



**中糧**  
**COFCO**  
自然之源 重塑你我



Annual Report  
**2021**

**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

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# Corporate Information

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## Legal Name of the Company

COFCO Joycome Foods Limited

## Place of Listing and Stock Code

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

Stock Code: 1610

## Company Website

[www.cofcojoycome.com](http://www.cofcojoycome.com)

## Directors

### Chairman of the Board and Executive Director

Mr. Jiang Guojin

### Executive Director

Mr. Xu Jianong

### Non-executive Directors

Mr. Ma Dewei

Dr. Zhao Wei

### 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. Xu Jianong (Chairman)

Mr. Jiang Guojin

## 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. Xu Jianong

Ms. Chau Hing Ling

## Share Registrar and Transfer Office

### Principal

Tricor Services (Cayman Islands) Limited

Second Floor, Century Yard, Cricket Square

P.O. Box 902, Grand Cayman, KY1-1103

Cayman Islands

### Hong Kong Branch

Tricor Investor Services Limited

Level 54, Hopewell Centre

183 Queen's Road East, Hong Kong

## Registered Office

Tricor Services (Cayman Islands) Limited

Second Floor, Century Yard, Cricket Square

P.O. Box 902, Grand Cayman, KY1-1103

Cayman Islands

## Principal Place of Business in Hong Kong

33/F, COFCO Tower

262 Gloucester Road

Causeway Bay

Hong Kong

## Head Office in the PRC

COFCO Fortune Plaza

No.8, Chao Yang Men South St.

Chao Yang District, Beijing

China

# Major Events in COFCO Joycome in 2021

## January

The China Securities Regulatory Commission officially approved Dalian Commodity Exchange to carry out hog futures trading under live animal delivery, which is the first hog industry variety listed on China's futures market. COFCO Joycome became one of the first six delivery warehouses of Dalian Commodity Exchange, and COFCO Joycome (Jiangsu) Co., Ltd. was rated as a model delivery warehouse of Dalian Commodity Exchange.

As an advocate and promoter of hog futures, COFCO Joycome actively participated in the collaboration with Dalian Commodity Exchange, cooperated with the completion of various surveys, and played an active role in the listing of hog futures.



## February

The Central Committee of the Communist Party of China and the State Council awarded COFCO Joycome (Jilin) Co., Ltd. the title of Advanced Collective for National Poverty Alleviation.

COFCO Joycome (Jilin) Co., Ltd. conscientiously implemented the central government's targeted poverty alleviation strategy, gave full play to the demonstration and leading role of large state-owned leading enterprise, and actively developed cooperative agricultural and animal husbandry projects related to poverty alleviation, aiming to drive the poor people in Changling County to get rid of poverty and become rich, and create ecological circular agriculture of combined planting and breeding, by leveraging project advantages. As of December 2021, there were 18,000 poor households in 232 administrative villages in the county, and the cumulative revenue from poverty alleviation project per village increased by RMB284,800.



## February

The fourth phase of the hog breeding project of COFCO Joycome (Chifeng) Co., Ltd. has been put into production, which added a self-breeding and self-raising capacity of 552,000 heads, laying a solid foundation for the stable hog production and supply in the region.

## March

COFCO Joycome invited relevant officials from the Ministry of Agriculture and Rural Affairs, Chinese Center for Disease Control and Prevention, Chinese Academy of Agricultural Sciences, China Meat Association, COFCO, etc. to participate in the release ceremony of the linseed fed pork product group standard with the theme of "Healthy Life in China with High-quality Meat" successfully held in Beijing. The event was featured by more than 20 central media, portals and financial media. The nutritional benefits of linseed fed pork were professionally introduced by many leading KOLs in

## Major Events in COFCO Joycome in 2020

the nutrition industry and more than 20 nutritionists, which sparked heated discussions on Weibo. It also triggered the spontaneous dissemination by consumers in many places, and resulted in nearly 4,000 videos on linseed fed pork cooking. In conjunction with the targeted promotion through friends circle, smart screens on buildings, and high-speed rail stations, we had accumulated 417 million impressions.

The passing of the group standard marks another round of upgrade of Joycome products, and will surely promote Joycome to bring more deliciousness, nutrition and health to consumers on the basis of safety and security. COFCO Joycome, as the leading force in the formulation of linseed fed pork group standard, took the release of the group standard as an opportunity to firmly grasp the pulse of industry development, and to promote the iterative upgrading of pork production in the industry as its own responsibility, with a view to ensure meat safety and the health of Chinese people and provide more families with high-quality meat in their daily life.



### March

In order to accelerate the performance improvement of breeding hogs, improve the Company's economic benefits, and enhance the competitiveness of COFCO's breeding hog brand, COFCO Joycome cooperated with Huazhong Agricultural University's Key Laboratory of Animal Genetics, Breeding and Reproduction under the Ministry of Education to carry out the breeding technology platform upgrade-genome breeding project.

The project will enable COFCO Joycome to complete the construction of a genome breeding platform synchronized with the technology of international advanced breeding enterprises so that COFCO can establish its own breeding hog genome database, apply genome information for selection and breeding, and accelerate the improvement in performance of the core breeding hogs, hence forming the Company's core competitiveness based on breed strength.

### April

During the "2021 Asian Weightlifting Championships and Tokyo Olympic Qualification Tournament", COFCO Joycome provided safe meat products for the Chinese weightlifting team.



### April

COFCO Joycome (Jilin) Company successfully imported 1,500 boars and sows of Duroc, Landrace and Large White from a Danish company called Breeders of Denmark A/S.

This is the second time that COFCO Joycome introduced breeding hogs from Denmark. It will rapidly expand the number of existing Denmark core groups, further enrich the Company's genetic resources for breeding, provide huge support for the improvement of hog breeds, and also provide more diversified high-quality breeding hog resources for the promotion of the Company's breeding development strategy and the improvement of breeding efficiency. It will also create greater economic benefits for the Company through the genetic advantages of hog breeds, and provide consumers with better quality pork products.



### June

In order to facilitate the extension of Joycome's industrial chain, the Company successfully launched 3 processed meat products of the linseed fed pork series: Chunxian sausage, Chunxian ham slices and Chunxian Tongji ham.

## Major Events in COFCO Joycome in 2020

### September

The delivery of the first hog futures on Dalian Commodity Exchange was successfully completed in Dongtai, Jiangsu.

The hogs delivered this time had an average weight of 118 kilograms per head, and all deliverables met the quality standards for hog futures of Dalian Commodity Exchange, with no discount in quality. The successful completion of the first delivery not only shows that the physical delivery of hog futures is suitable for the current market conditions, but also helps buyers and sellers to further deepen their understanding of the delivery process of hog futures, accumulate delivery experience, and enhance their confidence and positivity in the participation in hog futures. In 2021, COFCO Joycome's hog futures delivery warehouse completed 42 hog delivery transactions, accounting for 76% of the total hog delivery volume of Dalian Commodity Exchange.



### October

Each of the 320,000-ton feed projects of COFCO Joycome (Jilin) Co., Ltd. and COFCO Joycome (Chifeng) Co., Ltd. finished trial operation and officially commenced production. The two projects met the demand for breeding feed in northern China, and led to a local consumption of 200,000 tons of corn each year, effectively solving farmers' unemployment problem.

So far, the breeding department had a total of 6 feed plants with a total designed production capacity of 1.54 million tons per year, which could realize the containerization of raw materials, mechanization of loading and unloading, automation of operation and visualization of processes, so as to achieve safe feed quality and standardized production, and meet the current regional feed demand for hog breeding.



### November

The construction of the third phase of COFCO Joycome (Henan) Company started in February 2021, and was completed and put into production at the end of November, after overcoming the unfavorable factors such as the COVID-19 pandemic, transportation obstruction, bad weather, etc. So far, Henan Company had 5 breeding farms and 5 finishing farms, and the industrial chain of the integrated farming line from sow to finishing hogs in Henan was further enhanced.

### December

The slaughtering project of COFCO Joycome (Jilin) Co., Ltd. with a slaughtering capacity of 1 million heads annually was put into trial operation.

The project covers a total area of more than 100,000 square meters and a floor area of 48,000 square meters. It was built in June 2020 with a total investment of about RMB450 million. The annual single-shift slaughtering capacity is 1 million heads and the storage capacity is nearly 10,000 tons.

The project mainly transported meat from north to south for sales, while vigorously developing the markets in the local region and in the three northeastern provinces. Currently, 32 stores have been opened in Changling, Songyuan and Changchun. The completion of the project is of great strategic significance in strengthening the market expansion of brand business and promoting the coordinated development of various regions.

## Major Events in COFCO Joycome in 2020



### December

The Line 2 core farm of Changling Jinshan Pig Farm of COFCO Joycome (Jilin) Co., Ltd. was completed and put into operation. The total investment of this project is about RMB180 million, covering a total area of 450,000 square meters, with 2,400 basic sows in stock and 55,200 hogs (including 10,000 breeding hogs) sold annually. After the project was put into operation, the cumulative annual production capacity of hogs for sales of Jilin Company reached 1.43 million heads.



### December

COFCO Joycome was shortlisted for the “2021 Leading Meat Enterprises” in the 2021 presentation for leading agricultural industrialization enterprises organized by the China Association of Agricultural Leading Enterprises.

## 中国农业产业化龙头企业协会

中农龙协(2021)53号

### 关于确定2021年度农业产业化头部企业名单的通知

各有关单位:

为深入贯彻落实2021年中央一号文件精神 and 《国务院关于促进乡村产业振兴的指导意见》《全国乡村产业发展规划(2020—2025年)》《农业农村部关于促进农业产业化龙头企业做大做强的意见》部署,中国农业产业化龙头企业协会组织开展了2021年度农业产业化头部企业推介活动。经企业自愿申报、材料审核和公示,中国农业产业化龙头企业协会确定中粮集团有限公司等为2021年度100家农业产业化头部企业,袁隆平农业高科技股份有限公司等为科技创新、发展潜力、融资上市及粮食、植物油、肉类、蛋品、乳品、水产品、果蔬、茶、中药、饲料行业各10家头部企业。中国农业产业化龙头企业协会适时举办头部企业交流活动。

表3 2021年度肉类行业头部企业10家

| 序号 | 单位名称           |
|----|----------------|
| 1  | 河南双汇投资发展股份有限公司 |
| 2  | 牧原食品股份有限公司     |
| 3  | 北京二商肉类食品集团有限公司 |
| 4  | 江西正邦科技股份有限公司   |
| 5  | 中粮家佳康食品有限公司    |
| 6  | 山东龙大肉食品股份有限公司  |
| 7  | 福建圣农控股集团有限公司   |
| 8  | 广西扬翔股份有限公司     |
| 9  | 江苏立华牧业股份有限公司   |
| 10 | 山东新盛食品有限公司     |

# Financial Highlights

## Key Operating Data

|  | 2021   | 2020   | year-on-year |
|--|--------|--------|--------------|
| Hog production volume (unit: '000 heads) <sup>(1)</sup>                            | 3,437  | 2,046  | 68.0%        |
| Average selling price of finishing hogs (RMB/kg) <sup>(1)</sup>                    | 18.26  | 32.33  | -43.5%       |
| Fresh pork sales volume (unit: '000 tons) <sup>(2)</sup>                           | 166    | 109    | 52.3%        |
| Branded small-packed fresh pork sales volume (unit: '000 boxes) <sup>(2)</sup>     | 50,167 | 34,942 | 43.6%        |
| Ratio of revenue from branded business of total fresh pork business <sup>(3)</sup> | 34.6%  | 38.9%  | -4.3ppt      |
| Meat import sales volume (unit: '000 tons) <sup>(4)</sup>                          | 124    | 356    | -65.2%       |

## Key Financial Information

|  | 2021  |  | 2020  |  |
|--|---|--|---|--|
|  | 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 <sup>(5)</sup>   | 13,227,606  | 13,227,606   | 18,922,112  | 18,922,112   |
| Profit/(loss) for the Year <sup>(6)</sup>                              | 2,353,715   | (483,801)  | 2,910,475   | 4,024,634  |
| Profit/(loss) attributable to the owners of the Company <sup>(7)</sup> | 2,377,819   | (459,697)  | 2,880,965   | 3,995,124  |
| Basic earnings/(loss) per share <sup>(8)</sup>                         | RMB 0.6094  | RMB (0.1178)   | RMB 0.7383  | RMB 1.0239   |

### Notes:

- Due to the sufficient hog supply and plunging hog price in China this year, the average selling price of finishing hogs of the Group decreased by 43.5% year-on-year. Benefiting from the improvement in production efficiency and stringent prevention and control of the epidemic, the Group's hog production volume increased by 68.0% year-on-year.
- Given a downward trend in the hog market, the Group capitalized on the opportunity to increase the utilization of slaughtering capacity, and fresh pork sales volume increased by 52.3% year-on-year. Meanwhile seizing the opportunities of rapid growth in household consumption during the COVID-19 pandemic, the Group vigorously promoted its branded small-packed fresh pork, the sales volume of which increased by 43.6% year-on-year.
- "Ratio of revenue from branded business of total fresh pork business" refers to revenue from branded fresh pork divided by total fresh pork revenue. As a result of the surging slaughter volume, ratio of revenue from branded business of total fresh pork revenue decreased by 4.3 percentage points year-on-year.
- The Group precisely predicted the market trend, strengthened risk control and strategically reduced pork imports. The meat import sales volume amounted to 124 thousand tons, representing a year-on-year decrease of 65.2%.
- Revenue amounted to RMB13,228 million, representing a year-on-year decrease of 30.1%, mainly attributable to the year-on-year decrease of revenue due to the strategic reduction of pork imports. Benefiting from a significant increase in production volume, the revenue from the hog production business amounted to RMB6,696 million, representing a year-on-year increase of 5.6%.
- During the year, profit before biological assets fair value adjustments amounted to RMB2,354 million, mainly attributable to the hog production business and meat import business. The hog production business benefited from the effective cost control and reasonable use of futures hedging instruments, while the meat import business benefited from precise forecast of market trend and steadfast commitment to the import strategy.



## Financial Highlights

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7. *During the year, profit attributable to the owners of the Company before biological assets fair value adjustments amounted to RMB2,378 million. The biological assets fair value was adjusted based on the hog price at the end of December 2021. Compared to that as of December 31, 2020, the price of our live hogs decreased while the number of our live hogs increased.*
8. *The basic loss/earnings per share represent the loss/profit attributable to the owners of the Company divided by the weighted average number of ordinary shares for the year.*

The Board recommended the payment of a final dividend for 2021 out of the share premium account under reserves of the Company in the amount of HK\$0.180 per share to shareholders. Subject to the approval by the shareholders of the Company (the “Shareholders”) at the forthcoming annual general meeting of the Company (the “Annual General Meeting”) to be held on May 25, 2022 and compliance with the Companies Law of the Cayman Islands, the final dividend is expected to be paid on or around June 20, 2022 to the Shareholders whose names appear on the registers of members of the Company on June 2, 2022.

# Chairman's Statement

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Dear Shareholders,

2021 has been a volatile year. Confronted with challenges such as the normalization of the COVID-19 pandemic, descending live hog prices and surging prices of feed raw materials, our staff pulled together to forge ahead in the face of difficulties. By innovating the business mode, satisfactory results have been achieved in general 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 its production volume recovered rapidly, production efficiency and cost control ability further increased. At the same time, it actively participated in hedging with hog futures, achieving impressive profitability. Leveraging the opportunities of declining prices of raw materials, our fresh pork business has seen a significantly boosting production capacity utilization rate. Meanwhile, following the trend of fresh groceries sales moving online, the expansion into the communities and the increasing accessibility, the product and channel structure were further improved.



## Chairman's Statement

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Secondly, our whole industrial chain deployment continued to make progress. During the year, our hog production business had new projects completed construction and put into production totalling 0.6 million heads; our fresh pork business had a new fresh pork plant successfully put into production in Changling, Jilin Province with a capacity of 1 million heads, and the new fresh pork plant in Chifeng, Inner Mongolia and the cutting center in Heshan, Guangdong Province were both under accelerated construction, contributing to a further improvement in the upstream-downstream alignment of the industry chain.

Thirdly, our branded businesses were growing rapidly. Supported by its dual role as a "Partner of China Space" as well as a "Food Supplier of Chinese Weightlifting Team", the sales of small-packed fresh pork, especially the linseed-fed pork, maintained an explosive growth. Besides, the product image of "Modern life, good fat, 6 times linolenic acid" has been rooted in the core market.

Fourthly, our meat import business has achieved growth against the headwind. With precise review and assessment on the chilled pork and beef market conditions, the Company persisted in implementing the differentiated procurement strategy: taking initiative to reduce procurement of pork with 100% back-to-back lock orders, purchase beef selectively in favorable market conditions, while deepening integration with its further processing business to fully organize its raw materials, processing and customer resources.

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 its experience in scientific utilisation of farming waste accumulated over more than 10 years, the Company developed the "Reduce Burden and Return to Farm (減負還田)" recycling treatment technology on the basis of the traditional biogas engineering and organic wastewater treatment skills. The technology has been applied towards advanced treatment of biogas slurry, thereby effectively reducing the total environmental cost and the environmental risk.

A piece of jade will not turn into a masterpiece if not cut and polished; a sword will not shine if withdrawn not after long covered and buried. Despite more uncertainties arising from the challenges of market fluctuations and the dual epidemic strike, our personnel team was thus well trained and disciplined, sticking to our strategic concept and fulfilling an increase in efficiency and a leap in management expertise. In 2022, the pandemic remains critical and the risk of market fluctuation still exists. While maintaining our strategic focus, the Company will endeavor to:

Resolutely prevent and control the spread of African swine fever and the COVID-19 pandemic, so as to safeguard the health of our employees as well as maintain the production and sales in good order; enhance the internal benchmark to minimize the differences in internal production results and strengthen the core competitive advantages; sum up the successful experience in hedging with futures, improve the strategy continuously and seize the opportunities to lock up production profits; continue to promote the upstream-downstream alignment; increase risk aversion ability; strengthen the review and assessment ability on the market conditions for import business and risk control; improve customer loyalty to further increase profitability.

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. Looking into 2022, we will uphold our sincerity and high morale to steer each business to a new horizon enthusiastically !

**Jiang Guojin**

*Chairman of the Board and Executive Director*

March 18, 2022

# Management Discussion and Analysis

## I. Company Profile

### Company Introduction

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

The main businesses of the Company include feed production, hog production, slaughtering and cutting, production, distribution and sale of fresh pork and processed meat products, import and distribution of meat products (including pork, beef, poultry and mutton). As a leading meat enterprise with operations covering the integrated 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 three modern slaughtering and processing bases in Jiangsu, Hubei and Jilin. It is also constructing a slaughtering and processing base in Inner Mongolia and a cutting center in Guangdong, which is expected to go into production in 2022. The Company vigorously develops branded business through the “Joycome” brand, which covers the pork consumption market in major provinces, cities and areas such as Shanghai and the Yangtze River Delta, Beijing, Wuhan and Jilin.

#### 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 and plunging hog price in China causing a shrinkage of profit margin or even loss to the industry

According to the data from the National Bureau of Statistics, hog production in China amounted to 671 million heads in 2021, representing a year-on-year increase of 27.4%; pork output was 52.96 million tons, representing a year-on-year increase of 28.8%.

Driven by the steady growth in supply, hog price was on a downward trend. In early October 2021, the average hog price of 22 provinces in China hit a low point of RMB10.78/kg, reflecting the substantial loss suffered by the industry. Although the average hog price rebounded to RMB16.3/kg at the end of December 2021, it was still down by 54.0% compared to the beginning of 2021.

In view of the falling hog price, excess capacity in the industry began to exit. According to the statistics from the Ministry of Agriculture and Rural Affairs, as of the end of December 2021, the number of breeding hogs in China amounted to 43.29 million heads, representing a decrease of 5.15% compared to the end of June 2021. Under the pressure from low hog price and the epidemic, there are still rooms for the industry to clear excess capacity.

### Normalization of the African swine fever facilitating industry transformation and upgrading, and accelerating the large-scale operation

In 2021, China made certain progress in the regular prevention and control of the African swine fever. Nonetheless, the Ministry of Agriculture and Rural Affairs stated that “the African swine fever has become endemic and made widespread pollution in China, with individual cases continuing to appear in the distant future”. Thus, hog producers will face a long-lasting challenge in disease prevention and control, which further raises the industry entry barrier. During the downside of hog price, enterprises with lower production cost and higher efficiency may obtain more competitive advantages.

### Rapid development of the new retail and e-commerce platform promoting standardization and branding of fresh products, with branded small-packed fresh pork products building up market position

As the COVID-19 epidemic became a part of the norm, online shopping and food delivery services gained popularity. The e-commerce channel for fresh products grew fast and the new retail channel based on the combination of online and offline channels also recorded a strong performance. At the same time, food safety, quality and convenience attracted increasing public attention and drove the upgrading of household consumption. Meeting the trend of channel development, highly standardized and branded small-packed fresh pork products with featuring safety, freshness and convenience have gained higher brand premium and loyalty.

### Significant reduction in pork imports and steady growth in beef imports

In 2021, China’s pork imports (excluding by-products) amounted to 3,710 thousand tons, representing a year-on-year drop of 15.5%, among which, pork imports recorded a year-on-year decrease of approximately 40% in the second half of the year. Throughout the year, pork imports accounted for approximately 7.0% of domestic pork production. Beef imports (excluding by-products) amounted to 2,330 thousand tons, representing a year-on-year increase of 9.9% and accounted for 33.4% of domestic beef production, up by approximately 2 percentage points year-on-year.

### III. Results of Operation

In 2021, the Company faced several headwinds such as the African swine fever, the normalization of the COVID-19 epidemic and the substantial decline in hog price. On one hand, it strived to lower costs and enhance profitability by increasing operating efficiency. On the other hand, it developed new business models by using futures contracts to hedge price fluctuation. As a result, all business segments maintained steady operation. The hog production segment held up well in adversity through not only improved production management and higher production efficiency, but also reasonable use of hedging methods. The fresh pork segment boosted its production capacity utilization and the branded business continued to grow. The processed meat products segment further clarified its product positioning and developed the catering clients, thereby supporting substantial business expansion. The meat import segment effectively performed risk control and precisely predicted market trends, thereby delivering remarkable growth in business results.

During the reporting period, the Company achieved a net profit of RMB2,354 million before biological assets fair value adjustments.

#### Hog production business

*Segment performance reaching RMB2,680 million due to year-on-year recovery in production volume and the combination of futures and spot commodities*

In 2021, the Company's hog production volume was 3,437 thousand heads, representing a year-on-year increase of 68.0%. The average finishing weight was 112.3 kg/head and the average price of finishing hogs was RMB18.26/kg. In order to maximize profitability, the Company adjusted its production structure through rational planning.

#### *Implementing refined management and control over hog production costs in response to changes in market conditions*

In the face of various challenges such as the declining hog price in China and the rising in the price of feed raw materials globally, the Company refined the management process in all aspects. In feeding practice, it enhanced the analysis and assessment for raw material procurement and optimized the feed formula. In regard to production management, it adopted a more stringent standard in inefficient sow culling and maintained a reasonable stock density. Meanwhile, the Company strengthened internal benchmarking to narrow the gap between farms. As to performance assessment and incentives, apart from offering consistent and precise incentives, it also scaled up for frontline employees to foster their enthusiasm and sense of responsibility.

#### *Rising hog production capacity and full upgrading of the breeding system*

As of the end of 2021, total hog production capacity reached 6,021 thousand heads. In terms of breeding stock introduction, the Company continued to expand the nucleus herds and imported approximately 1,500 heads of Danish pure-bred breeding hogs in April 2021 to support capacity expansion with high-quality breeding stocks. For breeding practice, the Company advanced the development of the hog breeding system by establishing the preliminary genome-based breeding procedure, which accelerated the optimization of herd performance.

#### Fresh pork business

*Steady progress in the distribution of production capacity for better alignment between upstream and downstream production capacity*

In 2021, the Company had a slaughter capacity of 1 million heads put into production in Changling, Jilin Province. It also had a slaughter capacity of 1 million heads under construction in Chifeng, Inner Mongolia. Meanwhile, the Company made steady progress in establishing the cutting and processing center in Guangdong, which aimed to support market expansion in Northeast, North and South China so that upstream and downstream production capacity could align better.

## Management Discussion and Analysis

### *Increasing brand power and substantial growth in sales of small-packed fresh pork products*

In 2021, the Company's sales volume of fresh pork products was 166 thousand tons, representing a significant year-on-year increase of 52.3%. With greater efforts in building the terminal customer base, the Company expanded its brand network and the Joycome brand achieved strong business growth. During the reporting period, sales of small-packed pork products amounted to 50.167 million boxes, representing a year-on-year increase of 43.6% and a daily average sales of 137 thousand boxes. Despite the soaring in total sales, the share of branded fresh pork business revenue still reached 34.6%.

### *Pressing ahead with the "differentiation" brand strategy to double the sales of linseed-fed pork*

In terms of product portfolio, the Company expanded its offering mix and increased the share of meat products for different purposes, namely shredded pork, diced pork, sliced pork and chopped meat products. It also upgraded and added value to the "fresh pork with sauce packets" for a more convenient cooking experience. Regarding product promotion, COFCO Joycome was awarded the title of "guaranteed preparation product for competition by national team athletes of National Sports Training Center (NSTC) (體育•訓練局國家隊運動員備戰保障產品)" by the Training Bureau of the General Administration of Sport, and has provided safe and high-quality pork products to the Training Bureau, various national teams, provincial sports units and sports teams over the years. As the meat product supplier for China's national weightlifting team, COFCO Joycome received constant brand exposure in CCTV's live broadcast of the Asian Weightlifting Championships and the China Weightlifting Championships in 2021. Prior to the Beijing 2022 Winter Olympics Games, COFCO Joycome became the meat product supplier and partner of the "National Snowboarding Teams Training for Different Categories and Sessions", which increasingly boosted its brand recognition.

Through the early stage of marketing, the product image of "Modern life, good fat, 6 times linolenic acid" has been established to promote health consciousness of pork consumption among consumers. The new product has been welcomed in the consumer test. During the reporting period, the sales volume of linseed-fed pork products achieved doubling increase.

### *Meat import business*

#### *Precise analysis and assessment of market condition driving solid profit growth*

In 2021, the meat import segment of the Company recorded sales volume of 124 thousand tons, representing a year-on-year decrease of 65.2%; the segment result reached RMB370 million, representing a year-on-year turnaround of RMB906 million.

For the pork import segment, since China's hog production capacity rebounded strongly, during the reporting period, the price of frozen pork products plummeted more strongly in China's domestic market than abroad. In line with the market trend, the Company reduced pork imports and adopted strict risk control measures by achieving 100% back-to-back lock orders. As for the beef import segment, based on the prediction of the general rising beef price, the Company purchased beef selectively in favorable market conditions, developed terminal business-customers and promoted the "trading plus processing" mode, which resulted in higher volume and profitability of the beef segment. Throughout the year, the share of revenue from terminal-end customers (corporate, catering and retail customers) of the import business grew to 79%.

## IV. Financial Review

### Overall Performance

In 2021, the revenue of the Group was RMB13,228 million, representing a year-on-year decrease of RMB5,694 million as compared with RMB18,922 million for the same period in 2020. Prior to the adjustments of fair value of biological assets, the net profit of the Group was RMB2,354 million, representing a year-on-year decrease of RMB556 million as compared with RMB2,910 million for the same period in 2020.

### Revenue

In 2021, the revenue of the Group was RMB13,228 million, representing a year-on-year decrease of 30.1% as compared with RMB18,922 million for the same period in 2020, mainly attributable to the year-on-year decrease of revenue due to the reduction of pork imports based on precise analysis of market trends of the meat import business. Meanwhile, benefiting from a significant increase in production volume, the revenue from the hog production business amounted to RMB6,696 million, representing a year-on-year increase of 5.6%.

## Gross Profit Margin

In 2021, the gross profit margin before biological assets fair value adjustments of the Group was 26.6%, representing a year-on-year increase of 2.8 percentage points.

## Selling and Distribution/Administrative Expenses

In 2021, the total selling and distribution expenses and administrative expenses of the Group amounted to RMB771 million, representing a year-on-year decrease of 17.4% as compared with RMB934 million for the same period last year.

## Finance Costs

In 2021, the Group's finance costs amounted to RMB123 million, representing a decrease of RMB32.9 million as compared with 2020, mainly due to the sound cash flow condition and the repayment of some borrowings.

## Other Income, Other Gains and Losses

In 2021, the Group's other income, other gains and losses amounted to a total profit of RMB212 million, representing a year-on-year increase of RMB810 million as compared with that of the same period in 2020, mainly due to the provision for impairment of inventories as a result of the increasing volatility of imported meat market in 2020.

## Profit/Loss for the Period

For the reasons above, the Group recorded a profit of RMB2,354 million prior to the adjustments in fair value of biological assets during 2021, representing a decrease of RMB556 million as compared with RMB2,910 million for the same period in 2020.

## Significant Investments and Significant Acquisitions and Disposals of Subsidiaries

Save as disclosed in this annual report, the Group had neither any other significant investments nor significant acquisitions and disposals of relevant subsidiaries in 2021.

## Major Financial Ratios

The financial ratios of the Group as at December 31, 2021 and December 31, 2020 are set forth below:

|   | <b>December 31,<br/>2021</b> | December 31,<br>2020 |
|---|------------------------------|----------------------|
| Return on equity <sup>(1)</sup>         | <b>-5.3%</b>                 | 51.1%                |
| Return on assets <sup>(2)</sup>         | <b>-2.5%</b>                 | 21.9%                |
| Interest coverage ratio <sup>(3)</sup>  | <b>0.84 times</b>            | 23.22 times          |
| Current ratio <sup>(4)</sup>            | <b>0.89</b>                  | 1.05                 |
| Net debt-to-equity ratio <sup>(5)</sup> | <b>60.0%</b>                 | 83.3%                |

Notes:

- (1) Equals profit/loss for the year divided by the average of the beginning and ending total equity for that year and multiplied by 100%.
- (2) Equals profit/loss for the year divided by the average of the beginning and ending total assets for that year and multiplied by 100%.
- (3) Equals profit/loss before finance costs and income tax expense for the year divided by finance costs (with capitalised interest added back) for that year and multiplied by 100%.
- (4) Equals current assets divided by current liabilities as at the balance sheet date.
- (5) Equals 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%.



# Management Discussion and Analysis

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## Analysis on Capital Resources *Liquidity and Financial Policy*

Adhering to the steady financial policy, externally, the Group was committed to expanding financing channels and strengthening financing capability construction, as well as strengthening the cooperation with banks to obtain adequate credit facilities and ensure the capital liquidity. Internally, the Group implemented intensive management for surplus capital to improve the turnover efficiency for inventories and receivables and the generation capability for cash flow. The finance department of the Group regularly and closely examined the overall condition of cash and liabilities, and flexibly arranged financing plans based on finance costs and expiry conditions.

In order to allocate and utilise capitals more effectively, the Group entered into the financial services agreements and entrusted loans framework agreement through COFCO Finance Corporation Limited (“**COFCO Finance**”). At the same time, the Group also used the capital pool in Mainland China, so as to be more effective in utilising cash, reducing average borrowing costs of the Group, and accelerating clearing services among the companies under the Group.

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

As at December 31, 2021, the cash and bank balances owned by the Group amounted to approximately RMB1,041 million (December 31, 2020: approximately RMB417 million), and such increase was due to business expansion during the year.

As at December 31, 2021, our current ratio was 0.89 (December 31, 2020: 1.05). As at December 31, 2021, our unused bank credit facilities were RMB17,585 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 2021, the EBITDA of the Group (before biological assets fair value adjustments) was RMB3,662 million (same period in 2020: RMB3,497 million). Cash generated from our operating activities was RMB3,082 million (generated during the same period in 2020: RMB2,962 million). Cash used in our investment activities was RMB1,471 million (used during the same period in 2020: RMB1,722 million), including RMB1,461 million for the purchase of property, plant and equipment (same period in 2020: RMB1,713 million). Cash used in our financing activities was RMB984 million (used during the same period in 2020: RMB1,456 million). In summary, in 2021, our net increase in cash and bank balances was RMB627 million.

## *Capital Structure*

As at December 31, 2021, the total number of issued shares of the Company remained unchanged at 3,901,998,323 shares.

As at December 31, 2021, the Group had interest-bearing bank loans of approximately RMB6,109 million (December 31, 2020: approximately RMB8,306 million). The annual interest rate on bank loans ranged from 0.91% to 4.26% (December 31, 2020: from 0.91% to 4.36%). Most of the bank loans were based on floating interest rates.

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

| Unit: RMB in million | December 31,<br>2021 | December 31,<br>2020 |
|----------------------|----------------------|----------------------|
| Within 1 year        | 5,964                | 8,134                |
| 1 to 2 years         | 12                   | 10                   |
| 3 to 5 years         | 124                  | 24                   |
| Over 5 years         | 9                    | 138                  |
| <b>Total</b>         | <b>6,109</b>         | <b>8,306</b>         |

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

| Unit: RMB in million     | December 31,<br>2021 | December 31,<br>2020 |
|--------------------------|----------------------|----------------------|
| Fixed-rate borrowings    | 5,608                | 8,084                |
| Variable-rate borrowings | 501                  | 222                  |
| <b>Total</b>             | <b>6,109</b>         | <b>8,306</b>         |

As at December 31, 2021, the Group had loans from a related company of approximately RMB100 million (December 31, 2020: approximately RMB97 million).

As at December 31, 2021, the Group had net assets of approximately RMB8,609 million (December 31, 2020: approximately RMB9,582 million). Net debts<sup>1</sup> of the Group amounted to approximately RMB5,168 million (December 31, 2020: approximately RMB7,986 million), while the net debt-to-equity ratio was approximately 60.0% (December 31, 2020: approximately 83.3%).

Note:

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

In 2021, the Group's capital expenditure was RMB1,473 million (same period in 2020: RMB1,744 million). The following table sets forth our capital expenditure for the years indicated:

| Unit: RMB in million                       | 2021         | 2020         |
|--|--------------|--------------|
| Payments for property, plant and equipment | 1,461        | 1,713        |
| Payment for right-of-use assets            | 12           | 24           |
| Payments for intangible assets             | –            | 7            |
| <b>Total</b>                               | <b>1,473</b> | <b>1,744</b> |

### Contingent Liabilities and Pledge of Assets

As at December 31, 2021 and December 31, 2020, the Group had no significant contingent liabilities.

As at December 31, 2021 and December 31, 2020, the Group had no bank loans secured by buildings, land use rights and time deposits of the Group.

### Capital Expenditure

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

## Management Discussion and Analysis

As of December 31, 2021, our demand for capital expenditure mainly came from the construction of hog production farms in Jilin Province and the Inner Mongolia Autonomous Region, as well as slaughterhouses in Jilin Province.

### *Capital Commitment*

Capital commitment of the Group is mainly related to the construction of hog farms, slaughterhouses and other production and ancillary facilities. As at December 31, 2021, capital commitment of the Group was RMB596 million (December 31, 2020: RMB633 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, 2021, we owned 2,573 thousand heads of hogs in total, representing an increase of 37.3% as compared with 1,874 thousand heads as at December 31, 2020. The fair value of our biological assets was RMB1,853 million as at December 31, 2021 and RMB4,126 million as at December 31, 2020. 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 recognised in the previous period.

During the same period in 2021 and 2020, such adjustments have increased our cost of sales by RMB1,803 million and RMB4,420 million, respectively. Additionally, losses arising from fair value less cost of sales of agricultural products at the point of harvest amounted to RMB490 million (same period in 2020: gains of RMB3,241 million); from changes in fair value of biological assets less cost of sales amounted to RMB544 million (same period in 2020: gains of RMB2,293 million). In general, the net effect of adjustment in fair value of biological assets on profit was losses of RMB2,838 million during the current period and gains of RMB1,114 million during the same period in 2020.

## V. Human Resources

The continuing operations of the Group hired 8,965 employees as at December 31, 2021 (2020: 7,253 employees). Remuneration for employees was determined based on their job nature, personal performance and the market trends. For the year ended December 31, 2021, total remuneration amounted to approximately RMB1,151 million (2020: RMB1,047 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 2021, 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 phased 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》) and the Operation Manual of Swine Diseases Prevention and Control (《豬病防控操作手冊》), 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 2021, 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 the Regulations on Safety Production Management (《安全生產管理規定》), Measures for Administration of Quality Safety Accidents (《質量安全事故管理辦法》) 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 management systems, 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 Food 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 inspection and supervision examination of subordinate enterprises of samples, 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

In 2021, the volatile meat market intensified the risk in the hog industrial chain. During the market downturn, the Company has maintained its strategic focus, upgraded production management, developed new business models and applied strict risk control to achieve steady growth. In 2022, the Company will continue to put efforts into tackling the following tasks:

Firstly, we will incorporate the prevention and control of the African swine fever into routine practices. In addition, we will further refine management and narrow down internal gaps to bolster core competitive edges.

Secondly, we will optimize the hedging strategy in a dynamic manner and seize opportunities to lock in profits from hog production.

Thirdly, we will accelerate the alignment between upstream and downstream capacity. As the new fresh pork production base in Northeast China goes into production, we will continue to devote great efforts to brand operation and market development, and steadily advance the construction of regional processing center in main pork-consumption area.

Fourthly, we will continue to move forward the differentiated and branded operation of the fresh meat business segment. With a focus on the promotion and development of linseed-fed pork products, we will continue to expand sales and strengthen product influence.

Fifthly, we will tighten risk control of the import business, strengthen the “trading plus processing” business model, enhance terminal customer loyalty and add value to our business.

# Biographies of Directors and Senior Management

## Board of Directors

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

### JIANG Guojin

*Chairman of the Board and Executive Director*

Mr. JIANG Guojin (江國金), aged 54, was appointed as an executive Director and the Chairman of the Board on January 4, 2018. Mr. Jiang joined COFCO Group in 1989 and was the general manager of COFCO Malt (Dalian) Co., Ltd. (中糧麥芽(大連)有限公司) from December 1995 to August 2000, the general manager of the malt division of China Foods (Beijing) Company (中國食品(北京)公司) from August 2000 to December 2007 and a deputy general manager and the general manager of the brewing materials division of China Agri (中國糧油) (a company listed on the Stock Exchange, stock code: 606) from December 2007 to July 2008. Mr. Jiang served as the general manager of COFCO Meat Investments from July 2008 to September 2013. Mr. Jiang was the managing director and an executive director of China Foods Limited (中國食品有限公司) (a company listed on the Stock Exchange, stock code: 506) from September 2013 to December 2017. Mr. Jiang serves as the chairman of the board of Jiugui Liquor Co., Ltd. (酒鬼酒股份有限公司) (a company listed on Shenzhen Stock Exchange, stock code: 799) from January 2016 to February 2018.

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

### XU Jianong

*Executive Director*

Mr. XU Jianong (徐稼農), aged 57, was appointed as a Director on April 17, 2014 and was designated as a Managing Director on April 27, 2016 and an executive Director on May 23, 2016. Mr. Xu is also the general manager of the Company. The primary responsibilities of Mr. Xu include implementing the Board's decisions, formulating the Company's corporate and business strategies, monitoring the daily operations of our Group, and making decisions and advising on issues relating to the appointments of the senior management.

Mr. Xu has been the general manager of COFCO Meat Investments since September 2013. Mr. Xu has more than 30 years of experience in agricultural commodities and foods processing in the PRC. Mr. Xu first joined COFCO in August 1987 and has carried out managerial functions in several members of COFCO Group since October 1994. Prior to joining our Group, Mr. Xu was the deputy general manager, the executive deputy general manager and the general manager of the brewing materials division of China Agri (中國糧油) from August 2000 to September 2008, from September 2008 to May 2010 and from May 2010 to September 2013, respectively.

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

## Biographies of Directors and Senior Management

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### **MA Dewei**

*Non-executive Director*

Mr. MA Dewei (馬德偉), aged 58, 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 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 (趙璋), aged 47, 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, and a director of COFCO Meat Investments since July 2021. 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.

## Biographies of Directors and Senior Management

### **FU Tingmei**

*Independent Non-executive Director*

Mr. FU Tingmei (傅廷美), aged 55, was appointed as an independent non-executive Director on May 23, 2016. Mr. Fu has extensive experience in investment, finance, law and business management. From 1992 to 2003, he completed numerous corporate finance transactions and held directorships in several investment banking firms based in Hong Kong, including a director of Peregrine Capital Limited (百富勤融資有限公司), and a managing director of BNP Paribas Peregrine Capital Limited (法國巴黎百富勤融資有限公司). From July 2008 to June 2017, Mr. Fu served as an independent non-executive director in Beijing Enterprises Holdings Limited (北京控股有限公司) (a company listed on the Stock Exchange, stock code: 392), he also served as an independent non-executive director in CPMC Holdings Limited (中糧包裝控股有限公司) (a company listed on the Stock Exchange, stock code: 906) from June 2008 to July 2019. Mr. Fu is currently an independent non-executive director of Guotai Junan International Holdings Limited (國泰君安國際控股有限公司) (a company listed on the Stock Exchange, stock code: 1788), China Resources Pharmaceutical Group Limited (華潤醫藥集團有限公司) (a company listed on the Stock Exchange, stock code: 3320) and Postal Savings Bank of China Co., Ltd. (中國郵政儲蓄銀行股份有限公司) (a company listed on the Stock Exchange, stock code: 1658).

Mr. Fu graduated from the University of London (英國倫敦大學), the United Kingdom with a master's degree in Law and a doctoral degree in Law in November 1989 and March 1993, respectively.

### **LI Michael Hankin**

*Independent Non-executive Director*

Mr. LI Michael Hankin (李恆健), aged 58, 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.



## Biographies of Directors and Senior Management

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### **JU Jiandong**

*Independent Non-executive Director*

Dr. JU Jiandong (鞠建東), aged 58, was appointed as an independent non-executive Director on November 21, 2018. Dr. Ju is a Unigroup Chair Professor at the PBC School of Finance, Tsinghua University, the director of the Center for International Finance and Economics Research of the PBC School of Finance and a distinguished professor under the Yangtze River Scholars Programme of the Ministry of Education of China. He was the dean and a professor at School of International Business Administration of Shanghai University of Finance and Economics from 2014 to 2017, a professor at School of Economics and Management and the director at the Center for International Economic Research in Tsinghua University from 2009 to 2015; an assistant professor, an associate professor (Tenure Track) and a professor at the Department of Economics of University of Oklahoma (俄克拉荷馬大學) in the U.S.A. from 1995 to 2014, and a resident scholar in the International Monetary Fund and a consultant for World Bank from 2007 to 2009. Dr. Ju focuses his research on international trade, international finance and industrial organisation. He has published various papers in American Economic Review, Journal of International Economics, Journal of Monetary Economics, American Economic Journal and other international leading academic journals, and won the "Pushan Award for Excellent Paper on International Economics" in 2016.

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

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

### **Senior Management**

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

### **XU Jianong**

Mr. XU Jianong (徐稼農), aged 57, is an executive Director, the Managing Director and the general manager of the Company. Please see his biographical details in the paragraph headed "Board of Directors" in this section.

### **LI Zhengfang**

Ms. LI Zhengfang (李正芳), aged 47, 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.

## Biographies of Directors and Senior Management

### LI Lei

Mr. LI Lei (李雷), aged 40, was appointed as the general accountant and chief financial officer of the Company on August 27, 2020 and is primarily responsible for the relevant matters on overall accounting and financial management of our Group, including corporate finance, financial reporting and financial management. Mr. Li joined our Group in January 2015 and served as the general manager of the finance department of COFCO Meat Investments and was appointed as the chief financial officer of the Company in May 2016 and was appointed as assistant to general manager of the Company in May 2017. Mr. Li has extensive experience in financial management and the food and agriculture industries. Mr. Li joined COFCO in 2004 and served as the general manager of the finance department of China Agri's brewing materials division from August 2007 to July 2013 and served as assistant to general manager of the same division and the general manager of finance department from July 2013 to December 2014.

Mr. Li received his bachelor's degree in economics with a taxation major from the Central University of Finance and Economics (中央財經大學) in August 2004 and master's degree in business administration from Tsinghua University (清華大學) in June 2017.

### ZHANG Nan

Dr. ZHANG Nan (張楠), aged 40, was appointed as the deputy general manager and the general manager of the strategy department of the Company on August 27, 2020, and is responsible for strategy planning, research and investment management. Dr. Zhang joined the strategy department of COFCO in April 2008 and joined COFCO Meat Investments in September 2010. She was appointed as the deputy general manager of the strategy department of the Company in March 2015, appointed as the general manager of the strategy department of the Company in January 2017, and appointed as an assistant to general manager of the Company in July 2019. Dr. Zhang has extensive experience in meat industry research and strategy planning. Since April 2014, Dr. Zhang has been in charge of the board affairs of COFCO Meat Investments, including communicating with directors and shareholders and organising board meetings and has developed experiences in corporate governance. She served as a director of COFCO Meat Investments since 11 November, 2020. Dr. Zhang has obtained the confirmation from the Stock Exchange in relation to her qualification of a company secretary as required under Rule 3.28 of the Listing Rules on October 11, 2019.

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

### LI Fangfang

Ms. LI Fangfang (李芳芳), aged 47, 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, 2021, 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, 2021.

## Corporate Governance

The Board and the management of the Company are committed to achieving and maintaining high standards of corporate governance, which they consider to be essential to safeguard the integrity of the Group's operations and maintain investors' trust in the Company. The Company's management also actively observes the latest corporate governance requirements in the PRC, Hong Kong and abroad. This Corporate Governance Report explains the Company's corporate governance principles and practices, including how the Board manages the business to deliver long-term Shareholder value and to promote the development of the Group.

In the opinion of the Board, the Company has complied with the code provisions of the Corporate Governance Code for the year ended December 31, 2021.

## Directors' Securities Transactions

The Company has adopted the Model Code as the Code of Conduct for its own relevant securities transactions by the Directors. The Company has made specific enquiries with each Director and each of them confirmed that he or she had complied with all required standards under the Model Code for the year ended December 31, 2021.

## The Board

### 1. Roles and Responsibilities

For the year ended December 31, 2021, 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, 2021.

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, 2021 and up to the date of this annual report are as follows:

#### Chairman and Executive Director:

Mr. JIANG Guojin *(Chairman of the Board, chairman of the Nomination Committee and member of the Remuneration Committee and member of the Food Safety Committee)*

#### Executive Director:

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

## Non-executive Directors:

- Mr. MA Dewei *(appointed on July 30, 2021)*  
Dr. ZHAO Wei *(appointed on July 30, 2021; member of the Audit Committee)*  
Ms. YANG Hong *(resigned since July 30, 2021; former member of the Food Safety Committee)*  
Dr. CUI Guiyong *(resigned since July 30, 2021; former member of the Audit Committee)*  
Mr. ZHOU Qi *(resigned since July 30, 2021)*

## 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

The roles of the chairman and the chief executive officer should be segregated as required under code provision A.2.1 (which has been re-numbered as C.2.1 since 1 January 2022) of the Corporate Governance Code, and should not be held by one person at the same time. For the year ended December 31, 2021 and currently, Chairman of the Board and Managing Director (namely, the chief executive officer of the Company) are two independent positions, and have specific scope of powers and functions, held by Mr. Jiang Guojin as the Chairman of the Board and Mr. Xu Jianong as the Managing Director, respectively. Chairman of the Board is responsible for supervising and formulating corporate and business strategies of the Company, while the responsibilities of Managing Director include implementation of decisions of the Board, formulation of corporate and business strategies of the Company, supervision of ordinary operation of the Company and making decisions and providing advice relating to the appointment of senior management.

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

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

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

### 5. Appointment, Re-election and Removal of Directors

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

Each of the executive Directors has entered into a service contract with the Company, according to which each of them agrees to hold office for an initial term of three years commencing from the Listing Date or the date of appointment (as the case may be), and appointment of which will be terminated by either party giving to the other not less than three months prior notice in writing.

Each of the non-executive Directors has entered into a letter of appointment with the Company for a term of one year from the Listing Date or the date of appointment (as the case may be). The term shall be automatically renewed for one year upon expiry. Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from the date of appointment. Such appointments are subject to provisions of retirement and rotation of Directors as stipulated in the Articles of Association.

# Corporate Governance Report

## 6. Meetings

Pursuant to the code provision A.1.1 (which has been re-numbered as C.5.1 since 1 January 2022) 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, 2021 is set out in the following table:

| Directors                    | Number of meetings present in person or by proxies/The number of meeting |  |   |  |   |  |   |  |   |  |   |  |   |  |
|------------------------------|--|--|---|--|---|--|---|--|---|--|---|--|---|--|
|                              | Board Meeting  |  | Audit Committee Meeting                                     |  | Remuneration Committee Meeting                              |  | Nomination Committee Meeting                                |  | Food Safety Committee Meeting                               |  | Extraordinary General Meeting                               |  | Annual General Meeting                                      |  |
|                              | Number of meetings present in person/The number of meetings              | Number of meetings present by proxy/The number of meetings | Number of meetings present in person/The number of meetings | Number of meetings present by proxy/The number of meetings | Number of meetings present in person/The number of meetings | Number of meetings present by proxy/The number of meetings | Number of meetings present in person/The number of meetings | Number of meetings present by proxy/The number of meetings | Number of meetings present in person/The number of meetings | Number of meetings present by proxy/The number of meetings | Number of meetings present in person/The number of meetings | Number of meetings present by proxy/The number of meetings | Number of meetings present in person/The number of meetings | Number of meetings present by proxy/The number of meetings |
| Mr. Jiang Guojin             | 4/7  | 3/7  | N/A   | N/A  | 1/1   | 0/1  | 1/1   | 0/1  | 0/1   | 0/1  | 0/1   | 0/1  | 1/1   | 0/1  |
| Mr. Xu Jianong               | 7/7  | 0/7  | N/A   | N/A  | N/A   | N/A  | N/A   | N/A  | 1/1   | 0/1  | 0/1   | 0/1  | 1/1   | 0/1  |
| Ms. Yang Hong <sup>1</sup>   | 1/4  | 3/4  | N/A   | N/A  | N/A   | N/A  | N/A   | N/A  | 1/1   | 0/1  | N/A   | N/A  | 0/1   | 0/1  |
| Dr. Cui Guiyong <sup>2</sup> | 3/4  | 1/4  | 2/2   | 0/2  | N/A   | N/A  | N/A   | N/A  | N/A   | N/A  | N/A   | N/A  | 0/1   | 0/1  |
| Mr. Zhou Qi <sup>3</sup>     | 1/4  | 1/4  | N/A   | N/A  | N/A   | N/A  | N/A   | N/A  | N/A   | N/A  | N/A   | N/A  | 0/1   | 0/1  |
| Mr. Ma Dewei <sup>4</sup>    | 3/3  | 0/3  | N/A   | N/A  | N/A   | N/A  | N/A   | N/A  | N/A   | N/A  | 1/1   | 0/1  | N/A   | N/A  |
| Dr. Zhao Wei <sup>5</sup>    | 3/3  | 0/3  | 2/2   | 0/2  | N/A   | N/A  | N/A   | N/A  | N/A   | N/A  | 1/1   | 0/1  | N/A   | N/A  |
| Mr. Fu Tingmei               | 7/7  | 0/7  | 4/4   | 0/4  | N/A   | N/A  | 1/1   | 0/1  | N/A   | N/A  | 1/1   | 0/1  | 1/1   | 0/1  |
| Mr. Li Michael Hankin        | 7/7  | 0/7  | 4/4   | 0/4  | 1/1   | 0/1  | N/A   | N/A  | N/A   | N/A  | 1/1   | 0/1  | 1/1   | 0/1  |
| Dr. Ju Jiandong              | 6/7  | 1/7  | N/A   | N/A  | 1/1   | 0/1  | 1/1   | 0/1  | N/A   | N/A  | 1/1   | 0/1  | 1/1   | 0/1  |

### Notes:

- Ms. Yang Hong resigned as a non-executive Director of the Company, and ceased to be a member of the Food Safety Committee on July 30, 2021.
- Dr. Cui Guiyong resigned as a non-executive Director of the Company, and ceased to be a member of the Audit Committee on July 30, 2021.
- Mr. Zhou Qi resigned as a non-executive Director of the Company on July 30, 2021.
- Mr. Ma Dewei was appointed as a non-executive Director of the Company on July 30, 2021.
- Dr. Zhao Wei was appointed as a non-executive Director of the Company and a member of the Audit Committee on July 30, 2021.

## 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, 2021 :

| <b>Name of Director</b>                             | <b>Continuous Professional Development<br/>Attending briefings, seminars,<br/>conference and/or reading materials relevant<br/>to director's duties and responsibilities</b> |
|---|--|
| <b>Chairman of the Board and Executive Director</b> |  |
| Mr. Jiang Guojin                                    | ✓  |
| <b>Executive Director</b>                           |  |
| Mr. Xu Jianong                                      | ✓  |
| <b>Non-executive Directors</b>                      |  |
| Ms. Yang Hong (resigned on July 30, 2021)           | ✓  |
| Dr. Cui Guiyong (resigned on July 30, 2021)         | ✓  |
| Mr. Zhou Qi (resigned on July 30, 2021)             | ✓  |
| Mr. Ma Dewei (appointed on July 30, 2021)           | ✓  |
| Dr. Zhao Wei (appointed on July 30, 2021)           | ✓  |
| <b>Independent Non-executive Directors</b>          |  |
| Mr. Fu Tingmei                                      | ✓  |
| Mr. Li Michael Hankin                               | ✓  |
| Dr. Ju Jiandong                                     | ✓  |

# Corporate Governance Report

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## 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

Dr. Cui Guiyong resigned as a non-executive director of the Company and ceased to be a member of the Audit Committee since July 30, 2021. Dr. Zhao Wei was appointed as a non-executive director of the Company and a member of the Audit Committee. The Audit Committee currently comprises one non-executive Director and two independent non-executive Directors, namely Mr. Li Michael Hankin, Mr. Fu Tingmei and Dr. Zhao Wei. Mr. Li Michael Hankin is the chairman of the Audit Committee. He has more than 31 years of experience in financial and accounting matters, fundraising, mergers and acquisitions, restructuring and international business development. The Audit Committee held a total of 4 meetings during the year ended December 31, 2021. 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, 2021, 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, 2020 and interim report and interim results announcement for the six months ended June 30, 2021;
- (g) reported to the Board on matters relating to the Audit Committee under the Corporate Governance Code;
- (h) reviewed the Company's financial controls, internal control and risk management systems;
- (i) discussed auditing, internal control, risk management and financial reporting matters before recommending them to the Board for approval;
- (j) reviewed the arrangements that employees of the Company and those who deal with the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal controls or other matters.

## 2. Nomination Committee

The Nomination Committee currently comprises three members, namely Mr. Jiang Guojin, being the Chairman of the Board and an executive Director, and two independent non-executive Directors, namely Mr. Fu Tingmei and Dr. Ju Jiandong. Mr. Jiang Guojin is the chairman of the committee. The Nomination Committee held a total of 1 meeting during the year ended December 31, 2021.

The primary duties of the Nomination Committee are to review and make recommendations to the Board on the structure, composition size and diversity of the Board, to oversee the identification and assessment of potential candidates of Directors, to provide oversight and direction in respect of the succession planning for Directors and to determine the composition of Board Committees. The Nomination Committee has performed all the above duties during the year ended December 31, 2021.

### *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, 2021 and up to the date of disclosure of this report, the Board has adopted the above-said policy, and discussed all quantifiable targets established for implementing the policy.

### *Measurable Objectives*

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

- (i) Independence: The Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong element of independence in the Board. The independent non-executive Directors shall be of sufficient calibre and stature for their views to carry weight.
- (ii) Skills and experience: The Board possesses a balance of skills appropriate for the requirements of the business of the Company. The Directors have a mix of finance, academic and management backgrounds that taken together provide the Company with considerable experience in a range of activities.
- (iii) Gender equality: The Board consists of a female director.

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

- 1. at least one third of the members of the Board shall be independent non-executive Directors;
- 2. at least three of the members of the Board shall be independent non-executive Directors; and
- 3. at least one of the independent non-executive Directors shall have obtained appropriate professional qualifications or accounting or related financial management expertise.

The Board has achieved the measurable objectives numbered (i) and (ii) in the Board Diversity Policy and will achieve the measurable objective numbered (iii) by December 31, 2024.



In 2022, the Board will continue to discuss and set specific quantifiable targets and disclose the targets in the annual report. The Company understands and believes in the advantages of diversification of the Board members, aiming to ensure a balanced composition of their skills, experience and view appropriate for the requirements of the businesses of the Company. The Company continues to adopt the merit principle to appoint Directors and gives proper consideration to the advantages of diversification of the Board members. The selection criteria of candidates are based on diversified factors, including but not limited to gender, age, culture and education background, race, professional experience, skills, knowledge and term of service. The final decision will be made based on merit principle and contributions brought to the Board by the candidate to be appointed.

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

The Nomination Committee will discuss and agree on all quantifiable targets annually for implementing diversity of the Board and recommend the targets to the Board for adoption. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly. The Nomination Committee has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the measurable objectives of independence, skills and experience under the Board Diversity Policy for the year ended December 31, 2021, 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 chief executive officer.

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

### 3. Remuneration Committee

The Remuneration Committee currently comprises three members, namely Mr. Jiang Guojin, being the Chairman of the Board and an executive Director and two independent non-executive Directors, namely Mr. Li Michael Hankin and Dr. Ju Jiandong. Mr. Li Michael Hankin is the chairman of the committee. The Remuneration Committee held a total of 1 meeting during the year ended December 31, 2021.

The Remuneration Committee has adopted the second model described in paragraph B.1.2(c) (renumbered as paragraph E.1.2(c) from January 1, 2022) in Appendix 14 to the Listing Rules (i.e. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management).

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

During the year ended December 31, 2021 and up to the date of this annual report, the Remuneration Committee has performed the following tasks: evaluating the performance of the Directors and senior management, reviewing and approving the remuneration of the Directors and senior management, etc.

The remunerations of Directors are also determined with reference to their experience, qualifications, responsibilities involved in the Company and prevailing market conditions. Apart from benchmarking against the market, the Company looks at individual competence and contributions and the affordability of the Company in determining the exact level of remuneration for each Director. Appropriate benefits schemes are in place for the executive Directors, including the Share Incentive Scheme, same as those offered to other employees of the Group. Details of emoluments of Directors for the year 2021 are set out in Note 12 to the consolidated financial statements. The emoluments paid or payable to four members of the senior management during the year 2021 were within the following bands:

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

### 4. Food Safety Committee

Ms. Yang Hong resigned as a non-executive director of the Company and ceased to be a member of the Food Safety Committee since July 30, 2021. The Food Safety Committee currently comprises two members, namely Mr. Jiang Guojin, being the Chairman of the Board and an executive Director, and Mr. Xu Jianong, being an executive Director. Mr. Xu Jianong is the chairman of the committee. The Food Safety Committee held a total of 1 meeting relating to the effective control of food quality and safety during the year ended December 31, 2021, mainly reviewing food safety work of last year and work plan for the next stage.

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

## Joint Company Secretary

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

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

During the year ended December 31, 2021, Dr. Zhang Nan has taken not less than 15 hours of relevant professional training.

During the year ended December 31, 2021, 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, 2021 is set out in the Independent Auditor's Report on page 81 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 2021, 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 2021, 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 2021, and the major risks of the Company in 2021 were eventually determined as epidemic risks, price risks, safe production risks, food safety risks and environmental protection risks. After identifying major risks in 2021, 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 2021, 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 2021, 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 29 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, 2021, the Board completed the review and evaluation of the effectiveness of the internal control and risk management system of the Company.

#### Independent Auditor

The Group appointed Baker Tilly Hong Kong Limited as the independent auditor for the year ended December 31, 2021. It is responsible for auditing and forming an independent opinion on the Group's annual consolidated financial statements.

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

## Auditors' Remuneration

For the year ended December 31, 2021, 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<br>(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](http://www.hkexnews.hk)) and the Company ([www.cofcojoycome.com](http://www.cofcojoycome.com)) on the same day as the relevant general meetings.

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

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

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

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

## Investors Relations

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

Our Company mainly communicates with Shareholders in the following ways:

- (i) hold annual general meetings to offer opportunities for Shareholders to communicate directly with the Board;
- (ii) issue announcements, annual reports, interim reports and/or circulars and press release by our Company pursuant to the requirements of the Listing Rules to keep providing the updated information of our Group;
- (iii) periodically update our website and disclose information timely on our website and the website of the Stock Exchange; and
- (iv) investors/analysts briefings and group/one-on-one meetings, roadshows (both domestic and international), media interviews, marketing activities and forums on specific topics, etc. will be available on a regular basis and when necessary so as to facilitate communication between the Company, Shareholders and the investors. Shareholders and investors are welcome to visit the Company's website and raise inquiries via our investor relation department whose contact details are available on the website.

## Constitutional Documents

There was no change to the Company's memorandum and Articles of Association during the year ended December 31, 2021. A copy of the Company's memorandum and Articles of Association is available on the websites of the Company and the "HKEXnews".

# Directors' Report

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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, 2021.

During the year ended December 31, 2021 and up to the date of this report, the members of the Board are as follows:

**Chairman and Executive Director:**

Mr. Jiang Guojin

**Executive Director:**

Mr. Xu Jianong

**Non-executive Directors:**

Ms. Yang Hong<sup>1</sup>

Dr. Cui Guiyong<sup>2</sup>

Mr. Zhou Qi<sup>3</sup>

Mr. Ma Dewei<sup>4</sup>

Dr. Zhao Wei<sup>5</sup>

**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 is set out in the section headed "Management Discussion and Analysis" in this annual report.

**Subsequent Events**

As at the date of this annual report, the Group has no material subsequent events after December 31, 2021 which are required to be disclosed.

**Analysis of Key Financial Indicators**

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

**Major Risk and Outlook**

The Group's operation is exposed to certain risks and uncertainties, some of which are beyond our control. Such risks and uncertainties include domestic and overseas economic conditions, credit policies and foreign exchange policies in the PRC, changes in relevant laws and regulations and enforcement policies. There are other unknown and insignificant uncertainty factors which would be proved significant in the future.

A discussion and analysis as required under Schedule 5 of Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including a fair review of the Group's business, a discussion of major risks and uncertainties to which the Group is exposed as well as an indication of future developments which the Group's business is likely to carry out, are set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Notes to the Consolidated Financial Statements" in this annual report. The above-mentioned sections are part of this report.

*Notes:*

1. Ms. Yang Hong resigned as a non-executive Director of the Company on July 30, 2021.
2. Dr. Cui Guiyong resigned as a non-executive Director of the Company on July 30, 2021.
3. Mr. Zhou Qi resigned as a non-executive Director of the Company on July 30, 2021.
4. Mr. Ma Dewei was appointed as a non-executive Director of the Company on July 30, 2021.
5. Dr. Zhao Wei was appointed as a non-executive Director of the Company on July 30, 2021.

## 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, 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 84 of this report.

## Dividend

The Board recommended the payment of a final dividend for 2021 out of the share premium account under reserves of the Company in the amount of HK\$0.180 per share to Shareholders. Subject to the Shareholders' approval at the Annual General Meeting to be held on May 25, 2022 and in compliance with the Companies Law of the Cayman Islands, such final dividend is expected to be paid on or around June 20, 2022 to the Shareholders whose names appear on the registers of members of the Company on June 2, 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.

## Closure of Register of Members

The register of members of the Company will be closed from May 20, 2022 to May 25, 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to ascertain shareholders' eligibility to attend and vote at the Annual General Meeting, all transfer forms for shares accompanied by the relevant share certificates

must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before 4:30 p.m. on May 19, 2022.

In addition, the registers of members of the Company will be closed from May 31, 2022 to June 2, 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the 2021 final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before 4:30 p.m. on May 30, 2022.

## Share Capital

There were no movements in the Company's registered or issued share capital during the year ended December 31, 2021.

## Share Premium and Reserves

Movements in the share premium and reserves of the Group during the year are set out on page 88 to the consolidated statement of changes in equity.

## Distributable Reserves

The Company's total distributable reserves as at December 31, 2021 amounted to RMB575 million.

## Donations

Charitable donations made by the Group during 2021 was RMB15.35 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.



# Directors' Report

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## 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, 2021, 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, 2021, there was no material and substantial dispute between the Group and its employees, customers and suppliers.

## Remuneration Policy and Retirement Benefits of the Group

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

Details of the retirement benefit scheme for the year ended December 31, 2021 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, 2021.

## Permitted Indemnity

During the year ended December 31, 2021, the Company has arranged directors' and officers' liability insurance for all Directors and senior management. These insurances provided protection to the liability incurred from related cost, fees, expense and legal actions resulting from corporate activities. Pursuant to Article 33.1 of the Articles of Association, every Director, auditor or other senior management of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or legal liabilities incurred or sustained by him or her as a Director, auditor or other senior management of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his or her favour, or in which he or she is acquitted.

## Directors' Service Contracts

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

## Directors' Interests in Significant Transactions, Arrangements or Contracts

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries or its fellow subsidiaries was a party and in which any Director of the Company had a material interest, whether directly or indirectly, were entered into during the year ended December 31, 2021.

## 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, 2021, 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 2021 interim report are set out below:

1. Dr. Zhao Wei was appointed as a Director of Zhuo Mao Company Limited (卓質有限公司), an indirectly wholly-owned subsidiary of our Company, and COFCO Meat Products (HK) Limited on August 27, 2021; and
2. Mr. Li Michael Hankin was appointed as an independent non-executive director of China Mengniu Dairy Company Limited (中國蒙牛乳業有限公司) on December 1, 2021.

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

## Disclosure of Interests

### 1. Directors

As of December 31, 2021, the interests and short positions of the Directors and chief executive officer of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required

to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he or she was taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

#### Interests in Shares or underlying Shares of the Company

| Name of Director | Capacity/Nature of Interest | Number of underlying Shares held in long position | Approximate percentage of shareholding interest |
|------------------|-----------------------------|---|---|
| Xu Jianong       | Beneficial owner            | 1,014,320   | 0.03%   |

Save as disclosed above, as at December 31, 2021, so far as was known to any Director or chief executive of the Company, neither the Directors nor the chief executive had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company under the provisions of Divisions 7 and 8 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### 2. Substantial Shareholders

As of December 31, 2021, so far as was known to any Director or chief executive officer of the Company, Shareholders (other than the Director or chief executive officer of the Company whose interests were disclosed above) who had interests or short positions in the Shares or underlying Shares which shall be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

#### Interests in the Shares of the Company

| Substantial Shareholders and other persons | Notes | Capacity/Nature of Interests       | Number of ordinary Shares of the Company held | Approximate percentage of aggregate interests in issued share capital of the Company |
|--|-------|------------------------------------|---|--|
| Mainfield                                  | (1)   | Beneficial owner                   | 1,078,377,782                                 | 27.64%   |
| China Foods (Holdings)                     | (1)   | Interest in controlled corporation | 1,078,377,782                                 | 27.64%   |
| COFCO (HK)                                 | (1)   | Interest in controlled corporation | 1,078,377,782                                 | 27.64%   |
| COFCO                                      | (1)   | Beneficial owner                   | 57,015,000                                    | 1.46%  |
|  |       | 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, 2021, 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.

## Directors' Report

### Share Incentive Scheme and its Updates

To recognise and reward the contribution of certain employees to the Group, provide incentives to retain them to support the continued growth of the Group, and attract suitable personnel for further development, the Company adopted the Former Share Incentive Scheme on March 27, 2015 and amended the Former Share Incentive Scheme on March 27, 2017, after the discussion between the board of COFCO Meat Investments and the then Shareholders.

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

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

| Name and Category of Participants | Date of Options Granted | Number of Options  |                         |                           |                           |                        | At December 31, 2021 |
|-----------------------------------|-------------------------|--------------------|-------------------------|---------------------------|---------------------------|------------------------|----------------------|
|                                   |                         | At January 1, 2021 | Granted During the year | Exercised During the year | Cancelled During the year | Lapsed During the year |                      |
| <b>Director</b>                   |                         |                    |                         |                           |                           |                        |                      |
| Mr. Xu Jianong                    | March 27, 2015          | 1,521,481          | 0                       | 1,014,320                 | 0                         | 0                      | 507,161              |
| Other employees                   | March 27, 2015          | 18,262,328         | 0                       | 10,155,230                | 0                         | 0                      | 8,107,098            |
| Total                             |                         | 19,783,809         | 0                       | 11,169,550                | 0                         | 0                      | 8,614,259            |

### 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, 2021, 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, 2021. 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 covenants 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, 2021.

### Major Suppliers and Customers

Nearly 2.10% and 9.43% of the Group's total sales were attributable to its largest customer and five largest customers for the year ended December 31, 2021, and nearly 4.20% and 14.31% 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, 2021.

### Environmental Policies and Performance

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

### Sufficient Public Float

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

### Continuing Connected Transactions

The connected persons of our Company for the purpose under Chapter 14A of the Listing Rules include COFCO (being a substantial shareholder). Accordingly, the following transactions entered into with COFCO and their respective subsidiaries and/or associates, will constitute connected transactions of our Group under Chapter 14A of the Listing Rules, and shall be disclosed below under the requirement of Chapter 14A of the Listing Rules. We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules (in respect of the partially exempt and non-exempt continuing connected transactions) and the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules (in respect of the non-exempt continuing connected transactions), subject to the condition that the annual transaction values shall not exceed their respective estimated annual caps. The details of the continuing connected transactions of the Company for the year ended December 31, 2021 are set out below:

### Non-Exempt Continuing Connected Transactions

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

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

The Group has been obtaining various financial services from COFCO Finance. On October 12, 2016 and November 23, 2016 (after trading hours), our Company and COFCO Finance, an indirect subsidiary of COFCO, entered into the 2016 Financial Services Agreement and 2017 Financial Services Agreement, respectively. For the disclosures of the details of the 2016 Financial Services Agreement and 2017 Financial Services Agreement, please refer to the Prospectus, the announcement of the Company dated November 23, 2016 and the circular dated December 20, 2016. On November 23, 2018 (after trading hours), the Company and COFCO Finance entered into the 2018 Financial Services Agreement, pursuant to which COFCO Finance will provide the Group with (i) deposit services; (ii) loan services; (iii) entrustment loan services; and (iv) other financial services. The 2018 Financial Services Agreement took effect upon consideration and approval by the general meeting of the

Company on February 28, 2019, and will be valid until December 31, 2021. For details of the 2018 Financial Services Agreement, please refer to the announcement of the Company dated November 23, 2018 and the circular dated February 4, 2019.

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

#### (a) Deposit Services

COFCO Finance will provide deposit services to the Group pursuant to the 2018 Financial Services Agreement. The Group will open and maintain deposit accounts with COFCO Finance.

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

For the year ended December 31, 2021, 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<br>the year ended<br>December 31,<br>2021<br>(RMB'000) |
|-----------------------|--|
| Deposit amounts       | 1,000,000*   |
| Interests on deposits | 7,000*   |

\* The annual cap for the deposit amounts was revised to RMB1,500 million and that for the interests on deposits was revised to RMB19.4 million. For details, please refer to "3. Revised Annual Caps and the New Continuing Connected Transaction for the Continuing Connected Transactions with COFCO Group" in this section.

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

For the year ended December 31, 2021, the above-mentioned maximum daily deposit amounts reached RMB995 million, and the interests on deposits were RMB10.25 million.

### (b) Loan Services

COFCO Finance will provide RMB loan services to the Group pursuant to the 2018 Financial Services Agreement.

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

For the year ended December 31, 2021, 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<br>the year ended<br>December 31,<br>2021<br>(RMB'000) |
|----------------------------|--|
| Principal amounts of loans | 1,200,000  |
| Interests on loans         | 30,450   |

For the year ended December 31, 2021, the above-mentioned maximum daily balance of the principal amounts of the loans reached RMB700 million, and the interests on loans were RMB7.15 million.

### (c) Entrustment Loan Services

COFCO Finance will provide the Entrustment Loan Services to the Group in accordance with the permitted scope prescribed under the PRC financial policies and the Management Methods for Group Finance Companies (企業集團財務公司管理辦法)

pursuant to the 2018 Financial Services Agreement. COFCO Finance will only act as an agent for the capital management entity of the Group (i.e. COFCO Meat Investments Company Limited (中糧肉食投資有限公司)) and charge handling fees in connection with the Entrustment Loan Services. COFCO Finance will not require the Group to provide any type of guarantees or securities with respect to the Entrustment Loan Services.

For the year ended December 31, 2021, the maximum handling fees for the year to be charged by COFCO Finance in connection with the Entrustment Loan Services shall not be higher than RMB420,000\*. The handling fees to be charged by COFCO Finance in connection with the Entrustment Loan Services shall not be higher than those offered by other PRC financial institutions to the Group for the similar type of services.

\* *The annual cap for the Entrustment Loan Services was revised to RMB750 thousands. For details, please refer to "3. Revised Annual Caps and the New Continuing Connected Transaction for the Continuing Connected Transactions with COFCO Group" in this section.*

For the year ended December 31, 2021, the handling fees charged by COFCO Finance in connection with the Entrustment Loan Services amounted to RMB510,000.

### (d) Other Financial Services

COFCO Finance will provide Other Financial Services to the Group in accordance with the permitted scope prescribed under the PRC financial policies and the Management Methods for Group Finance Companies (企業集團財務公司管理辦法) pursuant to the 2018 Financial Services Agreement. Handling fees and other services fees will be charged by COFCO Finance for Other Financial Services provided to the Group pursuant to the 2018 Financial Services Agreement.

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

For the year ended December 31, 2021, the handling fees and other service fees payable by the Group to COFCO Finance in connection with other financial services shall not exceed RMB970,000.

For the year ended December 31, 2021, the handling fees and other service fees charged by COFCO Finance in connection with other financial services were RMB0.

## (e) Settlement Terms

Set out below are the settlement terms of the respective services under the 2018 Financial Services Agreement:

### (i) Interest income from the Deposit Services

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

### (ii) Interest expense of the Loan Services

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

### (iii) Handling fees and other service fees paid under the Entrustment Loan Services and Other Financial Services

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

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

*(f) The Group may obtain financial services from other financial institutions in addition to those provided by COFCO Finance pursuant to the 2018 Financial Services Agreement.*

## 2. Mutual Supply of Products and Services with COFCO Group

From time to time, certain of our subsidiaries have traded in certain products and services with certain COFCO Group entities and/or associates of COFCO. As the 2016 Mutual Supply Agreement has expired on December 31, 2018, and the Group intended to continue to conduct a number of transactions under the 2016 Mutual Supply Agreement, on November 23, 2018 (after trading hours), our Company and COFCO entered into the 2018 Mutual Supply Agreement, pursuant to which our Company agreed to trade on the following products and services:

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

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

Pursuant to Rule 14A.81 of the Listing Rules, the aggregate transaction amounts payable under the 2018 Mutual Supply Agreement for the years ending December 31, 2019, 2020 and 2021 are expected to be approximately RMB1,532 million, RMB1,856 million and RMB2,207 million respectively.

### (a) Purchase of Feed Processing Services from COFCO Group

Pursuant to the 2018 Mutual Supply Agreement, COFCO Group and/or its associates will process the feed ingredients provided by our Group into feed products, including but not limited to feed for piglets, nursery hogs, finishing hogs and breeding stock, mixed feed and other related products, at a processing fee determined based on prevailing market price.

The annual cap of the processing fee payable by our Group to COFCO Group for the year ended December 31, 2021 was as follows:

|   | For<br>the year ended<br>December 31,<br>2021<br>(RMB'000) |
|---|--|
| Processing fee payable by<br>our Group to COFCO Group | 9,100  |

The processing fee actually paid by our Group to COFCO Group for the year ended December 31, 2021 was approximately RMB6.54 million.

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

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

The annual cap of the aggregate purchase amount of feed, other materials and services payable by our Group for the year ended December 31, 2021 was as follows:

|  | For<br>the year ended<br>December 31,<br>2021<br>(RMB'000) |
|--|--|
| Purchase of feed,<br>other materials and<br>services | 1,836,000  |

The aggregate purchase amount of feed, other materials and services actually paid by our Group for the year ended December 31, 2021 was approximately RMB1,508 million.

### (c) Purchase of Poultry Products from COFCO Group

Pursuant to the 2018 Mutual Supply Agreement, our Group will purchase from COFCO Group and/or its associates certain poultry products (the "Poultry Products"), at prevailing market prices. The purchase price of the Poultry Products is determined based on the quotations provided by other qualified suppliers which are independent third parties for similar goods of similar quality.

The annual cap of the aggregate purchase amount of the Poultry Products payable for the year ended December 31, 2021 was as follows:

|                                  | For<br>the year ended<br>December 31,<br>2021<br>(RMB'000) |
|----------------------------------|--|
| Purchase of the Poultry Products | 9,320*   |

The aggregate purchase amount of the Poultry Products actually paid by our Group for the year ended December 31, 2021 was approximately RMB23.25 million.

\* The annual cap for the purchase of the poultry products was revised to RMB70 million. For details, please refer to "3. Revised Annual Caps and the New Continuing Connected Transaction for the Continuing Connected Transactions with COFCO Group" in this section.

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

Pursuant to the 2018 Mutual Supply Agreement, our Group will obtain cold storage services from COFCO Group and/or associates. The service fee for cold storage facilities is determined based on the standard price offered by other service providers which are independent third parties.

The annual cap of the aggregate service fee payable by our Group to COFCO Group for the year ended December 31, 2021 was as follows:

|              | <b>For<br/>the year ended<br/>December 31,<br/>2021<br/>(RMB'000)</b> |
|--------------|---|
| Service fees | <b>10,600</b>   |

The aggregate service fee actually paid by our Group to COFCO Group for the year ended December 31, 2021 was approximately RMB4.01 million.

**(e) Purchase of Central Reserved Pork from COFCO Group**

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

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

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

The annual cap of the aggregate purchase amount of central reserved pork payable by our Group to COFCO Group for the year ended December 31, 2021 was as follows:

|                                   | <b>For<br/>the year ended<br/>December 31,<br/>2021<br/>(RMB'000)</b> |
|-----------------------------------|---|
| Purchase of central reserved pork | <b>12,300*</b>  |

\* *The annual cap for the purchase of central reserved meat was revised to RMB1,480 million. For details, please refer to "3. Revised Annual Caps and the New Continuing Connected Transaction for the Continuing Connected Transactions with COFCO Group" in this section.*

The aggregate purchase amount of central reserved pork actually paid by our Group for the year ended December 31, 2021 was approximately RMB0.

**(f) Supply of Meat Products to COFCO Group**

Pursuant to the 2018 Mutual Supply Agreement, our Group will sell to COFCO Group and/or its associates various meat products and other related products, including but not limited to fresh pork, frozen pork and processed meat products such as ham, sausages and bacon and frozen poultry, beef and mutton at prevailing market prices. The supply price of meat products is determined as follows:

- (i) for products to be sold via womai.com, the price is determined based on the prices of similar products offered to other e-commerce sales channels which are independent third parties;
- (ii) for products to be sold for consumption and resale, the price is determined based on prevailing market prices; and
- (iii) for products to be used for food production, the price is determined based on the prices offered to other food processors which are independent third parties.



## Directors' Report

The annual cap of the aggregate sales revenue from the supply of meat products received by our Group for the year ended December 31, 2021 was as follows:

|  | For<br>the year ended<br>December 31,<br>2021<br>(RMB'000) |
|--|--|
| Sales revenue from supply of meat products | 310,000  |

The aggregate sales revenue from the supply of meat products received by our Group for the year ended December 31, 2021 was approximately RMB23.57 million.

### (g) Supply of Central Reserved Pork to COFCO Group

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

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

The annual cap of the aggregate purchase amounts of central reserved pork payable by COFCO Group to our Group for the year ended December 31, 2021 was as follows:

|                                 | For<br>the year ended<br>December 31,<br>2021<br>(RMB'000) |
|---------------------------------|--|
| Supply of central reserved pork | 14,500*  |

\* The annual cap for the supply of central reserved meat was revised to RMB2,045 million. For details, please refer to "3. Revised Annual Caps and the New Continuing Connected Transaction for the Continuing Connected Transactions with COFCO Group" in this section.

The aggregate sales revenue from the supply of central reserved pork received by our Group for the year ended December 31, 2021 was approximately RMB39.79 million.

### (h) Supply of Product Processing Services to COFCO Group

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

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

The annual cap of the processing fee for product processing services payable by COFCO Group to our Group for the year ended December 31, 2021 was as follows:

|                 | For<br>the year ended<br>December 31,<br>2021<br>(RMB'000) |
|-----------------|--|
| Processing fees | 5,000  |

The aggregate sales revenue from processing fee for supply of product processing services received by our Group for the year ended December 31, 2021 was approximately RMB0.

**3. Revised Annual Caps and the New Continuing Connected Transaction for the Continuing Connected Transactions with COFCO Group**

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

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

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

On July 9, 2021 (after trading hours), the Company entered into the 2021 Supplemental Mutual Supply Agreement with COFCO to:

- revise the existing annual cap for the year ended December 31, 2021.

Save for the Revised Annual Caps and the new continuing connected transaction as stipulated in the 2019 Supplemental Mutual Supply Agreement, and the Revised Annual Caps as stipulated in the 2021 Supplemental Mutual Supply Agreement, the rest of the terms of the 2018 Mutual Supply Agreement remain unchanged.

Pursuant to Rule 14A.81 of the Listing Rules, the aggregate transaction amounts under the 2018 Mutual Supply Agreement (along with the 2019 Supplemental Mutual Supply Agreement and the 2021 Supplemental Mutual Supply Agreement) for the years ended December 31, 2019, 2020 and 2021 are expected to be approximately RMB2,445 million, RMB5,066 million and RMB6,080 million, respectively.

On November 23, 2018 (after trading hours), the Company entered into the 2018 Financial Services Agreement with COFCO Finance. Pursuant to which, COFCO Finance would provide various financial services to the Group.

On July 9, 2021 (after trading hours), the Company entered into the 2021 Supplemental Financial Services Agreement with COFCO Finance to:

- revise the existing annual cap for the year ended December 31, 2021.

Save for the Revised Annual Caps as stipulated in the 2021 Supplemental Financial Services Agreement, the rest of the terms of the 2018 Financial Services Agreement remain unchanged.

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

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

The proposed annual cap for the purchase amount of central reserved pork under the 2019 Supplemental Mutual Supply Agreement for the year ended December 31, 2021 was as follow:

|   | <b>For<br/>the year ended<br/>December 31,<br/>2021<br/>(RMB'000)</b> |
|---|---|
| Procurement expenses from purchase of central reserved meat | <b>1,480,000</b>  |

The Group's procurement expenses from the purchase of central reserved meat for the year ended December 31, 2021 were approximately RMB0.

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

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

## Directors' Report

The proposed annual cap for the supply of central reserved meat under the 2019 Supplemental Mutual Supply Agreement for the year ended December 31, 2021 was as follow:

|   | For<br>the year ended<br>December 31,<br>2021<br>(RMB'000) |
|---|--|
| Sales revenue from the supply of<br>central reserved meat | 2,044,500  |

The sales revenue from the supply of central reserved meat received by our Group for the year ended December 31, 2021 was approximately RMB39.79 million.

### (c) *New Continuing Connected Transaction*

Pursuant to the 2019 Supplemental Mutual Supply Agreement, the Group will provide the agent services for purchase of meat products to COFCO Group and/or its associates.

The proposed annual cap for the agent services for the procurement of meat products under the 2019 Supplemental Mutual Supply Agreement for the year ended December 31, 2021 was as follow:

|           | For<br>the year ended<br>December 31,<br>2021<br>(RMB'000) |
|-----------|--|
| Agent fee | 315,000  |

The agent fee for the procurement of meat products received by our Group for the year ended December 31, 2021 was approximately RMB19.08 million.

### (d) *The Revised Annual Cap for Purchase of Poultry Products*

Pursuant to the 2018 Mutual Supply Agreement, our Group will purchase from COFCO Group and/or its associates certain poultry products, at prevailing market prices.

The annual cap for the purchase of poultry products under the 2021 Supplemental Mutual Supply Agreement for the year ended December 31, 2021 was as follow:

|   | For<br>the year ended<br>December 31,<br>2021<br>(RMB'000) |
|---|--|
| Procurement expenses from<br>purchase of poultry products | 70,000   |

The procurement expenses from purchase of poultry products paid by our Group for the year ended December 31, 2021 was approximately RMB23.25 million.

### (e) *The Revised Annual Cap for Deposit Services*

Pursuant to the 2018 Financial Services Agreement, COFCO Finance will provide deposit services to the Group. The Group will open and maintain deposit accounts with COFCO Finance.

The annual cap for the deposit services under the 2021 Supplemental Financial Services Agreement for the year ended December 31, 2021 was as follow:

|                       | For<br>the year ended<br>December 31,<br>2021<br>(RMB'000) |
|-----------------------|--|
| Deposits amounts      | 1,500,000  |
| Interests on deposits | 19,400   |

For the year ended December 31, 2021, the above maximum daily deposit amount and the interests on deposits were RMB995 million and RMB10.25 million, respectively.

(f) **The Revised Annual Cap for Entrustment Loan Services**

Pursuant to the 2018 Financial Services Agreement, 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).

The annual cap for the handling fees of the Entrustment Loan Services under the 2021 Supplemental Financial Services Agreement for the year ended December 31, 2021 was as follow:

|  | <b>For<br/>the year ended<br/>December 31,<br/>2021<br/>(RMB'000)</b> |
|--|---|
| Handling fees of the Entrustment Loan Services | <b>750</b>  |

For the year ended December 31, 2021, the handling fees charged by COFCO Finance in connection with the Entrustment Loan Services amounted to RMB510,000.

**Partially Exempt Continuing Connected Transactions**

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

**4. Lease of Premises**

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

Pursuant to Rule 14A.81 of the Listing Rules, the aggregate amount of rental expenses, management fees and service charges payable to COFCO Group for the leased premises under the 2018 Beijing Property Leasing Contract, the 2018 Beijing Property Management Contract and 2018 Hong Kong Tenancy Agreement for the years ending December 31, 2019, 2020 and 2021 are expected to be approximately RMB12.04 million, RMB13.87 million and RMB15.99 million, respectively.

The aggregate amount of rental expenses, management fees and service charges payable to COFCO Group for the leased premises under the 2018 Beijing Property Leasing Contract, the 2018 Beijing Property Management Contract and the 2018 Hong Kong Tenancy Agreement for the year ended December 31, 2021 were approximately RMB11.34 million, RMB1.3 million and RMB0, respectively.

## Directors' Report

### (a) Lease of Office Premises in Beijing

On November 23, 2018, our Company entered into the 2018 Beijing Property Leasing Contract with COFCO, pursuant to which the Group leased from COFCO the office premises of COFCO Fortune Plaza in Beijing and several underground car parking spaces in COFCO Fortune Plaza for a term commencing from January 1, 2019 to December 31, 2021. The annual rent is determined based on prevailing market prices and is payable by three annual installments, with the first installment payable within three business days after the effective date of the 2018 Beijing Property Leasing Contract and each subsequent installment being payable on or before December 31 of the current year. The Group has the priority to renew the 2018 Beijing Property Leasing Contract on terms to be agreed between the parties. Should the 2018 Beijing Property Leasing Contract be renewed, the Group will comply with the requirements of Chapter 14A of the Listing Rules.

On November 23, 2018, our Company entered into the 2018 Beijing Property Management Contract with COFCO Sunshine, pursuant to which COFCO Sunshine agreed to provide to the Group various services for the maintenance and management of the leased premises for a term commencing from January 1, 2019 to December 31, 2021. The management fee is determined based on prevailing market prices and is payable in quarterly installments, with the first installment payable on the date of the 2018 Beijing Property Management Contract and each subsequent installment being payable within 10 business days prior to the start of each quarter. The annual rent and management fees under the 2018 Beijing Property Leasing Contract and the 2018 Beijing Property Management Contract are determined as follows:

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

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

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

The annual cap of the aggregate rental expenses and annual management fees payable by our Company for the year ended December 31, 2021 was as follows:

|                                     | <b>For<br/>the year ended<br/>December 31,<br/>2021<br/>(RMB'000)</b> |
|-------------------------------------|---|
| Rental expenses and management fees | <b>15,500</b>   |

The aggregate rental expenses and annual management fees payable by our Company for the year ended December 31, 2021 was approximately RMB12.64 million.

### (b) Lease of Office Premises in Hong Kong

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

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

- (ii) comparable rental price quotations offered by independent third parties for similar properties in the vicinity; and
- (iii) rental prices and management fees collected by Bapton to other tenants.

The annual cap of the aggregate annual rental expenses, service charges and rates payable by our Company for the year ended December 31, 2021 was as follows:

|   | For<br>the year ended<br>December 31,<br>2021<br>(HK\$'000) |
|---|---|
| Rental expenses,<br>service charges and rates | 556<br>(approximately<br>RMB489,000)                        |

The aggregate annual rental expenses, service charges and rates payable by our Company for the year ended December 31, 2021 were RMB0.

## 5. Administrative Services

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

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

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

- (i) the fees charged by independent third parties to the Group in the ordinary and usual course of business on normal commercial terms for similar or same services of same quality; and
- (ii) standard fees charged by COFCO to all tenants and service users.

The annual cap of the aggregate amount of administrative services fees payable by our Company for the year ended December 31, 2021 was as follow:

|  | For<br>the year ended<br>December 31,<br>2021<br>(RMB'000) |
|--|--|
| Purchase price of administrative<br>services | 7,800  |

The aggregate amount of administrative services fees payable by our Company for the year ended December 31, 2021 was approximately RMB4.09 million.

## Annual Review of Continuing Connected Transactions

For the year ended December 31, 2021, 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 43 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

Deloitte Touche Tohmatsu ("**Deloitte**") retired as auditor of the Company with effect from the conclusion of the 2020 annual general meeting of the Company held on June 30, 2021 (the "**2020 AGM**") and did not seek re-appointment. The Company put forward an ordinary resolution for shareholders' approval to propose the appointment of Baker Tilly Hong Kong Limited ("**Baker Tilly**") as the auditor of the Company in place of the retiring auditor, Deloitte. Deloitte also confirmed with the Board that there were no matters in relation to the proposed change of auditor that need to be brought to the attention of the shareholders of the Company.

Upon the consideration and approval at the 2020 AGM, the Company appointed Baker Tilly as the auditor of the Company for a proposed term of office commencing on the date of approval until the conclusion of the next annual general meeting of the Company.

Save as disclosed above, there has been no change in the Company's auditor in any of the preceding three years. Baker Tilly shall retire and, being eligible, offer themselves for re-appointment as auditors of the Company at the forthcoming annual general meeting. A resolution for the re-appointment of Baker Tilly as auditor of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Jiang Guojin**

*Chairman of the Board*

Beijing, China, March 18, 2022

# Environmental, Social and Governance Report

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## About this report

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

### ■ Scope of Reporting

Entities covered herein also appear in the Company's annual report. This report mainly addresses the business operations of the Group in respect of sustainability, food safety, environmental protection, social responsibilities, caring for employees and corporate governance from January 1 to December 31, 2021.

### ■ Basis of Preparation

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

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

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

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

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

### ■ Reporting Data Description

Unless otherwise specified, the financial data quoted in this report is from the Company's audited annual report, while other data come from the Group's internal official documents and relevant statistics.

## Corporate Responsibility

As one of the leading enterprises in China's meat industry, COFCO Joycome has been adhering to its social responsibilities of "Setting the Safety Standards of the Industry and Safeguarding the Safety of Meat Consumers", relying on the vertical integration business model covering the whole value chain, persisting in integrity and rule compliance, dedicated to providing the consumers with nutritious and safe food, and promoting the common development of its stakeholders including shareholders, customers, employees and the public, so as to realize the harmonious unity of economic efficiency, social efficiency and environmental efficiency.



# Environmental, Social and Governance Report

## ■ Responsibility Management

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

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

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

## ■ Stakeholder Communication

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

| Stakeholders                          | Communication channels  | Expectations and demands  | Our response   |
|---------------------------------------|---|---|--|
| Government and regulatory authorities | <ul style="list-style-type: none"> <li>• Daily communication</li> <li>• Submission of information</li> <li>• Workshop and survey</li> </ul>                                     | <ul style="list-style-type: none"> <li>• Compliance with laws and regulations</li> <li>• Leading the advancement of the industry</li> <li>• Agricultural industries poverty alleviation</li> <li>• Energy conservation and emission reduction</li> <li>• Prevention and control of pollution from large-scale breeding</li> <li>• Control of the spread of African swine fever</li> <li>• Eradication of the outbreak and spread of diseases</li> </ul> | <ul style="list-style-type: none"> <li>• Operating in strict compliance with relevant laws and regulations</li> <li>• Promotion of industrial development</li> <li>• Supporting rural revitalization</li> <li>• Improvement of resource utilization and reduction of waste production</li> <li>• Eco-farming and recycling and processing of waste</li> <li>• Stringent prevention and control of African swine fever</li> <li>• Epidemic prevention for employees and production</li> </ul> |
| Shareholders and investors            | <ul style="list-style-type: none"> <li>• Regular information disclosure</li> <li>• Shareholders' meetings</li> <li>• Daily communication</li> <li>• Official website</li> </ul> | <ul style="list-style-type: none"> <li>• Board's participation in responsibility management</li> <li>• Responsibility management structure</li> <li>• Continuous growth</li> <li>• Transparent operation</li> </ul>   | <ul style="list-style-type: none"> <li>• Due diligence of the Board</li> <li>• Strengthening responsibility management</li> <li>• Continual improvement of the ability to create value</li> <li>• Transparent and open information disclosure</li> </ul>   |

# Environmental, Social and Governance Report

| Stakeholders                                       | Communication channels  | Expectations and demands   | Our response  |
|--|---|--|---|
| Consumers  | <ul style="list-style-type: none"> <li>Complaint hotline</li> <li>Consumer satisfaction survey</li> <li>Media reports</li> </ul>                                  | <ul style="list-style-type: none"> <li>Product quality</li> <li>Food safety</li> <li>Client service and communication</li> <li>Elimination of false advertisement</li> </ul>   | <ul style="list-style-type: none"> <li>Management and control of the whole value chain quality</li> <li>Stringent management of food safety, prevention and control of African swine fever and COVID-19 epidemic</li> <li>Professional and efficient client service</li> <li>Safeguarding consumers' rights</li> </ul>  |
| Environmental protection experts and organizations | <ul style="list-style-type: none"> <li>Consultation and communications</li> <li>Environment information disclosure</li> </ul>                                     | <ul style="list-style-type: none"> <li>Environmental protection compliance</li> <li>Environment and natural resource protection</li> <li>Responding to climate change</li> </ul>   | <ul style="list-style-type: none"> <li>Elimination of environmental protection regulatory non-compliance</li> <li>Advocating environmental protection concepts</li> <li>Insisting on sustainable development and improving the level of green and low-carbon operation</li> <li>Improve capability of emergency response to natural disasters</li> </ul>  |
| Employees  | <ul style="list-style-type: none"> <li>Labor contract</li> <li>Training exchange</li> <li>Performance management mechanism</li> <li>Skills competition</li> </ul> | <ul style="list-style-type: none"> <li>Employment and anti – discrimination</li> <li>Employees' health and safety</li> <li>Employees' rights and benefits</li> <li>Career development and training</li> <li>Epidemic prevention and safety in the offices</li> </ul> | <ul style="list-style-type: none"> <li>Insisting on fair recruitment to build a harmonious work environment</li> <li>Improving employees' occupational health, protecting their democratic rights, remuneration and benefits and caring for employees</li> <li>Carrying out a diversity of employee training and learning courses</li> <li>Providing clear career development paths and organizing employee activities to maintain work-life balance</li> <li>Stringent epidemic prevention and control measures</li> </ul> |
| Suppliers and partners                             | <ul style="list-style-type: none"> <li>Assessment of suppliers</li> <li>Cooperation agreements</li> <li>Regular visits</li> </ul>                                 | <ul style="list-style-type: none"> <li>Fair procurement and honest performance</li> <li>Whole value chain quality management</li> <li>Green supply chain</li> </ul>  | <ul style="list-style-type: none"> <li>Insisting on fair and open procurement</li> <li>Win-win cooperation</li> <li>Improving overall quality of the industrial value chain and the ability and level of safety management and control</li> <li>Promoting green procurement</li> </ul>  |

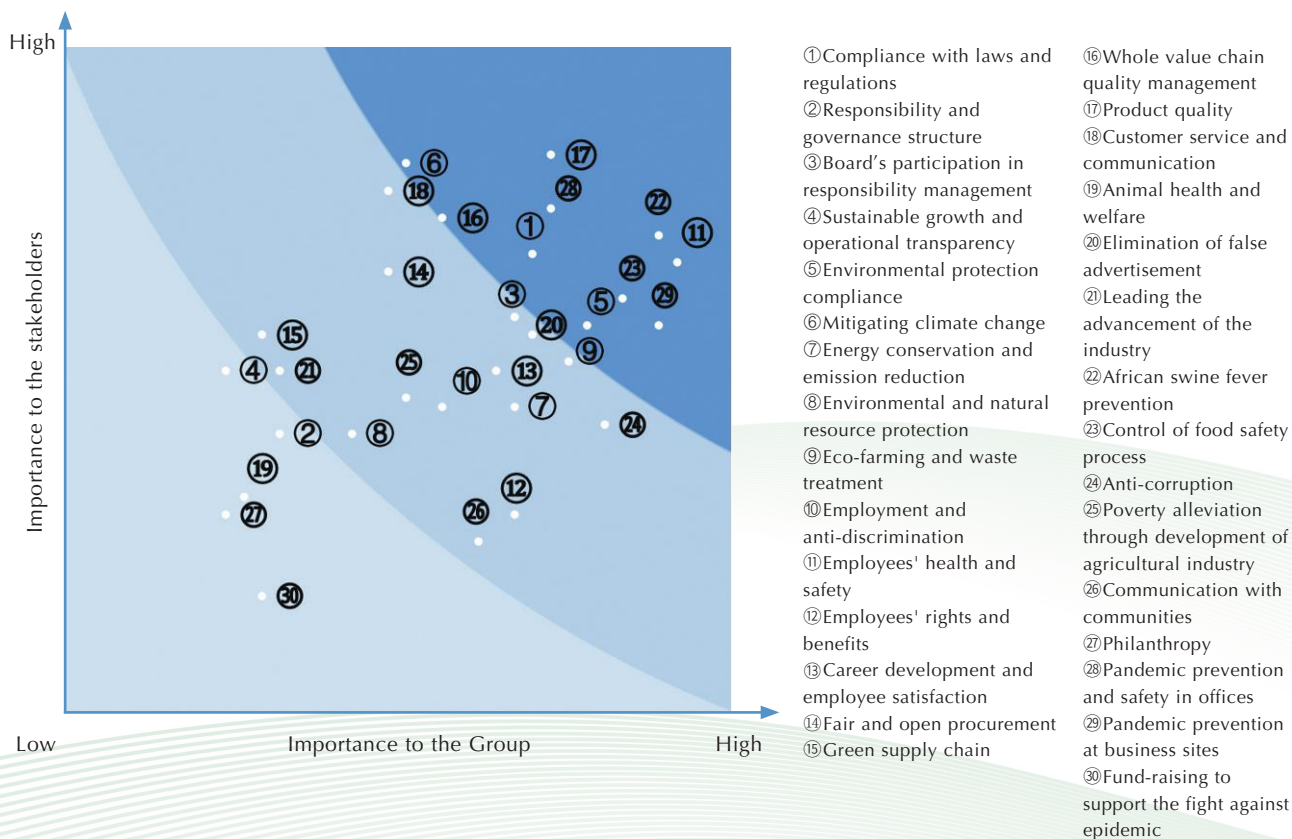
# Environmental, Social and Governance Report

| Stakeholders | Communication channels   | Expectations and demands   | Our response   |
|--------------|--|--|--|
| The public   | <ul style="list-style-type: none"> <li>Community activities</li> <li>Community services</li> </ul> | <ul style="list-style-type: none"> <li>Animal health and welfare</li> <li>Anti-corruption</li> <li>Communication with communities</li> <li>Philanthropy</li> <li>Fund-raising to support the fight against epidemic</li> </ul> | <ul style="list-style-type: none"> <li>Strengthening animal health and welfare management</li> <li>Anti-corruption practice</li> <li>Carrying out support of philanthropy and charity, volunteering activities, fund-raising to support the fight against epidemic and other activities</li> </ul> |

## ■ Assessment of Material Issues

In accordance with the requirements under the principle of “Materiality” of the Environmental, Social and Governance Reporting Guide of the Stock Exchange, we first extensively sought opinions from government and regulatory authorities, shareholders, consumers, environmental protection experts and organizations, employees, suppliers and partners, and public representatives on the two major dimensions of “Group Materiality” and “Stakeholder Materiality”, and recovered nearly 189 valid questionnaires. Secondly, we applied COFCO Joycome’s Material Issues Analysis Model to preliminarily assess the major material issues. Finally, through internal discussions, we verified and reviewed the major material issues to finalize the disclosure topics and contents of this report, and an “ESG Index Table” was added to the last section of this report to ensure that the substantive issues of concern of stakeholders will be addressed in a targeted and responsive manner, and that reporting data was fully covered.

Assessment results of the major material issues in 2021



## Food Safety

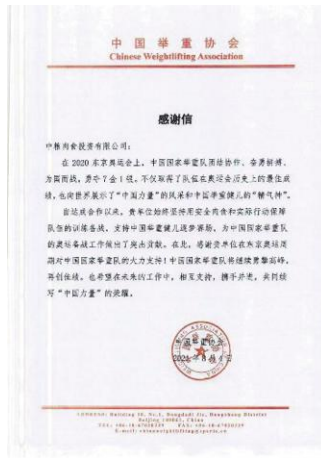
Safety and quality are our top priorities. We have established a business system consisting of feed production, hog breeding, slaughtering and segmentation, fresh pork and processed meat production, distribution and sale, and import and distribution of meat (including pork, beef, poultry and mutton)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

In 2021, governmental authorities at various levels sampled 734 batches of our products, 100% were qualified.

## Case: Safeguarding China’s strengths

We provided “guaranteed preparation products for competition by national team athletes of National Sports Training Center (NSTC) (體育•訓練局國家隊運動員備戰保障產品)” in 2019 and became the “meat product supplier for China’s national weightlifting team” in 2020. By securing safe and more healthy meat products for China’s weightlifting team and the national teams preparing for competitions at the training center, we safeguarded all athletes like their families. After the teams achieved success in international competitions, we received thank you letters from the Chinese Weightlifting Association and the Training Bureau of the General Administration of Sport.

Looking forward, we will continue to “safeguard China’s strengths” as always so that our athletes can prepare well for major competitions and achieve outstanding results !



## ■ Quality and Safety Management throughout the Whole Industrial Value Chain

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

Our affiliates engaged in feed processing, hog production, slaughtering and meat processing have all passed the certification of ISO9001 quality management system (QMS), ISO22000 food safety management system (FSMS), hazard analysis and critical control point (HACCP) system and China Good Agricultural Practice (ChinaGAP) system. Their advanced production processes coupled with their leading cold chain transportation technologies throughout the whole process have provided a strong guarantee for product quality and safety.

### Source Management

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

**Hog husbandry.** We have formulated standard operating procedures for each link in hog husbandry in accordance with requirements of the Agricultural Product Quality Safety Law of the People's Republic of China 《中華人民共和國農產品質量安全法》, the Animal Husbandry Law of the People's Republic of China 《中華人民共和國畜牧法》, the Animal Epidemic Prevention Law of the People's Republic of China 《中華人民共和國動物防疫法》 and other relevant laws and regulations, with reference to the advanced experiences of the leading domestic and foreign husbandry enterprises, so as to standardize our hog farming processes. We have developed a comprehensive immunity and health care process to provide delicate care for our hogs. We strictly complied with related national regulations and standards, and used veterinary drugs in accordance with

relevant laws and regulations. We made sure that all our hogs were free of veterinary drug residues, strictly implemented the three-level auditing procedures by the heads of farms, the supervisors and hog feeders, so as to ensure safety of our hogs. We strictly implemented the national animal inspection and quarantine standards to ensure that all our hogs could pass the inspection of governmental authorities, and thus could be sold "with certificates".

**Supplier management.** We care about the quality and safety management of our suppliers. We formulated quality and safety evaluation standards for suppliers of feeds, veterinary drugs and raw materials. We announced more than a thousand specific requirements in a total of 8 areas including basic management, source management, process management, export management, inspection and monitoring, traceability and emergency response, biosafety, and production safety. We defined approval and termination criteria to manage suppliers by levels and classes and continuously optimized our evaluation standards and improved the level of quality and safety management of suppliers. In 2021, we conducted on-site quality and safety assessments of over 100 suppliers, which allowed us to timely eliminate unqualified ones and urged suppliers to enhance their quality and safety standards.

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|  |       |
|--|-------|
| Suppliers in mainland China (number)                           | 1,438 |
| Suppliers in overseas and Hong Kong, Macau and Taiwan (number) | 22    |

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We understand the importance of sustainable development; therefore we integrate ecological environmental protection, energy conservation and emission reduction, social responsibility and corporate governance into our daily business operations. We pushed forward the concept of green procurement and continued to strengthen environmental protection and corporate responsibility management of our suppliers by requiring selected suppliers to comply with relevant laws and regulations of environmental protection in the course of purchasing raw materials, production and processing and rendering products and services. As much as practical, we selected production processes and equipment that were free of or come with less pollution during operations to reduce energy use, and properly handle discharges and waste to lower the impact on the environment, thereby driving the green development from the upstream of the industrial value chain. Meanwhile, we encourage procurement practices that are fair, transparent, efficient and friendly to the environment and keep promoting online procurement to further improve efficiency and ensure open, transparent and compliant procurement.

## *Process control*

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

We integrated the quality and safety risk information from internal and external sources including relevant parties in the value chain, the Group itself and our clients, establishing a risk surveillance index system to have precautions in place and handle the risks effectively during production and operation with real-time risk surveillance. In order to comprehensively and effectively monitor risks, we cooperated with the National Non-staple Food Quality Supervision and Inspection Center (國家副食品質量監督檢驗中心) of COFCO Nutrition and Health Research Institute to establish an inspection and test system backed up by the primary level laboratories in cooperation with third-party testing institutions at the same time.

**Informatisation and intelligent management.** We continued to promote the application of informatisation and intelligence technology in production and used information and technological means to gradually build a smart factory. Our farming and production operating system integrates medication guidelines and immunization plans to regulate the treatment and immunization standards for different types and states of pigs through informatisation methods, and generates electronic

prescriptions to ensure that the pigs are treated and immunized in accordance with the regulations, with the quality and quantity guaranteed. We apply the slaughtering informatisation system, and use electronic labels to locate and track the products in each step of the production process, and ultimately establish the whole-process tracking and tracing from hogs, whole hogs, pork cuts to small packages, etc., which ensures the safety and reliability of the products.

**Animal welfare management.** We are committed to taking good care of pigs during their husbandry and transportation to make sure that they are healthy and comfortable, and preventing them from being frightened, distressed or injured. We participated in the formulation and implementation of the "Guideline for Animal Husbandry and Farming Quality and Safety Management of COFCO Group". We have established 11 animal welfare indicators including feed, drinking water, environment of farming facilities, stocking density, lying area, temperature and ventilation, lighting, farrowing system and other aspects. We purchase compliant and legal veterinary drugs, while the professional veterinarians formulate and issue medication guidelines and immunization plans to give timely and correct immunization and treatment to pigs.

According to the national standards of hog production technique, we optimize the design, construction, facility, equipment and techniques to build livable pens for pigs, and strictly control the number of pigs in a single pen so as to allow enough space for movement. We rely on quality feed from the feed factory to provide sufficient food for the hogs to ensure their nutritional balance. We also reduce the particle size of feed during feed processing to minimize gastric ulcers of sows. When moving the hogs from one pen to another, staff will guide them in an orderly manner to avoid frightening them. We are an active promotor of humane slaughtering. By using the world-leading carbon dioxide stunning technology, we reduce animal stress and avoid unnecessary suffering or injury to the hogs.

### **African swine fever prevention and control management.**

According to the Technical Guidelines for Normalized Prevention and Control of African Swine Fever (Trial Version) (《非洲豬瘟常態化防控技術指南(試行版)》) issued by the Ministry of Agriculture and Rural Affairs of the People's Republic of China and other standards, we have further optimized the Biosafety Control Procedures(《生物安全控制程序》) to standardize the disinfection requirements for incoming personnel, vehicles and materials. We have also strengthened epidemic prevention and control at key places to ensure the health of pigs.

We use high-temperature disinfection and sterilization equipment in the feed processing process, and all raw materials and finished products have been tested and passed the hygiene standards. We also set up regional central warehouses and quarantine centers in the farms, and strictly conducted quality control to prevent viral transmission while centralizing the procurement of supplies. Moreover, we established a four-level sanitization process of "customers-communities-small breeding plots-farms" to prevent the spread and growth of viruses. We used the docking method while handling dead pigs and selling live ones, and forbade external vehicles from entering the facilities to minimize the chances of disease transmission.

### *Terminal Management*

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

### *Product Traceability*

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

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

For potentially problematic products, we have institutionalized food recalls and emergency response plans for food safety incidents to minimize the possibilities of consumers being exposed to problematic products. In 2021, we launched traceability drills on the whole value chain, covering all production enterprises. From the drills, we verified the effectiveness of the traceability system and improved our emergency response capabilities.

### ■ Professional and Efficient Client Service

In order to provide high-quality, professional and efficient customer service to our clients, we have been continually improving our customer service system as well as formulating and regulating our customer complaint handling procedures, so as to promptly provide feedback on, follow up and handle complaints and to enhance customer satisfaction. In 2021, the Group did not order any product recalls.

Through our consumer satisfaction survey, we have collected, combined and summarized their opinions. We analyzed the causes for dissatisfaction and formulated improvement plans, taking every opportunity for improvement seriously. We specified the requirements for complaint management and implemented the sorting, classification, reporting and handling procedures, so that the person-in-charge could timely contact the complainants and addressed complaints in time. In 2021, the Group received 181 complaints in total and 100% of them were handled.

We place high priority on the information privacy of our clients in compliance with relevant laws and regulations and attach great importance to keeping the privacy of our partners and customers. In the course of branding activities, we will sign confidentiality agreements with relevant personnel who will handle our customer data, so as to strictly control the information usage, while conducting confidentiality inspection regularly to completely avoid any consumer information leakage.

### ■ Advertising and Trademarks

We strictly implemented the Advertising Law of the PRC (《中華人民共和國廣告法》) and the administrative requirements for business promotion of the Company to ensure that the business promotion activities are factual, lawful, rooted in science, accurate, but not deceptive or misleading, in strict accordance with the laws and regulations. We strictly followed the requirements of national laws and regulations by drawing up guidelines for advertising compliance, providing specific guidance on key areas of product advertising which required intense compliance audit, and reviewing product packages and advertisements in terms of their indication of source, use of special terms, false advertising and medical efficacy. Besides, we formulated the pre-packaged food labeling management measures with a focus on regulating the management of the entire process from the design, usage to abolition of labels. Apart from the nutrient content and our contact information, the product labels also set out allergen information to ensure consumers are well-informed. For new product research and development, product packaging design and upgrade, we put in place the packaging review management measures for marketing and product upgrade, which established the packaging design and upgrade standards as well as the review management procedure to ensure advertising compliance. In June 2021, we upgraded the packaging for linseed-fed pork products. Adopting a “consumer-first” approach, we detailed the source of data in relation to the  $\alpha$ -linolenic acid content of the linseed-fed pork products so that consumers could understand more about their benefits and made better choices. The new package design was included in the catalogue of “National Outstanding Agricultural Product Packaging and Labels (Vol 2)” issued by the Ministry of Agriculture and Rural Affairs in 2021.

We optimized the operating standards of the Joycome and Maverick brands, thereby creating a clear brand positioning and steadily promoting brand recognition in the long term. We also formulated the brand licensing management rules and the product structure standards for the Joycome and Maverick brands, improved the awareness of intellectual property right protection, regulated Joycome's obligations when using fonts, pictures and other works, and set out detailed regulations on the management departments of trademark licensing,

application process and rules for the use of trademarks by dealers. In the entire process of intellectual property right application, use and authorization, we followed up and reviewed the intellectual property rights to ensure that all rights were used in a standardized manner, and urged rectification of misconducts of dealers when assisting in the supervision of their daily operations. We organized legal training to enhance the legal literacy and the understanding of intellectual property rights of relevant staff, which aimed to raise their attention to intellectual property rights, their risk prevention awareness as well as risk control capabilities.

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

We value the importance of intellectual property right protection and has established an “intellectual property right” division under the legal affair management system to manage and protect intellectual property rights in a centralized manner. The trademarks we currently use have either been registered or in the process of application for registration by professional trademark handling agencies for exclusive rights of the trademarks. We also safeguarded our interests by applying for patents and copyrights. On top of the aforementioned intellectual property right protection measures, for the proprietary know-how that is not patentable and processes for which patents are difficult to enforce, we rely on trade secret protection and confidentiality agreements to safeguard our interests.

### Environmental Protection

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



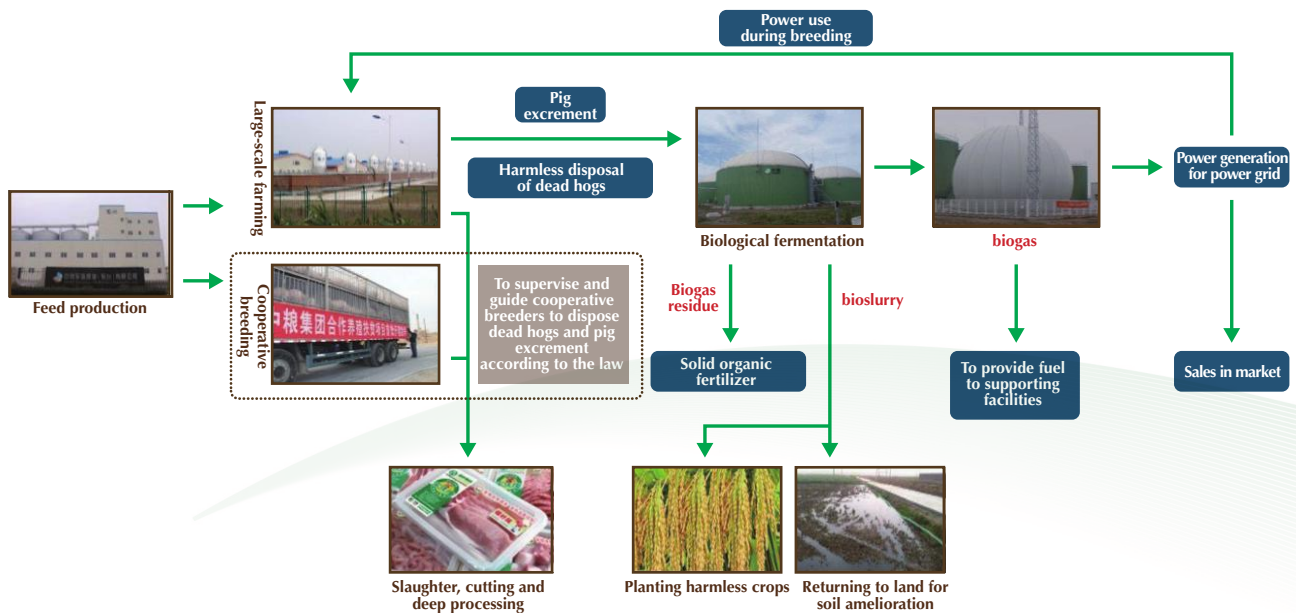
# Environmental, Social and Governance Report

## ■ Eco-farming

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

We made great efforts on developing harmless treatment of wastes in hog husbandry and resource utilization. Pursuant to policies and regulations such as Regulation on the Prevention and Control of Pollution from Large-scale Breeding of Livestock and Poultry (《畜禽規模養殖污染防治條例》), Opinion of the General Office of the State Council on Accelerating the Utilization of Livestock and Poultry Waste Resources (《國務院辦公廳關於加快推進畜禽廢棄物資源化利用的意見》), Notice on Further Clarification of the Requirements for Use of Livestock and Poultry Excrement as Fertilizers Back to Farmlands and Enhancement of Supervision over Husbandry Pollution of the General Office of the Ministry of Agriculture and Rural Affairs and the General Office of the Ministry of Ecology and Environment (《農業農村部辦公廳 生態環境部辦公廳關於進一步明確畜禽糞污還田利用要求強化養殖污染監管的通知》), we have developed an eco-farming mode known as “eco-farming with combination of farming and planting”. Based on thorough consideration of the environmental capacity and land capability, we optimized the proportioning of our breeding scale with the surrounding lands, promoted biogas for heating and power generation, utilization of biogas fertiliser in fields, and integration of farming and planting, with the aim of developing a green and circular agricultural industry value chain. After anaerobic fermentation at the biogas station, the excrement generated from farming will turn into bioresidue, bioslurry and biogas. The bioresidue and bioslurry are used as organic fertilizers back at nearby farmlands, and the biogas will be used for on-grid power generation as energy source and used in boilers for combustion, which realizes the utilization of farming wastes.

Our high environment protection standard is based on our supreme productivity. We have set up 37 advanced stations for utilization of farming waste nationwide, built more than 300 kilometers of pipelines to send the bioslurry back to the fields, allocated 250,000 mus of land to support bioslurry consumption and provided bioslurry free of charge for soil amelioration and growing crops at the surrounding areas. These efforts have led to the increase in both production and revenue for farmers.

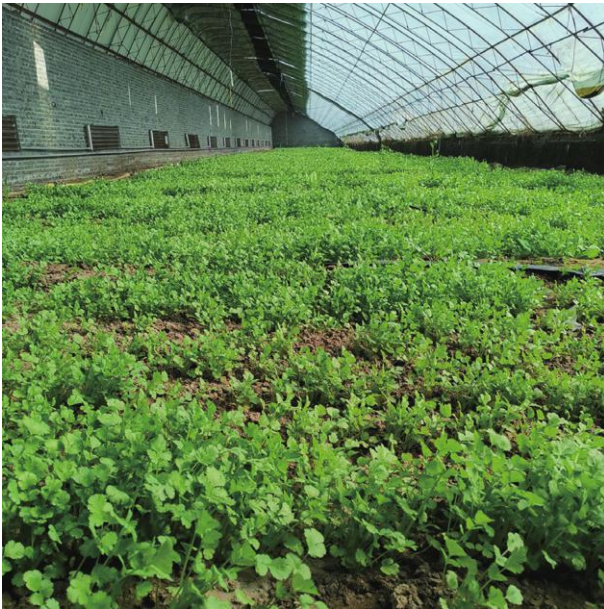


▲COFCO Joycome’s green and circular agricultural industrial value chain

At the same time, we actively seek cooperation with scientific research institutes for more scientific and effective use of bioslurry back at fields, and further strengthen the combination of farming and planting and resource utilization. Based on more than ten years of experience in farming waste resource utilization, we have developed the resource treatment technology of "reducing burden and returning to field" on the basis of traditional biogas engineering and high-concentration organic wastewater A/O treatment technology for the deep treatment of bioslurry to minimize burden, which allowed us to use less land for the bioslurry-back-to-field scheme and reduce the construction costs and management difficulties of the pipelines. In 2021, we performed upgrades on certain environmental protection facilities of the hog production projects in Jiangsu and Henan, so as to send "bioslurry back to fields to reduce burden". We also conducted deep treatment of sewage from the hog production business and discharged all of them to the fields through pipelines for fertigation. Through which, we facilitated the integration of farming and planting to improve land fertility, soil structure and the quality of agricultural produce.

### **Case: Integration of farming and planting to promote circular economy**

In 2019, we established a vegetable base that combined farming and planting in Daxing Village, Jilin. Under the "hog production + biogas station + planting" model, excrement from the husbandry business was detoxified by the anaerobic fermentation process at the biogas station, and the resulting bioslurry and bioresidue were used in farming at the greenhouses and the surrounding lands. The fruits and vegetables produced from the greenhouse were directly delivered to the staff canteen at the hog farms. In 2021, we completed the construction of 26 greenhouses with high standards and produced 326,550 catties of vegetables.

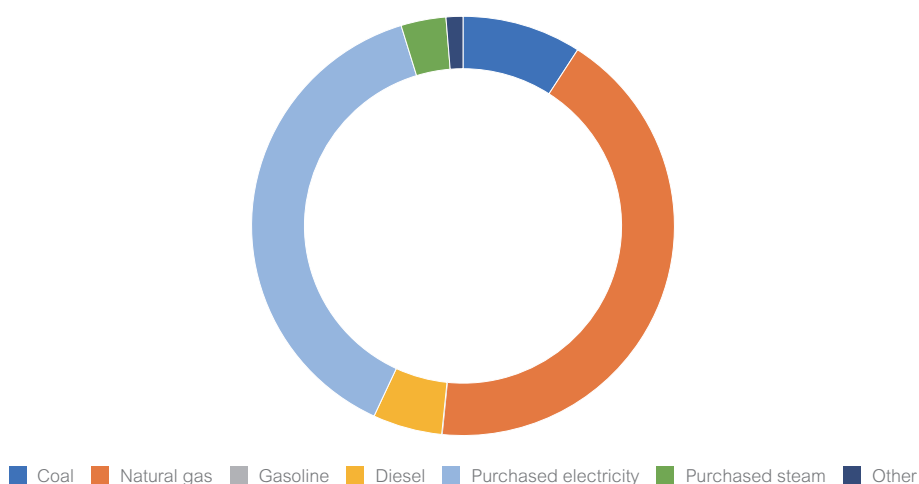


# Environmental, Social and Governance Report

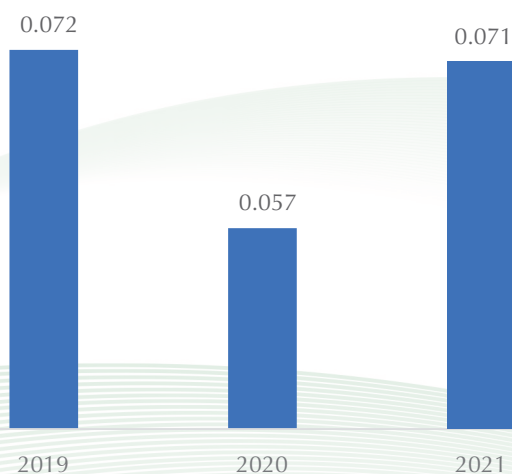
## ■ Use of Resources

We clearly understand our duties as a responsible corporate citizen in protecting the environment and maintaining ecological balance. By strictly controlling resource and energy consumption in our production and operation, we are getting gradually close to the goal of improving resource utilization efficiency and actively responding to climate change. We have made great efforts in management, technology and process transformation, and formulated scientific and feasible standards and an assessment mechanism for energy and water consumption limits, while actively renovating the equipment and facilities in our plants, and continuously improving our energy and resource utilization efficiency. In 2021, for our production in general, we consumed approximately 73,200 tons of energy (in standard coal), with an energy consumption intensity of about 0.071 tons of standard coal/revenue of RMB10 thousand. In spite of headwinds such as the downturn of the hog market and the rising costs of raw materials, our energy consumption intensity dropped by 11% from 2018.

Energy Utilization in 2021



Energy Consumption Intensity from 2019 to 2021  
(tons of standard coal/revenue of RMB10 thousand)



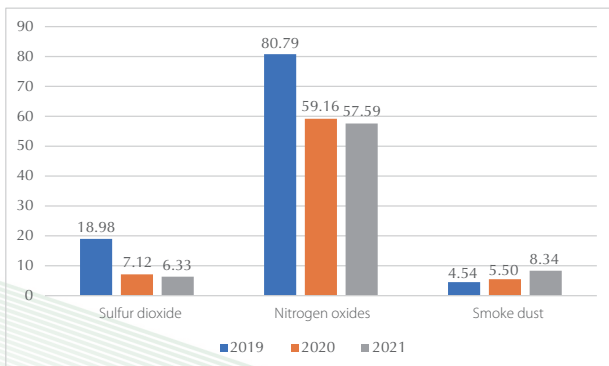
Our businesses operations, ranging from hog breeding, slaughtering and segmentation, production of fresh pork and processed meat products, require large amounts of water consumption. We comprehensively optimized our water conservation and emission reduction designs by launching a multi-tier water utilization metering system. We have also developed water utilization standards and assessment plans to further reduce water consumption. In 2021, water consumption of the Group amounted to about 7,800,000 m<sup>3</sup>, with a water usage intensity of about 7.64 m<sup>3</sup>/revenue of RMB10 thousand.

Taking into consideration the impact on environment of our packing materials and office paper, we strove for simple product packaging and paperless office work without sacrificing quality and work efficiency, so as to minimize the negative impact on the environment. In 2021, total packing materials consumed by the Group, including plastic bags, plastic films, cartons and plastic pallets, amounted to approximately 2,347 tons, with a packing material usage intensity of about 2.30 kilograms/revenue of RMB10 thousand.

## Emission management

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

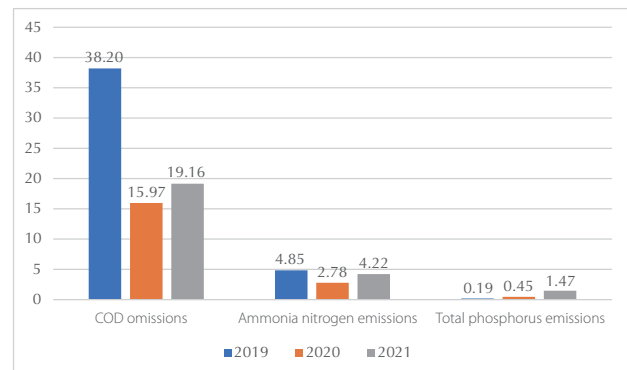
### 2019-2021 Emission of Main Pollutants – Waste Gas (tons)



- 1 Emission data is calculated based on the Group's environmental monitoring data first; subsequently, it is calculated based on the pollution production and discharge coefficient method as well as the Technical Specification for Application and Issuance of Pollutant Permit issued by the Ministry of Ecology and Environment;
- 2 The calculation is based on the Greenhouse Gas Protocol – Corporate Accounting and Reporting Standards 2012 (Revised) issued by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), and the Fifth Evaluation Report 2013 issued by the Intergovernmental Panel on Climate Change (IPCC), in which the greenhouse gas emission factor for power consumption was selected based on the 2019 Baseline Emission Factors of Regional Power Grids for Emission Reduction Project in China issued by the Ministry of Ecology and Environment;
- 3 Emission data is calculated based on the Group's environmental monitoring data first; subsequently, it is calculated based on the pollution production and discharge coefficient method as well as the Technical Specification for Application and Issuance of Pollutant Permit issued by the Ministry of Ecology and Environment.

In 2021, air emissions produced by the Group included exhaust gas, sulphur dioxide, nitrogen oxide, etc. A total of approximately 323 million m<sup>3</sup> of exhaust was emitted<sup>1</sup>. Approximately 260,000 tons of greenhouse gas was emitted<sup>2</sup>, of which Scope 1 accounted for 100,000 tons and Scope 2 accounted for 160,000 tons, with an emission intensity of about 0.25 ton/revenue of RMB10 thousand.

### 2019-2021 Emission of Main Pollutants – Wastewater (tons)



In 2021, the wastewater pollutants generated by the Group included COD, ammonia nitrogen, total phosphorus etc. A total of approximately 770,000 tons of wastewater was discharged<sup>3</sup>, with a wastewater emission intensity about 0.76 tons/revenue of RMB10 thousand.

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

In 2021, the Group produced a total of approximately 20,000 tons of non-hazardous wastes (with an emission intensity of about 0.02 tons/revenue of RMB10 thousand) and approximately 60 tons of hazardous wastes (with an emission intensity of about 0.05 kilogram/revenue of RMB10 thousand).

## ■ Climate Change

Climate change is one of the greatest global challenges faced by the current society. In recent years, extreme weather events (especially heavy rainstorms, high temperatures and droughts, etc.) have occurred frequently around the world, leading to the interruption of power, drainage, water supply and other support systems, and the disruption of transportation caused by road washouts, which will seriously affect the normal production of enterprises, cause changes in the supply chain of enterprises and increase the operating costs.

Tackling climate change has become a shared responsibility and challenge for governments around the world. The Group actively responds to the call of the country and the development trend of the international community, and fully integrates the requirements of carbon emission peak and carbon neutrality into the medium and long-term development plan of the enterprise to ensure that various business segments implement the main goals and development directions of carbon emission peak and carbon neutrality, practice social responsibilities, and establish a cornerstone for long-lasting development.

We propose to continuously reduce the Group's greenhouse gas emission intensity to ensure that the Group's total greenhouse gas emissions meet the increasingly stringent regulatory requirements of local governments by 2030, and expect our operations to be carbon neutral by 2060. We are committed to adjusting the energy structure, improving energy use efficiency and leveraging our expertise and industry progress to boost efficiency at production sites, maintain efficient management support, and ensure that the goals of carbon emission peak and carbon neutrality are achieved on schedule.

In order to further improve the Group's risk prevention capabilities, we have formulated a natural disaster emergency response mechanism, which clearly defined the duties and division of work for disaster response at all levels of the Group. We timely collect and analyze information on natural disasters

released by relevant government departments to release, adjust and cancel early alarm. We have also taken into consideration the characteristics of natural environment in different places, and assessed the potential for extreme weather and secondary disasters by carrying out comprehensive natural disaster risk identification and impact assessment, and formulating specific contingency plans.

We fostered effective cooperation with local governments and emergency rescue agencies. At the same time, we enhanced cooperation with professional institutions to share resources and improve our response to natural disasters, in order to minimize the impact of natural disasters and prevent the spread of disasters and the occurrence of secondary disasters.

## ■ Energy Conservation and Emission Reduction

We emphasize energy conservation and emission reduction as well as ecological protection and are committed to building environment-friendly enterprise to reduce our reliance on natural resources and ensure sustainability of the ecosystem. To try our utmost best to minimize the environmental impact of our business operations, we have established a long-term ecological environment protection mechanism by formulating the Management Regulations for Energy Conservation and Emission Reduction, Measures for Supervision and Administration of "Three Simultaneities" for Construction Projects and Emergency Plans for Environmental Pollution Accidents in accordance with relevant laws and regulations, including the Energy Conservation Law of the People's Republic of China 《中華人民共和國節約能源法》 and the Environmental Protection Law of the People's Republic of China 《中華人民共和國環境保護法》, while increasing financial support to the key energy-saving and eco-friendly projects.

In line with the national policies on resource conservation and environmental protection, the Group formulated the three-year plan for building the ecological sustainability system. We proposed to lower the intensity of COD and NOx emissions, while increasing the overall utilization rate of solid waste

and the share of recycled water consumption. To ensure the feasibility of the plan, we put forward more than 30 specific tasks and a wide range of key construction projects. We also sorted out details of responsibility fulfilment, supervision and management as well as capital investment, which provided a top-level blueprint for the Group's work in energy conservation, emission reduction, and environmental protection.

We vigorously promoted our water-saving policy in the farms in the whole cycle of water utilization, including extraction, delivery, use and reuse. We also tried to reduce water consumption by introducing high-pressure flushing machines, installing equipment such as drinking bowls and water level controllers and improving procedures. At the same time, we increased our investment in wastewater treatment, set up more stringent wastewater discharge standards, recycled condensed water and advocated using standard-compliant treated water throughout the process of our operations to increase the ratio of recycled water and save every drop of precious water for the earth. The Group utilized recycle water of over 10,000 m<sup>3</sup> in 2021.

By adjusting the management and control model, we promoted the use of residual heat and other energy-saving measures to establish a leading position in energy efficiency. In 2021, we revised the environmental control system and proposed to narrow the temperature gap with the external environment without affecting the health of hogs, so as to meet the needs of the farms and minimize natural gas consumption. In addition, we achieved the cascade use of energy with the residual heat from flue gas and the heat released from condensing steam. Following the upgrade of the Jiangsu Plant, the temperature control system of the ripening devices reduced power consumption for temperature maintenance from 1kWh/ton to 0.1kWh/ton. Under the principle of "switching between biogas and electricity as appropriate", we supported biogas generation in Jiangsu, Hubei, Inner Mongolia and Jilin. As a result, we achieved a biogas generation capacity of over 6.08 million

kWh, which helped reduce the consumption of fossil fuels such as oil and coal.

We strengthened the management of environmental protection data. Through the stringent review of online monitoring data, third-party inspection data and monthly reporting data, we timely identified abnormal emissions of pollutants and ensured emission compliance throughout the year. Furthermore, we optimized the techniques for sewage and exhaust gas treatment, renovated the coal-fired boilers for heating needs and the flushing fuel-powered drying machines, and phased out diesel forklifts, with a view to reducing pollutants and our environmental impacts. In 2021, we invested approximately RMB5 million to upgrade the denitrification technique for wastewater treatment at Jiangsu Plant, thereby reducing total nitrogen emission by 90%.

We advocated green workplace that fully integrated low-carbon and environmental protection into our daily operations and organized activities such as "Energy Conservation Promotion Week" and "Low-Carbon Day" for all departments. In addition, we took the lead, together with all employees, to create a good atmosphere of energy conservation and emission reduction, one where all staff would promptly report any leakage for a repair and turn off the lights and water not in use. Our office maintains air-conditioning temperature not lower than 26°C in summer and not higher than 20°C in winter. In addition, we further improved measures for online offices to maximize the use of video conferencing wherever practical, thus reducing unnecessary business travel and energy consumption in our day-to-day work. In 2021, with the full introduction of our husbandry production operating system, the use of electronic labels and electronic forms on hand-held devices reduced the use of paper documents significantly. The paper consumption in the production process such as the stocktaking of pigs, production operation, treatment and epidemic prevention, sales, death and scrapping, etc. has been greatly reduced.

# Environmental, Social and Governance Report

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## Win-win Cooperation in Harmony

### ■ Promotion of Industrial Development

As one of the industry leaders, we always embrace our responsibility to lead the development of standards in the industry in a well-ordered manner and have participated in the formulation and amendment of national and industrial standards for a number of times. In 2021, we participated as the drafting unit in the revision of the national standard “Bacon” and the compilation of various association standards such as the “Fundamental Standards for Bioresidue for Agricultural and Forestry Use” and the “Bioslurry Standard for Agricultural and Forestry Use”.

We actively participated in international and national industry exchanges to communicate with each other and jointly explore the development of the industry, including joining the GFSI Global Food Safety Initiative. We also engaged in technological cooperation and exchanges with third party food technology service providers such as the Centre Testing International Group and SGS in such areas as inspections, labels and tags. We participated in the industry exchange meeting of China Animal Agriculture Association. In 2021, we participated in China International Meat Industry Exhibition and won the "2021 Advanced Enterprise in China's Meat Food Industry" and "2021 Most Valuable Brand in China's Meat Food Industry".

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

### ■ Participating in Philanthropy and Charity

We cared for the underprivileged and actively held various public welfare activities, such as poverty alleviation, education aid, disaster relief, anti-epidemic, and helped those in need by setting out a management system for making donation and to actively fulfill our social responsibilities. In 2021, we allocated RMB2 million to the rural revitalization fund of Shiqu County in Sichuan Province, which was used in poverty alleviation through industrial development and the construction of medical infrastructure in the county. During the year, the Group donated more than RMB15 million in total, representing a year-on-year increase of approximately 40%.

Capitalizing on the hog production business, we also launched the in-depth poverty alleviation program through industrial development. We actively cooperated with local governments to reduce poverty through employment, build infrastructure and promote consumption to help underprivileged people. In 2021, we devoted more efforts to professional skill training in the assisted areas. With the aim of nurturing leaders in technology and industry development, we arranged training on hog production technology, disease prevention and feed selection for hog farmers in Suibin, Heilongjiang. In addition, we offered professional training on feed processing in Shangdu County of Inner Mongolia, which strengthened the business operation capabilities and professional technology level of the assisted areas.

## Staff Development

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

### Case: Organizing various sports games that enhance team spirit and cohesion and stimulate work enthusiasm

In 2021, we organized soccer, badminton, fun games and other sports competitions in Beijing, Guangdong, etc. Inspired by the slogan of "Friendship First, Competition Second", our employees showcased their sport talents and strived to be the best team, demonstrating their impressive spirit and sportsmanship.





### Case: Launching the vocational skills accreditation program to support the development of skilled workers

In 2021, we rolled out the vocational skills accreditation program. Through the coordination with the quality safety department and the production operation department, we pushed forward the building of a skilled workforce and enhanced employees' vocational skills on all fronts with the market-oriented evaluation mechanism. We granted subsidies of more than RMB380,000 in total and shared the success of our high-quality development with the staff.

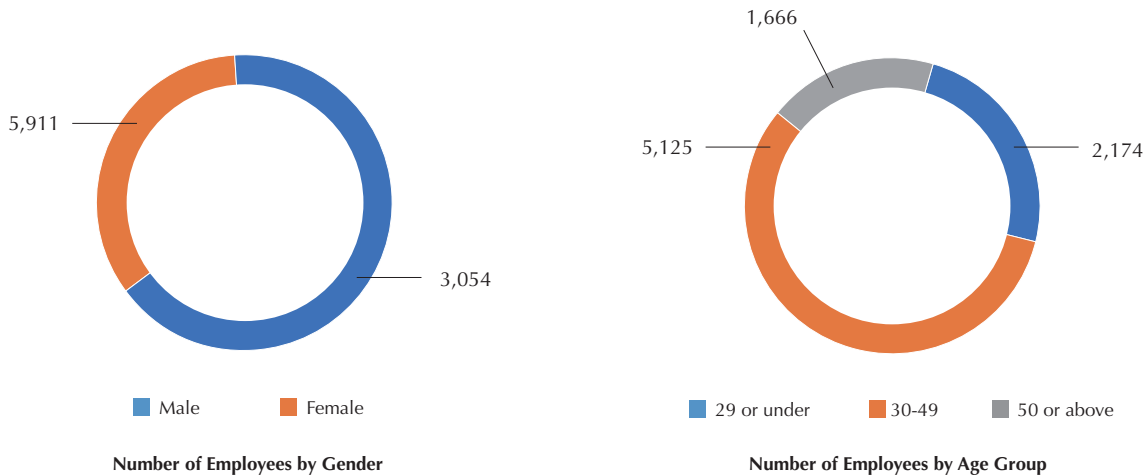


### ■ Staff Employment

We have set up the Staff Recruitment and Management Measures, the Employee Onboarding and Offboarding Management Measures, the Labor Contract Management Measures and other systems and measures according to relevant laws and regulations including the Labor Law of the People's Republic of China 《中華人民共和國勞動法》 and Labor Contract Law of the People's Republic of China 《中華人民共和國勞動合同法》. We respect and treat every applicant and employee fairly, create equal and diverse working opportunities for our employees of different nationalities, races, genders, age groups, religions and culture backgrounds adhering to the recruitment principles of fairness, justice and openness and strictly follow legal employment rules to safeguard the legal interests of our employees, striving to treat all our employees on a safe and reliable basis since their application with no discrimination.

# Environmental, Social and Governance Report

As of the end of the reporting period, we had 8,965 employees in total, representing a year-on-year increase of 1,712 employees or a growth of 24%.



To offer more room for employees to grow, we increased staff training to sharpen their skills and expanded the promotion channels for them. Based on our staff turnover analysis, we actively adjusted our measures to communicate more effectively with employees and improved their satisfaction with the Company. As at the end of the reporting period, the Group's employee turnover rate was 12.02%. Of which, the turnover rates of male and female employees were 13.11% and 9.93% respectively.

We attach importance to the introduction of outstanding graduates and actively carry out our campus recruitment plans and talent training programs to consolidate our talent base and promote the healthy development of the Group. At the same time, in order to implement the policy guidance and development concept of school-enterprise cooperation, we have further strengthened school-enterprise exchanges and cooperation, established regular communication system and provided targeted employment guidance and service to improve employment satisfaction of graduates. We have established school-enterprise partnerships with many colleges and universities to jointly nurture livestock professionals and develop a talent pool for the market.

## ■ Remuneration Package

We have formulated the Remuneration Management Policy to determine the employees' salaries in accordance with industry standards, job requirements, personal performance and difference in individual abilities under the concept of "determining salaries based on position, receiving remunerations according to performance, promoting capacity development, and maintaining internal fairness and competitiveness", which 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.

## ■ Staff Rights and Interests Protection

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

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

## Occupational Health

We have formulated and implemented the Management System for Occupational Health (職業健康管理制度), the Management System for Labor Protection Equipment (勞動防護用品管理制度) and other systems following the laws and regulations in relation to occupational health such as the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases 《中華人民共和國職業病防治法》, to create an effective occupational health management system.

We invite third parties on a regular basis to conduct occupational hazard assessment; equip outfit standards for personal protection supplies and instruct employees to use them correctly; organize regular training programs on occupational health and issue notices of potential hazards, to ensure that every employee has the knowledge and skills of occupational health necessary to their work. We organize health check for employees regularly, especially for occupational hazards-related staff, and provide employees with injury insurance, accident insurance and other insurances, so as to protect employees' occupational health and safety.

We continued to work hard to establish intrinsic safety. We have built a dual prevention mechanism of safety risk classification management and control, and hidden danger investigation and governance, established a three-dimensional management and control model for daily safety production of "Aerial Monitoring + Ground Inspection + Central Control", and created a comprehensive safety protection and control system of "personal defense, physical defense, technical defense and intelligent defense" to maximize the prevention and reduction of casualties and economic losses caused by production safety accidents. We have formulated the Management Measures for Quality and Safety Accidents to clarify the requirements for accident reporting, investigation and handling, including recording the causes of accidents, recommending preventive measures and follow-up methods, so as to avoid similar accidents in the future. In 2021, the Group lost 2,180 working days due to work-related injuries.

| Index                   | 2021  | 2020  | 2019  |
|-------------------------|-------|-------|-------|
| Number of death at work | 1     | 1     | 0     |
| Ratio of death at work  | 0.01% | 0.01% | 0.00% |

## Epidemic Prevention for Employees

We actively responded to the requirements of government departments and COFCO for the prevention and control of the COVID-19 pandemic, and formulated the Guidelines for the Prevention and Control of COVID-19 Pandemic to guide the epidemic prevention and control work. We regularly distributed masks to employees, took employees' temperature, guided employees to receive COVID-19 vaccination, maintained a safe social distance and implemented the management requirements of wearing masks, frequent disinfection, not gathering and not traveling. We closely tracked the changes in the epidemic situation in various places, checked up on the staff of the Group in a timely manner, took the initiative to reduce outside activities of staff, held meetings by video-conferencing as much as possible, and strengthened ventilation and disinfection in public areas. In 2021, with the strict implementation of prevention and control measures, no employee of the Group was infected with COVID-19, and all business premises maintained normal production and operations.

## *Democratic Communication*

The Group strived to maintain “standard procedure, effective system and strong protection” for staff. It convened the employee representative meetings as it acknowledged its role in encouraging all staff to focus on the whole picture, safeguard their rights and participate in corporate management. The Group also protected employees’ right to know, right to participate, right to express and right to supervise in accordance with laws.

We attached great importance to employees’ participation in management and motivated them to engage in corporate management by soliciting reasonable suggestions and feasible proposals. In 2021, we convened 45 employee representative meetings and considered 329 proposals from staff.

## *Caring for Employees*

To promote care for employees, we conscientiously implement the measures to assist employees in need such as expressing regards to employees in difficulties and employees who stay put during the Lunar New Year, and sending greetings to veterans on the Army Day on 1st August. We effectively help employees in need to reduce economic burden, and thus enhance corporate cohesion and employee satisfaction. We also offered festival benefits, children’s education support and nursery assistance for employees. Besides, we installed automated external defibrillators (AED) and promoted first-aid knowledge so as to enhance employees’ sense of happiness, achievements and safety.

We protect the rights and interests of our female employees by providing “private, safe and hygienic” rest and breastfeeding space for female employees who have breastfeeding needs, giving them humanized and warm care. We organized celebrations for our female employees on International Women’s Day to give them holiday greetings and show our respect, care about their health and safeguard their special rights and interests. We actively held activities such as parent-

child day, staff family day, etc. We attach importance to female employees’ needs and show them more care by taking actions to solve their problems and do good deeds for them, which motivates their enthusiasm at work.

We cared about our employees’ spiritual life and organized popular recreational and sports activities including birthday party, sending cool in summer, tree planting, etc. to make staff feel the warm from the company family and care from colleagues and enhance their sense of belonging, achievement and recognition. We organized team buildings to further enrich corporate culture and bring positive energy together, improve employees’ health quality and demonstrate their impressive spirit, boost employees’ energy and create a harmonious atmosphere in the Company.

## ■ *Development and Training*

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

## *Occupational Promotions*

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

# Environmental, Social and Governance Report

## Staff Training

We always attach importance to talent development. We organized training activities regarding core sectors such as production, operation and management in accordance with our annual training program, after considering the strategic requirements for COFCO Group’s development, aiming to establish the “Seven Star Plan (七星計劃),” a training system focusing on the three core aspects of “new employees, professionalism and leadership” and create abundant training opportunities for all employees. We organize training programs for new employees to facilitate their integration and role-change through advisership, mentorship and team building activities. We regularly conduct professional training on production management, biosafety, epidemic prevention, and laws and regulations as well as special training on pollution, pandemic and accident prevention and control for general employees. We focused on increasing training on production safety, and conducted 5,560 sessions of training with over

168,000 participants in the whole year. We also established a brand enhancer and high quality college to focus on systematically improving the business capability of professional talents. We have initiated “Spark (星火),” “Sunrise (晨曦)” and “Star”(星銳) talent incubation programs for employees with high potential and management trainees at all levels to enhance the comprehensive ability and leadership of our key talents.

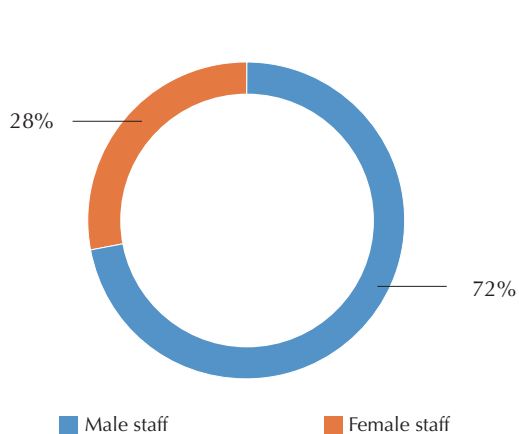
Information on the Group’s training activities in 2021:

By gender

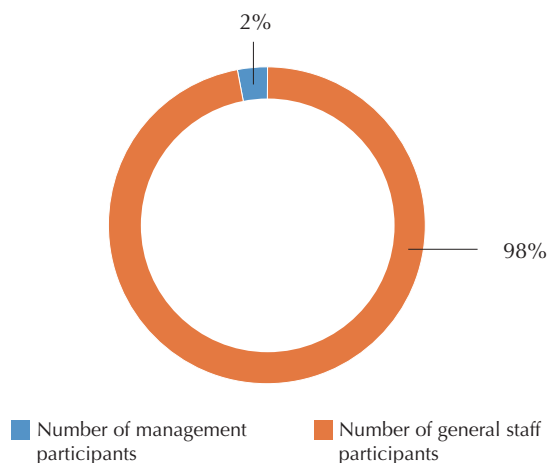
|                                    |             |
|------------------------------------|-------------|
| Training hours of male employees   | 17.36 hours |
| Training hours of female employees | 15.52 hours |

By level

|                                     |             |
|-------------------------------------|-------------|
| Training hours of senior management | 38.38 hours |
| Training hours of middle management | 5.19 hours  |
| Training hours of general staff     | 17.46 hours |



Distribution of Training Participants by Gender



Distribution of Training Participants by Level

### ■ Anti-corruption Practice

We strictly comply with the national laws and regulations, and the relevant provisions of COFCO Group, in calling for professional integrity in all our employees. We insist on establishing a sound system with sound regulations, ensuring strict enforcement to check and monitor the exercise of power in light of every aspect in anti-corruption, to harness the incentive and regulatory capabilities of these mechanisms, and promote a thinking going from “I dare not take bribes” to “I can not take bribes” and “I will not take bribes” among our employees. In 2021, we worked on optimizing the anti-corruption system, strengthening its implementation and establishing the control mechanism. We revised and improved the frameworks and measures for employee remuneration, business expenses and construction project management, which refined the prevention and control requirements of high-risk business fields and eliminated the hotbed of corruption.

We prevent corruptions by opening mail reporting channels, launching publicity and education on anti-corruption and imposing more severe punishment on unlawful behavior. We

posted ways for reporting corruption in each farm, production workshop, and branch office to ensure the employees’ right to know. We have organized party members, managers and key staff to attend a series of anti-corruption training sessions, which cover national rules and regulations on party discipline, relevant provisions of COFCO Group and the Company, cautionary cases and others to consolidate the moral defenses against corruption of employees and create a good atmosphere of integrity and righteousness. We impose more severe punishment on unlawful behavior and maintain a firm attitude for the long term. We adopt a zero-tolerance and no-compromise stance on non-compliance. We punish the rule-breakers, warn the late-comers and encourage the law-abiding ones to further improve the risk prevention awareness and professional ethics of our staff.

In 2021, the Group organized 5 training sessions on anti-corruption with 800 participants. The various anti-corruption measures carried out by the Group have achieved significant success and no non-compliance was found.

# Environmental, Social and Governance Report

## Appendix: ESG Reporting Index

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

## Environmental, Social and Governance Report

| Subject number              | Index description  | Disclosure section  |
|-----------------------------|--------------------|---|
| B2 Health and Safety        | General disclosure | Employee development–Occupational health, Epidemic prevention for employees   |
|                             | B2.1               | Employee development–Occupational health, Epidemic prevention for employees   |
|                             | B2.2               | Employee development–Occupational health, Epidemic prevention for employees   |
|                             | B2.3               | Employee development–Occupational health, Epidemic prevention for employees   |
| B3 Development and Training | General disclosure | Staff development–Development and training  |
|                             | B3.1               | Staff development–Development and training  |
|                             | B3.2               | Staff development–Development and training  |
| B4 Labor Standards          | General disclosure | Staff development–Staff employment, Protection of rights  |
|                             | B4.1               | Staff development–Staff employment, Protection of rights  |
|                             | B4.2               | Staff development–Staff employment, Protection of rights  |
| B5 Supply Chain Management  | General disclosure | Food safety–Quality and safety management throughout the whole industrial value chain–Source management–Supplier management |
|                             | B5.1               | Food safety–Quality and safety management throughout the whole industrial value chain–Source management–Supplier management |
|                             | B5.2               | Food safety–Quality and safety management throughout the whole industrial value chain–Source management–Supplier management |
|                             | B5.3               | Food safety–Quality and safety management throughout the whole industrial value chain–Source management–Supplier management |
|                             | B5.4               | Food safety–Quality and safety management throughout the whole industrial value chain–Source management–Supplier management |



## Environmental, Social and Governance Report

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

# Independent Auditor's Report



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 84 to 157, which comprise the consolidated statement of financial position as at December 31, 2021, 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, 2021, 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<br>Key audit matter   | How our audit addressed the key audit matter  |
|--|---|
| <p>As disclosed in Note 21 to the consolidated financial statements, management estimated the fair value of the Group's biological assets at RMB1,853 million at December 31, 2021. Independent external valuations were obtained for all biological assets to assist management's estimates of the fair value of biological assets at December 31, 2021. Key assumptions adopted include estimated market prices.</p> <p>Details of the related estimation uncertainty are disclosed in Note 4 to the consolidated financial statements.</p> <p>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.</p> | <p>Our procedures in relation to valuation of biological assets included:</p> <ul style="list-style-type: none"><li>evaluating the independent external valuer's competence, objectivity and qualifications;</li><li>evaluating the appropriateness of the methodologies used in valuing the biological assets;</li><li>evaluating the appropriateness of the key assumptions and inputs including estimated market prices based on available market data; and</li><li>assessing the adequacy of the disclosures related to biological assets in the context of the applicable financial reporting framework.</li></ul> |

## Independent auditor's report

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### **Other Matter**

The consolidated financial statements of the Group for the year ended December 31, 2020 were audited by another independent auditor whose report dated March 18, 2021 expressed an unmodified opinion on those consolidated financial statements.

### **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 HKSA's, 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 the independent auditor's report is Wan Wing Ping.

**Baker Tilly Hong Kong Limited**

Certified Public Accountants

Hong Kong, March 18, 2022

**Wan Wing Ping**

Practising certificate number P07471

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2021

(Expressed in Renminbi)

|  | Notes | 2021   |   |                  | 2020   |   |                  |
|--|-------|--|---|------------------|--|---|------------------|
|  |       | Results before biological assets fair value adjustments<br>RMB'000 | Biological assets fair value adjustments<br>RMB'000 | Total<br>RMB'000 | Results before biological assets fair value adjustments<br>RMB'000 | Biological assets fair value adjustments<br>RMB'000 | Total<br>RMB'000 |
| Revenue  | 5     | 13,227,606   | –   | 13,227,606       | 18,922,112   | –   | 18,922,112       |
| Cost of sales  | 10    | (9,708,769)  | (1,803,284)   | (11,512,053)     | (14,411,025)   | (4,420,273)   | (18,831,298)     |
| Gross profit   |       | 3,518,837  | (1,803,284)   | 1,715,553        | 4,511,087  | (4,420,273)   | 90,814           |
| Other income   | 7     | 226,873  | –   | 226,873          | 172,195  | –   | 172,195          |
| Other gains and losses   | 8     | (14,838)   | –   | (14,838)         | (770,055)  | –   | (770,055)        |
| Selling and distribution expenses  |       | (400,474)  | –   | (400,474)        | (399,291)  | –   | (399,291)        |
| Administrative expenses  |       | (370,872)  | –   | (370,872)        | (534,252)  | –   | (534,252)        |
| (Loss)/gain arising from agricultural produce at fair value less costs to sell at the point of harvest |       | –  | (490,023)   | (490,023)        | –  | 3,241,125   | 3,241,125        |
| (Loss)/gain arising from changes in fair value less costs to sell of biological assets                 |       | –  | (544,209)   | (544,209)        | –  | 2,293,307   | 2,293,307        |
| Finance costs  | 9     | (123,366)  | –   | (123,366)        | (156,269)  | –   | (156,269)        |
| Profit/(loss) before tax   | 10    | 2,836,160  | (2,837,516)   | (1,356)          | 2,823,415  | 1,114,159   | 3,937,574        |
| Income tax (expense)/credit  | 11    | (482,445)  | –   | (482,445)        | 87,060   | –   | 87,060           |
| <b>Profit/(loss) for the year</b>  |       | <b>2,353,715</b>   | <b>(2,837,516)</b>                                  | <b>(483,801)</b> | <b>2,910,475</b>   | <b>1,114,159</b>                                    | <b>4,024,634</b> |

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2021

(Expressed in Renminbi)

|  | Notes | 2021<br>RMB'000    | 2020<br>RMB'000 |
|--|-------|--------------------|-----------------|
| <b>Other comprehensive income/(expense), net of income tax:</b>  |       |                    |                 |
| <i>Items that will not be reclassified to profit or loss</i>   |       |                    |                 |
| Fair value gain/(loss) on equity instrument at fair value through other comprehensive income (with nil tax effect) |       | 181,430            | (73,848)        |
| <i>Items that may be reclassified subsequently to profit or loss</i>   |       |                    |                 |
| Exchange differences arising on translation of foreign operations (with nil tax effect)                            |       | (2,303)            | 4,798           |
| Other comprehensive income/(expense) for the year, net of income tax   |       | 179,127            | (69,050)        |
| <b>Total comprehensive (expense)/income for the year</b>   |       | <b>(304,674)</b>   | 3,955,584       |
| Profit/(loss) for the year attributable to:  |       |                    |                 |
| Owners of the Company  |       | (459,697)          | 3,995,124       |
| Non-controlling interests  |       | (24,104)           | 29,510          |
|  |       | <b>(483,801)</b>   | 4,024,634       |
| Total comprehensive (expense)/income for the year attributable to:   |       |                    |                 |
| Owners of the Company  |       | (280,570)          | 3,926,074       |
| Non-controlling interests  |       | (24,104)           | 29,510          |
|  |       | <b>(304,674)</b>   | 3,955,584       |
| (Loss)/earnings per share:   | 15    |                    |                 |
| Basic  |       | <b>RMB(0.1178)</b> | RMB1.0239       |

# Consolidated Statement of Financial Position

As at December 31, 2021

(Expressed in Renminbi)

|   | Notes | At December 31,   |                   |
|---|-------|-------------------|-------------------|
|   |       | 2021<br>RMB'000   | 2020<br>RMB'000   |
| <b>Non-current assets</b>   |       |                   |                   |
| Goodwill  | 16    | 100,609           | 100,609           |
| Property, plant and equipment   | 17    | 8,983,145         | 7,908,173         |
| Right-of-use assets   | 18    | 691,494           | 607,045           |
| Intangible assets   | 19    | 7,093             | 8,727             |
| Equity instrument at fair value through other comprehensive income ("FVTOCI") | 20    | 313,551           | 132,121           |
| Biological assets   | 21    | 296,979           | 961,031           |
| Prepayments for purchase of property, plant and equipment                     |       | 30,007            | 66,418            |
| Deferred tax assets   | 22    | 264               | 134,399           |
| Other prepayments   |       | 930               | 3,021             |
|   |       | <b>10,424,072</b> | <b>9,921,544</b>  |
| <b>Current assets</b>   |       |                   |                   |
| Inventories   | 23    | 1,287,060         | 2,324,522         |
| Biological assets   | 21    | 1,556,140         | 3,164,491         |
| Account receivables   | 24    | 225,491           | 658,644           |
| Prepayments, deposits and other receivables                                   | 25    | 782,038           | 446,419           |
| Other current assets  | 26    | 1,556,760         | 3,486,117         |
| Financial assets at fair value through profit or loss                         | 35    | 230,874           | –                 |
| Amounts due from related companies  | 27    | 925,314           | 131,952           |
| Pledged and restricted bank deposits  | 28    | 698               | 11,657            |
| Cash and bank balances  | 28    | 1,040,980         | 416,650           |
|   |       | <b>7,605,355</b>  | <b>10,640,452</b> |
| <b>Current liabilities</b>  |       |                   |                   |
| Account and bills payables  | 29    | 573,173           | 507,665           |
| Other payables, accruals and deposits received                                | 30    | 1,077,546         | 962,770           |
| Lease liabilities   | 31    | 27,651            | 13,709            |
| Contract liabilities  | 32    | 424,338           | 408,146           |
| Bank borrowings   | 33    | 5,963,713         | 8,134,165         |
| Amounts due to related companies  | 27    | 120,840           | 97,923            |
| Loans from a related company  | 34    | 2,500             | 2,500             |
| Financial liabilities at fair value through profit or loss                    | 35    | 29,551            | 4,889             |
| Current tax liabilities   |       | 289,308           | 994               |
|   |       | <b>8,508,620</b>  | <b>10,132,761</b> |
| <b>Net current (liabilities)/assets</b>                                       |       | <b>(903,265)</b>  | <b>507,691</b>    |
| <b>Total assets less current liabilities</b>                                  |       | <b>9,520,807</b>  | <b>10,429,235</b> |
| <b>Non-current liabilities</b>  |       |                   |                   |
| Bank borrowings   | 33    | 145,361           | 171,710           |
| Loans from a related company  | 34    | 97,306            | 94,523            |
| Deferred income   | 36    | 133,860           | 147,662           |
| Deferred tax liabilities  | 22    | 85,098            | 31,446            |
| Long-term payable   | 37    | 84,281            | 86,520            |
| Lease liabilities   | 31    | 366,131           | 315,094           |
|   |       | <b>912,037</b>    | <b>846,955</b>    |
| <b>Net assets</b>   |       | <b>8,608,770</b>  | <b>9,582,280</b>  |

## Consolidated Statement of Financial Position

As at December 31, 2021  
(Expressed in Renminbi)

|  | Notes | At December 31,  |                 |
|--|-------|------------------|-----------------|
|  |       | 2021<br>RMB'000  | 2020<br>RMB'000 |
| <b>Capital and reserves</b>                      |       |                  |                 |
| Share capital                                    | 38    | <b>1,668,978</b> | 1,668,978       |
| Reserves   |       | <b>6,790,889</b> | 7,740,295       |
| Equity attributable to the owners of the Company |       | <b>8,459,867</b> | 9,409,273       |
| Non-controlling interests                        |       | <b>148,903</b>   | 173,007         |
| <b>Total equity</b>                              |       | <b>8,608,770</b> | 9,582,280       |

The consolidated financial statements on pages 84 to 157 were approved and authorised for issue by the board of directors on March 18, 2022 and are signed on its behalf by:

**Jiang Guojin**  
*Director*

**Xu Jianong**  
*Director*



# Consolidated Statement of Changes in Equity

For the year ended December 31, 2021

(Expressed in Renminbi)

|   | Attributable to the owners of the Company |               |                       |                 |                       |                |                     |                  |           |                           |              |
|---|---|---------------|-----------------------|-----------------|-----------------------|----------------|---------------------|------------------|-----------|---------------------------|--------------|
|   | Share capital                             | Share premium | Special reserve       | Capital reserve | Statutory reserve     | FVTOCI reserve | Translation reserve | Retained profits | Total     | Non-controlling interests | Total equity |
|   | RMB'000                                   | RMB'000       | RMB'000<br>(Note (a)) | RMB'000         | RMB'000<br>(Note (b)) | RMB'000        | RMB'000             | RMB'000          | RMB'000   | RMB'000                   | RMB'000      |
| <b>At January 1, 2020</b>                                 | 1,668,978                                 | 1,645,960     | 858,459               | 89,112          | 205,472               | 182,453        | 64,544              | 1,341,615        | 6,056,593 | 103,580                   | 6,160,173    |
| Profit for the year                                       | -   | -             | -                     | -               | -                     | -              | -                   | 3,995,124        | 3,995,124 | 29,510                    | 4,024,634    |
| Other comprehensive (expense)/income for the year         | -   | -             | -                     | -               | -                     | (73,848)       | 4,798               | -                | (69,050)  | -                         | (69,050)     |
| Total comprehensive income for the year                   | -   | -             | -                     | -               | -                     | (73,848)       | 4,798               | 3,995,124        | 3,926,074 | 29,510                    | 3,955,584    |
| Statutory reserve appropriation                           | -   | -             | -                     | -               | 406,838               | -              | -                   | (406,838)        | -         | -                         | -            |
| Dividends recognised as distribution (Note 14)            | -   | (401,689)     | -                     | -               | -                     | -              | -                   | (171,705)        | (573,394) | -                         | (573,394)    |
| Capital contribution from a non-controlling equity holder | -   | -             | -                     | -               | -                     | -              | -                   | -                | -         | 39,917                    | 39,917       |
| <b>At December 31, 2020 and January 1, 2021</b>           | 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)    |
| <b>At December 31, 2021</b>                               | 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    |

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, 2021

(Expressed in Renminbi)

|   | Notes | Year ended at December 31, |                  |
|---|-------|----------------------------|------------------|
|   |       | 2021<br>RMB'000            | 2020<br>RMB'000  |
| <b>Operating activities</b>   |       |                            |                  |
| (Loss)/profit for the year  |       | (483,801)                  | 4,024,634        |
| Adjustments for:  |       |                            |                  |
| Income tax expense/(credit)   |       | 482,445                    | (87,060)         |
| Loss/(gain) arising from changes in fair value less costs to sell of biological assets  |       | 544,209                    | (2,293,307)      |
| Interest income   | 7     | (13,735)                   | (6,174)          |
| Finance costs   | 9     | 123,366                    | 156,269          |
| Dividend income from equity instrument at fair value through other comprehensive income | 7     | –                          | (42,000)         |
| Depreciation of property, plant and equipment   | 10    | 422,489                    | 347,548          |
| Depreciation of right-of-use assets   | 10    | 50,830                     | 35,907           |
| Amortisation of intangible assets   | 10    | 1,718                      | 1,201            |
| Recognition of deferred income  | 36    | (13,802)                   | (9,214)          |
| Loss on disposal of property, plant and equipment, net                                  | 8     | 5,923                      | 38,397           |
| Impairment loss, net of reversal  | 8     |                            |                  |
| – property, plant and equipment   |       | 472                        | 111              |
| – account receivables, net  |       | (157)                      | (72)             |
| – other receivables, net  |       | 31                         | (104)            |
| Write-down of inventories to net realisable value                                       | 8     | 40,066                     | 702,889          |
| Unrealised gain on derivative financial instruments, net                                |       | (205,821)                  | –                |
| Exchange differences  |       | (17,951)                   | 4,798            |
| <b>Operating cash flows before movements in working capital</b>                         |       | <b>936,282</b>             | <b>2,873,823</b> |
| Decrease/(increase) in account receivables  |       | 433,310                    | (476,333)        |
| (Increase)/decrease in prepayments, deposits and other receivables                      |       | (335,650)                  | 109,285          |
| Increase in other current assets, net of bank loans associated to other current assets  |       | (130,885)                  | (45,525)         |
| Decrease in inventories   |       | 997,396                    | 153,476          |
| Decrease in biological assets   |       | 1,767,278                  | 118,157          |
| Increase in amounts due from related companies  |       | (793,362)                  | (49,335)         |
| Increase in account and bills payables  |       | 65,508                     | 44,976           |
| Increase in other payables, accruals and deposits received                              |       | 109,348                    | 354,538          |
| Increase/(decrease) in amounts due to related companies                                 |       | 22,917                     | (132,021)        |
| Increase in contract liabilities  |       | 16,192                     | 83,229           |
| Changes in derivative financial instruments   |       | (391)                      | (45,629)         |
| <b>Cash generated from operations</b>   |       | <b>3,087,943</b>           | <b>2,988,641</b> |
| Income tax paid   |       | (6,344)                    | (26,789)         |
| <b>Net cash generated from operating activities</b>                                     |       | <b>3,081,599</b>           | <b>2,961,852</b> |

## Consolidated Statement of Cash Flows

For the year ended December 31, 2021

(Expressed in Renminbi)

|   | Notes | Year ended at December 31, |                    |
|---|-------|----------------------------|--------------------|
|   |       | 2021<br>RMB'000            | 2020<br>RMB'000    |
| <b>Investing activities</b>   |       |                            |                    |
| Interest received   |       | 13,735                     | 6,174              |
| Dividend received from equity instrument at fair value through other comprehensive income |       | –                          | 21,000             |
| Payments for property, plant and equipment  |       | (1,460,808)                | (1,712,759)        |
| Payments for purchase of breeding stock   |       | (36,993)                   | (26,307)           |
| Payments for right-of-use assets  |       | (11,921)                   | (24,373)           |
| Payments for intangible assets  |       | (84)                       | (7,363)            |
| Proceeds from disposal of property, plant and equipment                                   |       | 14,479                     | 20,481             |
| Placement of pledged and restricted bank deposits   |       | (698)                      | (11,657)           |
| Withdrawal of pledged and restricted bank deposits  |       | 11,657                     | 9,762              |
| Deferred government grants received   |       | –                          | 3,491              |
| <b>Net cash used in investing activities</b>  |       | <b>(1,470,633)</b>         | <b>(1,721,551)</b> |
| <b>Financing activities</b>   |       |                            |                    |
| Dividend paid   |       | (668,836)                  | (573,394)          |
| Interest paid   |       | (110,742)                  | (182,920)          |
| New bank borrowings   |       | 5,979,383                  | 9,482,831          |
| Repayments of bank borrowings   |       | (6,102,659)                | (10,084,418)       |
| Long-term payable received  |       | (8,678)                    | 35,800             |
| Repayments of lease liabilities   |       | (72,029)                   | (65,458)           |
| Loans from a related company  |       | 1,300,000                  | 388,000            |
| Repayments of loans from a related company  |       | (1,300,000)                | (496,046)          |
| Contribution from a non-controlling equity holder   |       | –                          | 39,917             |
| <b>Net cash used in financing activities</b>  |       | <b>(983,561)</b>           | <b>(1,455,688)</b> |
| Net increase/(decrease) in cash and cash equivalents                                      |       | 627,405                    | (215,387)          |
| Cash and cash equivalents at beginning of the year  |       | 416,650                    | 630,415            |
| Effect of foreign exchange rate changes   |       | (3,075)                    | 1,622              |
| Cash and cash equivalents at end of the year  |       | 1,040,980                  | 416,650            |
| Represented by cash and bank balances   | 28    | 1,040,980                  | 416,650            |

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Renminbi)

## 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 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 annual period beginning on or after January 1, 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16

*Covid-19-Related Rent Concessions*

Amendments to HKFRS 9, HKAS 39

*Interest Rate Benchmark Reform – Phase 2*

HKFRS 7, HKFRS 4 and HKFRS 16

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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(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  | <i>Insurance Contracts and the related Amendments</i> <sup>3</sup>  |
| Amendments to HKFRS 3                               | <i>Reference to the Conceptual Framework</i> <sup>2</sup>   |
| Amendments to HKFRS 10 and HKAS 28                  | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup>                               |
| Amendment to HKFRS 16                               | <i>Covid-19-Related Rent Concessions beyond June 30, 2021</i> <sup>1</sup>  |
| Amendments to HKAS 1                                | <i>Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)</i> <sup>3</sup> |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | <i>Disclosure of Accounting Policies</i> <sup>3</sup>   |
| Amendments to HKAS 8                                | <i>Definition of Accounting Estimates</i> <sup>3</sup>  |
| Amendments to HKAS 12                               | <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> <sup>3</sup>                                    |
| Amendments to HKAS 16                               | <i>Property, Plant and Equipment – Proceeds before Intended Use</i> <sup>2</sup>  |
| Amendments to HKAS 37                               | <i>Onerous Contracts – Cost of Fulfilling a Contract</i> <sup>2</sup>   |
| Amendments to HKFRSs                                | <i>Annual Improvements to HKFRSs 2018 – 2020</i> <sup>2</sup>   |

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

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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(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 (Continued)

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

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, 2021, the application of the amendments will not result in reclassification of the Group’s liabilities.

*Amendments to HKFRSs Annual Improvements to HKFRSs 2018 – 2020*

The annual improvements make amendments to the following standards.

### *HKFRS 9 Financial Instruments*

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

### *HKFRS 16 Leases*

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

### *HKAS 41 Agriculture*

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

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

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

### 3.1 Basis of preparation of consolidated financial statements

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

As at December 31, 2021, the Group’s current liabilities exceeded its current assets by RMB903,265,000. 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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Renminbi)

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

### 3.1 Basis of preparation of consolidated financial statements (Continued)

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, 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.

### 3.2 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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Renminbi)

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

### 3.2 Significant accounting policies (Continued)

#### *Basis of consolidation (Continued)*

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

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

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

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

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

#### *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.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Renminbi)

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Renminbi)

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

### 3.2 Significant accounting policies (Continued)

#### *Revenue from contracts with customers (Continued)*

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

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

#### *Variable consideration*

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

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

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

#### *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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Renminbi)

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## 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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Renminbi)

## 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 modification

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Renminbi)

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## 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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Renminbi)

## 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 the capital reserve will be transferred to retained profits. 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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Renminbi)

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## 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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Renminbi)

## 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 capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

#### *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.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Renminbi)

## 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 (Continued)*

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.

#### *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.

#### *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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Renminbi)

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

### 3.2 Significant accounting policies (Continued)

#### *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.

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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Renminbi)

## 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)

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.

#### (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.

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For the year ended December 31, 2021

(Expressed in Renminbi)

## 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

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.

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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Renminbi)

## 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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Renminbi)

## 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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Renminbi)

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## 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 a related company) 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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Renminbi)

## 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, 2021, the Group recognised revenue relating to trading of imported meat products for which the Group acted as the principal amounted to RMB3,630,652,000 (2020: RMB9,052,557,000).

### Key sources of estimation uncertainty

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

#### *Fair value measurement of biological assets*

The Group's biological assets amounting to RMB1,853,119,000 as at December 31, 2021 (2020: RMB4,125,522,000) 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.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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

### Key sources of estimation uncertainty (Continued)

#### *Estimated impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise. As at December 31, 2021, the carrying amount of goodwill was RMB100,609,000 (2020: RMB100,609,000) (net of accumulated impairment loss of nil (2020: nil)). Details of the recoverable amount calculation are disclosed in Note 16.

#### *Estimated impairment of property, plant and equipment*

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

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise 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, 2021 was RMB8,983,145,000 (2020: RMB7,908,173,000) (net of accumulated loss of RMB71,000 (2020: RMB3,415,000)).

#### *Deferred tax assets*

As at December 31, 2021, deferred tax assets of RMB264,000 (2020: RMB134,399,000) have been recognised in respect of deductible temporary differences mainly from certain subsidiaries engaged in meat import businesses. Except that, as at December 31, 2021 and 2020, no deferred tax assets have been recognised in respect of the tax losses and deductible temporary differences, as they have arisen in subsidiaries that it is not considered probable that taxable profits will be available against which the tax losses can be utilised. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Renminbi)

## 5 REVENUE

### Disaggregation of revenue from contracts with customers

| Segments                             | For the year ended December 31, 2021 |                                |   |  |                   |
|--------------------------------------|--------------------------------------|--------------------------------|---|--|-------------------|
|                                      | Hog production and sales<br>RMB'000  | Sales of fresh pork<br>RMB'000 | Sales of processed meat products<br>RMB'000 | Sales of imported meat products<br>RMB'000 | Total<br>RMB'000  |
| <b>Types of goods or services</b>    |                                      |                                |   |  |                   |
| 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         |
| <b>Total</b>                         | <b>5,165,538</b>                     | <b>3,632,697</b>               | <b>779,639</b>                              | <b>3,649,732</b>                           | <b>13,227,606</b> |
| <b>Geographical market</b>           |                                      |                                |   |  |                   |
| Mainland China                       | 5,165,538                            | 3,632,697                      | 779,639                                     | 3,649,732                                  | 13,227,606        |
| <b>Timing of revenue recognition</b> |                                      |                                |   |  |                   |
| 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<br>RMB'000           | Eliminations<br>RMB'000 | Consolidated<br>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               |
| <b>Revenue from contracts with customers</b> | <b>15,050,831</b>                    | <b>(1,823,225)</b>      | <b>13,227,606</b>       |
| <b>Total revenue</b>                         | <b>15,050,831</b>                    | <b>(1,823,225)</b>      | <b>13,227,606</b>       |

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Renminbi)

### 5 REVENUE (Continued)

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

| Segments                             | For the year ended December 31, 2020 |                                |   |  |                   |
|--------------------------------------|--------------------------------------|--------------------------------|---|--|-------------------|
|                                      | Hog production and sales<br>RMB'000  | Sales of fresh pork<br>RMB'000 | Sales of processed meat products<br>RMB'000 | Sales of imported meat products<br>RMB'000 | Total<br>RMB'000  |
| <b>Types of goods or services</b>    |                                      |                                |   |  |                   |
| Hogs                                 | 5,464,723                            | -                              | -   | -  | 5,464,723         |
| Fresh pork                           | -                                    | 3,653,584                      | -   | -  | 3,653,584         |
| Processed meat products              | -                                    | -                              | 691,806                                     | -  | 691,806           |
| Imported meat products               | -                                    | -                              | -   | 9,111,999                                  | 9,111,999         |
| <b>Total</b>                         | <b>5,464,723</b>                     | <b>3,653,584</b>               | <b>691,806</b>                              | <b>9,111,999</b>                           | <b>18,922,112</b> |
| <b>Geographical markets</b>          |                                      |                                |   |  |                   |
| Mainland China                       | 5,464,723                            | 3,653,584                      | 691,806                                     | 9,111,999                                  | 18,922,112        |
| <b>Timing of revenue recognition</b> |                                      |                                |   |  |                   |
| A point in time                      | 5,464,723                            | 3,653,584                      | 691,806                                     | 9,111,999                                  | 18,922,112        |

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

|  | For the year ended December 31, 2020 |                         |                         |
|--|--------------------------------------|-------------------------|-------------------------|
|  | Segment revenue<br>RMB'000           | Eliminations<br>RMB'000 | Consolidated<br>RMB'000 |
| Hog production and sales                     | 6,338,958                            | (874,235)               | 5,464,723               |
| Sales of fresh pork                          | 3,703,975                            | (50,391)                | 3,653,584               |
| Sales of processed meat products             | 692,978                              | (1,172)                 | 691,806                 |
| Sales of imported meat products              | 9,251,706                            | (139,707)               | 9,111,999               |
| <b>Revenue from contracts with customers</b> | <b>19,987,617</b>                    | <b>(1,065,505)</b>      | <b>18,922,112</b>       |
| <b>Total revenue</b>                         | <b>19,987,617</b>                    | <b>(1,065,505)</b>      | <b>18,922,112</b>       |

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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## 5 REVENUE (Continued)

### Performance obligations for contracts with customers

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

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

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

## 6 SEGMENT INFORMATION

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

|                                 |   |
|---------------------------------|---|
| Hog production segment          | represents hog breeding and sales of hogs                                     |
| Fresh pork segment              | represents slaughtering, wholesale and retail sales of fresh and frozen meats |
| Processed meat products segment | represents manufacture, wholesale and retail sales of processed meat products |
| Meat import segment             | represents sales of imported meat products                                    |

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

### Segment revenues and results

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

|   | Hog<br>production<br>RMB'000 | Fresh<br>pork<br>RMB'000 | Processed<br>meat<br>products<br>RMB'000 | Meat<br>import<br>RMB'000 | Segment<br>total<br>RMB'000 | Inter-<br>segment<br>elimination<br>RMB'000 | Total<br>RMB'000 |
|---|------------------------------|--------------------------|--|---------------------------|-----------------------------|---|------------------|
| <i>For the year ended<br/>December 31, 2021</i>                         |                              |                          |  |                           |                             |   |                  |
| <b>Segment revenue</b>  |                              |                          |  |                           |                             |   |                  |
| 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       |
| <b>Segment results</b>  | 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<br>assets and agricultural produce |                              |                          |  |                           |                             |   | (2,837,516)      |
| Finance costs   |                              |                          |  |                           |                             |   | (123,366)        |
| <b>Loss before tax</b>  |                              |                          |  |                           |                             |   | (1,356)          |

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Renminbi)

### 6 SEGMENT INFORMATION (Continued)

#### Segment revenues and results (Continued)

|  | Hog<br>production<br>RMB'000 | Fresh<br>pork<br>RMB'000 | Processed<br>meat<br>products<br>RMB'000 | Meat<br>import<br>RMB'000 | Segment<br>total<br>RMB'000 | Inter-<br>segment<br>elimination<br>RMB'000 | Total<br>RMB'000 |
|--|------------------------------|--------------------------|--|---------------------------|-----------------------------|---|------------------|
| <b>For the year ended</b>  |                              |                          |  |                           |                             |   |                  |
| <b>December 31, 2020</b>   |                              |                          |  |                           |                             |   |                  |
| <b>Segment revenue</b>   |                              |                          |  |                           |                             |   |                  |
| External customers   | 5,464,723                    | 3,653,584                | 691,806                                  | 9,111,999                 | 18,922,112                  | –   | 18,922,112       |
| Inter-segment sales  | 874,235                      | 50,391                   | 1,172                                    | 139,707                   | 1,065,505                   | (1,065,505)                                 | –                |
| Segment revenue  | 6,338,958                    | 3,703,975                | 692,978                                  | 9,251,706                 | 19,987,617                  | (1,065,505)                                 | 18,922,112       |
| <b>Segment results</b>   |                              |                          |  |                           |                             |   |                  |
|  | 3,876,606                    | (118,419)                | (71,460)                                 | (535,711)                 | 3,151,016                   | –   | 3,151,016        |
| Unallocated corporate income   |                              |                          |  |                           |                             |   | 21,083           |
| Unallocated corporate expenses   |                              |                          |  |                           |                             |   | (192,415)        |
| Fair value adjustments on<br>biological assets and<br>agricultural produce |                              |                          |  |                           |                             |   | 1,114,159        |
| Finance costs  |                              |                          |  |                           |                             |   | (156,269)        |
| <b>Profit before tax</b>   |                              |                          |  |                           |                             |   | <b>3,937,574</b> |

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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Renminbi)

## 6 SEGMENT INFORMATION (Continued)

### Other segment information

|   | Hog<br>production<br>RMB'000 | Fresh<br>pork<br>RMB'000 | Processed<br>meat<br>products<br>RMB'000 | Meat<br>import<br>RMB'000 | Total<br>RMB'000 |
|---|------------------------------|--------------------------|--|---------------------------|------------------|
| <b>Year ended December 31, 2021</b>                               |                              |                          |  |                           |                  |
| <i>Amounts included in the measure of segment profit:</i>         |                              |                          |  |                           |                  |
| 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              |
| <b>Year ended December 31, 2020</b>                               |                              |                          |  |                           |                  |
| <i>Amounts included in the measure of segment profit:</i>         |                              |                          |  |                           |                  |
| Depreciation and amortisation*                                    | 26,294                       | 26,569                   | 21,793                                   | 140                       | 74,796           |
| Provision of/(reversal of) impairment on account receivables, net | 99                           | (151)                    | (20)                                     | –                         | (72)             |
| Reversal of impairment on other receivables, net                  | –                            | (104)                    | –  | –                         | (104)            |
| Loss on disposal of property, plant and equipment, net            | 38,125                       | 236                      | 36                                       | –                         | 38,397           |
| (Write-back)/write-down of inventories                            | (143)                        | 40,141                   | 59,196                                   | 603,695                   | 702,889          |
| Impairment of property, plant and equipment                       | 111                          | –                        | –  | –                         | 111              |

\* Depreciation and amortisation not included in the measure of segment profit or loss for the year ended December 31, 2021 amounted to RMB7,232,000 (2020: RMB246,000).

### Geographical information

All of the revenue of the Group is derived from the Mainland China based on location of the operations for both 2021 and 2020.

All the Group's non-current assets (excluding goodwill, deferred tax assets and equity instrument at FVTOCI) at December 31, 2021 and 2020 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, 2021 and 2020.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Renminbi)

### 7 OTHER INCOME

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

|  | Year ended December 31, |                 |
|--|-------------------------|-----------------|
|  | 2021<br>RMB'000         | 2020<br>RMB'000 |
| Interest income from banks                       | 3,486                   | 1,220           |
| Interest income from a related company*          | 10,249                  | 4,954           |
|  | 13,735                  | 6,174           |
| Dividend income from equity instrument at FVTOCI | –                       | 42,000          |
| Government grants**                              | 213,138                 | 124,021         |
|  | 226,873                 | 172,195         |

\* The amount represents interest income for deposits placed in a non-banking financial institution, COFCO Finance Corporation Limited ("COFCO Finance"), a related company of the Company. Details of the deposits are set out in Note 28 and Note 49.

\*\* Government grants are mainly related to innocuous treatment of died hogs and construction of hog farms. There are no unfulfilled conditions or contingencies relating to these grants as at the years ended December 31, 2021 and 2020.

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 RMB13,802,000 for the year ended December 31, 2021 (2020: RMB9,214,000).

### 8 OTHER GAINS AND LOSSES

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

|  | Year ended December 31, |                 |
|--|-------------------------|-----------------|
|  | 2021<br>RMB'000         | 2020<br>RMB'000 |
| Exchange gain, net   | 14,708                  | 6,806           |
| Loss on disposal of property, plant and equipment, net   | (5,923)                 | (38,397)        |
| Write-down of inventories to net realisable value  | (40,066)                | (702,889)       |
| Reversal of impairment on account receivables, net   | 157                     | 72              |
| (Provision of)/reversal of impairment on other receivables, net  | (31)                    | 104             |
| Impairment of property, plant and equipment  | (472)                   | (111)           |
| Realised and unrealised loss on fair value changes in respect of foreign currency forward contracts, net | (30,978)                | (20,061)        |
| Others   | 47,767                  | (15,579)        |
|  | (14,838)                | (770,055)       |

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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## 9 FINANCE COSTS

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

|  | Year ended December 31, |                 |
|--|-------------------------|-----------------|
|  | 2021<br>RMB'000         | 2020<br>RMB'000 |
| Interest on:   |                         |                 |
| Bank borrowings  | 107,079                 | 145,963         |
| Long-term payable  | 6,439                   | 3,720           |
| Loans from related companies (Note 34)                             | 11,829                  | 11,614          |
| Lease liabilities from related companies                           | 1,081                   | –               |
| Lease liabilities from third parties                               | 18,054                  | 14,975          |
| Total borrowing costs  | 144,482                 | 176,272         |
| Less: Borrowing costs capitalised in the cost of qualifying assets | (21,116)                | (20,003)        |
|  | 123,366                 | 156,269         |

Borrowing costs capitalised to qualifying assets during the years ended December 31, 2021 and 2020 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, |                 |
|---|-------------------------|-----------------|
|   | 2021<br>RMB'000         | 2020<br>RMB'000 |
| Cost of inventories recognised as expenses  | 11,131,280              | 14,315,334      |
| Realised and unrealised (gain)/loss on fair value changes in respect of commodity future contracts, net | (1,422,511)             | 95,691          |
| Gain on fair value changes in respect of biological assets  | 1,803,284               | 4,420,273       |
| Total cost of sales   | 11,512,053              | 18,831,298      |
| Employee benefits expenses (including the directors' emoluments as disclosed in Note 12):               |                         |                 |
| Salaries and other allowances   | 1,076,765               | 1,018,400       |
| Retirement benefit schemes contributions (Note 43)  | 74,646                  | 28,540          |
| Less: Capitalised in biological assets and construction in progress                                     | (611,328)               | (486,057)       |
|   | 540,083                 | 560,883         |
| Depreciation of property, plant and equipment   | 422,489                 | 347,548         |
| Depreciation of right-of-use assets   | 50,830                  | 35,907          |
| Amortisation of intangible assets   | 1,718                   | 1,201           |
| Total depreciation and amortisation   | 475,037                 | 384,656         |
| Less: Capitalised in biological assets  | (376,223)               | (309,614)       |
|   | 98,814                  | 75,042          |
| Auditors' remuneration  | 1,420                   | 1,700           |



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### 11 INCOME TAX EXPENSE/(CREDIT)

An analysis of the Group's income tax expense/(credit) is as follows:

|  | Year ended December 31, |                 |
|--|-------------------------|-----------------|
|  | 2021<br>RMB'000         | 2020<br>RMB'000 |
| Current tax:                           |                         |                 |
| PRC Enterprise Income Tax (the "EIT")  | 294,720                 | 5,537           |
| (Over)/under provision in prior years: |                         |                 |
| PRC Enterprise Income Tax              | (62)                    | 5,165           |
| Deferred tax:                          |                         |                 |
| Current year ( <i>Note 22</i> )        | 187,787                 | (97,762)        |
|  | <b>482,445</b>          | <b>(87,060)</b> |

No provision for Hong Kong Profits Tax during the year have been made as the Group had no assessable profit generated in Hong Kong for the year (2020: 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 (2020: 25%).

Certain operations of the Company's certain subsidiaries were exempted from PRC income taxes during both 2021 and 2020. 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, 2021 and 2020.

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

|  | Year ended December 31, |                 |
|--|-------------------------|-----------------|
|  | 2021<br>RMB'000         | 2020<br>RMB'000 |
| (Loss)/profit before tax   | (1,356)                 | 3,937,574       |
| Tax at the domestic income tax rate of 25% (2020: 25%)*  | (339)                   | 984,393         |
| Effect of different tax rates for entities of the Group operating in other jurisdictions                                   | 2,651                   | 20,151          |
| Effect of tax losses incurred for agricultural business and other non-deductible expenses                                  | 110,481                 | 2,465           |
| Tax effect of income not taxable for tax purpose   | –                       | (10,500)        |
| Tax effect of the fair value adjustments on biological assets  | 709,379                 | (278,540)       |
| Effect of tax exemptions   | (416,141)               | (922,850)       |
| Tax losses utilised from previous periods  | (2,597)                 | (3,962)         |
| Tax effect of tax losses not recognised  | 76,457                  | 88,574          |
| (Over)/under provision in prior years  | (62)                    | 5,165           |
| Tax effect of temporary differences attributable to accumulated undistributable profits of the PRC subsidiaries recognised | –                       | 20,000          |
| Tax effect of deductible temporary differences not recognised  | 2,957                   | 8,248           |
| Others   | (341)                   | (204)           |
| Income tax expense/(credit) for the year   | <b>482,445</b>          | <b>(87,060)</b> |

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

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### 12 DIRECTORS' EMOLUMENTS

Directors' emoluments for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

|   | Other emoluments           |  |  |                  |  | Total<br>RMB'000 |
|---|----------------------------|--|--|------------------|--|------------------|
|   | Directors' fees<br>RMB'000 | Salaries and other allowances<br>RMB'000 | Retirement benefit scheme contributions<br>RMB'000 | Bonus<br>RMB'000 | Equity-settled share option expense<br>RMB'000 |                  |
| <i>Year ended December 31, 2021</i>         |                            |  |  |                  |  |                  |
| <b>Executive directors:</b>                 |                            |  |  |                  |  |                  |
| JIANG Guojin                                | -                          | 880                                      | 55   | 7,490            | -  | 8,425            |
| XU Jianong                                  | -                          | 800                                      | 55   | 6,909            | -  | 7,764            |
| <b>Non-executive directors:</b>             |                            |  |  |                  |  |                  |
| CUI Guiyong <i>(Note (d))</i>               | -                          | -  | -  | -                | -  | -                |
| ZHOU Qi <i>(Note (d))</i>                   | -                          | -  | -  | -                | -  | -                |
| YANG Hong <i>(Note (d))</i>                 | -                          | -  | -  | -                | -  | -                |
| MA Dewei <i>(Note (e))</i>                  | -                          | -  | -  | -                | -  | -                |
| ZHAO Wei <i>(Note (e))</i>                  | -                          | -  | -  | -                | -  | -                |
| <b>Independent non-executive directors:</b> |                            |  |  |                  |  |                  |
| FU Tingmei                                  | 286                        | -  | -  | -                | -  | 286              |
| LI Michael Hankin                           | 286                        | -  | -  | -                | -  | 286              |
| JU Jiandong                                 | 286                        | -  | -  | -                | -  | 286              |
| <b>Total</b>                                | <b>858</b>                 | <b>1,680</b>                             | <b>110</b>   | <b>14,399</b>    | <b>-</b>                                       | <b>17,047</b>    |

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### 12 DIRECTORS' EMOLUMENTS (Continued)

Directors' emoluments for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows: (Continued)

|   | Other emoluments              |  |   |                  |  | Total<br>RMB'000 |
|---|-------------------------------|--|---|------------------|--|------------------|
|   | Directors'<br>fees<br>RMB'000 | Salaries<br>and other<br>allowances<br>RMB'000 | Retirement<br>benefit<br>scheme<br>contributions<br>RMB'000 | Bonus<br>RMB'000 | Equity-<br>settled<br>share option<br>expense<br>RMB'000 |                  |
| <b>Year ended December 31, 2020</b>         |                               |  |   |                  |  |                  |
| <b>Executive directors:</b>                 |                               |  |   |                  |  |                  |
| JIANG Guojin                                | -                             | 870  | 4   | 800              | -  | 1,674            |
| XU Jianong                                  | -                             | 790  | 4   | 720              | -  | 1,514            |
| <b>Non-executive directors:</b>             |                               |  |   |                  |  |                  |
| WOLHARDT Julian Juul (Note (a))             | -                             | -  | -   | -                | -  | -                |
| CUI Guiyong                                 | -                             | -  | -   | -                | -  | -                |
| ZHOU Qi                                     | -                             | -  | -   | -                | -  | -                |
| YANG Hong                                   | -                             | -  | -   | -                | -  | -                |
| ZHANG Lei (Note (b))                        | -                             | -  | -   | -                | -  | -                |
| HUANG Juhui (Note (a))                      | -                             | -  | -   | -                | -  | -                |
| <b>Independent non-executive directors:</b> |                               |  |   |                  |  |                  |
| FU Tingmei                                  | 295                           | -  | -   | -                | -  | 295              |
| LI Michael Hankin                           | 295                           | -  | -   | -                | -  | 295              |
| LEE Ted Tak Tai (Note (c))                  | 278                           | -  | -   | -                | -  | 278              |
| JU Jiandong                                 | 295                           | -  | -   | -                | -  | 295              |
| <b>Total</b>                                | <b>1,163</b>                  | <b>1,660</b>                                   | <b>8</b>  | <b>1,520</b>     | <b>-</b>   | <b>4,351</b>     |

The executive directors' emoluments shown above was 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:

- These directors resigned as non-executive directors of the Company on August 25, 2020.
- This director resigned as a non-executive director of the Company on December 11, 2020.
- This director resigned as an independent non-executive director of the Company on December 11, 2020.
- These directors resigned as non-executive directors of the Company on July 30, 2021.
- These directors were appointed as non-executive directors of the Company on July 30, 2021.

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 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.

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## 13 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year ended December 31, 2021 included two (2020: two) directors of the Company. Details of the emoluments of the three (2020: three) highest paid employees who are not the directors of the Company are as follows:

|   | Year ended December 31, |                 |
|---|-------------------------|-----------------|
|   | 2021<br>RMB'000         | 2020<br>RMB'000 |
| Salaries, allowances and benefits in kind | 17,004                  | 4,472           |
| Retirement benefit schemes contributions  | 164                     | 85              |
|   | <b>17,168</b>           | <b>4,557</b>    |

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, |          |
|---|-------------------------|----------|
|   | 2021                    | 2020     |
| Hong Kong Dollar ("HKD")1,500,001 to HKD2,000,000 | –                       | 2        |
| HKD2,000,001 to HKD2,500,000                      | –                       | 1        |
| HKD4,500,001 to HKD5,000,000                      | 2                       | –        |
| HKD11,500,001 to HKD12,000,000                    | 1                       | –        |
|   | <b>3</b>                | <b>3</b> |

## 14 DIVIDENDS

|  | Year ended December 31, |                 |
|--|-------------------------|-----------------|
|  | 2021<br>RMB'000         | 2020<br>RMB'000 |
| Dividends recognised as distributions during the year:   |                         |                 |
| Final dividend of HKD0.048 (equivalent to RMB0.044) per share for the year ended December 31, 2019   | –                       | 171,705         |
| Interim dividend of HKD0.118 (equivalent to RMB0.103) per share for the year ended December 31, 2020 | –                       | 401,689         |
| Final dividend of HKD0.206 (equivalent to RMB0.1714) per share for the year ended December 31, 2020  | <b>668,836</b>          | –               |
|  | <b>668,836</b>          | <b>573,394</b>  |

Subsequent to the end of the reporting period, a final dividend in respect of the year ended December 31, 2021 of HKD0.180 (equivalent to RMB0.147) per share with total dividend of HKD702,360,000 (equivalent to RMB573,594,000), has been proposed by the directors of the Company, subject to the approval by the shareholders of the Company at the forthcoming annual general meeting and compliance with the Companies Law of the Cayman Islands.

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### 15 (LOSS)/EARNINGS PER SHARE

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

#### (Loss)/earnings

|  | Year ended December 31, |                 |
|--|-------------------------|-----------------|
|  | 2021<br>RMB'000         | 2020<br>RMB'000 |
| (Loss)/earnings for the purpose of basic (loss)/earnings per share |                         |                 |
| Profit/(loss) for the year attributable to owners of the Company   | (459,697)               | 3,995,124       |

#### Number of shares

|   | Year ended December 31, |              |
|---|-------------------------|--------------|
|   | 2021<br>'000            | 2020<br>'000 |
| Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share | 3,901,998               | 3,901,998    |

The calculation of the basic (loss)/earnings per share attributable to owners of the Company is based on loss for the year attributable to owners of the Company of RMB459,697,000 (2020: profit of RMB3,995,124,000). The denominators used are the same as those detailed above for basic (loss)/earnings per share.

No diluted (loss)/earnings per share is presented as there were no potential ordinary shares in issue for both 2021 and 2020.

### 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, |                 |
|--------------------------|-----------------|-----------------|
|                          | 2021<br>RMB'000 | 2020<br>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 basis of the recoverable amounts of the above CGU and the major underlying assumptions are summarised below:

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period (2020: five-year), and discount rate of 11% (2020: 11%). Maverick's cash flows beyond the five-year period (2020: five-year) are extrapolated using a steady 0% growth rate (2020: 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, 2021 and 2020, 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.

# Notes to the Consolidated Financial Statements

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## 17 PROPERTY, PLANT AND EQUIPMENT

|   | Buildings<br>RMB'000 | Leasehold<br>improvements<br>RMB'000 | Equipment<br>RMB'000 | Furniture and<br>fixtures<br>RMB'000 | Motor<br>vehicles<br>RMB'000 | Construction<br>in progress<br>RMB'000 | Total<br>RMB'000 |
|---|----------------------|--------------------------------------|----------------------|--------------------------------------|------------------------------|--|------------------|
| <b>Cost:</b>                                    |                      |                                      |                      |                                      |                              |  |                  |
| At January 1, 2020                              | 4,555,784            | 19,811                               | 1,955,966            | 138,654                              | 86,538                       | 1,105,177                              | 7,861,930        |
| Additions                                       | 26,315               | 11,183                               | 29,310               | 28,274                               | 30,199                       | 1,521,377                              | 1,646,658        |
| Transfer  | 827,247              | –                                    | 448,172              | 8,544                                | 10                           | (1,283,973)                            | –                |
| Disposals                                       | (43,537)             | (735)                                | (45,298)             | (7,280)                              | (4,562)                      | (5,101)                                | (106,513)        |
| At December 31, 2020 and<br>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                            | 6,390,371            | 34,110                               | 2,819,677            | 203,541                              | 163,794                      | 1,256,378                              | 10,867,871       |
| <b>Depreciation and impairment:</b>             |                      |                                      |                      |                                      |                              |  |                  |
| At January 1, 2020                              | (566,118)            | (10,356)                             | (496,541)            | (69,681)                             | (48,384)                     | (2,798)                                | (1,193,878)      |
| Charge for the year                             | (164,816)            | (7,089)                              | (138,450)            | (21,705)                             | (15,488)                     | –                                      | (347,548)        |
| Impairment loss recognised<br>in profit or loss | –                    | –                                    | –                    | –                                    | –                            | (111)                                  | (111)            |
| Eliminated on disposals                         | 10,630               | 735                                  | 26,651               | 5,694                                | 3,925                        | –                                      | 47,635           |
| At December 31, 2020 and<br>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<br>in profit or loss | –                    | –                                    | –                    | –                                    | –                            | (472)                                  | (472)            |
| Eliminated on disposals                         | 2,683                | –                                    | 15,677               | 8,619                                | 5,158                        | –                                      | 32,137           |
| At December 31, 2021                            | (911,866)            | (22,147)                             | (767,127)            | (104,720)                            | (75,485)                     | (3,381)                                | (1,884,726)      |
| <b>Net carrying values:</b>                     |                      |                                      |                      |                                      |                              |  |                  |
| At December 31, 2021                            | 5,478,505            | 11,963                               | 2,052,550            | 98,821                               | 88,309                       | 1,252,997                              | 8,983,145        |
| At December 31, 2020                            | 4,645,505            | 13,549                               | 1,779,810            | 82,500                               | 52,238                       | 1,334,571                              | 7,908,173        |

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 RMB25,138,000 as at December 31, 2021 (2020: RMB26,728,000) 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, 2021.

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### 18 RIGHT-OF-USE ASSETS

|   | Leasehold lands<br>RMB'000 | Properties<br>RMB'000 | Total<br>RMB'000 |
|---|----------------------------|-----------------------|------------------|
| <b>As at December 31, 2021</b>              |                            |                       |                  |
| Carrying amount                             | 439,093                    | 252,401               | 691,494          |
| <b>As at December 31, 2020</b>              |                            |                       |                  |
| Carrying amount                             | 419,460                    | 187,585               | 607,045          |
| <b>For the year ended December 31, 2021</b> |                            |                       |                  |
| Depreciation charge                         | 22,346                     | 28,484                | 50,830           |
| <b>For the year ended December 31, 2020</b> |                            |                       |                  |
| Depreciation charge                         | 17,801                     | 18,106                | 35,907           |

|  | Year ended December 31, |                 |
|--|-------------------------|-----------------|
|  | 2021<br>RMB'000         | 2020<br>RMB'000 |
| Expense relating to short-term leases  | 9,748                   | 29,015          |
| Variable lease payments not included in the measurement of lease liabilities | 8,121                   | 8,157           |
| Total cash outflow for leases  | 81,777                  | 127,003         |
| Additions to right-of-use assets   | 135,279                 | 241,601         |

The Group leases leasehold lands and buildings for its operations. Lease contracts are entered into for fixed term of 1 to 70 years (2020: 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, 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in this Note.

Leases of counters in retail stores are contain variable lease payment that are based on 5% to 18.5% (2020: 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.

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## 19 INTANGIBLE ASSETS

The Group's intangible assets comprise purchased computer software.

|                                      | 2021<br>RMB'000 | 2020<br>RMB'000 |
|--------------------------------------|-----------------|-----------------|
| <b>Cost:</b>                         |                 |                 |
| At beginning of the reporting period | 16,825          | 9,462           |
| Additions                            | 84              | 7,363           |
| At end of the reporting period       | 16,909          | 16,825          |
| <b>Accumulated amortisation:</b>     |                 |                 |
| At beginning of the reporting period | 8,098           | 6,897           |
| Amortisation provided during year    | 1,718           | 1,201           |
| At end of the reporting period       | 9,816           | 8,098           |
| <b>Net carrying values:</b>          |                 |                 |
| At end of the reporting period       | 7,093           | 8,727           |

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, |                 |
|---|-----------------|-----------------|
|   | 2021<br>RMB'000 | 2020<br>RMB'000 |
| Unlisted investment classified under non-current assets |                 |                 |
| Equity investment:                                      | 313,551         | 132,121         |

The above unlisted equity investment represents the Group's equity interest in a private entity established in the PRC. This 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 as 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, |              |
|-----------------------------------|-----------------|--------------|
|                                   | 2021<br>'000    | 2020<br>'000 |
| Live hogs:                        |                 |              |
| – piglets                         | 375             | 307          |
| – nursery hogs                    | 659             | 537          |
| – medium and large finishing hogs | 1,295           | 739          |
| – replacement studs and gilts     | 40              | 86           |
|                                   | 2,369           | 1,669        |
| Breeding stock                    | 204             | 205          |
|                                   | 2,573           | 1,874        |



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## 21 BIOLOGICAL ASSETS (Continued)

### Nature of the Group's agricultural activities (Continued)

In general, once a sow is inseminated it will gestate typically around 114 days. New born hogs are classified as "piglets". The piglets will stay with their mother for 3 to 4 weeks at which time they will be weaned. Once the suckling hogs are weaned, they are transferred to the "nursery hogs".

The nursery facilities are designed to meet the needs of newly weaned hogs. They are fed a series of specially formulated diets to meet their changing nutritional needs. The hogs will stay in the nursery for approximately 6 to 7 weeks and then be transferred to the "medium and large finishing hogs" farm.

Medium and large finishing hogs typically stay in this phase for 15 to 16 weeks. During that time, they will be considered as a live hog with market value. Once the hog reaches the ideal weight, they are loaded onto specially designed trucks for transport to the processing facility.

Replacement studs and gilts are hogs maybe selected to be future breeding stock.

The Group is exposed to a number of risks related to its biological assets. The Group is exposed to the following operating risks:

### *Regulatory and environmental risks*

The Group is subject to laws and regulations in the location in which it operates breeding of hogs. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage these risks.

### *Climate, disease and other natural risks*

The Group's biological assets are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating these risks, including regular inspections, disease controls, surveys and insurance.

### Carrying value of the Group's biological assets

|   | <b>Live hogs and<br/>breeding stock<br/>RMB'000</b> |
|---|---|
| At January 1, 2020  | 1,924,956   |
| Additions: breeding costs   | 3,194,136   |
| Additions: purchase of breeding stock   | 25,416  |
| Gain arising from changes in fair value less costs to sell of biological assets | 5,534,432   |
| Transfer to cost of sales at the point of harvest                               | (6,338,303)   |
| Decrease due to culling   | (215,115)   |
| At December 31, 2020 and 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  | <b>1,853,119</b>                                    |

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## 21 BIOLOGICAL ASSETS (Continued)

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

*Analysed for reporting purpose*

|                              | At December 31, |                 |
|------------------------------|-----------------|-----------------|
|                              | 2021<br>RMB'000 | 2020<br>RMB'000 |
| Live hogs and breeding stock | 1,853,119       | 4,125,522       |
| Less: current portion        | (1,556,140)     | (3,164,491)     |
| Non-current portion          | 296,979         | 961,031         |

### 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, 2021 and 2020.

|  | At December 31, |                 |
|--|-----------------|-----------------|
|  | 2021<br>RMB     | 2020<br>RMB     |
| <u>Live hogs and breeding stock</u>        |                 |                 |
| Piglets (Note (a))                         |                 |                 |
| <i>Per head market price</i>               | 201 to 352      | 404 to 1,386    |
| Nursery hogs (Note (b))                    |                 |                 |
| <i>Per head market price</i>               | 344 to 454      | 1,051 to 2,537  |
| Medium and large finishing hogs (Note (c)) |                 |                 |
| <i>Per head market price</i>               | 387 to 1,233    | 1,481 to 3,687  |
| Replacement studs and gilts (Note (d))     |                 |                 |
| <i>Per head cost</i>                       | 1,678 to 9,473  | 1,527 to 8,560  |
| Breeding stock (Note (e))                  |                 |                 |
| <i>Per head replacement cost</i>           | 1,177 to 2,213  | 2,965 to 14,873 |

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## 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, 2021 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.

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### 22 DEFERRED TAX ASSETS/LIABILITIES

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

|                          | At December 31, |                 |
|--------------------------|-----------------|-----------------|
|                          | 2021<br>RMB'000 | 2020<br>RMB'000 |
| Deferred tax assets      | 264             | 134,399         |
| Deferred tax liabilities | (85,098)        | (31,446)        |

As at December 31, 2021, the Group has unrecognised tax losses of RMB57,056,000 (2020: RMB63,771,000) in Hong Kong, which have no expiry dates and RMB624,657,000 (2020: RMB766,079,000) in the PRC which will expire during the financial year 2022 to year 2026 and unrecognised deductible temporary differences in relation to impairment of account receivables, other receivables and write-down of inventories to net realisable values of RMB8,636,000 (2020: RMB43,265,000) available for offset against future taxable income.

As at December 31, 2021, deferred tax assets of RMB264,000 (2020: RMB134,399,000) 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, 2021 and 2020, 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, 2021, deferred tax liabilities of RMB62,434,000 (2020: RMB9,680,000) 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, and deferred tax liabilities of RMB2,664,000 (2020: RMB1,766,000) 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 RMB312,498,000 (2020: RMB157,584,000). Deferred tax liabilities of RMB20,000,000 (2020: 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, |                 |
|---|-----------------|-----------------|
|   | 2021<br>RMB'000 | 2020<br>RMB'000 |
| To be expired on:   |                 |                 |
| December 31, 2021   | –               | 441,827         |
| December 31, 2022   | 51,039          | 51,039          |
| December 31, 2023   | 40,835          | 40,835          |
| December 31, 2024   | 37,348          | 37,348          |
| December 31, 2025   | 189,608         | 195,030         |
| December 31, 2026   | 305,827         | –               |
| Total unused tax losses not recognised as deferred tax assets | 624,657         | 766,079         |

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### 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<br>adjustments<br>RMB'000 | Distributable<br>profits of<br>subsidiaries<br>RMB'000 | Accelerated tax<br>depreciation<br>RMB'000 | Provision<br>against<br>inventories<br>RMB'000 | Total<br>RMB'000 |
|---|--------------------------------------|--|--|--|------------------|
| At January 1, 2020                          | (10,108)                             | –  | –  | 15,299   | 5,191            |
| Charge to profit or loss                    | –                                    | (20,000)   | (1,919)                                    | –  | (21,919)         |
| Credit to profit or loss                    | 428                                  | –  | 153  | 119,100  | 119,681          |
| At December 31, 2020<br>and 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                        | (62,434)                             | (20,000)   | (2,664)                                    | 264  | (84,834)         |

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,  |                 |
|-------------------------------|------------------|-----------------|
|                               | 2021<br>RMB'000  | 2020<br>RMB'000 |
| Raw materials and consumables | 569,438          | 449,752         |
| Work in progress              | 18,374           | 9,300           |
| Finished goods                | 699,248          | 1,865,470       |
|                               | <b>1,287,060</b> | 2,324,522       |

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## 24 ACCOUNT RECEIVABLES

|   | At December 31, |                 |
|---|-----------------|-----------------|
|   | 2021<br>RMB'000 | 2020<br>RMB'000 |
| Account receivables from contracts with customers | 225,714         | 659,024         |
| Less: Allowance for credit losses                 | (223)           | (380)           |
| Total account receivables                         | 225,491         | 658,644         |

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, |                 |
|--------------------|-----------------|-----------------|
|                    | 2021<br>RMB'000 | 2020<br>RMB'000 |
| Within 90 days     | 224,482         | 233,570         |
| 90 to 180 days     | 802             | 1,755           |
| 180 days to 1 year | 22              | 423,051         |
| Over 1 year        | 185             | 268             |
|                    | 225,491         | 658,644         |

As at December 31, 2021, included in the Group's account receivables are debtors with aggregate carrying amount of RMB917,000 (2020: RMB21,183,000) which are past due as at the reporting date. Out of the past due balances, RMB65,000 (2020: RMB694,000) has been past due 90 days or more and is not considered as in default due to historical repayment history 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.

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### 25 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

|                             | At December 31, |                 |
|-----------------------------|-----------------|-----------------|
|                             | 2021<br>RMB'000 | 2020<br>RMB'000 |
| Value-added tax recoverable | 201,651         | 327,050         |
| Prepayments                 | 33,106          | 69,438          |
| Dividend receivable         | –               | 21,000          |
| Deposits (Note)             | 500,288         | 14,620          |
| Others                      | 47,031          | 14,318          |
|                             | 782,076         | 446,426         |
| Allowance for credit losses | (38)            | (7)             |
|                             | 782,038         | 446,419         |

Note: The deposits included the deposits relating to commodity futures contracts of RMB485,337,000 (2020: RMB300,000).

### 26 OTHER CURRENT ASSETS

As at December 31, 2021 and 2020, 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, a major shareholder of the Company.

Included in amounts due from related companies as at December 31, 2021 were receivables in trade nature of RMB9,598,000 (2020: RMB28,442,000). 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, |                 |
|-----------------------------------|-----------------|-----------------|
|                                   | 2021<br>RMB'000 | 2020<br>RMB'000 |
| Within 90 days                    | 1,085           | 18,207          |
| Over 90 days but less than 1 year | 8,202           | 10,235          |
| Over 1 year                       | 311             | –               |
|                                   | 9,598           | 28,442          |

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.

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## 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, 2021 are set out in Note 47.

Included in amounts due to related companies as at December 31, 2021 were payables in trade nature of RMB115,359,000, which are unsecured, interest-free and payable according to the relevant contracts (2020: RMB47,276,000). 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, |                 |
|-----------------------------------|-----------------|-----------------|
|                                   | 2021<br>RMB'000 | 2020<br>RMB'000 |
| Within 90 days                    | 97,301          | 44,698          |
| Over 90 days but less than 1 year | 18,058          | 560             |
| Over 1 year                       | –               | 2,018           |
|                                   | <b>115,359</b>  | <b>47,276</b>   |

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,  |                 |
|--|------------------|-----------------|
|  | 2021<br>RMB'000  | 2020<br>RMB'000 |
| Cash and bank balances   | 538,093          | 80,060          |
| Time deposits with original maturity within three months when acquired | 503,582          | 123,503         |
| Deposits with a non-banking financial institution*                     | 3                | 224,744         |
|  | <b>1,041,678</b> | <b>428,307</b>  |
| Less:  |                  |                 |
| Pledged and restricted bank deposits (Note 42):                        |                  |                 |
| – for bills payables   | (698)            | (11,657)        |
|  | <b>(698)</b>     | <b>(11,657)</b> |
|  | <b>1,040,980</b> | <b>416,650</b>  |

\* 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% (2020: 0.3% to 1.73%). Short-term time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at market rates ranging from 1.89% to 2.03% (2020: at 2.03%). The bank balances and deposits are deposited with creditworthy banks with no history of default.



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### 29 ACCOUNT AND BILLS PAYABLES

An analysis of account and bills payables is as follows:

|                  | At December 31, |                 |
|------------------|-----------------|-----------------|
|                  | 2021<br>RMB'000 | 2020<br>RMB'000 |
| Account payables | 566,871         | 507,665         |
| Bills payables   | 6,302           | –               |
|                  | <b>573,173</b>  | <b>507,665</b>  |

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, |                 |
|---------------|-----------------|-----------------|
|               | 2021<br>RMB'000 | 2020<br>RMB'000 |
| Within 1 year | 557,824         | 484,278         |
| 1 to 2 years  | 8,257           | 18,901          |
| Above 2 years | 790             | 4,486           |
|               | <b>566,871</b>  | <b>507,665</b>  |

### 30 OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

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

|  | At December 31,  |                 |
|--|------------------|-----------------|
|  | 2021<br>RMB'000  | 2020<br>RMB'000 |
| Bills payables for purchase of property, plant and equipment | 28,700           | 13,796          |
| Construction costs payables                                  | 227,758          | 220,265         |
| Deposits received  | 163,433          | 112,781         |
| Salaries and wages payables                                  | 369,199          | 365,022         |
| Accruals   | 158,389          | 123,064         |
| Tax element of contract liabilities                          | 34,459           | 31,411          |
| Others   | 95,608           | 96,431          |
|  | <b>1,077,546</b> | <b>962,770</b>  |

# Notes to the Consolidated Financial Statements

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## 31 LEASE LIABILITIES

|  | At December 31, |                 |
|--|-----------------|-----------------|
|  | 2021<br>RMB'000 | 2020<br>RMB'000 |
| Lease liabilities payable:   |                 |                 |
| Within one year  | 27,651          | 13,709          |
| Within a period of more than one year but not more than two years                | 32,435          | 8,873           |
| Within a period of more than two years but not more than five years              | 79,965          | 47,361          |
| Within a period of more than five years  | 253,731         | 258,860         |
|  | <b>393,782</b>  | 328,803         |
| Less: Amount due for settlement within 12 months shown under current liabilities | (27,651)        | (13,709)        |
| Amount due for settlement after 12 months shown under non-current liabilities    | <b>366,131</b>  | 315,094         |

The weighted average incremental borrowing rates applied to lease liabilities range from 3.85% to 4.9% (2020: 3.85% to 4.9%).

The lease liabilities as at December 31, 2021 included the amount relating to the major shareholder and its subsidiaries of RMB31,708,000 (2020: RMBnil).

## 32 CONTRACT LIABILITIES

|                                  | At December 31, |                 |
|----------------------------------|-----------------|-----------------|
|                                  | 2021<br>RMB'000 | 2020<br>RMB'000 |
| Hog production and sales         | 32,355          | 60,916          |
| Sales of fresh pork              | 48,286          | 36,620          |
| Sales of processed meat products | 5,205           | 11,523          |
| Sales of imported meat products  | 338,492         | 299,087         |
| Total – current                  | <b>424,338</b>  | 408,146         |

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.

|   | Hog<br>production<br>and sales<br>RMB'000 | Sales of<br>fresh<br>pork<br>RMB'000 | Sales of<br>processed<br>meat<br>products<br>RMB'000 | Sales of<br>imported meat<br>products<br>RMB'000 |
|---|---|--------------------------------------|--|--|
| <b>For the year ended December 31, 2021</b>   |   |                                      |  |  |
| Revenue recognised that was included in the contract liability balance at the beginning of the year | <b>60,916</b>                             | <b>36,620</b>                        | <b>11,523</b>  | <b>299,087</b>                                   |
|   |   |                                      |  |  |
| For the year ended December 31, 2020  | Hog<br>production<br>and sales<br>RMB'000 | Sales of<br>fresh<br>pork<br>RMB'000 | Sales of<br>processed<br>meat<br>products<br>RMB'000 | Sales of<br>imported meat<br>products<br>RMB'000 |
| Revenue recognised that was included in the contract liability balance at the beginning of the year | 28,496                                    | 37,507                               | 13,135   | 245,779  |

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.

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### 33 BANK BORROWINGS

|   | At December 31, |                 |
|---|-----------------|-----------------|
|   | 2021<br>RMB'000 | 2020<br>RMB'000 |
| Unsecured bank loans  | 6,109,074       | 8,305,875       |
| Carrying amount of the above borrowings are repayable*:           |                 |                 |
| Within one year**   | 5,963,713       | 8,134,165       |
| In the second year  | 12,560          | 9,803           |
| In the third to fifth year, inclusive                             | 123,886         | 24,297          |
| Beyond five years   | 8,915           | 137,610         |
|   | 6,109,074       | 8,305,875       |
| Less: Amounts due within one year shown under current liabilities | (5,963,713)     | (8,134,165)     |
| Amounts shown under non-current liabilities                       | 145,361         | 171,710         |

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

\*\* As at December 31, 2021, the bank loan balances include bank loans from a designated bank as set out in Note 26 amounting to RMB1,419,427,000 (2020: RMB3,479,649,000), which bear interest at 3.85% (2020: 4.35%) per annum.

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

|                          | At December 31, |                 |
|--------------------------|-----------------|-----------------|
|                          | 2021<br>RMB'000 | 2020<br>RMB'000 |
| Fixed-rate borrowings    | 5,608,103       | 8,084,025       |
| Variable-rate borrowings | 500,971         | 221,850         |
|                          | 6,109,074       | 8,305,875       |

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, |                |
|--------------------------|-------------------------|----------------|
|                          | 2021                    | 2020           |
| Effective interest rate: |                         |                |
| Fixed-rate borrowings    | 1.05% to 3.85%          | 1.65% to 4.36% |
| Variable-rate borrowings | 0.91% to 4.26%          | 0.91% to 2.55% |

# Notes to the Consolidated Financial Statements

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## 33 BANK BORROWINGS (Continued)

### Loan covenants

In respect of bank loans with carrying amount of RMB449,680,000 as at December 31, 2021 (2020: RMB nil), 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 A RELATED COMPANY

The loan of RMB2,500,000 (2020: RMB2,500,000) from a related company classified under current liabilities is a loan from a major shareholder, which is unsecured, repayable within one year and bears interest at a fixed rate of 3.26% (2020: 3.26%) per annum.

The loans from a related company classified under non-current liabilities are loans from the above-mentioned major shareholder, which are unsecured, repayable in November 2035 and June 2036 and carry at the effective interest rate of 4.9% (2020: 4.9%) 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, |                 |
|--|-----------------|-----------------|
|  | 2021<br>RMB'000 | 2020<br>RMB'000 |
| Classified under current assets:             |                 |                 |
| Commodity futures contracts (Note i)         | 230,874         | –               |
| Classified under current liabilities:        |                 |                 |
| Commodity futures contracts (Note i)         | (4,045)         | –               |
| Foreign currency forward contracts (Note ii) | (25,506)        | (4,889)         |
|  | (29,551)        | (4,889)         |
| Total  | 201,323         | (4,889)         |

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 gain on commodity futures contracts of RMB1,422,511,000 (2020: loss of RMB95,691,000) 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"), HKD and Euro ("EUR").

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### 35 FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

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

#### As at December 31, 2021

| Notional amount    | Exchange rates               | Maturity Date                    |
|--------------------|------------------------------|----------------------------------|
| Buy USD20,500,000  | USD1: RMB6.3463 to RMB6.4675 | January 4, 2022 to March 1, 2022 |
| Buy HKD800,000,000 | HKD1: RMB0.8234 to RMB0.8582 | April 18, 2022 to July 18, 2022  |

#### As at December 31, 2020

| Notional amount   | Exchange rates               | Maturity Date                      |
|-------------------|------------------------------|------------------------------------|
| Buy USD36,350,000 | USD1: RMB6.5387 to RMB6.8687 | January 6, 2021 to April 26, 2021  |
| Buy EUR820,000    | EUR1: RMB7.8895 to RMB7.9246 | January 29, 2021 to March 13, 2021 |

### 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, |                 |
|--|-------------------------|-----------------|
|  | 2021<br>RMB'000         | 2020<br>RMB'000 |
| At beginning of the reporting period       | 147,662                 | 153,385         |
| Subsidies obtained during the year         | –                       | 3,491           |
| Credited to profit or loss during the year | (13,802)                | (9,214)         |
| At end of the reporting period             | 133,860                 | 147,662         |

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.

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## 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, 2021, the construction of above-mentioned plants was not completed. The Government Advance and the Additional Government Advance are in substance borrowings repayable in installments and are measured at amortised cost with effective interest rate of 7.92% and 7.69% respectively per annum.

## 38 SHARE CAPITAL

|   | Number of shares | Amount USD | Equivalent to RMB'000 |
|---|------------------|------------|-----------------------|
| Authorised:   |                  |            |                       |
| At January 1, 2021 and 2020 and at December 31, 2021 and 2020 | 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, 2021 and 2020 and December 31, 2021 and 2020 | 3,901,998,323             | 1,668,978              |

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### 39 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

|  | At December 31,  |                 |
|--|------------------|-----------------|
|  | 2021<br>RMB'000  | 2020<br>RMB'000 |
| <b>Non-current assets</b>                                  |                  |                 |
| Investment in subsidiaries                                 | 2,615,888        | 2,615,888       |
| Amount due from a subsidiary                               | 682,174          | 682,174         |
|  | <b>3,298,062</b> | 3,298,062       |
| <b>Current assets</b>                                      |                  |                 |
| Amounts due from subsidiaries                              | 159              | 9,759           |
| Cash and bank balances                                     | 10,466           | 11,982          |
|  | <b>10,625</b>    | 21,741          |
| <b>Current liabilities</b>                                 |                  |                 |
| Bank borrowings  | 686,784          | 33,666          |
| Financial liabilities at fair value through profit or loss | 23,648           | –               |
| Amounts due to subsidiaries                                | 177,172          | 170,859         |
| Other payables and accruals                                | 4,058            | 1,184           |
|  | <b>891,662</b>   | 205,709         |
| <b>Net current liabilities</b>                             | <b>(881,037)</b> | (183,968)       |
| <b>Net assets</b>  | <b>2,417,025</b> | 3,114,094       |
| <b>Capital and reserves</b>                                |                  |                 |
| Share capital  | 1,668,978        | 1,668,978       |
| Reserves   | 748,047          | 1,445,116       |
|  | <b>2,417,025</b> | 3,114,094       |

Movements of reserves of the Company are as follows:

|  | Share<br>premium<br>RMB'000 | Special<br>reserve<br>RMB'000 | Capital<br>reserve<br>RMB'000 | Retained<br>profits/<br>(accumulated<br>losses)<br>RMB'000 | Total<br>RMB'000 |
|--|-----------------------------|-------------------------------|-------------------------------|--|------------------|
| At January 1, 2020                                   | 1,645,960                   | 220,351                       | 3,011                         | 182,762  | 2,052,084        |
| Loss and total comprehensive<br>expense for the year | –                           | –                             | –                             | (33,574)   | (33,574)         |
| Dividends recognised as distribution                 | (401,689)                   | –                             | –                             | (171,705)  | (573,394)        |
| At December 31, 2020 and<br>January 1, 2021          | 1,244,271                   | 220,351                       | 3,011                         | (22,517)   | 1,445,116        |
| Loss and total comprehensive expense<br>for the year | –                           | –                             | –                             | (28,233)   | (28,233)         |
| Dividends recognised as distribution                 | (668,836)                   | –                             | –                             | –  | (668,836)        |
| <b>At December 31, 2021</b>                          | <b>575,435</b>              | <b>220,351</b>                | <b>3,011</b>                  | <b>(50,750)</b>  | <b>748,047</b>   |

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## 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.

### 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.



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### 40 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

#### Exercise of the options: (Continued)

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.

The following table discloses movements of the share options held by a director and employees during the years ended December 31, 2021 and 2020:

|                           | 2021             |                   |                   | 2020        |             |             |
|---------------------------|------------------|-------------------|-------------------|-------------|-------------|-------------|
|                           | Director         | Employees         | Total             | Director    | Employees   | Total       |
| <b>At 1 January</b>       | <b>1,521,481</b> | <b>18,262,328</b> | <b>19,783,809</b> | 3,044,440   | 26,480,663  | 29,525,103  |
| Exercised during the year | (1,014,320)      | (10,155,230)      | (11,169,550)      | (1,522,959) | (8,218,335) | (9,741,294) |
| <b>At 31 December</b>     | <b>507,161</b>   | <b>8,107,098</b>  | <b>8,614,259</b>  | 1,521,481   | 18,262,328  | 19,783,809  |

The Group recognised nil (2020: nil) share option expense for the year ended December 31, 2021 in relation to share options granted by the Company.

### 41 CAPITAL COMMITMENTS

|  | At December 31, |                 |
|--|-----------------|-----------------|
|  | 2021<br>RMB'000 | 2020<br>RMB'000 |
| Contracted but not provided for in respect of: |                 |                 |
| Purchase of property, plant and equipment      | 596,092         | 633,409         |

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## 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, |                 |
|---------------|-----------------|-----------------|
|               | 2021<br>RMB'000 | 2020<br>RMB'000 |
| Bank deposits | 698             | 11,657          |

## 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 RMB74,646,000 for the year ended December 31, 2021 (2020: RMB28,540,000).

## 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<br>January 1,<br>2021<br>RMB'000 | Bank loans<br>relating to<br>procurement<br>agency<br>arrangements<br>RMB'000 | Addition<br>of lease<br>liabilities<br>RMB'000 | Financing<br>cash flows<br>RMB'000 | Interest<br>accrual<br>RMB'000 | Foreign<br>exchange<br>translation<br>RMB'000 | At<br>December 31,<br>2021<br>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                             |

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

\* balances represent the bank loans from a designated bank relating to the procurement agency arrangements as set out in Note 33. The bank loans are not considered the Group's financing activities as the bank loans were designated by the organising parties solely for the purpose of the procurement agency arrangements.

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

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## 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, |                 |
|---|-----------------|-----------------|
|   | 2021<br>RMB'000 | 2020<br>RMB'000 |
| <b>Financial assets</b>                 |                 |                 |
| Financial assets at FVTPL               | 230,874         | –               |
| Financial assets at amortised cost      | 4,296,562       | 4,737,922       |
| Equity instruments at FVTOCI            | 313,551         | 132,121         |
| <b>Financial liabilities</b>            |                 |                 |
| Financial liabilities at amortised cost | 7,896,455       | 9,661,343       |
| Financial liabilities at FVTPL          | 29,551          | 4,889           |

# Notes to the Consolidated Financial Statements

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## 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 and interest rates.

### 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.

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, |                 |
|--------------------------------|-----------------|-----------------|
|                                | 2021<br>RMB'000 | 2020<br>RMB'000 |
| <b>Assets</b>                  |                 |                 |
| Denominated in HKD:            |                 |                 |
| Cash and bank balances         | 3,228           | 3,811           |
| Denominated in USD:            |                 |                 |
| Cash and bank balances         | 4,470           | 6,372           |
| Denominated in EUR:            |                 |                 |
| Cash and bank balances         | 2,503           | 5,228           |
| Financial assets at FVTPL      | –               | 85              |
|                                | <b>10,201</b>   | <b>15,496</b>   |
| <b>Liabilities</b>             |                 |                 |
| Denominated in USD:            |                 |                 |
| Bank borrowings                | 178,520         | 182,697         |
| Account payables               | 49,865          | 36,777          |
| Financial liabilities at FVTPL | 1,858           | 4,974           |
|                                | <b>230,243</b>  | <b>224,448</b>  |

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and may enter into currency forward contracts, when necessary, to manage its foreign exchange exposure. During the year, certain currency forward contracts had been entered into by the Group.

The following table demonstrates the sensitivity at the end of the reporting period to reasonably possible changes in RMB to USD exchange rates, 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 positive number below indicates an increase in post-tax loss and a negative number indicates a decrease in other equity (2020: a negative number indicates a decrease in post-tax profit and other equity) where RMB weakening 5% (2020: 5%) against USD. For a 5% (2020: 5%) strengthen of RMB against the USD, there would be an equal and opposite impact on the profit and other equity and the balances below would be positive.

## Notes to the Consolidated Financial Statements

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### 47 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risks (Continued)

Currency risk (Continued)

|   | Currency USD Impact |                 |
|---|---------------------|-----------------|
|   | 2021<br>RMB'000     | 2020<br>RMB'000 |
| Increase in loss (2020: decrease in profit) | 8,466               | (8,178)         |
| Decrease in equity                          | (8,466)             | (8,178)         |

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, LIBOR 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 loss for the year ended December 31, 2021 would increase/decrease by RMB3,757,000 (2020: decrease/increase of post-tax profit by RMB1,664,000). Results of the analysis above represent the effects on outstanding bank borrowings with a floating interest rate at the end of each reporting period.

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## 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, 2021, 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, 2021 and 2020, 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.

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### 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:

| 2021  | 12-month or lifetime ECL                              | Gross carrying amount<br>RMB'000 |
|---|---|----------------------------------|
| <b>Financial assets at amortised costs</b>  |   |                                  |
| Other receivables                           | 12-month ECL  | 547,319                          |
| Account receivables<br>– goods and services | Lifetime ECL (not credit impaired) (provision matrix) | 225,714                          |
| <hr/>                                       |   |                                  |
| 2020  | 12-month or lifetime ECL                              | Gross carrying amount<br>RMB'000 |
| <b>Financial assets at amortised costs</b>  |   |                                  |
| Other receivables                           | 12-month ECL  | 49,938                           |
| Account receivables<br>– goods and services | Lifetime ECL (not credit impaired) (provision matrix) | 659,024                          |

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, 2021, the Group reversed RMB157,000 (2020: reversed RMB72,000) 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.

#### 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, 2021, the Group has available unutilised short-term bank loan facilities of approximately RMB17,584,688,000 (2020: RMB9,845,121,000).

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Renminbi)

## 47 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Liquidity risk (Continued)

#### Liquidity risk tables

The following table details the Group's remaining contractual maturity for its financial liabilities and derivative financial instruments. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

The amounts included below for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates different to those estimates of interest rates determined at the end of the reporting period.

|  | Effective<br>interest rate<br>% | On demand or<br>within<br>1 year<br>RMB'000 | 1 – 5<br>years<br>RMB'000 | Over<br>5 years<br>RMB'000 | Total<br>undiscounted<br>cash flows<br>RMB'000 | Total<br>carrying<br>amount<br>RMB'000 |
|--|---------------------------------|---|---------------------------|----------------------------|--|--|
| <b>At December 31, 2021</b>                    |                                 |   |                           |                            |  |  |
| <i>Non-derivative financial liabilities</i>    |                                 |   |                           |                            |  |  |
| 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                   | 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                                |
|  |                                 | <b>7,293,850</b>                            | <b>357,815</b>            | <b>667,573</b>             | <b>8,319,238</b>                               | <b>7,896,455</b>                       |

|  | Effective<br>interest rate<br>% | On demand or<br>within<br>1 year<br>RMB'000 | 1 – 5<br>years<br>RMB'000 | Over<br>5 years<br>RMB'000 | Total<br>undiscounted<br>cash flows<br>RMB'000 | Total<br>carrying<br>amount<br>RMB'000 |
|--|---------------------------------|---|---------------------------|----------------------------|--|--|
| <b>At December 31, 2020</b>                    |                                 |   |                           |                            |  |  |
| <i>Non-derivative financial liabilities</i>    |                                 |   |                           |                            |  |  |
| Account and bills payables                     | –                               | 507,665                                     | –                         | –                          | 507,665  | 507,665                                |
| Other payables, accruals and deposits received | –                               | 931,359                                     | –                         | –                          | 931,359  | 931,359                                |
| Bank borrowings                                | 0.91% to 4.36%                  | 8,467,666                                   | 38,294                    | 171,462                    | 8,677,422                                      | 8,305,875                              |
| Long-term payable                              | 7.69% to 7.92%                  | 9,000                                       | 36,000                    | 121,500                    | 166,500  | 86,520                                 |
| Amounts due to related companies               | –                               | 97,923                                      | –                         | –                          | 97,923   | 97,923                                 |
| Loans from a related company                   | 4.9%                            | 4,402                                       | 7,392                     | 176,176                    | 187,970  | 97,023                                 |
| Lease liabilities                              | 3.85% to 4.9%                   | 14,370                                      | 64,374                    | 333,800                    | 412,544  | 328,803                                |
|  |                                 | <b>10,032,385</b>                           | <b>146,060</b>            | <b>802,938</b>             | <b>10,981,383</b>                              | <b>10,355,168</b>                      |



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Renminbi)

### 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.

|                                    | On demand<br>or within<br>1 year<br>RMB'000 | Total<br>undiscounted<br>cash flows<br>RMB'000 | Carrying<br>amount assets/<br>(liabilities)<br>RMB'000 |
|------------------------------------|---|--|--|
| <b>At December 31, 2021</b>        |   |  |  |
| Derivatives – net settlement       |   |  |  |
| Commodity futures contracts        | 226,829                                     | 226,829  | 226,829  |
| Foreign currency forward contracts | (25,506)                                    | (25,506)                                       | (25,506)   |
| <b>At December 31, 2020</b>        |   |  |  |
| Derivatives – net settlement       |   |  |  |
| Foreign currency forward contracts | (4,889)                                     | (4,889)  | (4,889)  |

### 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<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000 |
|-----------------------------------|--------------------|--------------------|--------------------|------------------|
| <b>At December 31, 2021</b>       |                    |                    |                    |                  |
| <i>Financial assets at FVTPL</i>  |                    |                    |                    |                  |
| Derivative financial instruments  | 230,874            | –                  | –                  | 230,874          |
| <i>Financial assets at FVTOCI</i> |                    |                    |                    |                  |
| Equity instrument at FVTOCI       | –                  | –                  | 313,551            | 313,551          |
| <i>Financial liabilities</i>      |                    |                    |                    |                  |
| Derivative financial instruments  | 4,045              | 25,506             | –                  | 29,551           |
| <b>At December 31, 2020</b>       |                    |                    |                    |                  |
| <i>Financial assets at FVTOCI</i> |                    |                    |                    |                  |
| Equity instrument at FVTOCI       | –                  | –                  | 132,121            | 132,121          |
| <i>Financial liabilities</i>      |                    |                    |                    |                  |
| Derivative financial instruments  | –                  | 4,889              | –                  | 4,889            |

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(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/<br>financial liabilities | Fair value as at December 31,  |                               | Fair value<br>hierarchy | Valuation technique(s)<br>and key input(s)  |
|--|--------------------------------|-------------------------------|-------------------------|---|
|  | 2021                           | 2020                          |                         |   |
| 1) Commodity future contracts              | Assets –<br>RMB230,874,000     | Nil                           | Level 1                 | Quoted bid prices in an active market   |
|  | Liabilities –<br>RMB4,045,000  |                               |                         |   |
| 2) Foreign currency forward contracts      | Liabilities –<br>RMB25,506,000 | Liabilities –<br>RMB4,889,000 | 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/<br>financial liabilities | Fair value as at December 31,  |  | Fair value<br>hierarchy | Valuation technique(s)<br>and key input(s)  | Significant<br>unobservable input(s)   |
|--|--|--|-------------------------|---|--|
|  | 2021   | 2020   |                         |   |  |
| 3) Unquoted equity<br>investment at FVTOCI | 15% equity<br>investment in McKey<br>Food Services Ltd –<br>RMB313,551,000 | 15% equity<br>investment in McKey<br>Food Services Ltd –<br>RMB132,121,000 | Level 3                 | Market Approach<br>The fair value under market<br>approach is based on the<br>target company's financial<br>performance and the multiples<br>of comparable companies. | Discount for lack of<br>marketability determined by<br>reference to the share price<br>of listed entities in similar<br>industries, 40 percent (2020:<br>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 RMB2,090,000 (December 31, 2020: RMB881,000).

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(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)

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<br>at FVTOCI<br>RMB'000 |
|--|--|
| At January 1, 2020                       | 205,969                                  |
| Total losses:                            |  |
| in other comprehensive income            | (73,848)                                 |
| At December 31, 2020 and January 1, 2021 | 132,121                                  |
| Total gains:                             |  |
| in other comprehensive income            | 181,430                                  |
| At December 31, 2021                     | 313,551                                  |

### 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, |                 |
|---|-------------------------|-----------------|
|   | 2021<br>RMB'000         | 2020<br>RMB'000 |
| Transactions with related companies:      |                         |                 |
| Sales of goods*                           | 63,356                  | 50,232          |
| Purchases of goods*                       | 1,531,082               | 398,867         |
| Office rental expense**                   | 11,336                  | 8,752           |
| Property management fee expense*          | 1,302                   | 1,011           |
| Feeding materials processing fee expense* | 6,537                   | 1,433           |
| Short-term warehouse rental expense*      | 4,012                   | 2,318           |
| Interest income*                          | 10,249                  | 4,954           |
| Interest expense*                         | 11,829                  | 11,614          |
| Administrative expense                    | 4,090                   | 4,274           |
| Agency procurement service revenue*       | 19,080                  | 59,442          |
| Short-term facilities rental expense*     | -                       | 15,080          |

\* 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 RMB7,823,000 (2020: RMBnil) settle through lease liabilities (see Note 31) during the year ended December 31, 2021.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Renminbi)

## 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, 2021 amounted to RMB3,000 (2020: RMB344,744,000), 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, |         |
|---|-------------------------|---------|
|   | 2021                    | 2020    |
|   | RMB'000                 | RMB'000 |
| Salaries, allowances and other benefits | 28,830                  | 9,682   |
| Retirement benefit scheme contributions | 327                     | 101     |
|   | 29,157                  | 9,783   |

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.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Renminbi)

### 50 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries at December 31, 2021 and 2020 are as follows:

| Name of subsidiaries   | Place of incorporation/<br>establishment and<br>principal country of<br>operations | Issue and fully<br>paid up capital | Proportion of ownership<br>interests and voting rights<br>held by the Group as<br>at December 31, |           | Principal activities  |
|--|--|------------------------------------|---|-----------|---|
|  |  |                                    | 2021<br>%   | 2020<br>% |   |
| Zhuo Mao Limited (卓貿公司)  | British Virgin Islands<br>("BVI")/Hong Kong  | USD1                               | 100   | 100       | Investment holding  |
| COFCO Meat Products (HK) Limited<br>(中糧肉食(香港)有限公司)                                       | Hong Kong/<br>Hong Kong  | HKD3,080,270,014                   | 100   | 100       | Investment holding  |
| 中糧肉食投資有限公司<br>(COFCO Meat Investments Company<br>Limited*) (Note (i))                    | PRC/PRC  | USD467,973,200                     | 100   | 100       | Investment holding  |
| 中糧肉食(北京)有限公司<br>(COFCO Meat (Beijing) Co., Ltd.*)<br>(Note (ii))                         | PRC/PRC  | USD10,000,000                      | 100   | 100       | Import and sale of frozen<br>meat products  |
| 中糧家佳康農牧(天津)有限公司<br>(COFCO JOYCOME Agro-Pastoral<br>(Tianjin) Co., Ltd.*)<br>(Note (iii)) | PRC/PRC  | USD15,000,000                      | 100   | 100       | Hog production  |
| 中糧家佳康(江蘇)有限公司<br>(COFCO Joycome (Jiangsu) Limited*)<br>(Note (iii))                      | PRC/PRC  | USD79,201,199                      | 100   | 100       | Hog production, livestock<br>slaughtering manufacture<br>and sale of fresh pork                                 |
| 武漢中糧肉食有限公司<br>(COFCO Wuhan Meat Product Co., Ltd.*)<br>(Note (iii))                      | PRC/PRC  | USD77,290,439                      | 100   | 100       | Hog production, livestock<br>slaughtering, manufacture<br>and sale of fresh pork and<br>processed meat products |
| 中糧萬威客食品有限公司<br>(COFCO Maverick Food Products Co., Ltd.*)<br>(Note (iii))                 | PRC/PRC  | USD38,100,000                      | 100   | 100       | Manufacture and sale of<br>processed meat products  |
| 中糧家佳康(吉林)有限公司<br>(COFCO Joycome (Jilin) Co., Ltd.*)<br>(Note (iii))                      | PRC/PRC  | USD133,134,558                     | 100   | 100       | Hog production  |

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Renminbi)

## 50 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

| Name of subsidiaries  | Place of incorporation/<br>establishment and<br>principal country of<br>operations | Issue and fully<br>paid up capital | Proportion of ownership<br>interests and voting rights<br>held by the Group as<br>at December 31, |           | Principal activities |
|---|--|------------------------------------|---|-----------|----------------------|
|   |  |                                    | 2021<br>%   | 2020<br>% |                      |
| 中糧家佳康(赤峰)有限公司<br>(COFCO Joycome (Chifeng) Co., Ltd.*)<br><i>(Note (ii))</i>                 | PRC/PRC  | USD102,081,247                     | 100   | 100       | Hog production       |
| 中糧家佳康(張北)有限公司<br>(COFCO Joycome (Zhangbei) Co., Ltd.*)<br><i>(Note (ii))</i>                | PRC/PRC  | USD62,976,600                      | 100   | 100       | Hog production       |
| 中糧家佳康(鹽城)有限公司<br>(COFCO Joycome (Yancheng) Co., Ltd.*)<br><i>(Note (ii))</i>                | PRC/PRC  | USD20,160,000                      | 100   | 100       | Hog production       |
| 江蘇中穩農業發展有限公司<br>(Jiangsu CM/Merit Agriculture Development<br>Co., Ltd.*) <i>(Note (ii))</i> | PRC/PRC  | USD51,257,185                      | 51  | 51        | Hog production       |

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

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, 2021 and 2020.

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 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

# 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, |                 |                 |                 |                 |
|---|-------------------------|-----------------|-----------------|-----------------|-----------------|
|   | 2021<br>RMB'000         | 2020<br>RMB'000 | 2019<br>RMB'000 | 2018<br>RMB'000 | 2017<br>RMB'000 |
| <b>Continuing operations</b>                          |                         |                 |                 |                 |                 |
| Revenue   | <b>13,227,606</b>       | 18,922,112      | 11,078,665      | 7,168,488       | 6,960,567       |
| Profit/(loss) for the year                            | <b>(483,801)</b>        | 4,024,634       | 1,522,223       | (646,649)       | 444,807         |
| Total comprehensive (expense)/income attributable to: |                         |                 |                 |                 |                 |
| Owners of the Company                                 | <b>(280,570)</b>        | 3,926,074       | 1,380,849       | (606,829)       | 455,398         |
| Non-controlling interests                             | <b>(24,104)</b>         | 29,510          | (51,504)        | (18,982)        | (6,822)         |
|   | <b>(304,674)</b>        | 3,955,584       | 1,329,345       | (625,811)       | 448,576         |

## ASSETS AND LIABILITIES

|                           | As at December 31, |                 |                 |                 |                 |
|---------------------------|--------------------|-----------------|-----------------|-----------------|-----------------|
|                           | 2021<br>RMB'000    | 2020<br>RMB'000 | 2019<br>RMB'000 | 2018<br>RMB'000 | 2017<br>RMB'000 |
| Total assets              | <b>18,029,427</b>  | 20,561,996      | 16,123,845      | 10,259,757      | 8,910,697       |
| Total liabilities         | <b>(9,420,657)</b> | (10,979,716)    | (9,963,672)     | (5,485,517)     | (3,965,379)     |
| Total equity              | <b>8,608,770</b>   | 9,582,280       | 6,160,173       | 4,774,240       | 4,945,318       |
| Equity attributable to:   |                    |                 |                 |                 |                 |
| Owners of the Company     | <b>8,459,867</b>   | 9,409,273       | 6,056,593       | 4,675,744       | 4,901,378       |
| Non-controlling interests | <b>148,903</b>     | 173,007         | 103,580         | 98,496          | 43,940          |
|                           | <b>8,608,770</b>   | 9,582,280       | 6,160,173       | 4,774,240       | 4,945,318       |

## Annual Results Announcements

March 18, 2022 (Friday) (audited)

## Closure of Register of Members

The register of members of the Company will be closed from May 20, 2022 to May 25, 2022, 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 May 19, 2022.

In addition, the registers of members of the Company will also be closed from May 31, 2022 to June 2, 2022, both days inclusive, in order to determine the identity of the Shareholders who are entitled to receive the final dividend, during which period no transfer of shares of the Company will be registered. In order to qualify for the 2021 final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before 4:30 p.m. on May 30, 2022.

## Annual General Meetings

May 25, 2022 (Wednesday)

## Dividend

The Board recommended the payment of a final dividend for 2021 out of the share premium account under reserves of the Company in the amount of HK\$0.180 per share to Shareholders.



# Glossary

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|   |   |
|---|---|
| “2016 Administrative Services Agreement”    | the administrative services agreement entered into between the Company and COFCO on October 14, 2016  |
| “2016 Beijing Property Leasing Contract”    | the property leasing contract entered into between the Company and COFCO on October 14, 2016  |
| “2016 Beijing Property Management Contract” | the property management contract entered into between the Company and COFCO Sunshine on October 14, 2016  |
| “2016 Financial Services Agreement”         | the financial services agreement in relation to the deposit services, the loan services, the entrustment loan services and the other financial services entered into between the Company and COFCO Finance on October 12, 2016  |
| “2016 Hong Kong Tenancy Agreement”          | the tenancy agreement entered into between the Company and Bapton on October 11, 2016   |
| “2016 Mutual Supply Agreement”              | the mutual supply agreement entered into between the Company and COFCO on October 14, 2016  |
| “2017 Financial Services Agreement”         | the financial services agreement in relation to the deposit services, the loan services, the entrustment loan services and the other financial services entered into between the Company and COFCO Finance on November 23, 2016 |
| “2018 Administrative Services Agreement”    | the administrative services agreement entered into between the Company and COFCO on November 23, 2018   |
| “2018 Beijing Property Leasing Contract”    | the property leasing contract entered into between the Company and COFCO on November 23, 2018   |
| “2018 Beijing Property Management Contract” | the property management contract entered into between the Company and COFCO Sunshine on November 23, 2018   |
| “2018 Financial Services Agreement”         | the financial services agreement entered into between the Company and COFCO Finance, an indirect subsidiary of COFCO, on November 23, 2018  |
| “2018 Hong Kong Tenancy Agreement”          | the tenancy agreement entered into between the Company and Bapton on November 23, 2018  |
| “2018 Mutual Supply Agreement”              | the mutual supply agreement entered into between the Company and COFCO on November 23, 2018   |
| “Articles of Association”                   | the articles of association of the Company, as amended from time to time  |
| “associate(s)”                              | has the meaning ascribed thereto under the Listing Rules  |
| “Audit Committee”                           | the Audit Committee of the Board  |
| “Bapton”                                    | Bapton Company Limited, an indirect subsidiary of COFCO and a connected person of the Company   |

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| “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 other than our Group and including the Disposal Group (unless the context indicates otherwise)  |
| “COFCO (HK)”                                | COFCO (Hong Kong) Limited (中糧集團(香港)有限公司), a company incorporated in Hong Kong with limited liability on August 14, 1981, and a direct wholly-owned subsidiary of COFCO and a major Shareholder of the Company  |
| “COFCO Joycome”, “Company” or “our Company” | COFCO Joycome Foods Limited (中糧家佳康食品有限公司) (formerly known as COFCO Meat Holdings Limited (中糧肉食控股有限公司) and Charm Thrive Investments Limited (燦旺投資有限公司)), a company incorporated in the BVI with limited liability on March 11, 2014 and re-domiciled to the Cayman Islands as an exempted company with limited liability on May 4, 2016 |
| “COFCO Meat Investments”                    | COFCO Meat Investments Co., Ltd. (中糧肉食投資有限公司), a limited liability company incorporated under the laws of the PRC on March 20, 2009 and an indirect wholly-owned subsidiary of our Company   |
| “COFCO Sunshine”                            | COFCO Sunshine Property Management (Beijing) Co., Ltd.* (中糧陽光企業管理(北京)有限公司), a limited liability company established in the PRC on September 2, 2011, and a wholly-owned subsidiary of COFCO  |
| “connected person”                          | has the meaning ascribed thereto under the Listing Rules   |

## Glossary

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| “Corporate Governance Code”        | the Corporate Governance Code set out in Appendix 14 of the Listing Rules   |
| “Director(s)”                      | director(s) of our Company  |
| “Disposal Group”                   | the group consisting of 100% interest in COFCO Meat Farming (Shandong), COFCO Meat (Shandong) and COFCO Meat (Suqian) respectively prior to the Reorganization, which is engaged in the chicken farming, slaughtering and sales business and which was transferred to COFCO Poultry as part of the Reorganization |
| “Food Safety Committee”            | the Food Safety Committee of the Board  |
| “Former Share Incentive Scheme”    | the pre-IPO share incentive scheme as disclosed under the section headed “Statutory and General Information” in Appendix IV of the Prospectus   |
| “Gourmet”                          | Gourmet Bravo Ltd., a company incorporated under the laws of the Cayman Islands with limited liability  |
| “Group”, “our Group”, “we” or “us” | our Company and its subsidiaries or for the period before our Company became the holding company of our present subsidiaries, where the context so requires, the entities which carried on the business of the present Group at the relevant time   |
| “Huashang”                         | Huashang Reserve Commodity Management Center Co., Ltd. (華商儲備商品管理中心有限公司), a company incorporated in the PRC on January 21, 1998, and an indirectly wholly-owned subsidiary of COFCO  |
| “China Foods”                      | China Foods Limited, a company incorporated in the PRC on May 9, 1989, and an indirectly wholly-owned subsidiary of COFCO   |
| “Hubei Company”                    | COFCO Joycome (Hubei) Co., Ltd., a limited liability company incorporated in the PRC on July 16, 2018 and an indirectly wholly-owned subsidiary of our Company  |
| “Jiangsu Company”                  | COFCO Joycome (Jiangsu) Co., Ltd. a limited liability company incorporated in the PRC on June 26, 2009 and an indirectly wholly-owned subsidiary of our Company   |
| “Jilin Company”                    | COFCO Joycome (Jilin) Co., Ltd. a limited liability company incorporated in the PRC on December 4, 2012 and an indirectly wholly-owned subsidiary of our Company  |
| “KKR”                              | Promise Meat Investment II Ltd, an exempted company with limited liability incorporated in the Cayman Islands on March 18, 2014, and a Shareholder of our Company   |
| “Listing Rules”                    | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “Mainfield”                        | Mainfield International Limited (明暉國際有限公司), a limited liability company incorporated in the BVI on October 8, 2008, and a major Shareholder of our Company  |
| “Major PRC Commercial Banks”       | Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, Bank of Communications, China Merchants Bank, China CITIC Bank and Agricultural Development Bank of China  |

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| “Maverick Company”                          | COFCO Maverick Food Products Co., Ltd.* (中糧萬威客食品有限公司), a limited liability company incorporated in the PRC on July 6, 1994 and a wholly-owned subsidiary of the Company   |
| “Ministry of Agriculture and Rural Affairs” | Ministry of Agriculture and Rural Affairs of the PRC (中華人民共和國農業農村部) or its local counterpart  |
| “MIY”                                       | MIY Corporation, a limited liability Company incorporated under the laws of Japan on January 18, 2011   |
| “Model Code”                                | the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules   |
| “New Share Incentive Scheme”                | upon unanimous negotiation with MIY, KKR, Baring, Temasek and Boyu, the Board convened a meeting on March 27, 2017, considered and approved the amended Former Share Incentive Scheme and the related documents |
| “Nomination Committee”                      | the Nomination Committee of the Board   |
| “Non-competition Undertakings”              | the non-competition undertakings entered into by COFCO, COFCO (HK), China Foods (Holdings) and Mainfield in favor of the Company  |
| “PBOC”                                      | People’s Bank of China (中國人民銀行)   |
| “Prospectus”                                | the prospectus of the Company dated October 19, 2016  |
| “Remuneration Committee”                    | the Remuneration Committee of the Board   |
| “Revised Annual Caps”                       | the revised annual caps for the Transactions for the three years ending December 31, 2021   |
| “RMB” or “Renminbi”                         | the lawful currency of the PRC  |
| “SFO”                                       | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time   |
| “Share(s)”                                  | shares in the capital of our Company with a nominal value of US\$0.000001 each  |
| “Shareholder(s)”                            | holder(s) of our Shares of the Company  |
| “State Council”                             | State Council of the PRC (中華人民共和國國務院)   |
| “Stock Exchange”                            | The Stock Exchange of Hong Kong Limited   |
| “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 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  |

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| “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                                 |
| “Temasek”  | TLS Beta Pte. Ltd., a limited liability company incorporated in Singapore on January 7, 2005, and a Shareholder of our Company   |
| “Wuhan COFCO Meat”                               | COFCO Wuhan Meat Product Co., Ltd., a limited liability company incorporated in the PRC on September 30, 2002 and an indirectly wholly-owned subsidiary of our Company |
| “Zhangbei Company”                               | COFCO Joycome (Zhangbei) Co., Ltd., a limited liability company incorporated in the PRC on December 4, 2014 and an indirectly wholly-owned subsidiary of our Company   |