Conservation and Emission Reduction in accordance with relevant laws and regulations, including the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》) and the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), setting up a long-term effective management mechanism to invest more on energy conservation and environmental protection, implementing the key constructions, reducing resource consumption and lowering the intensity of carbon emission. In 2019, Wuhan COFCO Meat implemented the recycling of heat from emissions by natural gas boilers and smokers, utilized it to heat up water used for cleaning, to reduce the natural gas usage, which saved over RMB0.312 million on energy consumption annually.

We place great emphasis on upgrading our production facilities and transforming business procedures to utilize water resources more efficiently. In 2019, we comprehensively implemented high-pressure washing machine, adopted drinking water conservation equipment such as drinking bowl and water level controller to reduce water consumption. By recycling cooling water used for smoker and vacuum pump for domestic water use, the Maverick Company saved approximately 10,000 m^3 water consumption for the year.

In addition, we continuously advocated for using emission standard-complied treated water throughout our operations. We also raised our investment in sewage water treatment further and set up more stringent targets to raise the ratio of recycle water to be used. Recycled water usage in 2019 amounted to over 30,000 m^3.

We have taken various measures, including optimizing and adjusting the energy structure, technology upgrading and others, to reduce the production and emission of pollutants. We have significantly reduced the production and emission of pollutants by replacing coal-fired boilers with gas boilers that are cleaner and more efficient in regions with heating needs during winter, such as Jilin, Zhangbei, Chifeng, and Tianjin.

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 as a member of National Technical Committee 516 on Slaughter & Processing of Standardization Administration of China (全國屠宰加工標準化技術委員會(SAC/TC516)), we participated in considering various standards including Fresh and frozen pork and pig by-products – Part 1: Demi-carcass pork GB/T 9959.1-2019 (《鮮、凍豬肉及豬副產品 第1部分：片豬肉》GB/T 9959.1-2019), Operating procedures of livestock and poultry slaughtering-Pig GB/T 17236-2019 (《畜禽屠宰操作規程 生豬》GB/T 17236-2019) and Good manufacturing practice for livestock and poultry slaughtering-Pig GB/T 19479-2019 (《畜禽屠宰良好操作規範 生豬》GB/T 19479-2019). We actively communicated with several relevant organizations including the Ministry of Agriculture and Rural Affairs, State Administration for Market Regulation and National Technical Committee on Meat, Poultry, Eggs and their Products of Standardization Administration of China, etc., in order to provide more green, safe and high quality meat products for the society. In 2019, we were elected as a member of the standing committee of the China Animal Health and Food Safety Alliance (國家動物健康與食品安全創新聯盟常務理事單位).

We actively participated in international and national industry exchanges including a series of activities such as the 3rd World Conference on Farm Animal Welfare, The 8th Leman China Swine Conference and the 2019 World Swine Industry Exp, the 4th China International Meat Industry Week (CIMIW2019), Forum of Non-Antibiotic Animal Husbandry (畜牧業無抗發展大會) and China Corn Industry Summit Forum (中國玉米行業高峰論壇). Meanwhile, we also engaged in technical exchanges with third party food technology service organizations such as the Centre Testing International Group and SGS in areas such as inspections, labels and tags.

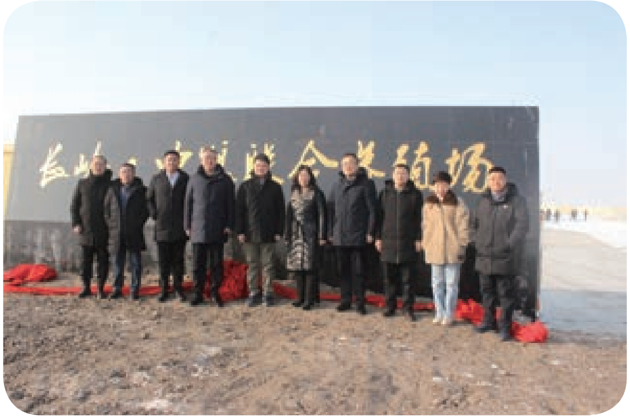
A Boost to the Local Economy

We took the initiative to take on 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 industry value 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 urbanization, 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.

We actively launched our cooperative production businesses in Ongniud Banner, Inner Mongolia, Zhangbei County, Hebei, Changling County, Jilin, Dongtai City, Jiangsu and Yongcheng City, Henan. Through cooperation with various parties such as enterprises, farmers, the government and banks, we reasonably allocated the rent from land leases and the industry, as well as the operating income, and distributed bonus of earnings from the industry, to help farm owners increase their production and revenue. Meanwhile, we also proactively promoted the sales of products from impoverished areas and purchased poverty alleviation products. In 2019, our purchases of poverty alleviation products (such as Yanshou Rice) from impoverished area amounted to more than RMB32,000.

Case: Poverty alleviation in Hog Production Industry

At the end of December 2019, the construction of a hog production expansion project with a capacity of 100,000 hogs had officially completed and was put into operation in Changling County, Songyuan City. The project is expected to create a revenue of RMB10 million annually as the revenue generated from the poverty alleviation industry for 20 consecutive years for all 232 administrative villages in Changling county.



■ Participating in Philanthropy and Charity

We cared for the underprivileged and actively held various public welfare activities, such as poverty alleviation and offering assistance to students in need and the poor. We formulated the Measures for the Administration of External Donations to standardize the management of external donations and fulfill our social responsibilities. We focus on the donations in line with our philosophy and related to the Company's social responsibilities, such as attaching importance to social sustainable development, poverty alleviation, and education aid.

In 2019, the Group's donations of RMB5 million to Menyuan Hui Autonomous County, Qinghai Province, RMB1.4 million for the construction of Zhaolou Primary School in Peiqiao Town, Yongcheng City, Henan Province, poverty alleviation fund of RMB0.26 million to the People's Government of Wudan Town, Wutonghua Town, Ongniud Banner and Xinsumo Sumu, Chifeng City, Inner Mongolia and RMB12,000 to 2019 college freshmen in Baisha Lake Community, Jingtoushan Farm, Yangxin County, Huangshi City, Hubei Province, amounted to a total of RMB6.672 million.

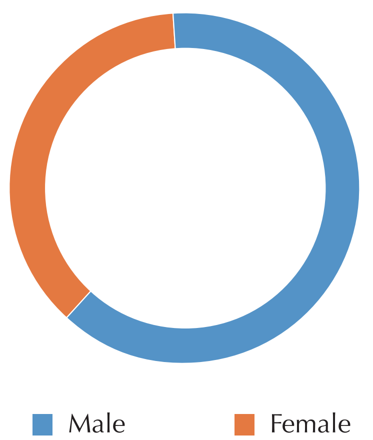
Staff Development

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.

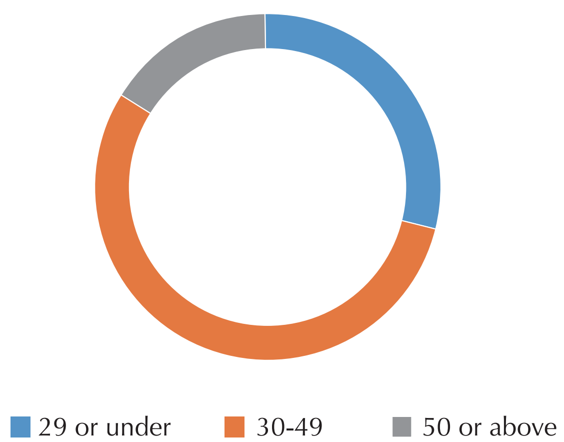
Staff Employment

We have set up the Staff Recruitment and Management Measures, the Employee Onboarding and Offboarding Management Measures, the Labor Contract Management Measures and other systems and measures 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》). We respect and treat every applicant and employee fairly, adhere to the recruitment principles of fairness, justice and openness and strictly follow legal employment rules to safeguard the legal interests of our employees, striving to treat all employees on a safe and reliable basis since their application and ensuring that no one is discriminated.

As of the end of the report period, we had 6,442 employees in total, representing a year-on-year decrease of 547 employees.



Number of Employees by Gender



Number of Employees by Age Group

Remuneration Package

We have formulated the Remuneration Management Policy to determine the employees' salaries in accordance with industry standards, job requirements, personal performance and difference in individual abilities under the concept of "determining salaries based on position, receiving remunerations according to performance, promoting capacity development, and maintaining internal fairness and competitiveness", which realize effective remuneration management to entitle employees to the wages and insurance allowances that they legally enjoy. All of our employees are paid no less than the minimum wage regulated by the government. We have also implemented the "Employee Leave Management Measures" to ensure that our employees may enjoy national holidays, paid annual leave, paid sick leave, marriage leave, maternity leave, paternity leave, etc.

We organize recreational and sports activities in the Company, including regularly holding birthday parties for our employees, to make them feel at home and the care from their colleagues, to enhance the collective cohesion of our employees. We also organize team building activities to fully exhibit employees' spirit of teamwork, promote friendship between departments and foster a harmonious corporate culture.

Example: Organizing a Soccer and Badminton Game that Fosters Friendship

In 2019, we organized soccer and badminton game in Guangdong. Adhering to the motto of "camaraderie first, competition second", the employees devoted themselves into the games and strived for being the best, fully showing their vitality and energy.

Staff Rights and Interests Protection

We fully respect and protect employees' legitimate rights and interests, protect the rights and interests of female staffs, 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 the employment of child labor and forced labor, no tolerance is given. We spare no effort in preventing the possibility of any labor issues. We strictly abide by the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) and the requirements under relevant laws and regulations, and does not employ any person under 18 years of age; labor contracts were signed in accordance with laws to specify the conditions of employment, so as to ensure that employees gain a full understanding. Our employment of employees does not involve any restrictive and unreasonable condition.

Occupational Health

We have formulated and implemented the Management System for Occupational Health (職業健康管理制度), the Management System for Labor Protection Equipment (勞動防護用品管理制度) 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 assessments; establish outfit standards for personal protection supplies and ensure employees' correct usage; organize regular training programs on occupational health and issue notices of potential hazards, to ensure that every employee has the knowledge and skills of occupational health necessary to his or her work. In addition, we organize occupational disease check-up for employees regularly, and provide employees with injury insurance, accident insurance and other insurances, so as to protect employees' occupational health and safety.

Democracy and Communication

We have established a democratic management system represented by the employees' representative meeting to ensure the institutional protection of the employees' right to know, participate, choose and supervise. We strengthen the communication with our employees in multiple ways to fully guarantee the rights of each employee. Furthermore, we take every suggestion and advice from our employees seriously so that the Company can keep improving and optimizing the approach to development.

Caring for Female Employees

We guarantee the rights and interests of female employees by providing "private, safe and hygienic" rest and breastfeeding places for female employees who have breastfeeding needs, so that they can enjoy a more humanized and warm service. We organized greeting events for female employees on International Women's Day to send holiday greets and show respect, and added female featured items to employee body check, which embodied our exquisite care to female employees.

Development and Training

The growth of employees and the development of enterprises complement each other. Therefore, we attach great importance to the career development and training of our employees by building a clear and smooth career development channel, creating rich training opportunities for all employees, and rationally allocating resources for the purpose of supporting our employees to grow together with the Company in terms of systems and resources, and continuously improve their overall capabilities and professional quality.

Occupational Promotions

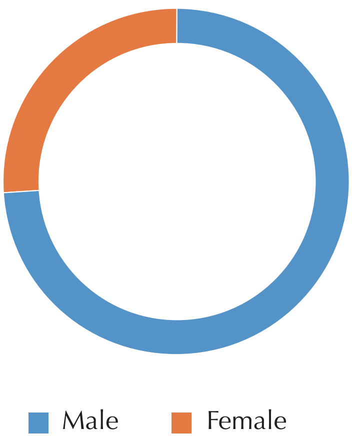
Upholding the corporate culture of "integrity, team spirit, professionalism and innovation", we encourage employees to win a good professional reputation with excellent performance and noble professional integrity and seize more opportunities for development with rich experience and outstanding professional 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

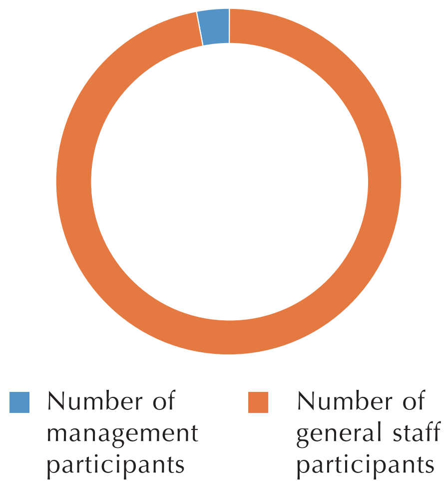
We always attach importance to talent training. We initiate training activities regarding core sectors such as production, operation and management in accordance with our annual training program, after considering the strategic requirements for COFCO Group's development, to establish a training system focusing on the three core aspects of new employees, professionalism and leadership, creating abundant training opportunities for all employees. We organize training programs for new employees to facilitate their integration and role-change through adviseship, mentorship and team building activities. We regularly conduct professional training on production management, biosafety, epidemic prevention, and laws and regulations as well as special training on pollution, epidemic and accident prevention and control for general employees. We also established a university offering breeding courses and the Captain Pig Academy to focus on systematically improving the business capability of professional talents. We have initiated "Spark" (星火) and "Sunrise" (晨曦) talent incubation programs for employees and manager associates with high potential to enhance the comprehensive ability and leadership of our key talents.

Information on trainings of the Group in 2019:

Number of training sessions	3,636
Number of participants	73,535
Accumulated training hours	98,913.98
Training hours per head	15.35



Distribution of Training Participants by Gender



Distribution of Training Participants by Level

Anti-corruption Practice

We strictly abide by the national laws and regulations, and the relevant provisions of COFCO Group, to advocate for professional integrity in all employees. We insist on establishing a sound system with sound regulations, ensuring strict enforcement to check and monitor the exercise of power in light of every aspect in anti-corruption, to truly harness the incentive and regulatory capabilities of these mechanisms, set up a solid defense against corruption, and promote a culture of refusing to, can't going to and don't want to be corrupted. In 2019, we further optimized the 5 rules and regulations regarding anti-corruption practices including the Capital Management System (資金管理制度), Manager Management Measures (經理人管理辦法) and Opinions on the Dedicated Supervision of Disciplinary Inspection.

We facilitated mail reporting channel, launched publicity and education on anti-corruption advocacy and imposed greater punishment on unlawful behaviors to prevent corruptions from happening. We posted notices of means for reporting letters and visits in each farm, production room, and branch office, to ensure all unlawful issues can be handled in a timely manner. We have organized party members, managers and key staff to start a series of anti-corruption training programs, which cover national rules and regulations, relevant provisions of COFCO Group and the Company, typical negative cases and others, to create a good atmosphere of integrity and righteousness. We focus up close on the few critical and key positions and maintain close oversight on major areas including bidding, constructions, asset acquisition, marketing, etc. We also signed an Honesty and Integrity Undertaking (《廉潔承諾書》) with all managers, maintaining a firm attitude on fighting corruption.

The various anti-corruption measures carried out by the Group has achieved significant success. In 2019, we are not aware of any anti-corruption cases.

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 80 to 168, which comprise the consolidated statement of financial position as at December 31, 2019, 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, 2019, 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 Matter

Key audit matter 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 RMB1,925 million at December 31, 2019. Independent external valuations were obtained for all biological assets to assist management's estimates of the fair value of biological assets at December 31, 2019. Key assumptions adopted include estimated market prices. 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; and • evaluating the appropriateness of the key assumptions and inputs including estimated market prices based on available market data.

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 of the Company 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 Lung, David Wing Hung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
April 20, 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2019

	NOTES	2019 Results before biological assets fair value adjustments RMB'000	2019 Biological assets fair value adjustments RMB'000	2019 Total RMB'000	2018 Results before biological assets fair value adjustments RMB'000	2018 Biological assets fair value adjustments RMB'000	2018 Total RMB'000
Revenue	5	**11,078,665**	**–**	**11,078,665**	7,168,488	–	7,168,488
Cost of sales	10	**(10,087,973)**	**(897,894)**	**(10,985,867)**	(6,830,957)	(326,441)	(7,157,398)
Gross profit		**990,692**	**(897,894)**	**92,798**	337,531	(326,441)	11,090
Other income	7	**173,424**	**–**	**173,424**	217,447	–	217,447
Other gains and losses	8	**(8,831)**	**–**	**(8,831)**	(23,793)	–	(23,793)
Other expenses		**–**	**–**	**–**	(98,500)	–	(98,500)
Selling and distribution expenses		**(344,697)**	**–**	**(344,697)**	(283,251)	–	(283,251)
Administrative expenses		**(265,945)**	**–**	**(265,945)**	(230,941)	–	(230,941)
Share of gain/(loss) of joint ventures		**360**	**–**	**360**	(566)	–	(566)
Gain/(loss) arising from agricultural produce at fair value less costs to sell at the point of harvest		**–**	**867,562**	**867,562**	–	(133,872)	(133,872)
Gain arising from changes in fair value less costs to sell of biological assets		**–**	**1,179,149**	**1,179,149**	–	30,331	30,331
Finance costs	9	**(162,331)**	**–**	**(162,331)**	(124,168)	–	(124,168)
Profit/(loss) before tax	10	**382,672**	**1,148,817**	**1,531,489**	(206,241)	(429,982)	(636,223)
Income tax expense	11	**(9,266)**	**–**	**(9,266)**	(10,426)	–	(10,426)
Profit/(loss) for the year		**373,406**	**1,148,817**	**1,522,223**	(216,667)	(429,982)	(646,649)
Other comprehensive (expense)/income, net of income tax:							
Items that will not be reclassified subsequently to profit or loss							
Fair value (loss)/gain on equity instrument at fair value through other comprehensive income				**(193,253)**			6,715
Items that may be reclassified subsequently to profit or loss							
Exchange differences arising on translation of foreign operations				**375**			14,123
Other comprehensive (expense)/income for the year, net of income tax				**(192,878)**			20,838
Total comprehensive income/(expense) for the year				**1,329,345**			(625,811)
Profit/(loss) for the year attributable to:							
Owners of the Company				**1,573,727**			(627,667)
Non-controlling interests				**(51,504)**			(18,982)
Profit/(loss) for the year				**1,522,223**			(646,649)
Total comprehensive income/(expense) for the year attributable to:							
Owners of the Company				**1,380,849**			(606,829)
Non-controlling interests				**(51,504)**			(18,982)
				1,329,345			(625,811)
Earnings/(loss) per share:	15						
Basic and diluted				**RMB40.33 cents**			RMB(16.09) cents

Consolidated Statement of Financial Position

As at December 31, 2019

		At December 31	
		2019	2018
	NOTES	**RMB'000**	RMB'000
Non-current assets			
Goodwill	16	**100,609**	100,609
Property, plant and equipment	17	**6,668,052**	5,970,933
Right-of-use assets	18	**401,351**	–
Prepaid lease payments	19	**–**	207,562
Intangible assets	20	**2,565**	2,046
Investments in joint ventures	21	**–**	20,804
Equity instrument at fair value through other comprehensive income	22	**205,969**	399,222
Biological assets	23	**475,706**	468,294
Prepayments for purchase of property, plant and equipment		**10,515**	6,052
Deferred tax assets	24	**15,299**	237
Other prepayments		**2,130**	–
		7,882,196	7,175,759
Current assets			
Inventories	25	**3,180,887**	535,681
Biological assets	23	**1,449,250**	995,532
Accounts receivables	26	**182,239**	155,567
Prepayments, deposits and other receivables	27	**534,600**	209,964
Other current assets	28	**2,171,879**	–
Amounts due from related companies	29	**82,617**	23,938
Pledged and restricted bank deposits	30	**9,762**	23,281
Cash and bank balances	30	**630,415**	1,140,035
		8,241,649	3,083,998
Current liabilities			
Accounts and bills payables	31	**462,689**	500,687
Other payables, accruals and deposits received	32	**666,867**	563,268
Lease liabilities	33	**17,000**	–
Contract liabilities	34	**324,917**	137,092
Bank borrowings	35	**6,301,064**	2,057,045
Amounts due to related companies	29	**230,023**	61,480
Loans from related companies	36	**113,200**	475,540
Financial liabilities at fair value through profit or loss	37	**50,518**	2,170
Current tax payable		**17,081**	200
		8,183,359	3,797,482
Net current assets/(liabilities)		**58,290**	(713,484)
Total assets less current liabilities		**7,940,486**	6,462,275
Non-current liabilities			
Bank borrowings	35	**1,332,893**	1,448,279
Loans from a related company	36	**91,869**	89,339
Deferred income	38	**153,385**	139,881
Deferred tax liabilities	24	**10,108**	10,536
Long-term payable	39	**47,000**	–
Lease liabilities	33	**145,058**	–
		1,780,313	1,688,035
Net assets		**6,160,173**	4,774,240

Consolidated Statement of Financial Position

As at December 31, 2019

		At December 31	
	NOTES	**2019** **RMB'000**	2018 RMB'000
Capital and reserves			
Share capital	40	**1,668,978**	1,668,978
Reserves		**4,387,615**	3,006,766
Equity attributable to the owners of the Company		**6,056,593**	4,675,744
Non-controlling interests		**103,580**	98,496
Total equity		**6,160,173**	4,774,240

The consolidated financial statements on pages 80 to 168 were approved and authorised for issue by the board of directors on April 20, 2020 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, 2019

	Attributable to the owners of the Company										
	Share capital	Share premium	Special reserve	Capital reserve	Statutory reserve	FVTOCI reserve	Translation reserve	Retained profits/ (Accumulated losses)	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000 *(Note (a))*	RMB'000	RMB'000 *(Note (b))*	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2018	1,668,978	1,645,960	858,459	76,908	124,030	368,991	50,046	476,997	5,270,369	43,940	5,314,309
Loss for the year	–	–	–	–	–	–	–	(627,667)	(627,667)	(18,982)	(646,649)
Other comprehensive income for the year	–	–	–	–	–	6,715	14,123	–	20,838	–	20,838
Total comprehensive income/(expense) for the year	–	–	–	–	–	6,715	14,123	(627,667)	(606,829)	(18,982)	(625,811)
Statutory reserve appropriation	–	–	–	–	5,373	–	–	(5,373)	–	–	–
Recognition of equity-settled share-based payments granted by shareholders *(Note 42)*	–	–	–	12,204	–	–	–	–	12,204	–	12,204
Capital contribution from a non-controlling equity holder	–	–	–	–	–	–	–	–	–	76,496	76,496
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	(2,958)	(2,958)
At December 31, 2018 and January 1, 2019	1,668,978	1,645,960	858,459	89,112	129,403	375,706	64,169	(156,043)	4,675,744	98,496	4,774,240
Profit (loss) for the year	–	–	–	–	–	–	–	1,573,727	1,573,727	(51,504)	1,522,223
Other comprehensive (expense)/income for the year	–	–	–	–	–	(193,253)	375	–	(192,878)	–	(192,878)
Total comprehensive (expense)/income for the year	–	–	–	–	–	(193,253)	375	1,573,727	1,380,849	(51,504)	1,329,345
Statutory reserve appropriation	–	–	–	–	76,069	–	–	(76,069)	–	–	–
Capital contribution from a non-controlling equity holder *(Note (c))*	–	–	–	–	–	–	–	–	–	56,588	56,588
At December 31, 2019	1,668,978	1,645,960	858,459	89,112	205,472	182,453	64,544	1,341,615	6,056,593	103,580	6,160,173

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 Group and the non-controlling equity holder agreed to proportionally increase the paid in capital of a subsidiary of the Group in July 31, 2019. By the end of 2019, total increased capital had been fully received from both parties, of which RMB56,588,000 was received from the non-controlling equity holder.

Consolidated Statement of Cash Flows

For the year ended December 31, 2019

	NOTES	Year ended At December 31 2019 RMB'000	 2018 RMB'000
Operating activities			
Profit/(loss) for the year		**1,522,223**	(646,649)
Adjustments for:			
Income tax expense		**9,266**	10,426
Gain arising from changes in fair value less cost to sell of biological assets		**(1,179,149)**	(30,331)
Interest income	7	**(25,021)**	(27,331)
Finance costs	9	**162,331**	124,168
Dividend income from equity instrument at fair value through other comprehensive income	7	**(10,552)**	–
Equity-settled share based payments	10	**–**	12,204
Loss on disposal of joint ventures	8	**2,720**	–
Share of (gain)/loss of joint ventures		**(360)**	566
Depreciation of property, plant and equipment	10	**282,685**	251,563
Depreciation of right-of-use assets	10	**26,485**	–
Amortisation of prepaid lease payments	10	**–**	13,471
Amortisation of intangible assets	10	**1,032**	903
Recognition of deferred government grants	38	**(3,713)**	(3,781)
Loss on disposal of property, plant and equipment, net	8	**3,855**	12,497
Gain on disposal of prepaid lease payments, net	8	**–**	(21,045)
Impairment loss, net of reversal	8		
– property, plant and equipment		**2,079**	33,308
– accounts receivables, net		**110**	881
– other receivables, net		**163**	809
Write down of inventories to net realisable value	8	**65,290**	2,357
Exchange differences		**375**	63,165
Operating cash flows before movements in working capital		**859,819**	(202,819)
Increase in accounts receivables		**(26,782)**	(11,430)
Increase in prepayments, deposits and other receivables		**(350,951)**	(2,804)
Decrease in other current assets, net of bank loans Associate to other current assets		**32,121**	–
Increase in inventories		**(2,710,496)**	(56,785)
Decrease in biological assets		**720,578**	135,939
(Decrease)/increase in accounts and bills payables		**(37,998)**	67,678
Increase in other payables, accruals and deposits received		**108,330**	47,938
(Increase)/decrease in amounts due from related companies		**(58,679)**	35,909
Increase in amounts due to related companies		**187,742**	5,373
Increase in contract liabilities		**187,825**	28,875
Changes in derivative financial instruments		**47,809**	(6,491)
Cash (used in)/generated from operations		**(1,040,682)**	41,383
Income tax (paid)/refund		**(7,875)**	20
Net cash (used in)/generated from operating activities		**(1,048,557)**	41,403

		Year ended At December 31	
		2019	2018
	NOTES	**RMB'000**	RMB'000
Investing activities			
Interest received		**25,021**	27,331
Dividend received from equity investment at fair value through other comprehensive income		**10,552**	–
Payments for property, plant and equipment		**(965,940)**	(1,332,880)
Payments for purchase of breeding stocks		**(4,689)**	–
Payments for right-of-use assets/leasehold lands		**(14,277)**	(88,102)
Payments for intangible assets		**(1,551)**	(727)
Proceeds from disposal of property, plant and equipment		**4,438**	52,505
Proceeds from disposal of prepaid lease payment		**–**	4,141
Placement of pledged and restricted bank deposits		**(9,762)**	(23,281)
Withdrawal of pledged and restricted bank deposits		**23,281**	40,457
Placement of time deposits with original maturity over three months when acquired		**–**	(1,169,272)
Withdrawal of time deposits with original maturity over three months when acquired		**901,457**	535,250
Proceeds from disposal/liquidation of investment in joint ventures		**18,444**	–
Deferred government grants received		**17,217**	–
Net cash generated from (used in) investing activities		**4,191**	(1,954,578)
Financing activities			
Interest paid		**(207,286)**	(117,476)
New bank borrowings		**7,253,378**	2,153,873
Long-term payable		**47,000**	–
Repayment of bank borrowings		**(5,323,210)**	(976,452)
Repayments of lease liabilities		**(25,461)**	–
Loans from related companies		**265,700**	265,340
Repayment of loans from related companies		**(625,510)**	(105,000)
Repayment of loans from a non-controlling equity holder		**–**	(37,693)
Distribution to the non-controlling equity holder upon liquidation of a subsidiary		**–**	(2,958)
Contribution from a non-controlling equity holder		**56,588**	76,496
Net cash generated from financing activities		**1,441,199**	1,256,130
Net increase/(decrease) in cash and cash equivalents		**396,833**	(657,045)
Cash and cash equivalents at beginning of the year		**274,171**	953,419
Effect of foreign exchange rate changes		**(40,589)**	(22,203)
Cash and cash equivalents at end of the year		**630,415**	274,171
Cash and bank balances	30	**630,415**	1,140,035
Less: Time deposits with original maturity over three months when acquired	30	**–**	(865,864)
		630,415	274,171

1. GENERAL

COFCO Meat Holdings Limited (the "Company") was incorporated on March 11, 2014 and acts as an investment holding company. The address of the Company's registered office is 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").

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

The Company is an investment holding company. The principal activities of the Company's subsidiaries (the Company and its subsidiaries are here in after collectively referred to as the "Group") are hog production and sales, sales of fresh and frozen meats, manufacture and sales of meat products, and import and trade of meat products.

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

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

New and Amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 16	*Leases*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
Amendments to HKFRS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*

Except as described below, the application of the new and 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.

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

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

2.1 HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after January 1, 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, January 1, 2019.

As at January 1, 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for leases of land use right in the People's Republic of China was determined on a portfolio basis.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 4.75% to 4.90%.

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

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

2.1 HKFRS 16 Leases (Continued)

As a lessee (Continued)

	At January 1, 2019 RMB'000
Operating lease commitments disclosed as at December 31, 2018	285,852
Lease liabilities discounted at relevant incremental borrowing rates	170,802
Less: Recognition exemption – short-term leases	2,864
Lease liabilities as at January 1, 2019	167,938
Analysed as	
Current	24,546
Non-current	143,392
	167,938

The carrying amount of right-of-use assets for own use as at January 1, 2019 comprises the following:

	Note	Right-of-use assets RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		167,938
Reclassified from prepaid lease payments	(a)	233,714
		401,652
By class:		
Leasehold lands		380,338
Properties		21,314
		401,652

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at December 31, 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB26,152,000 and RMB207,562,000 respectively were reclassified to right-of-use assets.

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

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

2.1 HKFRS 16 Leases (Continued)

As a lessee (Continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at January 1, 2019. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at December 31, 2018 RMB'000	Adjustments RMB'000	Carrying amounts under HKFRS 16 at January 1, 2019 RMB'000
Non-current Assets				
Prepaid lease payments	(a)	207,562	(207,562)	–
Right-of-use assets		–	401,652	401,652
Current Assets				
Prepaid lease payments	(a)	26,152	(26,152)	–
Current Liabilities				
Lease liabilities		–	24,546	24,546
Non-current liabilities				
Lease liabilities		–	143,392	143,392

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended December 31, 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at January 1, 2019 as disclosed above.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 3	*Definition of a Business*[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 1 and HKAS 8	*Definition of Materials*[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[4]

1 Effective for annual periods beginning on or after January 1, 2021.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020.

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, 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after January 1, 2020.

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

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

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

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after January 1, 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 accounted for in accordance with within the scope of HKFRS 16 (since January 1, 2019) or HKAS 17 (before application of HKFRS 16), 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.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

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.

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 or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, 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 is not allocated to any asset, including goodwill, that 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers

The Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in Note 2.1)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2.1)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2.1) (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2.1) (Continued)

Lease liabilities (Continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in an index or a rate used to determine those payments/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (prior to January 1, 2019)

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.

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. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

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.

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

Borrowing costs

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

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

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

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

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

Retirement benefit costs and termination benefits

Payment to defined contribution retirement benefit 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

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.

When share options are exercised, the amount previously recognised in the capital reserve will be transferred to retained profits. 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 profits.

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/loss before tax 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modification, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any 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 any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets 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).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs 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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. 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 or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), 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 or the group of cash-generating units. 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 or a group of cash-generating units) 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 or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Biological assets

Biological assets represent live hogs (which fall into five categories: piglets, nursery hogs, medium and large finishing hogs, replacement studs and gilts, and breeding stock). 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 and net realisable value. Costs of inventories are determined on a 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. 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 market place.

Financial assets and financial liabilities are initially measured at fair value except for accounts receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Equity instrument designated as at FVTOCI

Investment in equity instrument at FVTOCI is subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and is not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investment, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets (and other items subject to impairment assessment under HKFRS 9)

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including accounts receivables, deposits, other receivables, amounts due from related companies, other current assets, pledged and restricted bank deposits and bank balances) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (and other items subject to impairment assessment under HKFRS 9) (Continued)

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (and other items subject to impairment assessment under HKFRS 9) (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of accounts receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (and other items subject to impairment assessment under HKFRS 9) (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables and amounts due from customers are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts receivables, other receivables and amounts due from related parties where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

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.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities (including accounts and bills payables, other payables, bank borrowings, long-term payable, amounts due to related companies, and loans from 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 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.

Derecognition of financial liabilities

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.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Principal versus agent consideration (principal)

The Group engages in trading of imported meat products. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customers after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods and the Group has inventory risk.

During the year ended December 31, 2019, the Group recognised revenue relating to trading of imported meat products amounted to RMB5,053,454,000 (2018: RMB2,286,783,000).

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 biological assets amounting to RMB1,924,956,000 as at December 31, 2019 (2018: RMB1,463,826,000) are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these biological assets. See Note 23 for further disclosures.

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

Key sources of estimation uncertainty (Continued)

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss may arise. As at December 31, 2019, the carrying amount of goodwill was RMB100,609,000 (2018: RMB100,609,000). (net of accumulated impairment loss of nil (2018: nil)). Details of the recoverable amount calculation are disclosed in Note 16.

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, 2019 was RMB6,668,052,000. (2018: RMB5,970,933,000) (net of accumulated loss of RMB14,676,000 (2018: 31,587,000)).

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

	For the year ended December 31, 2019				
Segments	**Hog production and sales RMB'000**	**Sales of fresh pork RMB'000**	**Sales of processed meat products RMB'000**	**Sales of Imported meat products RMB'000**	**Total RMB'000**
Types of goods or services					
Hogs	**2,445,353**	**–**	**–**	**–**	**2,445,353**
Fresh pork	**–**	**3,137,058**	**–**	**–**	**3,137,058**
Processed meat products	**–**	**–**	**442,800**	**–**	**442,800**
Imported meat products	**–**	**–**	**–**	**5,053,454**	**5,053,454**
Total	**2,445,353**	**3,137,058**	**442,800**	**5,053,454**	**11,078,665**
Geographical markets					
Mainland China	**2,445,353**	**3,137,058**	**442,800**	**5,053,454**	**11,078,665**
Total	**2,445,353**	**3,137,058**	**442,800**	**5,053,454**	**11,078,665**
Timing of revenue recognition					
A point in time	**2,445,353**	**3,137,058**	**442,800**	**5,053,454**	**11,078,665**
Total	**2,445,353**	**3,137,058**	**442,800**	**5,053,454**	**11,078,665**

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	For the year ended December 31, 2019		
	Segment revenue RMB'000	**Eliminations RMB'000**	**Consolidated RMB'000**
Hog production and sales	**3,504,562**	**(1,059,209)**	**2,445,353**
Sales of fresh pork	**3,217,090**	**(80,032)**	**3,137,058**
Sales of processed meat products	**447,014**	**(4,214)**	**442,800**
Imported meat products	**5,175,128**	**(121,674)**	**5,053,454**
Revenue from contracts with customers	**12,343,794**	**(1,265,129)**	**11,078,665**
Total revenue	**12,343,794**	**(1,265,129)**	**11,078,665**

5. REVENUE (Continued)

(i) Disaggregation of revenue from contracts with customers (Continued)

	For the year ended December 31, 2018				
Segments	Hog production and sales RMB'000	Sales of fresh pork RMB'000	Sales of processed meat products RMB'000	Sales of Imported meat products RMB'000	Total RMB'000
Types of goods					
Hogs	1,702,073	–	–	–	1,702,073
Fresh pork	–	2,808,095	–	–	2,808,095
Processed meat products	–	–	371,537	–	371,537
Imported meat products	–	–	–	2,286,783	2,286,783
Total	1,702,073	2,808,095	371,537	2,286,783	7,168,488
Geographical markets					
Mainland China	1,702,073	2,808,095	371,537	2,286,783	7,168,488
Total	1,702,073	2,808,095	371,537	2,286,783	7,168,488
Timing of revenue recognition					
A point in time	1,702,073	2,808,095	371,537	2,286,783	7,168,488
Total	1,702,073	2,808,095	371,537	2,286,783	7,168,488

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	For the year ended December 31, 2018		
	Segment revenue RMB'000	Eliminations RMB'000	Consolidated RMB'000
Hog production and sales	3,043,869	(1,341,796)	1,702,073
Sales of fresh pork	2,844,476	(36,381)	2,808,095
Sales of processed meat products	376,390	(4,853)	371,537
Imported meat products	2,316,362	(29,579)	2,286,783
Revenue from contracts with customers	8,581,097	(1,412,609)	7,168,488
Total revenue	8,581,097	(1,412,609)	7,168,488

5. REVENUE (Continued)

(ii) Performance obligations for contracts with customers

The Group sells hogs, fresh pork, processed meat products and imported meat products and provides meat procurement agency services in Mainland China. Revenue is recognised when control of the goods or services has transferred, being at the point when the goods have been delivered to the customers at the locations agreed between the Group and the customers or the services have been completed.

Except for certain reputable customers, the Group requires fully prepayments from customers. For credit sales, the normal credit term is within 180 days upon delivery.

All contracts are for periods of one year or less. As permitted by HKFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

6. SEGMENT INFORMATION

Information reported to the executive 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 and sales of hogs
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
Meat import segment	represents sales of imported meat products

No operating segments have been aggregated in arriving at the reportable segments of the Group.

6. SEGMENT INFORMATION (Continued)

Segment revenues and results

The following is an analysis of the Group's revenue and segment results 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, 2019							
Segment revenue							
External customers	2,445,353	3,137,058	442,800	5,053,454	11,078,665	–	11,078,665
Inter-segment sales	1,059,209	80,032	4,214	121,674	1,265,129	(1,265,129)	–
Segment revenue	3,504,562	3,217,090	447,014	5,175,128	12,343,794	(1,265,129)	11,078,665
Segment results	276,776	83,049	(10,679)	103,376	452,522	–	452,522
Unallocated corporate income							165,198
Unallocated corporate expenses							(73,077)
Fair value adjustments on biological assets							1,148,817
Share of profit of joint ventures							360
Finance costs							(162,331)
Profit before tax							1,531,489

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, 2018							
Segment revenue							
External customers	1,702,073	2,808,095	371,537	2,286,783	7,168,488	–	7,168,488
Inter-segment sales	1,341,796	36,381	4,853	29,579	1,412,609	(1,412,609)	–
Segment revenue	3,043,869	2,844,476	376,390	2,316,362	8,581,097	(1,412,609)	7,168,488
Segment results	(279,099)	106,687	93,452	36,227	(42,733)	–	(42,733)
Unallocated corporate income							26,796
Unallocated corporate expenses							(65,570)
Fair value adjustments on biological assets							(429,982)
Share of loss of joint ventures							(566)
Finance costs							(124,168)
Loss before tax							(636,223)

Segment profit/(loss) represents the profit earned by/(loss from) each segment without allocation of corporate income and expenses including central administration costs and directors' emoluments, fair value adjustments on biological assets, share of profit (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

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

6. SEGMENT INFORMATION (Continued)

Other segment information

	Hog production RMB'000	Fresh pork RMB'000	Meat products RMB'000	Meat import RMB'000	Total RMB'000
Year ended December 31, 2019					
Amounts included in the measure of segment profit:					
Depreciation and amortisation*	**57,982**	**26,786**	**20,502**	**441**	**105,711**
Impairment/(reversal of impairment) of accounts receivable, net	**20**	**152**	**(62)**	**–**	**110**
Impairment of other receivable, net	**–**	**92**	**71**	**–**	**163**
Loss on disposal of property, plant and equipment, net	**3,213**	**118**	**524**	**–**	**3,855**
Write-down/(write-back) of inventories	**713**	**(1,892)**	**5,228**	**61,241**	**65,290**
Impairment of property, plant and equipment	**2,079**	**–**	**–**	**–**	**2,079**
Year ended December 31, 2018					
Amounts included in the measure of segment profit:					
Depreciation and amortisation*	16,292	22,243	13,940	50	52,525
Impairment of accounts receivable, net	–	585	58	238	881
Impairment/(reversal of impairment) of other receivable, net	–	247	(8)	570	809
Loss/(gain) on disposal of property, plant and equipment, net	79,502	–	(67,005)	–	12,497
Gain on disposal of prepaid lease payment, net	–	–	(21,045)	–	(21,045)
Write-down/(write-back) of inventories	–	1,575	809	(27)	2,357
Impairment of property, plant and equipment	33,308	–	–	–	33,308

* *Depreciation and amortisation not included in the measure of segment profit or loss for the year ended December 31, 2019 amounted to RMB344,000 (2018: RMB426,000).*

Geographical information

All of the revenue of the Group is derived from the Mainland China based on location of the operations for both 2019 and 2018.

All the Group's non-current assets at December 31, 2019 and 2018 are located in the Mainland China 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 2019 and 2018.

7. OTHER INCOME AND OTHER EXPENSE

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

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Interest income from banks	**22,966**	25,717
Interest income from a related company*	**2,055**	1,614
	25,021	27,331
Dividend income from equity instrument at FVTOCI	**10,552**	–
Government grants**	**137,851**	88,415
Income from sales of feed ingredients	**–**	101,701
	173,424	217,447

* *The amount represents interest income for deposits placed in a non-banking financial institution, COFCO Finance Corporation Limited ("COFCO Finance"), a related company of the Company. Details of the deposits are set out in Note 30 and Note 52.*

** *Government grants are mainly related to innocuous treatment of died hogs and construction of hog farms. There are no unfulfilled conditions or contingencies relating to these grants.*

Government grants related to acquisition of lands use rights and acquisition/construction of property, plant and equipment 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 38. Included in the above balances are government grants released from deferred income of RMB3,713,000 for the year ended December 31,2019 (2018: RMB3,781,000).

Other expenses in 2018 represent the cost of feed ingredients the Group sold to third parties.

8. OTHER GAINS AND LOSSES

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

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Exchange gain, net	**5,007**	5,984
Loss on disposal of property, plant and equipment, net*	**(3,855)**	(12,497)
Gain on disposal of prepaid lease payment, net*	**–**	21,045
Write-down of inventories to net realisable value	**(65,290)**	(2,357)
Impairment on accounts receivable, net	**(110)**	(881)
Impairment on other receivables, net	**(163)**	(809)
Impairment of property, plant and equipment	**(2,079)**	(33,308)
Realised and unrealised (loss)/gain on fair value changes in respect of foreign currency forward contracts, net	**(54,562)**	6,491
Realised and unrealised gain on fair value changes in respect of commodity future, net	**128,687**	–
Loss on disposal of joint ventures	**(2,720)**	–
Others	**(13,746)**	(7,461)
	(8,831)	(23,793)

8. OTHER GAINS AND LOSSES (Continued)

* *The detail of the gain/(loss) on disposal of property, plant and equipment and prepaid lease payment is as follows:*

	2019 **RMB'000**	2018 RMB'000
Gain from Maverick Food Products Co., Ltd. ("Maverick") *(Note a)*	–	67,005
Loss from two subsidiaries due to environmental protection requirements *(Note b)*	–	(78,039)
Others	**(3,855)**	(1,463)
	(3,855)	(12,497)
Gain on disposal of prepaid lease payment *(Note a)*	–	21,045

Notes:

a. *During 2018 Maverick, a subsidiary of the Group, disposed of its farms, production plants and prepaid lease payments for land use rights amounting to RMB11,737,000 pursuant to a relocation requirement by the local government and in exchange the local government compensated Maverick with cash of RMB50,000,000, land use rights and properties and plants with an aggregate market value of RMB54,431,000, resulting in a gain on disposal of property, plant and equipment of RMB67,005,000 and a gain on disposal of prepaid lease payments for land use rights of RMB21,045,000.*

b. *During 2018, the Group's two subsidiaries disposed of their production plants due to environmental protection requirements by local, resulting in an aggregate net loss of RMB78,039,000.*

9. FINANCE COSTS

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

	Year ended December 31	
	2019 **RMB'000**	2018 RMB'000
Interest on:		
Bank borrowings	**166,300**	117,389
Loans from a non-controlling equity holder	–	77
Loans from related companies *(Note 36)*	**17,409**	21,758
Lease liabilities from third parties	**7,674**	–
Total borrowing costs	**191,383**	139,224
Less: Borrowing costs capitalised in the cost of qualifying assets	**(29,052)**	(15,056)
	162,331	124,168

Borrowing costs capitalised to qualifying assets during the years ended December 31, 2019 and 2018 were based on actual borrowing costs incurred for specific borrowings.

10. PROFIT/(LOSS) BEFORE TAX

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

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Cost of sales (represented the cost of inventories recognized as expenses during the year)	**10,087,973**	6,830,957
Gain on fair value changes in respect of biological assets	**897,894**	326,441
Total cost of sales	**10,985,867**	7,157,398
Employee benefits expense (including the directors of the Company remuneration as disclosed in Note 12):		
Salaries and other allowances	**634,454**	546,230
Retirement benefit schemes contributions	**53,667**	52,339
Equity-settled share option expense	**–**	12,204
Less: Capitalised in biological assets and construction in progress	**(441,280)**	(437,663)
	246,841	173,110
Depreciation of property, plant and equipment	**282,685**	251,563
Depreciation of right-of-use assets	**26,485**	–
Amortisation of prepaid lease payments	**–**	13,471
Amortisation of intangible assets	**1,032**	903
Total depreciation and amortisation	**310,202**	265,937
Less: Capitalised in biological assets	**(204,147)**	(212,986)
	106,055	52,951
Auditors' remuneration	**1,700**	1,700

11. INCOME TAX EXPENSE

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

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax (the "EIT")	**24,756**	156
Over provision in prior years:		
PRC Enterprise Income Tax	**–**	(29)
Deferred tax:		
Current year *(Note 24)*	**(15,490)**	10,299
	9,266	10,426

11. INCOME TAX EXPENSE (Continued)

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 (2018: nil).

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 (2018: 25%).

Certain operations of the Company's certain subsidiaries were exempted from PRC income taxes during both 2019 and 2018. 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. Accordingly, the income from the above-mentioned operations of certain subsidiaries of the Group were exempted from EIT in the years ended December 31, 2018 and 2019.

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

	Year ended December 31	
	2019 **RMB'000**	2018 RMB'000
Profit/(loss) before tax	**1,531,489**	(636,223)
Tax at the domestic income tax rate of 25% (2018: 25%)*	**382,872**	(159,056)
Effect of different tax rates for entities of the Group operating in other jurisdictions	**(16,668)**	(5,897)
Effect of tax losses incurred for agricultural business and other non-deductible expenses	**38,774**	82,910
Tax effect of income not taxable for tax purpose	**(8,303)**	(17,200)
Tax effect of the fair value adjustments on biological assets	**(287,204)**	107,495
Effect of tax exemptions	**(112,151)**	(9,121)
Tax losses utilised from previous periods	**(9,798)**	(7,627)
Tax effect of tax losses not recognised	**19,965**	18,005
Tax effect of share of results of joint ventures	**(90)**	142
Others	**1,869**	775
Income tax expense for the year	**9,266**	10,426

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

12. 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, 2019						
Executive directors:						
JIANG Guojin	–	874	53	800	–	1,727
XU Jianong	–	794	53	720	–	1,567
Non-executive directors:						
WOLHARDT Julian Juul	–	–	–	–	–	–
CUI Guiyong	–	–	–	–	–	–
ZHOU Qi	–	–	–	–	–	–
YANG Hong	–	–	–	–	–	–
ZHANG Lei	–	–	–	–	–	–
HUANG Juhui	–	–	–	–	–	–
Independent non-executive directors:						
FU Tingmei	314	–	–	–	–	314
LI Michael Hankin	314	–	–	–	–	314
LEE Ted Tak Tai	314	–	–	–	–	314
JU Jiandong	314	–	–	–	–	314
Total	1,256	1,668	106	1,520	–	4,550

12. 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, 2018						
Executive directors:						
JIANG Guojin *(Note (a))*	–	859	55	790	–	1,704
XU Jianong	–	1,059	55	1,484	1,037	3,635
Non-executive directors:						
WOLHARDT Julian Juul	–	–	–	–	–	–
CUI Guiyong	–	–	–	–	–	–
ZHOU Qi	–	–	–	–	–	–
YANG Hong	–	–	–	–	–	–
ZHANG Lei	–	–	–	–	–	–
HUANG Juhui	–	–	–	–	–	–
MA Jianping *(Note (b))*	–	–	–	–	–	–
Independent non-executive directors:						
FU Tingmei	307	–	–	–	–	307
LI Michael Hankin	307	–	–	–	–	307
LEE Ted Tak Tai	307	–	–	–	–	307
JU Jiandong *(Note (c))*	34	–	–	–	–	34
CHEN Huanchun *(Note (d))*	272	–	–	–	–	272
Total	1,227	1,918	110	2,274	1,037	6,566

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

The executive directors' remuneration shown above was for his services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Notes:

(a) This director was appointed as an executive director of the Company on January 4, 2018.

(b) This director resigned as a director of the Company on January 4, 2018.

(c) This director was appointed as an independent non-executive director of the Company on November 21, 2018.

(d) This director resigned as a director of the Company on November 21, 2018.

Bonus is determined by reference to the market, individual performance and their respective contribution to the Group.

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 42. The amount of the benefits in relation to share options is determined by reference to the fair value of the share options at grant date.

During the current and prior years, no directors of the Company waived or agreed to waive any emoluments, and no emoluments were paid to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year ended December 31, 2019 included two (2018: two) directors of the Company. Details of the emoluments of the three (2018: three) highest paid employees who are not the directors of the Company are as follows:

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**4,506**	4,696
Retirement benefit schemes contributions	**160**	173
Equity-settled share option expense	**–**	1,414
	4,666	6,283

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	
	2019	2018
HK$1,500,001 to HK$2,000,000	**3**	2
HK$3,500,001 to HK$4,000,000	**–**	1
	3	3

14. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2019 and 2018. In April 2020, the board of directors of the Company recommended the declaration of final dividend of HK$0.048 per share and in aggregate of approximately HK$187 million (2018: nil) for the year ended December 31, 2019.

15. EARNINGS/(LOSS) PER SHARE

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	
	2019	2018
	RMB'000	RMB'000
Earnings/(loss) for the purpose of basic earnings per share		
Profit/(loss) for the year attributable to owners of the Company	**1,573,727**	(627,667)

15. EARNINGS/(LOSS) PER SHARE (Continued)

Number of shares

	Year ended December 31	
	2019	2018
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**3,901,998**	3,901,998

The calculation of the basic earnings/(loss) per share attributable to the owners of the Company is based on profit for the year attributable to owners of the Company of RMB1,573,727,000 (2018: loss of RMB627,667,000). The denominators used are the same as those detailed above for basic earnings per share.

No diluted earnings/(loss) per share for both 2019 and 2018 were presented as there were no potential ordinary shares in issue for both 2019 and 2018.

16. GOODWILL

The amounts of goodwill recognised in the consolidated statement of financial position, arising from the acquisition of subsidiaries in prior years, are as follows:

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Cost and carrying amount	**100,609**	100,609

For the purposes of impairment testing, goodwill has been allocated to the cash generating unit which manufactures and sells processed meat products with brand name "Maverick" in the processed meat products segment.

The basis of the recoverable amounts of the above CGU and the major underlying assumptions are summarised below:

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period (2018: five-year), and discount rate of 12% (2018: 14%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. During the year ended December 31, 2019 and 2018, management of the Group determines that there is no impairment on the unit. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the unit to exceed the aggregate recoverable amount of the unit.

17. 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, 2018	3,465,941	17,810	1,406,979	96,435	73,200	571,865	5,632,230
Additions	86,655	6,381	33,887	25,508	12,487	1,235,883	1,400,801
Transfer	388,335	–	297,045	–	–	(685,380)	–
Disposals	(24,404)	(4,010)	(76,108)	(14,543)	(6,012)	(690)	(125,767)
At December 31, 2018	3,916,527	20,181	1,661,803	107,400	79,675	1,121,678	6,907,264
Additions	75,246	6,174	16,152	35,762	10,396	846,446	990,176
Transfer	569,554	–	292,069	–	–	(861,623)	–
Disposals	(5,543)	(6,544)	(14,058)	(4,508)	(3,533)	(1,324)	(35,510)
At December 31, 2019	**4,555,784**	**19,811**	**1,955,966**	**138,654**	**86,538**	**1,105,177**	**7,861,930**
Depreciation and impairment:							
At January 1, 2018	(357,129)	(13,247)	(226,857)	(52,741)	(32,100)	–	(682,074)
Charge for the year	(84,387)	(2,534)	(134,000)	(17,958)	(12,684)	–	(251,563)
Impairment loss recognised in profit or loss	(11,021)	–	(20,446)	(121)	–	(1,720)	(33,308)
Eliminated on disposals	4,438	2,917	3,238	14,110	5,911	–	30,614
At December 31, 2018	(448,099)	(12,864)	(378,065)	(56,710)	(38,873)	(1,720)	(936,331)
Charge for the year	(121,474)	(4,036)	(127,198)	(17,169)	(12,808)	–	(282,685)
Impairment loss recognised in profit or loss	–	–	–	–	–	(2,079)	(2,079)
Eliminated on disposals	3,455	6,544	8,722	4,198	3,297	1,001	27,217
At December 31, 2019	**(566,118)**	**(10,356)**	**(496,541)**	**(69,681)**	**(48,384)**	**(2,798)**	**(1,193,878)**
Net carrying values:							
At December 31, 2019	**3,989,666**	**9,455**	**1,459,425**	**68,973**	**38,154**	**1,102,379**	**6,668,052**
At December 31, 2018	3,468,428	7,317	1,283,738	50,690	40,802	1,119,958	5,970,933

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	10% to 25% (over the shorter of the term of the lease and estimated useful life)
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 RMB28,158,000 as at December 31, 2019 (2018: RMB30,049,000) 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, 2019.

18. RIGHT-OF-USE ASSETS

	Leasehold lands HK$'000	Properties HK$'000	Total HK$'000
As at January 1, 2019			
Carrying amount	**380,338**	**21,314**	**401,652**
As at December 31, 2019			
Carrying amount	**383,038**	**18,313**	**401,351**
For the year ended December 31, 2019			
Depreciation charge	**15,949**	**10,536**	**26,485**
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16			**14,095**
Variable lease payments not included in the measurement of lease liabilities			**2,684**
Total cash outflow for leases			**42,422**
Additions to right-of-use assets			**26,184**

For both years, the Group leases leasehold lands and buildings for its operations. Lease contracts are entered into for fixed term of 1 to 70 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for buildings. As at December 31, 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in this Note.

Leases of counters in retail stores contain variable lease payment that are based on 10% to 15 % of sales amount. The payment terms are common in retail stores in PRC where the Group operates. The overall financial effect of using variable payment terms is that higher rental costs are incurred by stores with higher sales. Variable rent expenses are expected to continue to represent a similar proportion of store sales in future years.

19. PREPAID LEASE PAYMENTS

	At December 31 2018 RMB'000
Analysed for reporting purposes as:	
Current assets (included in prepayments, deposits and other receivables)	26,152
Non-current assets	207,562
	233,714

20. INTANGIBLE ASSETS

The Group's intangible assets comprise purchased computer softwares.

	2019 RMB'000	2018 RMB'000
Cost:		
At beginning of the reporting period	**7,911**	7,190
Additions	**1,551**	727
Disposals	**–**	(6)
At end of the reporting period	**9,462**	7,911

	2019 RMB'000	2018 RMB'000
Accumulated amortisation:		
At beginning of the reporting period	**5,865**	4,965
Amortisation provided during year	**1,032**	903
Eliminated on disposals	**–**	(3)
At end of the reporting period	**6,897**	5,865
Net carrying values:		
At end of the reporting period	**2,565**	2,046

Purchased computer softwares are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives 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	
	2019	2018
	RMB'000	RMB'000
Cost of investment in joint ventures, unlisted	**–**	21,968
Share of post-acquisition losses	**–**	(1,164)
	–	20,804

Jiangsu Merit COFCO was liquated in January 2019, and Jiangsu Merit CM was disposed of to the joint venture partner at cash consideration of RMB9,640,000 in December 2019, resulting a net disposal loss of RMB2,720,000.

Summarised financial information in respect of each of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

	Period from January 1, 2019 to the dates of liquidity/disposal RMB'000	Year ended December 31, 2018 RMB'000
Revenue	**–**	–
The Group's share of profit/(loss)	**360**	(566)
The Group's share of other comprehensive income	**–**	–
The Group's share of total comprehensive expense	**360**	(566)

22. EQUITY INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31/12/2019 RMB'000	01/01/2019 RMB'000
Unlisted investment classified under non-current assets		
Equity investment:	**205,969**	399,222

The above unlisted equity investment represents the Group's equity interest in a private entity established in the PRC. The directors of the Company have elected to designate the investment as at FVTOCI.

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	
	2019 **'000**	2018 '000
Live hogs:		
– piglets	**105**	203
– nursery hogs	**230**	461
– medium and large finishing hogs	**278**	896
– replacement studs and gilts	**84**	32
	697	1,592
Breeding stock	**83**	153
	780	1,745

23. BIOLOGICAL ASSETS (Continued)

Nature of the Group's agricultural activities (Continued)

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 are hogs maybe selected to be future breeding stock.

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 and breeding stock RMB'000
At January 1, 2018	1,566,256
Additions: breeding costs	3,575,335
Loss arising from changes in fair value less costs to sell of biological assets	(103,541)
Transfer to cost at the point of harvest	(3,127,347)
Decrease due to culling	(446,877)
At December 31, 2018	1,463,826
Additions: breeding costs	2,489,191
Additions: purchase of breeding stocks	2,559
Gain arising from changes in fair value less costs to sell of biological assets	2,046,711
Transfer to cost at the point of harvest	(3,503,314)
Decrease due to culling	(574,017)
At December 31, 2019	**1,924,956**

23. BIOLOGICAL ASSETS (Continued)

Carrying value of the Group's biological assets (Continued)

Analysed for reporting purpose

	At December 31	
	2019	2018
	RMB'000	RMB'000
Live hogs and breeding stock	**1,924,956**	1,463,826
Less: current portion	**(1,449,250)**	(995,532)
Non-current portion	**475,706**	468,294

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 unrelated to 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 or replacement costs where the market-determined prices are not available.

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.

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 and growing conditions.

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, 2019 and 2018.

	At December 31	
	2019	2018
	RMB	RMB
Live hogs and breeding stock		
Piglets *(Note (a))*		
Per head market price/replacement cost	**1,050 to 1,231**	21 to 307
Nursery hogs *(Note (b))*		
Per head market price	**1,271 to 1,612**	271 to 440
Medium and large finishing hogs *(Note (c))*		
Per head market price	**1,582 to 3,850**	324 to 1,540
Replacement studs and gilts *(Note (d))*		
Per head cost	**670 to 31,038**	780 to 33,354
Breeding stock *(Note (e))*		
Per head replacement cost	**5,000 to 15,000**	1,924 to 17,822

23. BIOLOGICAL ASSETS (Continued)

Key assumptions and inputs (Continued)

Notes:

(a) *As there were active market for piglets, local market prices have been adopted. In 2018, replacement cost approach has been adopted to reflect the depreciation of value due to use of breeding stock and other associated costs since the Group was not made available to local markets for access to market related price information.*

(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.*

(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, 2019 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

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets has been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	At December 31	
	2019	2018
	RMB'000	RMB'000
Deferred tax assets	**15,299**	237
Deferred tax liabilities	**(10,108)**	(10,536)
	5,191	(10,299)

As at December 31, 2019, the Group has unrecognised tax losses of RMB301,809,000 (2018: RMB387,650,000), and unrecognised deductible temporary differences in relation to impairment of accounts receivable, other receivables and write-down of inventories to net realisable values of RMB10,273,000 (2018: RMB1,640,000) available for offset against future taxable income.

As at December 31, 2019, deferred tax assets of RMB16,734,000 has been recognised in respect of deductible temporary differences from certain subsidiaries engaged in fresh pork and meat import businesses. Except that, As at December 31, 2019 and 2018, 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.

As at December 31, 2018, deferred tax liabilities of RMB10,536,000 has been recognised in respect of taxable temporary differences on relocation of property, plant and equipment and land use rights.

The unrecognised tax losses will expire in the following years:

	At December 31	
	2019	2018
	RMB'000	RMB'000
To be expired on:		
December 31, 2019	**–**	160,150
December 31, 2020	**24,767**	30,316
December 31, 2021	**62,603**	62,603
December 31, 2022	**62,562**	62,562
December 31, 2023	**72,019**	72,019
December 31, 2024	**79,858**	–
Total unused tax losses not recognised as deferred tax assets	**301,809**	387,650

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 RMB1,288,362,000 as at December 31, 2019 (2018: RMB721,288,000) 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.

24. DEFERRED TAX ASSETS (Continued)

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Fair value adjustments RMB'000	Provision against inventories RMB'000	Total RMB'000
At January 1, 2018	–	–	–
(Charge) credit to profit or loss	(10,536)	237	(10,299)
At December 31, 2018	(10,536)	237	(10,299)
Credit to profit or loss	428	15,062	15,490
At December 31, 2019	(10,108)	15,299	5,191

25. INVENTORIES

	At December 31	
	2019 RMB'000	2018 RMB'000
Raw materials and consumables	**394,980**	214,990
Work in progress	**17,892**	11,738
Finished goods	**2,768,015**	308,953
	3,180,887	535,681

26. ACCOUNTS RECEIVABLES

	At December 31	
	2019	2018
	RMB'000	RMB'000
Accounts receivables contracts with customers	**182,691**	156,763
Less: Allowance for credit losses	**(452)**	(1,196)
Total accounts receivables	**182,239**	155,567

An aged analysis of the accounts receivables as at the end of the reporting period, based on the delivery dates and net of allowance for credit losses, is as follows:

	At December 31	
	2019	2018
	RMB'000	RMB'000
Within 90 days	**178,012**	153,127
90 to 180 days	**3,382**	2,111
180 days to 1 year	**472**	317
Over 1 year	**373**	12
	182,239	155,567

As at December 31, 2019, included in the Group's accounts receivables are debtors with aggregate carrying amount of RMB13,631,000 (2018: RMB3,849,000) which are past due as at the reporting date. Out of the past due balances, RMB903,000 (2018: RMB814,000) has been past due 90 days or more and is not considered as in default. The Group does not hold any collateral over these balances.

Details of impairment assessment of accounts receivables are set out in Note 50.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

	At December 31	
	2019	2018
	RMB'000	RMB'000
Value-added tax recoverable	**312,477**	129,047
Prepayments	**65,272**	38,993
Current portion of prepaid lease payments *(Note 19)*	**–**	26,152
Deposits	**142,927**	13,626
Others	**14,035**	3,188
	534,711	211,006
Allowance for credit losses	**(111)**	(1,042)
	534,600	209,964

28. OTHER CURRENT ASSETS

As at December 31, 2019, other current assets represented the costs recoverable for meat products the Group purchased pursuant to agency arrangements where the Group was requested to purchase meat products and sell the meat products to designated buyers. The Group is responsible for the procurement and delivery of the meat products to designated buyers and earns agreed agency fees. Under the arrangement, the purchase of meat products are financed by bank loans from a designated bank in the PRC. Details of the bank loans are disclosed in Note 35.

29. BALANCES WITH RELATED COMPANIES

Related companies include entities controlled by major shareholders.

Included in amounts due from related companies as at December 31, 2019 were receivables in trade nature of RMB33,236,000 (2018: RMB12,861,000). 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 dates and net allowance for credit losses, is as follows:

	At December 31	
	2019	2018
	RMB'000	RMB'000
Within 90 days	**33,234**	12,548
Over 90 days but less than 1 year	**2**	207
Over 1 year	**–**	106
	33,236	12,861

The remaining balances of amounts due from related companies include prepayments for purchase of inventories and other current account balances, which are unsecured, interest-free and repayable on demand.

29. BALANCES WITH RELATED COMPANIES (Continued)

Details of impairment assessment of amounts due from related companies (excluding prepayments to related companies) for the year ended December 31, 2019 are set out in Note 50.

Included in amounts due to related companies as at December 31, 2019 were payables in trade nature of RMB15,062,000 which are unsecured, interest-free and payable according to the relevant contracts (2018: RMB40, 431,000). An aged analysis of these payables as at the end of the reporting period, based on the invoice dates, is as follows:

	At December 31	
	2019 **RMB'000**	2018 RMB'000
Within 90 days	**13,586**	40,285
Over 90 days but less than 1 year	**1,464**	146
Over 1 year	**12**	–
	15,062	40,431

The remaining balances of amounts due to related companies include interest payable in respect of loans from related companies and current account balances, which are unsecured, interest-free and repayable on demand.

30. CASH, DEPOSITS AND BANK BALANCES

	At December 31	
	2019 **RMB'000**	2018 RMB'000
Cash and bank balances	**434,646**	140,974
Time deposits with original maturity within three months when acquired	**46,838**	107,398
Time deposits with original maturity over three months when acquired	**–**	865,864
Deposits with a non-bank financial institution*	**158,693**	49,080
	640,177	1,163,316
Less:		
Pledged and restricted bank deposits *(Note 45)*:		
– for bills payables	**9,762**	20,051
– for letters of credit	**–**	3,230
	9,762	23,281
	630,415	1,140,035

* *The amount represents deposits placed with COFCO Finance, and earn interest at market rates.*

Cash at banks earns interest at rates based on daily bank deposit rates ranging from 0.3% to 1.73%. Short-term time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at market rate at 2.03%. The bank balances and deposits are deposited with creditworthy banks with no history of default.

31. ACCOUNTS AND BILLS PAYABLES

An analysis of accounts and bills payables is as follows:

	At December 31	
	2019	2018
	RMB'000	RMB'000
Accounts payables	**460,789**	424,477
Bills payables	**1,900**	76,210
	462,689	500,687

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.

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	
	2019	2018
	RMB'000	RMB'000
Within 1 year	**444,973**	415,474
1 to 2 years	**9,683**	4,735
Above 2 years	**6,133**	4,268
	460,789	424,477

32. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

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

	At December 31	
	2019	2018
	RMB'000	RMB'000
Bills payables for purchase of property, plant and equipment	**54,712**	13,842
Construction costs payables	**209,550**	255,151
Deposits received	**99,642**	90,674
Salaries and wages payables	**122,857**	106,763
Accruals	**102,538**	54,567
Tax element of contract liabilities	**26,277**	12,094
Others	**51,291**	30,177
	666,867	563,268

33. LEASE LIABILITIES

	At December 31
	2019
	RMB'000
Lease liabilities payable:	
Within one year	**17,000**
Within a period of more than one year but not more than two years	**19,625**
Within a period of more than two years but not more than five years	**31,828**
Within a period of more than five years	**93,605**
	162,058
Less: Amount due for settlement with 12 months shown under current liabilities	**(17,000)**
Amount due for settlement after 12 months shown under non-current liabilities	**145,058**

34. CONTRACT LIABILITIES

	At December 31	
	2019	2018
	RMB'000	RMB'000
Hogs	**28,496**	17,126
Fresh pork	**37,507**	30,453
Processed meat products	**13,135**	4,597
Import meat products	**245,779**	84,916
	324,917	137,092
Current	**324,917**	137,092

As at January 1, 2018, contract liabilities amounted to RMB108,216,000.

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities. Generally, Contract liabilities are recognised as revenue within 1 year.

For the year ended December 31, 2019	**Hog production RMB'000**	**Fresh pork RMB'000**	**Processed meat products RMB'000**	**Sales of imported meat products RMB'000**
Revenue recognised that was included in the contract liability balance at the beginning of the year	**17,126**	**30,453**	**4,597**	**84,916**

For the year ended December 31, 2018	Hog production RMB'000	Fresh pork RMB'000	Processed meat products RMB'000	Sales of imported meat products RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	5,987	31,296	10,694	60,239

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

For sales of hogs, the Group requires 100% advance payments from customers before the Group delivers the hogs. For sales of fresh pork, processed meat products and imported meat products, the Group may grant credits to certain reputable corporate customers and requires 100% advance payments from the remaining customers before the Group delivers the products. The advance payments schemes result in contract liabilities being recognised when the advance payments are received but the controls of the goods have not been transferred.

35. BANK BORROWINGS

	At December 31	
	2019	2018
	RMB'000	RMB'000
Unsecured bank loans	**7,633,957**	3,505,324
Carrying amount of the above borrowings repayable*:		
Within one year**	**6,301,064**	2,057,045
In the second year	**256,284**	335,109
In the third to fifth year, inclusive	**713,678**	920,653
Beyond five years	**362,931**	192,517
	7,633,957	3,505,324
Less: Amounts due within one year shown under current liabilities	**(6,301,064)**	(2,057,045)
Amounts shown under non-current liabilities	**1,332,893**	1,448,279

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

** *As at December 31, 2019, the bank loan balances include bank loans from a designated bank as set out in Note 28 amounting to RMB2,204,000,000, which bear interest at 4.35% per annum and are repayable on November 25, 2020.*

	At December 31	
	2019	2018
	RMB'000	RMB'000
Fixed-rate borrowings	**5,800,726**	756,477
Variable-rate borrowings	**1,833,231**	2,748,847
	7,633,957	3,505,324

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

	Year ended	
	2019	2018
Fixed-rate borrowings	**3.60% to 4.90%**	2.14% to 4.90%
Variable-rate borrowings	**2.58% to 4.99%**	3.91% to 4.99%

36. LOANS FROM RELATED COMPANIES

The loans from related companies (entities controlled by a major shareholder) classified under current liabilities are unsecured and repayable within one year. Except for loans from related companies of RMB110,700,000 (2018: RMB473,040,000) which bear interest ranging at fixed rates from 3.78% to 4.35% (2018: 3.92% to 4.35%) per annum, the remaining loans of RMB2,500,000 (2018: RMB2,500,000) are interest-free.

The loans from a related company classified under non-current liabilities represented loans from a major shareholder, which are unsecured, and the effective interest rate is 4.9% (2018: 4.9%) per annum and repayable in November 2035 and June 2036. See Note 38 for further details.

37. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities mandatorily measured at FVTPL:

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Classified under current liabilities:		
Foreign currency forward contracts *(Note i)*	**41,534**	2,170
Commodity futures contracts *(Note ii)*	**8,984**	–
Total	**50,518**	2,170

Note i: 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 payables denominated in United States Dollar ("USD") and Euro ("EUR").

Note ii: The Group has entered into lean hog futures contracts to manage the price risk in future purchases of imported meat products. The lean hog futures are not designated for hedging purpose and are measured at fair value through profit or loss. Net fair value gain on lean hog futures contracts of RMB128,687,000 (2018: nil) was recognised in "other gains and losses" in the consolidated statement of profit or loss during the year (Note 8).

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

As at December 31, 2019

Notional amount	**Exchange rates**	**Maturity Date**
Buy USD346,500,000	USD1: RMB6.9770 to 7.1940	January 6, 2020 to August 24, 2020

As at December 31, 2018

Notional amount	Exchange rates	Maturity Date
Buy USD18,830,000	USD1: RMB6.9910 to 6.9453	January 2, 2019 to February 27, 2019
Buy EUR 103,920	EUR1: RMB8.1371 to 8.0323	January 30, 2019 to January 31, 2019

38. DEFERRED INCOME

Deferred income represents PRC government subsidies obtained in relation to acquisition of land use rights 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	
	2019	2018
	RMB'000	RMB'000
At beginning of the reporting period	**139,881**	143,662
Subsidies obtained during the year	**17,217**	–
Credited to profit or loss during the year	**(3,713)**	(3,781)
At end of the reporting period	**153,385**	139,881

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 36). The Loans are unsecured, bear nominal 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 was 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.

39. LONG-TERM PAYABLE

On November 15, 2019, a subsidiary of the Group entered into an agreement with the local government body pursuant to which the government body made an advance payment of RMB50, 000,000 to the subsidiary as a deposits to acquire parts of certain plants on the premises of the subsidiary of the Group (the "Government Advance") and these parts of the plants will be leased back to the subsidiary upon the completion of the construction. In exchange, the subsidiary agreed to pay 6% of the Government Advance (RMB3,000,000) as return of the government body annually at the commencement date of the first and second year each and 10% per annum from the third year to the 20th year. Upon the end of the 20th year, the subsidiary shall make a final payment at 5% of the Government Advance as settlement of the agreement. As at December 31, 2019, the above-mentioned plants were in the preliminary stage of construction. The Government Advance is in substance a borrowing repayable in instalments and is measured at amortised cost with effective interest rate of 7.92% per annum.

40. SHARE CAPITAL

	Number of shares	**Amount USD**	**Equivalent to RMB'000**
Authorised:			
At January 1, 2018 and At December 31, 2018 and 2019	50,000,000,000	50,000	323

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**
At January 1, 2018 and December 31, 2018 and 2019	3,901,998,323	1,668,978

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	At December 31	
	2019	2018
	RMB'000	RMB'000
Non-current assets		
Investment in subsidiaries	**2,615,888**	2,615,888
Amount due from a subsidiary	**650,308**	619,932
	3,266,196	3,235,820
Current assets		
Loans to subsidiaries	**500,280**	495,280
Due from subsidiaries	**45,154**	23,823
Cash and bank balances	**20,321**	974,226
	565,755	1,493,329
Current liabilities		
Bank borrowings	**–**	559,351
Loan from a related company	**–**	398,040
Due to subsidiaries	**109,883**	105,878
Due to a related company	**–**	19,154
Other payables and accruals	**1,006**	658
	110,889	1,083,081
Net current assets	**454,866**	410,248
Net assets	**3,721,062**	3,646,068
Capital and reserves		
Share capital	**1,668,978**	1,668,978
Reserves	**2,052,084**	1,977,090
	3,721,062	3,646,068

Movement of reserves of the Company is as follows

	Share premium RMB'000	**Special reserve RMB'000**	**Capital reserve RMB'000**	**(Accumulated losses)/ retained profits RMB'000**	**Total RMB'000**
At January 1, 2018	1,645,960	220,351	1,974	(17,240)	1,851,045
Profit and total comprehensive Income for the year	–	–	–	125,008	125,008
Recognition of equity-settled share based payment granted by shareholder	–	–	1,037	–	1,037
At December 31, 2018	1,645,960	220,351	3,011	107,768	1,977,090
Profit and total comprehensive income for the year	–	–	–	74,994	74,994
At December 31, 2019	**1,645,960**	**220,351**	**3,011**	**182,762**	**2,052,084**

42. 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 of the Company 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:

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.

Lock-up period:

No vested options may be exercised until the first 12 months from the listing date of the Company (the "Listing Date"), after which a participant of the Scheme may exercise the vested options in accordance with the following schedule:

Exercise date for options vested:

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

42. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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.

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

* *The exercise price for options granted in 2015 was RMB1 per share. Upon the share repurchase and cancellation in April 2016, the number of shares under the options granted and the exercise price were 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.*

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

The following table discloses movements of the share options held by a director and employees during the years ended December 31, 2019 and 2018:

	2019			2018		
	Director	Employees	Total	Director	Employees	Total
At January 1,	4,564,440	40,505,616	45,070,056	4,310,860	42,510,935	46,821,795
Granted during the year	–	–	–	–	–	–
Adjustments based on performance				253,580	(1,256,106)	(1,002,526)
Exercised during the year	1,520,000	14,024,953	15,544,953	–	–	–
Lapsed during the year	–	–	–	–	(749,213)	(749,213)
At December 31,	3,044,440	26,480,663	29,525,103	4,564,440	40,505,616	45,070,056

At December 31, 2019, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 29,525,103, representing approximately 1.2% of the shares of the Company in issue at the respective dates. 15,544,953 share option (2018: nil) was exercised during 2019.

The Group recognised nil (2018: RMB12,204,000) share option expense for the year ended December 31, 2019 in relation to share options granted by the Company.

43. OPERATING LEASE ARRANGEMENTS

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At December 31 2018 RMB'000
Within one year	29,505
In the second to fifth years inclusive	55,374
After five years	200,973
	285,852

44. CAPITAL COMMITMENTS

	At December 31	
	2019 RMB'000	2018 RMB'000
Contracted but not provided for:		
Capital commitments in respect of:		
Purchase of property, plant and equipment	**433,214**	502,579
Investments in joint ventures	**–**	19,766

45. 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	
	2019 RMB'000	2018 RMB'000
Bank deposits	**9,762**	23,281

46. 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 RMB53,667,000 for the year ended December 31, 2019 (2018: RMB52,339,000).

47. 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 2019 RMB'000	Bank loans relating to procurement agency arrangements	Addition of lease liabilities RMB'000	Financing cash flows RMB'000	Interest accrual RMB'000	Foreign Exchange translation RMB'000	At December 31, 2019 RMB'000
Bank borrowings	3,505,324	2,204,000*	–	1,930,168	–	(5,535)	**7,633,957**
Long-term payable	–	–	–	47,000	–	–	**47,000**
Interest payable for bank borrowings	32,812	–	–	(170,678)	166,300	–	**28,434**
Loans from related parties	564,879	–	–	(359,810)	–	–	**205,069**
Interest payable for loans from related parties	19,337	–	–	(36,608)	17,409	–	**138**
Lease liabilities	167,938	–	11,907	(25,461)	7,674	–	**162,058**
	4,290,290	2,204,000	11,907	1,384,611	191,383	(5,535)	**8,076,656**

* *balances represent the bank loans from a designated bank relating to the procurement agency arrangements as set out in Note 35. The bank loans are not considered the Group's financing activities as the bank loans were designated by the organizing parties solely for the purpose of the procurement agency arrangements.*

	At January 1, 2018 RMB'000	Financing cash flows RMB'000	Interest accrual RMB'000	Foreign Exchange translation RMB'000	At December 31, 2018 RMB'000
Bank borrowings	2,300,115	1,177,421	–	27,788	3,505,324
Interest payable for bank borrowings	32,812	(117,389)	117,389	–	32,812
Loans from related parties	402,128	160,340	2,411	–	564,879
Interest payable for loans from related parties	–	(10)	19,347	–	19,337
Loans from a non-controlling equity holder	39,205	(37,693)	–	(1,512)	–
Interest payable for loans from a non-controlling equity holder	–	(77)	77	–	–
	2,774,260	1,182,592	139,224	26,276	4,122,352

48. 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 from prior years.

The capital structure of the Group consists of net debt, which includes bank borrowings and loans from a related company and long-term payable disclosed in Notes 35, 36 and 39, 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.

49. 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	
	2019	2018
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost	**3,186,269**	1,350,589
Equity instruments at FVTOCI	**205,969**	399,222
Financial liabilities		
Amortised cost	**9,219,328**	5,183,544
Financial liabilities at fair value through profit or loss	**50,518**	2,170

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity investment at FVTOCI, derivative financial instruments, accounts receivable, deposits and other receivables, other current assets, accounts and bills payables, other payables, bank borrowings, loans from related companies, amounts due from/to related companies, long-term payable, 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.

Currency risk

The Company and certain subsidiaries of the Group have foreign currency sales and purchase, bank balances and bank borrowings which expose the Group to foreign currency risk. Over 90% of the Group's sales and 60% of costs of sales are denominated in the group entity's respective functional currencies. The Group is exposed to foreign currency risk primarily with respect to 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	
	2019	2018
	RMB'000	RMB'000
Assets		
Denominated in HKD:		
Cash and bank balances	**4,243**	370
Denominated in USD:		
Cash and bank balances	**198,114**	984,906
Denominated in EUR:		
Cash and bank balances	**5,051**	–
	207,408	985,276
Liabilities		
Denominated in USD:		
Bank borrowings	**432,524**	559,351
Account payables	**48,603**	20,989
Financial liabilities at fair value through profit or loss	**50,518**	2,170
	531,645	582,510

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 exchange rates ("RMB-USD"), 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. A positive number below indicates an increase in post-tax profit and other equity where RMB weakening 5% (2018: 5%) against USD. For a 5% (2018: 5%) strengthen of RMB against the USD, there would be an equal and opposite impact on the profit and other equity and the balances below would be negative.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risks (Continued)

Currency risk (Continued)

	Currency USD Impact	
	2019	2018
	RMB'000	RMB'000
Profit or loss	**(12,508)**	15,081
Equity	**(12,508)**	15,081

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.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see note 35 for details of these borrowings), loans from related companies (see note 36 for details), long-term payable (see note 39 for details) and lease liabilities (see note 33 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and deposits (see note 30 for details), variable-rate bank borrowings (see note 35 for details). The Group's cash flow interest rate risk 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 Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

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 variable-rate 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, 2019 would decrease/increase by RMB13,749,000 (2018: loss for the year would increase/decrease by RMB21,081,000). Results of the analysis above represent the effects on outstanding bank borrowings with a floating interest rate at the end of each reporting period.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. As at December 31, 2019, the Group's credit risk is primarily attributable to its accounts receivables, deposits and other receivables, amounts due from related companies, other current assets, pledged and restricted bank deposits, 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.

Accounts receivables from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal system to assess the potential customer's credit quality and defines credit limits by customer. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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.

Deposits and other receivables/amount due from related parties/other current assets/bank balances

For deposits and other receivables, the directors of the Company make periodic individual or collective assessment on the recoverability of the deposits and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended December 31, 2019 and 2018, the Group assessed the ECL for deposits and other receivables and the details of which are set out below.

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, forward looking information and/or financial position of these entities.

For other current assets, the directors of the Company are in the opinion that the failure of these entities to make required payments is unlikely after considering forward looking information and/or financial position of these entities.

The credit risks of the Group's bank balances and restricted and pledged bank deposits are limited as these balances are placed with reputable financial institutions.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

Deposits and other receivables/amount due from related parties/other current assets/bank balances (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2019	**12-month or lifetime ECL**	**Gross carrying amount RMB'000**
Financial assets at amortised costs		
Other receivables	12-month ECL	156,962
Accounts receivables		
– goods and services	Lifetime ECL (not credit impaired) (provision matrix)	182,691

2018	**12-month or lifetime ECL**	**Gross carrying amount RMB'000**
Financial assets at amortised costs		
Other receivables	12-month ECL	16,814
Accounts receivables		
– goods and services	Lifetime ECL (not credit impaired) (provision matrix)	156,763

Notes:

For accounts receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, grouped by debtors' aging.

For amounts due from related parties, other current assets, pledged bank deposits and bank balances, the expected credit risk exposures are very low.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

Deposits and other receivables/amount due from related parties/other current assets/bank balances (Continued)

Provision matrix – debtors' aging

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. During the year ended December 31, 2019, the Group provided RMB110,000 impairment allowance for accounts receivables, based on the provision matrix. The average loss rate of the Group's accounts receivable is very low and is not significant to the Group.

The Group writes off an accounts receivables or other receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

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. The Group relies on bank borrowings as a significant source of liquidity. As at December 31, 2019, the Group has available unutilised short-term bank loan facilities of approximately RMB7,477,555,000 (2018: RMB7,639,000,000).

50. 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 and derivative financial instruments. 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 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, 2019						
Non-derivative financial liabilities						
Accounts and bills payables	–	462,689	–	–	462,689	462,689
Other payables, accruals and deposits received	–	640,590	–	–	640,590	640,590
Bank borrowings	2.58% to 4.99%	6,539,481	1,080,065	445,327	8,064,873	7,633,957
Other borrowings	7.92%	3,000	20,000	72,500	95,500	47,000
Amounts due to related companies	–	230,023	–	–	230,023	230,023
Loans from related companies	0% to 4.9%	117,510	7,392	176,176	301,078	205,069
Lease liabilities	4.75% to 4.90%	18,762	69,209	232,949	320,920	162,058
		8,012,055	1,176,666	926,952	10,115,673	9,381,386
At December 31, 2018						
Non-derivative financial liabilities						
Accounts and bills payables	–	500,687	–	–	500,687	500,687
Other payables, accruals and deposits received	–	551,174	–	–	551,174	551,174
Bank borrowings	2.14% to 4.99%	2,130,353	1,390,019	233,682	3,754,054	3,505,324
Amounts due to related companies	–	61,480	–	–	61,480	61,480
Loans from related companies	0% to 4.9%	487,731	7,392	176,176	671,299	564,879
		3,731,425	1,397,411	409,858	5,538,694	5,183,544

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.

50. 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 derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual settlement dates as the management of the Group consider that the settlement dates are essential for an understanding of the timing of the cash flows of derivatives.

	On demand or within 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount as liabilities RMB'000
At December 31, 2019			
Derivatives – net settlement			
Foreign currency forward contracts	**41,534**	**41,534**	**41,534**
Commodity futures contracts	**8,984**	**8,984**	**8,984**
	50,518	**50,518**	**50,518**
At December 31, 2018			
Derivatives – net settlement			
Foreign currency forward contracts	2,170	2,170	2,170
	2,170	2,170	2,170

51. FAIR VALUE OF FINANCIAL INSTRUMENTS

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 or Level 2 inputs are not available, the Group engages third party qualified valuer to perform the valuation. The management works closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model. The management reports to the board of directors of the Company semi-annually to explain the cause of significant fluctuations in the fair value.

51. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair value of financial instruments that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique and inputs used).

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At December 31, 2019				
Financial assets at FVTOCI				
Equity instrument at fair value through other comprehensive income	**–**	**–**	**205,969**	**205,969**
Financial liabilities				
Derivative financial instruments	**–**	**50,518**	**–**	**50,518**
At December 31, 2018				
Financial assets at FVTOCI				
Equity instrument at fair value through other comprehensive income	–	–	399,222	399,222
Financial liabilities				
Derivative financial instruments	–	2,170	–	2,170

51. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair value of financial instruments that are measured at fair value on a recurring basis (Continued)

Financial asset/ financial liabilities	Fair value as at December 31, 2019	Fair value as at December 31, 2018	Fair value hierarchy	Valuation technique(s) and key input(s)
1) Foreign currency forward contracts	**Liabilities – RMB41,534,000**	Liabilities – RMB2,170,000	Level 2	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 contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
2) lean hog futures contracts	**Liabilities – RMB8,984,000**	–	Level 2	Discounted cash flow. Future cash flows are estimated based on commodity price (from observable commodity price at the end of the reporting period) and contracted rates.

Financial asset/ financial liabilities	Fair value as at December 31, 2019	Fair value as at December 31, 2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
3) Unquoted equity investment at FVTOCI	**15% equity investment in McKey Food Services Ltd – RMB205,969,000**	15% equity investment in McKey Food Services Ltd – RMB399,222,000	Level 3	Market Approach The fair value under market approach is based on the target company's financial performance and the multiples of comparable companies.	Discount for lack of marketability determined by reference to the share price of listed entities in similar industries, 40 percent (2018: 40 percent) (Note 1)

Note 1: A slight increase in the discount rate for lack of marketability used in isolation would result in a slight decrease in the fair value measurement of the private equity investment, and vice versa. A 1% increase in the discount rate for lack of marketability holding all other variables constant would decrease the carrying amount of the equity investment by RMB1,373,000 (December 31, 2018: RMB2,661,480).

51. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair value of financial instruments that are measured at fair value on a recurring basis (Continued)

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

Reconciliation of Level 3 fair value measurements

	Financial assets at FVTOCI RMB'000
At January 1, 2018	392,507
Total gains:	
in other comprehensive income	6,715
At December 31, 2018	399,222
Total losses:	
in other comprehensive income	(193,253)
At December 31, 2019	205,969

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.

52. 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	
	2019 RMB'000	2018 RMB'000
Transactions with related companies:		
Sales of goods*	**339,628**	110,635
Purchases of goods*	**228,780**	724,895
Short-term office rental expense*	**7,711**	7,202
Property management fee expense*	**947**	703
Feeding materials processing fee expense*	**4,665**	6,902
Short-term warehouse rental expense*	**3,294**	741
Interest income*	**2,055**	1,614
Interest expense*	**17,409**	21,835
Administrative expense	**1,760**	2,171
Agency procurement services*	**27,105**	–

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

52. RELATED PARTY TRANSACTIONS (Continued)

The interest expense to related companies arose from the loans advanced therefrom. Details of the terms of these loans are set out in Note 36.

The above sale and purchase transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

In addition, 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, 2019 amounted to 158,693,000 (2018: RMB49,080,000). See Note 30.

Transactions with other government-related entities in the PRC

One of the Company's major shareholders is ultimately controlled by COFCO Corporation, which is a state-owned enterprise in the PRC. 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 related companies controlled by COFCO Corporation as disclosed 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	
	2019 **RMB'000**	2018 RMB'000
Salaries and other allowances	**9,610**	9,254
Retirement benefit scheme contributions	**372**	347
Equity-settled share option expense	**–**	2,741
	9,982	12,342

The key management personnel of the Group includes the directors of the Company and top executives of the Company. Further details of directors of the Company' emoluments are included in Note 12.

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries at December 31, 2019 and 2018 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 interests and voting rights held by the Group as at December 31,		Principal activities
			2019	2018	
			%	%	
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$79,201,199	**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$77,290,439	**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$87,199,312	**100**	100	Hog production

53. 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 interests and voting rights held by the Group as at December 31,		Principal activities
			2019	2018	
			%	%	
中糧家佳康（赤峰）有限公司 (COFCO Joycome (Chifeng) Co., Ltd.*) *(Note (ii))*	PRC/PRC	US$87,754,608	**100**	100	Hog production
中糧家佳康（張北）有限公司 (COFCO Joycome (Zhangbei) Co., Ltd.*) *(Note (ii))*	PRC/PRC	US$62,976,600	**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**	51	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, 2019 and 2018.

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.

54. DETAILS OF A NON-WHOLLY OWNED SUBSIDIARY THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of a non-wholly-owned subsidiary 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	
		2019	2018	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Jiangsu CM	PRC	**49%**	49%	**(51,504)**	(18,683)	**103,580**	98,496

Jiangsu CM

	Year ended December 31	
	2019 RMB'000	2018 RMB'000
Current assets	**105,751**	42,893
Non-current assets	**285,556**	320,302
Current liabilities	**(106,315)**	(101,057)
Non-current liabilities	**(60,000)**	(60,000)
Net assets	**224,992**	202,138
Equity attributable to the owners of the Company	**121,412**	103,642
Non-controlling interests of Jiangsu CM	**103,580**	98,496
	224,992	202,138

	Year ended December 31, 2019 RMB'000	Year ended December 31, 2018 RMB'000
Revenue	**18,382**	31,609
Expenses	**(123,491)**	(69,737)
Loss for the year/period	**(105,109)**	(38,128)
Loss attributable to the owners of the Company	**(53,605)**	(19,445)
Loss attributable to non-controlling interests of Jiangsu CM	**(51,504)**	(18,683)
	(105,109)	(38,128)

55. EVENT AFTER THE REPORTING PERIOD

As disclosed in Note 14, in April 2020, the board of directors of the Company recommended the declaration of final dividend of HK$0.048 per share and in aggregate of approximately HK$187 million (2018: nil) for the year ended December 31, 2019.

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,				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Continuing operations					
Revenue	**11,078,665**	7,168,488	6,960,567	6,616,068	5,055,705
Profit/(loss) for the year from continuing operations	**1,522,223**	(646,649)	444,807	947,935	209,656
Discontinued operations					
Profit/(loss) for the year from discontinued operations	**–**	–	–	3,921	(58,752)
Profit/(loss) for the year	**1,522,223**	(646,649)	444,807	951,856	150,904
Total comprehensive income/(expense) attributable to:					
Owners of the Company	**1,380,849**	(606,829)	455,398	947,842	145,082
Non-controlling interests	**(51,504)**	(18,982)	(6,822)	(56)	–
	1,329,345	(625,811)	448,576	947,786	145,082

ASSETS AND LIABILITIES

	As at December 31,				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Total assets	**16,123,845**	10,259,757	8,910,697	8,306,677	7,437,771
Total liabilities	**(9,963,672)**	(5,485,517)	(3,965,379)	(3,868,418)	(4,793,583)
Total equity	**6,160,173**	4,774,240	4,945,318	4,438,259	2,644,188
Equity attributable to:					
Owners of the Company	**6,056,593**	4,675,744	4,901,378	4,434,947	2,644,188
Non-controlling interests	**103,580**	98,496	43,940	3,312	–
	6,160,173	4,774,240	4,945,318	4,438,259	2,644,188

Investors' Calendar

Annual Results Announcements

March 24, 2020 (Tuesday) (unaudited)

April 20, 2020, (Monday) (audited)

Closure of Register of Members

The register of members of the Company will be closed from May 28, 2020 to June 2, 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to ascertain shareholders' eligibility to attend and vote at the Annual General Meeting, all transfer forms for shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on May 27, 2020.

In addition, the registers of members of the Company will be closed from June 8, 2020 to June 10, 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the 2019 final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on June 5, 2020.

Annual General Meetings

June 2, 2020 (Tuesday)

Dividend

The Board of Directors recommend to declare a final dividend of HK$0.048 per share for the year ended December 31, 2019.

"2016 Beijing Property Leasing Contract"	the property leasing contract entered in to between the Company and COFCO on October 14, 2016
"2016 Beijing Property Management Contract"	the property management contract entered into between the Company and COFCO Sunshine on October 14, 2016
"2016 Financial Services Agreement"	the financial services agreement entered into between the Company and COFCO Finance, an indirect wholly-owned subsidiary of COFCO, on October 12, 2016
"2016 Hong Kong Tenancy Agreement"	the tenancy agreement entered into between the Company and Bapton, on October 11, 2016
"2016 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
"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 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, 2018
"2018 Administrative Services Agreement"	the administrative services agreement entered into between the Company and COFCO on November 23, 2018
"2018 Beijing Property Leasing Contract"	the property leasing contract entered into between the Company and COFCO on November 23, 2018
"2018 Beijing Property Management Contract"	the property management contract entered into between the Company and COFCO Sunshine on November 23, 2018
"2018 HK Tenancy Agreement"	the tenancy agreement entered into between the Company and Bapton on November 23, 2018
"2018 Mutual Supply Agreement"	the mutual supply agreement entered into between the Company and COFCO on November 23, 2018
"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
"Bapton"	Bapton Company Limited, an indirect subsidiary of COFCO and a connected person of the Company
"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

"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 Sunshine"	COFCO Sunshine Property Management (Beijing) Co., Ltd.* (中糧陽光企業管理(北京)有限公司), a limited liability company established in the PRC on September 2, 2011, and a wholly-owned subsidiary of COFCO
"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
"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
"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 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
"Major PRC Commercial Banks"	Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, Bank of Communications, China Merchants Bank, China Citic Bank and Agricultural Development Bank of China
"Ministry of Agriculture"	Ministry of Agriculture of the PRC (中華人民共和國農業部) or its local counterpart
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules

"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
"PBC"	People's Bank of China (中國人民銀行)
"Prospectus"	the prospectus of the Company dated October 19, 2016
"Remuneration Committee"	the Remuneration Committee of the Board
"Revised Annual Caps"	the revised annual caps for the Transactions for the three years ending December 31, 2021
"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
"Supplemental Mutual Supply Agreement"	the supplemental agreement dated September 9, 2019 in respect of Revised Annual Caps and New Continuing Connected Transaction, entered into between the Company and COFCO
"Temasek"	TLS Beta Pte. Ltd., a limited liability company incorporated in Singapore on January 7, 2005, and a Shareholder of our Company
"Maverick Company"	COFCO Maverick Food Products Co., Ltd.* (中糧萬威客食品有限公司), a limited liability company incorporated in the PRC on July 6, 1994 and a wholly-owned subsidiary of the Company