中粮
COFCO
自然之源 重塑你我

家佳康
JOYCOME

Annual Report
2020

中糧家佳康食品有限公司
COFCO Joycome Foods Limited
(Incorporated in the Cayman Islands with limited liability)
Stock Code : 01610

CONTENTS

Corporate Information

Legal Name of the Company
COFCO Joycome Foods 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.cofcojoycome.com

Directors
Chairman of the Board and Executive Director
Mr. Jiang Guojin

Executive Director
Mr. Xu Jianong

Non-executive Directors
Ms. Yang Hong
Dr. Cui Guiyong
Mr. Zhou Qi

Independent Non-executive Directors
Mr. Fu Tingmei
Mr. Li Michael Hankin
Dr. Ju Jiandong

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

Audit Committee
Mr. Li Michael Hankin (Chairman)
Mr. Fu Tingmei
Dr. Cui Guiyong

Nomination Committee
Mr. Jiang Guojin (Chairman)
Mr. Fu Tingmei
Dr. Ju Jiandong

Remuneration Committee
Mr. Li Michael Hankin (Chairman)
Mr. Jiang Guojin
Dr. Ju Jiangdong

Food Safety Committee
Mr. Xu Jianong (Chairman)
Dr. Jiang Guojin
Ms. Yang Hong

Auditor
Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

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
Second Floor, Century Yard, Cricket Square
P.O. Box 902, Grand Cayman, KY1-1103
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
Second Floor, Century Yard, Cricket Square
P.O. Box 902, Grand Cayman, KY1-1103
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

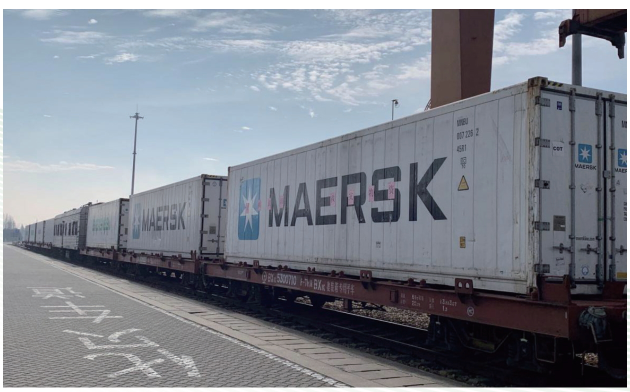
Major Events in COFCO Joycome in 2020

January

COFCO Joycome held the New Year's Eve Champions Dinner event at the Training Bureau of the General Administration of Sport, joined by top officials of the General Administration, the Olympic champion of the weightlifting team and a full house of athletes in preparation for the Olympics. The event was reported through top media such as CCTV5 and People's Daily Online, which obtained an excellent brand communication effect.

January-April

COFCO Joycome actively supported the prevention and control of the epidemic and strived to ensure pork supply in Wuhan and other markets. Since the Lunar New Year of 2020, COFCO Joycome has supplied more than 140,000 whole hogs and nearly 20,000 tons of bulk fresh and frozen meat products to the market, and successfully completed the urgent transportation of 2,000 tons of emergency reserved meat to the central reserve in Wuhan. On April 21, COFCO Joycome received notable commendation at a Wuhan business conference due to its outstanding contribution for safeguarding market supply; on April 30, COFCO Joycome was also titled An Outstanding Enterprise in Contributing to the Epidemic Prevention and Control and "Non-staple Food" Production and Supply Safeguard by the Rural Affairs Group under Wuhan's COVID-19 Pandemic Prevention and Control Headquarters; on May 20, COFCO Joycome received a letter of appreciation from the General Office of the Ministry of Commerce; on September 8, the secretary of the Party Committee and deputy general manager of Wuhan COFCO Meat, Wang Shixue (王世學), was awarded the title of "Role Models in the Country's Fight Against the COVID-19 Pandemic".



April

Leveraging the Space Day of China to continuously hold the aerospace-themed activities, COFCO Joycome organised an online contest to call for stories on "Five Checkpoints• Aerospace Quality – The Tale of the Pig and the Meat Planet" to spread the brand IP as well as sow the seeds of the "Aerospace Dream". Thanks to the activities, COFCO Joycome gained a large amount of high-quality UGC, attracted new users to our membership system and was covered by many media outlets including Yangtze Evening Post, Xinhuanet, Tencent, iFeng and China Daily.

May

Jilin Company successfully imported 1,500 heads of French breeding hogs from France. This movement has realised the economic benefits in breeding of breeding hogs and commodity pigs through genetic advantages, which played an active role in the genetic improvement work in the hog industry.

Major Events in COFCO Joycome in 2020

May and September

COFCO Joycome collaborated with Codoon (咕咚), the largest running APP in China, in two store clock-in running activities themed "Variety of 'Joy' Banquet, Run to Show China's Power" and "COFCO Joycome・Battle with Sweat in the Start of Autumn". This self-creative participation mode combining running and gourmet helped us discover mid-to-high-end customers on the platform who "focus on the quality of life and the quality of food ingredients" and promote traffic and brand communication as well as attract new customers to our stores.

June

COFCO Joycome became the "Meat Products Supplier for the Chinese Weightlifting Team". The signing ceremony was joined by He Yiqun (何一群), the secretary-general of China Weightlifting Association and Yang Qian (楊謙), the leader of the Chinese National Weightlifting team, and others, among them, Olympic champions, Shi Zhiyong (石智勇), Deng Wei (鄧薇) and Lu Xiaojun (呂小軍), and the World Championship gold medalists, Wang Zhoyu (汪周雨). Moreover, the event was live-streamed on Tencent Watch and ifeng.com and reported by 47 web portals including People's Daily Online and Xinhuanet.com, etc.

June

Chifeng Company has officially commenced construction on the Phase IV (552,000 heads) of the Hog Production Project with a site area of more than 10,000 acres.

June

The hog slaughtering and processing project of Jilin Company with a capacity of 1 million heads commenced construction.

September

The slaughtering plant project of Chifeng Company with a capacity of 1 million heads commenced construction. The project has a site area of approximately 200 acres. A modern slaughtering and processing workshop with first-class slaughtering and processing facilities is planned to be built thereon.

September

The hog slaughtering and processing project of Hubei Company with a capacity of 1 million heads was successfully put into operation. The project includes slaughtering and processing workshops and cutting workshops with a capacity of 1 million heads, cold storage with a capacity for 5,000 tons and supporting auxiliary projects as well as utility projects.

September

Upon review by the expert team of the National African Swine Fever-Free Community Construction Project, Jilin Company successfully passed project acceptance. The Jilin Company applied for 20 production units to be put into the construction of a epidemic-free community, which is currently the largest unit in terms of application scale in China. The construction of an African swine fever-free community indicates that COFCO Joycome has greatly improved the its overall ability and level towards prevention and control of the African swine fever, laying a solid foundation for the long-lasting fight against the epidemic.

October

In order to promote the brand awareness of Joycome, the company name was changed from "COFCO Meat Holdings Limited" to "COFCO Joycome Foods Limited", with effect from October 16, 2020. The stock short name on the Stock Exchange was changed from "COFCO MEAT "to "COFCO JOYCOME", with effect from October 27, 2020.

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November

Prior to the launch of the Chang'e-5 probe, COFCO Joycome held a aerospace-themed pop-up event titled "Enjoying the Food Time on the Moon (漫月食光)" at Chaoyang Joy City, Beijing, in collaboration with its brands COFCO Fortune and Greatwall Wine. The event provided consumers with a variety of aerospace-quality products and supported the landing of the Chang'e-5 probe on the moon with "food" power and was reported by several state media such as Global Times, People's Daily Online and others.

Major Events in COFCO Joycome in 2020

December

We held the "No Meat No Life Challenge (無肉不歡挑戰賽)" on the Tik Tok platform to connect the official Tik Tok account of the brand with major user communities, which allowed consumers to become KOCs of the brand and promote word-of-mouth campaigns of the brand. Up to now, the event has hit more than 9 million views, accumulated more than 100 UGCs with our brand logos and cooking processes, and triggered another widespread dissemination among core consumers in the community.

December

The group standard "α-linolenic acid-rich pork products, linseed fed pork products" (Standard number: T/CMATB 1002-2020), which COFCO Joycome took the lead in developing, was reviewed, approved and issued by the China Meat Association, marking a milestone event in the meat industry.

中国肉类协会
China Meat Association

地址：北京市朝阳区和平街东土城路 12 号院怡和阳光大厦 C 座 7 层
邮编：100013　电话：86-10-84119709　84119859
传真：86-10-66033686　网址：www.chinameat.org
邮箱：chinameat@hotmail.com　chinameat@sina.com

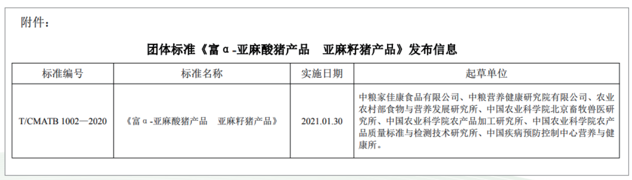
关于批准发布团体标准《富α-亚麻酸猪产品　亚麻籽猪产品》的公告

各相关单位：

根据《中国肉类协会团体标准管理办法》的相关规定，经中国肉类协会批准，团体标准《富α-亚麻酸猪产品　亚麻籽猪产品》（T/CMATB 1002-2020）定于 2020 年 12 月 30 日正式发布，自 2021 年 1 月 30 日正式实施。现予以公告。

附件：团体标准《富α-亚麻酸猪产品　亚麻籽猪产品》发布信息

2020 年 12 月 30 日



附件：

团体标准《富α-亚麻酸猪产品　亚麻籽猪产品》发布信息

标准编号	标准名称	实施日期	起草单位
T/CMATB 1002—2020	《富α-亚麻酸猪产品　亚麻籽猪产品》	2021.01.30	中粮家佳康食品有限公司、中粮营养健康研究院有限公司、农业农村部食物与营养发展研究所、中国农业科学院北京畜牧兽医研究所、中国农业科学院农产品加工研究所、中国农业科学院农产品质量标准与检测技术研究所、中国疾病预防控制中心营养与健康所。

December

The second stage in Phase III (440,000 heads) Project of Jilin Company has been completed.

Financial Highlights

Key Operating Data

	2020	2019	year-on-year (%)
Hog production volume (unit: '000 heads) [1]	**2,046**	1,985	3.1%
Average selling price of finishing hogs (RMB/kg) [1]	**32.33**	16.16	100.1%
Fresh pork sales volume (unit: '000 tons) [2]	**109**	146	-25.5%
Branded small-packed fresh pork sales volume (unit: '000 boxes) [2]	**34,942**	26,426	32.2%
Ratio of revenue from branded business of total fresh pork business [3]	**38.9%**	32.0%	6.9ppt
Meat import sales volume (unit: '000 tons) [4]	**356**	179	99.1%

Key Financial Data

	2020		2019	
	Before biological assets fair value adjustments	**After biological assets fair value adjustments**	Before biological assets fair value adjustments	After biological assets fair value adjustments
	(RMB'000, unless otherwise specified)			
Revenue [5]	**18,922,112**	**18,922,112**	11,078,665	11,078,665
Profit for the Year	**2,910,475**	**4,024,634**	373,406	1,522,223
Profit attributable to the owners of the Company [6] [7]	**2,880,965**	**3,995,124**	424,910	1,573,727
Basic earnings per share (RMB per share) [8]	**0.7383**	**1.0239**	0.1094	0.4033

Notes:

1. *Hog supply across the country remains tight this year, with the average selling price of finishing hogs of the Group increasing by 100.1% year-on-year. Benefiting from the effective prevention and control of the African swine fever, the Group's hog production volume increased by 3.1% year-on-year, and the production cost were maintained at a competitive level within the industry. The above mentioned factors significantly increased the income and profit from the hog production segment year-on-year.*

2. *Affected by the shortage of hog supply in the industry, hog procurement volume of the Group's fresh pork segment declined, and fresh pork sales volume decreased by 25.5% year-on-year. However, seizing the opportunities of rapid growth in household consumption during the COVID-19 pandemic, the Group vigorously promoted its branded small-packed fresh pork, the sales volume of which increased by 32.2% 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 6.9 percentage points year on year, benefiting from brand promotion and channel development.*

4. *To deal tight domestic meat supply, the Group expanded its import procurement and sales volume, and the meat import sales volume of the Group increased by 99.1% year-on-year.*

5. *Revenue amounted to RMB18,922 million, representing a year-on-year increase of 70.8%. Each segment recorded a year-on-year increase in revenue, of which the revenue from the hog production business amounted to RMB6,339 million, representing a year-on-year increase of 80.9%, and the revenue from the meat import business amounted to RMB9,252 million, representing a year-on-year increase of 78.8%.*

6. *Profit attributable to the owners of the Company before biological assets fair value adjustments amounted to RMB 2,881 million, representing a year-on-year increase of RMB2,456 million. The Group focused on epidemic prevention and control and cost management, substantially increased the results of the hog production segment year on year, and significantly improved the overall performance of the Group.*

7. *Profit attributable to the owners of the Company after biological assets fair value adjustments amounted to RMB3,995 million. The biological assets fair value was adjusted based on the hog price as of December 31, 2020. Compared to that as of December 31, 2019, the number of our live hogs increased.*

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

The Board recommended the payment of a final dividend for 2020 out of the share premium account under reserves of the Company in the amount of HK$0.206 per share to Shareholders. Together with the interim dividend for 2020 in the amount of HK$0.118 per share, the full-year dividend for 2020 was HK$0.324 per share. Subject to the approval by the Shareholders at the forthcoming annual general meeting of the Company (the "**Annual General Meeting**") to be held on June 30, 2021 and compliance with the Companies Law of the Cayman Islands, the final dividend is expected to be paid on or around July 23, 2021 to the Shareholders whose names appear on the registers of members of the Company on July 9, 2021.

Chairman's Statement

Dear Shareholders,

2020 has been a year full of toil and tests. In the face of a dual challenge of the COVID-19 pandemic and the African swine fever, our staff held together to ride out the hard time, and surprised us with such brilliant results that have hit a record high, leading to a rapid growth of our businesses.

Firstly, the operating expertise of our core businesses has been significantly enhanced. Our hog production business managed to have the African swine fever under strict control, with its production volume continuing to rebound, production efficiency improved significantly, and profit per head hitting a record high. Our fresh pork business responded aggressively to the multiple challenges brought about by the COVID-19 pandemic, e.g. the rising raw material prices and unstable demand, and leveraged on the trend of fresh groceries sales moving online with the expansion into the communities and the increasing accessibility, resulting in a stunning growth in the sales of its branded small-packed products in an unfavorable environment.

Secondly, our whole industrial chain deployment continued to make progress. During the year, our hog production business had new projects put into production and projects under construction totalling 1 million heads; our fresh pork business had a new plant successfully put into production

in Huanggang, Hubei Province with a capacity of 1 million heads, and the new slaughterhouses in Changling, Jilin Province and Chifeng, Inner Mongolia were under accelerated construction, contributing to a further improvement in the upstream-downstream matching of the industry chain.

Thirdly, our branded businesses were growing rapidly. Thanks to its dual role as a "Partner of China Space" as well as a "Food Supplier of Chinese Weightlifting Team", the revenue of our branded fresh pork business increased by 39.9% year on year to RMB1.44 billion, which accounted for 38.9% of our total fresh pork business, representing a year-on-year increase of 6.9 percentage points, with the sales of small-packed products, especially the linseed-fed pork, undergoing an explosive growth.

Fourthly, our meat import business responded aggressively to the challenges. Amid the COVID-19 pandemic, which had led to severe situation highlighting obstructed port logistics and falling prices of the imported frozen meat, the Group actively looked for breakthroughs by bargaining with its upstream suppliers on the one hand, and making every effort to expand its market share and accelerate inventory turnover on the other, while integrating deeply with its deep processing business to fully organise its raw materials, processing and customer resources.

As an old Chinese saying goes, "Only in hard times can courage and perseverance be manifested. Only after polishing can a piece of jade be finer". Although the dual epidemic strike has confronted us with great challenges in the short term, it has hardened our team, stimulated our will and stamina, and helped us achieve an improvement in efficiency and a leap in management expertise. In 2021, we will continue to press ahead with concrete efforts for achievement. Specifically, we will:

Further improve our biosecurity initiatives and incentive mechanisms to secure a significant growth in hog production volume, with improved production efficiency to establish our core competitive advantages;

Optimise the distribution of our production capacity and facilitate further matching of our pork production and fresh pork businesses in area of operation and scale of production capacity;

Continually consolidate the reputation of our Joycome brand while insisting on branded operation with differentiation, with focus on stepping up the promotion of our linseed-fed pork, so as to further upgrade our brand positioning;

Strengthen risk control in our meat import business while accelerating inventory turnover and closely integrating the overseas raw materials with our domestic processing capacity, so as to enhance customer loyalty;

Resolutely curb the spread of African swine fever and the COVID-19 pandemic, so as to safeguard the health of our employees as well as the smooth production and successful sales.

Lastly, on behalf of the board of directors and the management team, I would like to thank our shareholders for their valuable trust and support, our partners for their heartfelt cooperation and the entire staff of the Group for their hard work and dedication. I would also like to express my gratitude to the resigned directors for their professional advice and valuable contribution! Looking into 2021, we will uphold our spirit and forge ahead with prominent determination, and reward your precious support with satisfactory performance and results.

Jiang Guojin
Chairman of the Board and Executive Director

March 18, 2021

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 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 growing rapidly. We adhere to the operation principle of "leading the safety standards in the industry and assuring meat safety for citizens", and provide 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

The 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

The 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 new slaughtering and processing bases in Jilin and Inner Mongolia. 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

The 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

Hog production across the country continues to recover, but there are still shortfalls

According to the data from the National Bureau of Statistics, in 2020, hog production in China amounted to 527 million heads, representing a year-on-year decrease of 3.2%; pork output was 41.13 million tons, representing a year-on-year decrease of 3.3%. Comparing with normal years, there are still shortfalls in hog production.

African swine fever prevention and control becoming a norm

In 2020, China has made certain progress in the prevention and control of the African swine fever, but the current situation of the prevention and control is still complicated. As there are various transmission channels while vaccines are still under research and development, the epidemic is expected to become a new normal, and thus higher requirements are placed on the prevention and control capabilities of enterprises. This poses challenges but also presents opportunities to large-scale breeding enterprises.

The COVID-19 pandemic has reshaped consumption patterns, resulting in the popularity of branded small-packed pork products

Pork consumers are becoming more concerned with brand reputation. After the outbreak of the COVID-19 pandemic, higher stress has been placed on food safety, food quality and easiness of food access, and household consumption, especially fresh product online consumption, has grown rapidly. Branded small-packed pork products characterized by safety, freshness and convenience gain higher brand premium and loyalty during the pandemic.

Meat imports continued to grow, but the distribution of imported meat has been impacted by the COVID-19 pandemic

In 2020, China's pork imports (excluding by-products) amounted to 4,392 thousand tons, representing a year-on-year increase of 108.3% and accounting for approximately 10.7% of domestic pork production, while beef imports (excluding by-products) amounted to 2,118 thousand tons, representing a year-on-year increase of 27.7% and accounting for approximately 31.5% of domestic beef production.

Due to the COVID-19 pandemic, distribution of imported frozen meat has encountered many rounds of interruptions. The pandemic broke out in China when the year started, leading to a collapse in consumption after the Lunar New Year and a drop in imported frozen meat prices. At the same time, port logistics was interrupted and related costs surged. As the pandemic broke out overseas, imported cold chain foods and their outer packaging samples were tested positive of COVID-19 after nucleic acid tests, and the nationwide implementation of prevention and control measures such as comprehensive disinfection and sterilisation of imports has once again thwarted the sales of imported frozen meat, depleted inventory value, and sharply lifted port costs. However, no cases of COVID-19 infection caused by direct consumption of cold chain foods have been found.

III. Results of Operation

In 2020, challenges remained with African swine fever prevention and control, and on top of that, the sudden outbreak of COVID-19 pandemic has put tremendous pressure on the Company's production and operation. The Company quickly set up a team to lead disease-prevention work and formulated comprehensive prevention and control measures. Thanks to the diligence and dedication of all employees, all of our business segments remained stable: strong control of the African swine fever has been achieved in the hog production business which saw a boost in results, and highest profits in record; the product mix and channel profile of the fresh pork business have been optimized under the challenges of tight hog supply and weak market demand, maintaining a steady growth of its branded business; processed meat products business has marked breakthroughs in the catering channel. However, with the meat import business being under continuing pressure, the Company continued to reduce inventories to minimize the impact of the COVID-19 pandemic. In October 2020, the Company officially changed its name to "COFCO Joycome Foods Limited" in order to strengthen the association of the company name with the brand and comprehensively enhance brand awareness.

During the reporting period, the Company achieved a net profit of RMB2,910 million before biological assets fair value adjustments, representing a year-on-year increase of 679.4%.

Hog production business

Recording new high in segment results and defining long-term expansion

In 2020, the Company's hog production volume was 2,046 thousand heads, representing a year-on-year increase of 3.1%; the average price of finishing hogs was RMB32.33/kg, and the average finishing weight was 120 kg/head. Due to efficient cost control and flexible production strategies, a record segment performance of RMB3,877 million was achieved, with an industry-leading profit per head throughout the year.

The Company has a clear objective for long-term expansion. Progress of on-going projects shrugged off the negative impact of the epidemic. Total hog production capacity of 5,469 thousand heads was reached by the end of 2020, and part of the production capacity under construction will be successively completed in 2021.

Strictly controlling the African swine fever and increasing incentives to improve production efficiency

During the year, the Company stepped up its effort in prevention and control of the African swine fever. In terms of hardware, the Company has built high-standard decontamination and drying rooms, added ripening devices for feed plants and installed air filters for all farms as well as increased testing frequency and coverage with full application of PCR detectors. In terms of the management of hog farms, vehicles were docked to designated hog farm after thorough decontamination and drying. Personnel must strictly implement off-site and on-site quarantine before entering the production area, while all materials are centrally delivered on site by special vehicles after concentrated disinfection in regional warehouses. In terms of strengthening organization, an expert panel for epidemic prevention and control was established, which collectively formulated epidemic prevention plans.

At the same time, the Company fully stimulated the enthusiasm and responsibility of the production staff through innovative assessment and incentives, such as: implementing batch production in full swing and utilizing the results of batch production to enhance the accuracy of the assessments; increasing the basic salary for front-line employees and increasing batch performance bonuses as timely incentives; setting up major special incentives for management staff for epidemic prevention and control, target-beating hog production volume, and resumption of production, so that a competitive remuneration system has been achieved.

In 2020, benefiting from the measures above, production volume of the Company has shown a clear upward trend while production costs have been under effective control and production efficiency has improved.

Successfully promoting breeding stock introduction to ensure the growth of production volume

During the year, our sow stocks has reached the designed production capacity, ensuring the growth of future production volume.

The Company actively promoted plans for introducing the nucleus herds and newly imported over 1,500 heads of French nucleus herds into Jilin in May 2020 to support capacity expansion with high-quality breeding sources.

Fresh pork business

Fighting the COVID-19 pandemic to fully safeguard meat supply

Facing the unexpected COVID-19 pandemic, the Company established a coordination group in Hubei to take the lead in promoting the resumption of work and production in Wuhan. During the pandemic, the Company provided fresh pork for Wuhan citizens through over fifty of its stores, and was awarded, among others, the Wuhan "Enterprise with outstanding contribution for safeguarding market supply to support the city's pandemic prevention and control (全市疫情防控市場保供作出突出貢獻企業)". The 42 female workers in the small package cutting workshop of the national March 8 Red-banner Group (三八紅旗集體) have defied the frigid cold and traffic suspension, and persisted in fighting on the front line, with daily average working hours per person reaching 14 hours and the production volume reaching 2.4 times of an usual day, continuously setting new record high in daily production volume since the establishment of the factory.

Adapting to changed consumption patterns during the pandemic, the sales of small-packed products showing explosive growth

In 2020, affected by the tightness in hog supply, the Company's sales volume of fresh pork was 109 thousand tons, representing a decrease year on year.

However, to adapt to changes of consumption patterns during the pandemic, the Company increased its efforts in the development of e-commerce and new retail channels and vigorously promoted its branded small-packed products. During the reporting period, revenue from e-commerce channels increased 143.9% year on year, and sales of branded small-packed products increased 32.2% year on year to 34,942 thousand boxes, while average daily sales exceeded 95 thousand boxes. Revenue from branded business grew by 39.9% to RMB1,437 million, and the ratio of revenue from branded business of total fresh pork revenue increased by 6.9 percentage points year on year to 38.9%.

Speeding up proper appropriation of production capacity to match regional demand; helping branded fresh pork business layout

In 2020, the slaughterhouse with a capacity of 1 million heads in Huanggang, Hubei was successfully put into operation, and slaughter facilities each with a capacity of 1 million heads were under construction in Songyuan, Jilin and Chifeng, Inner Mongolia. The upstream and downstream production capacities of each region were better aligned, helping to accelerate the layout of branded fresh pork business in Central and North China.

Continuing to strengthen brand influence and building a high-end linseed fed pork product line

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, and has provided safe and high-quality pork products to the Training Center and several national teams, provincial sports units and sports teams for several consecutive years. In June 2020, COFCO Joycome became the Meat Products Supplier for the Chinese Weightlifting Team and continued to put effort into providing safe meat products with champion quality.

The Company self-developed a series of small-packed products of linseed fed pork. Linseed fed pork has a tender texture and a fresh and delicious flavour. It has been well-received and has created a loyal consumer group. Examined by the National Non-staple Food Quality Supervision and Inspection Center (國家副食品質量監督檢驗中心), the content of "α-linolenic acid" in COFCO Joycome's linseed fed pork products is 6 times more than that of Joycome's similar ordinary pork ("α-linolenic acid", a nutrient that cannot be synthesized in human body, helps vision and brain development in children, and can reduce blood lipids and prevent cardiovascular diseases in adults). COFCO Joycome took the lead to develop the group standard "α-linolenic acid-rich pork products, linseed fed pork products" (standard number: T/CMATB 1002-2020), which was approved and promulgated by China Meat Association at the end of 2020, marking a further upgrade of COFCO Joycome products, and bringing safer and healthier meat products to consumers.

Meat import business

Taking multiple measures to adapt to the changes of market conditions

Under the tight supply of meat in China, the sales volume of the meat import segment was 356 thousand tons, representing a year-on-year increase of 99.1%; revenue from the segment amounted to RMB9,252 million, representing a year-on-year increase of 78.8%.

Due to the cases of COVID-19 positive test results on samples of outer packaging of imported cold chain products amid the pandemic, local governments tightened up cold chain management. Demands were dampened, and the flow of goods was slack. The imported frozen meat market fluctuated strongly throughout the year, and end prices fell to a larger degree. The Company actively bargained with upstream suppliers and successfully reduced procurement costs to some extent, while increasing the proportion of back-to-back lock orders in a bid to contain risks from market fluctuations.

IV. Financial Review

Overall Performance

In 2020, the revenue of the Group was RMB18,922 million, representing a year-on-year increase of RMB7,843 million as compared with RMB11,079 million for the same period in 2019. Prior to the adjustments of fair value of biological assets, the net profit of the Group was RMB2,910 million, representing a year-on-year increase of RMB2,537 million as compared with RMB373 million for the same period in 2019.

Revenue

In 2020, the revenue of the Group was RMB18,922 million, representing an increase of 70.8% as compared with RMB11,079 million for the same period in 2019, mainly due to the year-on-year increase of 99.1% in the sales volume of the meat import business. Meanwhile, the average selling price of finishing hogs in the production business amounted to RMB32.33/kg for the year, representing a year-on-year increase of 100.1%.

Gross Profit Margin

In 2020, the gross profit margin before biological assets fair value adjustments of the Group was 24.3%, representing a year-on-year increase of 15.4 percentage points, mainly due to the hog price remaining at a high level and costs being under effective control.

Selling and Distribution/Administrative Expenses

In 2020, the total selling and distribution expenses and administrative expenses of the Group amounted to RMB934 million, representing a year-on-year increase of 52.9% as compared with RMB611 million for the same period last year, mainly due to rapid business expansion during the year that led to a spike in costs.

Finance Costs

In 2020, the Group's finance costs amounted to RMB156 million, representing a year-on-year decrease of RMB6.06 million as compared with 2019.

Other Income, Other Gains and Losses

In 2020, the Group's other income, other gains and losses amounted to a total loss of RMB694 million, representing a decrease of RMB858 million as compared with that of the same period in 2019, mainly due to strong fluctuations of imported meat prices, greater decline of end prices and inventory impairment provisions made for the import business as a result of the impact of the COVID-19 pandemic.

Profit for the Year

For the reasons above, the Group recorded a profit of RMB2,910 million prior to the adjustments in fair value of biological assets during 2020, representing an increase of RMB2,537 million as compared with RMB373 million for the same period in 2019.

Significant Investments and Significant Acquisitions and Disposals of Subsidiaries

Save as disclosed in this annual report, the Group had neither any other significant investments nor significant acquisitions and disposals of relevant subsidiaries in 2020.

Major Financial Ratios

The financial ratios of the Group as at December 31, 2020 and December 31, 2019 are set forth below:

	December 31, 2020	December 31, 2019
Return on equity [(1)]	**51.1%**	27.8%
Return on assets [(2)]	**21.9%**	11.5%
Interest coverage ratio [(3)]	**23.22 times**	8.85 times
Current ratio [(4)]	**1.05**	1.01
Net debt-to-equity ratio [(5)]	**83.3%**	117.0%

Notes:

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

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

(3) Equals profit before finance costs and income tax expense for the year divided by finance costs (with capitalised interest added back) for that year 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, 2020, the cash and bank balances owned by the Group amounted to approximately RMB417 million (December 31, 2019: approximately RMB630 million).

As at December 31, 2020, our current ratio was 1.05 (December 31, 2019: 1.01). As at December 31, 2020, our unused bank credit facilities were RMB9,845 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 2020, the EBITDA of the Group (before biological assets fair value adjustments) was RMB3,497 million (same period in 2019: RMB929 million). Cash generated from our operating activities was RMB2,962 million (used during the same period in 2019: RMB1,049 million). Cash used in our investment activities was RMB1,722 million (generated during the same period in 2019: RMB4.19 million), including RMB1,713 million for the purchase of property, plant and equipment (same period in 2019: RMB966 million). Cash used in our financing activities was RMB1,456 million (generated during the same period in 2019: RMB1,441 million). In summary, in 2020, our net decrease in cash and bank balances was RMB214 million.

Capital Structure

As at December 31, 2020, the total number of issued shares of the Company remained unchanged at 3,901,998,323 shares.

As at December 31, 2020, the Group had interest-bearing bank loans of approximately RMB8,306 million (December 31, 2019: approximately RMB7,634 million). The annual interest rate on bank loans ranged from 0.91% to 4.36% (December 31, 2019: from 2.58% to 4.99%). Most of the bank loans were based on fixed interest rates.

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

Unit: RMB in million	**December 31, 2020**	December 31, 2019
Within 1 year	**8,134**	6,301
1 to 2 years	**10**	256
3 to 5 years	**24**	714
Over 5 years	**138**	363
Total	**8,306**	7,634

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

Unit: RMB in million	**December 31, 2020**	December 31, 2019
Fixed-rate borrowings	**8,084**	5,801
Variable-rate borrowings	**222**	1,833
Total	**8,306**	7,634

As at December 31, 2020, the Group had loans from related parties of approximately RMB97 million (December 31, 2019: approximately RMB205 million).

As at December 31, 2020, the Group had net assets of approximately RMB9,582 million (December 31, 2019: approximately RMB6,160 million). Net debts[1] of the Group amounted to approximately RMB7,986 million (December 31, 2019: approximately RMB7,209 million), while the net debt-to-equity ratio was approximately 83.3% (December 31, 2019: approximately 117.0%).

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, 2020 and December 31, 2019, the Group had no significant contingent liabilities.

As at December 31, 2020 and December 31, 2019, 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 our other production and ancillary facilities. We funded our capital expenditures primarily with shareholders' capital contributions, borrowings and our internal funds.

In 2020, the Group's capital expenditure was RMB1,744 million (same period in 2019: RMB982 million). The following table sets forth our capital expenditure for the years indicated:

Unit: RMB in million	**2020**	2019
Payments for property, plant and equipment	**1,713**	966
Payments for right-of-use assets	**24**	14
Payments for other intangible assets	**7**	2
Total	**1,744**	982

As of December 31, 2020, our demand for capital expenditure mainly came from the construction of hog production farms and slaughterhouses in Jilin Province and the Inner Mongolia Autonomous Region, as well as slaughterhouses in Hubei Province.

Capital Commitment

Capital commitment of the Group is mainly related to the construction of hog farms, slaughterhouses and other production and ancillary facilities. As at December 31, 2020, capital commitment of the Group was RMB633 million (December 31, 2019: RMB433 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, 2020, we owned 291 thousand heads of breeding and replacement hogs in total, representing an increase of 73.9% as compared with 167 thousand heads as at December 31, 2019. The fair value of our biological assets was RMB4,126 million as at December 31, 2020 and RMB1,925 million as at December 31, 2019. 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 that of the related gains or losses. We have adjusted the cost of sales for each period based on (i) changes in fair value of live hogs for that period less cost of sales; and (ii) changes in fair value less cost of sales of biological assets recognized in the previous period.

During the same period in 2020 and 2019, such adjustments have increased our cost of sales by RMB4,420 million and RMB898 million, respectively. Additionally, gains arising from fair value less cost of sales of agricultural products at the point of harvest amounted to RMB3,241 million (same period in 2019: gains of RMB868 million); gains arising from changes in fair value of biological assets less cost of sales amounted to RMB2,293 million (same period in 2019: gains of RMB1,179 million). In general, the net effect of adjustment in fair value of biological assets on profit was gains of RMB1,114 million during the current period and gains of RMB1,149 million during the same period in 2019.

V. Human Resources

The continuing operations of the Group hired 7,253 employees as at December 31, 2020 (December 31, 2019: 6,442 employees). Remuneration for employees was determined based on their job nature, personal performance and the market trends. For the year ended December 31, 2020, total remuneration amounted to approximately RMB1,047 million (2019: RMB688 million).

The Group adopted a share incentive scheme on March 27, 2015 to provide incentives for its directors and eligible employees, aiming to stimulate them to work for the cause of increasing the value of the Company and its shares. On March 27, 2017, the Board approved to revise the share incentive scheme under the consensus reached by MIY, KKR, Baring, Temasek and Boyu after negotiation. For details, please refer to the prospectus and our announcement of the Company 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 epidemic spreading in hog production mainly includes blue-ear disease, classical swine fever, porcine respiratory disease, porcine epidemic diarrhea, porcine pseudorabies, porcine circovirus, etc. In 2020, 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 of the Company. Second, the epidemic diseases will put hog farms under considerable 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 a panic among some 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, in 2020, the COVID-19 pandemic broke out across the globe. The major risks brought by the COVID-19 pandemic are: firstly, the disease is relatively contagious, and could pose 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 interprovince (region) sales of products, thus decreasing the production and operation efficiency of the Company; thirdly, the normalized COVID-19 pandemic prevention and control stage may cause a decline in demand for meat in catering channels. Meanwhile, with the global spread of the pandemic, samples of imported cold chain foods and their outer packing may be tested positive for the COVID-19 nucleic acid, which adversely affected the meat import and the sales of meat products of the Company. To cope with the risks caused by the COVID-19 pandemic, 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, Food Safety Responsibility System, Standards for Meat Industry Chain of COFCO Group and Prohibition on Food Safety, 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.

Exchange Rate Risks

The Group collects most of the revenue in RMB and pays most of our expenditures, including costs incurred for sales of goods and capital expenditures, in RMB. However, some of our subsidiaries that are engaged in import of frozen meat products or that own foreign currency borrowings may expose us to exchange rate risks. A substantial portion of our cost of sales denominated in currencies other than RMB was related to our meat import business and was denominated in U.S. dollars. Exchange rate risks arise when commercial sales and purchases transactions or recognized assets or liabilities are denominated in currencies that are not our relevant subsidiaries' functional currencies. We are primarily exposed to exchange rate risks related to U.S. dollars and Hong Kong dollars, which is pegged with U.S. dollars.

The management of the Company paid attention to our prevention against exchange rate risks and have communicated timely on foreign exchange rates and forward prices with COFCO Finance and commercial banks with which we have business relationships. We entered into currency forward contracts to cover the majority of our exchange rate risks for our purchases in the meat import business, and reviewed the contracts and monitored risks on a monthly or semi-monthly basis according to the conditions of foreign exchange market. In addition, we also fixed a foreign exchange rate in advance for the imported meat purchase price with our domestic customers according to market conditions. We also update our exchange rate risks and internal records on a weekly basis and, before making a major foreign exchange decision (including whether to use currency forward contracts to control our exchange rate risks), conduct a sensitivity analysis and stress test.

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, Measures for Administration of Production Safety Accidents and Comprehensive Emergency Plans for Production Safety Accidents 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.

VII. Outlook

In 2020, in the face of the dual pandemic challenges, the Company built on its strengths, executed all measures as planned and firmly grasped opportunities emerged in the industry amid a complex situation. For the coming year, we will put efforts on advancing the following tasks:

Firstly, we will strictly control the African swine fever to ensure the growth of production volume, improve production efficiency, and establish core competitive strengths;

Secondly, we will speed up the building of our hog and fresh pork production capacities to improve the layout of the integrated value chain;

Thirdly, we will continue to forge ahead with differentiated and branded operation of our fresh pork business with a focus on the promotion of linseed fed pork, and further enhance product positioning;

Fourthly, we will strengthen the risk control for our import business by increasing the proportion of back-to-back orders to accelerate inventory turnover; continue to promote the "trading plus processing" model to enhance the loyalty of import business customers;

Fifthly, we will actively prepare for hedging with future contracts.

Biographies of Directors and Senior Management

Board of Directors

The Board consists of eight Directors, of whom two are executive Directors, three are non-executive Directors and the remaining three are independent non-executive Directors.

JIANG Guojin

Chairman of the Board and Executive Director

Mr. JIANG Guojin (江國金), aged 53, 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 56, 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 29 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 55, 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 held positions as a director of COFCO Sugar Limited (中糧糖業有限公司), a director of China Foods Trading Limited (中國食品貿易有限公司) and 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 29 years' experience in sugar business and has extensive experience in enterprise management.

Ms. Yang graduated from the University of International Business and Economics (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.

CUI Guiyong
Non-executive Director

Dr. CUI Guiyong (崔桂勇), aged 58, 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 40, 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.

FU Tingmei
Independent Non-executive Director

Mr. FU Tingmei (傅廷美), aged 54, 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 57, was appointed as an independent non-executive Director on May 23, 2016. He has more than 30 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, Los Angeles (洛杉磯加州州立大學) 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.

JU Jiandong

Independent Non-executive Director

Dr. JU Jiandong (鞠建東), aged 57, 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 (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 organisation. 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 University of Pennsylvania (賓夕法尼亞州立大學) in the U.S.A in May 1995.

Dr. Ju has been an external supervisor of the 9th session of the board of supervisors of Bank of Communications Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 601328) since June 30, 2020.

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 56, 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 Zhengfang

Ms. LI Zhengfang (李正芳), aged 46, was appointed as the deputy general manager of the Company and the general manager of the international business division on August 27, 2020, and served as the general manager of the processed meat product division on December 4, 2020. Ms. Li is responsible for the general management of pork, beef, lamb and chicken international trading business and processed meat product 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 the deputy general manager of the international business division. 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 and the deputy general manager (executive) of the international trading division 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.

LI Lei

Mr. LI Lei (李雷), aged 39, was appointed as the general accountant and chief financial officer of the Company on August 27, 2020 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.

ZHANG Nan

Dr. ZHANG Nan (張楠), aged 39, was appointed as the deputy general manager and the general manager of the strategy department of the Company on August 27, 2020, and is responsible for strategy planning, research and investment management. Dr. Zhang joined the strategy department of COFCO in April 2008 and joined COFCO Meat Investments in September 2010. She was appointed as the deputy general manager of the strategy department of the Company in March 2015, appointed as the general manager of the strategy department of the Company in January 2017, and appointed as an assistant to general manager of the Company in July 2019. 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. She served as a director of COFCO Meat Investments since 11 November, 2020. 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 July 2002 and July 2008, respectively.

For the year ended December 31, 2020, there were no other changes to the information which are required to be disclosed and have been disclosed by the Directors and senior management pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules, save as disclosed above.

Corporate Governance Report

The Board is pleased to present the Corporate Governance Report of the Company for the year ended December 31, 2020.

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, 2020.

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, 2020.

The Board

1. Roles and Responsibilities

For the year ended December 31, 2020, 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, 2020 and up to the date of this annual report are as follows:

Chairman and Executive Director:

Mr. JIANG Guojin *(Chairman of the Board, chairman of the Nomination Committee and member of the Remuneration Committee and appointed as member of the Food Safety Committee on August 25, 2020)*

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 *(resigned since August 25, 2020)*
Dr. CUI Guiyong *(member of the Audit Committee)*
Mr. ZHOU Qi
Mr. ZHANG Lei *(resigned since December 11, 2020)*
Dr. HUANG Juhui *(resigned since August 25, 2020; former 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 appointed as chairman of the Audit Committee on December 11, 2020)*
Mr. LEE Ted Tak Tai *(resigned since December 11, 2020; former chairman of the Audit Committee and member of the Remuneration Committee)*
Dr. JU Jiandong *(member of the Nomination Committee and appointed as member of the Remuneration Committee on December 11, 2020)*

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, 2020 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 three independent non-executive Directors, being three-eighths 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 three 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.

Each of the executive Directors has entered into a service contract with the Company, according to which each of them 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, 2020 is set out in the following table:

Directors	Number of meetings present in person or by proxies/The number of meeting													
	Board Meeting		Audit Committee Meeting		Remuneration Committee Meeting		Nomination Committee Meeting		Food Safety Committee Meeting		Extraordinary General Meeting		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[1]	5/7	2/7	N/A	N/A	2/2	0/2	2/2	0/2	N/A	N/A	0/1	0/1	1/1	0/1
Mr. Xu Jianong	7/7	0/7	N/A	N/A	N/A	N/A	N/A	N/A	1/1	0/1	1/1	0/1	1/1	0/1
Ms. Yang Hong	7/7	0/7	N/A	N/A	N/A	N/A	N/A	N/A	1/1	0/1	1/1	0/1	1/1	0/1
Mr. Wolhardt Julian Juul[2]	5/5	0/5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1/1	0/1
Dr. Cui Guiyong	5/7	0/7	6/7	0/7	N/A	N/A	N/A	N/A	N/A	N/A	1/1	0/1	1/1	0/1
Mr. Zhou Qi	6/7	0/7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0/1	0/1	1/1	0/1
Mr. Zhang Lei[3]	7/7	0/7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1/1	0/1	1/1	0/1
Dr. Huang Juhui[4]	5/5	0/5	N/A	N/A	N/A	N/A	N/A	N/A	1/1	0/1	N/A	N/A	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	1/1	0/1	1/1	0/1
Mr. Li Michael Hankin[5]	7/7	0/7	7/7	0/7	2/2	0/2	N/A	N/A	N/A	N/A	1/1	0/1	1/1	0/1
Mr. Lee Ted Tak Tai[6]	7/7	0/7	7/7	0/7	2/2	0/2	N/A	N/A	N/A	N/A	1/1	0/1	1/1	0/1
Dr. Ju Jiandong[7]	5/7	0/7	N/A	N/A	N/A	N/A	2/2	0/2	N/A	N/A	0/1	0/1	1/1	0/1

Notes:

1. Mr. Jiang Guojin was appointed as a member of the Food Safety Committee of the Company on August 25, 2020.
2. Mr. Wolhardt Julian Juul resigned as a non-executive Director of the Company since August 25, 2020.
3. Mr. Zhang Lei resigned as a non-executive Director since December 11, 2020.
4. Dr. Huang Juhui resigned as a non-executive Director, and ceased to be a member of the Food Safety Committee of the Company since August 25, 2020.
5. Mr. Li Michael Hankin was appointed as the chairman of the Audit Committee of the Company on December 11, 2020.
6. Mr. Lee Ted Tak Tai resigned as an independent non-executive Director, and ceased to be the chairman of the Audit Committee and a member of the Remuneration Committee of the Company since December 11, 2020.
7. Dr. Ju Jiandong was appointed as a member of the Remuneration Committee of the Company on December 11, 2020.

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, 2020:

	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 (resigned since August 25, 2020)	✓
Dr. Cui Guiyong	✓
Mr. Zhou Qi	✓
Mr. Zhang Lei (resigned since December 11, 2020)	✓
Dr. Huang Juhui (resigned since August 25, 2020)	✓
Independent Non-executive Directors	
Mr. Fu Tingmei	✓
Mr. Li Michael Hankin	✓
Mr. Lee Ted Tak Tai (resigned since December 11, 2020)	✓
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

Mr. Lee Ted Tak Tai resigned as an independent non-executive Director and ceased to be the chairman of the Audit Committee of the Company since December 11, 2020. Mr. Li Michael Hankin was appointed as the chairman of the Audit Committee of the Company on December 11, 2020. The Audit Committee currently comprises one non-executive Director and two independent non-executive Directors, namely Mr. Li Michael Hankin, Mr. Fu Tingmei and Dr. Cui Guiyong. Mr. Li Michael Hankin is the chairman of the Audit Committee. He has more than 30 years of experience in financial and accounting matters, fundraising, mergers and acquisitions, restructuring and international business development. The Audit Committee held a total of 7 meetings during the year ended December 31, 2020. 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, 2020, 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 work;

(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, 2020.

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, 2020 and up to the date of this annual report, the Board has adopted the above-said policy, and discussed all quantifiable targets established for implementing the policy.

Measurable Objectives

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

(i) Independence: The Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong element of independence in the Board. The independent non-executive Directors shall be of sufficient calibre and stature for their views to carry weight.

(ii) Skills and experience: The Board possesses a balance of skills appropriate for the requirements of the business of the Company. The Directors have a mix of finance, academic and management backgrounds that taken together provide the Company with considerable experience in a range of activities.

(iii) Gender equality: The Board consists of a female director.

Apart from the above objectives, the Board Diversity Policy has complied with the following objectives with the Listing Rules:

1. at least one third of the members of the Board shall be independent non-executive Directors;

2. at least three of the members of the Board shall be independent non-executive Directors; and

3. at least one of the members of the Board shall have obtained appropriate professional qualifications or accounting or related financial management expertise.

The Board has achieved the measurable objectives in the Board Diversity Policy.

In 2021, the Board will continue to discuss and set specific quantifiable targets and disclose the targets in the annual report. The Company understands and believes in 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. The Nomination Committee has reviewed the board diversity policy to ensure its effectiveness and considered that the Group achieved the objectives of its board diversity policy for the year ended December 31, 2020.

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 meetings 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 the appointments 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 nominations of independent non-executive Directors are under consideration, the requirements of Rule 3.13 of the Listing Rules shall be satisfied.

3. Remuneration Committee

Mr. Lee Ted Tak Tai resigned as an independent non-executive Director and ceased to be a member of the Remuneration Committee of the Company since December 11, 2020. Dr. Ju Jiandong was appointed as a member of the Remuneration Committee of the Company on December 11, 2020. 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 Dr. Ju Jiandong. 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, 2020.

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, 2020 and up to the date of this annual report, the Remuneration Committee has performed the following tasks: 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 2020 are set out in Note 12 to the consolidated financial statements. The emoluments paid or payable to 2 Directors and 3 members of the senior management during the year 2020 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	2
Over 2,000,000	0

4. Food Safety Committee

Dr. Huang Juhui resigned as a non-executive Director and ceased to be a member of the Food Safety Committee of the Company since August 25, 2020. Mr. Jiang Guojin was appointed as a member of the Food Safety Committee of the Company on August 25, 2020. The Food Safety Committee currently comprises three members, namely Mr. Jiang Guojin, being the chairman of the Board and an executive Director, Mr. Xu Jianong, being an executive Director, and Ms. Yang Hong, being the non-executive Director. Mr. Xu Jianong is the chairman of the committee. The Food Safety Committee held a total of 1 meeting relating to the effective control of food quality and safety during the year ended December 31, 2020, mainly reviewing food safety work of last year and work plan for the 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 contact in our Company is Dr. Zhang Nan, the joint company secretary of our Company.

During the year ended December 31, 2020, Dr. Zhang Nan has taken not less than 15 hours of relevant professional training.

During the year ended December 31, 2020, 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, 2020 is set out in the Independent Auditor's Report on page 89 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 Organisations 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

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

3. Risk Management

The 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 analyse the implementation of operation plans and budgets, risk control, supply, production and marketing.

In 2020, in accordance with the work requirements for risk management and internal control of State-owned Assets Supervision and Administration Commission (SASAC) and the COFCO Group, the Company organised and conducted comprehensive risk management and internal control, and compiled the Internal Control System Work Report to report to the Group. The management of the Company strengthened monitoring and management of key risks. The Audit Department of COFCO Joycome was responsible for organising 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 2020, the Audit Department of the Company organised all departments to conduct comprehensive risk assessment work, the scope of which covered all business departments and functional departments of COFCO Joycome. Various departments scored 31 level-two risks from two dimensions, which are the possibility of occurrence and the impact extent, respectively. The Audit Department summarised and ranked the score results on the basis of the collected score results of various departments and senior management of the Company. The top five most significant risks were identified as major risks in 2020, and the major risks of the Company in 2020 were eventually determined as epidemic risks, price risks, food safety risks, environmental protection risks and safe production risks. After identifying major risks in 2020, the Audit Department organised all risk-related departments to conduct risk analysis on key risks, identify the relevant gateway departments and the departments responsible for major risks, and determine various risk management strategies based on risk characteristics and risk preferences and formulate risk solutions so that key risks could be effectively controlled.

Various departments of the Company actively carried out risk prevention and control work as well as focused on major risk supervision. In 2020, with collective efforts devoted by all employees of COFCO Joycome, 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 the professional skill training of employees, the Company achieved standardised operation as a way to minimise various business risks.

In 2020, the Audit Department of the Company actively conducted risk and problem-oriented internal control according to the work requirements of relevant regulatory institutions, a total of 32 projects of internal audit were carried out throughout the year, including 28 audit projects, 4 internal control evaluation projects; the audit projects included 13 economic responsibility audits, 5 investment audits and 10 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 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 authorisation 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 two times a year. For the year ended December 31, 2020, 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 five 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 of the external auditor.

Auditors' Remuneration

For the year ended December 31, 2020, 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	450

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.cofcojoycome.com) on the same day as the relevant general meetings.

Extraordinary general meetings may be convened by the Board on the requisitions 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 Dr. Zhang Nan.

The Company adheres to high standards with respect to the disclosure of its financial statements. The Company is committed to maximising 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 the 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, 2020. A copy of the Company's memorandum and Articles of Association is available on the websites of the Company and the "HKEXnews".

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, 2020.

During the year ended December 31, 2020 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[1]
Dr. Cui Guiyong
Mr. Zhou Qi
Mr. Zhang Lei[2]
Dr. Huang Juhui[3]

Independent Non-executive Directors:
Mr. Fu Tingmei
Mr. Li Michael Hankin
Mr. Lee Ted Tak Tai[4]
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).

Change of Company Name, Stock Short Name and Website

The English name of the Company has been changed from "COFCO Meat Holdings Limited" to "COFCO Joycome Foods Limited" and the Chinese name has been changed from "中糧肉食控股有限公司" to "中糧家佳康食品有限公司", both with effect from October 16, 2020.

The Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in the Cayman Islands on September 29, 2020, and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on October 16, 2020.

The stock short name for trading of the securities of the Company on the Stock Exchange is changed from "COFCO MEAT" to "COFCO JOYCOME" in English, and from "中糧肉食" to "中糧家佳康" in Chinese on October 27, 2020.

The website of the Company is changed from "www.cofcomeat.com" to "www.cofcojoycome.com" on December 11, 2020.

Business Review

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

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.

Notes:

1. *Mr. Wolhardt Julian Juul resigned as a non-executive Director of the Company on August 25, 2020.*
2. *Mr. Zhang Lei resigned as a non-executive Director on December 11, 2020.*
3. *Dr. Huang Juhui resigned as a non-executive Director on August 25, 2020.*
4. *Mr. Lee Ted Tak Tai resigned as an independent non-executive Director on December 11, 2020.*

Financial Risk Management Objectives and Policies

The financial risk management objectives and policies of the Group are set out in Note 47 to the consolidated financial statements.

Results

Results of the Group for the year ended December 31, 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 92 of this report.

Dividend

The Board recommended the payment of a final dividend for 2020 out of the share premium account under reserves of the Company in the amount of HK$0.206 per share to Shareholders. Together with the interim dividend for 2020 in the amount of HK$0.118 per share, the full-year dividend for 2020 was HK$0.324 per share. Subject to the Shareholders' approval at the Annual General Meeting to be held on June 30, 2021 and in compliance with the Companies Law of the Cayman Islands, such final dividend is expected to be paid on or around July 23, 2021 to the Shareholders whose names appear on the registers of members of the Company on July 9, 2021.

Dividend Policy

The Company has adopted a dividend policy (the "**Dividend Policy**"), pursuant to which, the Company will declare and pay dividends to the Shareholders 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 June 25, 2021 to June 30, 2021, 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 June 24, 2021.

In addition, the registers of members of the Company will be closed from July 7, 2021 to July 9, 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the 2020 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 July 6, 2021.

Share Capital

There were no movements in the Company's registered or issued share capital during the year ended December 31, 2020.

Share Premium and Reserves

Movements in the share premium and reserves of the Group during the year are set out on page 95 to the consolidated statement of changes in equity.

Distributable Reserves

The Company's total distributable reserves as at December 31, 2020 amounted to RMB1,445 million.

Donations

Charitable donations made by the Group during 2020 was RMB10.59 million (2019: RMB6.67 million).

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 Capitalisation of Interests

Details of borrowings are set out in Note 33 to the consolidated financial statements. Details of the Group's capitalised 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, the 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, 2020, 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, 2020, 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 the 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, 2020 are set out in Note 43 to the consolidated financial statements.

Purchase, Sale or Redemption of the Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities for the year ended December 31, 2020.

Permitted Indemnity

During the year ended December 31, 2020, 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, 2020.

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, 2020, 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 2020 interim report are set out below:

1. Mr. Jiang Guojin was appointed as a member of the Food Safety Committee of the Company on August 25, 2020;

2. Mr. Wolhardt Julian Juul resigned as a non-executive Director of the Company since August 25, 2020;

3. Mr. Zhang Lei resigned as a non-executive Director since December 11, 2020;

4. Dr. Huang Juhui resigned as a non-executive Director, and ceased to be a member of the Food Safety Committee of the Company since August 25, 2020;

5. Mr. Li Michael Hankin was appointed as the chairman of the Audit Committee of the Company on December 11, 2020;

6. Mr. Lee Ted Tak Tai resigned as an independent non-executive Director, and ceased to be the chairman of the Audit Committee and a member of the Remuneration Committee of the Company since December 11, 2020; and

7. Dr. Ju Jiandong was appointed as a member of the Remuneration Committee of the Company on December 11, 2020.

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, 2020, 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	2,028,640	0.05%

Save as disclosed above, as at December 31, 2020, 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, 2020, 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%

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
COFCO	*(1)*	Interest in controlled corporation	1,135,392,782	29.10%
KKR	*(2), (4)*	Beneficial owner	218,139,878	5.59%
Promise Meat Investment I Ltd.	*(2), (4)*	Interest in controlled corporation	218,139,878	5.59%
KKR Asian Fund II L.P.	*(2), (4)*	Interest in controlled corporation	218,139,878	5.59%
KKR Associates Asia II L.P.	*(2), (4)*	Interest in controlled corporation	218,139,878	5.59%
KKR Asia II Limited	*(2), (4)*	Interest in controlled corporation	218,139,878	5.59%
KKR Group Partnership L.P. (formerly known as KKR Fund Holdings L.P.)	*(2), (4)*	Interest in controlled corporation	218,139,878	5.59%
KKR Group Holdings Corp.	*(2), (4)*	Interest in controlled corporation	218,139,878	5.59%
KKR & Co. Inc	*(2), (4)*	Interest in controlled corporation	218,139,878	5.59%
KKR Management LLP (formerly known as KKR Management LLC)	*(2), (4)*	Interest in controlled corporation	218,139,878	5.59%
Mr. Henry R. Kravis and Mr. George R. Roberts	*(2), (4)*	Interest in controlled corporation	218,139,878	5.59%
Baring	*(3), (4)*	Beneficial owner	227,461,591	5.83%
The Baring Asia Private Equity Fund V, L.P.	*(3), (4)*	Interest in controlled corporation	227,461,591	5.83%
Baring Private Equity Asia GP V, L.P.	*(3), (4)*	Interest in controlled corporation	227,461,591	5.83%
Baring Private Equity Asia GP V Limited	*(3), (4)*	Interest in controlled corporation	227,461,591	5.83%
Jean Eric Salata	*(3), (4)*	Interest in controlled corporation	227,461,591	5.83%
Gourmet Bravo Ltd.	*(5)*	Beneficial owner	110,641,124	2.84%
Epicure Bravo Ltd.	*(5)*	Interest in controlled corporation	110,641,124	2.84%
DCP Partners Limited	*(5)*	Interest in controlled corporation	110,641,124	2.84%
DCP, Ltd.	*(5)*	Interest in controlled corporation	110,641,124	2.84%
Liu Haifeng David	*(5)*	Interest in controlled corporation	110,641,124	2.84%
Wolhardt Julian Juul	*(5)*	Interested in controlled corporation	110,641,124	2.84%

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 Group Partnership L.P. (as the sole shareholder of KKR Asia II Limited), KKR Group Holdings Corp. (as the general partner of KKR Group Partnership L.P.), KKR & Co. Inc. (as the sole shareholder of KKR Group Holdings Corp.), KKR Management LLP (as the general partner of KKR & Co Inc.), and Mr. Henry R. Kravis and Mr. George R. Roberts (as designated members of KKR Management LLP) 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 fulfilment 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 sole shareholder of Epicure Bravo Ltd.), and Liu Haifeng David and Wolhardt Julian Juul (as the controlling shareholders of DCP, Ltd.) is deemed to be interested in such shares.

Save as disclosed herein, as at December 31, 2020, 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 recognise 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 on the total number of Shares outstanding and will not result in any dilution effect on the Shares.

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

		Number of Options					
Name and Category of Participants	Date of Options Granted	At January 1, 2020	Granted During the year	Exercised During the year	Cancelled During the year	Lapsed During the year	At December 31, 2020
Director							
Mr. Xu Jianong	March 27, 2015	3,044,440	0	1,522,959	0	0	1,521,481
Other employees	March 27, 2015	26,480,663	0	8,218,335	0	0	18,262,328
Total		29,525,103	0	9,741,294	0	0	19,783,809

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Articles of Association or the laws of the 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, 2020, 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, 2020. 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, 2020.

Major Suppliers and Customers

Nearly 2.4% and 9.3% of the Group's total sales were attributable to its largest customer and five largest customers for the year ended December 31, 2020, and nearly 7.5% and 21.9% 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, 2020.

Environmental Policies and Performance

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

Sufficient Public Float

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

Continuing Connected Transactions

The connected persons of our Company for the purpose under Chapter 14A of the Listing Rules include 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 of the Listing Rules (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, 2020 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, 2020, 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, 2020 (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, 2020, the above-mentioned maximum daily deposit amounts reached RMB950 million, and the interests on deposits were RMB4.95 million.

(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 Group 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, 2020, 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, 2020 (RMB'000)
Principal amounts of loans	**1,200,000**
Interests on loans	**30,450**

For the year ended December 31, 2020, the above-mentioned maximum daily balance of the principal amounts of the loans reached RMB376 million, and the interests on loans were RMB7.15 million.

(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, 2020, 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 the similar type of services.

For the year ended December 31, 2020, the handling fees charged by COFCO Finance in connection with the Entrustment Loan Services amounted to RMB380,000.

(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 the similar type of services.

For the year ended December 31, 2020, the handling fees and other service fees payable by the Group to COFCO Finance in connection with other financial services shall not exceed RMB970,000.

For the year ended December 31, 2020, 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 to 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 the occurrence of each service 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. As the 2016 Mutual Supply Agreement has expired on December 31, 2018, and the Group intended to continue to conduct a number of 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, 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 the 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 RMB1,532 million, RMB1,856 million and RMB2,207 million respectively.

(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 cap of the processing fee payable by our Group to COFCO for the year ended December 31, 2020 was as follows:

	For the year ended December 31, 2020 (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, 2020 was approximately RMB1.43 million.

(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 and feed ingredients), materials for production and business and other related products and services at prevailing market prices. The purchase price of feed, other materials and services is determined based on the quotations provided by other qualified suppliers or service providers which are independent third parties for similar goods of similar quality.

The annual cap of the aggregate purchase amount of feed, other materials and services payable by our Group for the year ended December 31, 2020 was as follows:

	For the year ended December 31, 2020 (RMB'000)
Purchase of feed, other materials and services	**1,543,000**

The aggregate purchase amount of feed, other materials and services actually paid by our Group for the year ended December 31, 2020 was approximately RMB350 million.

(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 amount of the Poultry Products payable for the year ended December 31, 2020 was as follows:

	For the year ended December 31, 2020 (RMB'000)
Purchase of the Poultry Products	**8,510**

The aggregate purchase amount of the Poultry Products actually paid by our Group for the year ended December 31, 2020 was approximately RMB6.14 million.

(d) *Use of Cold Storage Services from COFCO Group*

Pursuant to the 2018 Mutual Supply Agreement, our Group will obtain cold storage services from COFCO and its subsidiaries and/or associates. The service fee for cold storage facilities 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, 2020 was as follows:

	For the year ended December 31, 2020 (RMB'000)
Service fees	**8,700**

The aggregate service fee actually paid by our Group to COFCO for the year ended December 31, 2020 was approximately RMB2.32 million.

(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 including No.2 Pork (the fore leg muscle of hog) and No.4 Pork (the hind leg muscle of hog), at prices determined upon price bidding.

The state carries out the central reserved frozen pork storage and rotation outgoing from time to time to deal with abnormal natural fluctuations, public health events, animal epidemics or other emergencies. Huashang and China Food which are subsidiaries of COFCO Group are the actual execution units of the national reserve meat, of which Huashang being the management unit of central reserved pork and China Food operating the national reserve cold storage.

The purchase price was determined upon price bidding by the participating enterprises through the electronic system of Beijing China Merchandise Reserve Exchange at fair value and is generally not higher than the price of similar products purchased from independent third parties by the Company in the open market during the same period.

The annual cap of the aggregate purchase amount of central reserved pork payable by our Group to COFCO for the year ended December 31, 2020 was as follows:

	For the year ended December 31, 2020 (RMB'000)
Purchase of central reserved pork	**12,300***

* *The annual cap for the purchase of central reserved meat was revised to RMB148 million. For details, please refer to "3. Revised Annual Caps and the New Continuing Connected Transaction for the Continuing Connected Transactions Contemplated under the Supplemental Mutual Supply Agreement with COFCO Group" in this section.*

The aggregate purchase amount of central reserved pork actually paid by our Group for the year ended December 31, 2020 was approximately RMB42.29 million.

(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, 2020 was as follows:

	For the year ended December 31, 2020 (RMB'000)
Sales revenue from supply of meat products	**257,000**

The aggregate sales revenue from the supply of meat products received by our Group for the year ended December 31, 2020 was approximately RMB50.23 million.

(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 including No.2 Pork (the fore leg muscle of hog) and No.4 Pork (the hind leg muscle of hog) at the prices which are determined upon price bidding.

The supply price was determined upon price bidding by the participating enterprises through the electronic system of Beijing China Merchandise Reserve Exchange at fair value and is generally not less than the price of similar products supply to Independent Third Parties by the Company in the open market during the same period.

The annual cap of the aggregate purchase amounts of central reserved pork payable by COFCO to our Group for the year ended December 31, 2020 was as follows:

	For the year ended December 31, 2020 (RMB'000)
Supply of central reserved pork	**14,500***

* *The annual cap for the supply of central reserved meat was revised to RMB1,554.5 million. For details, please refer to "3. Revised Annual Caps and the New Continuing Connected Transaction for the Continuing Connected Transactions Contemplated under the Supplemental Mutual Supply Agreement with COFCO Group" in this section.*

The aggregate sales revenue from the supply of central reserved pork received by our Group for the year ended December 31, 2020 was approximately RMB0.

(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 the following measures to determine the processing fee for supply of product processing services to 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 processing fee for product processing services payable by COFCO to our Group for the year ended December 31, 2020 was as follows:

	For the year ended December 31, 2020 (RMB'000)
Processing fees	**3,000**

The aggregate sales revenue from processing fee for supply of product processing services received by our Group for the year ended December 31, 2020 was approximately RMB0.

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

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 (after trading hours), 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 Mutual Supply Agreement) for the years ended December 31, 2019, 2020 and 2021 are expected to be approximately RMB2,445 million, RMB5,066 million and RMB6,020 million, respectively.

Save for the Revised Annual Caps and the new continuing connected transaction as stipulated in the Supplemental Mutual Supply Agreement, the rest of the terms of the 2018 Mutual Supply Agreement remain unchanged.

For the year ended December 31, 2020, the aggregate transaction amount payable under the Mutual Supply Agreement (together with the Supplemental Mutual Supply Agreement) was approximately RMB512 million.

(a) The Revised Annual Cap 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 the purchase amount of central reserved pork under the Supplemental Mutual Supply Agreement for the year ended December 31, 2020 was as follow:

	For the year ended December 31, 2020 (RMB'000)
Procurement expenses from purchase of central reserved meat	1,480,000

The Group's procurement expenses from the purchase of central reserved meat for the year ended December 31, 2020 were approximately RMB42.29 million.

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

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

The proposed annual cap for the supply of central reserved meat under the Supplemental Mutual Supply Agreement for the year ended December 31, 2020 was as follow:

	For the year ended December 31, 2020 (RMB'000)
Sales revenue from the supply of central reserved meat	1,554,500

The sales revenue from the supply of central reserved meat received by our Group for the year ended December 31, 2020 was approximately RMB0.

(c) New Continuing Connected Transaction

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

The proposed annual cap for the agent services for the procurement of meat products under the Supplemental Mutual Supply Agreement for the year ended December 31, 2020 was as follow:

	For the year ended December 31, 2020 (RMB'000)
Agent fee	**202,500**

The agent fee for the procurement of meat products received by our Group for the year ended December 31, 2020 was approximately RMB59.44 million.

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 Framework Agreement entered into with COFCO Feed

On May 21, 2020 (after trading hours), the Company entered into the Lease Framework Agreement (the "**2020 Lease Framework Agreement**") with COFCO Feed. Pursuant to the 2020 Lease Framework Agreement, COFCO Feed and/or its subsidiaries will lease to the Group production line No. 2 of the Huangshi Plant and ancillary facilities, production line No. 2 of the Tangshan Plant and ancillary facilities and production lines No. 1 and 2 of the Peixian Plant and ancillary facilities which the Group intends to rent from COFCO Feed and/or its subsidiaries (the "**Subject Facilities**") for a term from May 21, 2020 until December 31, 2020.

The rental fee under the 2020 Lease Framework Agreement has been determined through arm's length negotiation with reference to the prevailing market price. The rental fee consists of two parts:

1. fixed component: RMB250,000/month per factory;

2. variable rent: RMB80/ton. The variable rent is calculated based on the actual production volume.

The rent payable by the Group to COFCO Feed and/or its subsidiaries is based on depreciation of the Subject Facilities and costs such as wage of workshop staff, energy consumption and storage expenses.

The annual cap of the aggregate rental expenses payable by our Group for the year ended December 31, 2020 were as follows:

	For the year ended December 31, 2020 (RMB'000)
Rental expense	**33,000**

The aggregate rental expenses payable by our Group for the year ended December 31, 2020 were approximately RMB15.08 million.

5. 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 and 2018 Hong Kong Tenancy 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 COFCO Group for the leased premises under the 2018 Beijing Property Leasing Contract, 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 RMB12.04 million, RMB13.87 million and RMB15.99 million, respectively.

The aggregate amount of rental expenses, management fees and service charges payable to COFCO Group for the leased premises under the 2018 Beijing Property Leasing Contract, the 2018 Beijing Property Management Contract and the 2018 Hong Kong Tenancy Agreement for the year ended December 31, 2020 were approximately RMB8.75 million, RMB1.01 million and RMB0, 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 the Group 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 2018 Beijing Property Leasing Contract and each subsequent installment being payable on or before December 31 of the current year. The Group has the priority to renew the 2018 Beijing Property Leasing Contract on terms to be agreed between the parties. Should the 2018 Beijing Property Leasing Contract be renewed, the Group 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 the Group 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 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, 2020 was as follows:

	For the year ended December 31, 2020 (RMB'000)
Rental expenses and management fees	**13,400**

The aggregate rental expenses and annual management fees payable by our Company for the year ended December 31, 2020 was approximately RMB9.76 million.

(b) Lease of Office Premises in Hong Kong

On November 23, 2018, our Company entered into the 2018 Hong Kong Tenancy Agreement with Bapton, an indirect subsidiary of COFCO, 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 in 2019. The annual rent and service charges 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 are 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 charges and rates payable by our Company for the year ended December 31, 2020 was as follows:

	For the year ended December 31, 2020 (HK$'000)
Rental expenses, service charges and rates	**530 (approximately RMB466,000)**

The aggregate annual rental expenses, service charges and rates payable by our Company for the year ended December 31, 2020 were RMB0.

6. Administrative Services

As the 2016 Administrative Services Agreement has expired on December 31, 2018, on November 23, 2018 (after trading hours), the Company entered into an administrative services agreement with COFCO (the "**2018 Administrative Services Agreement**"). For details of the 2018 Administrative Services Agreement, please refer to the announcement of the Company dated November 23, 2018.

Pursuant to the 2018 Administrative Services Agreement, COFCO Group and/or its associates shall provide us 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 of administrative services payable by our Company for the year ended December 31, 2020 was as follow:

	For the year ended December 31, 2020 (RMB'000)
Purchase price of administrative services	**6,800**

The aggregate amount of administrative services payable by our Company for the year ended December 31, 2020 was approximately RMB4.27 million.

Annual Review of Continuing Connected Transactions

For the year ended December 31, 2020, 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 the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules". The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 48 to 57 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 49 to the 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 49 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 independent shareholders' approval requirements under the Listing Rules. The Company confirmed that it was in compliance with the disclosure requirements under 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, 2020. There has been no change in the Company's auditor in any of the preceding three years.

On behalf of the Board

Jiang Guojin
Chairman of the Board

Hong Kong, March 18, 2021

Environmental, Social and Governance Report

About this report

COFCO Joycome Foods Limited started to issue environmental, social and governance reports in 2016. This is our fifth environmental, social and governance report, which has been approved by the Board of Directors and included in our annual report.

Scope of Reporting

Entities covered herein also appear in the Company's annual report. This report mainly addresses the business operations of the Group in respect of sustainability, food safety, environmental protection, social responsibilities, caring for employees and corporate governance from January 1 to December 31, 2020.

Basis of Preparation

This report complies with the relevant provisions of the Environmental, Social and Governance Reporting Guide in Appendix 27 of the Main Board Listing Rules of the Stock Exchange. The basis of preparation herein is as follows:

Materiality: We identify our environmental, social and governance issues by taking into account the characteristics of the industry and the Group's business operations from the perspective of our strategic goals, and identify major material issues in accordance with the principle of "Materiality". For specific details, please refer to the section headed "Corporate Responsibility".

Quantitativeness: Each quantitative key performance indicator has its corresponding definition, statistical standard, and calculation method. The calculation methods used and conversion factors are in compliance with the prevailing norms or professional guidelines of international organisations and government authorities. To facilitate clear understanding of the statistical standards, calculation methods and other information, explanations of the corresponding key indicators will be provided in the notes of the report.

Balance: Providing an objective view of the environmental, social, and governance performance of the Group during the reporting period to avoid any selective, omitted or inappropriate presentation that may influence the decision or judgment of the report readers.

Consistency: The statistical methodologies applied to the data disclosed are consistent. Any changes will be further specified.

Reporting Data Description

Unless otherwise specified, the financial data quoted in this report is from 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 Joycome has been adhering to its social responsibilities of "Setting the Safety Standards of the Industry and Safeguarding the Safety of Meat Consumers", relying on the vertical integration business model covering the whole value chain, persisting in integrity and rule compliance, dedicated to providing the consumers with nutritious and safe food, and promoting the common development of its stakeholders including shareholders, customers, employees and the public, so as to realize the harmonious unity of economic efficiency, social efficiency and environmental efficiency.

Responsibility Management

The board of directors of the Group attaches great importance to the supervision of environmental, social and governance works, and is responsible for formulating environmental, social and governance management plans and strategies of the Group, assessing and identifying major material issues and management of the relevant matters in relation to the Group's environmental, social and governance issues, to ensure that the Group establishes effective environmental, social and governance risk management and internal control systems. The board of directors receives regular reports on environmental, social and governance related work, reviews the performance of the Group, and provides suggestions or instructions to the management and relevant departments on the optimisation of environmental, social and governance, approves disclosure of environmental, social and governance report to ensure the Group's environmental, social and governance compliance is continuously improving.

The Group has established an environmental, social and governance working group led by our senior management and comprising participants from relevant departments and subordinate units. The environmental, social and governance working group is delegated to carry out the Group's environmental, social and governance strategies, and the promotion of environmental, social and governance performance management, information disclosure and relevant fundamental works.

The Group has established an environmental, social and governance indicators system to clarify the division of responsibilities, tasks and performance targets of various departments and units. Through data collection, review, comparison and optimisation of environmental, social and governance indicators, the Group continues to promote the improvement of its own environmental, social and governance management level and management performance. At the same time, the Group continuously improves information disclosure in accordance with the Environmental, Social and Governance Reporting Guide of the Stock Exchange, so as to demonstrate to the public the performance of our environmental, social and governance initiatives.

Stakeholder Communication

We consider it vital to communicate with our stakeholders. Through various channels, we share with them our social responsibility notions and practices, understand their needs, and take various measures to meet their reasonable expectations and demands. The Company performs its social responsibilities and creates values for stakeholders while abiding by the laws in its operation.

Stakeholders	Communication channels	Expectations and demands	Our response
Government and regulatory authorities	• Daily communication • Submission of information • Workshop and survey	• Compliance with laws and regulations • Leading the advancement of the industry • Agricultural industries poverty alleviation • Energy conservation and emission reduction • Prevention and control of pollution from large-scale breeding • Control of the spread of African swine fever • Eradication of the outbreak and spread of diseases	• Operating in strict compliance with relevant laws and regulations • Promotion of industrial development • Assisting poverty alleviation • Stable improvement of resource utilisation and reduction of waste production • Eco-farming and recycling and processing of waste • Stringent prevention and control of African swine fever • Epidemic prevention for employees and production
Shareholders and investors	• Regular information disclosure • Shareholders' meetings • Daily communication • Official website	• Board's participation in responsibility management • Responsibility management structure • Continuous growth • Transparent operation	• Due diligence of the Board • Strengthening responsibility management • Continual improvement of the ability to create value • Transparent and open information disclosure

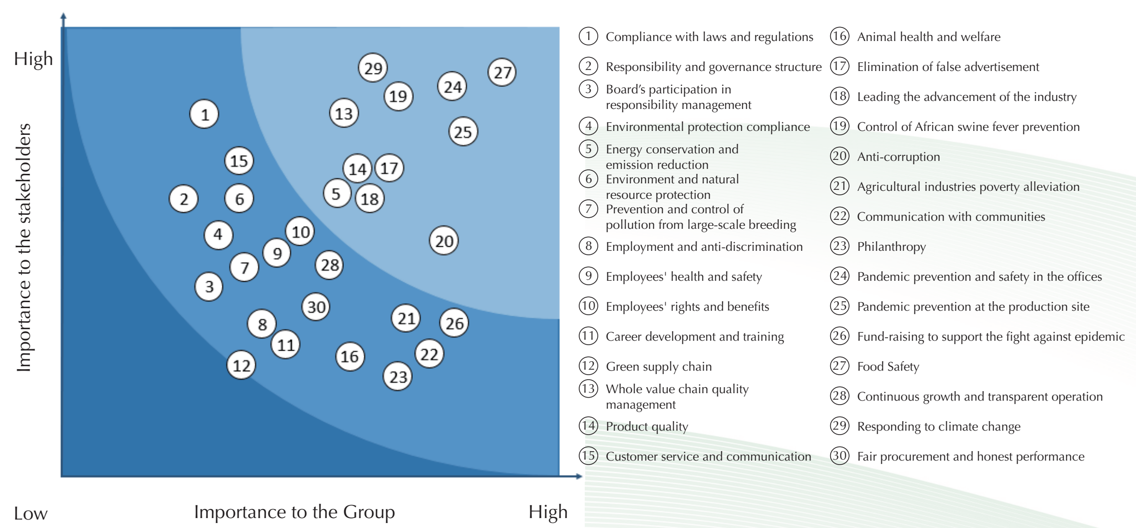
Stakeholders	Communication channels	Expectations and demands	Our response
Consumers	• Complaint hotline • Consumer satisfaction survey • Media reports	• Product quality • Food safety • Client service and communication • Elimination of false advertisement	• Management and control of the whole value chain quality • Stringent management of food safety, prevention and control of African swine fever and COVID-19 epidemic • Professional and efficient client service • Safeguarding consumers' rights
Environmental protection experts and organisations	• Consultation and communications • Environment information disclosure	• Environmental protection compliance • Environment and natural resource protection • Responding to climate change	• Elimination of environmental protection regulatory non-compliance • Advocating environmental protection concepts • Insisting on sustainable development and improving the level of green and low-carbon operation • Improved capability of emergency responses to natural disasters
Employees	• Labour contract • Training exchange • Performance management mechanism • Skills competition	• Employment and anti-discrimination • Employees' health and safety • Employees' rights and benefits • Career development and training • Epidemic prevention and safety in the offices	• Insisting on fair recruitment to build a harmonious work environment • Improving employees' occupational health level, protecting their democratic rights, remuneration and benefits, and caring for employees • Carrying out a diversity of employee training and learning courses • Providing clear career development paths and organising employee activities to maintain work-life balance • Stringent epidemic prevention and control measures

Stakeholders	Communication channels	Expectations and demands	Our response
Suppliers and partners	• Assessment of suppliers • Cooperation agreements • Regular visits	• Fair procurement and honest performance • Whole value chain quality management • Green supply chain	• Insisting on fair and open procurement • Win-win cooperation • Improving overall quality of the industrial value chain and the ability and level of safety management and control • Promoting green procurement
The public	• Community activities • Community services	• Animal health and welfare • Anti-corruption • Communication with communities • Philanthropy • Fund-raising to support the fight against epidemic	• Strengthening animal health and welfare management • Anti-corruption practice • Carrying out support of philanthropy and charity, volunteering activities, fund-raising to support the fight against epidemic and other activities

Assessment of Material Issues

In accordance with the requirements under the principle of "Materiality" of the Environmental, Social and Governance Reporting Guide of the Stock Exchange, we first extensively sought opinions from government and regulatory authorities, shareholders, consumers, environmental protection experts and organisations, employees, suppliers and partners, and public representatives on the two major dimensions of "Group Materiality" and "Stakeholder Materiality"', and recovered nearly 200 valid questionnaires. Secondly, we applied COFCO Joycome's Material Issues Analysis Model to preliminarily assess the major material issues. Finally, through internal discussions, we verified and reviewed the major material issues to finalize the disclosure topics and contents of this report, and an "Environmental, Social and Governance Index Table" was added to the last section of this report to ensure that the substantive issues of concern of stakeholders will be addressed in a targeted and responsive manner, and that reporting data was fully covered.

The assessment results of the major material issues in 2020



Topic 1: Standing in the Front Line to Fight the Pandemic and Ensure Safety for both Personnel and Production

In 2020, the COVID-19 pandemic swept across the world as well as our beloved homeland. We strived to ensure the stable supply of food and the quality and safety of our meat products, and stood firm in the front line to fight the pandemic, doing our best to maintain public health and safety.

Supply Safeguard

In order to ensure the livelihood of nearly 10 million residents in Wuhan during the "lockdown", we maintained close communication with government authorities such as the Hubei Province and Wuhan City Epidemic Prevention and Control Headquarters, and made every effort to ensure the supply of pork in the market. During the Spring Festival in 2020, Wuhan COFCO Meat quickly adjusted its production plan and fully expanded its production capacity on the basis of comprehensively strengthening epidemic prevention and ensuring product quality. The supply of fresh meat broke the highest daily output record since the establishment of the factory and accounted for 80% of fresh meat supply in Wuhan during the pandemic. At the same time, we maintained price stability of fresh pork by keeping the prices at the pre-Spring-Festival level, giving people in Wuhan the fullest access possible to stable and safe meat products. We have not only safeguarded the meat supply in Wuhan but also provided more than 30 tons of fresh meat for the construction site of Leishenshan Hospital, the canteen of Tongji Hospital and other institutions. With practical actions, we have undertaken and fulfilled our social responsibility as a state-owned enterprise.

Case: Wuhan COFCO Meat received the commendation as a Wuhan “Enterprise with Outstanding Contribution for Safeguarding Market Supply to Support the City’s Pandemic Prevention and Control” (全市疫情防控市場保供作出突出貢獻企業)

On April 21, 2020, the materials safeguard team of Wuhan’s COVID-19 Epidemic Prevention and Control Headquarters issued commendation notices to companies that made outstanding contributions to the prevention and control of epidemic and safeguarding market supply in the city, and Wuhan COFCO Meat was on the list of commendation.

Since the outbreak of the COVID-19 pandemic, Wuhan COFCO Meat has worked hard to overcome multiple challenges such as disrupted supply chains, suspended transportation and logistics, poor distribution and insufficient human capacity. Testing and quality control teams have worked overtime to comprehensively expand production capacity while ensuring the quality and safety of meat products. During the pandemic, a total of 7,389 tons of pork was supplied to the Wuhan market, covering more than 100 stores such as supermarkets in Wuhan, supporting people in Wuhan to fight against the pandemic.

Safeguarding supply in Wuhan market

Pandemic Prevention for Employees

We highly value the health and safety of our employees. Therefore, we promptly set up a response team to lead the fight against the pandemic, coordinated arrangements and deployment for pandemic prevention in all aspects, and assigned designated positions and duties to each person. Meanwhile, we compiled COVID-19 prevention and control guidelines, provided all-encompassing requirements regarding disease prevention and control for each individual at home and at work, etc., and strengthened employees' awareness and capabilities of disease prevention. At the beginning of the outbreak, due to limited resources for pandemic prevention and control, the Group mobilised the procurement department to explore procurement channels to timely provide employees with masks, gloves, goggles, protective clothing, and other pandemic prevention materials. The Group also arranged some employees to work from home to reduce clusters. At the same time, we established a comprehensive registration and pandemic prevention assistance mechanism for employees' health status, which tracks employees' daily health conditions and assists in solving issues encountered during the pandemic prevention effort. We would reach out to employees who are suspected or confirmed to be infected, and provided insurance coverage of pandemic-related death protection for our employees based in Hubei. After full resumption of work, we continued to pay attention to the changes in medium and high-risk regions, established a reporting system for movement of personnel, minimised unnecessary travelling, and implemented measures such as employee temperature record and nucleic acid testing to protect the lives and health of our employees. Meanwhile, we encouraged employees to do exercises that are science-based. Sports activities such as badminton, basketball and swimming were organised to boost employees' immunity.

Pandemic Prevention for Production

We make every effort to ensure the safety of the production environment and the health of production personnel. We have formed specific work plans/guidelines for pandemic prevention and control regarding breeding, slaughtering and processed meat businesses, and set out operational requirements for epidemic prevention in our production workshops, janitorial and canteen area. We have also formulated the Emergency Plan for Outbreaks of Infectious Diseases to guide and regulate the emergency response work. While resuming work and production, our factories strictly implemented the requirements of the local government, prepared for personnel's return for work, and adopted measures such as quarantine of non-local personnel and temperature taking. In terms of the production staff, all employees have to bring the "health code" (or green code) to work. The Company has designated staff who would perform temperature checks and report abnormalities in time for quarantine. We also organised relevant factory employees to receive COVID-19 vaccination and regularly perform nucleic acid tests on the front-line staff of the cold chain. Employees must correctly wear masks at work, and disinfect their hands, gloves and tools with alcohol regularly. Used masks are placed in trash bins specifically for collective disposal. Neither had we let our guard down in the production environment and vehicle management. Every day, special personnel are arranged to disinfect and ventilate the production workshops, changing rooms, office spaces, dormitories, etc. Nucleic acid tests were carried out on the production environment and products on a regular basis. External vehicles must be disinfected before entering the factory as required, and personnel of the transportation vehicles is only allowed to move around in designated areas and will be made to leave the site in time after work.

Pandemic Prevention for Communities

We were deeply concerned about pandemic prevention and control in the communities where we operate. We established a coordination group in Hubei to coordinate the supply of goods in Wuhan. Employees also voluntarily made donations for the fight against COVID-19. During the critical period of pandemic prevention and control at home and abroad, we utilised our resources and multiple channels to purchase pandemic prevention materials already in short supply, such as masks, alcohol, and protective clothing, and quickly supported areas most severely affected by the pandemic, relieving the burning need of supplies on the front. On September 8, 2020, Wang Shixue of Wuhan COFCO Meat was awarded the title of "National Advanced Individual in the Fight against COVID-19".

Donations to pandemic-stricken areas in China (Hubei)

- Wuhan COFCO Meat actively organised donations to more than 10 key hospitals, including the construction units of Huoshenshan and Leishenshan hospitals, the Central hospital and other hospitals, as well as the majority of medical staff aiding Hubei, and coordinated the stabilisation of work and resumption of production. Its contributions have won recognition from COFCO Group and the local government.
- Hubei Company directly donated 30 tons of medical ethanol solution to Huangzhou District People's Hospital in Huanggang City, Hubei Province and 10 tons of medical disinfectant and other pandemic prevention supplies totaling approximately RMB850,000, to help Huanggang win the battle against the pandemic.

Donations for pandemic prevention in other parts of China

- Zhangbei Company donated pandemic prevention supplies (15 tons of disinfectant and 1.5 tons of alcohol) to the local county party committee, county government, and townships, with a value of over RMB62,000, to support local pandemic prevention and control.
- Chifeng Company donated masks, disinfectants, isolation gowns and other supplies to local townships and communities, with a value over RMB100,000, to support local pandemic prevention and control.

Donations for pandemic prevention overseas

- Donations of pandemic prevention supplies worth approximately RMB255,000 were made to countries overseas to alleviate their shortages of pandemic prevention supplies.

Topic 2: Stepping up Efforts to Assist Poverty Alleviation

We strive to uphold the state policy on targeted poverty alleviation and aim to meet people's increasing needs for a better life, docking poverty alleviation with industry projects, key projects and policy pilot arrangements, and blending it with the infrastructure construction in poverty-stricken areas, modern urbanisation, development of distinctive industries and new rural construction, so as to lift the poverty-stricken local farmers out of poverty and offer them a promising future through large-scale farming, which will in turn promote the local economic development. In 2020, the Group's poverty alleviation donations reached more than RMB6 million.

Major poverty alleviation donations in 2020

Shiqu County, Sichuan Province	RMB4 million
Huai'an County, Hebei Province	RMB1 million
Zhangbei County, Hebei Province	RMB1 million

Poverty Alleviation through Industrial Development

We focused on the goal of "targeted poverty relief and targeted poverty alleviation", and worked with local governments to carry out multi-channel and multi-level deep integration. We explored new ways for poverty alleviation that feature local characteristics of "a career to pursue, an enterprise to lead and a benefit to gain". We continued to expand business scale and extend the industry value chain. We strived to be a contributor to poverty alleviation and a practitioner of targeted poverty relief, and made contributions to winning the fight against poverty. Since 2017, Chifeng Company has entered into contract farming projects with the local government, introducing an assistance fund of RMB20 million to subsidise the construction of hog farms. The hog farmers were paid in accordance with their respective actual batch production. These projects have created complementary advantages, with all participants sharing benefits and bearing risks together, which in turn moved the majority of farmers toward an industrial upgrade.

Case: Jilin Company was awarded the national advanced entity for its poverty alleviation efforts through industrial development

Through the industrial poverty alleviation model of public and private partnership, Jilin Company helped to alleviate poverty in Changling County through industrial development. In 2018, Jilin Company signed a poverty alleviation contract agreement with Changling County Government, which funded the construction of a contract farm for poverty alleviation that produces 100,000 heads of live hogs per year, and shared the annual revenue generated on a pro-rata basis. In 2020, Jilin Company and Changling County Government further joined hand in poverty alleviation, with Changling County Government investing in the live hog slaughterhouse project and sharing a proportional profit each year. Once the two projects begin production, they will bring an annual income of RMB22 million to Changling County and create more than 1,000 jobs, which will help to solve the employment problem of the poor households.

On February 25, 2021, Jilin Company was awarded the National Advanced Entity for Poverty Alleviation at the National Commendation Conference on Summary of Poverty Alleviation.

Poverty Alleviation through Employment

In response to the national poverty alleviation policy, we facilitated employment through multiple channels and promoted the social integration of the poor. Jilin Company worked with local poor households to jointly operate a base of vegetable greenhouses that combine planting and farming, helped 20 villagers find occupation nearby, and simultaneously increased the income of local farmers by RMB200,000 each year. As of 2020, we have prioritised recruiting people from poor families in the vicinity of our operating premises. The Company has recruited 153 people from poor families as registered in the national poverty population database, which helped to relieve the employment pressure of poor local households.

Poverty Alleviation through Education

We adhered to the poverty alleviation concept of "teach them to fish", to help children from poor families to enjoy equal education opportunities. We upgraded the equipment of educational institutions in poverty-stricken areas, provided skill trainings for poverty alleviation, and cultivated and enhanced the skills of poor families to get rid of poverty.

Case: Zhangbei Company launched school-enterprise cooperation to help improve production capacity

Zhangbei Company has established school-enterprise cooperation relationship with animal husbandry colleges such as Jiuquan Vocational Technical College in Gansu and Gansu Polytechnic College of Animal Husbandry and Engineering. As of 2020, Zhangbei Company has provided a total of RMB210,000 in education equipment and scientific research training funds to these colleges attracting dozens of students to the company for internships or employment, and has issued internship subsidies of approximately RMB11.9968 million, benefiting more than 350 students.

Poverty Alleviation through Infrastructure Construction

We implemented the "targeted poverty alleviation" strategy proposed by President Xi Jinping, practised the "seven adherences" anti-poverty theory, continued to promote rural infrastructure construction, and strived to break traffic bottlenecks. Through the maintenance, rebuild, and reconstruction of roads and passageways, we contributed our efforts in solving the problem of "poor infrastructure". Since 2017, Zhangbei Company has invested a total of RMB881,000 in hardening street surface up to 7,500 sq.m., paving roads up to 1.5 kilometers, and rebuilding tap water pipelines in Houshuiquan Village and Xuqingfang Village in Zhangbei, Hebei Province, easing difficulty in traffic, water supply in winter and safe drinking water for local villagers and improving their living quality and satisfaction.

Food Safety

Safety and quality are our top priorities. We have established a business system consisting of feed production, hog breeding, slaughtering and segmentation, fresh pork and processed meat production, distribution and sale, and import and distribution of meat (including pork, beef, poultry and mutton) by applying the draconian "Five-level Safety Control", aiming to make high-quality, safe, healthy and nutritious meat products available for thousands of households, and ensure the safety of meat products for our people.

In 2020, governmental authorities at various levels sampled 398 batches of our products, which were 100% qualified.

Case: gathering China strength, delivering the concepts of safety and health

In June 2020, we were chosen as the "Meat Products Supplier for the Chinese Weightlifting Team". The athletes in the sport of weightlifting have extremely stringent requirements for meat safety. We not only have to ensure the intake of high-quality protein which is conducive to increasing muscular strength, but also ensure meat safety, so that the athletes' physical indicators will not deteriorate. Therefore, the selection of meat suppliers is rather critical.

The anti-doping tests conducted previously all proved that our products were 100% safe. Our champion-level meat safety is attributable to our strict control of product quality. We adhered to our production principle of "Five-level Safety Control", optimised every production process to produce products with "champion quality" in pursuit of ultimate product safety, and provide our national athletes in the weightlifting team in preparation for various sports events at home and abroad with assurance of meat safety to help them achieve remarkable performance.

■ Quality and Safety Management Throughout the Whole Industrial Value Chain

We taped into the advanced quality and safety management experience from leading enterprises at home and abroad and established our risk management system for quality and safety throughout the whole industrial value chain in accordance with the requirements of the national regulations, so as to ensure the quality and safety of our products at each link and in all aspects.

Our affiliates engaged in feed processing, hog production, slaughtering and meat processing have all 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 processes coupled with their leading cold chain transportation technologies throughout the whole process from processing to distribution have provided a strong guarantee for product quality and safety.

Source Management

Feed control. We used feed made from safe and pollution-free grain. We conducted tests for pesticide residues, heavy metal and mycotoxin on the ingredients according to the highest requirements before putting them into storage to ensure quality and safety. Throughout the production process, we feed our hogs with minerals, vitamins and other nutrient elements based on their daily needs and monitor every production process in accordance with the related national regulations and standards. We carried out strict inspections on processes and products to ensure that all the feed we have produced were safe and nutritious. We also strictly controlled when the feed is eaten by the hogs after it is produced, so as to maximise its freshness and safety.

Hog husbandry. We have formulated standard operating procedures for each link in hog husbandry 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 the leading domestic and foreign husbandry enterprises, so as to standardise our hog farming processes. We have developed a comprehensive immunity and health care process to provide delicate care for our hogs. We strictly complied with related national regulations and standards, and used veterinary drugs in accordance with relevant laws and regulations. We made sure that all our hogs were free of veterinary drug residues, strictly implemented the three-level auditing procedures by the heads of farms, the supervisors and hog feeders, so as to ensure safety of our hogs. We strictly implemented the national animal inspection and quarantine standards to ensure that all our hogs could pass the inspection of governmental authorities, and thus could be sold "with certificates".

Supplier management. We understand the importance of sustainable development, therefore we integrate ecological environmental protection, energy conservation and emission reduction, social responsibility and corporate governance into our daily business operations. We have formulated a comprehensive supplier management system, which specified the requirements on our suppliers including basic conditions, qualifications and certifications, selection criteria, approval management, routine management and termination, etc. We have also established a professional assessment team to closely monitor their qualifications, production process as well as upstream management and control. We pushed forward the concept of green procurement and continued to strengthen environmental protection and corporate responsibility management of our suppliers by requiring selected suppliers to comply with relevant laws and regulations of environmental protection in the course of purchasing raw materials, production and processing and rendering products and services. As much as practical, we selected suppliers who adopt production processes and equipment that were free of or come with less pollution during their operations to reduce energy use, and properly handle discharges and waste to lower the impact on the environment, thereby driving the green development from the upstream of the industrial value chain. Meanwhile, we encouraged procurement practices that are fair, transparent, efficient and friendly to the environment. In 2020, we signed an e-commerce procurement cooperation agreement with Jingdong Group, and vigorously promoted the "Jingdong Huicai Platform" within our Group. With procurement centrally made online, we reduced the use of paper and energy, and further pushed suppliers to lessen environmental impact from their operations.

We care about the quality management of our suppliers. We formulated quality and safety evaluation standards for suppliers of raw materials, feed and veterinary drugs. We announced more than a thousand specific requirements in a total of 8 areas including basic management, source management, process management, export management, inspection and monitoring, traceability and emergency response, biosafety, and production safety, to continuously optimise our evaluation standards and improve the level of quality and safety management of suppliers.

Process control

Quality and safety management. We established a sound quality and safety management system, formulated and implemented quality and safety management standards which are tighter than national standards, and systematically managed the whole production process. During production, we effectively monitored each key link and ensured our products meet the qualification and safety requirements by utilising advanced equipment and strictly implemented the quality and safety control requirements throughout our production process. In 2020, we strictly implemented state requirements of COVID-19 prevention and control for cold chain foods. For the procurement of imported meat, we formulated an action plan of COVID-19 prevention and control for products and people contacted to strictly control each link of transportation, acceptance, processing, tracking, etc., and ensure the safety of products.

We integrated the quality and safety risk information from internal and external sources including relevant parties in the value chain, the Group itself and our clients, establishing a risk surveillance index system to have precautions in place and handle the risks effectively during production and operation with real-time risk surveillance. In order to comprehensively and effectively monitor risks, we cooperated with 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 an inspection and test system with the Group's laboratories as the core, backed up by the primary level laboratories in cooperation with third-party examinations at the same time.

Informatisation and intelligent management. We continued to promote the application of informatisation and intelligence in production and used information and technological means to gradually build a smart factory. For feed production, we relied on smart matching between feed production and breeding capacity, controlling production according to demand to achieve effective synergies, increasing feed turnover rates while ensuring feed quality. For hog production, we introduced a production operating system to realise automatic collection and real-time transmission of production data, and automatic connection of processes from breeding, reproduction, beat prevention and materials management. At the same time, we leveraged a network of things for breeding environmental control to automatically collect environmental information, and improve the environment in real time to keep it in a healthy and stable state. For fresh production, the slaughter operation system was continuously optimised with fully automated slaughtering processes, with which we have been gradually moving forward to become a smart factory.

Animal welfare management. We are committed to taking good care of animals during their husbandry and transportation to make sure that they are healthy and comfortable, and preventing them from being frightened, distressed or injured. We participated in the formulation and implementation of the "Guideline for Animal Husbandry and Farming Quality and Safety Management of COFCO Group". We have established 11 animal welfare indicators including feed, drinking water, farming structure environment, stocking density, lying area, temperature and ventilation, lighting, farrowing system and other aspects. We rely on quality feed from the feed factory to provide sufficient food for the hogs to ensure their nutritional balance. We also reduce the particle size of feed during feed processing to minimise gastric ulcers of sows. During hog production, the number of pigs in a single pen is strictly controlled so as to allow enough space for movement. Pigs are regularly inspected and vaccinated while diseased pigs are treated in a timely manner. When moving the hogs from one pen to another, staff will guide them in an orderly manner to avoid frightening them. We are an active promotor of human slaughter. By using the international-advanced carbon dioxide stunning technology, we reduce animal stress and avoid unnecessary suffering or injury to the hogs.

African swine fever prevention and control management. Since the first outbreak in China in August 2018, the prevention and control of African swine fever has remained our priority. We compiled a manual for African swine fever prevention and emergency response plans with specific scientific prevention and control methods. We also set up regional central warehouses and quarantine centres, and strictly conducted quality control and monitored viral transmission while centralising the procurement of supplies. Moreover, we established a four-level sanitisation process of "customers-communities-small breeding plots-farms" to prevent the spread and growth of viruses. We used the docking method while handling dead pigs and selling live ones, and forbade external vehicles from entering the facilities to minimise the chances of disease transmission. In 2020, Jilin Company passed the experts' acceptance and became one of the first batch of African swine fever free community in China.

Terminal Management

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

Product Traceability

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

We have established an electronic tracking system for the slaughtering and processing links, giving each product an unique ID card through label coding, with all data uploaded to the cloud database, enabling full traceability which is continuously optimised during application. Currently, we are able to make a fast product traceability query, and thus ensure food safety for our consumers.

For potentially problematic products, we have institutionalised food recalls and emergency response plans for food safety incidents to minimise the possibilities of consumers being exposed to problematic products. In 2020, we launched traceability drills on the integrated value chain and emergency drills on food safety incidents, covering all production enterprises. From the drills, we verified the effectiveness of the traceability system and improved our emergency response capabilities.

Professional and Efficient Client Service

In order to provide high-quality, professional and efficient customer service to our clients, we have been continually improving our customer service system as well as formulating and regulating our customer complaint handling procedures, so as to promptly provide feedback on, follow up and handle complaints and to enhance customer satisfaction. In 2020, the Group did not order any product recalls.

Through our consumer satisfaction survey, we have collected, combined and summarised their opinions. We analysed the causes for dissatisfaction and formulated improvement plans, 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 our partners and customers. In the course of branding activities, we will sign confidentiality agreements with relevant personnel who will handle our customer data, so as to strictly control the information usage, while conducting confidentiality inspection regularly to completely avoid any consumer information leakage.

Advertising and Trademarks

We strictly implemented the Advertising Law of the PRC《中華人民共和國廣告法》 and the administrative requirements for business promotion of the Company to ensure that the business promotion activities are factual, lawful, rooted in science, accurate, but not deceptive or misleading, in strict accordance with the laws and regulations. We strictly complied with the requirements of national laws and regulations by displaying product ingredients and contact information on product labels, with focus on stating allergen specifics to ensure that consumers are effectively informed. We have also formulated the pre-packaged food labelling management system with a focus on regulating the management of the entire process from design, use to abolition of labels. In terms of the research and development of new products, product packaging design and advertising, we clarified the rights and obligations, the ownership of intellectual property rights, liability for default and dispute resolutions for the related parties. In addition, we will review and verify the product packaging and advertising in terms of source indication, use of special terms, false advertising and medical effects to ensure that all advertising activities were in accordance with laws and regulations, so as to avoid consumer complaints or regulatory investigations.

We followed up and reviewed the entire process of intellectual property right application, use and authorisation in accordance with the Measures for Brand Use Authorisation Management and Regulations for Brand Product Structure, to ensure that all rights were used in a standardised manner, and urged rectification of misconducts of dealers when assisting in the supervision of their daily operations. The Company entered into a "Distribution Agreement" with dealers in the course of businesses. The agreement specifically provides that the dealers shall not register or use all the trademarks, graphics, logos, scripts, clothing, collage of colours and other related marks that carry "COFCO Meat", "Joycome", "Maverick" and the names of subsidiaries without prior written consent by the Group. Meanwhile, as we cooperate with third parties and other external agencies, we strictly require them to sign a confidentiality agreement with other related parties in relation to private company and brand information in order to protect the interests of the Group and the brand.

We built our brand system through an approach known as "trademark + domain names" and took initiative to register domain names that were relevant to the Company's trademarks and business operations, focusing on keywords such as "cofco-joycome", "cofcojoycome" and "cofcomeat". To date, we have registered 6 domain names, aiming to provide a comprehensive protection across the whole cyber world.

We value the importance of intellectual property right protection and has established an "intellectual property right" division under the legal affair management system to manage and protect intellectual property rights in a centralised manner. The trademarks we currently use have either been registered or in the process of application for registration by professional trademark handling agencies for exclusive rights of the trademarks. In 2020, the Group submitted 1 trademark registration application and 7 trademark renewal applications. We also safeguarded our interests by applying for patents and copyrights. On top of the aforementioned intellectual property right protection measures, for the 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

We always attach great importance to the work on sustainable development for the ecosystem, and actively take the primary responsibilities as a state-owned enterprise to protect the ecosystem and the environment. With the development and construction of high-standard facilities for farming waste resource utilisation, we continued to play a leading and exemplary role in the industry.

In recent years, tackling climate change has become a shared responsibility and challenge for governments around the world. According to the Paris Agreement, the world should reach the peak of greenhouse gas emissions as soon as possible, and realise net zero emissions of greenhouse gases in the second half of the century. In September 2020, at the General Debate on the 75th session of the United Nations General Assembly, China announced that it will scale up its nationally determined contributions and adopt more vigorous policies and measures to strive to reach the peak of carbon dioxide emissions by 2030 and achieve carbon neutrality by 2060.

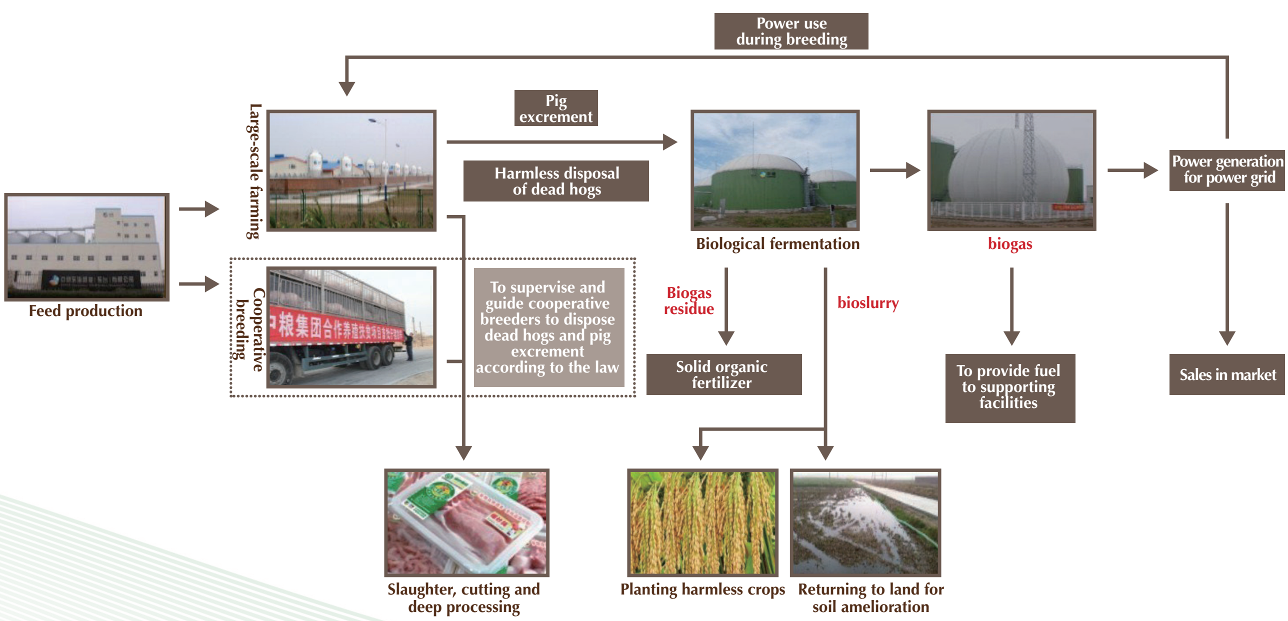
To respond to the call of the state and the development trend of the international community, fulfil the social responsibility as a state-owned enterprise, and establish a cornerstone for long-lasting development, the Group focused on national policies such as resource conservation and environmental protection, formulated a plan for sustainable development construction, and specified the guiding ideology, principles and overall work goals for sustainable development. We aim to achieve a continuous reduction in our overall energy consumption, green house gas emissions, chemical oxygen demand emissions, and the density of COD and NOx emissions by the end of 2022, by which we also aim to gradually increase our integrated application rate of solid waste and use of recycled water. Meanwhile, in order to ensure the feasibility of the plan, we put forward more than 30 specific tasks and certain important constructions, and sorted out details such as responsibilities, supervision and management as well as capital investment, providing a top-level blueprint for the enterprise's future work in energy conservation, emission reduction, and environmental protection.

■ Eco-farming

Following the direction of agricultural and environmental protection policies and regulations of the PRC, the Group further developed an eco-farming mode of "combining farming and planting for integrated application", aiming to minimise the impact of large-scale farming on the environment, realise the scientific utilisation of animal excrement and lead the farming industry to a healthy and green path of development.

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 Utilisation 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》), Action Plan for Utilisation of Livestock and Poultry Excrement Resources (2017 to 2020) (《畜禽糞污資源化利用行動方案(2017-2020)》) and the Guiding Opinion on the Promotion of Utilisation of Livestock and Poultry Waste for the Restoration of Land and Enhancement of Reduction of Animal Husbandry Pollution According to Laws (《關於促進畜禽糞污還田利用依法加強養殖污染治理的指導意見》), we have developed an eco-farming mode known as "eco-farming with combination of farming and planting" to address the industry challenges of excrement treatment in large-scale pig breeding. Based on thorough consideration of the environmental capacity, we optimised the relation of our breeding scale with the surrounding lands, promoted biogas for heating and power generation, bio fertiliser, and integration of farming and planting, with the aim of developing a green and recyclable agricultural industry value chain. After anaerobic fermentation at the biogas station, the excrement generated from farming will turn into bioresidue, bioslurry and biogas. The bioresidue and bioslurry are used as organic fertilisers back to nearby farmlands, and the biogas will be used as clean energy for power generation or for heating, which has realised the entirely harmless and scientific utilisation of farming excrement.

We have built 32 advanced stations for scientific utilisation of farming waste treatment nationwide, laid more than 300 kilometers of bioslurry pipelines, covered more than 150 thousand mu of farmlands, and provided bioslurry free of charge for soil amelioration and growing crops for the surroundings. These efforts have led to the increase in both production and revenue for farmers. In 2020, over 11.83 million m^3 of biogas was generated at our biogas stations.



▲COFCO Meat green and recycling agricultural industrial value chain

Case: Bioslurry-back-to-field leading to an increase in both production and revenue for farmers

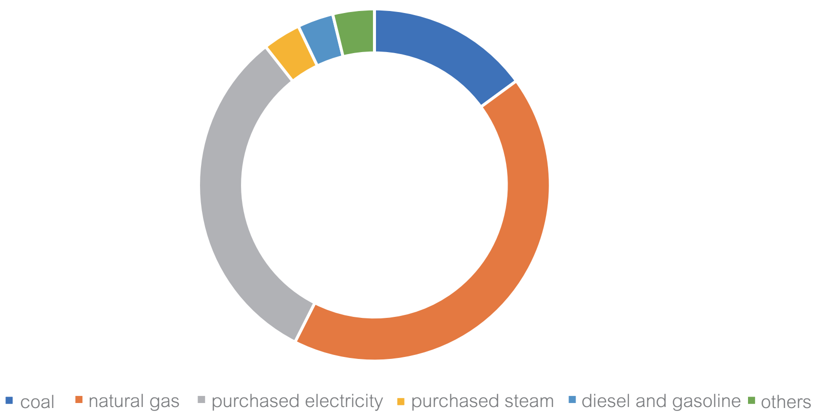
Chifeng Company delivered bioslurry to surrounding farmlands, and educated farmers on soil amelioration to increase land fertility, realising multi-level utilisation of resources for a green recycling economy, which realised an increase in both production and revenue for the surrounding farmers while stimulating an agreeable cycle of peripheral industries.

In 2020, Chifeng Company achieved impressive results in increasing production and revenue for cooperative farmers under the bioslurry-back-to-field project. With the improved soil fertility of the cooperative farmland, the average cost of using chemical fertilisers decreased by RMB30/mu, and the production of crops such as beet, corn, green beans and millet increased year by year, representing a significant increase in revenue of farmers.

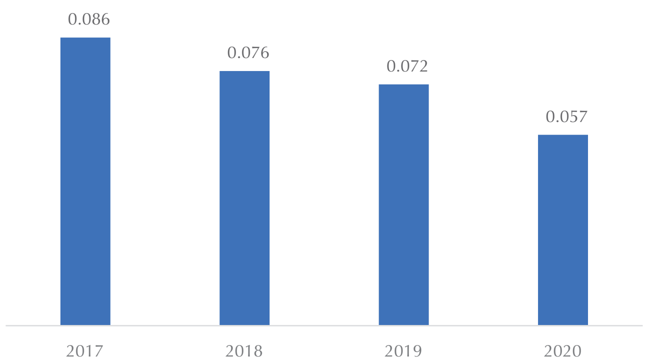
Use of Resources

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 our production and operation, we are getting gradually close to the goal of improving resource utilisation efficiency and actively responding to climate change. We have made great efforts in management, technology and process transformation, and formulated scientific and feasible standards and an assessment mechanism for energy and water consumption limits, while actively renovating the equipment and facilities in our plants, and continuously improving our energy and resource utilisation efficiency. In 2020, for our production in general, we consumed approximately 61,100 tons of energy (standard coal), with energy consumption density of about 0.057 tons of standard coal/ revenue of RMB10 thousand, realising a decrease of energy consumption density for 4 consecutive years.

Energy Utilisation in 2020



Energy Consumption Density from 2017 to 2020



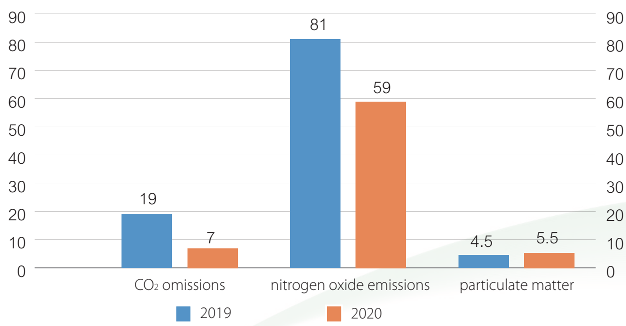
Our businesses operations, ranging from hog breeding, slaughtering and segmentation, production of fresh pork and processed meat products, require large amounts of water consumption. We comprehensively optimised our water conservation and emission reduction designs by launching a multi-tier water utilisation metering system. We have also developed water utilisation standards and assessment plans to further reduce water consumption. In 2020, water consumption of the Group amounted to about 52,282,000 m^3, with a water usage density of about 4.87 m^3/revenue of RMB10 thousand.

Taking into consideration the impact on environment of our packing materials and office paper, we strove for simple product packaging and paperless office work without sacrificing quality and work efficiency, so as to minimise the negative impact on the environment. In 2020, total packing materials consumed by the Group, including plastic bags, plastic films, catons and plastic pallets, amounted to approximately 4,443 tons, with a packing material usage density of about 4.14 kilograms/revenue of RMB10 thousand.

Emission management

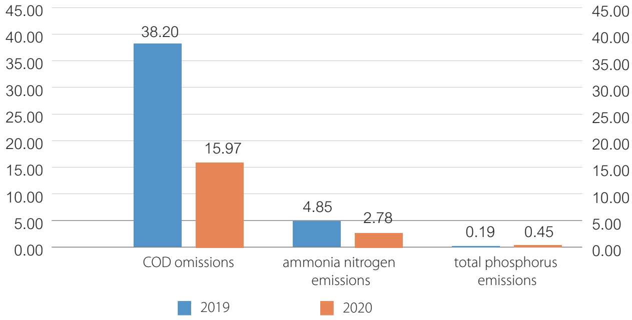
We strictly complied with relevant state laws and regulations such as Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), Prevention of Air Pollution of the People's Republic of China (《中華人民共和國大氣污染防治法》), Prevention and Control of Water Pollution of the People's Republic of China (《中華人民共和國污水污染防治法》) and the Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Waste (《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 were committed to reducing pollutants, greenhouse gases, as well as ensuring our production and operations were within the environmental capacity, so as to reduce the impact of our operation on the surrounding ecological environment.

2019-2020 Emission of Main Pollutants – Waste Gas (tons)



In 2020, air emissions produced by the Group included exhaust gas, sulphur dioxide, nitrogen oxide, etc. A total of approximately 300 million m^3 of exhaust was emitted[1]. Approximately 203,000 tons of greenhouse gas was emitted[2], of which Scope 1 accounted for 97,000 tons and Scope 2 accounted for 106,000 tons, representing a decrease of approximately 3% as compared with the same period last year, with an emission density of about 0.19 ton/revenue of RMB10 thousand.

2019-2020 Emission of Main Pollutants – Wastewater (tons)



In 2020, the wastewater pollutants generated by the Group included COD, ammonia nitrogen, total phosphorus etc. A total of approximately 400,000 tons of wastewater was discharged[3], representing a decrease of approximately 28% as compared with the same period last year, with a wastewater emission density about 0.37 tons/revenue of RMB10 thousand.

All solid wastes generated from our production and operation were handled in strict accordance with Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), Animal Pandemic Prevention Law of the People's Republic of China (《中華人民共和國動物防疫法》) and other relevant national laws and regulations, among which, non-hazardous wastes, including dead pigs, pig organs abandoned during slaughtering, boiler slag, waste packaging materials and domestic wastes, were treated properly 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 which met the requirements of regulations and transferred and disposed of by qualified third-party agencies.

In 2020, the Group produced a total of approximately 13,800 tons of non-hazardous wastes (with an emission density of about 0.013 tons/revenue of RMB10 thousand) and approximately 860,000 tons of hazardous wastes (with an emission density of about 0.08 kilogram/revenue of RMB10 thousand).

1 *Emission data is calculated based on the Group's environmental monitoring data in priority; subsequently, it is calculated based on the pollution production and discharge coefficient method as well as the Technical Specification for Application and Issuance of Pollutant Permit issued by the Ministry of Ecology and Environment.*

2 *The calculation is based on the Greenhouse Gas Protocol – Corporate Accounting and Reporting Standards 2012 (Revised) issued by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), and the Fifth Evaluation Report 2013 issued by the Intergovernmental Panel on Climate Change (IPCC), in which the electronic greenhouse gas emission factor was selected based on the 2019 Baseline Emission Factors of Regional Power Grids for Emission Reduction Project in China issued by the Ministry of Ecology and Environment.*

3 *Emission data is calculated based on the Group's environmental monitoring data in priority; subsequently, it is calculated based on the pollution production and discharge coefficient method as well as the Technical Specification for Application and Issuance of Pollutant Permit issued by the Ministry of Ecology and Environment.*

Coping with Extreme Weather

In recent years, extreme weather events (especially droughts, floods, and high temperature events) have occurred frequently around the world. In order to improve the Group's risk prevention capabilities, we have formulated a natural disaster emergency response mechanism, which clearly defined the duties and division of work for disaster response at all levels of the Group. We have also taken into consideration the characteristics of natural environment in different places, and assess the potential for extreme weather and secondary disasters by carrying out comprehensive natural disaster risk identification and impact assessment, and formulating specific contingency plans. We fostered links with local governments and emergency rescue agencies to ensure immediate access to accurate information on disasters. At the same time, we enhanced cooperation with professional institutions to share resources and improve our reaction to natural disasters, in order to minimise the impact of natural disasters and prevent the expansion of danger and the occurrence of secondary disasters.

Case: Wuhan COFCO Meat actively participated in flood relief efforts

In July 2020, prolonged precipitation in many parts of Hubei had caused rising water levels of rivers and lakes in the middle reaches of the Yangtze River, which resulted in frequent localised hazards. Army reclamation pig farm of Wuhan COFCO Meat suffered flooding due to the collapse of the surrounding Fuhe River, where an emergency plan was immediately activated to safely evacuate on-site staff with emergency rescue supplies. We arranged on-site protection along the dike, government liaison, logistical support, hogs rescue and transfer. We also engaged professional third parties to conduct harmless treatment of dead pigs and build cofferdams to prevent the spread of disease due to river pollution.

Energy Conservation and Emission Reduction

We emphasise energy conservation and emission reduction as well as ecological protection and are committed to building a environment-friendly enterprise to reduce our reliance on natural resources and ensure sustainability of the ecosystem. To try our utmost best to minimise the environmental impact of our business operations, we have established a long-term ecological environment protection mechanism by formulating the Management Regulations for Energy Conservation and Emission Reduction, Energy Conservation and Emission Reduction Responsibility System, Emergency Plans for Environmental Pollution Accidents, and Measures for Supervision and Administration of "Three Simultaneities" for Construction Projects 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》), with increasing financial support to the key energy-saving and eco-friendly projects.

We vigorously promoted our water-saving policy in the farms in the whole cycle of water utilisation, including extraction, delivery, use and reuse. We also tried to reduce water consumption by introducing high-pressure flushing machines, installing equipment such as drinking bowls and water level controllers and improving procedures. At the same time, we increased our investment in wastewater treatment, set up more stringent wastewater discharge standards, and advocated using emission standard-compliant treated water throughout the process of our operations to increase the ratio of recycled water and save every drop of precious water for the earth. Our recycled water usage in 2020 amounted to over 30,000 m^3. By recycling cooling water used for smoker and vacuum pump of packing machine for domestic water use, Maverick Company saved water consumption of approximately 8,280 tons a year. By improving the de-NOx technique during wastewater treatment, Jiangsu Company reduced 80% of total nitrogen emissions.

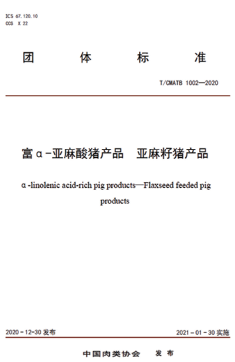
We have taken various measures, including optimising and adjusting our energy structure, increasing the proportion of clean energy used in our energy consumption, replacing coal-fired boilers for heating needs with gas boilers, upgrading flushing fuel-powered drying machines into gas-powered drying machines and adopting the low-NOx combustion technique to reduce the production and emission of pollutants. In 2020, Chifeng Company converted the diesel-powered drying machines in the washing and disinfecting rooms into gas drying machines, thus increasing the proportion of clean energy used. We continued to promote biogas power generation in Jiangsu, Hubei, Inner Mongolia and Jilin, with an annual power generation capacity of more than 5 million kWh, which reduced the consumption of fossil fuels such as petroleum and coal. We expect to add a total capacity of 2,600 kWh installed biogas power generation capacity by 2025.

We advocated green workplace that fully integrated low-carbon and environmental protection into our daily operations and organised activities such as "Energy Conservation Promotion Week" and "Low-Carbon Day" for all departments. In addition, We took the lead, together with all employees, to create a good atmosphere of energy conservation and emission reduction, one where all staff would promptly report any leakage for a repair and turn off the lights and water not in use. Our office maintains air-conditioning temperature not lower than 26°C in summer and not higher than 20°C in winter. In addition, we further improved measures for online offices to maximise the use of video conferencing wherever practical, thus reducing unnecessary business travel and energy consumption in our day-to-day work. We encouraged the use of recycled paper and double-sided printing and discouraged paper-based archiving, while actively promoting paperless office through digital projects such as OA systems and corporate WeChat to reduce paper consumption in the workplace. In 2020, through online handling process, we saved about 220,000 sheets of paper annually.

Win-win Cooperation in Harmony

■ Promotion of Industrial Development

As one of the industry leaders, we always embrace our responsibility to lead the development of standards in the industry in a well-ordered manner and have participated in the formulation and amendment of national and industrial standards for a number of times. In 2020, we took the lead in developing the group standard "α-linolenic acid-rich pork products, linseed fed pork products" (Standard number: T/CMATB 1002-2020) for the China Meat Association, providing more safer and healthier pork products for consumers. This standard was the result of industry experts' collective labour and wisdom. It formulates various indicators for linseed fed pork products, and also sets out clear regulations for feeding, breeding and slaughtering processes, which in turn ensured the controllable quality of the linseed fed pork and created new momentum for the development of the meat industry, signaling an industry milestone achievement.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T/CMATB 1002—2020

富α-亚麻酸猪产品　亚麻籽猪产品

α-linolenic acid-rich pig products—Flaxseed feeded pig products

2020-12-30 发布　　2021-01-30 实施

中国肉类协会　发布


关于批准发布团体标准《富α-亚麻酸猪产品 亚麻籽猪产品》的公告

时间：2021-01-08

中国肉类协会 China Meat Association

关于批准发布团体标准《富α-亚麻酸猪产品 亚麻籽猪产品》的公告

各相关单位：

根据《中国肉类协会团体标准管理办法》的相关规定，经中国肉类协会批准，团体标准《富α-亚麻酸猪产品 亚麻籽猪产品》（T/CMATB 1002-2020）定于2020年12月30日正式发布，自2021年1月30日正式实施，现予以公告。

附件：团体标准《富α-亚麻酸猪产品 亚麻籽猪产品》发布信息

中国肉类协会

2020年12月30日

We actively participated in international and national industry exchanges including the GFSI Global Food Safety Initiative. We also engaged in technological cooperation and exchanges with third party food technology service providers such as the Centre Testing International Group and SGS in such areas as inspections, labels and tags. In addition, we participated in live hog production seminars organised by the Animal Husbandry and Veterinary Bureau of the Ministry of Agriculture and Rural Affairs.

As a standing associate member unit of the China Animal Health and Food Safety Alliance (CAFA), we regularly participated in activities such as information sharing and technology exchanges, innovation and integration demonstration bases, science education and training, technology transfer and technology transactions and high-end think tank consultation, to improve the efficiency of technology sharing across the whole industrial chain of animal source food products in the areas of production, education, research and application. We aim to promote the quality and branding of animal source foods, and make positive contributions to ensuring the safety of animal source foods.

■ Participating in Philanthropy and Charity

We cared for the underprivileged and actively held various public welfare activities, such as poverty alleviation, education aid, disaster relief, anti-epidemic, and helped those in need by setting out a management system for making donation and to actively fulfil our social responsibilities. In 2020, the Group has put in approximately RMB10.59 million for philanthropy and charity causes, mainly including poverty alleviation, anti-epidemic, disaster relief and other public welfare activities.

Staff Development

We adhere to our people-oriented philosophy, which is reflected in our relentless efforts to protect our employees' legitimate rights and interests, create a safe and comfortable work environment and offer clear career development paths, providing them with a fair and value-sharing development platform.

Case 1: Organising various sports games that enhance team spirit and cohesion and stimulate work enthusiasm

In 2020, we organised soccer, basketball and table tennis games in Beijing and Guangdong. Inspired by the slogan of "Friendship First, Competition Second", our employees showcased their sport talents and strived to be the best, demonstrating their impressive spirit and sportsmanship.

Case 2: Successfully holding the National Industry Professional Skills Competition and the 3rd COFCO Professional Skills Competition (meat product processing)

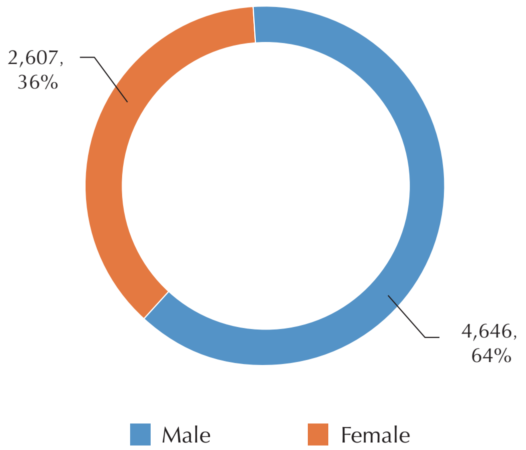
From October 25 to October 26, 2020, the finales of the National Industry Professional Skills Competition and the 3rd COFCO Professional Skills Competition (meat product processing) was successfully held at Jiangsu Company. 47 outstanding contestants from grassroot units entered the finales. After fierce competition in the two major events of written examination and practical operation, 15 excellent technical elites finally stood out. The top 3 contestants were awarded the honorary title of "National Technical Expert", and rest 4-15 contestants were awarded the honorary title of "Technical Expert of COFCO Group".

Through competitions, our employees have broadened their knowledge and heightened their perseverance while promoting respect for model workers and craftsmanship, which served well to enhance the social awareness of "working is honourable" and dedication to excellence, and help create a good culture of respect for knowledge, skills, labour, and creation.

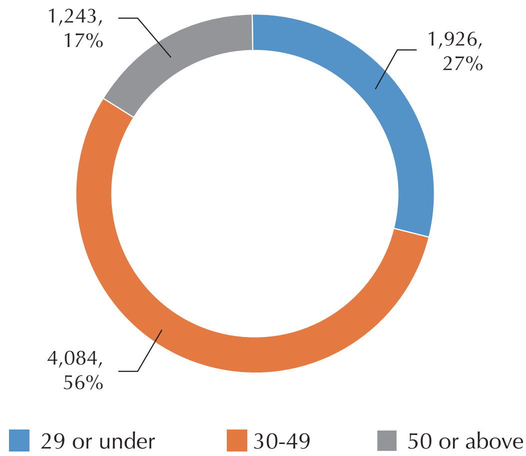
Staff Employment

We have set up the Staff Recruitment and Management Measures, the Employee Onboarding and Offboarding Management Measures, the Labour Contract Management Measures and other systems and measures according to relevant laws and regulations including the Labour Law of the People's Republic of China (《中華人民共和國勞動法》) and Labour 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, create equal and diverse working opportunities for our employees of different nationalities, races, genders, age groups, religions and culture backgrounds adhering 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 our employees on a safe and reliable basis since their application with no discrimination.

As of the end of the reporting period, we had 7,253 employees in total, representing a year-on-year increase of 811 employees or 13%, with an employee turnover rate of 6.78%.



Number of Employees by Gender



Number of Employees by Age Group

We attach importance to the introduction of outstanding graduates and actively carry out our campus recruitment plans and talent training programs to consolidate our talent base and promote the healthy development of the Group. At the same time, in order to implement the policy guidance and development concept of school-enterprise cooperation, we further strengthen school-enterprise in-depth exchanges and cooperation, and promote cooperation and interaction between us. We have established school-enterprise partnerships with many colleges and universities to jointly develop livestock professionals and educate reserve marketing talents. In 2020, we had 13 school-enterprise projects registered, covering 13 colleges and universities across the country.

■ 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 realised effective remuneration management to entitle our employees to the wages and insurance allowances that they can legally enjoy. None of our employees is paid below the minimum wage standard set forth by the government. We have also implemented the "Employee Leave Management Measures" to ensure that our employees enjoy national holidays, paid annual leave, paid sick leave, marriage leave, maternity leave, paternity leave, etc.

■ Staff Rights and Interests Protection

We fully respect and safeguard our employees' legitimate rights and interests, the rights and interests of our female employees, and consider their occupational health and safety as top priority. We offer various channels for our employees to protect their rights and interests, as an effort to promote the democratic management, participation and supervision within the enterprise.

Regarding the employment of child labour and forced labour, no tolerance is given. We spare no effort in preventing the possibility of any labour issues. We strictly abide by the Labour 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 do not employ any person under 18 years of age; labour contracts were signed in accordance with laws to specify the conditions of employment, so as to ensure that employees gain a full understanding; our recruitment procedures do 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 Labour 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 assessment; equip outfit standards for personal protection supplies and instruct employees to use them correctly; organise 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 their work. In addition, we organise 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.

Democratic 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 optimising its development.

In 2020, we held the third meeting of the 2nd employees' representative meeting for passing the report on the calling for proposals of employees' representatives and the handling process, and reviewing the effectiveness and deficiencies of work of the labour union based on interests that are most concerned about by and most relevant to the employees and most in need of solutions from this year. Wuhan COFCO Meat has actively solved the employees' problems concerning emergency, difficulty, worry, and hope, leading to a harmonious relationship between the enterprise and the employees. Therefore, it was rated as a model enterprise of harmonious relationship by the Wuhan Municipal Government.

Caring for Employees

We conscientiously implement the measures to assist employees in need such as condolences to employees in need during the Lunar New Year, condolences to veterans on Army Day, and providing assistance funds for employees with serious illnesses. We effectively help employees in need to reduce economic burden, and thus enhance corporate cohesion and employee satisfaction.

We protect the rights and interests of our female employees by providing "private, safe and hygienic" rest and breastfeeding space for female employees who have breastfeeding needs, giving them a humanised and warm care. We organised celebrations for our female employees on International Women's Day to give them holiday greetings and show our respect, and added female-specific items for them in body check, representing our exquisite care to them. In order to encourage our female employees to make greater contributions at their posts, demonstrate their glamour, and carry forward the competitive spirit, we introduced the Bearer of Red Flag and the March 8 Red-banner Group selection and commendation activities, with the aim of promoting outstanding female employees through various channels, and further stimulate their enthusiasm.

We organise various recreational and sports activities, including regular birthday parties for our employees, so as to make them feel at home and the care from their colleagues, and enhance their sense of belonging, reward and identity. We also organise team building activities to inspire the spirit of teamwork, understanding and communication among our employees, and cultivate a harmonious corporate culture.

■ Development and Training

The development of an enterprise and the growth of its employees complement each other. Therefore, we attach great importance to the career development and training of our employees by offering them clear and smooth career development paths, creating adequate training opportunities for them, and rationally allocating policies and resources to support them to grow together with the Company, and continuously improve their overall capabilities and professional quality.

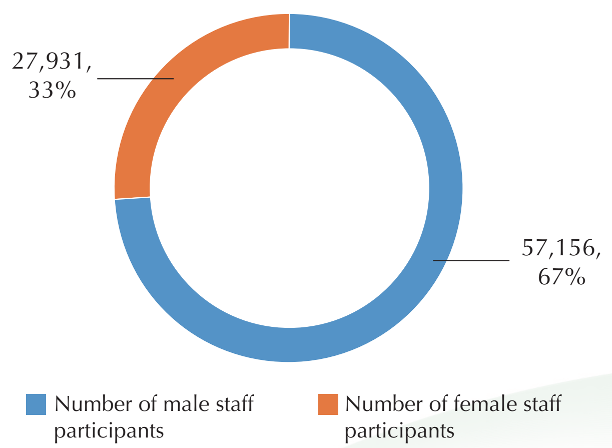
Occupational Promotions

In accordance with our corporate culture of "integrity, team spirit, professionalism and innovation", we encourage our employees to win a good professional reputation with excellent performance and noble professional integrity, seize more opportunities for development with rich experience and outstanding professional skills. We hold talent development meetings annually to assess our employees' overall work performance and development during the year, provide them with agreeable development opportunities according to their work experience and ability.

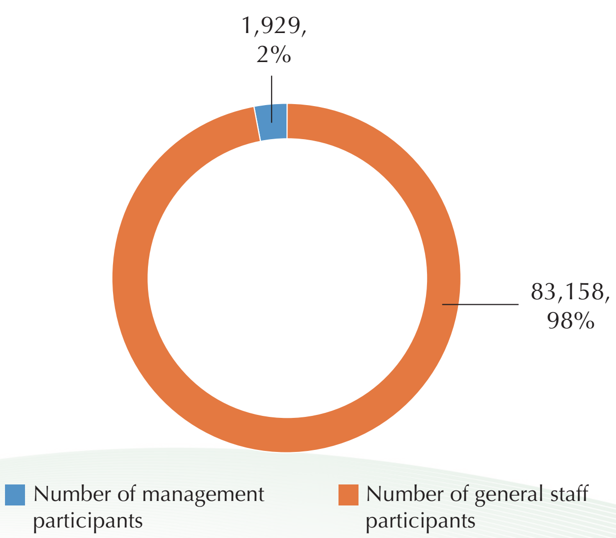
Staff Training

We always attach importance to talent development. We organised 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, aiming to establish the "Seven Star Plan (七星計劃)," a training system focusing on the three core aspects of "new employees, professionalism and leadership" and create abundant training opportunities for all employees. We organise training programs for new employees to facilitate their integration and role-change through advisership, 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, pandemic 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.

Number of training sessions	3,370 sessions
Number of participants	85,087 participants
Accumulated training hours	9,867 hours
Training hours per head	12.67 hours



Distribution of Training Participants by Gender



Distribution of Training Participants by Level

Anti-corruption Practice

We strictly comply with the national laws and regulations, and the relevant provisions of COFCO Group, in calling for professional integrity in all our 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 harness the incentive and regulatory capabilities of these mechanisms, and promote a thinking going from “I dare not take bribes” to “I can not take bribes” and “I will not take bribes” among our employees. In 2020, we strengthened the supervision and management of key areas and crucial links. We optimised management systems including performance of duties and remuneration, business expenditures and bidding and procurement, refined the prevention requirements regarding high-risk businesses, and further set up a solid defense against corruption.

We prevent corruptions by opening mail reporting channels, launching publicity and education on anti-corruption and imposing severer punishment on unlawful behaviour. We posted ways for reporting corruption in each farm, production workshops, and branch office, to ensure the employees’ right to know as well as that all unlawful issues can be handled in a timely manner. We have organised party members, managers and key staff to attend a series of anti-corruption training sessions, which cover national rules and regulations, relevant provisions of COFCO Group and the Company, typical negative cases and others to consolidate the moral defenses against corruption of employees and create a good atmosphere of integrity and righteousness. We focus on a 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 our managers, aiming to maintain a firm attitude on fighting corruption.

In 2020, the Group organised 47 training sessions on anti-corruption with 1,301 participants. The various anti-corruption measures carried out by the Group have achieved significant success and no cases regarding corrupt practices were reported.

Appendix: Environmental, Social and Governance Reporting Index

Subject number	Index description	Disclosure section
A1 Emissions	General disclosure	Environmental protection–Emission management
	A1.1	Environmental protection–Emission management
	A1.2	Environmental protection–Emission management
	A1.3	Environmental protection–Emission management
	A1.4	Environmental protection–Emission management
	A1.5	Environmental protection; Environmental protection–Energy conservation and emission reduction
	A1.6	Environmental protection; Environmental protection–Energy conservation and emission reduction
A2 Use of Resources	General disclosure	Environmental protection–Use of resources
	A2.1	Environmental protection–Use of resources
	A2.2	Environmental protection–Use of resources
	A2.3	Environmental protection; Environmental protection–Energy conservation and emission reduction
	A2.4	Environmental protection; Environmental protection–Energy conservation and emission reduction
	A2.5	Environmental protection–Emission management
A3 Environment and Natural Resource	General disclosure	Environmental Protection–Eco–farming
	A3.1	Environmental protection–Eco–farming
A4 Climate Change	General disclosure	Environmental protection–Coping with extreme weather
	A4.1	Environmental protection–Coping with extreme weather
B1 Employment	General disclosure	Staff development–Staff employment
	B1.1	Staff development–Staff employment
	B1.2	Staff development–Staff employment

Subject number	Index description	Disclosure section
B2 Health and Safety	General disclosure	Employee development–Staff rights and interests protection
	B2.1	Plan for future disclosure
	B2.2	Plan for future disclosure
	B2.3	Employee development–Staff rights and interests protection
B3 Development and Training	General disclosure	Staff development–Development and training
	B3.1	Staff development–Development and training
	B3.2	Staff development–Development and training
B4 Labour Standards	General disclosure	Staff development–Staff employment, Remuneration package
	B4.1	Staff development–Staff employment, Remuneration package
	B4.2	Staff development–Staff employment, Remuneration package
B5 Supply Chain Management	General disclosure	Food safety–Quality and safety management throughout the whole industrial value chain–Source management–Supplier management
	B5.1	Plan for future disclosure
	B5.2	Food safety–Quality and safety management throughout the whole industrial value chain–Source management–Supplier management (Partially disclosed)
	B5.3	Food safety–Quality and safety management throughout the whole industrial value chain–Source management–Supplier management
	B5.4	Food safety–Quality and safety management throughout the whole industrial value chain–Source management–Supplier management

Subject number	Index description	Disclosure section
B6 Product Responsibility	General disclosure	Topic 2; Food safety–Quality and safety management throughout the whole industrial value chain, Professional and efficient client service, Advertising and trademarks
	B6.1	Food safety–Professional and efficient client service
	B6.2	Food safety–Professional and efficient client service (Partially disclosed)
	B6.3	Food safety–Advertising and trademarks
	B6.4	Food safety–Quality and safety management throughout the whole industrial value chain, Professional and efficient client service
	B6.5	Food safety–Professional and efficient client service
B7 Anti-corruption	General disclosure	Staff development–Anti-corruption practice
	B7.1	Staff development–Anti-corruption practice
	B7.2	Staff development–Anti-corruption practice
	B7.3	Staff development–Anti-corruption practice
B8 Community Investment	General disclosure	Topic 1, Topic 2; Win-win cooperation in harmony–Participating in philanthropy and charity
	B8.1	Topic 1, Topic 2; Win-win cooperation in harmony–Participating in philanthropy and charity
	B8.2	Topic 1, Topic 2; Win-win cooperation in harmony–Participating in philanthropy and charity

Deloitte.

德勤

TO THE MEMBERS OF COFCO JOYCOME FOODS LIMITED
中糧家佳康食品有限公司
(formerly known as COCFO 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 Joycome Foods Limited (formerly known as COCFO Meat Holdings Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 92 to 169, which comprise the consolidated statement of financial position as at December 31, 2020, 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, 2020, 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 21 to the consolidated financial statements, management estimated the fair value of the Group's biological assets at RMB4,126 million at December 31, 2020. Independent external valuations were obtained for all biological assets to assist management's estimates of the fair value of biological assets at December 31, 2020. 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, actions taken to eliminate threats or safeguards applied.

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
March 18, 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2020

	NOTES	2020 Results before biological assets fair value adjustments RMB'000	2020 Biological assets fair value adjustments RMB'000	2020 Total RMB'000	2019 Results before biological assets fair value adjustments RMB'000	2019 Biological assets fair value adjustments RMB'000	2019 Total RMB'000
Revenue	5	**18,922,112**	**–**	**18,922,112**	11,078,665	–	11,078,665
Cost of sales	10	**(14,315,334)**	**(4,420,273)**	**(18,735,607)**	(10,087,973)	(897,894)	(10,985,867)
Gross profit		**4,606,778**	**(4,420,273)**	**186,505**	990,692	(897,894)	92,798
Other income	7	**172,195**	**–**	**172,195**	173,424	–	173,424
Other gains and losses	8	**(865,746)**	**–**	**(865,746)**	(8,831)	–	(8,831)
Selling and distribution expenses		**(399,291)**	**–**	**(399,291)**	(344,697)	–	(344,697)
Administrative expenses		**(534,252)**	**–**	**(534,252)**	(265,945)	–	(265,945)
Share of profit of joint ventures		**–**	**–**	**–**	360	–	360
Gain arising from agricultural produce at fair value less costs to sell at the point of harvest		**–**	**3,241,125**	**3,241,125**	–	867,562	867,562
Gain arising from changes in fair value less costs to sell of biological assets		**–**	**2,293,307**	**2,293,307**	–	1,179,149	1,179,149
Finance costs	9	**(156,269)**	**–**	**(156,269)**	(162,331)	–	(162,331)
Profit before tax	10	**2,823,415**	**1,114,159**	**3,937,574**	382,672	1,148,817	1,531,489
Income tax credit/(expense)	11	**87,060**	**–**	**87,060**	(9,266)	–	(9,266)
Profit for the year		**2,910,475**	**1,114,159**	**4,024,634**	373,406	1,148,817	1,522,223
Other comprehensive (expense)/income, net of income tax:							
Items that will not be reclassified subsequently to profit or loss							
Fair value loss on equity instrument at fair value through other comprehensive income				**(73,848)**			(193,253)
Items that may be reclassified subsequently to profit or loss							
Exchange differences arising on translation of foreign operations				**4,798**			375
Other comprehensive expense for the year, net of income tax				**(69,050)**			(192,878)
Total comprehensive income for the year				**3,955,584**			1,329,345
Profit for the year attributable to:							
Owners of the Company				**3,995,124**			1,573,727
Non-controlling interests				**29,510**			(51,504)
Profit for the year				**4,024,634**			1,522,223
Total comprehensive income/(expense) for the year attributable to:							
Owners of the Company				**3,926,074**			1,380,849
Non-controlling interests				**29,510**			(51,504)
				3,955,584			1,329,345
Earnings per share:	15						
Basic and diluted				**RMB1.0239**			RMB0.4033

Consolidated Statement of Financial Position

As at December 31, 2020

		At December 31,	
		2020	2019
	NOTES	**RMB'000**	RMB'000
Non-current assets			
Goodwill	16	**100,609**	100,609
Property, plant and equipment	17	**7,908,173**	6,668,052
Right-of-use assets	18	**607,045**	401,351
Intangible assets	19	**8,727**	2,565
Equity instrument at fair value through other comprehensive income	20	**132,121**	205,969
Biological assets	21	**961,031**	475,706
Prepayments for purchase of property, plant and equipment		**66,418**	10,515
Deferred tax assets	22	**134,399**	15,299
Other prepayments		**3,021**	2,130
		9,921,544	7,882,196
Current assets			
Inventories	23	**2,324,522**	3,180,887
Biological assets	21	**3,164,491**	1,449,250
Accounts receivables	24	**658,644**	182,239
Prepayments, deposits and other receivables	25	**446,419**	534,600
Other current assets	26	**3,486,117**	2,171,879
Amounts due from related companies	27	**131,952**	82,617
Pledged and restricted bank deposits	28	**11,657**	9,762
Cash and bank balances	28	**416,650**	630,415
		10,640,452	8,241,649
Current liabilities			
Accounts and bills payables	29	**507,665**	462,689
Other payables, accruals and deposits received	30	**962,770**	666,867
Lease liabilities	31	**13,709**	17,000
Contract liabilities	32	**408,146**	324,917
Bank borrowings	33	**8,134,165**	6,301,064
Amounts due to related companies	27	**97,923**	230,023
Loans from related companies	34	**2,500**	113,200
Financial liabilities at fair value through profit or loss	35	**4,889**	50,518
Current tax payable		**994**	17,081
		10,132,761	8,183,359
Net current assets		**507,691**	58,290
Total assets less current liabilities		**10,429,235**	7,940,486
Non-current liabilities			
Bank borrowings	33	**171,710**	1,332,893
Loans from a related company	34	**94,523**	91,869
Deferred income	36	**147,662**	153,385
Deferred tax liabilities	22	**31,446**	10,108
Long-term payable	37	**86,520**	47,000
Lease liabilities	31	**315,094**	145,058
		846,955	1,780,313
Net assets		**9,582,280**	6,160,173

Consolidated Statement of Financial Position

As at December 31, 2020

		At December 31,	
		2020	2019
	NOTES	**RMB'000**	RMB'000
Capital and reserves			
Share capital	38	**1,668,978**	1,668,978
Reserves		**7,740,295**	4,387,615
Equity attributable to the owners of the Company		**9,409,273**	6,056,593
Non-controlling interests		**173,007**	103,580
Total equity		**9,582,280**	6,160,173

The consolidated financial statements on pages 92 to 169 were approved and authorised for issue by the board of directors on March 18, 2021 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, 2020

	Attributable to the owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 *(Note (a))*	Capital reserve RMB'000	Statutory reserve RMB'000 *(Note (b))*	FVTOCI reserve RMB'000	Translation reserve RMB'000	Retained profits/ (Accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 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	–	–	–	–	–	–	–	–	–	56,588	56,588
At December 31, 2019 and January 1, 2020	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
Profit for the year	–	–	–	–	–	–	–	3,995,124	3,995,124	29,510	4,024,634
Other comprehensive (expense)income for the year	–	–	–	–	–	(73,848)	4,798	–	(69,050)	–	(69,050)
Total comprehensive (expense)/income for the year	–	–	–	–	–	(73,848)	4,798	3,995,124	3,926,074	29,510	3,955,584
Statutory reserve appropriation	–	–	–	–	406,838	–	–	(406,838)	–	–	–
Dividends recognised as distribution *(Note 14)*	–	(401,689)	–	–	–	–	–	(171,705)	(573,394)	–	(573,394)
Capital contribution from a non-controlling equity holder	–	–	–	–	–	–	–	–	–	39,917	39,917
At December 31, 2020	1,668,978	1,244,271	858,459	89,112	612,310	108,605	69,342	4,758,196	9,409,273	173,007	9,582,280

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 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 Joycome Foods Limited(formerly known as COCFO 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.

Consolidated Statement of Cash Flows

For the year ended December 31, 2020

	NOTES	Year ended At December 31, 2020 RMB'000	2019 RMB'000
Operating activities			
Profit for the year		**4,024,634**	1,522,223
Adjustments for:			
Income tax expense		**(87,060)**	9,266
Gain arising from changes in fair value less cost to sell of biological assets		**(2,293,307)**	(1,179,149)
Interest income	7	**(6,174)**	(25,021)
Finance costs	9	**156,269**	162,331
Dividend income from equity instrument at fair value through other comprehensive income	7	**(42,000)**	(10,552)
Loss on disposal of joint ventures	8	**–**	2,720
Share of gain of joint ventures		**–**	(360)
Depreciation of property, plant and equipment	10	**347,548**	282,685
Depreciation of right-of-use assets	10	**35,907**	26,485
Amortisation of intangible assets	10	**1,201**	1,032
Recognition of deferred government grants	36	**(9,214)**	(3,713)
Loss on disposal of property, plant and equipment, net	8	**38,397**	3,855
Impairment loss, net of reversal	8		
– property, plant and equipment		**111**	2,079
– accounts receivables, net		**(72)**	110
– other receivables, net		**(104)**	163
Write down of inventories to net realisable value	8	**702,889**	65,290
Exchange differences		**4,798**	375
Operating cash flows before movements in working capital		**2,873,823**	859,819
Increase in accounts receivables		**(476,333)**	(26,782)
Decrease/(increase) in prepayments, deposits and other receivables		**109,285**	(350,951)
(Increase)/decrease in other current assets, net of bank loans associated to other current assets		**(45,525)**	32,121
Decrease/(increase) in inventories		**153,476**	(2,710,496)
Decrease in biological assets		**118,157**	720,578
Increase/(decrease) in accounts and bills payables		**44,976**	(37,998)
Increase in other payables, accruals and deposits received		**354,538**	108,330
Increase in amounts due from related companies		**(49,335)**	(58,679)
(Decrease)/increase in amounts due to related companies		**(132,021)**	187,742
Increase in contract liabilities		**83,229**	187,825
Changes in derivative financial instruments		**(45,629)**	47,809
Cash generated from/(used in) operations		**2,988,641**	(1,040,682)
Income tax paid		**(26,789)**	(7,875)
Net cash generated from/(used in) operating activities		**2,961,852**	(1,048,557)

		Year ended At December 31,	
		2020	2019
	NOTES	**RMB'000**	RMB'000
Investing activities			
Interest received		**6,174**	25,021
Dividend received from equity instrument at fair value through other comprehensive income		**21,000**	10,552
Payments for property, plant and equipment		**(1,712,759)**	(965,940)
Payments for purchase of breeding stocks		**(26,307)**	(4,689)
Payments for right-of-use assets/leasehold lands		**(24,373)**	(14,277)
Payments for intangible assets		**(7,363)**	(1,551)
Proceeds from disposal of property, plant and equipment		**20,481**	4,438
Placement of pledged and restricted bank deposits		**(11,657)**	(9,762)
Withdrawal of pledged and restricted bank deposits		**9,762**	23,281
Withdrawal of time deposits with original maturity over three months when acquired		**–**	901,457
Proceeds from disposal/liquidation of investment in joint ventures		**–**	18,444
Deferred government grants received		**3,491**	17,217
Net cash (used in)/Generated from investing activities		**(1,721,551)**	4,191
Financing activities			
Dividend paid		**(573,394)**	–
Interest paid		**(182,920)**	(207,286)
New bank borrowings		**9,482,831**	7,253,378
Long-term payable receipt		**35,800**	47,000
Repayment of bank borrowings		**(10,084,418)**	(5,323,210)
Repayments of lease liabilities		**(65,458)**	(25,461)
Loans from related companies		**388,000**	265,700
Repayment of loans from related companies		**(496,046)**	(625,510)
Contribution from a non-controlling equity holder		**39,917**	56,588
Net cash (used in)/generated from financing activities		**(1,455,688)**	1,441,199
Net (decrease)/increase in cash and cash equivalents		**(215,387)**	396,833
Cash and cash equivalents at beginning of the year		**630,415**	274,171
Effect of foreign exchange rate changes		**1,622**	(40,589)
Cash and cash equivalents at end of the year		**416,650**	630,415
Represented by cash and bank balances	28	**416,650**	630,415
		416,650	630,415

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

1. GENERAL INFORMATION

COFCO Joycome Foods Limited (formerly known as COCFO 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 Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman,KY1-1103, 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	*Definition of Material*
Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9 HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF 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 and the related Amendments*[1]
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions*[4]
Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[5]
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	*Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*[1]
Amendments to HKAS 16	*Property, Plant and Equipment – Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2018 – 2020*[2]

1 Effective for annual periods beginning on or after January 1, 2023.
2 Effective for annual periods beginning on or after January 1, 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after June 1, 2020.
5 Effective for annual periods beginning on or after January 1, 2021.

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.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at December 31, 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

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

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

Amendments to HKFRSs Annual Improvements to HKFRSs 2018 – 2020

The annual improvements make amendments to the following standards.

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

HKAS 41 Agriculture

The amendment ensures consistency with the requirements in HKFRS 13 Fair Value Measurement by removing the requirement in paragraph 22 of HKAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for biological assets and certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into accounts the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that a within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are 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*.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation of consolidated financial statements (Continued)

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.

3.2 Significant accounting policies

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Investments in joint ventures (Continued)

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue recognition (Continued)

Principal versus agent (Continued)

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

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 or arising from business combinations, 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

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 of leasehold lands, offices, warehouses and dormitories 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets (Continued)

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modification

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.

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 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 related to income 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. Such grants are presented under "other income".

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

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Share-based payments (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to employees (Continued)

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Property, plant and equipment (Continued)

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

Impairment losses on 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 measureable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

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.

(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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(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 assessment 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.

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, in which case 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 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)

(i) Significant increase in credit risk (Continued)

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.

(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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 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)

(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.

(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.

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 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 (Continued)

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- 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 FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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 in most cases 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, 2020, the Group recognised revenue relating to trading of imported meat products amounted to RMB9,052,557,000 (2019: RMB5,026,349,000).

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 RMB4,125,522,000 as at December 31, 2020 (2019: RMB1,924,956,000 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 21 for further disclosures.

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 or upward revision of discount rate, a material impairment loss or further impairment loss may arise. As at December 31, 2020, the carrying amount of goodwill was RMB100,609,000 (2019: RMB100,609,000). (net of accumulated impairment loss of nil (2019: nil)). Details of the recoverable amount calculation are disclosed in Note 16.

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

Key sources of estimation uncertainty (Continued)

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, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

The net carrying amount of property, plant and equipment subject to impairment assessment as at December 31, 2020 was RMB7,908,173,000 (2019: RMB6,668,052,000) (net of accumulated loss of RMB3,415,000 (2019: RMB14,676,000)).

Deferred tax asset

As at December 31, 2020, a deferred tax asset of RMB134,399,000 (2019: RMB15,299,000) has been recognised in respect of deductible temporary differences mainly from certain subsidiaries engaged in meat import businesses. Except that, as at December 31, 2020 and 2019, 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 utilized. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

5. REVENUE

Disaggregation of revenue from contracts with customers

	For the year ended December 31, 2020				
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	**5,464,723**	**–**	**–**	**–**	**5,464,723**
Fresh pork	**–**	**3,653,584**	**–**	**–**	**3,653,584**
Processed meat products	**–**	**–**	**691,806**	**–**	**691,806**
Imported meat products	**–**	**–**	**–**	**9,111,999**	**9,111,999**
Total	**5,464,723**	**3,653,584**	**691,806**	**9,111,999**	**18,922,112**
Geographical markets					
Mainland China	**5,464,723**	**3,653,584**	**691,806**	**9,111,999**	**18,922,112**
Total	**5,464,723**	**3,653,584**	**691,806**	**9,111,999**	**18,922,112**
Timing of revenue recognition					
A point in time	**5,464,723**	**3,653,584**	**691,806**	**9,111,999**	**18,922,112**
Total	**5,464,723**	**3,653,584**	**691,806**	**9,111,999**	**18,922,112**

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, 2020		
	Segment revenue RMB'000	**Eliminations RMB'000**	**Consolidated RMB'000**
Hog production and sales	**6,338,958**	**(874,235)**	**5,464,723**
Sales of fresh pork	**3,703,975**	**(50,391)**	**3,653,584**
Sales of processed meat products	**692,978**	**(1,172)**	**691,806**
Imported meat products	**9,251,706**	**(139,707)**	**9,111,999**
Revenue from contracts with customers	**19,987,617**	**(1,065,505)**	**18,922,112**
Total revenue	**19,987,617**	**(1,065,505)**	**18,922,112**

5. REVENUE (Continued)

Disaggregation of revenue from contracts with customers (Continued)

	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)

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 full 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.

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, 2020							
Segment revenue							
External customers	5,464,723	3,653,584	691,806	9,111,999	18,922,112	–	18,922,112
Inter-segment sales	874,235	50,391	1,172	139,707	1,065,505	(1,065,505)	–
Segment revenue	6,338,958	3,703,975	692,978	9,251,706	19,987,617	(1,065,505)	18,922,112
Segment results	3,876,606	(118,419)	(71,460)	(535,711)	3,151,016	–	3,151,016
Unallocated corporate income							21,083
Unallocated corporate expenses							(192,415)
Fair value adjustments on biological assets and agricultural produce							1,114,159
Finance costs							(156,269)
Profit before tax							3,937,574

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, 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 and agricultural produce							1,148,817
Share of profit of joint ventures							360
Finance costs							(162,331)
Profit before tax							1,531,489

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 and agricultural produce, share of profit (loss) of joint venture, 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, 2020					
Amounts included in the measure of segment profit:					
Depreciation and amortisation*	**26,294**	**26,569**	**21,793**	**140**	**74,796**
Impairment/(reversal of impairment) of accounts receivable, net	**99**	**(151)**	**(20)**	**–**	**(72)**
Reversal of other receivable, net	**–**	**(104)**	**–**	**–**	**(104)**
Loss on disposal of property, plant and equipment, net	**38,125**	**236**	**36**	**–**	**38,397**
Write-down/(write-back) of inventories	**(143)**	**40,141**	**59,196**	**603,695**	**702,889**
Impairment of property, plant and equipment	**111**	**–**	**–**	**–**	**111**
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

* *Depreciation and amortisation not included in the measure of segment profit or loss for the year ended December 31, 2020 amounted to RMB246, 000 (2019: RMB344, 000).*

Geographical information

All of the revenue of the Group is derived from the Mainland China based on location of the operations for both 2020 and 2019.

All the Group's non-current assets at December 31, 2020 and 2019 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 2020 and 2019.

7. OTHER INCOME

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

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Interest income from banks	**1,220**	22,966
Interest income from a related company*	**4,954**	2,055
	6,174	25,021
Dividend income from equity instrument at FVTOCI	**42,000**	10,552
Government grants**	**124,021**	137,851
	172,195	173,424

* *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 28 and Note 49.*

** *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 36. Included in the above balances are government grants released from deferred income of RMB9,214,000 for the year ended December 31, 2020 (2019: RMB3,713,000).

8. OTHER GAINS AND LOSSES

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

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Exchange gain, net	**6,806**	5,007
Loss on disposal of property, plant and equipment, net	**(38,397)**	(3,855)
Write-down of inventories to net realisable value	**(702,889)**	(65,290)
Reversal/(impairment) on accounts receivable, net	**72**	(110)
Reversal/(impairment) on other receivables, net	**104**	(163)
Impairment of property, plant and equipment	**(111)**	(2,079)
Realised and unrealised loss on fair value changes in respect of foreign currency forward contracts, net	**(20,061)**	(54,562)
Realised and unrealised (loss)/gain on fair value changes in respect of commodity future, net	**(95,691)**	128,687
Loss on disposal of joint ventures	**–**	(2,720)
Others	**(15,579)**	(13,746)
	(865,746)	(8,831)

9. FINANCE COSTS

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

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Interest on:		
Bank borrowings	**145,963**	166,300
Long term payable	**3,720**	–
Loans from related companies *(Note 34)*	**11,614**	17,409
Lease liabilities from third parties	**14,975**	7,674
Total borrowing costs	**176,272**	191,383
Less: Borrowing costs capitalised in the cost of qualifying assets	**(20,003)**	(29,052)
	156,269	162,331

Borrowing costs capitalised to qualifying assets during the years ended December 31, 2020 and 2019 were based on actual borrowing costs incurred for specific borrowings.

10. PROFIT BEFORE TAX

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

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Cost of sales (represented the cost of inventories recognized as expenses during the year)	**14,315,334**	10,087,973
Gain on fair value changes in respect of biological assets	**4,420,273**	897,894
Total cost of sales	**18,735,607**	10,985,867
Employee benefits expense (including the directors' remuneration as disclosed in Note 12):		
Salaries and other allowances	**1,018,400**	634,454
Retirement benefit schemes contributions	**28,540**	53,667
Less: Capitalised in biological assets and construction in progress	**(486,057)**	(441,280)
	560,883	246,841
Depreciation of property, plant and equipment	**347,548**	282,685
Depreciation of right-of-use assets	**35,907**	26,485
Amortisation of intangible assets	**1,201**	1,032
Total depreciation and amortisation	**384,656**	310,202
Less: Capitalised in biological assets	**(309,614)**	(204,147)
	75,042	106,055
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,	
	2020	2019
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax (the "EIT")	**5,537**	24,756
Under provision in prior years:		
PRC Enterprise Income Tax	**5,165**	–
Deferred tax:		
Current year *(Note 22)*	**(97,762)**	(15,490)
	(87,060)	9,266

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 (2019: 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 (2019: 25%).

Certain operations of the Company's certain subsidiaries were exempted from PRC income taxes during both 2020 and 2019. 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, 2020 and 2019.

11. INCOME TAX EXPENSE (Continued)

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,	
	2020	2019
	RMB'000	RMB'000
Profit before tax	**3,937,574**	1,531,489
Tax at the domestic income tax rate of 25% (2019: 25%)*	**984,393**	382,872
Effect of different tax rates for entities of the Group operating in other jurisdictions	**20,151**	(16,668)
Effect of tax losses incurred for agricultural business and other non-deductible expenses	**2,465**	38,774
Tax effect of income not taxable for tax purpose	**(10,500)**	(8,303)
Tax effect of the fair value adjustments on biological assets	**(278,540)**	(287,204)
Effect of tax exemptions	**(922,850)**	(112,151)
Tax losses utilised from previous periods	**(3,962)**	(9,798)
Tax effect of tax losses not recognised	**88,574**	19,965
Tax effect of share of results of joint ventures	**–**	(90)
Under provision in prior years	**5,165**	–
Tax effect of temporary differences attributable to accumulated undistributable profits of the PRC subsidiaries recognised	**20,000**	–
Tax effect of deductible temporary differences not recognised	**8,248**	2,158
Others	**(204)**	(289)
Income tax expense for the year	**(87,060)**	9,266

* *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, 2020						
Executive director:						
JIANG Guojin	–	870	4	800	–	1,674
XU Jianong	–	790	4	720	–	1,514
Non-executive directors:						
WOLHARDT Julian Juul *(Note(a))*	–	–	–	–	–	–
CUI Guiyong	–	–	–	–	–	–
ZHOU Qi	–	–	–	–	–	–
YANG Hong	–	–	–	–	–	–
ZHANG Lei *(Note(b))*	–	–	–	–	–	–
HUANG Juhui *(Note(a))*	–	–	–	–	–	–
Independent non-executive directors						
FU Tingmei	295	–	–	–	–	295
LI Michael Hankin	295	–	–	–	–	295
LEE Ted Tak Tai *(Note(c))*	278	–	–	–	–	278
JU Jiandong	295	–	–	–	–	295
Total	1,163	1,660	8	1,520	–	4,351

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, 2019						
Executive director:						
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

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 resigned as a non-executive director of the Company on August 25, 2020.

(b) This director resigned as a non-executive director of the Company on December 11, 2020.

(c) This director resigned as an independent non-executive director of the Company on December 11, 2020.

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

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, 2020 included two (2019: two) directors of the Company. Details of the emoluments of the three (2019: three) highest paid employees who are not the directors of the Company are as follows:

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**4,472**	4,506
Retirement benefit schemes contributions	**85**	160
	4,557	4,666

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,	
	2020	2019
HK$1,500,001 to HK$2,000,000	**2**	3
HK$2,000,001 to HK$2,500,000	**1**	–
	3	3

14. DIVIDENDS

	Year ended December 31,	
	2020	2019
Dividends recognized as distributions during the year	**573,394**	–

In June 2020, the Company declared a final dividend of Hong Kong Dollar ("HKD") 0.048 (equivalent to RMB0.044) per share with total dividend of HKD187,296,000 (equivalent to RMB171,705,000) to shareholders for the year ended December 31, 2019. The dividend was paid in July 2020.

In August 2020, the Company declared an interim dividend of HKD0.118 (equivalent to RMB0.103) per share with total dividend of HKD460,000,000 (equivalent to RMB401,689,000) out of the Company's share premium account to shareholders for the six months ended June 30, 2020. The dividend was paid in September 2020.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended December 31, 2020 of HKD0.206 (equivalent to RMB0.173) per share with total dividend of HKD803,812,000 (equivalent to RMB674,237,000), has been proposed by the directors of the Company, subject to the approval by the shareholders of the Company at the forthcoming annual general meeting and compliance with the Companies Law of the Cayman Islands. Together with the interim dividend for 2020 in the amount of HKD0.118 per share, the full-year dividend for 2020 is HKD0.324 (equivalent to RMB0.276) (2019: HKD0.048) per ordinary share, in an aggregate amount of HKD1,263,812,000 (equivalent to RMB1,075,926,000) (2019: HKD187,296,000 (equivalent to RMB171,705,000)).

15. EARNINGS 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,	
	2020	2019
	RMB'000	RMB'000
Earnings for the purpose of basic earnings per share		
Profit for the year attributable to owners of the Company	**3,995,124**	1,573,727

Number of shares

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,901,998**	3,901,998

The calculation of the basic earnings per share attributable to the owners of the Company is based on profit for the year attributable to owners of the Company of RMB3,995,124,000 (2019: RMB1,573,727,000). The denominators used are the same as those detailed above for basic earnings per share.

No diluted earnings per share for both 2020 and 2019 were presented as there were no potential ordinary shares in issue for both 2020 and 2019.

16. GOODWILL

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

	Year ended December 31,	
	2020	2019
	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 (2019: five-year), and discount rate of 11% (2019: 12%). 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, 2020 and 2019, 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, 2019	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
Additions	26,315	11,183	29,310	28,274	30,199	1,521,377	1,646,658
Transfer	827,247	–	448,172	8,544	10	(1,283,973)	–
Disposals	(43,537)	(735)	(45,298)	(7,280)	(4,562)	(5,101)	(106,513)
At December 31, 2020	**5,365,809**	**30,259**	**2,388,150**	**168,192**	**112,185**	**1,337,480**	**9,402,075**
Depreciation and impairment:							
At January 1, 2019	(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 recognized 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)
Charge for the year	(164,816)	(7,089)	(138,450)	(21,705)	(15,488)	–	(347,548)
Impairment loss recognized in profit or loss	–	–	–	–	–	(111)	(111)
Eliminated on disposals	10,630	735	26,651	5,694	3,925	–	47,635
At December 31, 2020	**(720,304)**	**(16,710)**	**(608,340)**	**(85,692)**	**(59,947)**	**(2,909)**	**(1,493,902)**
Net carrying values:							
At December 31, 2020	**4,645,505**	**13,549**	**1,779,810**	**82,500**	**52,238**	**1,334,571**	**7,908,173**
At December 31, 2019	3,989,666	9,455	1,459,425	68,973	38,154	1,102,379	6,668,052

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 RMB26,728,000 as at December 31, 2020 (2019: RMB28,158,000) 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, 2020.

18. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Properties RMB'000	Total RMB'000
As at December 31, 2020			
Carrying amount	**419,460**	**187,585**	**607,045**
As at December 31, 2019			
Carrying amount	383,038	18,313	401,351
For the year ended December 31, 2020			
Depreciation charge	**17,801**	**18,106**	**35,907**
For the year ended December 31, 2019			
Depreciation charge	15,949	10,536	26,485

	Year ended 2020 RMB'000	Year ended 2019 RMB'000
Expense relating to short-term leases	**29,015**	14,095
Variable lease payments not included in the measurement of lease liabilities	**8,157**	2,684
Total cash outflow for leases	**127,003**	42,422
Additions to right-of-use assets	**241,601**	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, 2020, 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 are contain variable lease payment that are based on 5% to 18.5 % 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. INTANGIBLE ASSETS

The Group's intangible assets comprise purchased computer softwares.

	2020 RMB'000	2019 RMB'000
Cost:		
At beginning of the reporting period	**9,462**	7,911
Additions	**7,363**	1,551
At end of the reporting period	**16,825**	9,462
Accumulated amortisation:		
At beginning of the reporting period	**6,897**	5,865
Amortisation provided during year	**1,201**	1,032
At end of the reporting period	**8,098**	6,897
Net carrying values:		
At end of the reporting period	**8,727**	2,565

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.

20. EQUITY INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31/12/2020 RMB'000	31/12/2019 RMB'000
Unlisted investment classified under non-current assets		
Equity investment:	**132,121**	205,969

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.

21. 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,	
	2020 '000	2019 '000
Live hogs:		
– piglets	**307**	105
– nursery hogs	**537**	230
– medium and large finishing hogs	**739**	278
– replacement studs and gilts	**86**	84
	1,669	697
Breeding stock	**205**	83
	1,874	780

21. 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, 2019	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
Additions: breeding costs	3,194,136
Additions: purchase of breeding stocks	25,416
Gain arising from changes in fair value less costs to sell of biological assets	5,534,432
Transfer to cost at the point of harvest	(6,338,303)
Decrease due to culling	(215,115)
At December 31, 2020	**4,125,522**

21. BIOLOGICAL ASSETS (Continued)

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

Analysed for reporting purpose

	At December 31,	
	2020	2019
	RMB'000	RMB'000
Live hogs and breeding stock	**4,125,522**	1,924,956
Less: current portion	**(3,164,491)**	(1,449,250)
Non-current portion	**961,031**	475,706

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, 2020 and 2019.

	At December 31,	
	2020	2019
	RMB	RMB
Live hogs and breeding stock		
Piglets *(Note (a))*		
Per head market price/replacement cost	**404 to 1,386**	1,050 to 1,231
Nursery hogs *(Note (b))*		
Per head market price	**1,051 to 2,537**	1,271 to 1,612
Medium and large finishing hogs *(Note (c))*		
Per head market price	**1,481 to 3,687**	1,582 to 3,850
Replacement studs and gilts *(Note (d))*		
Per head cost	**1,527 to 8,560**	670 to 31,038
Breeding stock *(Note (e))*		
Per head replacement cost	**2,965 to 14,873**	5,000 to 15,000

21. BIOLOGICAL ASSETS (Continued)

Key assumptions and inputs (Continued)

Notes:

(a) *As there were active markets for piglets, the market prices have been adopted.*

(b) *As there were active markets for the nursery hogs, the market prices of nursery hogs have been adopted.*

(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, 2020 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.

22. DEFERRED TAX ASSETS

The following is the analysis of the deferred tax balances for financial reporting purposes:

	At December 31,	
	2020 **RMB'000**	2019 RMB'000
Deferred tax assets	**134,399**	15,299
Deferred tax liabilities	**(31,446)**	(10,108)

As at December 31, 2020, the Group has unrecognised tax losses of RMB631,337,000 (2019: RMB301,809,000) and unrecognised deductible temporary differences in relation to impairment of accounts receivable, other receivables and write-down of inventories to net realisable values of RMB43,265,000 (2019: RMB10,273,000) available for offset against future taxable income.

As at December 31, 2020, deferred tax assets of RMB134,399,000 (2019: RMB15,299,000) 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, 2020 and 2019, 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, 2020, deferred tax liabilities of RMB9,680,000 has been recognised in respect of taxable temporary differences on relocation of property, plant and equipment and land use rights, and deferred tax liabilities of RMB1,766,000 has been recognised in respect of acceleration tax depreciation of property, plant and equipment, and deferred tax liabilities of RMB20,000,000 has been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated undistributable profits of the PRC subsidiaries.

The unrecognised tax losses will expire in the following years:

	At December 31,	
	2020 **RMB'000**	2019 RMB'000
To be expired on:		
December 31, 2020	**–**	24,767
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**	79,858
December 31, 2025	**354,295**	–
Total unused tax losses not recognised as deferred tax assets	**631,337**	301,809

22. 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	Distributable profits of subsidiaries RMB'000	Accelerated tax depreciation RMB'000	Provision against inventories RMB'000	Total RMB'000
At January 1, 2019	(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
Charge to profit or loss	–	(20,000)	(1,919)	–	(21,919)
Credit to profit or loss	428	–	153	119,100	119,681
At December 31, 2020	**(9,680)**	**(20,000)**	**(1,766)**	**134,399**	**102,953**

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 been provided for undistributed profits to the extent that declarations of dividends are anticipated in the foreseeable future.

23. INVENTORIES

	At December 31,	
	2020 RMB'000	2019 RMB'000
Raw materials and consumables	**449,752**	394,980
Work in progress	**9,300**	17,892
Finished goods	**1,865,470**	2,768,015
	2,324,522	3,180,887

24. ACCOUNTS RECEIVABLES

	At December 31,	
	2020	2019
	RMB'000	RMB'000
Accounts receivables from contracts with customers	**659,024**	182,691
Less: Allowance for credit losses	**(380)**	(452)
Total accounts receivables	**658,644**	182,239

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,	
	2020	2019
	RMB'000	RMB'000
Within 90 days	**233,570**	178,012
90 to 180 days	**1,755**	3,382
180 days to 1 year	**423,051**	472
Over 1 year	**268**	373
	658,644	182,239

As at December 31, 2020, included in the Group's accounts receivables are debtors with aggregate carrying amount of RMB21,183,000 (2019: RMB13,631,000) which are past due as at the reporting date. Out of the past due balances, RMB694,000 (2019: RMB903,000) 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 47.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

	At December 31,	
	2020	2019
	RMB'000	RMB'000
Value-added tax recoverable	**327,050**	312,477
Prepayments	**69,438**	65,272
Dividend receivable	**21,000**	–
Deposits	**14,620**	142,927
Others	**14,318**	14,035
	446,426	534,711
Allowance for credit losses	**(7)**	(111)
	446,419	534,600

26. OTHER CURRENT ASSETS

As at December 31, 2020 and 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 then 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 33.

27. BALANCES WITH RELATED COMPANIES

Related companies include entities controlled by major shareholders.

Included in amounts due from related companies as at December 31, 2020 were receivables in trade nature of RMB28,442,000 (2019: RMB33,236,000). 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,	
	2020	2019
	RMB'000	RMB'000
Within 90 days	**18,207**	33,234
Over 90 days but less than 1 year	**10,235**	2
	28,442	33,236

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.

27. 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, 2020 are set out in Note 47.

Included in amounts due to related companies as at December 31, 2020 were payables in trade nature of RMB47,276,000 which are unsecured, interest-free and payable according to the relevant contracts (2019: RMB15,062,000). 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,	
	2020	2019
	RMB'000	RMB'000
Within 90 days	**44,698**	13,586
Over 90 days but less than 1 year	**560**	1,464
Over 1 year	**2,018**	12
	47,276	15,062

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.

28. CASH, DEPOSITS AND BANK BALANCES

	At December 31,	
	2020	2019
	RMB'000	RMB'000
Cash and bank balances	**80,060**	434,646
Time deposits with original maturity within three months when acquired	**123,503**	46,838
Deposits with a non-bank financial institution*	**224,744**	158,693
	428,307	640,177
Less:		
Pledged and restricted bank deposits *(Note 42)*:		
– for bills payables	**11,657**	9,762
	11,657	9,762
	416,650	630,415

* *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.

29. ACCOUNTS AND BILLS PAYABLES

An analysis of accounts and bills payables is as follows:

	At December 31,	
	2020	2019
	RMB'000	RMB'000
Accounts payables	**507,665**	460,789
Bills payables	**–**	1,900
	507,665	462,689

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,	
	2020	2019
	RMB'000	RMB'000
Within 1 year	**484,278**	444,973
1 to 2 years	**18,901**	9,683
Above 2 years	**4,486**	6,133
	507,665	460,789

30. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

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

	At December 31,	
	2020	2019
	RMB'000	RMB'000
Bills payables for purchase of property, plant and equipment	**13,796**	54,712
Construction costs payables	**220,265**	209,550
Deposits received	**112,781**	99,642
Salaries and wages payables	**365,022**	122,857
Accruals	**123,064**	102,538
Tax element of contract liabilities	**31,411**	26,277
Others	**96,431**	51,291
	962,770	666,867

31. LEASE LIABILITIES

	At December 31,	
	2020	2019
	RMB'000	RMB'000
Lease liabilities payable:		
Within one year	**13,709**	17,000
Within a period of more than one year but not more than two years	**8,873**	19,625
Within a period of more than two years but not more than five years	**47,361**	31,828
Within a period of more than five years	**258,860**	93,605
	328,803	162,058
Less: Amount due for settlement with 12 months shown under current liabilities	**(13,709)**	(17,000)
Amount due for settlement after 12 months shown under non-current liabilities	**315,094**	145,058

32. CONTRACT LIABILITIES

	At December 31,	
	2020	2019
	RMB'000	RMB'000
Hogs	**60,916**	28,496
Fresh pork	**36,620**	37,507
Processed meat products	**11,523**	13,135
Import meat products	**299,087**	245,779
Total – current	**408,146**	324,917

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, 2020	**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	**28,496**	**37,507**	**13,135**	**245,779**

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

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.

33. BANK BORROWINGS

	At December 31,	
	2020	2019
	RMB'000	RMB'000
Unsecured bank loans	**8,305,875**	7,633,957
Carrying amount of the above borrowings repayable*:		
Within one year**	**8,134,165**	6,301,064
In the second year	**9,803**	256,284
In the third to fifth year, inclusive	**24,297**	713,678
Beyond five years	**137,610**	362,931
	8,305,875	7,633,957
Less: Amounts due within one year shown under current liabilities	**(8,134,165)**	(6,301,064)
Amounts shown under non-current liabilities	**171,710**	1,332,893

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

** *As at December 31, 2020, the bank loan balances include bank loans from a designated bank as set out in Note 26 amounting to RMB3,479,649,000 (2019: RMB2,204,000,000), which bear interest at 4.35% (2019: 4.35%) per annum.*

	At December 31,	
	2020	2019
	RMB'000	RMB'000
Fixed-rate borrowings	**8,084,025**	5,800,726
Variable-rate borrowings	**221,850**	1,833,231
	8,305,875	7,633,957

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	
	2020	2019
Fixed-rate borrowings	**1.65% to 4.36%**	3.60% to 4.90%
Variable-rate borrowings	**0.91% to 2.55%**	2.58% to 4.99%

34. 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. The loans from related companies of RMB2,500,000 (2019: RMB110,700,000) which bear interest ranging at fixed rates of 3.26% (2019: 3.78% to 4.35%) per annum. No loan (2019: RMB2,500,000) is 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% (2019: 4.9%) per annum and repayable in November 2035 and June 2036. See Note 36 for further details.

35. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities mandatorily measured at FVTPL:

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Classified under current liabilities:		
Foreign currency forward contracts *(Note i)*	**4,889**	41,534
Commodity futures contracts *(Note ii)*	**–**	8,984
Total	**4,889**	50,518

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 loss on lean hog futures contracts of RMB95,691,000 (2019: gain of RMB128,687,000) 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, 2020

Notional amount	**Exchange rates**	**Maturity Date**
Buy USD36,350,000	USD1: RMB6.5387 to 6.8687	January 6, 2021 to April 26, 2021
Buy EUR820,000	EUR1: RMB7.8895 to 7.9246	January 29, 2021 to March 13, 2021

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

36. 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,	
	2020	2019
	RMB'000	RMB'000
At beginning of the reporting period	**153,385**	139,881
Subsidies obtained during the year	**3,491**	17,217
Credited to profit or loss during the year	**(9,214)**	(3,713)
At end of the reporting period	**147,662**	153,385

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 34). 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.

37. 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.

On November 17, 2020, the above subsidiary of the Group entered a supplementary agreement with the local government body pursuant to which the government body made another advance payment of RMB40,000,000 to the subsidiary as a deposits to acquire parts of certain plants on the premises of the subsidiary of the Group (the "Additional Government Advance") and the parts of certain plants will be leased back to the subsidiary upon the completion of the construction. In exchange, the subsidiary agreed to pay 3% of the Additional Government Advance (RMB1,200,000) as return on the first year and 10% per annum from the second year to the 19th year.

As at December 31, 2020, the construction of above-mentioned plants were not completed. The Government Advance and the Additional Government Advance are in substance borrowings repayable in installments and are measured at amortised cost with effective interest rate of 7.92% and 7.69% respectively per annum.

38. SHARE CAPITAL

	Number of shares	Amount USD	Equivalent to RMB'000
Authorised:			
At January 1, 2019 and at December 31, 2020 and 2019	50,000,000,000	50,000	323

A summary of the Company's issued ordinary share capital is as follows:

	Number of shares in issue	Issued capital RMB'000
At January 1, 2019 and December 31, 2020 and 2019	3,901,998,323	1,668,978

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	At December 31,	
	2020	2019
	RMB'000	RMB'000
Non-current assets		
Investment in subsidiaries	**2,615,888**	2,615,888
Amount due from a subsidiary	**682,174**	650,308
	3,298,062	3,266,196
Current assets		
Loans to subsidiaries	**–**	500,280
Due from subsidiaries	**9,759**	45,154
Cash and bank balances	**11,982**	20,321
	21,741	565,755
Current liabilities		
Bank borrowings	**33,666**	–
Due to subsidiaries	**170,859**	109,883
Other payables and accruals	**1,184**	1,006
	205,709	110,889
Net current (liabilities)/assets	**(183,968)**	454,866
Net assets	**3,114,094**	3,721,062
Capital and reserves		
Share capital	**1,668,978**	1,668,978
Reserves	**1,445,116**	2,052,084
	3,114,094	3,721,062

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, 2019	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
Loss and total comprehensive expense for the year	–	–	–	(33,574)	(33,574)
Dividends recognised as distribution	(401,689)	–	–	(171,705)	(573,394)
At December 31, 2020	**1,244,271**	**220,351**	**3,011**	**(22,517)**	**1,445,116**

40. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on March 27, 2015 for the primary purpose of providing incentives to directors 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%

40. 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, 2020 and 2019:

	2020			2019		
	Director	**Employees**	**Total**	Director	Employees	Total
At January 1,	**3,044,440**	**26,480,663**	**29,525,103**	4,564,440	40,505,616	45,070,056
Granted during the year	**–**	**–**	**–**	–	–	–
Adjustments based on performance	**–**	**–**	**–**			
Exercised during year	**1,522,959**	**8,218,335**	**9,741,294**	1,520,000	14,024,953	15,544,953
Lapsed during the year	**–**	**–**	**–**	–	–	–
At December 31,	**1,521,481**	**18,262,328**	**19,783,809**	3,044,440	26,480,663	29,525,103

The Group recognised nil (2019: nil) share option expense for the year ended December 31, 2020 in relation to share options granted by the Company.

41. CAPITAL COMMITMENTS

	At December 31,	
	2020	2019
	RMB'000	RMB'000
Contracted but not provided for:		
Capital commitments in respect of:		
Purchase of property, plant and equipment	**633,409**	433,214

42. PLEDGE OF ASSETS

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

	At December 31,	
	2020	2019
	RMB'000	RMB'000
Bank deposits	**11,657**	9,762

43. RETIREMENT BENEFIT SCHEME

The employees of the Group in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The Group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income amounted to approximately RMB28,540,000 for the year ended December 31, 2020 (2019: RMB53,667,000).

44. 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, 2020 RMB'000	Bank loans relating to procurement agency arrangements RMB'000	Addition of lease liabilities RMB'000	Financing cash flows RMB'000	Interest accrual RMB'000	Foreign exchange translation RMB'000	At December 31, 2020 RMB'000
Bank borrowings**	7,662,391	1,268,713*	–	(772,814)	145,963	1,622	**8,305,875**
Long-term payable	47,000	–	–	35,800	3,720	–	**86,520**
Loans from related parties	205,069	–	–	(108,046)		–	**97,023**
Interest payable for loans from related parties	138	–	–	(11,693)	11,614	–	**59**
Lease liabilities	162,058	–	217,228	(65,458)	14,975	–	**328,803**
	8,076,656	1,268,713	217,228	(922,211)	176,272	1,622	**8,818,280**

* *balances represent the bank loans from a designated bank relating to the procurement agency arrangements as set out in Note 33. 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.*

** *balances include both the principals and interests.*

	At January 1, 2019 RMB'000	Bank loans relating to procurement agency arrangements RMB'000	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	3,538,136	2,204,000*	–	1,759,490	166,300	(5,535)	7,662,391
Long-term payable	–	–	–	47,000	–	–	47,000
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 33. 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.*

45. 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 33, 34 and 37, 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.

46. 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,	
	2020	2019
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost	**4,737,922**	3,186,269
Equity instruments at FVTOCI	**132,121**	205,969
Financial liabilities		
Amortised cost	**9,661,343**	9,219,328
Financial liabilities at fair value through profit or loss	**4,889**	50,518

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity instrument 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,	
	2020	2019
	RMB'000	RMB'000
Assets		
Denominated in HKD:		
Cash and bank balances	**3,811**	4,243
Denominated in USD:		
Cash and bank balances	**6,372**	198,114
Denominated in EUR:		
Cash and bank balances	**5,228**	5,051
Financial assets at fair value through profit or loss	**85**	–
	15,496	207,408
Liabilities		
Denominated in USD:		
Bank borrowings	**182,697**	432,524
Account payables	**36,777**	48,603
Financial liabilities at fair value through profit or loss	**4,974**	50,518
	224,448	531,645

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 negative number below indicates a decrease in post-tax profit and other equity where RMB weakening 5% (2019: 5%) against USD. For a 5% (2019: 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 positive.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risks (Continued)

Currency risk (Continued)

	Currency USD Impact	
	2020 **RMB'000**	2019 RMB'000
Profit or loss	**(8,178)**	(12,508)
Equity	**(8,178)**	(12,508)

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 33 for details of these borrowings), loans from related companies (see note 34 for details), long-term payable (see note 37 for details) and lease liabilities (see note 31 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and deposits (see note 28 for details), variable-rate bank borrowings (see note 33 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, 2020 would decrease/increase by RMB1,664,000 (2019: loss for the year would increase/decrease by RMB13,749,000). Results of the analysis above represent the effects on outstanding bank borrowings with a floating interest rate at the end of each reporting period.

47. 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, 2020, 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, 2020 and 2019, 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.

47. 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:

2020	**12-month or lifetime ECL**	**Gross carrying amount RMB'000**
Financial assets at amortised costs		
Other receivables	12-month ECL	49,938
Accounts receivables – goods and services	Lifetime ECL (not credit impaired) (provision matrix)	659,024

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

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.

47. 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, 2020, the Group reversed RMB72,000 (2019: 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 row 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, 2020, the Group has available unutilised short-term bank loan facilities of approximately RMB9,845,121,000 (2019: RMB7,477,555,000).

47. 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, 2020						
Non-derivative financial liabilities						
Accounts and bills payables	**–**	**507,665**	**–**	**–**	**507,665**	**507,665**
Other payables, accruals and deposits received	**–**	**931,359**	**–**	**–**	**931,359**	**931,359**
Bank borrowings	**0.91% to 4.36%**	**8,467,666**	**38,294**	**171,462**	**8,677,422**	**8,305,875**
Long-term payable	**7.69% to 7.92%**	**9,000**	**36,000**	**121,500**	**166,500**	**86,520**
Amounts due to related companies	**–**	**97,923**	**–**	**–**	**97,923**	**97,923**
Loans from related companies	**4.9%**	**4,402**	**7,392**	**176,176**	**187,970**	**97,023**
Lease liabilities	**3.85% to 4.9%**	**14,370**	**64,374**	**333,800**	**412,544**	**328,803**
		10,032,385	**146,060**	**802,938**	**10,981,383**	**10,355,168**
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
Long-term payable	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

47. 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 considers 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, 2020			
Derivatives – net settlement			
Foreign currency forward contracts	**4,889**	**4,889**	**4,889**
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

48. 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.

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, 2020				
Financial assets at FVTOCI				
Equity instrument at fair value through other comprehensive income	**–**	**–**	**132,121**	**132,121**
Financial liabilities				
Derivative financial instruments	**–**	**4,889**	**–**	**4,889**
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

48. 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		Fair value hierarchy	Valuation technique(s) and key input(s)
	December 31, 2020	December 31, 2019		
1) Foreign currency forward contracts	**Liabilities – RMB4,889,000**	Liabilities – RMB41,534,000	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	**Nil**	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		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	December 31, 2020	December 31,2019			
3) Unquoted equity investment at FVTOCI	**15% equity investment in McKey Food Services Ltd – RMB132,121,000**	15% equity investment in McKey Food Services Ltd – RMB205,969,000	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 (2019: 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 RMB881,000 (December 31, 2019: RMB1,373,000).

48. 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, 2019	399,222
Total losses:	
in other comprehensive income	(193,253)
At December 31, 2019	205,969
Total losses:	
in other comprehensive income	(73,848)
At December 31, 2020	132,121

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.

49. 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,	
	2020 RMB'000	2019 RMB'000
Transactions with related companies:		
Sales of goods*	**50,232**	339,628
Purchases of goods*	**398,867**	228,780
Short-term office rental expense*	**8,752**	7,711
Property management fee expense*	**1,011**	947
Feeding materials processing fee expense*	**1,433**	4,665
Short-term warehouse rental expense*	**2,318**	3,294
Interest income*	**4,954**	2,055
Interest expense*	**11,614**	17,409
Administrative expense	**4,274**	1,760
Agency procurement service revenue*	**59,442**	27,105
Short-term facilities rental expense*	**15,080**	–

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

49. 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 34.

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, 2020 amounted to RMB344,744,000 (2019: RMB158,693,000), see Note 28.

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 predominated 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 sales of goods, 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,	
	2020	2019
	RMB'000	RMB'000
Salaries, bonuses and other allowances	**9,682**	9,610
Retirement benefit scheme contributions	**101**	372
	9,783	9,982

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's emoluments are included in Note 12.

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries at December 31, 2020 and 2019 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
			2020 %	2019 %	
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
中糧家佳康農牧(天津)有限公司 (前稱中糧肉食(天津)有限公司) (COFCO JOYCOME Agro-Pastoral (Tianjin) Co., Ltd.*) (formerly known as COFCO Meat (Tianjin) Co., Ltd) *(Note (ii))*	PRC/PRC	US$15,000,000	**100**	100	Hog production
中糧家佳康(江蘇)有限公司 (前稱中糧肉食(江蘇)有限公司) (COFCO Joycome (Jiangsu) Limited*) (formerly known as 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$133,134,558	**100**	100	Hog production

50. 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
			2020 %	2019 %	
中糧家佳康(赤峰)有限公司 (COFCO Joycome (Chifeng) Co., Ltd.*) *(Note (ii))*	PRC/PRC	US$102,081,247	**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
江蘇中穩農業發展有限公司 (前稱江蘇中慕農業發展有限公司) (Jiangsu CM/Merit Agriculture Development Co., Ltd.*) *(Note (ii))*	PRC/PRC	US$51,257,185	**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, 2020 and 2019.

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.

51. EVENT AFTER THE REPORTING PERIOD

As disclosed in Note 14, in March 2021, a final dividend in respect of the year ended December 31, 2020 of HKD0.206 (equivalent to RMB0.173) per share with total dividend of HKD803,812,000 (equivalent to RMB674,237,000), has been proposed by the directors of the Company, subject to the approval by the shareholders of the Company at the forthcoming annual general meeting and compliance with the Companies Law of the Cayman Islands. Together with the interim dividend for 2020 in the amount of HKD0.118 per share, the full-year dividend for 2020 is HKD0.324 (equivalent to RMB0.276) (2019: HKD0.048) per ordinary share, in an aggregate amount of HKD1,263,812,000 (equivalent to RMB1,075,926,000) (2019: HKD187,296,000 (equivalent to RMB171,705,000)).

Financial Summary

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

CONSOLIDATED RESULTS

	Year ended December 31,				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations					
Revenue	**18,922,112**	11,078,665	7,168,488	6,960,567	6,616,068
Profit/(loss) for the year from continuing operations	**4,024,634**	1,522,223	(646,649)	444,807	947,935
Discontinued operations					
Profit for the year from discontinued operations	**–**	–	–	–	3,921
Profit/(loss) for the year	**4,024,634**	1,522,223	(646,649)	444,807	951,856
Total comprehensive income/(expense) attributable to:					
Owners of the Company	**3,926,074**	1,380,849	(606,829)	455,398	947,842
Non-controlling interests	**29,510**	(51,504)	(18,982)	(6,822)	(56)
	3,955,584	1,329,345	(625,811)	448,576	947,786

ASSETS AND LIABILITIES

	As at December 31,				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**20,561,996**	16,123,845	10,259,757	8,910,697	8,306,677
Total liabilities	**(10,979,716)**	(9,963,672)	(5,485,517)	(3,965,379)	(3,868,418)
Total equity	**9,582,280**	6,160,173	4,774,240	4,945,318	4,438,259
Equity attributable to:					
Owners of the Company	**9,409,273**	6,056,593	4,675,744	4,901,378	4,434,947
Non-controlling interests	**173,007**	103,580	98,496	43,940	3,312
	9,582,280	6,160,173	4,774,240	4,945,318	4,438,259

Investors' Calendar

Annual Results Announcements

March 18, 2021 (Thursday) (audited)

Closure of Register of Members

The register of members of the Company will be closed from June 25, 2021 to June 30, 2021, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the Annual General Meeting, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all properly completed 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 June 24, 2021.

In addition, the registers of members of the Company will also be closed from July 7, 2021 to July 9, 2021, both days inclusive, in order to determine the identity of the Shareholders who are entitled to receive the final dividend, during which period no transfer of shares of the Company will be registered. In order to qualify for the 2020 final dividend, all properly completed 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 July 6, 2021.

Annual General Meetings

June 30, 2021 (Wednesday)

Dividend

The Board recommended the payment of a final dividend for 2020 out of the share premium account under reserves of the Company in the amount of HK$0.206 per share to Shareholders.

Glossary

"2016 Administrative Services Agreement"	the administrative services agreement entered into between the Company and COFCO on October 14, 2016
"2016 Beijing Property Leasing Contract"	the property leasing contract entered into 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 in relation to the deposit services, the loan services, the entrustment loan services and the other financial services entered into between the Company and COFCO Finance 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 between the Company and COFCO on October 14, 2016
"2017 Financial Services Agreement"	the financial services agreement in relation to the deposit services, the loan services, the entrustment loan services and the other financial services entered into between the Company and COFCO Finance on November 23, 2016
"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 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 Hong Kong 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
"2020 Lease Framework Agreement"	the production line lease framework agreement entered into by the Company and COFCO Feed on May 21, 2020
"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
"Chifeng Company"	COFCO Joycome (Chifeng) Co., Ltd., a limited liability company incorporated in the PRC on March 7, 2014 and an indirectly wholly-owned subsidiary of our Company
"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 Feed"	COFCO Feed Co Ltd (中糧飼料有限公司), a company established in the PRC with limited liability in June 30, 2003 and a wholly-owned subsidiary of COFCO
"COFCO Finance"	COFCO Finance Corporation Limited (中糧財務有限責任公司), a non-bank financial institution incorporated with limited liability in the PRC on September 24, 2002, and an indirect wholly-owned subsidiary of COFCO
"COFCO Group"	COFCO and its subsidiaries other than our Group and including the Disposal Group (unless the context indicates otherwise)
"COFCO (HK)"	COFCO (Hong Kong) Limited (中糧集團(香港)有限公司), a company incorporated in Hong Kong with limited liability on August 14, 1981, and a direct wholly-owned subsidiary of COFCO and a major Shareholder of the Company
"COFCO Joycome", "Company" or "our Company"	COFCO Joycome Foods Limited (中糧家佳康食品有限公司) (formerly known as COFCO Meat Holdings Limited (中糧肉食控股有限公司) and 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

Glossary

"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
"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
"connected person"	has the meaning ascribed thereto under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules
"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
"Huashang"	Huashang Reserve Commodity Management Center Co., Ltd. (華商儲備商品管理中心有限公司), a company incorporated in the PRC on 21 January 1998, and an indirectly wholly-owned subsidiary of COFCO
"Hubei Company"	COFCO Joycome (Hubei) Co., Ltd., a limited liability company incorporated in the PRC on July 16, 2018 and an indirectly wholly-owned subsidiary of our Company
"Jiangsu Company"	COFCO Joycome (Jiangsu) Co., Ltd. a limited liability company incorporated in the PRC on June 26, 2009 and an indirectly wholly-owned subsidiary of our Company
"Jilin Company"	COFCO Joycome (Jilin) Co., Ltd. a limited liability company incorporated in the PRC on December 4, 2012 and an indirectly wholly-owned subsidiary of our Company
"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
"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
"Ministry of Agriculture and Rural Affairs"	Ministry of Agriculture and Rural Affairs of the PRC (中華人民共和國農業農村部) or its local counterpart
"MIY"	MIY Corporation, a limited liability Company incorporated under the laws of Japan on January 18, 2011
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"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
"Non-competition Undertakings"	the non-competition undertakings entered into by COFCO, COFCO (HK), China Foods (Holdings) and Mainfield in favor of the Company
"PBOC"	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"	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)

Glossary

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Mutual Supply Agreement"	the supplemental agreement dated September 9, 2019 in respect of the Revised Annual Caps and the 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
"Wuhan COFCO Meat"	COFCO Wuhan Meat Product Co., Ltd., a limited liability company incorporated in the PRC on September 30, 2002 and an indirectly wholly-owned subsidiary of our Company
"Zhangbei Company"	COFCO Joycome (Zhangbei) Co., Ltd., a limited liability company incorporated in the PRC on December 4, 2014 and an indirectly wholly-owned subsidiary of our Company