Annual Report
2022

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
Main Board of the Stock Exchange

Stock Code: 1610

Company Website
www.cofcojoycome.com

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

Non-executive Directors
Mr. Ma Dewei
Dr. Zhao Wei
Mr. Shi Bo

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. Zhao Wei

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

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

Food Safety Committee
Mr. Jiang Guojin (Chairman)
Dr. Zhao Wei

Auditor
Baker Tilly Hong Kong Limited

Legal Adviser
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. Jiang Guojin
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
17/F, Far East Finance Centre,
16 Harcourt Road, 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

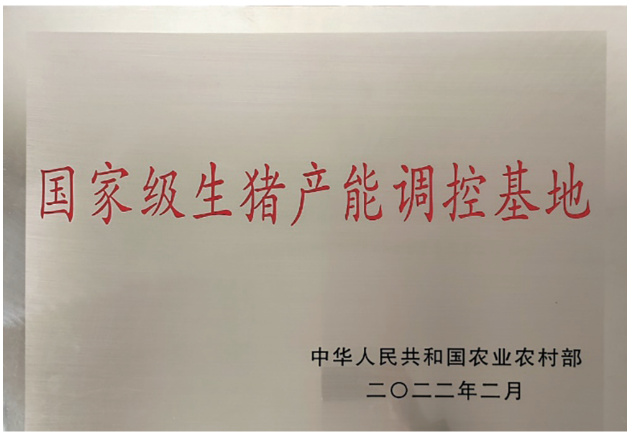
Major Events in COFCO Joycome in 2022

January

COFCO Joycome (Zhangbei) Co., Ltd. was listed as a National African Swine Fever-free Community by the Ministry of Agriculture and Rural Affairs of the PRC and became a Provincial Meat Reserve Enterprise of Hebei Province.

February

COFCO Joycome (Jilin) Co., Ltd., the Dongtai Branch of COFCO Joycome (Jiangsu) Limited, COFCO Joycome (Yancheng) Co., Ltd., COFCO Joycome (Henan) Co., Ltd. and Jiangsu CM/Merit Agriculture Development Co., Ltd. were honoured with the title of National Pig Production Capacity Control Base.



February

COFCO Joycome (Zhangbei) Co., Ltd. was named a Provincial Standardized Construction Site for Prevention and Control of African Swine Fever by the Department of Agriculture and Rural Affairs of Hebei Province.

February

The Company has obtained the national invention patent certificate for the "pig feeds used for the production of healthy pork products with rich α-linolenic acid and their application". Being the core patent for Joycome pork products with linolenic acid, this patent is a strong testimony to the high-quality healthy meat of our product, thus significantly enhanced the market competitiveness of our product.

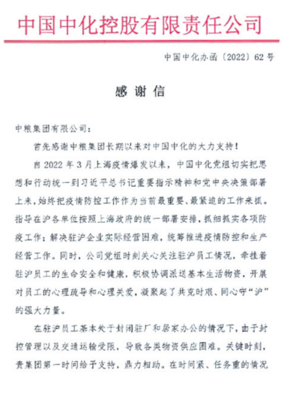
March

The "Party Building-Guided Rural Revitalization and Ecological Agriculture Demonstration Park Project" jointly developed by COFCO Joycome (Jilin) Co., Ltd. and the Organization Department of Changling Party Committee, Songyuan City, Jilin Province has commenced operation. With 22,000 hogs being sold during the year, the project generated additional collective income of RMB3.60 million to the villages and income of RMB3 million to the farmers.

Major Events in COFCO Joycome in 2022

May

Since the outbreak of pandemic in Shanghai in March, Joycome actively fulfilled its responsibilities as a central enterprise by serving over 10 districts including Minhang District, Pudong New District, Xuhui District and Jing'an District with its "community group purchase + community delivery" model, which satisfied the pressing demands of the public for healthy and nutritious pork products. The Company has received letters of appreciation from the Special Task Force for Securing Anti-Pandemic Supplies and Daily Supplies of Shanghai City and Sinochem Holdings Corporation Ltd. in this regard.


中国中化控股有限责任公司

中国中化办函〔2022〕62号

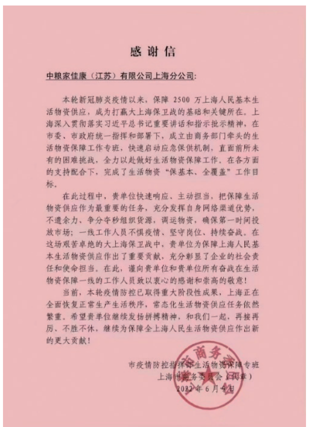
感谢信

中粮集团有限公司：

首先感谢中粮集团长期以来对中国中化的大力支持！

自2022年3月上海疫情爆发以来，中国中化党组切实把思想和行动统一到习近平总书记重要指示精神和党中央决策部署上来，始终把疫情防控工作作为当前最重要、最紧迫的工作来抓。指导在沪各单位按照上海政府的统一部署安排，抓细抓实各项防疫工作；解决驻沪企业实际经营困难，统筹推进疫情防控和生产经营工作。同时，公司党组时刻关心关注驻沪员工情况，牵挂着驻沪员工的生命安全和健康，积极协调派送基本生活物资，开展对员工的心理疏导和心理关爱，凝聚起了共克时艰、同心守"沪"的强大力量。

在驻沪员工基本处于封闭驻厂和居家办公的情况下，由于封控管理以及交通运输受限，导致各类物资供应困难。关键时刻，贵集团第一时间给予支持，鼎力相助。在时间紧、任务重的情况


感谢信

中粮家佳康（江苏）有限公司上海分公司：

本轮新冠肺炎疫情以来，保障2500万上海人民基本生活物资供应，成为打赢大上海保卫战的基础和关键所在。上海深入贯彻落实习近平总书记重要讲话和指示批示精神，在市委、市政府统一指挥和部署下，成立由商务部门牵头的生活物资保障工作专班，快速启动应急保供机制，直面前所未有的困难挑战，全力以赴做好生活物资保障工作。在各方面的支持配合下，完成了生活物资"保基本、全覆盖"工作目标。

在此过程中，贵单位快速响应、主动担当，把保障生活物资供应作为最重要的任务，充分发挥自身网络渠道优势，不遗余力、争分夺秒组织货源，调运物资，确保第一时间投放市场；一线工作人员不惧疫情、坚守岗位、持续奋战。在这场艰苦卓绝的大上海保卫战中，贵单位为保障上海人民基本生活物资供应作出了重要贡献，充分彰显了企业的社会责任和使命担当。在此，谨向贵单位和贵单位所有奋战在生活物资保障一线的工作人员致以衷心的感谢和崇高的敬意！

当前，本轮疫情防控已取得重大阶段性成果，上海正在全面恢复正常生产生活秩序，常态化生活物资供应任务依然繁重。希望贵单位继续发扬拼搏精神，和我们一起，再接再厉、不胜不休，继续为保障全上海人民生活物资供应作出新的更大贡献！

市疫情防控指挥部生活物资保障专班
上海市商务委员会（代章）
2022年6月9日

June

COFCO Wuhan Meat Product Co., Ltd. (hereinafter referred to as "Wuhan Company") was honoured with the title of National and Provincial Key Leading Agricultural Enterprise in Hubei.

Consistently and actively responding to the government's call for key leading agricultural enterprises, Wuhan Company took "devoting to the building of the industrial chain of meat products and committing to the production of safe and green meat products" as its own responsibility and strictly controlled all processes from farm to table including feeds, breeding stocks, commodity pigs, processing of meat products, deep processing of meat products and cold chain delivery, so as to ensure the safety of the meat products of Joycome.

June

The COFCO Joycome South China Cutting Center in the Central Region was put into production successfully, which covers a site area of 2,500 square meters and recorded the highest daily output of 38 thousand boxes in 2022. It mainly covered two top-tier cities, i.e. Shenzhen and Guangzhou, as well as other regions, including Zhuhai, Zhongshan and Foshan, thereby filling the gap in South China market and effectively pushing forward the development of the brand business in South China region.

August

Joycome created a new brand advertisement with the slogan of "Joycome Brings Love at First Bite" (家佳康，一口就爱上), which highlighted and reinforced the "safety-oriented and healthier" image of the brand by focusing on both rational and emotional appeal.

Major Events in COFCO Joycome in 2022

August

The new slaughtering project of COFCO Joycome in Chifeng with a capacity of 1 million heads was completed and put into production. The project adopts world-leading production lines imported from Denmark, and mainly comprises pre-slaughtering, slaughtering, cooling and cutting. After reaching the designated production capacity, the project may provide more than 600 jobs and realize an annual output value of RMB1.5 billion. With the project going into production, Joycome has officially established an integrated project in Ongniud Banner with operation covering the whole industrial chain from feed production, hog production, slaughtering and processing, cold-chain sales to cleaning and environmental protection.

September

The Joycome Breeding Farm and a comprehensive farmer production information management platform were officially put into operation, which comprehensively covered various processes including inventory management, breeding procedures and sales. A closed-loop management was implemented with processes of "benchmarking, planning, execution, recording, reporting, feedback collection and follow-up", which effectively enhanced management efficiency.

October

The annual hog production volume of COFCO Joycome (Jilin) Co., Ltd. and COFCO Joycome (Chifeng) Co., Ltd. both exceeded 1 million heads.

Major Events in COFCO Joycome in 2022

October

Han Jun, the Deputy Party Secretary and Governor of the Jilin Province, visited COFCO Joycome (Jilin) Co., Ltd. to survey and inspect the development of hog production and slaughtering business, and gave a high recognition to the business development of the Company. He also hoped that COFCO Joycome will continue to leverage its existing industrial model advantages and expand the scale of hog production business to develop linseed fed pork and other good products, at the same time continuing to scale up the cooperation with relevant industries in Jilin Province to support rural revitalization and promote comprehensive and sustainable development of the economy.

October

In cooperation with Huazhong Agricultural University and Shanghai MTC Information Technology Co., Ltd., COFCO Joycome completed the development of data interface for its genome breeding platform and the operating system of its farms, the incorporation of genomic data computing function modules and the formulation of the entire computing and write-back process of genomic breeding value. A breeding platform integrating genomic data management and computing and real-time notification of genomic breeding value was successfully established, which realized a preliminary real-time application of genomic breeding technology in core hog breeding farms.

December

The Group has established COFCO Joycome (Suizhou) Co., Ltd. in active response to Hubei Province and Guangshui City governments' development vision for meat industry of establishing a whole hog breeding industry chain project with high standards. The project will further expedite Suizhou Company's production capacity expansion in Guangshui City, which will facilitate the local development of agricultural industrialization.

Major Events in COFCO Joycome in 2022

December

COFCO Joycome (Henan) Co., Ltd. completed the delivery of a nursery and finishing farm with 27,600 hogs sold annually and a nursery and finishing farm with 110,400 hogs sold annually. The construction of the fourth phase of the nursery and finishing farm project in Yongcheng, Henan was completed and put into production. So far, Henan Company had 5 breeding farms and 6 finishing farms with an annual production capacity of 552,000 heads.

The construction of the new finishing farm project with production capacity of 110,400 heads of COFCO Joycome (Chifeng) Co., Ltd. was completed and put into production. So far, the cumulative production capacity of Chifeng Company reached 1.38 million heads.

The reconstructed hog farm No. 9 and the newly-constructed hog farm No. 16 of COFCO Joycome (Jilin) Co., Ltd. were successfully put into operation, which comprised of a sow farm with 4,800 sows in stock and a finishing farm with 110,400 hogs sold annually. The project adopted new and advanced heat recovery technology for hog breeding for the first time. It is expected to save RMB2.40 million per year in heating energy expense.

December

COFCO Joycome (Henan) Co., Ltd. was awarded as a key leading enterprise in agricultural industrialization in Henan Province.

December

The Group launched a brand-new advertisement for Joycome linseed-fed pork products. The products have obtained a national invention patent, which further highlighted the product advantages with the slogan of "Healthier life, good fat, 6 times linolenic acid". Such products not only increased the awareness of health, but also satisfied consumers' demand for high-quality and healthy meat products.

2022

COFCO Meat Investments Co., Ltd. was awarded the title of "2022 Excellent Industry and Finance Cultivation Base" by Dalian Commodity Exchange.

COFCO Joycome (Hubei) Co., Ltd. was awarded the honorary title of "Demonstration Unit of Standardization Demonstration Project of High-quality Agricultural Development (Standardized Construction of Hog Slaughtering)" at the national level.

Financial Highlights

Key Operating Data

	2022	2021	year-on-year
Hog production volume (unit: '000 heads)[1]	**4,103**	3,437	19.4%
Average selling price of finishing hogs (RMB/kg)[1]	**17.86**	18.26	-2.2%
Fresh pork sales volume (unit: '000 tons)[2]	**231**	166	39.1%
Branded small-packed fresh pork sales volume (unit: '000 boxes)	**55,833**	50,167	11.3%
Ratio of revenue from branded business of total fresh pork business[3]	**30.4%**	34.6%	-4.2ppt
Meat import sales volume (unit: '000 tons)	**71**	124	-42.7%

Key Financial Data

	2022		2021	
	Before biological assets fair value adjustments RMB'000	**After biological assets fair value adjustments RMB'000**	Before biological assets fair value adjustments RMB'000	After biological assets fair value adjustments RMB'000
Revenue[4]	**12,900,684**	**12,900,684**	13,227,606	13,227,606
Profit/(loss) for the year[5]	**(319,778)**	**356,934**	2,353,715	(483,801)
Profit/(loss) attributable to the owners of the Company[6]	**(320,038)**	**356,674**	2,377,819	(459,697)
Basic earnings/(loss) per share[7]	**RMB(0.0820)**	**RMB0.0914**	RMB0.6094	RMB(0.1178)

Notes:

1. *Due to the relatively sufficient hog supply across the country, hog price in the industry fell slightly, and the average selling price of finishing hogs of the Group decreased by 2.2% year-on-year during the current period. Benefiting from the improvement in production management and prevention and control of the epidemic, the Group's hog production volume increased by 19.4% year-on-year.*

2. *The Group actively promoted the commissioning of new production capacity, leading to an increase in fresh pork sales volume of 39.1% year-on-year. Meanwhile, the Group vigorously developed the community group purchase channels to promote its small-packed fresh pork products, as a result of which the sales volume of branded small-packed fresh pork products increased by 11.3% 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.*

4. *Revenue amounted to RMB12,901 million, representing a year-on-year decrease of 2.47%. On one hand, prices of imported frozen pork products were inverted, and the Company took initiative to reduce the volume of import business. On the other hand, there was a substantial growth in sales volume of fresh pork, hence resulting in a significant increase in segment revenue.*

5. *Loss for the period before biological assets fair value adjustments amounted to RMB320 million, representing a year-on-year drop of 113.6%. It was mainly due to the higher feed cost as a result of the rising global feed ingredients prices, and the adverse impact arising from the Company's participation in futures hedging during the period. In addition, as affected by the market conditions in the second half of the year, the import business incurred a loss.*

6. *Loss attributable to the owners of the Company before biological assets fair value adjustments amounted to RMB320 million. The biological assets fair value was adjusted based on the hog price at the end of December 2022. Compared to that as of December 31, 2021, the price of our live hogs increased and the number of our live hogs increased.*

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

The Board has resolved not to declare any final dividend for the year ended December 31, 2022.

Chairman's Statement

Dear Shareholders,

Looking back to 2022, history has turned a treacherous page. In the face of challenges such as the normalization of the epidemic, significant increase in raw material prices and continued downturn in terminal consumption, our staff pulled together to forge ahead, work perseveringly and stick to pragmatism. The breeding efficiency has continued to rank the forefront of the industry and the brand reputation has been further enhanced with steady progress in various major tasks.

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 rapid recovery in production volume and further improvement in cost control capabilities.

Secondly, our whole industrial chain deployment continued to make progress. In 2002, the hog production business accelerated the construction of supporting facilities and new production capacity, Guangdong cutting center and modern slaughtering and processing base in Inner Mongolia for fresh pork business were successfully put into production, which significantly improved the upstream-downstream alignment of the industry chain and the response speed to the terminal market.

Thirdly, our branded businesses were growing rapidly. Supported by its dual roles as a "Partner of China Space" and a "Sports-Training Bureau National Team Preparation Protection Product", we renewed the brand slogan - "Joycome, fall in love with one bite", and strengthen the promotion in Beijing, Shanghai, Wuhan and other core regions, the brand awareness in each region having been steadily improved. At the same time, we accelerated the construction of brand terminals and opened 360 new franchised stores throughout the year. The product image of "Healthier life, good fat, 6 times linolenic acid" got popular and the small-packed fresh pork, especially the linseed-fed pork, maintained a rapid growth.

Fourthly, our meat import business continued to strengthen risk control and deepen downstream synergy. We took initiative to reduce procurement of pork with 100% back-to-back lock orders, purchase beef selectively in favorable market conditions; At the same time, we strengthened the cooperation with the downstream further processing business to fully integrate raw materials, processing and customer resources, and enhanced the combination of processing and trade.

Fifthly, we continued to promote in-depth integration of the ESG management model with the Company's operation. Since its listing, COFCO Joycome has officially published its ESG report publicly, which was among one of the earliest companies to introduce ESG responsibility management model in the farming industry in the PRC. Based on more than 10 years of experience in resource utilization of farming waste, the Company continued to promote the resource treatment technology of "Reduce Burden and Return to Farm (減負還田)", enhance the organic combination of farming and breeding, and dedicate to building a green recycling agricultural industry chain, effectively reducing the total cost of environmental protection and risks; at the same time, through the adoption of information technology system, we optimized business processes, improved management efficiency and reduced management costs while further implementing the concept of low-carbon environmental protection.

In the past year, despite uncertainties arising from the challenges of market fluctuations and the dual epidemic strike, our team was well trained and disciplined, sticking to our strategic concept and taking a leap in management expertise. In 2023, with the shift of domestic pandemic prevention and control policy, domestic consumption demands are expected to be gradually released. However, the international situation is still uncertain, and the risk of market fluctuation still exists. While maintaining our strategic focus, we will endeavor to:

Resolutely prevent and control African swine fever to ensure stable production and smooth sales; strengthen internal benchmarking to narrow the gap in internal breeding performance and consolidate core competitive advantages; optimize hedging strategies to achieve an organic combination of futures and spot; continue to promote upstream-downstream alignment and make every effort in branding operation and market development of Guangdong cutting center and northern fresh pork plant; strengthen market research and risk control of import business, deepen in terminal channels, strengthen the combination of processing and trade to promote value-added businesses.

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. In 2023, we will continue to shoulder our mission and march forward, firmly develop the industrial chain, focus on developing high-quality products, and promote our businesses to a new level, so as to bring better returns to our shareholders!

Jiang Guojin
Chairman of the Board, Executive Director
and General Manager

March 28, 2023

Management Discussion and Analysis

I. COMPANY PROFILE

Company Introduction

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

The main businesses of the Company include feed production, hog production, slaughtering and cutting, production, distribution and sale of fresh pork and processed meat products, import and distribution of meat products (including pork, beef, poultry and mutton). As a leading meat enterprise with operations covering the integrated industry 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.

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 four modern slaughtering and processing bases in Jiangsu, Hubei, Jilin and Inner Mongolia (putting into operation in August 2022), and a cutting center in Guangdong (putting into operation in June 2022). 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, Wuhan, Jilin, Guangdong and Inner Mongolia.

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

Sufficient hog supply with lower-than-expected demands causing hog price to fall again after rebounding from the bottom

According to the data from the National Bureau of Statistics, hog production volume in China amounted to 700 million heads in 2022, representing a year-on-year increase of 4.3%; pork output was 55.41 million tons, representing a year-on-year increase of 4.6%.

In early 2022, with the effect of capacity reduction gradually manifested, hog price continued to rise since the end of March 2022. Three weeks into October 2022, the average hog price of 22 provinces in China hit a periodic peak of RMB28.32/kg, which rebounded by over 130% from the level at the end of March 2022. In the fourth quarter, the boost in demand from the traditional peak season of pork consumption fell short of expectations as the relatively sufficient supply of pork and under the influence of the COVID-19 Pandemic outbreaks in various regions, leading to a continuing fall in hog price by the end of the year. As a result, the average hog price of 22 provinces reached RMB18.41/kg by the end of December 2022, which declined by 35% from the peak in late October 2022.

As of the end of December 2022, the stock of breeding sows in China amounted to 43.90 million heads, which slightly exceeded the upper limit of the green and reasonable range.

Normalization of the African Swine Fever Accelerating the Large-scale Operation

Industry players have accumulated certain experience in response to the African swine fever and significantly enhanced their overall capabilities in disease prevention and control since it spread into China in 2018 and has lasted for four years. In particular, large-scale enterprises have better advantages in terms of hardware development and software optimization, which further raised the threshold of the industry and led to a continuous expansion of the operation scale thereof.

The catering consumer market suffered a setback while household consumption drove the rapid growth of new channels under the COVID-19 Pandemic

In 2022, as the catering consumer market was impacted by the outbreaks of the COVID-19 Pandemic in various regions, the domestic revenue from total retail sales in the catering segment witnessed year-on-year contractions for nine months throughout the year, representing a cumulative year-on-year drop of 6.3%.

Nonetheless, the demand for household consumption increased on the back of the pandemic, and food safety and convenience became more and more important. The fresh food e-commerce, community group purchase and other emerging channels maintained the rapid development momentum. With its advantages of high quality, standardization, hygiene and convenience, branded small-packed pork products of the Company responded to the channel development and met the market demand, thereby gaining higher brand recognition and consumer loyalty.

Significant Reduction in Pork Imports and Continuous Growth in Beef Imports

According to customs statistics, China's total meat imports amounted to 7.40 million tons in 2022, representing a year-on-year drop of 21% and demonstrating a downward trend for three consecutive years.

In 2022, China's pork imports (excluding by-products) were 1.76 million tons, representing a year-on-year decrease of 52.6%. It accounted for 3.2% of domestic pork production, down by approximately 4 percentage points year-on-year.

With the general enhancement of peoples' living standards, beef gradually becomes a regular type of household consumer goods, and hence beef imports have sustained an upward trend in recent years. In 2022, beef imports (excluding by-products) amounted to 2.69 million tons, representing a year-on-year increase of 15.3%. It accounted for 37.5% of domestic beef production, up by approximately 4 percentage points year-on-year.

III. Results of Operation

In 2022, the Company's loss before fair value adjustment of biological assets amounted to RMB320 million, down by RMB2,673 million year-on-year, among which a year-on-year decrease of RMB2,505 million in the result of hog production segment was recorded. It was mainly attributable to the higher feed cost as a result of the rising global feed raw material prices, and the adverse impact arising from the Company's participation in futures hedging during the period. However, the Company stayed committed to focusing on production management, strictly implemented cost reduction and efficiency enhancement, and partially offset the adverse impact of surging feed cost by improving production efficiency and production capacity utilization. In terms of the fresh pork business, the Company took the initiative to shoulder its social responsibility as a state-owned enterprise and spared no efforts to safeguard market supply, albeit being challenged by the pandemic outbreaks in various regions. In the meantime, it accelerated the development of brand terminal and further improved its brand recognition and reputation, which led to a year-on-year growth of 39.1% in sales volume of the segment during the reporting period. In respect of the processed meat products segment, the Company actively leveraged its advantage in imported raw materials to attract catering customers and relied on the fresh product channel to expedite the expansion of retail business. Confronting the unfavorable situations such as the abrupt drop in catering consumption and the market downturn, the meat import segment performed stringent risk control, took proactive measures and pushed forward channel development in lower-tier markets. It also continued to promote the "trading plus processing" model so as to release the upstream and downstream synergies.

During the reporting period, the Company reported a total net profit of RMB357 million after biological assets fair value adjustments, which grew by RMB841 million as compared with the same period last year.

Hog production business

Actively Respond to External Challenges, Focus on Strengthening Internal Benchmarking and Improve Production Efficiency

In 2022, the Company's hog production volume reached 4,103 thousand heads, representing an increase of 19.4% year-on-year. In response to the multiple external challenges, the Company remained committed to building its internal strengths, and adhered to refined management: strengthening internal benchmarking and implementing resident management to narrow the gap between internal breeding results. To fully mobilize the enthusiasm and responsibility of front-line employees, the Company optimized its management team and implemented precise incentive measures. It also continued to step up its efforts in conducting market research and analysis for raw material procurement and optimized its feed formulation, with a view to minimizing the negative impact of the rising raw material prices on the cost.

Comprehensive Upgrade of Breeding System

As of the end of 2022, the Company's stock of breeding sows amounted to 263 thousand heads, which helped to safeguard production capacity for the subsequent production. With the preliminary establishment of the genome-based breeding process, the Company has continued to advance the development of the hog breeding system construction, which has contributed to accelerating realization of the optimization of herd performance.

Fresh pork business

Substantial Growth in Sales Volume of Fresh Pork and Significant Improvement in Upstream-downstream Alignment

In 2022, the Company's sales volume of fresh pork amounted to 231 thousand tons, which rose by 39.1% year-on-year. With a modern slaughtering and processing base in Inner Mongolia, completed in August 2022, and a cutting center in Guangdong, completed in June 2022, being put into production, the Company accelerated the improvement of upstream-downstream alignment. For the fresh pork segment, the proportion of internal procurement of hogs registered a significant year-on-year growth during the reporting period.

Brand Terminal Construction Accelerated, and Sales of Small-Packed Fresh Pork Increased Significantly

During the reporting period, the Company further promoted brand terminal construction and increased the number of brand outlets, with 360 new franchised stores opened throughout the year. In June 2022, the Company completed the commissioning of Guangdong cutting center, supporting the accelerated expansion of the Company's brand business in South China market. During the reporting period, the sales volume of branded small-packed fresh pork amounted to 55.833 million boxes, representing a year-on-year increase of 11.3%, with an average daily sales volume of 153 thousand boxes, of which the sales volume of linseed-fed small-packed pork increased by 138.0% year-on-year.

The Brand Influence of "Joycome" Continues to Expand as We Optimize our Product Positioning

In the first half of 2022, during the COVID-19 pandemic prevention and control in Jilin, Shanghai and Beijing, etc., the Company responded quickly and proactively, activated the emergency mechanism, and ensured "continuous supply, no drop in quality and stable price" during the pandemic while taking proper prevention and control measures, so as to use our best efforts to meet the needs of consumers' household consumption, at the same time truly securing the effective supply of products from the production and logistics ends.

In addition, as an authorized "Sports-Training Bureau National Team Preparation Protection Product" by the General Administration of Sport of China Training Bureau, the Company continued to consolidate the "safety" foundation for its brand. Meanwhile, responding to the consumption trend, the Company leveraged its linseed-fed pork products to meet the health demands of customers, and took advantage of a two-pronged approach of "safety + health" for precise product promotion. During the 2022 Beijing Winter Olympic Games, the Company became a meat supplier and partner of the "Cross-line and Cross-item Snowboarding National Training Team". Regarding parent-child families, the Company has launched high-spending sports events such as youth golf and yoga for baby mothers, which helped further expansion of its brand influence.

Meat import business

Segment Results Suffered in the Second Half of the Year due to Sluggish Catering Consumption as a Result of the COVID-19 Pandemic

Under the sufficient supply of domestic hogs, the prices of imported frozen pork products were inverted, and the Company took initiative to reduce the pork import volume. The significant decline in catering demand resulting from the impact of the COVID-19 pandemic in various regions in the second half of 2022, coupled with the gradual recovery of port transportation and the abundant supply of imported beef in the market, has led to a rapid decrease in the sales price of imported beef , which impacted the beef import segment. Facing the risk of market fluctuations, the Company actively explored end customers and strengthened its cooperation with downstream processed meat segment, thereby constantly enhancing its ability to combine downstream processing and trading.

IV. Financial Review

Overall Performance

In 2022, the revenue of the Group was RMB12,901 million, representing a decrease of RMB327 million as compared with RMB13,228 million for the same period in 2021. Prior to biological assets fair value adjustments, the net profit of the Group was a loss of RMB320 million, while the net profit for the same period in 2021 was a profit of RMB2,354 million.

Revenue

In 2022, the revenue of the Group was RMB12,901 million, representing a decrease of 2.5% as compared with RMB13,228 million for the same period in 2021. On one hand, prices of imported frozen pork products were inverted, and the Company took initiative to reduce the volume of import business. On the other hand, there was a substantial growth in sales volume of fresh pork, hence resulting in a significant increase in segment revenue.

Gross Profit Margin

In 2022, the gross profit margin before biological assets fair value adjustments of the Group was 3.7%, representing a year-on-year decrease of 22.9 percentage points. It was mainly attributable to the higher feed cost as a result of the rising global feed raw material prices, and the adverse impact arising from the Company's participation in futures hedging during the reporting period. At the same time, the average selling price of finishing hogs amounted to RMB17.86/kg, representing a year-on-year decrease of 2.2%, which resulted in the unsatisfactory performance of gross profit margin.

Selling and Distribution Expenses/ Administrative Expenses

In 2022, the total selling and distribution expenses and administrative expenses of the Group amounted to RMB664 million, representing a decrease of 13.9% as compared with RMB771 million for the same period last year.

Finance Costs

In 2022, the Group's finance costs amounted to RMB177 million, representing an increase of RMB53.49 million as compared with RMB123 million in the same period of 2021, mainly due to the increase in finance costs as a result of the expansion of the size of financing.

Other Income, Other Gains and Losses

In 2022, the Group's other income, other gains and losses amounted to a total gain of RMB166 million, representing a decrease of RMB46.35 million as compared with that of the same period in 2021. It was mainly attributable to the fluctuation in exchange rates during the year.

Profit/(Loss) for the Year

For the reasons above, the Group recorded a loss of RMB320 million before biological assets fair value adjustments during 2022, as compared with the profit of RMB2,354 million before biological assets fair value adjustments in the same period in 2021.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save as disclosed in this annual report, the Group had neither any other significant investments nor significant acquisitions and disposals of the relevant subsidiaries, associates and joint ventures in 2022.

Major Financial Ratios

The financial ratios of the Group as at December 31, 2022 and December 31, 2021 are set forth below:

	December 31, 2022	December 31, 2021
Return on equity[(1)]	**4.2%**	-5.3%
Return on assets[(2)]	**2.0%**	-2.5%
Interest coverage ratio[(3)]	**3.58 times**	0.84 times
Current ratio[(4)]	**0.80**	0.89
Net debt-to-equity ratio[(5)]	**73.3%**	60.0%

Notes:

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

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

(3) Equals profit/loss before finance costs and income tax expense for the year divided by finance costs (with capitalised interest added back) for that year and multiplied by 100%.

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

(5) Equals 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 account receivables as well as the capability of generating 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 maturity profile.

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. 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 and Hong Kong dollars. We paid close attention to exchange rate fluctuations and adopted currency forward contracts in due course to hedge the majority of exchange rate risks.

As at December 31, 2022, the cash and bank balances owned by the Group amounted to approximately RMB1,040 million (December 31, 2021: approximately RMB1,041 million). The cash and bank balances remained largely stable.

As at December 31, 2022, our current ratio was 0.80 (December 31, 2021: 0.89). As at December 31, 2022, our unused bank credit facilities were RMB10,237 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 2022, the EBITDA of the Group (before biological assets fair value adjustments)[1] was RMB786 million (same period in 2021: RMB3,662 million). The EBITDA of the Group (after biological assets fair value adjustments)[2] was RMB1,240 million (same period in 2021: RMB597 million).

Notes:

1. *The EBITDA of the Group (before biological assets fair value adjustments) refers to the aggregate amount of profit/loss for the period (before biological assets fair value adjustments), income tax expenses, finance costs and depreciation and amortisation, among which depreciation and amortisation refer to the total amount of depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of intangible assets and depreciation provided for productive biological assets before biological assets fair value adjustments.*

2. *The EBITDA of the Group (after biological assets fair value adjustments) refers to the aggregate amount of profit/loss for the period (after biological assets fair value adjustments), income tax expenses, finance costs and depreciation and amortisation, among which depreciation and amortisation refer to the total amount of depreciation of property, plant and equipment, depreciation of right-of-use assets and amortisation of intangible assets.*

In 2022, cash used in our operating activities was RMB6.13 million (generated during the same period in 2021: RMB3,082 million). Cash used in our investment activities was RMB924 million (used during the same period in 2021: RMB1,471 million), including RMB979 million for the purchase of property, plant and equipment (same period in 2021: RMB1,461 million). Cash generated from our financing activities was RMB944 million (used during the same period in 2021: RMB984 million). In summary, in 2022, our net decrease in cash and bank balances was RMB0.95 million.

Capital Structure

As at December 31, 2022, the total number of issued shares of the Company remained unchanged at 3,901,998,323 shares.

As at December 31, 2022, the Group had interest-bearing bank loans of approximately RMB5,998 million (December 31, 2021: approximately RMB6,109 million). The annual interest rate on bank loans ranged from 0.91% to 5.14% (December 31, 2021: from 0.91% to 4.26%). 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, 2022**	December 31, 2021
Within 1 year	**5,852**	5,964
1 to 2 years	**58**	12
3 to 5 years	**88**	124
Over 5 years	**–**	9
Total	**5,998**	6,109

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

Unit: RMB in million	**December 31, 2022**	December 31, 2021
Fixed-rate borrowings	**4,408**	5,608
Variable-rate borrowing	**1,590**	501
Total	**5,998**	6,109

As at December 31, 2022, the Group had loans from related parties of approximately RMB1,103 million (December 31, 2021: approximately RMB100 million).

As at December 31, 2022, the Group had net assets of approximately RMB8,263 million (December 31, 2021: approximately RMB8,609 million). Net debts[3] of the Group amounted to approximately RMB6,060 million (December 31, 2021: approximately RMB5,168 million), while the net debt-to-equity ratio was approximately 73.3% (December 31, 2021: approximately 60.0%).

Note:

3. *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, 2022 and December 31, 2021, the Group had no significant contingent liabilities.

As at December 31, 2022 and December 31, 2021, the Group had no bank loans pledged 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 2022, the Group's capital expenditure was RMB993 million (same period in 2021: RMB1,473 million). The following table sets forth our capital expenditure for the years indicated:

Unit: RMB in million	**2022**	2021
Payments for property, plant and equipment	**979**	1,461
Payments for right-of-use assets	**10**	12
Payments for intangible assets	**4**	–
Total	**993**	1,473

In 2022, our demand for capital expenditure mainly came from the construction of the hog farms in the Inner Mongolia Autonomous Region, Jilin Province and Henan Province.

Capital Commitment

Capital commitment of the Group is mainly related to the construction of hog farms and other production and ancillary facilities. As at December 31, 2022, capital commitment of the Group was RMB525 million (December 31, 2021: RMB596 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, 2022, we owned 330 thousand heads of breeding and replacement hogs in total, representing an increase of 35.3% as compared with 244 thousand heads as at December 31, 2021. The fair value of our biological assets was RMB3,063 million as at December 31, 2022 and RMB1,853 million as at December 31, 2021. 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 periods.

In 2022 and 2021, such adjustments have resulted in an increase of RMB1,236 million and an increase of RMB1,803 million in cost of sales, respectively. Additionally, in 2022 gains arising from fair value less cost of sales of agricultural products at the point of harvest amounted to RMB1,780 million (the same period in 2021: losses of RMB490 million); gains arising from changes in fair value of biological assets less cost of sales amounted to RMB133 million (the same period in 2021: losses of RMB544 million). In general, the net effect of adjustment in fair value of biological assets on profit was gains of RMB677 million during the reporting period and losses of RMB2,838 million during the same period in 2021.

V. Human Resources

The continuing operations of the Group hired 9,980 employees as at December 31, 2022 (2021: 8,965 employees). Remuneration for employees was determined based on their job nature, personal performance and the market trends. 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 realized 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. In 2022, total remuneration of the Group amounted to approximately RMB1,079 million (2021: RMB1,151 million).

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

The major threat to the development of animal husbandry is epidemic risks. 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 2022, African swine fever epidemic continued all across the country. There are four 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 outbreak of epidemic will increase daily consumption expenditures in the long run, since it may inhibit hogs' growth, reduce the production efficiency, and increase feed and veterinary drug consumption, all of which will result in higher operating costs. Third, the epidemic will bring phrased reduction to production in hog farms because the purification process reduces the production efficiency of the farms in stages and increases the operating costs, resulting in reduced effectiveness. Fourth, 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 Procedure for Biosecurity Control (《生物安全控制程序》), the Contingency Plan for Major Animal Disease Prevention and Control (《重大動物疫情應急預案》), the Operation Manual of Swine Diseases Prevention and Control (《豬病防控操作手冊》), the Prevention and Emergency Response Plan for African Swine Fever (《非洲豬瘟預防及應急處置方案》) and the Disease Prevention, Control and Monitoring and Specimen Collection for Virus Testing Plan (《疾病防控監測及病料採樣檢測計劃》), and constantly improved the level and capacity of biosecurity control, so as to comprehensively prevent and curb major animal diseases such as African swine fever.

In addition, in 2022, the COVID-19 epidemic continued to spread across the globe. The major risks brought by the COVID-19 epidemic 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 disease may cause a decline in demand for meat in catering channels in the short term, which adversely affected the sales of meat products of the Company. To cope with the risks caused by the COVID-19 epidemic, 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 soy bean 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.

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 systems such as Regulations on Safety Production Management (《安全生產管理規定》), Measures for Administration of Production Safety Accidents (《生產安全事故管理辦法》) and Comprehensive Emergency Plans for Production Safety Accidents (《生產安全事故綜合應急預案》) to standardize safety risks management and prevent accidents. The Group has formulated the early warning indicators and bottom line indicators, and organized all subordinate enterprises to conduct all-round risk identification, evaluation and classification, and formulated corresponding management and control measures; to formulate special risk prevention and control measures for major risks; to organize all subordinate enterprises to perfect inspection system, organize regular safety inspection and confirm the effectiveness of risk management and control measures; and to conduct regular supervision and inspection to evaluate the operation of management system and risk management and control and promote the improvement and development of subordinate enterprises.

Food Safety Risks

Food safety risks refer to risks of severe customer complaints, large-scale product recall and other negative effects resulted from unqualified product and food safety indicators due to deficient food safety management system and unfulfilled management and control measures. To specify various food safety control measures and regulate food safety management, the Group has stipulated systems and standards, such as, Provisions for the Food Safety Management (《食品安全管理規定》), Food Safety Responsibility System (《食品安全責任制》), Standards for Quality and Safety of Industry Chain (《產業鏈質量安全標準》) and Prohibition on Food Safety (《食品安全禁令》). The Group organized and carried out food safety training and education and provided guidance for subordinate enterprises on food safety management, conducted regular supervision over the inspection and sampling inspection of subordinate enterprises, and evaluated and reviewed the results. All subordinate enterprises strictly implement the food safety management requirements and actively prevent food safety risks.

Environmental Protection Risks

Environmental protection risks refer to risks of corporate property loss and bad influence on social image due to excessive emission of pollutants and environmental pollution resulted from deficient environmental protection facilities and unstable operation. The Group has formulated standards, such as Regulations of Administration on Energy Conservation and Environmental Protection (《節能環保管理規定》), Measures for Supervision and Administration of "Three Simultaneities" for Construction Projects (《建設項目"三同時"監督管理辦法》) and Emergency Plans for Environmental Pollution Accidents (《環境污染事故應急預案》), which defined the requirements of environmental protection compliance and standardized the management of environmental pollution accidents to effectively carry out environmental protection risk prevention. The Group has established environmental risk warning and monitoring system, formulated specific early warning indicators and bottom line indicators, and regularly carried out environmental inspection, systematically checked the environmental protection problems of its subsidiaries, and followed up the implementation of rectifications, so as to effectively implement the responsibility of environmental protection.

VII. Outlook

At present, with the continuous optimization of domestic pandemic prevention and control policies and the gradual release of consumer demand, the overall economy is expected to maintain a steady and positive trend. But at the same time, the international situation remains uncertain while the uncertainties of the external environment still exist. In 2023, the Company will maintain strategic stability, strictly control various risks and continue the following tasks:

Firstly, we will steadily expand the production capacity of our core businesses.

Secondly, we will incorporate the prevention and control of the African swine fever into routine practices, further improve the level of refined management, narrow the gap of the efficiency between internal farms, and consolidate our core competitive advantages.

Thirdly, we will optimize the futures hedging strategies in a dynamic manner, and strictly control the risk of market volatility, to achieve the organic combination of futures and in-stocks.

Fourthly, we will continue to move forward the differentiated and branded operation of the fresh meat business segment, focusing on the promotion of linseed-fed pork and the R&D of new products to further enhance the scale of the brand and expand its influence.

Fifthly, we will strengthen the risk control of import business, vigorously further explore the terminal channels, and enhance customer stickiness. Strengthening our internal synergy, we will also deepen the integration of trading and processing, continuously promote the transformation towards a terminal distributor, and add value to our business.

Biographies of Directors and Senior Management

Board of Directors

The Board currently consists of seven Directors, of whom one is executive Director, three are non-executive Directors and three are independent non-executive Directors.

JIANG Guojin
Chairman of the Board and Executive Director

Mr. JIANG Guojin (江國金), aged 55, 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.

MA Dewei
Non-executive Director

Mr. MA Dewei (馬德偉), aged 59, was appointed as a non-executive Director on July 30, 2021. He started to work in July 1987 and served as the legal counsel of Beijing International Hotel, the deputy general manager of Beijing Yitong Dance Art Service Company, the director of the Cultural and Legal Affairs Department of Beijing Huaxin Law Firm, and a lawyer of Beijing Jiangchuan Law Firm. Mr. Ma joined COFCO in December 1998 and had served in various positions, including staff of the Legal and Trademark Affairs Department, general manager of the Legal Consulting Department, deputy director of the Legal Department and general manager of the Contract and Corporate Law Department, and director of the Legal Department of COFCO. He has served as the general counsel of COFCO since February 2013. He has concurrently served as the chief compliance officer of COFCO since November 2022, and served as the director of the Legal Compliance Department of COFCO since December 2022. He is a director of Grandjoy Holdings Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange (Stock Code: 000031)) since March 2019, a director of Joy City Property Limited (a company listed on the Stock Exchange (Stock Code: 00207)) since October 2020, and a director of COFCO Meat Investments since July 2021.

Mr. Ma obtained a master's degree in law from China University of Political Science and Law in July 1987.

ZHAO Wei
Non-executive Director

Dr. ZHAO Wei (趙瑋), aged 48, was appointed as a non-executive Director on July 30, 2021. He joined COFCO in April 2001 and had served in various positions, including staff of the Accounting and Taxation Division under the Finance Department, staff of the Operation and Management Division under the Finance Department, assistant to the general manager of the Operation and Management Division under the Finance Department, director, chief accountant and general manager of the Finance Department of COFCO Tunhe Sugar Co., Ltd. (中糧屯河糖業股份有限公司, formerly known as 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)), leader of the IT Working Group of COFCO, etc. He has served as the director of the Information Management Department of COFCO since April 2021, a director of COFCO Meat Investments since July 2021, and a director of CPMC Holdings Limited (中糧包裝控股有限公司) (a company listed on the Stock Exchange, stock code: 906) since January 2022. Dr. Zhao holds the qualification of Certified Public Accountant in China.

Dr. Zhao obtained a doctorate in management from Central University of Finance and Economics in June 2005.

Mr. Shi Bo
Non-executive Director

Mr. Shi Bo, aged 56, was appointed as a non-executive Director on March 28, 2023. He started working in August 1989 and once served as the assistant to the head of the finance department of Shougang Group Co., Ltd. (formerly known as Shougang Corporation) and the chief financial officer of China Resources Alcohol (Heilongjiang) Co., Ltd. (黑龍江華潤酒精有限公司). Since joining COFCO Group in November 2005, he has served as deputy general manager of the corn processing business division of China National Cereals, Oils and Foodstuffs Corporation (中國糧油食品(集團)有限公司), general manager of the finance department of China Agri-Industries Holdings Limited (中國糧油控股有限公司), deputy general manager and executive director of China Agri-Industries Holdings Limited, audit commissioner of COFCO Oils & Oilseeds (中糧油脂), director of the finance department and director of the strategy department of COFCO Group. He is currently the director of the audit department of COFCO Group and a director of COFCO Meat Investment Co., Ltd. (中糧肉食投資有限公司).

Mr. Shi holds a Bachelor's degree in Economics from Anhui University of Finance & Economics and an Executive Master of Business Administration (EMBA) from China Europe International Business School. He is also qualified as a senior accountant and a Chinese Certified Public Accountant (non-practicing member).

FU Tingmei
Independent Non-executive Director

Mr. FU Tingmei (傅廷美), aged 56, 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, and served as an independent non-executive director of 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) from May 2016 to March 2023. Mr. Fu is currently an independent non-executive director of China Resources Medical Holdings Company Limited (華潤醫療控股有限公司) (a company listed on the Stock Exchange, stock code: 1515), Guotai Junan International Holdings Limited (國泰君安國際控股有限公司) (a company listed on the Stock Exchange, stock code: 1788) and 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).

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 PhD in Law in November 1989 and March 1993, respectively.

LI Michael Hankin
Independent Non-executive Director

Mr. LI Michael Hankin (李恆健), aged 59, 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 is currently an independent non-executive director of Clarity Medical Group Holding Limited (清晰醫療集團控股有限公司) (a company listed on the Stock Exchange, stock code: 1406) and China Mengniu Dairy Company Limited (中國蒙牛乳業有限公司) (a company listed on the Stock Exchange, stock code: 2319).

Mr. 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 59, 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.

JIANG Guojin

Mr. Jiang Guojin (江國金), aged 55, is the Chairman of the Board and executive Director. He was appointed as the general manager of the Company on June 10, 2022. Please see his biographical details in the paragraph headed "Board of Directors" in this section.

LI Zhengfang

Ms. LI Zhengfang (李正芳), aged 48, 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 and ceased to concurrently serve as the general manager of the international business division on December 23, 2021. Ms. Li is responsible for the general management of meat 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 41, 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, financial management and information technology management of our Group, including corporate finance, financial reporting, financial management and information technology 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. He is currently a senior accountant.

ZHANG Nan

Dr. ZHANG Nan (張楠), aged 41, 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 and in charge of the relevant work on human resources 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. 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.

LI Fangfang

Ms. LI Fangfang (李芳芳), aged 48, was appointed as the deputy general manager of the Company on April 22, 2021, and is responsible for work in relation to centralized procurement of raw materials and futures arbitrage. Ms. LI Fangfang joined COFCO in 2006 and served as the human resources director of COFCO Food Sales & Distribution Co., Ltd. from April 2006 to May 2007, and the director of the human resources department of the kitchen foods business units of China Foods Limited from May 2007 to January 2011. Ms. LI joined COFCO Meat Investments in January 2011 and was appointed as an assistant to general manager of the human resources department of the Company, and was designated as the deputy general manager of the human resources department of the Company in 2012, the general manager of the human resources department in 2014 and assistant to general manager of the Company in May 2017. Ms. LI has been engaged in management and consultation work in the relevant consulting firms and has extensive experience in management consultation and human resources management.

Ms. LI Fangfang obtained her bachelor's degree in economics (majoring in investment and economic management) and master's degree in economics from Shanghai University of Finance and Economics (上海財經大學) in July 1996 and March 1999, respectively. Ms. LI is a senior economist and a non-practising certified public accountant.

For the year ended December 31, 2022, 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, 2022.

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.

The Company has adopted the principles and code provisions contained in the Corporate Governance Code.

Save and except for the deviation from code provision C.2.1 disclosed below, 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, 2022.

Code provision C.2.1 of the Corporate Governance Code states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. On June 10, 2022, Mr. Xu Jianong resigned as the executive Director, managing Director, general manager and the authorized representative of the Company. Following Mr. Xu's resignation, Mr. Jiang Guojin, the chairman of the Board has been appointed as the general manager of the Company and has taken up the roles and functions of the managing Director including but not limited to 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. The Board believes that Mr. Jiang Guojin's extensive experience and knowledge, together with the support of the management, shall strengthen the solid and consistent leadership of the Group and would allow for efficient business planning and decision, which the Board believes is in the best interest of the overall development of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced individuals. The Board currently comprises one executive Director, three non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. The Company will keep reviewing the current structure of the Board from time to time.

Company's Culture

The Board believes that a strong corporate culture can facilitate the sustainable performance in a long run and ensure the fulfillment of the corporate's economic and social responsibilities.

As a meat enterprise with operations covering the integrated industry chain, the Company adheres to the operation principle of "leading the safety standards in the industry and assuring meat safety for citizens", and established over 130 high-standard ecological breeding bases across the nation, complemented by a number of slaughtering and processing plants and processed meat product processing plants. It also directly procures a full spectrum of products from major meat production regions around the world. The Company's "Joycome" brand takes an industry leading position in the high-end chilled pork sector. Exercising stringent management and control from the source of rearing to aspects such as the environment, feed, rearing, breeding and processing under the principle of "five checkpoints for product safety and quality assurance from company owned farms", the brand is dedicated to providing more consumers with safer and healthier chilled pork with high quality that they will "Love at First Bite". Meanwhile, adhering to the brand positioning of "Good Quality + Right On Trend", our brand "Maverick" is characterized by its open, trendy and daring brand personality. Using carefully selected raw materials with traceable meat sources along the integrated industry chain, the brand captured the western flavors of various popular traditional food worldwide by adopting professional and exquisite techniques, hence accompanying young gourmets who have great passion for food and love to share to explore different delicacy and enjoy life.

The Company believes the commitment to creating a "contributor-oriented" atmosphere in workforce, building a safe and healthy working environment, protecting our employees' legitimate rights and interests, as well as broadening their career development paths is conducive to attracting and selecting outstanding talents, which will in turn promote the high-quality and sustainable development of the Company, thereby enabling us to deliver nutritious, safe and healthy food to our consumers on a continuous basis.

The Company firmly established and practiced the concept of "Lucid waters and lush mountains are invaluable assets". Leveraging the exploration and development for more than ten years and continuously increasing its investment in green building, the Company has developed a comprehensive bioslurry fermentation and detoxification treatment system. Through the technological roadmap for gradual optimization of technologies such as biogas generation, bioslurry-to-field (沼液返田) and reduce burden and return to farm (減負還田), the Company has realized farming waste resource utilization, facilitated the efficient integration of farming and planting and promoted the development of circular and green agriculture, thus contributing to the advancement of the sustainable and high-quality development of the rural industries.

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 had complied with all required standards under the Model Code during the year ended December 31, 2022.

The Board

1. Roles and Responsibilities

For the year ended December 31, 2022, 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 has performed all the above corporate governance duties during the year ended December 31, 2022.

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, 2022 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, member of the Remuneration Committee and chairman of the Food Safety Committee)*

Executive Director:

Mr. Xu Jianong *(resigned as executive Director, Managing Director, General Manager and chairman of the Food Safety Committee on June 10, 2022)*

Non-executive Directors:

Mr. Ma Dewei

Dr. Zhao Wei (*member of the Audit Committee and member of the Food Safety Committee*)

Mr. Shi Bo

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 chairman of the Audit Committee)*

Dr. Ju Jiandong *(member of the Nomination Committee and member of the Remuneration Committee)*

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

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

3. Chairman and Managing Director/General Manager

Mr. Jiang Guojin acts as the Chairman of the Board. Mr. Xu Jianong acted as the managing Director until June 10, 2022. Following the resignation of Mr. Xu Jianong, Mr. Jiang Guojin was appointed as general manger of the Company on June 10, 2022. For details, please refer to the paragraph headed "Corporate Governance" above.

4. Board Independence

The Company recognizes that Board independence is key to good corporate governance. The Company has in place effective mechanisms that underpin an independent Board and that independent views. The current composition of the Board, comprising more than one third of the independent non-executive Directors which exceed the independence requirements under the Listing Rules. The remuneration of independent non-executive Directors are subject to a regular review to maintain competitiveness and commensurate with their responsibilities and workload. The independence of each independent non-executive Director is assessed upon his appointment and annually. For the year ended December 31, 2022, the Company has received annual confirmations from each of the 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.

Directors are requested to declare their direct or indirect interests, if any, in proposals or transactions to be considered by the Board at the Board meetings and abstain from voting, where appropriate. External independent professional advice is available to all Directors, including independent non-executive Directors, whenever deemed necessary.

The independent non-executive Directors have consistently demonstrated strong commitment and the ability to devote sufficient time to discharge their responsibilities at the Board. The Company has also established channels through formal and informal means whereby independent non-executive Directors can express their views in an open manner, and in a confidential manner, should circumstances requires.

The Company recognizes that Board independence is pivotal in good corporate governance and board effectiveness, and has set up relevant mechanism to ensure the Board's access to independent views and opinions, including but not limited to reviewing from time to time if the independent non-executive Directors have appropriate qualifications and devoted sufficient time to the Company, as well as establishing channels to evaluate the contributions and opinions of the independent non-executive Directors. The Board has reviewed the relevant mechanism and believes that it is effective.

5. Appointment, Re-election and Removal of Directors

The Company adopts a formal and transparent procedure for the appointment of new Directors. Recommendations for the appointment of new Directors are received by the Board from the Nomination Committee. The Board then deliberates over such recommendations prior to approval. For the policy for nomination of directors, please refer to the paragraph head "Nomination Committee" in this section.

The executive Directors have entered into a service contract with the Company, according to which they agree 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 three year from the date of appointment. The term shall be automatically renewed for three 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. All the 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 C.5.1 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, 2022 is set out in the following table:

	Number of meetings attend in person or by proxies/eligible to attend													
Directors	Board Meeting		Audit Committee Meeting		Remuneration Committee Meeting		Nomination Committee Meeting		Food Safety Committee Meeting		Extraordinary General Meeting		Annual General Meeting	
	Number of meetings attend in person/ eligible to attend	Number of meetings attend by proxy/ eligible to attend	Number of meetings attend in person/ eligible to attend	Number of meetings attend by proxy/ eligible to attend	Number of meetings attend in person/ eligible attend	Number of meetings attend by proxy/ eligible to attend	Number of meetings attend in person/ eligible to attend	Number of meetings attend by proxy/ eligible to attend	Number of meetings attend in person/ eligible to attend	Number of meetings attend by proxy/ eligible to attend	Number of meetings attend in person/ eligible to attend	Number of meetings attend by proxy/ eligible to attend	Number of meetings attend in person/ eligible to attend	Number of meetings attend by proxy/ eligible to attend
Mr. Jiang Guojin	5/5	0/5	N/A	N/A	2/2	0/2	1/1	0/1	1/1	0/1	0/1	0/1	1/1	0/1
Mr. Xu Jianong[1]	2/2	0/2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1/1	0/1	1/1	0/1
Mr. Ma Dewei	5/5	0/5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0/1	0/1	1/1	0/1
Dr. Zhao Wei	3/5	2/5	3/3	0/3	N/A	N/A	N/A	N/A	1/1	0/1	0/1	0/1	1/1	0/1
Mr. Fu Tingmei	5/5	0/5	3/3	0/3	N/A	N/A	1/1	0/1	N/A	N/A	1/1	0/1	1/1	0/1
Mr. Li Michael Hankin	5/5	0/5	3/3	0/3	2/2	0/2	N/A	N/A	N/A	N/A	1/1	0/1	1/1	0/1
Dr. Ju Jiandong	5/5	0/5	N/A	N/A	2/2	0/2	1/1	0/1	N/A	N/A	1/1	0/1	1/1	0/1

Note:

1. Mr. Xu Jianong resigned as an executive Director of the Company, and ceased to be chairman of the Food Safety Committee on June 10, 2022.

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, 2022:

	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 (resigned on June 10, 2022)	✓
Non-executive Directors	
Mr. Ma Dewei	✓
Dr. Zhao Wei	✓
Independent Non-executive Directors	
Mr. Fu Tingmei	✓
Mr. Li Michael Hankin	✓
Dr. Ju Jiandong	✓

Board Committees

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

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

1. Audit Committee

The Audit Committee comprises one non-executive Director and two independent non-executive Directors, namely Mr. Li Michael Hankin, Mr. Fu Tingmei and Dr. Zhao Wei. Mr. Li Michael Hankin is the chairman of the Audit Committee. He has more than 32 years of experience in financial and accounting matters, fundraising, mergers and acquisitions, restructuring and international business development. The Audit Committee held a total of 3 meetings during the year ended December 31, 2022. 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, 2022, 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 report and annual results announcement of the Group for the year ended December 31, 2021 and interim report and interim results announcement for the six months ended June 30, 2022;

(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.

As at the date of this report, the Audit Committee reviewed the annual results of the Group for the year ended December 31, 2022.

2. Nomination Committee

The Nomination Committee currently comprises three members, namely Mr. Jiang Guojin, being the Chairman of the Board, an executive Director and the general manager, 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 1 meeting during the year ended December 31, 2022.

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, to determine the composition of Board Committees and to assess the independence of the independent non-executive Directors. The Nomination Committee has performed all the above duties during the year ended December 31, 2022.

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, 2022 and up to the date of this report, the Board has adopted the Board Diversity 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 independent non-executive Directors shall have obtained appropriate professional qualifications or accounting or related financial management expertise.

The Board currently comprises of seven Directors, of which one is executive Director, three are non-executive Directors and three are independent non-executive Directors and have a strong element of independence in the Board. The Board has an appropriate mix of skills, experience and diversity that are relevant to the Company's strategy, governance and business, one Director is in executive leadership & strategy; three Directors are accounting professionals/financial management expertise and three Directors in legal professionals/regulatory & compliance/risk management.

Workforce diversity

The gender ratio in the workforce (including senior management) for the year ended December 31, 2022 is 66:34. The total gender diversity of the Group is balanced and the Group will continue to maintain the gender diversity in workforce. For further details of gender ratio and initiatives taken to improve gender diversity together with the relevant data, please refer to the disclosure in the ESG report.

In 2023, 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 and ensure gender diversity to develop a pipeline of female senior management and potential successors to the Board.

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 measurable objectives of independence, skills and experience under the Board Diversity Policy for the year ended December 31, 2022, and will achieve the measurable objective of gender equality by December 31, 2024.

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 general manager.

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

The Remuneration Committee currently comprises three members, namely Mr. Jiang Guojin, being the Chairman of the Board, an executive Director and the general manager, 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, 2022.

The Remuneration Committee has adopted the second model described in code provision E.1.2(c) of the Corporate Governance Code (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 General Manager about their remuneration proposals for the executive Directors and is provided with sufficient resources enabling it to discharge its duties.

During the year ended December 31, 2022, 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 ended December 31, 2022 are set out in Note 12 to the consolidated financial statements. The emoluments paid or payable to two Directors and four members of the senior management during the year 2022 were within the following bands:

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

4. Food Safety Committee

Mr. Xu Jianong resigned as an executive Director of the Company ceased to be chairman of the Food Safety Committee on June 10, 2022. The Food Safety Committee currently comprises of two members, namely Mr. Jiang Guojin, being the Chairman of the Board, an executive Director and general manager, and Dr. Zhao Wei being a non-executive Director. Mr. Jiang Guojin 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, 2022, 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), an executive 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, 2022, Dr. Zhang Nan has taken not less than 15 hours of relevant professional training.

During the year ended December 31, 2022, 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, 2022 is set out in the Independent Auditor's Report on page 55 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, the 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 2022, 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 2022, 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 30 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 2022, and the major risks of the Company in 2022 were eventually determined as epidemic risks, price risks, safe production risks, food safety risks and environmental protection risks. After identifying major risks in 2022, 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 2022, 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 2022, 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 24 projects of internal audit were carried out throughout the year. 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, 2022, the Board completed the review and evaluation of the effectiveness of the internal control and risk management system of the Company.

Anti-corruption Policy

The Company does not tolerate any form of bribery, whether direct or indirect, by, or of, its Directors, officers, employees, agents or consultants or any persons or companies acting for it or on its behalf. The Company adopts the anti-corruption policy in assisting the employees in recognising circumstances which may lead to or give the appearance of being involved in corruption or unethical business conduct, so as to avoid such conduct which is clearly prohibited, and to promptly seek guidance if necessary.

Whistleblowing Policy

The Company expects and encourages employees of the Group and those who deal with the Group (e.g. suppliers, customers, creditors and debtors) to report to the Company, in confidence, any suspected impropriety, misconduct or malpractice concerning the Group. The Company adopts the whistleblowing policy to provide reporting channels and guidance on reporting possible improprieties and reassurance to whistleblowers of the protection that the Group will extend to them in the formal system.

The whistleblowing policy will be reviewed on a regular basis, any suspected cases will be reported to the Audit Committee.

Independent Auditor

The Group appointed Baker Tilly Hong Kong Limited as the independent auditor for the year ended December 31, 2022. It is responsible for auditing and forming an independent opinion on the Group's annual consolidated financial statements.

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

Auditors' Remuneration

For the year ended December 31, 2022, 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	1,420
Non-audit services	540

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.

The Company adopted the shareholders communication policy, which set out the framework the Company has put in place to promote effective communication with shareholders so as to enable them to engage actively with the Company and exercise their rights as shareholders in an informed manner.

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.

Having considered the multiple channels of communication in place provided shareholders and investment community with information about the latest development of the Group and the establishment of a range of communication channels between the Company and its shareholders, investors and other stakeholders for them to provide feedback, the Board is satisfied that the shareholders communication policy has been properly implemented during 2022 and is effective.

Constitutional Documents

There was no change to the Company's memorandum and Articles of Association during the year ended December 31, 2022. A copy of the Company's memorandum and Articles of Association is available on the websites of the Company and the "HKEXnews".

Directors' Report

The Board is pleased to present its report and the audited financial statements of the Company and of the Group for the year ended December 31, 2022.

During the year ended December 31, 2022 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 (resigned on June 10, 2022)

Non-executive Directors:
Mr. Ma Dewei
Dr. Zhao Wei
Mr. Shi Bo

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

Analysis of Principal Activities and Operations

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

Business Review

A business review of the Group 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 Directors' report.

Subsequent Events

On January 11, 2023, the Company and COFCO (Hong Kong) Limited entered into the share subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue, and COFCO (Hong Kong) Limited has conditionally agreed to subscribe for, 680,000,000 subscription shares at the subscription price of HK$2.30 per subscription share for a total consideration of HK$1,564,000,000 in cash (the "**Share Subscription**"). The Company intends to further expand the scale of hog industry chain, including the scale of hog stock, and to strengthen the distribution of downstream branded fresh meat. The Share Subscription will provide necessary funding to the Company for constructing more hog farms (including environmental protection facilities), introducing and breeding high-quality purebred hogs, and promoting the branded fresh pork products. These will be beneficial to the Company on improving its operation scale and industry ranking, realizing its growth potential and long-term competitiveness. The relevant resolution has been passed by way of poll by the independent shareholders at the extraordinary general meeting on March 10, 2023. The completion of the Share Subscription has taken place in accordance with the terms and conditions of the share subscription agreement on March 24, 2023. For details, please refer to the Company's announcements dated January 11, 2023, March 10, 2023 and March 24, 2023 and the circular dated February 17, 2023.

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.

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, 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 58 of this report.

Dividend
The Board has resolved not to declare any final dividend for the year ended December 31, 2022.

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.

Share Capital
There were no movements in the Company's registered or issued share capital during the year ended December 31, 2022.

Share Premium and Reserves
Movements in the share premium and reserves of the Group during the year are set out on page 62 to the consolidated statement of changes in equity.

Distributable Reserves
The Company's total distributable reserves as at December 31, 2022 amounted to RMB1.84 million.

Donations
Charitable donations made by the Group during 2022 was RMB21.01 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, 2022, 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, 2022, 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".

Details of the retirement benefit scheme for the year ended December 31, 2022 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, 2022.

Permitted Indemnity

During the year ended December 31, 2022, the Company has arranged liability insurance for all Directors and senior management. 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 Transactions, Arrangements or Contracts of Significance

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, 2022.

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, 2022, 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 2022 interim report are set out below:

1. Mr. Ma Dewei has concurrently served as the chief compliance officer of COFCO since November 2022, and served as the director of the Legal Compliance Department of COFCO since December 2022; and

2. Mr. Fu Tingmei was appointed as an independent non-executive director of China Resources Medical Holdings Company Limited on February 27, 2023, and ceased to be an independent non-executive director of Postal Savings Bank of China Co., Ltd. on 10 March, 2023.

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 at December 31, 2022, 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 at December 31, 2022, so far as was known to any Director or general manager of the Company, Shareholders (other than the Director or chief executive 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	*Note*	Capacity/Nature of Interests	Number of ordinary Shares of the Company held	Approximate percentage of aggregate interests in issued shares of the Company
Mainfield	*(1)*	Beneficial owner	1,078,377,782	27.64%
China Foods (Holdings)	*(1)*	Interest in controlled corporation	1,078,377,782	27.64%
COFCO (HK)	*(1)*	Interest in controlled corporation	1,078,377,782	27.64%
		Beneficial owner	57,015,000	1.46%
COFCO	*(1)*	Interest in controlled corporation	1,135,392,782	29.10%

Note:

(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.

Save as disclosed herein, as at December 31, 2022, 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 principal terms of the Share Incentive Scheme of the Company are as follows:

Number of Incentive Shares

Pursuant to the Former Share Incentive Scheme, the number of Shares was 39,506,375 Shares, and the number of the Shares required to be transferred under the New Share Incentive Scheme is changed to 55,440,613 Shares, and as at the date of this annual report, representing approximately 1.21% of the issued shares of the Company.

Participants

All of the scheme participants are employees of our Group, including Mr. Xu Jianong, being the executive Director of our Company (resigned on June 10, 2022).

Exercise Price

The scheme participants are not required to pay for the grant of the options. The exercise price shall be on the basis of RMB1.37 per Share, and subject to the amount per Share decided by the Board from time to time, however, on the premise that the exercise price shall not be less than the Hong Kong dollar equivalent of RMB1.00 per Share. Such currency conversion shall be subject to the central parity of the benchmark exchange rate of Renminbi to Hong Kong dollar published by the People's Bank of China on the day when the Board determines the effective Exercise Price at that time.

Exercise of the Option

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

Time of Vesting

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

1. if the department in which the Scheme Participant is employed achieves less than 80% of the performance target during the relevant period, no Options will be vested;

2. if department in which the Scheme Participant is employed achieves between 80% and 120% of the performance target during the relevant period, the same percentage of Options will be vested; and

3. if department in which the Scheme Participant is employed achieves above 120% of the performance target during the relevant period, 120% of the Options will be vested.

Details of the share options granted under the Share Incentive Scheme are set out in the following table:

Name and Category of Participants	Date of Options Granted	At January 1, 2022	Granted During the year	Exercised During the year	Cancelled During the year	Lapsed During the year	At December 31, 2022
		Number of Options					
Director							
Mr. Xu Jianong (resigned on June 10, 2022)	March 27, 2015	507,161	0	507,161	0	0	0
Other employees	March 27, 2015	8,107,098	0	3,226,829	0	0	4,880,269
Total		8,614,259	0	3,733,990	0	0	4,880,269

Details of the Share Incentive Scheme are set out in note 40 to the consolidated financial statements on pages 119 to 121 of this annual report.

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, 2022, 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, 2022. 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, 2022.

Major Suppliers and Customers

Nearly 4.13% and 16.22% of the Group's total sales were attributable to its largest customer and five largest customers for the year ended December 31, 2022, and nearly 4.99% and 18.87% 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 (Huangshi) Co., Ltd. (中糧飼料(黃石)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, 2022.

Environmental Policies and Performance

For the discussions on the environmental policies and performance of our Group, please refer to the Company's "Environmental, Social and Governance Report" published on the same date as this annual report which is available on the websites of the Company and the "HKEX news".

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 Company 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, 2022 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.

As the 2018 Financial Services Agreement (together with the 2021 Supplemental Financial Services Agreement) expired on 31 December 2021, on November 16, 2021 (after trading hours), the Company and COFCO Finance entered into the 2021 Financial Services Agreement, pursuant to which COFCO Finance provided the (i) deposit services; (ii) loan services; (iii) Entrustment Loan Services; and (iv) other financial services. The term of the 2021 Financial Services Agreement commencing from 1 January 2022 to 31 December 2024, and took effect upon consideration and approval by the general meeting of the Company on January 12, 2022. For details of the 2021 Financial Services Agreement, please refer to the announcement of the Company dated November 16, 2021 and the circular dated December 23, 2021.

Pursuant to the 2021 Financial Services Agreement, COFCO Finance agreed to provide our Group with the following financial services during the period commencing on January 1, 2022 until December 31, 2024:

(a) Deposit Services

COFCO Finance will provide Deposit Services to the Group pursuant to the 2021 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 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, 2022, 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 31 December 2022 (RMB'000)
Maximum daily deposit amounts (including interest accrued thereon)	**1,500,000**

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 PBOC.

For the year ended December 31, 2022, the abovementioned maximum daily deposit amounts and the interests on deposits were RMB1,242 million.

(b) *Loan Services*

COFCO Finance will provide RMB loan services to the Group pursuant to the 2021 Financial Services Agreement.

For the year ended December 31, 2022, 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 31 December 2022 (RMB'000)
Principal amounts	**1,500,000***
Interests on loans	**65,250**

For the year ended December 31, 2022, the abovementioned maximum daily balance of the principal amounts of the loans reached RMB1,500 million, and the interests on loans were RMB20.06 million.

* *The annual cap for the balance of the principal amounts of the loans was revised to RMB2,500 million. For details, please refer to"2. Revised Annual Caps for the Continuing Connected Transactions with COFCO Finance" in this section.*

(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 2021 Financial Services Agreement. COFCO Finance will only act as agent of the capital management entity of the Group (i.e. COFCO Meat Investments Co., Ltd. (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.

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 identical or similar type of services.

For the year ended December 31, 2022, the handling fees payable by the Group to COFCO Finance in connection with the Entrustment Loan Services shall not exceed the amounts stated below:

	For the year ended 31 December 2022 (RMB'000)
Handling fees for Entrustment Loan Services	**750***

For the year ended December 31, 2022, the handling fees charged by COFCO Finance in connection with the entrustment loan services amounted to RMB0.7930 million.

* *The annual cap for the handling fees for the Entrustment Loan Services was revised to RMB1.00 million. For details, please refer to "2. Revised Annual Caps for the Continuing Connected Transactions with COFCO Finance" in this section.*

(d) Other Financial Services

COFCO Finance will provide the other financial services (including foreign exchange settlement and sales service, settlement service, and other related consultancy and agency 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 2021 Financial Services Agreement. Handling fees and other services fees will be charged by COFCO Finance for the other financial services provided to the Group pursuant to the 2021 Financial Services Agreement.

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

For the year ended December 31, 2022, the handling fees and other services fees payable by the Group to COFCO Finance in connection with other financial services shall not exceed the amounts stated below:

	For the year ended 31 December 2022 (RMB'000)
Handling fees and other service fees in connection with other financial services	**970**

For the year ended December 31, 2022, 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 2021 Financial Services Agreement and mutually agreed between the parties:

(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 Loan 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 identical or similar businesses.

Handling fees for the Entrustment Loan Services shall be settled upon 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 2021 Financial Services Agreement.*

2. Revised Annual Caps for the Continuing Connected Transactions with COFCO Finance

On August 23, 2022 (after trading hours), the Company entered into the 2022 Supplemental Financial Services Agreement with COFCO Finance to:

- revise the existing annual cap for the three years ended December 31, 2024 in respect of the balance of the principal amounts of the loans and the handling fees for entrustment deposit service of the loan services.

Save for the Revised Annual Caps as stipulated in the 2022 Supplemental Financial Services Agreement, the rest of the terms of the 2021 Supplemental Financial Services Agreement remain unchanged.

Since the loan services are on normal commercial terms (or better to the Group) where no security over the assets of the Group will be granted in respect of the financial assistance given by COFCO Finance, the loan services are exempt from the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules pursuant to Rule 14A.90 of the Listing Rules.

As each of the applicable percentage ratios in respect of the revised handling fees of the Entrustment Loan Services is on an annual basis less than 0.1%, the Entrustment Loan Services are exempt from the reporting, announcement, annual review and the Independent Shareholders' approval requirements under the Listing Rules.

For the year ended December 31, 2022, the balance of principal amounts of the loans provided by COFCO Finance under the 2022 Supplemental Financial Services Agreement 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, 2022 (RMB'000)
Principal amounts of loans	**2,500,000**
Interests on loans	**65,250**

For the year ended December 31, 2022, the above maximum daily balance of the principal amounts of the loans were RMB1,500 million with the interests on the loans RMB20.06 million.

For the year ended December 31, 2022, the handling fees payable by the Group to COFCO Finance in connection with the Entrustment Loan Services under the 2022 Supplemental Financial Services Agreement shall not exceed the amounts stated below:

	For the year ended December 31, 2022 (RMB'000)
Handling fees for Entrustment Loan Services	**1,000**

For the year ended December 31, 2022, the handling fees charged by COFCO Finance in connection with the Entrustment Loan Services amounted to RMB0.7930 million.

3. 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 2018 Mutual Supply Agreement (together with the 2019 Supplemental Mutual Supply Agreement and the 2021 Supplemental Mutual Supply Agreement) expired on 31 December 2021, on 16 November 2021 (after trading hours), the Company and COFCO entered into the 2021 Mutual Supply Agreement, pursuant to which our Company agreed to trade on the following products and services:

- COFCO Group provides the Group with feed ingredients, including but not limited to corn, soybean meal, soybean oil, wheat, gunk, grain by-products (such as rice bran meal, ground rice, bran, etc.), feed additives (such as amino acids, vitamins, calcium hydrophosphate, etc.) and other materials and/or products used as feed;

- COFCO Group provides the Group with feed products, meat products, warehousing and other products and services; specifically, the meat products provided by COFCO Group to the Group mainly include poultry products (such as conditioning products and cooked food) and central reserved meat; and

- The Group provides COFCO Group with meat products, agency service and other products and services; specifically, the meat products provided by the Group to COFCO Group mainly include fresh pork, frozen pork and processed meat products (such as ham, sausage and bacon), imported frozen poultry, imported frozen beef and mutton, and central reserved meat; the Group provides COFCO Group with agency purchase services, whereby the Group purchases meat products (mainly pork products and beef products, the ownership of which is vested in the principal) from overseas suppliers. After the agency purchase is completed, COFCO Group or its subsidiaries will pay the agency fee.

The 2021 Mutual Supply Agreement has term commencing on January 1, 2022 until December 31, 2024 and took effect upon consideration and approval by the general meeting of the Company on January 12, 2022. For details of the 2021 Mutual Supply Agreement, please refer to the announcement of the Company dated November 16, 2021 and the circular dated December 23, 2021.

For the year ended December 31, 2022, the expected transaction annual cap amounts for provision of products and services by COFCO Group to the Group and the expected transaction annual cap amounts for the provision of products and services by the Group to COFCO Group are as below:

	For the year ended 31 December 2022 (RMB'000)
Provision of products and services by COFCO Group to the Group	**3,632,000**
Provision of products and services by the Group to COFCO Group	**989,000**

The aggregate transaction amounts actually paid by COFCO Group to the Group and paid by the Group to COFCO Group for the year ended December 31, 2022 were approximately RMB27 million and RMB1,953 million respectively.

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 and Management of Premises

As the 2018 Beijing Property Leasing Contract and the 2018 Beijing Property Management Contract expired on 31 December 2021, on 16 November 2021 (after trading hours), the Company and COFCO entered into the 2021 Property Leasing and Property Management Contract. For details, please refer to the announcement of the Company dated on 16 November 2021.

Pursuant to the 2021 Property Leasing and Property Management Contract, the Group will lease from COFCO Group and/or its associates certain properties, including but not limited to (a) office premises of COFCO Fortune Plaza in Beijing and several car parking spaces; (b) properties to be used as specialty stores; and (c) properties to be used as plants. COFCO Group and/or its associates will also provide to the Group various services for the maintenance and management of the leased premises.

The 2021 Property Leasing and Property Management Contract is for a term from 1 January 2022 to 31 December 2024.

The rental prices and management fees under the 2021 Property Leasing and Property Management Contract are determined as follows:

(a) the prevailing market prices of other property leasing and property management services in the vicinity;

(b) comparable rental prices and management fees quotations offered by Independent Third Parties for similar properties in the vicinity; and

(c) rental prices and management fees offered by COFCO Group and/or its associates to other tenants.

The annual cap amounts for the transactions contemplated under the 2021 Property Leasing and Property Management Contract for the year ended December 31, 2022 was as follows:

	For the year ended 31 December 2022 (RMB'000)
Rental expense and management fee	**14,830**

The aggregate rental expenses and management fee for the year ended December 31, 2022 were RMB14.15 million.

5. Administrative Services

As the 2018 Administrative Services Agreement expired on 31 December 2021, on 16 November 2021 (after trading hours), the Company and COFCO entered into the 2021 Administrative Services Agreement. For details, please refer to the announcement of the Company dated on 16 November 2021.

Pursuant to the 2021 Administrative Services Agreement, COFCO Group and/or its associates shall provide the Group 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 1 January 2022 to 31 December 2024.

The fees of administrative services under the 2021 Administrative Services Agreement are determined as follows:

(a) the fees collected from the Group by Independent Third Parties for the identical or similar types of services of the same quality; and

(b) the fees collected from other tenants and services users by COFCO Group and/or its associates.

The annual cap amounts for the transactions contemplated under the 2021 Administrative Services Agreement for the year ended December 31, 2022 was as follows:

	For the year ended 31 December 2022 (RMB'000)
Expenses of administrative services	**9,400**

The aggregate expenses of administrative services for the year ended December 31, 2022 were RMB5.55 million.

Annual Review of Continuing Connected Transactions

For the year ended December 31, 2022, 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 53 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 Baker Tilly Hong Kong Limited ("**Baker Tilly**") as the auditor of the Company for the year ended December 31, 2022 at the annual general meeting held on June 30, 2021 and Deloitte Touche Tohmatsu retired upon the conclusion of the aforesaid annual general meeting. A resolution will be proposed for approval by Shareholders at the forthcoming annual general meeting to re-appoint Baker Tilly as the auditor of the Company.

On behalf of the Board

Jiang Guojin
Chairman of the Board

Beijing, China, March 28, 2023

bakertilly
天職國際

TO THE MEMBERS OF COFCO JOYCOME FOODS LIMITED
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of COFCO Joycome Foods Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 58 to 136, which comprise the consolidated statement of financial position as at December 31, 2022, 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, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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.

Valuation of biological assets

Key audit matter	How our audit addressed the key audit matter
As disclosed in Note 21 to the consolidated financial statements, management estimated the fair value of the Group's biological assets at RMB3,063 million at December 31, 2022. Independent external valuations were obtained for all biological assets to assist management's estimates of the fair value of biological assets at December 31, 2022. Key assumptions adopted include estimated market prices. Details of the related estimation uncertainty are disclosed in Note 4 to the consolidated financial statements. 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.	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; • evaluating the appropriateness of the key assumptions and inputs including estimated market prices based on available market data; and • assessing the adequacy of the disclosures related to biological assets in the context of the applicable financial reporting framework.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement 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 director on the audit resulting in this independent auditor's report is Wan Wing Ping.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, March 28, 2023
Wan Wing Ping
Practising certificate number P07471

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2022

(Expressed in Renminbi)

		2022			2021		
	Notes	Results before biological assets fair value adjustments RMB'000	Biological assets fair value adjustments RMB'000	Total RMB'000	Results before biological assets fair value adjustments RMB'000	Biological assets fair value adjustments RMB'000	Total RMB'000
Revenue	5	12,900,684	–	12,900,684	13,227,606	–	13,227,606
Cost of sales	10	(12,425,016)	(1,235,731)	(13,660,747)	(9,708,769)	(1,803,284)	(11,512,053)
Gross (loss)/profit		475,668	(1,235,731)	(760,063)	3,518,837	(1,803,284)	1,715,553
Other income	7	261,894	–	261,894	226,873	–	226,873
Other gains and losses	8	(96,204)	–	(96,204)	(14,838)	–	(14,838)
Selling and distribution expenses		(455,810)	–	(455,810)	(400,474)	–	(400,474)
Administrative expenses		(208,305)	–	(208,305)	(370,872)	–	(370,872)
Gain/(loss) arising from agricultural produce at fair value less costs to sell at the point of harvest		–	1,779,940	1,779,940	–	(490,023)	(490,023)
Gain/(loss) arising from changes in fair value less costs to sell of biological assets		–	132,503	132,503	–	(544,209)	(544,209)
Finance costs	9	(176,855)	–	(176,855)	(123,366)	–	(123,366)
Profit/(loss) before tax	10	(199,612)	676,712	477,100	2,836,160	(2,837,516)	(1,356)
Income tax expense	11	(120,166)	–	(120,166)	(482,445)	–	(482,445)
Profit/(loss) for the year		(319,778)	676,712	356,934	2,353,715	(2,837,516)	(483,801)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2022
(Expressed in Renminbi)

	Notes	2022 RMB'000	2021 RMB'000
Other comprehensive (expense)/income, net of income tax:			
Items that will not be reclassified to profit or loss			
Fair value (loss)/gain on equity instrument at fair value through other comprehensive income		**(87,440)**	181,430
Income tax relating to items that will not be reclassified to profit or loss		**(50,649)**	–
		(138,089)	181,430
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations (with nil tax effect)		**8,687**	(2,303)
Other comprehensive (expense)/income for the year, net of income tax		**(129,402)**	179,127
Total comprehensive income/(expense) for the year		**227,532**	(304,674)
Profit/(loss) for the year attributable to:			
Owners of the Company		**356,674**	(459,697)
Non-controlling interests		**260**	(24,104)
		356,934	(483,801)
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		**227,272**	(280,570)
Non-controlling interests		**260**	(24,104)
		227,532	(304,674)
Earnings/(loss) per share:	15		
Basic		**RMB0.0914**	RMB(0.1178)

Consolidated Statement of Financial Position

As at December 31, 2022

(Expressed in Renminbi)

		At December 31,	
		2022	2021
	Notes	**RMB'000**	RMB'000
Non-current assets			
Goodwill	16	**100,609**	100,609
Property, plant and equipment	17	**9,479,088**	8,983,145
Right-of-use assets	18	**651,533**	691,494
Intangible assets	19	**8,814**	7,093
Equity instrument at fair value through other comprehensive income ("FVTOCI")	20	**226,111**	313,551
Biological assets	21	**538,403**	296,979
Prepayments for purchase of property, plant and equipment		**6,036**	30,007
Deferred tax assets	22	**–**	264
Other prepayments		**–**	930
		11,010,594	10,424,072
Current assets			
Inventories	23	**1,448,885**	1,287,060
Biological assets	21	**2,525,033**	1,556,140
Account receivables	24	**318,140**	225,491
Prepayments, deposits and other receivables	25	**634,273**	782,038
Other current assets	26	**596,958**	1,556,760
Financial assets at fair value through profit or loss	35	**300,145**	230,874
Amounts due from related companies	27	**520,308**	925,314
Pledged and restricted bank deposits	28	**–**	698
Cash and bank balances	28	**1,040,032**	1,040,980
		7,383,774	7,605,355
Current liabilities			
Account and bills payables	29	**735,269**	573,173
Other payables, accruals and deposits received	30	**881,212**	1,077,546
Lease liabilities	31	**47,644**	27,651
Contract liabilities	32	**352,535**	424,338
Bank borrowings	33	**5,851,943**	5,963,713
Amounts due to related companies	27	**246,835**	120,840
Loans from related companies	34	**1,002,500**	2,500
Financial liabilities at fair value through profit or loss	35	**8,445**	29,551
Current tax liabilities		**139,659**	289,308
		9,266,042	8,508,620
Net current liabilities		**(1,882,268)**	(903,265)
Total assets less current liabilities		**9,128,326**	9,520,807
Non-current liabilities			
Bank borrowings	33	**145,766**	145,361
Loans from a related company	34	**100,226**	97,306
Deferred income	36	**128,124**	133,860
Deferred tax liabilities	22	**82,015**	85,098
Long-term payable	37	**81,867**	84,281
Lease liabilities	31	**327,620**	366,131
		865,618	912,037
Net assets		**8,262,708**	8,608,770

		At December 31,	
		2022	2021
	Notes	**RMB'000**	RMB'000
Capital and reserves			
Share capital	38	**1,668,978**	1,668,978
Reserves		**6,444,567**	6,790,889
Equity attributable to the owners of the Company		**8,113,545**	8,459,867
Non-controlling interests		**149,163**	148,903
Total equity		**8,262,708**	8,608,770

The consolidated financial statements on pages 58 to 136 were approved and authorised for issue by the board of directors on March 28, 2023 and are signed on its behalf by:

Jiang Guojin
Director

Zhao Wei
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

(Expressed in Renminbi)

	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 RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At January 1, 2021	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
Loss for the year	–	–	–	–	–	–	–	(459,697)	(459,697)	(24,104)	(483,801)
Other comprehensive income/(expense) for the year	–	–	–	–	–	181,430	(2,303)	–	179,127	–	179,127
Total comprehensive expense for the year	–	–	–	–	–	181,430	(2,303)	(459,697)	(280,570)	(24,104)	(304,674)
Statutory reserve appropriation	–	–	–	–	117,635	–	–	(117,635)	–	–	–
Dividends recognised as distribution *(Note 14)*	–	(668,836)	–	–	–	–	–	–	(668,836)	–	(668,836)
At December 31, 2021 and January 1, 2022	1,668,978	575,435	858,459	89,112	729,945	290,035	67,039	4,180,864	8,459,867	148,903	8,608,770
Profit for the year	–	–	–	–	–	–	–	356,674	356,674	260	356,934
Other comprehensive (expense)/income for the year	–	–	–	–	–	(138,089)	8,687	–	(129,402)	–	(129,402)
Total comprehensive income for the year	–	–	–	–	–	(138,089)	8,687	356,674	227,272	260	227,532
Statutory reserve appropriation	–	–	–	–	91,772	–	–	(91,772)	–	–	–
Dividends recognised as distribution *(Note 14)*	–	(573,594)	–	–	–	–	–	–	(573,594)	–	(573,594)
At December 31, 2022	1,668,978	1,841	858,459	89,112	821,717	151,946	75,726	4,445,766	8,113,545	149,163	8,262,708

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 (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, 2022

(Expressed in Renminbi)

	Notes	Year ended at December 31, 2022 RMB'000	2021 RMB'000
Operating activities			
Profit/(loss) for the year		**356,934**	(483,801)
Adjustments for:			
Income tax expense		**120,166**	482,445
(Gain)/loss arising from changes in fair value less costs to sell of biological assets		**(132,503)**	544,209
Interest income	7	**(11,600)**	(13,735)
Finance costs	9	**176,855**	123,366
Dividend income from equity instrument at FVTOCI	7	**(40,050)**	–
Depreciation of property, plant and equipment	10	**527,397**	422,489
Depreciation of right-of-use assets	10	**57,279**	50,830
Amortisation of intangible assets	10	**1,830**	1,718
Recognition of deferred income	36	**(11,151)**	(13,802)
Loss on disposal of property, plant and equipment, net	8	**8,385**	5,923
Gain on lease modification	8	**(198)**	–
Impairment loss, net of reversal	8		
– property, plant and equipment		**–**	472
– account receivables, net		**291**	(157)
– other receivables, net		**55**	31
Write-down of inventories to net realisable value	8	**4,611**	40,066
Unrealised gain on derivative financial instruments, net		**(199,569)**	(205,821)
Exchange differences		**92,889**	(17,951)
Operating cash flows before movements in working capital		**951,621**	936,282
(Increase)/decrease in account receivables		**(92,940)**	433,310
Decrease/(increase) in prepayments, deposits and other receivables		**147,710**	(335,650)
Decrease/(increase) in other current assets, net of bank loans associated to other current assets		**54,728**	(130,885)
(Increase)/decrease in inventories		**(166,436)**	997,396
(Increase)/decrease in biological assets		**(1,076,884)**	1,767,278
Decrease/(increase) in amounts due from related companies		**405,006**	(793,362)
Increase in account and bills payables		**162,096**	65,508
(Decrease)/increase in other payables, accruals and deposits received		**(222,913)**	109,348
Increase in amounts due to related companies		**125,995**	22,917
(Decrease)/increase in contract liabilities		**(80,020)**	16,192
Changes in derivative financial instruments		**109,192**	(391)
Cash generated from operations		**317,155**	3,087,943
Income tax paid		**(323,283)**	(6,344)
Net cash (used in)/generated from operating activities		**(6,128)**	3,081,599

Consolidated Statement of Cash Flows

For the year ended December 31, 2022
(Expressed in Renminbi)

		Year ended at December 31,	
		2022	2021
	Notes	**RMB'000**	RMB'000
Investing activities			
Interest received		**11,600**	13,735
Dividend received from equity instrument at FVTOCI		**40,050**	–
Payments for property, plant and equipment		**(979,148)**	(1,460,808)
Payments for purchase of breeding stock		**–**	(36,993)
Payments for right-of-use assets		**(10,186)**	(11,921)
Payments for intangible assets		**(3,551)**	(84)
Proceeds from disposal of property, plant and equipment		**11,203**	14,479
Placement of pledged and restricted bank deposits		**–**	(698)
Withdrawal of pledged and restricted bank deposits		**698**	11,657
Deferred government grants received		**5,415**	–
Net cash used in investing activities		**(923,919)**	(1,470,633)
Financing activities			
Dividend paid		**(573,594)**	(668,836)
Interest paid		**(151,425)**	(110,742)
New bank borrowings		**8,638,591**	5,979,383
Repayments of bank borrowings		**(7,918,545)**	(6,102,659)
Decrease in long-term payable		**(8,257)**	(8,678)
Repayments of lease liabilities		**(42,338)**	(72,029)
Loans from a related company		**2,300,000**	1,300,000
Repayments of loans from a related company		**(1,300,000)**	(1,300,000)
Net cash generated from/(used in) financing activities		**944,432**	(983,561)
Net increase in cash and cash equivalents		**14,385**	627,405
Cash and cash equivalents at beginning of the year		**1,040,980**	416,650
Effect of foreign exchange rate changes		**(15,333)**	(3,075)
Cash and cash equivalents at end of the year		**1,040,032**	1,040,980
Represented by cash and bank balances	28	**1,040,032**	1,040,980

1 GENERAL INFORMATION

COFCO Joycome Foods 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 "Listing").

The principal activities of the Company's subsidiaries (the Company and its subsidiaries are hereinafter collectively referred to as the "Group") are production and sales of hogs, sales of fresh and frozen meats, manufacture and sales of processed meat products, and import and trade of meat products.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also 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 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 Group's annual period beginning on January 1, 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current year has 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.

(Expressed in Renminbi)

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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	*Insurance Contracts*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[3]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*[3]
Amendments to HKAS 1	*Non-current Liabilities with Covenants*[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after January 1, 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after January 1, 2024.

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, 2022, the application of the amendments will not result in reclassification of the Group's liabilities.

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.

As at December 31, 2022, the Group's current liabilities exceeded its current assets by RMB1,882,268,000. Taking into account the banking facilities available to the Group, the directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to meet its liabilities as and when they fall due and to continue in operational existence for the foreseeable future. Thus the Group continues to adopt the going concern basis of accounting in preparing its consolidated financial statements.

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 account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with the scope of HKFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

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

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 liabilities, either directly or indirectly; and

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

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

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.

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.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 Financial Instruments ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

3.2 Significant accounting policies (Continued)

Goodwill

Goodwill arising on the acquisition of a business is carried at cost as established at the date of acquisition of the business 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.

Revenue from contracts with customers

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

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

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

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

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

3.2 Significant accounting policies (Continued)

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.

Principal versus agent

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

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

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

Leases

Definition of a lease

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 of HKFRS 16 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.

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.

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

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 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.

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.

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 are 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 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.

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 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 in 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.

Lease modifications

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.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

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

3.2 Significant accounting policies (Continued)

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's 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.

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.

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

3.2 Significant accounting policies (Continued)

Retirement benefit costs

Payments 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.

When share options are exercised, the amount previously recognised in capital reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised 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.

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

3.2 Significant accounting policies (Continued)

Taxation (Continued)

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, 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.

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

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

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

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

3.2 Significant accounting policies (Continued)

Intangible assets

Intangible assets acquired separately

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

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

Property, plant and equipment

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

Construction in progress, which represents assets in the course of construction for production, supply of goods and services or administrative purposes, is 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 recognised 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.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

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

3.2 Significant accounting policies (Continued)

Impairment 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 testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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 a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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

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

3 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 a 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.

Agricultural produce harvested from biological assets is measured at its 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.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value and restricted deposits arising from pre-sale of properties that are held for meeting short-term cash commitments. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in Notes 28 and 42.

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. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur 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 account 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 ("FVTPL")) 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 FVTPL are 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)

Financial instruments (Continued)

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.

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 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.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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.

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)

(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 other comprehensive income 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 investments. Dividends are included in the "other income" line item in profit or loss.

(iii) Financial assets at FVTPL

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

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

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

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including account 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.

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)

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. Assessments 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 account 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.

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.

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)

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.

(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 account receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3 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

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 and 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. The Group uses a practical expedient in estimating ECL on account receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

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

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 account receivables, other receivables and amounts due from related parties where the corresponding adjustment is recognised through a loss allowance account.

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)

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, 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 are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities (including account 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.

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)

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.

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.

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 judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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 goods before those goods 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, 2022, the Group recognised revenue relating to trading of imported meat products for which the Group acted as the principal amounted to RMB2,875,248,000 (2021: RMB3,630,652,000).

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.

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

Key sources of estimation uncertainty (Continued)

Fair value measurement of biological assets

The Group's biological assets amounting to RMB3,063,436,000 as at December 31, 2022 (2021: RMB1,853,119,000) 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 units 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, 2022, the carrying amount of goodwill was RMB100,609,000 (2021: RMB100,609,000) (net of accumulated impairment loss of nil (2021: nil)). Details of the recoverable amount calculation are disclosed in Note 16.

Estimated impairment of property, plant and equipment

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable or events previously causing the impairment no longer exist 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 judgement 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 asset 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, 2022 was RMB9,479,088,000 (2021: RMB8,983,145,000).

5 REVENUE

Disaggregation of revenue from contracts with customers

	For the year ended December 31, 2022				
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	4,525,875	–	–	–	4,525,875
Fresh pork	–	4,743,128	–	–	4,743,128
Processed meat products	–	–	756,433	–	756,433
Imported meat products	–	–	–	2,875,248	2,875,248
Total	4,525,875	4,743,128	756,433	2,875,248	12,900,684
Geographical market					
Mainland China	4,525,875	4,743,128	756,433	2,875,248	12,900,684
Timing of revenue recognition					
A point in time	4,525,875	4,743,128	756,433	2,875,248	12,900,684

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, 2022		
	Segment revenue RMB'000	**Eliminations RMB'000**	**Consolidated RMB'000**
Hog production and sales	7,711,083	(3,185,208)	4,525,875
Sales of fresh pork	4,811,170	(68,042)	4,743,128
Sales of processed meat products	761,742	(5,309)	756,433
Sales of imported meat products	3,025,665	(150,417)	2,875,248
Revenue from contracts with customers	16,309,660	(3,408,976)	12,900,684
Total revenue	16,309,660	(3,408,976)	12,900,684

5 REVENUE (Continued)

Disaggregation of revenue from contracts with customers (Continued)

	For the year ended December 31, 2021				
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	5,165,538	–	–	–	5,165,538
Fresh pork	–	3,632,697	–	–	3,632,697
Processed meat products	–	–	779,639	–	779,639
Imported meat products	–	–	–	3,649,732	3,649,732
Total	5,165,538	3,632,697	779,639	3,649,732	13,227,606
Geographical market					
Mainland China	5,165,538	3,632,697	779,639	3,649,732	13,227,606
Timing of revenue recognition					
A point in time	5,165,538	3,632,697	779,639	3,649,732	13,227,606

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, 2021		
	Segment revenue RMB'000	Eliminations RMB'000	Consolidated RMB'000
Hog production and sales	6,695,622	(1,530,084)	5,165,538
Sales of fresh pork	3,679,183	(46,486)	3,632,697
Sales of processed meat products	786,187	(6,548)	779,639
Sales of imported meat products	3,889,839	(240,107)	3,649,732
Revenue from contracts with customers	15,050,831	(1,823,225)	13,227,606
Total revenue	15,050,831	(1,823,225)	13,227,606

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 performance obligations 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 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, 2022							
Segment revenue							
External customers	4,525,875	4,743,128	756,433	2,875,248	12,900,684	–	12,900,684
Inter-segment sales	3,185,208	68,042	5,309	150,417	3,408,976	(3,408,976)	–
Segment revenue	7,711,083	4,811,170	761,742	3,025,665	16,309,660	(3,408,976)	12,900,684
Segment results	174,880	(90,017)	22,360	(53,048)	54,175	–	54,175
Unallocated corporate income							96,826
Unallocated corporate expenses							(173,758)
Fair value adjustments on biological assets and agricultural produce							676,712
Finance costs							(176,855)
Profit before tax							477,100

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, 2021							
Segment revenue							
External customers	5,165,538	3,632,697	779,639	3,649,732	13,227,606	–	13,227,606
Inter-segment sales	1,530,084	46,486	6,548	240,107	1,823,225	(1,823,225)	–
Segment revenue	6,695,622	3,679,183	786,187	3,889,839	15,050,831	(1,823,225)	13,227,606
Segment results	2,679,598	(16,275)	19,187	369,947	3,052,457	–	3,052,457
Unallocated corporate income							29,979
Unallocated corporate expenses							(122,910)
Fair value adjustments on biological assets and agricultural produce							(2,837,516)
Finance costs							(123,366)
Loss before tax							(1,356)

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, 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	Processed meat products RMB'000	Meat import RMB'000	Total RMB'000
Year ended December 31, 2022					
Amounts included in the measure of segment results:					
Depreciation and amortisation*	**66,747**	**68,962**	**19,945**	**87**	**155,741**
(Reversal of)/provision of impairment on account receivables, net	**(139)**	**278**	**152**	**–**	**291**
Provision of impairment on other receivables, net	**–**	**55**	**–**	**–**	**55**
Loss on disposal of property, plant and equipment, net	**7,748**	**117**	**224**	**–**	**8,089**
(Write-back)/write-down of inventories	**–**	**(509)**	**–**	**5,120**	**4,611**
Year ended December 31, 2021					
Amounts included in the measure of segment results:					
Depreciation and amortisation*	28,834	41,285	21,379	84	91,582
Provision of/(reversal of) impairment on account receivables, net	61	(210)	(8)	–	(157)
Provision of impairment on other receivables, net	–	–	31	–	31
Loss on disposal of property, plant and equipment, net	4,969	249	698	–	5,916
(Write-back)/write-down of inventories	(151)	29,538	1,443	9,236	40,066
Impairment of property, plant and equipment	472	–	–	–	472

* *Depreciation and amortisation not included in the measure of segment results for the year ended December 31, 2022 amounted to RMB8,293,000 (2021: RMB7,232,000).*

Geographical information

All of the revenue of the Group is derived from the Mainland China based on location of the operations for both 2022 and 2021.

All the Group's non-current assets (excluding deferred tax assets and equity instrument at FVTOCI) as at December 31, 2022 and 2021 are located in the Mainland China based on geographical location of the assets.

Information about major customers

No revenue from transactions with any single external customer amounted to 10% or more of the Group's revenue for the years ended December 31, 2022 and 2021.

7 OTHER INCOME

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

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Interest income from banks	**1,194**	3,486
Interest income from a related company*	**10,406**	10,249
	11,600	13,735
Dividend income from equity instrument at FVTOCI	**40,050**	–
Government grants**	**210,244**	213,138
	261,894	226,873

* *The amount represents interest income for deposits placed in a non-banking financial institution, COFCO Finance Corporation Limited ("COFCO Finance"), an entity controlled by COFCO Corporation (see Note 27). 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 as at December 31, 2022 and 2021.*

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 RMB11,151,000 for the year ended December 31, 2022 (2021: RMB13,802,000).

8 OTHER GAINS AND LOSSES

An analysis of the Group's other gains and losses is as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Exchange (loss)/gain, net	**(115,332)**	14,708
Loss on disposal of property, plant and equipment, net	**(8,385)**	(5,923)
Gain on lease modification	**198**	–
Write-down of inventories to net realisable value	**(4,611)**	(40,066)
(Provision of)/reversal of impairment on account receivables, net	**(291)**	157
Provision of impairment on other receivables, net	**(55)**	(31)
Impairment of property, plant and equipment	**–**	(472)
Realised and unrealised gain/(loss) on fair value changes in respect of foreign currency forward contracts, net	**39,937**	(30,978)
Others	**(7,665)**	47,767
	(96,204)	(14,838)

9 FINANCE COSTS

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

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Interest on:		
Bank borrowings	**134,907**	107,079
Long-term payable	**5,843**	6,439
Loans from related companies *(Note 34)*	**24,981**	11,829
Lease liabilities from related companies	**241**	1,081
Lease liabilities from third parties	**16,645**	18,054
Total borrowing costs	**182,617**	144,482
Less: Borrowing costs capitalised in the cost of qualifying assets	**(5,762)**	(21,116)
	176,855	123,366

Borrowing costs capitalised to qualifying assets during the years ended December 31, 2022 and 2021 were based on actual borrowing costs incurred for specific borrowings.

10 PROFIT/(LOSS) BEFORE TAX

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

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Cost of inventories recognised as expenses	**11,788,029**	11,131,280
Realised and unrealised loss/(gain) on fair value changes in respect of commodity future contracts, net	**636,987**	(1,422,511)
Gain on fair value changes in respect of biological assets	**1,235,731**	1,803,284
Total cost of sales	**13,660,747**	11,512,053
Employee benefits expenses (including the directors' emoluments as disclosed in Note 12):		
Salaries and other allowances	**976,606**	1,076,765
Retirement benefit schemes contributions *(Note 43)*	**102,592**	74,646
Less: Capitalised in biological assets and construction in progress	**(687,466)**	(611,328)
	391,732	540,083
Depreciation of property, plant and equipment	**527,397**	422,489
Depreciation of right-of-use assets	**57,279**	50,830
Amortisation of intangible assets	**1,830**	1,718
Total depreciation and amortisation	**586,506**	475,037
Less: Capitalised in biological assets	**(422,472)**	(376,223)
	164,034	98,814
Auditors' remuneration	**1,420**	1,420

11 INCOME TAX EXPENSE

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

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax (the "EIT")	**144,041**	294,720
PRC withholding tax	**30,107**	–
	174,148	294,720
Over provision in prior years:		
PRC Enterprise Income Tax	**(514)**	(62)
Deferred tax:		
Current year *(Note 22)*	**(53,468)**	187,787
	120,166	482,445

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit generated in Hong Kong for the year (2021: nil).

Under the Law of the PRC 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 (2021: 25%).

Certain operations of the Company's certain subsidiaries were exempted from PRC income taxes during both 2022 and 2021. 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, 2022 and 2021.

Withholding tax is calculated at 10% (2021: 10%) of the dividend income received from a subsidiary in the PRC for the year ended December 31, 2022.

11 INCOME TAX EXPENSE (Continued)

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

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Profit/(loss) before tax	**477,100**	(1,356)
Tax at the domestic income tax rate of 25% (2021: 25%)*	**119,275**	(339)
Effect of different tax rates for entities of the Group operating in other jurisdictions	**8,280**	2,651
Effect of tax losses incurred for agricultural business and other non-deductible expenses	**285,291**	110,481
Tax effect of income not taxable for tax purpose	**(10,013)**	–
Tax effect of the fair value adjustments on biological assets	**(169,178)**	709,379
Effect of tax exemptions	**(167,480)**	(416,141)
Tax losses utilised from previous periods	**(3,907)**	(2,597)
Tax effect of tax losses not recognised	**30,094**	76,457
Over provision in prior years	**(514)**	(62)
Tax effect of deductible temporary differences not recognised	**(1,838)**	2,957
Withholding tax on dividend income from a subsidiary	**30,107**	–
Others	**49**	(341)
Income tax expense for the year	**120,166**	482,445

* *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 emoluments 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, 2022						
Executive directors:						
JIANG Guojin (Chief Executive)	–	835	60	1,253	–	2,148
XU Jianong *(Note (c))*	–	358	28	–	–	386
Non-executive directors:						
MA Dewei *(Note (b))*	–	–	–	–	–	–
ZHAO Wei *(Note (b))*	–	–	–	–	–	–
Independent non-executive directors:						
FU Tingmei	313	–	–	–	–	313
LI Michael Hankin	313	–	–	–	–	313
JU Jiandong	313	–	–	–	–	313
Total	939	1,193	88	1,253	–	3,473

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

Directors' and chief executive's emoluments for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows: (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, 2021						
Executive directors:						
JIANG Guojin	–	880	55	7,490	–	8,425
XU Jianong (Chief Executive) *(Note (c))*	–	800	55	6,909	–	7,764
Non-executive directors:						
CUI Guiyong *(Note (a))*	–	–	–	–	–	–
ZHOU Qi *(Note (a))*	–	–	–	–	–	–
YANG Hong *(Note (a))*	–	–	–	–	–	–
MA Dewei *(Note (b))*	–	–	–	–	–	–
ZHAO Wei *(Note (b))*	–	–	–	–	–	–
Independent non-executive directors:						
FU Tingmei	286	–	–	–	–	286
LI Michael Hankin	286	–	–	–	–	286
JU Jiandong	286	–	–	–	–	286
Total	858	1,680	110	14,399	–	17,047

The executive directors' emoluments shown above were for their 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) These directors resigned as non-executive directors of the Company on July 30, 2021.

(b) These directors were appointed as non-executive directors of the Company on July 30, 2021.

(c) This director resigned as an executive director of the Company on June 10, 2022.

Bonus, including annual performance bonus and tenure incentive, is determined by reference to the market, individual performance and directors' respective contribution to the Group. In 2022 and 2021, the Company focused on the payment of tenure incentive.

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, 2022 included one (2021: two) directors of the Company. Details of the emoluments of the four (2021: three) highest paid employees who are not the directors of the Company are as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**14,989**	17,004
Retirement benefit schemes contributions	**217**	164
	15,206	17,168

The number of the highest paid employees who are not the directors of the Company whose emoluments fell within the following bands is as follows:

	Year ended December 31,	
	2022	2021
Hong Kong Dollar (''HKD") 2,000,001 to HKD2,500,000	**1**	–
HKD2,500,001 to HKD3,000,000	**1**	–
HKD3,500,001 to HKD4,000,000	**1**	–
HKD4,500,001 to HKD5,000,000	**–**	2
HKD8,000,001 to HKD8,500,000	**1**	–
HKD11,500,001 to HKD12,000,000	**–**	1
	4	3

14 DIVIDENDS

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Dividends recognised as distributions during the year:		
Final dividend of HKD0.206 (equivalent to RMB0.1714) per share for the year ended December 31, 2020	**–**	668,836
Final dividend of HKD0.180 (equivalent to RMB0.147) per share for the year ended December 31, 2021	**573,594**	–
	573,594	668,836

No dividend was paid or proposed for ordinary shareholders of the Company during 2022, nor has any dividend been proposed since the end of the reporting period (2021: RMB573,594,000).

15 EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share attributable to owners of the Company is based on the following data:

Earnings/(loss)

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Profit/(loss) for the year attributable to owners of the Company for the purpose of basic earnings/(loss) per share	**356,674**	(459,697)

Number of shares

	Year ended December 31,	
	2022	2021
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**3,901,998**	3,901,998

The calculation of the basic earnings/(loss) per share attributable to owners of the Company is based on profit for the year attributable to owners of the Company of RMB356,674,000 (2021: loss of RMB459,697,000). The denominators used are the same as those detailed above for basic earnings/(loss) per share.

No diluted earnings/(loss) per share is presented as there were no potential ordinary shares in issue for both 2022 and 2021.

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:

	At December 31,	
	2022	2021
	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 ("CGU") which manufactures and sells processed meat products with brand name "Maverick" in the processed meat products segment.

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 (2021: five-year), and discount rate of 11% (2021: 11%). Maverick's cash flows beyond the five-year period (2021: five-year) are extrapolated using a steady 0% growth rate (2021: 0%). 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 years ended December 31, 2022 and 2021, 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, 2021	5,365,809	30,259	2,388,150	168,192	112,185	1,337,480	9,402,075
Additions	25,659	3,857	52,210	44,365	53,514	1,338,730	1,518,335
Transfer	1,007,163	–	403,414	932	3,591	(1,415,100)	–
Disposals	(8,260)	(6)	(24,097)	(9,948)	(5,496)	(4,732)	(52,539)
At December 31, 2021 and January 1, 2022	6,390,371	34,110	2,819,677	203,541	163,794	1,256,378	10,867,871
Additions	34,621	14,711	54,093	39,833	31,937	867,733	1,042,928
Transfer	1,217,375	3,502	566,100	27,118	297	(1,814,392)	–
Disposals	(486)	(11,970)	(25,699)	(6,336)	(4,785)	(3,632)	(52,908)
At December 31, 2022	7,641,881	40,353	3,414,171	264,156	191,243	306,087	11,857,891
Depreciation and impairment:							
At January 1, 2021	(720,304)	(16,710)	(608,340)	(85,692)	(59,947)	(2,909)	(1,493,902)
Charge for the year	(194,245)	(5,437)	(174,464)	(27,647)	(20,696)	–	(422,489)
Impairment loss recognised in profit or loss	–	–	–	–	–	(472)	(472)
Eliminated on disposals	2,683	–	15,677	8,619	5,158	–	32,137
At December 31, 2021 and January 1, 2022	(911,866)	(22,147)	(767,127)	(104,720)	(75,485)	(3,381)	(1,884,726)
Charge for the year	(242,213)	(8,787)	(214,293)	(38,082)	(24,022)	–	(527,397)
Eliminated on disposals	135	11,970	10,737	5,482	4,524	472	33,320
At December 31, 2022	(1,153,944)	(18,964)	(970,683)	(137,320)	(94,983)	(2,909)	(2,378,803)
Net carrying values:							
At December 31, 2022	6,487,937	21,389	2,443,488	126,836	96,260	303,178	9,479,088
At December 31, 2021	5,478,505	11,963	2,052,550	98,821	88,309	1,252,997	8,983,145

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%

Building ownership certificates in respect of certain buildings of the Group in the PRC with an aggregate net carrying amount of approximately RMB24,078,000 as at December 31, 2022 (2021: RMB25,138,000) 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, 2022.

18 RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Properties RMB'000	Total RMB'000
As at December 31, 2022			
Carrying amount	**430,200**	**221,333**	**651,533**
As at December 31, 2021			
Carrying amount	439,093	252,401	691,494
For the year ended December 31, 2022			
Depreciation charge	**22,152**	**35,127**	**57,279**
For the year ended December 31, 2021			
Depreciation charge	22,346	28,484	50,830

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Expense relating to short-term leases	**14,074**	9,748
Variable lease payments not included in the measurement of lease liabilities	**11,147**	8,121
Total cash outflow for leases	**77,745**	81,777
Additions to right-of-use assets	**41,262**	135,279

The Group leases leasehold lands and buildings for its operations. Lease contracts are entered into for fixed term of 1 to 70 years (2021: 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, 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in this Note.

Leases of counters in retail stores contain variable lease payment that are based on 5% to 18.5% (2021: 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 software.

	2022 RMB'000	2021 RMB'000
Cost:		
At beginning of the reporting period	**16,909**	16,825
Additions	**3,551**	84
At end of the reporting period	**20,460**	16,909
Accumulated amortisation:		
At beginning of the reporting period	**9,816**	8,098
Amortisation provided during year	**1,830**	1,718
At end of the reporting period	**11,646**	9,816
Net carrying values:		
At end of the reporting period	**8,814**	7,093

Purchased computer software is 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

	At December 31,	
	2022 RMB'000	2021 RMB'000
Equity instrument at FVTOCI	**226,111**	313,551

This represents the Group's equity interest in a private entity established in the PRC. The investment is not held for trading, instead, it is held for long-term strategic purposes. The directors of the Company have elected to designate the investment at FVTOCI as they believe that recognising short-term fluctuations in this investment's fair value in profit or loss would not be consistent with the Group's strategy of holding this investment for long-term purposes and realising their performance potential in the long run.

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,	
	2022	2021
	'000	'000
Live hogs:		
– piglets	**395**	375
– nursery hogs	**739**	659
– medium and large finishing hogs	**1,229**	1,295
– replacement studs and gilts	**82**	40
	2,445	2,369
Breeding stock	**248**	204
	2,693	2,573

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:

21 BIOLOGICAL ASSETS (Continued)

Nature of the Group's agricultural activities (Continued)

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, 2021	4,125,522
Additions: breeding costs	6,494,089
Additions: purchase of breeding stock	39,084
Loss arising from changes in fair value less costs to sell of biological assets	(1,034,232)
Transfer to cost of sales at the point of harvest	(6,229,233)
Decrease due to culling	(1,542,111)
At December 31, 2021 and January 1, 2022	1,853,119
Additions: breeding costs	7,423,817
Gain arising from changes in fair value less costs to sell of biological assets	1,912,443
Transfer to cost of sales at the point of harvest	(7,263,464)
Decrease due to culling	(862,479)
At December 31, 2022	3,063,436

21 BIOLOGICAL ASSETS (Continued)

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

Analysed for reporting purpose

	At December 31,	
	2022	2021
	RMB'000	RMB'000
Live hogs and breeding stock	**3,063,436**	1,853,119
Less: current portion	**(2,525,033)**	(1,556,140)
Non-current portion	**538,403**	296,979

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 local 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, 2022 and 2021.

	At December 31,	
	2022	2021
	RMB	RMB
Live hogs and breeding stock		
Piglets *(Note (a))*		
Per head market price	**345 to 437**	201 to 352
Nursery hogs *(Note (b))*		
Per head market price	**546 to 670**	344 to 454
Medium and large finishing hogs *(Note (c))*		
Per head market price	**768 to 2,016**	387 to 1,233
Replacement studs and gilts *(Note (d))*		
Per head cost	**1,903 to 6,026**	1,678 to 9,473
Breeding stock *(Note (e))*		
Per head replacement cost	**1,925 to 2,347**	1,177 to 2,213

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 hogs expected to be dead during this stage as no additional cost is necessary to feed those dead hogs.

The survival rate is estimated based on the historical statistics for respective location and category of hogs 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, 2022 are grouped into Level 3 of fair value measurement. There were no transfers into or out of Level 3 during both the current and prior years.

22 DEFERRED TAX ASSETS/LIABILITIES

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

	At December 31,	
	2022	2021
	RMB'000	RMB'000
Deferred tax assets	**–**	264
Deferred tax liabilities	**(82,015)**	(85,098)

As at December 31, 2022, the Group has unrecognised tax losses of RMB78,214,000 (2021: RMB67,200,000) in Hong Kong, which have no expiry dates, and RMB677,343,000 (2021: RMB624,657,000) in the PRC which will expire during the financial years 2022 to 2027 and unrecognised deductible temporary differences in relation to impairment of account receivables, other receivables and write-down of inventories to net realisable values of RMB2,589,000 (2021: RMB8,636,000) available for offset against future taxable income.

As at December 31, 2022, no deferred tax assets (2021: RMB264,000) have 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, 2022 and 2021, 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, 2022, deferred tax liabilities of RMB8,499,000 (2021: RMB62,434,000) has been recognised in respect of taxable temporary differences on fair value adjustment on derivative financial instruments and relocation of property, plant and equipment and land use rights, deferred tax liabilities of RMB50,649,000 (2021: nil) has been recognised in respect of taxable temporary differences on fair value adjustment on equity instrument at FVTOCI and deferred tax liabilities of RMB2,867,000 (2021: RMB2,664,000) has been recognised in respect of acceleration tax depreciation of property, plant and equipment, and the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was RMB351,702,000 (2021: RMB312,498,000). Deferred tax liabilities of RMB20,000,000 (2021: 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. No further deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

The unrecognised tax losses will expire in the following years:

	At December 31,	
	2022	2021
	RMB'000	RMB'000
To be expired on:		
December 31, 2022	**–**	51,039
December 31, 2023	**40,835**	40,835
December 31, 2024	**37,348**	37,348
December 31, 2025	**189,608**	189,608
December 31, 2026	**296,447**	305,827
December 31, 2027	**113,105**	–
Total unused tax losses not recognised as deferred tax assets	**677,343**	624,657

22 DEFERRED TAX ASSETS/LIABILITIES (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	Fair value adjustments in other comprehensive income RMB'000	Distributable profits of subsidiaries RMB'000	Accelerated tax depreciation RMB'000	Provision against inventories RMB'000	Total RMB'000
At January 1, 2021	(9,680)	–	(20,000)	(1,766)	134,399	102,953
Charge to profit or loss	(53,515)	–	–	(1,300)	(134,135)	(188,950)
Credit to profit or loss	761	–	–	402	–	1,163
At December 31, 2021 and January 1, 2022	(62,434)	–	(20,000)	(2,664)	264	(84,834)
Charge to profit or loss	–	–	–	(550)	(264)	(814)
Credit to profit or loss	53,935	–	–	347	–	54,282
Charge to other comprehensive income	–	(50,649)	–	–	–	(50,649)
At December 31, 2022	(8,499)	(50,649)	(20,000)	(2,867)	–	(82,015)

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,	
	2022 **RMB'000**	2021 RMB'000
Raw materials and consumables	**581,065**	569,438
Work in progress	**6,070**	18,374
Finished goods	**861,750**	699,248
	1,448,885	1,287,060

24 ACCOUNT RECEIVABLES

	At December 31,	
	2022	2021
	RMB'000	RMB'000
Account receivables from contracts with customers	**318,654**	225,714
Less: Allowance for credit losses	**(514)**	(223)
Total account receivables	**318,140**	225,491

An aged analysis of the account 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,	
	2022	2021
	RMB'000	RMB'000
Within 90 days	**313,857**	224,482
90 to 180 days	**3,993**	802
180 days to 1 year	**189**	22
Over 1 year	**101**	185
	318,140	225,491

As at December 31, 2022, included in the Group's account receivables are debtors with aggregate carrying amount of RMB4,587,000 (2021: RMB917,000) which are past due as at the reporting date. Out of the past due balances, RMB638,000 (2021: RMB65,000) has been past due 90 days or more and is not considered as in default taking into account the historical repayment records from the customer. The Group does not hold any collateral over these balances.

Details of impairment assessment of account 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,	
	2022	2021
	RMB'000	RMB'000
Value-added tax recoverable	**165,600**	201,651
Prepayments	**54,294**	33,106
Deposits *(Note)*	**345,551**	500,288
Others	**68,883**	47,031
	634,328	782,076
Less: Allowance for credit losses	**(55)**	(38)
	634,273	782,038

Note: The deposits included the deposits relating to commodity futures contracts of RMB328,283,000 (2021: RMB485,337,000).

26 OTHER CURRENT ASSETS

As at December 31, 2022 and 2021, other current assets represented the costs recoverable for meat products the Group purchased pursuant to agency arrangements where the Group was requested to purchase meat products and sell the meat products to designated buyers. The Group is responsible for the procurement and delivery of the meat products to designated buyers and earns agreed agency fees. Under the arrangement, the purchases 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 COFCO Corporation, which has significant influence over the Company.

Included in amounts due from related companies as at December 31, 2022 were receivables in trade nature of RMB8,949,000 (2021: RMB9,598,000). These receivables 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,	
	2022	2021
	RMB'000	RMB'000
Within 90 days	**626**	1,085
Over 90 days but less than 1 year	**–**	8,202
Over 1 year	**8,323**	311
	8,949	9,598

The remaining balances of amounts due from related companies include prepayments in connection with the purchase of inventories and 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, 2022 are set out in Note 47.

Included in amounts due to related companies as at December 31, 2022 were payables in trade nature of RMB30,519,000, which are unsecured, interest-free and payable according to the relevant contracts (2021: RMB115,359,000). 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,	
	2022	2021
	RMB'000	RMB'000
Within 90 days	**26,873**	97,301
Over 90 days but less than 1 year	**3,646**	18,058
	30,519	115,359

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

28 CASH AND BANK BALANCES

	At December 31,	
	2022	2021
	RMB'000	RMB'000
Cash and bank balances	**195,243**	538,093
Time deposits with original maturity within three months when acquired	**–**	503,582
Deposits with a non-banking financial institution*	**844,789**	3
	1,040,032	1,041,678
Less:		
Pledged and restricted bank deposits (Note 42):		
– for bills payables	**–**	(698)
	1,040,032	1,040,980

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

Cash at banks earns interest at rates based on daily bank deposit rates ranging from 0% to 1.73% (2021: 0% 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 a market rate of 2.03% (2021: at 1.89% to 2.03%). The bank balances and deposits are deposited with creditworthy banks with no history of default.

29 ACCOUNT AND BILLS PAYABLES

An analysis of account and bills payables is as follows:

	At December 31,	
	2022	2021
	RMB'000	RMB'000
Account payables	**605,709**	566,871
Bills payables	**129,560**	6,302
	735,269	573,173

The account 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 account payables as at the end of the reporting period, based on the invoice date, is as follows:

	At December 31,	
	2022	2021
	RMB'000	RMB'000
Within 1 year	**595,685**	557,824
1 to 2 years	**8,546**	8,257
Above 2 years	**1,478**	790
	605,709	566,871

30 OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

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

	At December 31,	
	2022	2021
	RMB'000	RMB'000
Bills payables for purchase of property, plant and equipment	**43,117**	28,700
Construction costs payables	**247,388**	227,758
Deposits received	**162,961**	163,433
Salaries and wages payables	**123,210**	369,199
Accruals	**194,910**	158,389
Tax element of contract liabilities	**26,242**	34,459
Others	**83,384**	95,608
	881,212	1,077,546

31 LEASE LIABILITIES

	At December 31,	
	2022	2021
	RMB'000	RMB'000
Lease liabilities payable:		
Within one year	**47,644**	27,651
Within a period of more than one year but not more than two years	**26,996**	32,435
Within a period of more than two years but not more than five years	**64,060**	79,965
Within a period of more than five years	**236,564**	253,731
	375,264	393,782
Less: Amount due for settlement within 12 months shown under current liabilities	**(47,644)**	(27,651)
Amount due for settlement after 12 months shown under non-current liabilities	**327,620**	366,131

The weighted average incremental borrowing rates applied to lease liabilities range from 3.65% to 4.9% (2021: 3.85% to 4.9%).

The lease liabilities as at December 31, 2021 included an amount of RMB31,708,000 relating to COFCO Corporation and its subsidiaries.

32 CONTRACT LIABILITIES

	At December 31,	
	2022	2021
	RMB'000	RMB'000
Hog production and sales	**51,361**	32,355
Sales of fresh pork	**59,341**	48,286
Sales of processed meat products	**6,241**	5,205
Sales of imported meat products	**235,592**	338,492
Total – current	**352,535**	424,338

As at January 1, 2021, contract liabilities amounted to RMB408,164,000.

32 CONTRACT LIABILITIES (Continued)

The following table shows the amount of the revenue recognised in the corresponding segments 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, 2022	**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**
Revenue recognised that was included in the contract liability balance at the beginning of the year	**32,355**	**48,286**	**5,205**	**338,492**

For the year ended December 31, 2021	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
Revenue recognised that was included in the contract liability balance at the beginning of the year	60,916	36,620	11,523	299,087

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,	
	2022 RMB'000	2021 RMB'000
Unsecured bank loans	**5,997,709**	6,109,074
Carrying amount of the above borrowings are repayable*:		
Within one year**	**5,851,943**	5,963,713
In the second year	**57,636**	12,560
In the third to fifth year, inclusive	**88,130**	123,886
Beyond five years	**–**	8,915
	5,997,709	6,109,074
Less: Amounts due within one year shown under current liabilities	**(5,851,943)**	(5,963,713)
Amounts shown under non-current liabilities	**145,766**	145,361

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

** *As at December 31, 2022, the bank loan balances include bank loans from a designated bank as set out in Note 26 amounting to RMB416,070,000 (2021: RMB1,419,427,000), which bear interest at 3.7% (2021: 3.85%) per annum.*

33 BANK BORROWINGS (Continued)

The exposure of the Group's borrowings are as follows:

	At December 31,	
	2022	2021
	RMB'000	RMB'000
Fixed-rate borrowings	**4,407,592**	5,608,103
Variable-rate borrowings	**1,590,117**	500,971
	5,997,709	6,109,074

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 December 31,	
	2022	2021
Effective interest rate:		
Fixed-rate borrowings	**1.05% to 3.95%**	1.05% to 3.85%
Variable-rate borrowings	**0.91% to 5.14%**	0.91% to 4.26%

Loan covenants

In respect of bank loans with carrying amount of RMB484,071,000 as at December 31, 2022 (2021: RMB449,680,000), the Group is required to comply with the following financial covenants throughout the continuance of the relevant loans and/or as long as the loans are outstanding:

- maintain its consolidated interest servicing coverage ratio shall be no less than 3.0x (calculated by EBITDA/interest expenses); and
- maintain its consolidated net debt to tangible net worth should be within 0.75x.

The Group has complied with these covenants throughout the reporting period.

34 LOANS FROM RELATED COMPANIES

The loans of RMB1,002,500,000 (2021: RMB2,500,000) from related companies classified under current liabilities are loans from COFCO Corporation and its subsidiaries (2021: COFCO Corporation), which are unsecured, repayable within one year and bear interest at fixed rates from 2.30% to 3.26% (2021: 3.26%) per annum.

The loans from a related company classified under non-current liabilities are loans from COFCO Corporation, which are unsecured, repayable in November 2035 and June 2036 and carry at the effective interest rate of 4.90% (2021: 4.90%) per annum (see Note 36 for further details).

35 FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets and liabilities mandatorily measured at FVTPL:

	At December 31,	
	2022	2021
	RMB'000	RMB'000
Classified under current assets:		
Commodity futures contracts *(Note i)*	**277,415**	230,874
Foreign currency forward contracts *(Note ii)*	**22,730**	–
	300,145	230,874
Classified under current liabilities:		
Commodity futures contracts *(Note i)*	**(524)**	(4,045)
Foreign currency forward contracts *(Note ii)*	**(7,921)**	(25,506)
	(8,445)	(29,551)
Total	**291,700**	201,323

Note i: the Group has entered into live hog and soybean meal future contracts to manage the future price risk in live hog and soybean meal. These futures are measured at FVTPL. Net fair value loss on commodity futures contracts of RMB636,987,000 (2021: gain of RMB1,422,511,000) was recognised in "cost of sales" in the consolidated statement of profit or loss and other comprehensive income during the year.

Note ii: 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 account payables denominated in United States Dollar ("USD") and HKD.

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

As at December 31, 2022

Notional amount	Exchange rates	Maturity Date
Buy USD49,300,000	USD1:RMB6.8986 to 7.3217	January 3, 2023 to June 30, 2023
Buy HKD930,000,000	HKD1:RMB0.8569 to 0.8599	June 14, 2023 to July 20, 2023

As at December 31, 2021

Notional amount	Exchange rates	Maturity Date
Buy USD20,500,000	USD1:RMB6.3463 to 6.4675	January 4, 2022 to March 1, 2022
Buy HKD800,000,000	HKD1:RMB0.8234 to 0.8582	April 18, 2022 to July 18, 2022

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 logistics 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,	
	2022	2021
	RMB'000	RMB'000
At beginning of the reporting period	**133,860**	147,662
Subsidies obtained during the year	**5,415**	–
Credited to profit or loss during the year	**(11,151)**	(13,802)
At end of the reporting period	**128,124**	133,860

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 logistics 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 deposit 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 deposit 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, 2022, the construction of above-mentioned plants was 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, 2022 and 2021 and at December 31, 2022 and 2021	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, 2022 and 2021 and December 31, 2022 and 2021	3,901,998,323	1,668,978

39 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	At December 31,	
	2022 RMB'000	2021 RMB'000
Non-current assets		
Investment in subsidiaries	**2,615,888**	2,615,888
Amount due from a subsidiary	**682,174**	682,174
	3,298,062	3,298,062
Current assets		
Amounts due from subsidiaries	**70**	159
Financial assets at fair value through profit or loss	**22,714**	–
Cash and bank balances	**2,793**	10,466
	25,577	10,625
Current liabilities		
Bank borrowings	**1,080,741**	686,784
Financial liabilities at fair value through profit or loss	**–**	23,648
Amounts due to subsidiaries	**384,340**	177,172
Other payables and accruals	**7,389**	4,058
	1,472,470	891,662
Net current liabilities	**(1,446,893)**	(881,037)
Net assets	**1,851,169**	2,417,025
Capital and reserves		
Share capital	**1,668,978**	1,668,978
Reserves	**182,191**	748,047
	1,851,169	2,417,025

39 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Movements of reserves of the Company are as follows:

	Share premium RMB'000	Special reserve RMB'000	Capital reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At January 1, 2021	1,244,271	220,351	3,011	(22,517)	1,445,116
Loss and total comprehensive expense for the year	–	–	–	(28,233)	(28,233)
Dividends recognised as distribution	(668,836)	–	–	–	(668,836)
At December 31, 2021 and January 1, 2022	575,435	220,351	3,011	(50,750)	748,047
Profit and total comprehensive expense for the year	–	–	–	7,738	7,738
Dividends recognised as distribution	(573,594)	–	–	–	(573,594)
At December 31, 2022	1,841	220,351	3,011	(43,012)	182,191

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") has 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.

(Expressed in Renminbi)

40 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Lock-up period:

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

Exercise date for options vested:

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

Exercise of the options:

A participant of the Scheme shall exercise the vested options by sending a written notice to the Trustee, specifying the number of the option shares he intends to exercise. The Trustee shall arrange to sell the option shares concerned in an open market and pay the net proceeds, being the proceeds of sale less the exercise price and all relevant costs, expenses and taxes, to the relevant participant of the Scheme.

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: (HKD 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 values of the share options were valued by Savills, independent qualified professional valuers not connected with the Group using binomial option pricing model.

40 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The following table discloses movements of the share options held by a director and employees during the years ended December 31, 2022 and 2021:

	2022			2021		
	Director	**Employees**	**Total**	Director	Employees	Total
At 1 January	**507,161**	**8,107,098**	**8,614,259**	1,521,481	18,262,328	19,783,809
Exercised during the year	**(507,161)**	**(3,226,829)**	**(3,733,990)**	(1,014,320)	(10,155,230)	(11,169,550)
At 31 December	**–**	**4,880,269**	**4,880,269**	507,161	8,107,098	8,614,259

The Group recognised nil (2021: nil) share option expense for the year ended December 31, 2022 in relation to share options granted by the Company.

41 CAPITAL COMMITMENTS

	At December 31,	
	2022	2021
	RMB'000	RMB'000
Contracted but not provided for in respect of:		
Purchase of property, plant and equipment	**525,037**	596,092

42 PLEDGE OF ASSETS

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

	At December 31,	
	2022	2021
	RMB'000	RMB'000
Bank deposits	**–**	698

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 RMB102,592,000 for the year ended December 31, 2022 (2021: RMB74,646,000).

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, 2022 RMB'000	Bank loans relating to procurement agency arrangements RMB'000	Addition of lease liabilities RMB'000	Lease modification RMB'000	Financing cash flows RMB'000	Interest accrual RMB'000	Foreign exchange translation RMB'000	At December 31, 2022 RMB'000
Bank borrowings**	6,109,074	(905,074)*	–	–	589,933	134,907	68,869	**5,997,709**
Long-term payable	84,281	–	–	–	(8,257)	5,843	–	**81,867**
Loans from related companies	99,806	–	–	–	1,000,000	2,920	–	**1,102,726**
Interest payable for loans from related companies	2	–	–	–	(21,312)	22,061	–	**751**
Lease liabilities	393,782	–	31,076	(24,142)	(42,338)	16,886	–	**375,264**
	6,686,945	(905,074)	31,076	(24,142)	1,518,026	182,617	68,869	**7,558,317**

	At January 1, 2021 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, 2021 RMB'000
Bank borrowings**	8,305,875	(2,060,242)*	–	(224,915)	107,079	(18,723)	6,109,074
Long-term payable	86,520	–	–	(8,678)	6,439	–	84,281
Loans from a related company	97,023	–	–	(1,817)	4,600	–	99,806
Interest payable for loans from a related company	59	–	–	(7,286)	7,229	–	2
Lease liabilities	328,803	–	117,873	(72,029)	19,135	–	393,782
	8,818,280	(2,060,242)	117,873	(314,725)	144,482	(18,723)	6,686,945

* *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 organising parties solely for the purpose of the procurement agency arrangements.*

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

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 balances. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt, which includes bank borrowings, 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,	
	2022	2021
	RMB'000	RMB'000
Financial assets		
Financial assets at FVTPL	**300,145**	230,874
Financial assets at amortised cost	**2,889,872**	4,296,562
Equity instruments at FVTOCI	**226,111**	313,551
Financial liabilities		
Financial liabilities at amortised cost	**9,076,520**	7,896,455
Financial liabilities at FVTPL	**8,445**	29,551

47 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity instrument at FVTOCI, derivative financial instruments, account receivables, deposits and other receivables, other current assets, account and bills payables, other payables, bank borrowings, loans from a related company, 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 the Group primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity price.

47 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risks (Continued)

Currency risk

The Company and certain subsidiaries of the Group have foreign currency sales and purchases, 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 and HKD.

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,	
	2022	2021
	RMB'000	RMB'000
Assets		
Denominated in HKD:		
Cash and bank balances	**375**	3,228
Financial assets at FVTPL	**22,714**	–
Denominated in USD:		
Cash and bank balances	**1,478**	4,470
Financial assets at FVTPL	**16**	–
Denominated in EUR:		
Cash and bank balances	**449**	2,503
	25,032	10,201
Liabilities		
Denominated in HKD:		
Bank borrowings	**830,741**	686,784
Denominated in USD:		
Bank borrowings	**195,009**	178,520
Account payables	**135,086**	49,865
Financial liabilities at FVTPL	**7,921**	1,858
	1,168,757	917,027

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 the relevant foreign currency exchange rates, with all other variables held constant, of the Group's profit/loss 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 (2021: a positive number indicates an increase in post-tax loss and a negative number indicates a decrease in other equity) where RMB weakening 5% (2021: 5%) against the relevant currency. For a 5% (2021: 5%) strengthen of RMB against the relevant currency, there would be an equal and opposite impact on the profit/(loss) 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 HKD Impact		Currency USD Impact	
	2022 RMB'000	2021 RMB'000	**2022 RMB'000**	2021 RMB'000
Decrease in profit (2021: increase in loss)	**(30,287)**	25,633	**(12,620)**	8,466
Decrease in equity	**(30,287)**	(25,633)	**(12,620)**	(8,466)

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 a related company (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, HIBOR and borrowing rate quoted by the People's Bank of China (the "PBOC"). 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, 2022 would decrease/increase by RMB16,486,000 (2021: increase/decrease of post-tax loss by RMB3,757,000). Results of the analysis above represent the effects on outstanding bank borrowings with a floating interest rate at the end of each reporting period.

Equity price risk

The Group is exposed to equity price changes arising from private equity investment held for long term strategic purposes (see note 20). The performance of the private equity investment is assessed at least bi-annually against performance of similar listed entities, together with an assessment of their relevance to the Group's long term strategic plan.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. Sensitivity analyses for unquoted equity securities with fair value measurement categorised within Level 3 were disclosed in note 48.

If the price of the respective equity instrument had been 10% (2021: 10%) higher/lower, the other comprehensive income would increase/decrease by RMB16,958,000 (2021: increase/decrease by RMB23,516,000) as a result of the changes in fair value of equity instrument at FVTOCI.

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, 2022, the Group's credit risk is primarily attributable to its account 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.

Account receivables arising 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 account receivables 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/amounts 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 is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended December 31, 2022 and 2021, 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)

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

2022	**12-month or lifetime ECL**	**Gross carrying amount RMB'000**
Financial assets at amortised costs		
Other receivables	12-month ECL	**414,434**
Account receivables		
– goods and services	Lifetime ECL (not credit impaired) (provision matrix)	**318,654**

2021	12-month or lifetime ECL	Gross carrying amount RMB'000
Financial assets at amortised costs		
Other receivables	12-month ECL	547,319
Account receivables		
– goods and services	Lifetime ECL (not credit impaired) (provision matrix)	225,714

Notes:

For account receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL 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.

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, 2022, the Group provided RMB291,000 (2021: reversed RMB157,000) impairment allowance for account receivables, based on the provision matrix. The average loss rate of the Group's account receivable is very low and is not significant to the Group.

The Group writes off an account receivable or other receivable 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.

47 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

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, 2022, the Group has available unutilised short-term bank loan facilities of approximately RMB10,236,903,000 (2021: RMB17,584,688,000).

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, 2022						
Account and bills payables	**–**	**735,269**	**–**	**–**	**735,269**	**735,269**
Other payables, accruals and deposits received	**–**	**536,850**	**–**	**–**	**536,850**	**536,850**
Bank borrowings	**0.91% to 5.14%**	**5,893,450**	**153,237**	**–**	**6,046,687**	**5,997,709**
Long-term payable	**7.69% to 7.92%**	**9,000**	**36,000**	**103,500**	**148,500**	**81,867**
Amounts due to related companies	**–**	**246,835**	**–**	**–**	**246,835**	**246,835**
Loans from related companies	**2.3% to 4.9%**	**1,075,112**	**7,392**	**170,956**	**1,253,460**	**1,102,726**
Lease liabilities	**3.65% to 4.9%**	**54,453**	**140,930**	**350,390**	**545,773**	**375,264**
		8,550,969	**337,559**	**624,846**	**9,513,374**	**9,076,520**

	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, 2021						
Account and bills payables	–	573,173	–	–	573,173	573,173
Other payables, accruals and deposits received	–	515,499	–	–	515,499	515,499
Bank borrowings	0.91% to 4.26%	6,031,252	148,761	9,598	6,189,611	6,109,074
Long-term payable	7.69% to 7.92%	9,000	36,000	112,500	157,500	84,281
Amounts due to related companies	–	120,840	–	–	120,840	120,840
Loans from a related company	3.26% to 4.9%	4,430	7,392	170,956	182,778	99,806
Lease liabilities	3.85% to 4.9%	39,656	165,662	374,519	579,837	393,782
		7,293,850	357,815	667,573	8,319,238	7,896,455

47 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (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 is 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.

	Inflow/(Outflow)		
	On demand or within 1 year RMB'000	**Total undiscounted cash flows RMB'000**	**Carrying amount assets/ (liabilities) RMB'000**
At December 31, 2022			
Derivatives – net settlement			
Commodity futures contracts	**276,891**	**276,891**	**276,891**
Foreign currency forward contracts	**14,809**	**14,809**	**14,809**
At December 31, 2021			
Derivatives – net settlement			
Commodity futures contracts	226,829	226,829	226,829
Foreign currency forward contracts	(25,506)	(25,506)	(25,506)

Interest rate benchmark reform

Certain of the Group's HIBOR bank loans will or may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

HIBOR

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

48 FAIR VALUE MEASUREMENTS 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. For instruments with significant unobservable inputs under Level 3, 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, 2022				
Financial assets at FVTPL				
Derivative financial instruments	**277,415**	**22,730**	**–**	**300,145**
Financial assets at FVTOCI				
Equity instrument at FVTOCI	**–**	**–**	**226,111**	**226,111**
Financial liabilities				
Derivative financial instruments	**524**	**7,921**	**–**	**8,445**
At December 31, 2021				
Financial assets at FVTPL				
Derivative financial instruments	230,874	–	–	230,874
Financial assets at FVTOCI				
Equity instrument at FVTOCI	–	–	313,551	313,551
Financial liabilities				
Derivative financial instruments	4,045	25,506	–	29,551

(Expressed in Renminbi)

48 FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

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

Financial assets/ financial liabilities	Fair value as at December 31, 2022	Fair value as at December 31, 2021	Fair value hierarchy	Valuation technique(s) and key input(s)
1) Commodity future contracts	**Assets – RMB277,415,000 Liabilities – RMB524,000**	Assets – RMB230,874,000 Liabilities – RMB4,045,000	Level 1	Quoted bid prices in an active market
2) Foreign currency forward contracts	**Assets – RMB22,730,000 Liabilities – RMB7,921,000**	Liabilities – RMB25,506,000	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.

Financial assets/ financial liabilities	Fair value as at December 31, 2022	Fair value as at December 31, 2021	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
3) Unquoted equity investment at FVTOCI	**15% equity investment in McKey Food Services Ltd – RMB226,111,000**	15% equity investment in McKey Food Services Ltd – RMB313,551,000	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 (2021: 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 RMB3,770,000 (December 31, 2021: RMB5,220,000).

48 FAIR VALUE MEASUREMENTS 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 both the current and prior years.

Reconciliation of Level 3 fair value measurements

	Financial assets at FVTOCI RMB'000
At January 1, 2021	132,121
Total gains:	
in other comprehensive income	181,430
At December 31, 2021 and January 1, 2022	313,551
Total losses:	
in other comprehensive income	(87,440)
At December 31, 2022	226,111

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

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their respective fair values at the end of each reporting period.

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,	
	2022 RMB'000	2021 RMB'000
Transactions with related companies:		
Sales of goods*	**27,477**	63,356
Purchases of goods*	**1,952,254**	1,531,082
Office rental expense*#	**12,908**	11,336
Property management fee expense*	**1,244**	1,302
Feeding materials processing fee expense*	**–**	6,537
Short-term warehouse rental expense*	**551**	4,012
Interest income*	**10,406**	10,249
Interest expense*	**24,981**	11,829
Administrative expense	**6,346**	4,090
Agency procurement service revenue*	**–**	19,080

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

\# *The related party transactions of office rental expense included the lease payments of RMB8,885,000 (2021: RMB7,823,000) settle through lease liabilities (see Note 31) during the year ended December 31, 2022.*

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-banking financial institution regulated by 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, 2022 amounted to RMB844,789,000 (2021: RMB3,000), 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,	
	2022	2021
	RMB'000	RMB'000
Salaries, allowances and other benefits	**9,648**	28,830
Retirement benefit scheme contributions	**325**	327
	9,973	29,157

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

(Expressed in Renminbi)

50 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries at December 31, 2022 and 2021 are as follows:

Name of subsidiaries	Place 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, 2022 %	2021 %	Principal activities
Zhuo Mao Limited (卓貿公司)	British Virgin Islands ("BVI")/Hong Kong	USD1	**100**	100	Investment holding
COFCO Meat Products (HK) Limited (中糧肉食(香港)有限公司)	Hong Kong/ Hong Kong	HKD3,080,270,014	**100**	100	Investment holding
中糧肉食投資有限公司 (COFCO Meat Investments Company Limited*) *(Note (i))*	PRC/PRC	USD467,973,200	**100**	100	Investment holding
中糧肉食(北京)有限公司 (COFCO Meat (Beijing) Co., Ltd.*) *(Note (ii))*	PRC/PRC	USD10,000,000	**100**	100	Import and sale of frozen meat products
中糧家佳康農牧(天津)有限公司 (COFCO JOYCOME Agro-Pastoral (Tianjin) Co., Ltd.*) *(Note (ii))*	PRC/PRC	USD15,000,000	**100**	100	Hog production
中糧家佳康(江蘇)有限公司 (COFCO Joycome (Jiangsu) Limited*) *(Note (ii))*	PRC/PRC	USD65,701,199 (2021: USD79,201,199)	**100**	100	Hog production, livestock slaughtering, manufacture and sale of fresh pork and processed meat product
武漢中糧肉食品有限公司 (COFCO Wuhan Meat Product Co., Ltd.*) *(Note (ii))*	PRC/PRC	USD63,699,539 (2021: USD77,290,439)	**100**	100	Hog production and sale of meat products

(Expressed in Renminbi)

50 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Particulars of the principal subsidiaries at December 31, 2022 and 2021 are as follows: (continued)

Name of subsidiaries	Place 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
			2022 %	2021 %	
中糧萬威客食品有限公司 (COFCO Maverick Food Products Co., Ltd.*) *(Note (ii))*	PRC/PRC	USD38,100,000	**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	USD199,260,600 (2021: USD133,134,558)	**100**	100	Hog production, livestock slaughtering, manufacture and sale of fresh pork
中糧家佳康(赤峰)有限公司 (COFCO Joycome (Chifeng) Co., Ltd.*) *(Note (ii))*	PRC/PRC	USD178,862,783 (2021: USD102,081,247)	**100**	100	Hog production, livestock slaughtering, manufacture and sale of fresh pork
中糧家佳康(張北)有限公司 (COFCO Joycome (Zhangbei) Co., Ltd.*) *(Note (ii))*	PRC/PRC	USD62,976,600	**100**	100	Hog production
中糧家佳康(鹽城)有限公司 (COFCO Joycome (Yancheng) Co., Ltd.*) *(Note (ii))*	PRC/PRC	USD20,160,000	**100**	100	Hog production
江蘇中穩農業發展有限公司 (Jiangsu CM/Merit Agriculture Development Co., Ltd.*) *(Note (ii))*	PRC/PRC	USD51,257,185	**51**	51	Hog production
中糧家佳康(東台)有限公司 (COFCO Joycome (DongTai) Co., Ltd*) *(Note (ii))*	PRC/PRC	USD13,500,000	**100**	–	Manufacture and sale of feed
中糧家佳康(隨州)有限公司 (COFCO Joycome (Suizhou) Co., Ltd*) *(Note (ii))*	PRC/PRC	USD13,590,900	**100**	–	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 translations.*

50 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

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, 2022 and 2021.

The above table lists the subsidiaries 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 EVENTS AFTER THE REPORTING PERIOD

On January 11, 2023, the Group entered into the share subscription agreement with its major shareholder, COFCO (Hong Kong) Limited (the "Subscriber"), where the Company has conditionally agreed to allot and issue, 680,000,000 subscription shares in cash at a subscription price of HKD2.30 per subscription share and the Subscriber has conditionally agreed to subscribe. The transaction has been approved through EGM held on March 10, 2023 and was completed on March 24, 2023. Immediately after the subscription and as at the date hereof, Subscriber and its wholly-owned subsidiary was interested in a total of 1,846,681,782 shares, representing approximately 40.3% of the entire issued share capital of the Company and became the controlling shareholder of the Company. Subsequent to the above share allotment, in the opinion of the directors of the Company, the Subscriber and COFCO Corporation are the immediate holding company and the ultimate holding company of the Group respectively. Details of the transaction are disclosed in the Company's announcements dated January 11, 2023, February 16, 2023, March 10, 2023 and March 24, 2023.

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,				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations					
Revenue	**12,900,684**	13,227,606	18,922,112	11,078,665	7,168,488
Profit/(loss) for the year	**356,934**	(483,801)	4,024,634	1,522,223	(646,649)
Total comprehensive (expense)/income attributable to:					
Owners of the Company	**227,272**	(280,570)	3,926,074	1,380,849	(606,829)
Non-controlling interests	**260**	(24,104)	29,510	(51,504)	(18,982)
	227,532	(304,674)	3,955,584	1,329,345	(625,811)

ASSETS AND LIABILITIES

	As at December 31,				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**18,394,368**	18,029,427	20,561,996	16,123,845	10,259,757
Total liabilities	**10,131,660**	(9,420,657)	(10,979,716)	(9,963,672)	(5,485,517)
Total equity	**8,262,708**	8,608,770	9,582,280	6,160,173	4,774,240
Equity attributable to:					
Owners of the Company	**8,113,545**	8,459,867	9,409,273	6,056,593	4,675,744
Non-controlling interests	**149,163**	148,903	173,007	103,580	98,496
	8,262,708	8,608,770	9,582,280	6,160,173	4,774,240

Investors' Calendar

Annual Results Announcements

March 28, 2023 (Tuesday) (audited)

Closure of Register of Members

The register of members of the Company will be closed from 12 June 2023 to 15 June 2023, 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 9 June 2023.

Annual General Meetings

15 June 2023 (Thursday)

Dividend

The Board had resolved not to declare any final dividend for the year ended December 31, 2022.

Glossary

"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, on November 23, 2018
"2018 Mutual Supply Agreement"	the mutual supply agreement entered into between the Company and COFCO on November 23, 2018
"2019 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
"2021 Administrative Services Agreement"	the administrative services agreement entered into between the Company and COFCO on November 16, 2021
"2021 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 16, 2021
"2021 Mutual Supply Agreement"	the mutual supply agreement entered into between the Company and COFCO on November 16, 2021
"2021 Property Leasing and Property Management Contract"	the property leasing and property management contract entered into between the Company and COFCO on November 16, 2021
"2021 Supplemental Financial Services Agreement"	the supplemental agreement dated July 9, 2021 in respect of the Revised Annual Caps entered into between the Company and COFCO Finance
"2021 Supplemental Mutual Supply Agreement"	the supplemental agreement dated July 9, 2021 in respect of the Revised Annual Caps entered into between the Company and COFCO
"2022 Supplemental Financial Services Agreement"	the supplemental agreement dated August 23, 2022 in respect of the Revised Annual Caps entered into between the Company and COFCO Finance

Glossary

"Articles of Association"	the articles of association of the Company, as amended from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the Audit Committee of the Board
"Baring"	Baring Private Equity Asia V Holding (16) Limited, a limited liability company incorporated in the BVI on February 20, 2014, and a Shareholder of our Company
"Board" or "Board of Directors"	our board of Directors
"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
"China Agri"	China Agri-Industries Holdings Limited (中國糧油控股有限公司), a company incorporated in Hong Kong with limited liability on November 18, 2006, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 606), and an indirect subsidiary of COFCO
"China Foods (Holdings)"	China Foods (Holdings) Limited (中國食品(控股)有限公司) (formerly known as COFCO (BVI) No. 108 Limited), a company incorporated in the BVI with limited liability on August 30, 2000, and a wholly-owned subsidiary of COFCO (HK)
"COFCO"	COFCO Corporation (中糧集團有限公司), a wholly state-owned enterprise incorporated in the PRC in September 1952 currently under the purview of the SASAC and a major Shareholder of our Company
"COFCO Finance"	COFCO Finance Corporation Limited (中糧財務有限責任公司), a non-bank financial institution incorporated with limited liability in the PRC on September 24, 2002, and an indirect subsidiary of COFCO
"COFCO Group"	COFCO and its subsidiaries (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

"COFCO Meat Investments"	COFCO Meat Investments Co., Ltd. (中糧肉食投資有限公司), a limited liability company incorporated under the laws of the PRC on March 20, 2009 and an indirect wholly-owned subsidiary of our Company
"connected person"	has the meaning ascribed thereto under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix 14 of the Listing Rules
"Director(s)"	director(s) of our Company
"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
"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
"KKR"	Promise Meat Investment II Ltd, an exempted company with limited liability incorporated in the Cayman Islands on March 18, 2014, and a Shareholder of our Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mainfield"	Mainfield International Limited (明暉國際有限公司), a limited liability company incorporated in the BVI on October 8, 2008, and a major Shareholder of our Company
"Major PRC Commercial Banks"	Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, Bank of Communications, China Merchants Bank, China CITIC Bank and Agricultural Development Bank of China
"Ministry of Agriculture 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

Glossary

"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, 2024
"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
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Temasek"	TLS Beta Pte. Ltd., a limited liability company incorporated in Singapore on January 7, 2005, and a Shareholder of our Company
"Wuhan COFCO Meat"	COFCO Wuhan Meat Product Co., Ltd., a limited liability company incorporated in the PRC on September 30, 2002 and an indirectly wholly-owned subsidiary of our Company