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Post Hearing Information Pack

COFCO Meat Holdings Limited 中糧肉食控股有限公司

(the “Company”)

(Incorporated in the Cayman Islands with limited liability)

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中糧
COFCO

中糧肉食控股有限公司
COFCO Meat Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the : [REDACTED] Shares (subject to the
[REDACTED] [REDACTED])
Number of [REDACTED] : [REDACTED] Shares (subject to
[REDACTED])
Number of [REDACTED] : [REDACTED] Shares (subject to
[REDACTED] and the [REDACTED])
Maximum [REDACTED] : [REDACTED] per Share, plus
[REDACTED])
Nominal value : US\$0.000001 per Share
Stock code : [●]

Joint Sponsors

Morgan Stanley

J.P.Morgan

[REDACTED]

[REDACTED]

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If, for any reason, the [REDACTED] is not agreed by [REDACTED] between the [REDACTED] (for themselves and on behalf of [REDACTED]) and us (for ourselves and on behalf of [REDACTED]), the [REDACTED] will not proceed and will lapse.

The [REDACTED] (for themselves and on behalf of the [REDACTED] and [REDACTED]) may, where considered appropriate and with our consent, reduce the number of [REDACTED] and/or the indicative [REDACTED] below that stated in this document (which is [REDACTED] to [REDACTED]) at any time prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, notices of the reduction in the number of [REDACTED] and/or the indicative [REDACTED] will be published in the [South China Morning Post] (in English) and the [Hong Kong Economic Times] (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the [REDACTED]. Such notices will also be available on the website of the [REDACTED] at [REDACTED] and on the website of our company at www.cofco-joycome.com. Further details are set forth in the sections headed “Structure of the [REDACTED]” and “How to [REDACTED]” in this document. If applications for [REDACTED] have been submitted prior to the day which is the last day for lodging applications under the [REDACTED], in the event that the number of [REDACTED] and/or the indicative [REDACTED] is so reduced, such applications can subsequently be withdrawn.

Prior to making an [REDACTED] decision, [REDACTED] should consider carefully all of the information set out in this document, including the risk factors set out in the section headed “Risk Factors” in this document.

[REDACTED] of the [REDACTED] should note that the obligations of the [REDACTED] under the [REDACTED] to subscribe, and to procure subscribers for, the [REDACTED], are subject to termination by the [REDACTED] (for themselves and on behalf of the [REDACTED] and the [REDACTED]) if certain grounds arise prior to [REDACTED]. Such grounds are set out in the section headed “[REDACTED] Arrangements and Expenses—The [REDACTED]—Grounds for Termination” in this document. It is important that you refer to that section for further details.

[REDACTED]

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this document. You should read the whole document before you decide to [REDACTED] in the [REDACTED]. There are risks associated with any [REDACTED]. Some of the particular risks in investing in the [REDACTED] are set forth in the section headed “Risk Factors” in this document. You should read that section carefully before you decide to invest in the [REDACTED].

OVERVIEW

We are a rapidly growing pork company in China with a vertically integrated business model operating across the entire industry value chain. Our businesses include feed production, hog production, slaughtering, the production, distribution and sale of fresh pork and processed meat products, and the import and sale of frozen meat products. We have grown rapidly, and as of the Latest Practicable Date, we had 47 hog farms, two slaughtering plants and two processed meat plants strategically located across China. We ranked fourth in China’s hog production market by production volume of finishing hogs in 2015, according to Frost & Sullivan. Our revenue from continuing operations increased from RMB3,733.6 million in 2013 to RMB5,055.7 million in 2015, representing a CAGR of 16.4%, and increased by 43.0% from RMB1,375.6 million in the four months ended April 30, 2015 to RMB1,967.6 million in the same period of 2016.

We are uniquely positioned to benefit from current trends in China’s pork industry, including industry consolidation toward large-scale hog farms, increasing consumer demand for safe, high-quality products, and the need to comply with increasingly stringent environmental regulations. We were one of the first enterprises in China to adopt large-scale hog farming, according to Frost & Sullivan. Our annual hog production capacity increased from 1.3 million head as of December 31, 2013 to 2.3 million head as of December 31, 2015, representing a CAGR of 30.7%. We expect to increase our annual hog production capacity to over 3.5 million head by the end of 2016. Over the next five years, we intend to continue our expansion and our goal is to expand our annual hog production capacity to 5.5 million head by the end of 2020, representing a CAGR of 19.3% between 2015 and 2020. Our vertically integrated business model and stringent food-safety control system help us to closely monitor our production processes to ensure food safety. Shortly before the 2012 London Olympics, General Administration of Sports of China designated us as the sole meat product supplier for the Chinese Olympic Sports Delegation between 2012 and 2015, an important demonstration of recognition of and trust in the safety and quality of our products.

We have a strong and diversified shareholder base built around COFCO, a Fortune Global 500 company and leading state-owned Chinese agribusiness company directly owned and managed by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC, and Mitsubishi and its associates Itoham and Yonekyu, which have extensive experience in livestock

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farming and meat products processing. Through implementation of state-owned enterprise reform, we also brought in leading financial investors KKR, Baring, Temasek and Boyu as shareholders. Our shareholders have provided us with support in a variety of areas, including strategic planning, talent acquisition, resource allocation, branding, operations and corporate governance.

OUR PRODUCTS

We operate through two main business lines: (1) our pork business, in which we produce live hogs, fresh pork and processed meat products using our vertically integrated platform, and (2) our international trading business, in which we import and sell frozen meat and byproducts in China.

The tables below set forth our continuing operations’ revenue, sales volume and average selling price (for external sales only) by segment for the periods indicated.

	For the year ended December 31,								
	2013			2014			2015		
	Revenue	Sales volume ⁽¹⁾	Average selling price ⁽²⁾	Revenue	Sales volume ⁽¹⁾	Average selling price ⁽²⁾	Revenue	Sales volume ⁽¹⁾	Average selling price ⁽²⁾
	RMB'000			RMB'000			RMB'000		
Hog production	385,175	296,235	1,300	410,588	363,663	1,129	755,868	527,457	1,433
Fresh pork	1,425,877	91,117	15,649	1,442,518	98,989	14,572	2,027,363	123,289	16,444
Processed meat products	270,763	7,530	35,959	290,426	8,350	34,783	329,784	9,548	34,539
International trading	1,651,784	72,479	22,790	1,602,507	74,908	21,393	1,942,690	106,896	18,174
	For the four months ended April 30,								
	2015						2016		
	Revenue	Sales volume ⁽¹⁾	Average selling price ⁽²⁾	Revenue	Sales volume ⁽¹⁾	Average selling price ⁽²⁾	Revenue	Sales volume ⁽¹⁾	Average selling price ⁽²⁾
	RMB'000						RMB'000		
Hog production	205,221	180,665	1,136	487,754	256,300	1,903			
Fresh pork	497,532	35,654	13,955	783,876	40,682	19,268			
Processed meat products	102,122	2,942	34,716	103,520	2,961	34,965			
International trading	570,709	28,712	19,877	592,480	31,898	18,574			

Note:

(1) Head for hog production and metric tons for other segments.

(2) RMB/head for hog production and RMB/metric ton for other segments.

SUMMARY

Pork Business

Hog Production

Our hog production division includes feed production and hog breeding and farming operations. According to Frost & Sullivan, in 2015 we ranked fourth in China’s hog production market by production volume of finishing hogs. We supply the majority of the hogs we produce to our fresh pork division, and sell the remaining hogs to external customers. The table below sets forth certain operating metrics of our hog production division as of the period ends or for the periods indicated.

	As of/For the year ended December 31,						As of/For the four months ended April 30,		
	2013	2014	2015	2014 vs.	2015 vs.	CAGR ⁽¹⁾	2015	2016	%
				2013	2014				
				%	%				
				Change	Change				Change
Annual Production Capacity⁽²⁾									
(thousand head) .	1,340.0	1,590.0	2,290.0	18.7%	44.0%	30.7%	1,590	2,290	44.0%
Production Volume⁽³⁾									
(thousand head) .	935.8	1,000.5	1,168.9	6.9%	16.8%	11.8%	410.5	504.9	23.0%
Average Finishing Weight									
(kg per head) ⁽⁴⁾ .	96.4	97.8	101.8	1.5%	4.1%	2.8%	102.6	106.6	3.9%
Piglets Weaned Per Sow Per Year									
(PSY) ⁽⁵⁾	21.6	22.2	22.6	2.8%	1.8%	2.3%	21.5	23.4	8.8%

Notes:

- (1) CAGR is calculated for the period from 2013 to 2015 or from December 31, 2013 to December 31, 2015, as appropriate.
- (2) Annual production capacity for hog production has been calculated as the total designed annual hog production capacity of the given hog production facilities in operation at the end of the period.
- (3) The production volume includes hogs we produce for both internal and external sales in the period.
- (4) Over the Track Record Period, while the average finishing weight of our finishing hogs increased, the time to grow our finishing hogs shortened.
- (5) Means the total number of piglets weaned in a given period, expressed on a yearly basis, divided by the average number of sows in this period.

The table below sets forth the number of hogs that we produced for sale and a breakdown of our internal and external sales of these hogs for the periods indicated.

SUMMARY

	Year Ended December 31,						For the four months ended			
							April 30,			
	2013		2014		2015		2015		2016	
	<i>(thousand head, except percentage)</i>									
Internal Hog										
Sales	639.6	68.3%	636.8	63.6%	641.4	54.9%	229.8	56.0%	248.6	49.2%
External Hog										
Sales ⁽¹⁾	296.2	31.7%	363.7	36.4%	527.5	45.1%	180.7	44.0%	256.3	50.8%
Total	935.8	100.0%	1,000.5	100.0%	1,168.9	100.0%	410.5	100.0%	504.9	100.0%

Note:

(1) Our external sales consist of sales of finishing hogs, piglets, nursery hogs and breeding stock.

Fresh Pork

Our fresh pork division includes hog slaughtering operations and the distribution and sale of fresh pork products, primarily chilled pork products and, to a lesser extent, frozen pork products. According to Frost & Sullivan, in 2015 we were a top ten producer in China’s fresh pork market in terms of sales revenue. Our fresh pork division sources a majority of the hogs that it processes from our hog production operations, and it purchases the remaining hogs from external suppliers. In addition to external sales, our fresh pork division also provides fresh pork to our processed meat products division as a raw material. Our total sales volume (both external and internal) of fresh pork products was 94.5, 102.9, 127.8 and 40.9 thousand metric tons in 2013, 2014, 2015 and the four months ended April 30, 2016, respectively.

Processed Meat Products

Our processed meat products division includes the production, distribution and sale of a wide range of processed meat products, most of which are premium quality low-temperature processed meat products. According to Frost & Sullivan, in 2015 we were a top ten producer in China’s processed meat market in terms of sales revenue. In addition, in 2015, in terms of sales revenue of low-temperature processed meat products, we ranked first in Guangzhou and Shenzhen in aggregate, second in Wuhan and third in each of Beijing and Shanghai. We source substantially all of the raw meat (primarily pork, as well as poultry and beef) we use in our production of processed meat products from our fresh pork division, our international trading business and the discontinued poultry business (the poultry business transferred to COFCO Poultry as part of the Reorganization). Our sales volume (both external and internal) of processed meat products was 7.5, 8.4, 9.5 and 3.0 thousand metric tons in 2013, 2014, 2015 and the four months ended April 30, 2016, respectively.

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International Trading

In our international trading business, we import frozen meat (including pork, beef, poultry, mutton and lamb) and byproducts and resell these products in China, including internally to our processed meat products division. According to Frost & Sullivan, in 2015 we ranked second in China’s meat import market by import volume. Our sales volume (both external and internal) of imported frozen meat products was 72.8, 75.1, 107.2 and 32.7 thousand metric tons in 2013, 2014, 2015 and the four months ended April 30, 2016, respectively.

OUR BRANDS

We have two core brands—“Joycome (家佳康)” and “Maverick (萬威客)” —both of which have clear positioning, with high food-safety and quality standards as the brands’ core values. In our fresh pork division, we market our small-pack fresh pork products under the “Joycome (家佳康)” brand and sell some of our fresh pork products at the Joycome-designated stores. We market our processed meat products, which are mainly premium low-temperature processed meat products, under the “Joycome (家佳康)” brand primarily in China’s central, eastern and northern regions, and under the “Maverick (萬威客)” brand primarily in the southern and eastern regions.

OUR CUSTOMERS AND SALES AND DISTRIBUTION NETWORK

The hogs that we sell externally are supplied directly to slaughtering plants near our hog farms or sold to hog dealers and small-scale hog farms. We sell our fresh pork products primarily to wholesalers, distributors, food processors, hypermarkets and supermarkets, restaurants and canteens, at Joycome-designated stores and through the e-commerce channel. We sell our processed meat products primarily to hypermarkets and supermarkets, retail stores, distributors, restaurants and canteens, at Joycome-designated stores and through the e-commerce channel. We sell our imported frozen meat products primarily to food processors, restaurants and canteens.

As of April 30, 2016, we had a total of 307 distributors, of whom 228 were for our fresh pork products and 79 were for our processed meat products. In 2013, 2014, 2015 and the four months ended April 30, 2016, our revenue from sales to distributors for our fresh pork and our processed meat products was in aggregate RMB358.6 million, RMB400.5 million, RMB697.6 million and RMB387.3 million, respectively, accounting for 9.6%, 10.7%, 13.8% and 19.7% of our continuing operations’ revenue in these respective periods. In 2013, 2014, 2015 and the four months ended April 30, 2016, our revenue from sales of fresh pork products to distributors was RMB298.3 million, RMB318.1 million, RMB623.6 million and RMB367.2 million, respectively, accounting for 20.9%, 22.1%, 30.8% and 46.8% of our fresh pork sales revenue in these respective years; our revenue from sales of processed meat products to distributors was RMB60.3 million, RMB82.4 million, RMB74.0 million and RMB20.1 million, respectively, accounting for 22.3%, 28.4%, 22.4% and 19.4% of our processed meat products sales revenue in these respective years.

SUMMARY

RAW MATERIALS AND SUPPLIERS

The raw materials for our hog production operations are feed and feed ingredients, primarily corn and soybean meal. Live hogs are the raw material for our fresh pork production. In addition to hogs produced at our hog farms, we also purchase live hogs from third-party hog farms located near our slaughtering facilities. Raw meat, which includes mainly pork and, to a lesser extent, poultry and beef, is the primary raw material of our processed meat production. The pork used in our processed meat production is primarily supplied by our fresh pork production division and our international trading division. The poultry used in our processed meat production is supplied by our discontinued poultry business. The beef used in our processed meat production is supplied by our international trading division.

We typically work with large, reputable suppliers to secure a stable supply of high quality raw materials. Our raw materials are generally available from a number of suppliers, and we normally have various sources of supply for each type of raw materials to reduce our dependency on a single supplier. We typically enter into annual framework agreements with our suppliers and purchase raw materials by purchase orders based on prevailing market prices, supply and demand dynamics and our inventory levels.

OUR STRENGTHS

- Our business platform covers the entire value chain of China’s pork industry, and we strictly control all aspects of production. This allows us to meet increasing market demand for safe, high-quality meat products and uniquely positions us to benefit from current trends in China’s pork industry.
- Capitalizing on the significant trend in China’s hog production industry toward large-scale farming, our hog production model enables us to increase production efficiency and has a high degree of predictability and replicability.
- We are pursuing innovative projects in environmental protection and sustainable development for hog production, and we believe that our core competence in environmental protection is an important competitive edge for our expansion and development.
- We have an experienced management team and receive strong support from our shareholder base.
- Our core brands have clear positioning and benefit from China’s rapidly growing market demand.
- We are a leading Chinese meat importer and can better serve our customers through the variety of products we import.

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OUR STRATEGIES

- Expand upstream production capacity to achieve greater scale with modernized facilities.
- Increase investment in technology, improve production efficiency and reduce production costs.
- Expand our production capacities for feed production, hog production, slaughtering and processing to further enhance our vertically integrated business model.
- Continue to expand our sales network and increase the geographic coverage of our products.
- Further enhance brand influence and awareness and increase market share by fully leveraging our strong advantage in food safety.
- Continue to recruit and train talent to ensure a strong talent pool and market competitiveness.

SUMMARY HISTORICAL FINANCIAL INFORMATION

The following is a summary of our consolidated financial information as of and for the years ended December 31, 2013, 2014 and 2015 and as of and for the four months ended April 30, 2016 and, for comparison purposes, for the four months ended April 30, 2015. This information has been extracted from the Accountants’ Report set out in Appendix I to this document. The following summary should be read together with the consolidated financial information in the Accountants’ Report, including the accompanying notes, and the information set forth in “Financial Information” in this document. Our consolidated financial information was prepared in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong.

SUMMARY

Summary Consolidated Statements of Profit or Loss and Other Comprehensive Income

	For the year ended December 31,			For the four months ended	
				April 30,	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations					
Revenue	3,733,599	3,746,039	5,055,705	1,375,584	1,967,630
Cost of sales	(3,548,616)	(3,626,183)	(4,937,701)	(1,334,160)	(1,945,955)
Gross profit	184,983	119,856	118,004	41,424	21,675
Other income	29,231	38,816	58,471	17,102	2,849
Other gains and losses, net	(2,162)	(23,911)	(127,622)	(7,015)	39,747
Selling and distribution expenses	(173,962)	(194,986)	(223,366)	(70,824)	(79,159)
Administrative expenses	(173,608)	(174,335)	(178,502)	(55,345)	(60,888)
Share of loss of a joint venture	—	—	—	—	(213)
Gain/(loss) arising from					
agricultural produce at fair value					
less costs to sell at the point of					
harvest	23,402	(78,324)	249,688	(73,574)	165,513
Gain arising from changes in fair					
value less costs to sell of					
biological assets	152,207	104,660	456,342	61,743	411,760
Finance costs	(104,702)	(137,568)	(133,365)	(52,145)	(40,028)
(Loss)/profit before tax	(64,611)	(345,792)	219,650	(138,634)	461,256
Income tax expense	(15,006)	(3,570)	(9,994)	—	(626)
(Loss)/profit for the year from					
continuing operations	(79,617)	(349,362)	209,656	(138,634)	460,630
Discontinued Operations					
Loss for the year from					
discontinued operations	(162,124)	(61,605)	(58,752)	(27,078)	3,921
(Loss)/profit for the year	(241,741)	(410,967)	150,904	(165,712)	464,551

SUMMARY

Summary Consolidated Statements of Financial Position

	As of December 31,			As of April 30,
	2013	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total current assets	1,900,252	4,107,552	3,511,313	3,495,559
Total current liabilities	4,177,342	5,270,262	4,362,403	4,404,120
Net current liabilities	(2,277,090)	(1,162,710)	(851,090)	(908,561)
Total assets less current liabilities	821,685	2,758,304	3,075,368	3,091,476
Net assets	525,675	2,436,649	2,644,188	2,301,473
Equity attributable to owners of the				
Company	388,728	2,325,474	2,644,188	2,301,473

Summary Consolidated Statements of Cash Flows

	For the year ended December 31,			For the four months ended
	2013	2014	2015	April 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash (used in)/generated from				
operating activities	(478,608)	(370,384)	381,286	628,525
Net cash used in investing activities	(390,243)	(698,871)	(1,252,382)	(167,768)
Net cash generated from/(used in)				
financing activities	789,662	2,902,683	(1,098,183)	(257,741)
Cash and cash equivalents at beginning				
of the year	384,136	298,855	2,142,369	182,006
Cash and cash equivalents (including				
Discontinued Operation) at end of the				
year	298,855	2,142,369	182,006	380,245

SUMMARY

KEY FINANCIAL DATA AND RATIOS

The following table sets forth key financial data and ratios as of and for the periods ended the dates indicated:

	For the year ended December 31,			For the four months ended April 30,	
	2013	2014	2015	2015	2016
Gross profit from continuing operations (RMB'000)	184,983	119,856	118,004	41,424	21,675
Gross profit margin	5.0%	3.2%	2.3%	3.0%	1.1%
Gross profit from continuing operations before biological fair value adjustments (RMB'000)	362,891	193,739	472,352	35,209	442,718
Gross profit margin before biological fair value adjustments	9.7%	5.2%	9.3%	2.6%	22.5%
Net profit/(loss) from continuing operations (RMB'000)	(79,617)	(349,362)	209,656	(138,634)	460,630
Net profit margin	(2.1%)	(9.3%)	4.1%	(10.1%)	23.4%
Net profit/(loss) from continuing operations before biological fair value adjustments (RMB'000)	(77,318)	(301,815)	(142,026)	(133,018)	304,400
Net profit margin before biological fair value adjustments	(2.1%)	(8.1%)	(2.8%)	(9.7%)	15.5%
Return on equity	N/A	N/A	5.9%	N/A	56.4%
Return on assets	N/A	N/A	2.0%	N/A	18.7%
Interest coverage ratio	N/A	N/A	2.01x	N/A	11.10x
	As of December 31,			As of April 30,	
	2013	2014	2015	2016	
Current ratio	0.45	0.78	0.80	0.79	
Net debt-to-equity ratio	482.3%	55.2%	119.3%	119.4%	

Please see the section headed “Financial Information—Key Financial Data and Ratios” starting on page 309 of this document for a description of the calculations of the above ratios. Our financial performance has been and is likely to continue to be strongly affected by price fluctuations of commodities, in particular live hogs and feed. The results of our hog production segment historically have had and are expected to continue to have the largest influence on our net profit or loss, and this segment’s results of operations are largely affected by hog price movements in China. For a discussion of how hog and other commodity prices affect our results of operations, please see “Financial Information—Principal Factors Affecting Our Results of Operations—Fluctuations in Commodity Prices.” Our hog production segment’s average selling price (for external sales only) decreased by

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13.2% from 2013 to 2014, but increased by 26.9% from 2014 to 2015 and by 67.5% from the four months ended April 30, 2015 to the same period of 2016. Another key factor affecting our profitability is the ramp-up of our operations. On the one hand, with the expansion and ramp-up of our production facilities, our sales volume and revenue increased during the Track Record Period, and with increased revenue, our selling and distribution expenses and administrative expenses accounted for a lower percentage of our total revenue from continuing operations from 2014 to 2015 and from the four months ended April 30, 2015 to the same period of 2016. On the other hand, the addition of new facilities causes us to incur fixed costs and expenses when the production volumes and utilization rates of these new production facilities are still low. It takes time for a new production facility (be it a hog farm or a processing plant) to ramp up its production and reduce its operating expenses on a per-unit basis. In particular, substantially all of our hog farms were established since 2011 or are being constructed. See “Business—Our Business—Pork Business—Hog Production” for more information on the number of hog farms that were in operation as of period-end dates during the Track Record Period. Our slaughtering plant in Dongtai, Jiangsu Province, which has an annual production capacity three times that of our older plant in Wuhan, commenced operations in October 2012 and its operations have been ramping up throughout the Track Record Period. Our profitability is also affected by our operating efficiency. Our average finishing weight increased from 96.4 kg per head in 2013 to 97.8 kg per head in 2014, 101.8 kg per head in 2015 and 106.6 kg per head in the four months ended April 30, 2016, while the time required to grow our finishing hogs shortened. In addition, our PSY increased from 21.6 in 2013 to 22.2 in 2014, 22.6 in 2015 and 23.4 in the four months ended April 30, 2016. These changes led to the improvements in our hog production efficiency, including improving our feed conversion and reducing our operating expenses on a per-unit basis. For example, the improvement in our profitability in the four months ended April 30, 2016, compared to the same period of 2015, was due in part to our greater hog production efficiency as a result of our efforts to improve feed efficiency, which reduced our average feed cost.

We had an accumulated loss of RMB334.4 million as of January 1, 2013. This amount was primarily attributable to (1) the selling and distribution expenses that we incurred before 2013 for our processed meat products business related to sales channel expansions and promotional activities, (2) losses from the Discontinued Operation, as its production facility in Suqian, Jiangsu Province commenced operation in late 2011 and this business was in the ramp-up stage in 2012 and because China’s overall market demand for poultry was relatively weak in 2012, and (3) our marketing and logistics expenses in connection with our fresh pork business’ expansion into the northern China market and our expenditures for construction of our slaughtering plant in Dongtai, Jiangsu Province, which commenced operation in October 2012. Both our hog production business and our international trading business had an accumulated profit as of January 1, 2013. We had losses from continuing operations of RMB79.6 million in 2013 and RMB349.4 million in 2014. Our loss from continuing operations in 2013 was primarily due to negative segment results for our fresh pork segment (as our slaughtering plant in Jiangsu Province commenced operation in October 2012 and we incurred significant operating expenses (including depreciation) relating to that facility in 2013) and negative segment results for our processed meat products segment as a result of significant selling and distribution expenses related to sales channel expansions, and because our hog production business was ramping up and its positive segment results were insufficient to cover our fixed costs and

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expenses. Our loss from continuing operations in 2014 was primarily due to negative segment results for our hog production segment and negative biological fair value adjustments as a result of a decrease in hog prices, as well as negative segment results for our fresh pork segment and relatively low segment results for our international trading segment as a result of a provision for impairment of inventories. Please also see “Financial Information—Description of Selected Statement of Profit or Loss and Other Comprehensive Income Items—Profit/(Loss) for the Year/Period” for more discussions of reasons for our accumulated loss as of January 1, 2013 and the reasons for our net losses or profits before and after biological fair value adjustments during the Track Record Period.

We recorded negative operating cash flows in 2013 and 2014, had net current liabilities as of December 31, 2013, 2014 and 2015 and April 30, 2016, and had relatively high net debt-to-equity ratios as of December 31, 2013 and 2015 and April 30, 2016. For illustrative purposes only, if we had settled all related party balances that we plan to settle before the [REDACTED] as of April 30, 2016 (assuming we used non-current assets or incurred non-current liabilities to settle the net current related party balances), we would have had net current assets. Our Directors believe that, after taking into account the financial resources available to us, including internally generated funds, credit facilities available and expected to be available, and the estimated net proceeds of the [REDACTED], we have sufficient working capital for our present requirements for at least the next 12 months from the date of this document.

Government grants, which are subject to the discretion of government authorities, affected our profitability during the Track Record Period. Our government grants for continuing operations were RMB21.1 million, RMB28.1 million, RMB38.1 million and RMB2.0 million in 2013, 2014, 2015 and the four months ended April 30, 2016, respectively, accounting for 0.6%, 0.7%, 0.8% and 0.1% of our revenue from continuing operations during these respective periods.

Biological Assets and Valuation

Our biological assets consist primarily of commodity pigs at various stages of development and breeding stock used to create future market animals, and before we completed the dispose of our poultry business, or the Discontinued Operation, on April 22, 2016, broilers and chicken breeders. Our biological assets were independently valued by Savills, an independent professional valuer with appropriate extensive experience in valuation of biological assets. See the section headed “Financial Information—Valuation of Biological Assets” for more information on the assumptions and inputs used for the valuation of our biological assets and the sensitivity analysis in respect of changes in hog prices. As our Directors resolved to dispose of our Discontinued Operation in November 2015, as of December 31, 2015 we reclassified the biological assets of the Discontinued Operation as assets of disposal group classified as held for sale. We did not have any live chickens as of April 30, 2016.

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The following table sets out the carrying value and number of our biological assets (excluding biological assets of the Discontinued Operation as of December 31, 2015) at the end of each of the reporting periods:

	As of December 31,						As of April 30,	
	2013		2014		2015		2016	
	<i>RMB'000</i>	<i>'000 head</i>	<i>RMB'000</i>	<i>'000 head</i>	<i>RMB'000</i>	<i>'000 head</i>	<i>RMB'000</i>	<i>'000 head</i>
Livestock:								
Live hogs	672,888	581	739,859	685	1,192,566	889	1,408,925	987
Live chicken	24,127	1,443	21,272	2,033	—	—	—	—
Total	<u>697,015</u>		<u>761,131</u>		<u>1,192,566</u>		<u>1,408,925</u>	
Current portion	541,440		602,791		936,296		1,171,838	
Non-current portion . . .	155,575		158,340		256,270		237,087	
Total	<u>697,015</u>		<u>761,131</u>		<u>1,192,566</u>		<u>1,408,925</u>	

RISK FACTORS

There are certain risks involved in our operations, some of which are beyond our control. These risks can be broadly categorized into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to China; and (iv) risks relating to the [REDACTED]. We believe that the most significant risks we face include:

- Our results of operations are substantially affected by the selling prices of hogs and meat products, which affect our revenue, and by fluctuations in the purchase prices of hogs and grains (mainly corn and soybean meal), which affect our costs.
- Outbreaks of diseases among or attributed to hogs and adverse publicity of these types of diseases can significantly affect our production, supply of raw materials, demand for our products and our business.
- Any perceived or actual food safety or health problems related to our raw materials, products, operations or China's food industry in general could adversely affect our reputation, ability to sell our products and our financial performance, and subject us to liability claims and regulatory actions.
- The fair value of our biological assets may fluctuate significantly from period to period, causing our results of operations to be highly volatile.
- We are subject to risks associated with managing future growth and expansion.

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A detailed discussion of risk factors relevant to this [REDACTED] are set forth in the section headed “Risk Factors” starting on page 39 of this document, and you should read the entire section carefully before you decide to [REDACTED] in the [REDACTED].

In the Track Record Period, there was a biogas poisoning accident at one of our hog farms in Chifeng, the Inner Mongolia Autonomous Region, resulting in the death of two of our employees and the injury of another two employees. See “Risk Factors—Personal injuries, damage to property or fatal accidents may occur in our production facilities” and “Business—Occupational Health and Safety” for details of the incident.

RECENT DEVELOPMENTS

After biological fair value adjustments, in the six months ended June 30, 2016, our revenue from continuing operations was RMB2,989.4 million, representing an increase from the same period of 2015. In the six months ended June 30, 2016, our gross profit and gross profit margin for continuing operations were RMB31.7 million and 1.1%, respectively, both of which represent decreases as compared to the same period of 2015. These decreases were due to higher culling costs for our hog production segment, as a result of the increased production scale of our hog production operations. In the six months ended June 30, 2016, the net biological fair value adjustments that affected our profit or loss from continuing operations was RMB247.5 million, which was substantially higher than those in the same period of 2015. For a discussion of how biological fair value adjustments affect our results of operations, see “Financial Information—Principal Factors Affecting Our Results of Operations—Changes in Fair Values of Biological Assets.”

Before biological fair value adjustments, in the six months ended June 30, 2016, our gross profit and gross profit margin for continuing operations were RMB702.1 million and 23.5%, respectively, both of which represent increases as compared to the same period of 2015. These increases were primarily due to a significant increase in the market prices for hogs and an increase in our hog production volume.

Our Directors are responsible for the preparation of our unaudited consolidated management accounts as of and for the six months ended June 30, 2016 in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants. Our consolidated management accounts as of and for the six months ended June 30, 2016 have been reviewed by our reporting accountants, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by Hong Kong Institute of Certified Public Accountants.

In addition to loans as of the Indebtedness Date as disclosed in the section headed “Financial Information—Liquidity and Capital Resources—Indebtedness,” as of the Latest Practicable Date, we made drawdowns of RMB66.6 million in September 2016 under four long-term bank loan agreements, which will mature by January 2023, December 2023, December 2023 and September 2024,

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respectively. We borrowed these loans for the purpose of constructing hog farms. We have obtained credit facilities from two commercial banks, each in the amount of US\$150 million, under which we may draw down funds before the [REDACTED] to repay our loans from the immediate holding company (Mainfield, a subsidiary of COFCO).

In July 2016, Wuhan was affected by flooding. We have nine hog farms in Wuhan, all of which are located on relatively high terrain, which makes them less vulnerable to the flooding. These hog farms were in normal operations during the flooding. The flooding did, however, cause us to incur unanticipated expenditures of approximately RMB0.2 million, including machinery and wall repair costs, vehicle damage and product losses due to late deliveries. We expect a substantial portion of these expenditures to be compensated by our insurers. We do not believe that the flooding in Wuhan had a material adverse impact on our operations or financial performance.

Our Directors confirm that up to the date of this document, other than the above, there has been no material adverse change in our financial or trading position or prospects since April 30, 2016, and there is no event since April 30, 2016, which would materially and adversely affect the audited financial information as set out in Appendix I to this document.

SHAREHOLDER INFORMATION

As of the Document Date, COFCO, COFCO (HK), China Foods (Holdings) and Mainfield are our Controlling Shareholders.

Immediately after the completion of the [REDACTED], Mainfield will directly own [REDACTED] Shares, representing approximately [REDACTED]% of our outstanding issued share capital. Immediately prior to the completion of the Mainfield Restructuring, Mainfield is held as to 67% by China Foods (Holdings) and 33% by MIY. Immediately after the Mainfield Restructuring, MIY will become a direct Shareholder of 531,141,296 Shares of our Company and Mainfield will become a wholly-owned subsidiary of China Foods (Holdings). China Foods (Holdings) is legally and beneficially wholly-owned by COFCO (HK), which in turn is legally and beneficially wholly-owned by COFCO. Mainfield, China Foods (Holdings), COFCO (HK) and COFCO are our controlling shareholders immediately after the [REDACTED]. Please see the section headed “Relationship with Controlling Shareholders” at page 317 of this document for further details.

Our [REDACTED] Investors, MIY, KKR, Baring, Temasek and Boyu will directly hold [REDACTED] Shares, [REDACTED] Shares, [REDACTED] Shares, [REDACTED] Shares and [REDACTED] Shares, respectively, representing approximately [REDACTED]%, [REDACTED]%, [REDACTED]%, [REDACTED]% and [REDACTED]%, respectively, in the total issued share capital of our Company immediately after the completion of the [REDACTED] if the [REDACTED] is not exercised, or [REDACTED] Shares, [REDACTED] Shares, [REDACTED] Shares, [REDACTED] Shares and [REDACTED] Shares, respectively, representing approximately [REDACTED]%,

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[REDACTED]%, [REDACTED]%, [REDACTED]% and [REDACTED]%, respectively, in the total issued share capital of our Company if the [REDACTED] is exercised in full. Please see the section headed “History, Development and Reorganization—[REDACTED] Investments” starting on page 126 of this document for further details.

RELATIONSHIP WITH COFCO

COFCO is engaged in a wide array of businesses, including agricultural commodities trading and agricultural products processing, food and beverages, real estate development, hotel management, logistics, native produce and animal by-products, financial services and packaging products.

The categories of connected transactions that we have currently entered into with COFCO are as follows: PRC Trademark License Agreement, Hong Kong Trademark License Agreement, Poultry Trademark License Agreements, Administrative Services Agreement, Insurance Agreement, Beijing Property Leasing Contract and Beijing Property Management Contract, Hong Kong Tenancy Agreement, Mutual Supply Agreement and Financial Services Agreement. For details of these connected transactions, please refer to the section headed “Connected Transactions” in this Document.

The percentage of sales with COFCO to the total revenue of the Company for the years ended December 31, 2013, 2014 and 2015, and the four months ended April 30, 2016 are 0.05%, 0.11%, 0.11% and 0.03%, respectively; the percentage of procurements with COFCO to the total cost of sales of the Company for the years ended December 31, 2013, 2014 and 2015, and the four months ended April 30, 2016 are 15.32%, 11.68%, 9.14% and 9.01%, respectively.

We do not rely on COFCO Group for any significant amount of our revenue, product development, staffing or marketing and sales activities. We independently hold all of the production and operating facilities and technology relating to our current business operations. Sales, marketing and administrative functions relating to our business are carried out independently by our Group. We have sufficient operational capacity in terms of capital, equipment and employees to operate our businesses independently from COFCO Group. We have our own headcount of employees for our operations and independently manage our human resources. Our Group owns all licenses, trademarks or licenses to use the trademarks and other intellectual property rights which are material to our operations. Please refer to the section headed “Relationship with Controlling Shareholders—Independence from COFCO Group—Operational Independence” for further information on our operational independence from COFCO.

Our Group has its own financial management system and ability to operate independently of COFCO Group from a financial perspective. Our Directors are of the view that our Group does not unduly rely on advances from COFCO Group for our business operations. Please refer to the section headed “Relationship with Controlling Shareholders—Independence from COFCO Group—Financial Independence” for further information on our financial independence from COFCO.

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DIVIDEND

As a Cayman Islands company, any dividend recommendation will be made at the absolute discretion of our Directors. The declaration, payment and amount of dividends will depend on our financial condition, earnings, capital requirements and surplus, our general financial condition, contractual and legal restrictions, our ability to receive dividend payments from our subsidiaries, and other factors that our Directors deem relevant. We did not declare or pay any dividend during the Track Record Period.

[REDACTED] STATISTICS⁽¹⁾

	Based on an [REDACTED] of [REDACTED] per [REDACTED]	Based on an [REDACTED] of [REDACTED] per [REDACTED]
[REDACTED] of our Shares ⁽²⁾	[REDACTED]	[REDACTED]
[REDACTED] per Share ⁽³⁾	[REDACTED]	[REDACTED]

Notes:

- (1) All statistics in the table are based on the assumption that the [REDACTED] is not exercised.
- (2) The calculation of market capitalization is based on [REDACTED] Shares expected to be issued under the [REDACTED], and assuming that [REDACTED], Shares are issued and outstanding immediately following the completion of the [REDACTED].
- (3) The [REDACTED] per Share is calculated after making the adjustments referred to in “Appendix II—Unaudited Pro Forma Financial Information” and on the basis that: [REDACTED] Shares in total, taking into account that 2,926,398,323 Shares were in issue as at April 30, 2016 and assuming that the issue of [REDACTED] Shares pursuant to the [REDACTED] had been completed.

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USE OF PROCEEDS

Assuming an [REDACTED] of [REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range stated in this document), we estimate that (i) the gross proceeds of the [REDACTED] that we will receive will be approximately [REDACTED], and (ii) the net proceeds of the [REDACTED] that we will receive, after deduction of [REDACTED] and estimated expenses payable by us in connection with the [REDACTED], will be approximately [REDACTED].

We intend to use the net proceeds of the [REDACTED] for the following purposes:

- (i) approximately [REDACTED] will be [REDACTED];
- (ii) approximately [REDACTED] will be [REDACTED];
- (iii) approximately [REDACTED] will be [REDACTED]; and
- (iv) approximately [REDACTED] will be [REDACTED].

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the estimated [REDACTED]. Please see the section headed “Future Plans and Use of Proceeds” in this document for further details.

[REDACTED] EXPENSES

We incurred [REDACTED] of [REDACTED] expenses during the Track Record Period, which were recognized as expenses. We expect to incur approximately [REDACTED] of [REDACTED] expenses (including [REDACTED]) after the Track Record Period, of which approximately [REDACTED] will be capitalized and [REDACTED] will be recognized as expenses after the [REDACTED] for the year ending December 31, 2016.

DEFINITIONS

In this document, unless the context otherwise requires, the following expressions shall have the following meanings.

“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“All-party Deed”	the all-party deed entered into among our Company, COFCO (HK), Mainfield, KKR, Baring, HOPU, Boyu and Temasek dated September 25, 2015
	[REDACTED]
“Articles” or “Articles of Association”	the articles of association of the Company which will become effective upon the [REDACTED], as amended from time to time, a summary of which is set out in Appendix III to this document
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Aviva-COFCO”	Aviva-COFCO Life Insurance Co., Ltd. (中英人壽保險有限公司), a company incorporated with limited liability in the PRC on December 11, 2002, and is indirectly held as to 50% by COFCO
“Baring”	Baring Private Equity Asia V Holding (16) Limited, a limited liability company incorporated in the BVI on February 20, 2014, and a Shareholder holding approximately 9% of the issued share capital of our Company immediately prior to the [REDACTED]
“Board” or “Board of Directors”	our board of Directors
“Boyu”	Shiny Joyful Limited, an exempted company with limited liability incorporated in the Cayman Islands on February 10, 2014, and a Shareholder holding approximately 7.8% of the issued share capital of our Company immediately prior to the [REDACTED]
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

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“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Cayman Companies Law” or “Companies Law”	the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CBRC”	the China Banking Regulatory Commission (中國銀行業監督管理委員會)

[REDACTED]

“CFDA”	China Food and Drug Administration (國家食品藥品監督管理總局) or its local counterpart
“Chairman”	the chairman of the Board
“China” or “PRC”	the People’s Republic of China excluding for the purpose of this document, Hong Kong, Macau and Taiwan
“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 with stock code 606, and an indirect subsidiary of COFCO
“China Foods”	China Foods Limited (中國食品有限公司), a company incorporated in Bermuda with limited liability on May 14, 1990, the shares of which are listed on the Main Board of the Stock Exchange with stock code 506, and an indirect subsidiary of COFCO

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“China Foods (Holdings)”	China Foods (Holdings) Limited (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)
“CM/Merit”	CM/Merit Agriculture Development Co., Ltd. (江蘇中慕農業發展有限公司), a limited liability company incorporated under the laws of the PRC on December 25, 2015 and held as to 60% by Merit Biotech and 40% by COFCO Meat Investments
“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 the ultimate controlling shareholder of our Company
“COFCO (HK)”	COFCO (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability on August 14, 1981, and a direct wholly-owned subsidiary of COFCO and our indirect controlling shareholder
“COFCO Finance”	COFCO Finance Corporation Limited (中糧財務有限責任公司), a non-bank financial institution incorporated with limited liability in the PRC on September 24, 2002, and an indirect wholly-owned subsidiary of COFCO
“COFCO Group”	COFCO and its subsidiaries other than our Group and including the Disposal Group (unless the context indicates otherwise)
“COFCO Joycome (Chifeng)”	COFCO Joycome (Chifeng) Co., Ltd. (中糧家佳康(赤峰)有限公司), a limited liability company incorporated under the laws of the PRC on March 7, 2014 and an indirect wholly-owned subsidiary of our Company
“COFCO Joycome (Jilin)”	COFCO Joycome (Jilin) Co., Ltd. (中糧家佳康(吉林)有限公司), a limited liability company incorporated under the laws of the PRC on December 4, 2012 and an indirect wholly-owned subsidiary of our Company
“COFCO Joycome (Yancheng)”	COFCO Joycome (Yancheng) Co., Ltd. (中糧家佳康(鹽城)有限公司), a limited liability company incorporated under the laws of the PRC on September 10, 2014 and an indirect wholly-owned subsidiary of our Company

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“COFCO Joycome (Zhangbei)”	COFCO Joycome (Zhangbei) Co., Ltd. (中糧家佳康(張北)有限公司), a limited liability company incorporated under the laws of the PRC on December 4, 2014 and an indirect wholly-owned subsidiary of our Company
“COFCO Joycome (Zunhua)”	COFCO Joycome (Zunhua) Co., Ltd. (中糧家佳康(遵化)有限公司), a limited liability company incorporated under the laws of the PRC on June 21, 2016 and an indirect wholly-owned subsidiary of our Company
“COFCO Meat (Beijing)”	COFCO Meat (Beijing) Co., Ltd. (中糧肉食(北京)有限公司), a limited liability company incorporated under the laws of the PRC on July 23, 2009 and an indirect wholly-owned subsidiary of our Company
“COFCO Meat (Jiangsu)”	COFCO Meat (Jiangsu) Co., Ltd. (中糧肉食(江蘇)有限公司), a limited liability company incorporated under the laws of the PRC on June 26, 2009 and an indirect wholly-owned subsidiary of our Company
“COFCO Meat (Shandong)”	COFCO Meat (Shandong) Co., Ltd. (中糧肉食(山東)有限公司), a limited liability company incorporated under the laws of the PRC on November 18, 2009, and indirectly owned as to approximately 55%, 20%, 9%, 8.2% and 7.8% by Mainfield, KKR, Baring, Temasek and Boyu, respectively
“COFCO Meat (Suqian)”	COFCO Meat (Suqian) Co., Ltd. (中糧肉食(宿遷)有限公司), a limited liability company incorporated under the laws of the PRC on March 26, 2010, and indirectly owned as to approximately 55%, 20%, 9%, 8.2% and 7.8% by Mainfield, KKR, Baring, Temasek and Boyu, respectively
“COFCO Meat (Tianjin)”	COFCO Meat (Tianjin) Co., Ltd. (中糧肉食(天津)有限公司), a limited liability company incorporated under the laws of the PRC on April 24, 2009 and an indirect wholly-owned subsidiary of our Company
“COFCO Meat Farming (Shandong)”	COFCO Meat Farming (Shandong) Co., Ltd. (中糧肉食養殖(山東)有限公司), a limited liability company incorporated under the laws of the PRC on April 1, 2010, and indirectly owned as to approximately 55%, 20%, 9%, 8.2% and 7.8% by Mainfield, KKR, Baring, Temasek and Boyu, respectively

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“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 Meat Products (HK)”	COFCO Meat Products (HK) Limited (formerly known as Fortune Flow Limited), a limited liability company incorporated in Hong Kong on October 10, 2008 and an indirect wholly-owned subsidiary of the Company
“COFCO Packaging”	CPMC Holdings Limited (中糧包裝控股有限公司), a company incorporated in Hong Kong with limited liability on October 25, 2007, the shares of which are listed on the Main Board of the Stock Exchange with stock code 906, and an indirect subsidiary of COFCO
“COFCO Poultry”	COFCO Poultry Co., Ltd. (中糧禽業有限公司), a limited liability company incorporated under the laws of the PRC on February 4, 2016 and indirectly owned as to approximately 55%, 20%, 9%, 8.2% and 7.8% by Mainfield, KKR, Baring, Temasek and Boyu, respectively
“Company” or “our Company”	COFCO Meat Holdings Limited (中糧肉食控股有限公司), (formerly known as Charm Thrive Investments Limited (燦旺投資有限公司)), a company incorporated in the BVI with limited liability on March 11, 2014 and re-domiciled to the Cayman Islands as an exempted company with limited liability on May 4, 2016
“Companies Ordinance” or “Hong Kong Companies Ordinance”	the Companies Ordinance (Chapter 622 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“connected person”	has the meaning ascribed thereto in the Listing Rules
“Controlling Shareholder(s)”	unless the context requires otherwise, refers to COFCO, COFCO (HK), China Foods (Holdings) and Mainfield
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會) or its local counterpart

DEFINITIONS

“Daloong Enterprises”	Daloong Enterprises Limited, a limited liability company incorporated in the BVI on September 30, 2015 and directly owned as to approximately 55%, 20%, 9%, 8.2% and 7.8% by Mainfield, KKR, Baring, Temasek and Boyu, respectively
“Deed of Adherence”	the deed of adherence executed by Temasek dated September 25, 2015
“Director(s)”	director(s) of our Company
“Discontinued Operation” or “discontinued poultry business”	means the chicken farming, slaughtering and sales business conducted by COFCO Meat Farming (Shandong), COFCO Meat (Shandong) and COFCO Meat (Suqian), which we transferred to COFCO Poultry as part of the Reorganization
“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. For additional information, please see the section headed “History, Development and Reorganization—Reorganization” in this document
“EIT Law”	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), promulgated on March 16, 2007 and became effective as of January 1, 2008
“Farasia”	Farasia Corporation, a limited liability company incorporated in the BVI on February 15, 1993 and an indirect wholly-owned subsidiary of the Company
“Frost & Sullivan”	an independent market research and consulting company
“GDP”	gross domestic product (except as otherwise specified, all references to GDP growth rates are to real, as opposed to nominal, rates of GDP growth)
	[REDACTED]
“Genesis”	Genesis Inc, a limited liability company incorporated under the laws of Manitoba, Canada on April 1, 2013
“Genesis JV”	Zhongyu Breeding Hogs (Dongtai) Co., Ltd. (中裕種豬(東台)有限公司), a limited liability company incorporated under the laws of the PRC on May 31, 2016 and held as to 51% by COFCO Meat Investments and 49% by Genesis

DEFINITIONS

[REDACTED]

“Green Food Certification”	a quality certification registered by the China Green Food Development Center with the Trademark Office under the State Administration for Industry and Commerce of China
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
“HACCP”	Hazard Analysis and Critical Control Points, a systematized preventive approach to food safety from hazards in production processes
“Heaplink”	Heaplink Limited, a limited liability company incorporated in the BVI on September 23, 2015 and indirectly owned as to approximately 55%, 20%, 9%, 8.2% and 7.8% by Mainfield, KKR, Baring, Temasek and Boyu, respectively
“Heaplink (HK)”	Heaplink (HK) Limited, a limited liability company incorporated in Hong Kong on November 30, 2015 and indirectly owned as to approximately 55%, 20%, 9%, 8.2% and 7.8% by Mainfield, KKR, Baring, Temasek and Boyu, respectively
“HK\$” or “Hong Kong dollar(s)” or “HKD” or “cents”	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong

[REDACTED]

“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

[REDACTED]

“HOPU”	HOPU Promise Investment Limited, an exempted company with limited liability incorporated in the Cayman Islands on May 8, 2014, and formerly a Shareholder
“HOPU-Temasek Sale and Purchase Agreement”	the sale and purchase agreement entered into between HOPU and Temasek dated September 25, 2015
“Huafu”	China Huafu Trading & Development Group Corp. (中國華孚貿易發展集團公司), a company incorporated under the laws of the PRC on January 4, 1993 and a wholly-owned subsidiary of COFCO Group
“Huafu Group”	Huafu and its subsidiaries
“Indebtedness Date”	August 31, 2016, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain indebtedness and liquidity information in this document

DEFINITIONS

“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with any Directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates

[REDACTED]

“Itoham”	Itoham Foods Inc., a limited liability company incorporated under the laws of Japan on June 29, 1948 and a 21.29% shareholder of MIY

“Itoham Yonekyu Holdings”	Itoham Yonekyu Holdings Inc, a limited liability company incorporated under the laws of Japan on April 1, 2016, the shares of which are listed on the Tokyo Stock Exchange with stock code 22960, and the sole shareholder of each of Itoham and Yonekyu

DEFINITIONS

“Jiangsu Merit/Cofco-Joycome”	Jiangsu Merit/Cofco-Joycome Agriculture Development Co., Ltd (江蘇慕康農業發展有限公司), a limited liability company incorporated under the laws of the PRC on June 17, 2016 and held as to 60% by Merit Biotech and 40% by COFCO Meat Investments

[REDACTED]

“Joint Sponsors”	Morgan Stanley Asia Limited and J.P. Morgan Securities (Far East) Limited

“Joy City”	Joy City Property Limited, a company incorporated in Bermuda with limited liability on September 23, 1992, the shares of which are listed on the Main Board of the Stock Exchange with stock code 207, and an indirect subsidiary of COFCO

“KKR”	Promise Meat Investment II Ltd, an exempted company with limited liability incorporated in the Cayman Islands on March 18, 2014, and a Shareholder holding approximately 20% of the issued share capital of our Company immediately prior to the [REDACTED]

“Latest Practicable Date”	[September 19], 2016, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document

[REDACTED]

DEFINITIONS

[REDACTED]

“Listing Rules” the Rules Governing the Listing of Securities on the Stock Exchange

[REDACTED]

“Mainfield” Mainfield International Limited, a limited liability company incorporated in the BVI on October 8, 2008, and the direct controlling shareholder of our Company holding approximately 55% of the issued Share as at the Latest Practicable Date and, immediately following the Mainfield Restructuring and the [REDACTED], will hold approximately [REDACTED]% of the issued Shares

“Mainfield Restructuring” the repurchase by Mainfield of 33% of its issued share capital from MIY and, as consideration, the transfer of 33% of the assets of Mainfield, including 531,141,296 Shares, by Mainfield to MIY immediately after the [REDACTED] becoming unconditional and effective, upon the completion of which Mainfield will become a wholly-owned subsidiary of China Foods (Holdings) and MIY will become a direct Shareholder

“Mainfield Shareholders’ Agreement” the shareholders’ agreement in relation to Mainfield entered into among COFCO (HK), MIY, Mitsubishi, Itoham, Yonekyu and Mainfield dated December 26, 2014 (as supplemented and/or amended from time to time)

“Maverick” COFCO Maverick Foods Co., Ltd. (中糧萬威客食品有限公司) (formerly known as Artal Food (Guangdong) Co., Ltd. (亞太食品(廣東)有限公司) and Maverick Foods Co., Ltd. (萬威客食品有限公司)), a limited liability company incorporated under the laws of the PRC on July 6, 1994 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company which will become effective upon the [REDACTED], as amended from time to time, a summary of which is set out in Appendix III to this document
“Mengniu”	China Mengniu Dairy Company Limited, an exempted company with limited liability incorporated in the Cayman Islands on February 16, 2004, the shares of which are listed on the Main Board of the Stock Exchange with stock code 2319, and is a company controlled by COFCO
“Merit Biotech”	Merit Biotech (Cayman Islands) Co., Ltd., an exempted company with limited liability incorporated in the Cayman Islands on January 7, 2010
“Merit/CM”	Merit/CM Agriculture Development Co., Ltd. (江蘇慕中農業發展有限公司), a limited liability company incorporated under the laws of the PRC on January 14, 2016 and held as to 60% by Merit Biotech and 40% by COFCO Meat Investments
“Mitsubishi”	Mitsubishi Corporation, a limited liability company incorporated under the laws of Japan on April 1, 1950, the shares of which are listed on the Tokyo Stock Exchange with stock code 80580, and a 57.42% shareholder of MIY
“MIY”	MIY Corporation, a limited liability company incorporated under the laws of Japan on January 18, 2011 and an indirect shareholder of our Company as at the Latest Practicable Date and, immediately following the Mainfield Restructuring and the [REDACTED], will hold approximately 13.61% Shares (assuming the [REDACTED] is not exercised)
“MIY Subscription Agreement”	the share subscription agreement in relation to Mainfield entered into among COFCO (HK), Mitsubishi Corporation, Itoham Foods Inc., Yonekyu Corp., MIY and Mainfield dated August 18, 2011
“MOA”	Ministry of Agriculture of the PRC (中華人民共和國農業部) or its local counterpart
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部) or its local counterpart
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部) or its local counterpart

DEFINITIONS

“NDRC” National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) or its local counterpart

“Nomination Committee” the nomination committee of the Board

[REDACTED]

“PBOC” The People’s Bank of China, the central bank of the PRC (中國人民銀行)

“PRC Government” or “State” the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the content requires, any of them

“PRC Legal Advisers” Commerce & Finance Law Offices (通商律師事務所)

“[REDACTED] Investments” The [REDACTED] investments of MIY, KKR, Baring, Temasek and Boyu in accordance with the MIY Subscription Agreement, Subscription Agreement, the Sale and Purchase Agreement, the Side Letter, the Shareholders’ Agreement, the HOPU-Temasek Sale and Purchase Agreement, the All-party Deed and the Deed of Adherence

DEFINITIONS

“[REDACTED] Investment Agreements”	The MIY Subscription Agreement, the Mainfield Shareholders’ Agreement, the Subscription Agreement, the Sale and Purchase Agreement, the Side Letter, the Shareholders’ Agreement, the HOPU-Temasek Sale and Purchase Agreement, the All-party Deed and the Deed of Adherence
“[REDACTED] Investors”	MIY, KKR, Baring, Temasek and Boyu
“[REDACTED] Share Incentive Scheme”	the employee [REDACTED] incentive scheme adopted by the Company and some of the Shareholders for the benefit of its employees, a summary of the principal terms of which is set forth in “Appendix IV—Statutory and General Information—D. [REDACTED] Share Incentive Scheme” to this document
[REDACTED]	
“Remuneration Committee”	the remuneration committee of the Board
“Reorganization”	the reorganization arrangements undergone by our Group in respect of the disposal of the Disposal Group and in preparation for the [REDACTED] as described in the section headed “History, Development and Reorganization—Reorganization” in this document
“RMB” or “Renminbi”	the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC (國家外匯管理局) or its local counterpart
“SAIC”	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局) or its local counterpart
“Sale and Purchase Agreement”	the sale and purchase agreement entered into among our Company, COFCO (HK), Mainfield, Baring, HOPU and Boyu dated May 26, 2014

DEFINITIONS

“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會)
“SAT”	State Administration of Taxation of the PRC (國家稅務總局) or its local counterpart
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	shares in the capital of our Company with a nominal value of US\$0.000001 each
“Shareholder(s)”	holder(s) of our Shares
“Shareholders’ Agreement”	the shareholders’ agreement entered into among our Company, COFCO (HK), Mainfield, KKR, Baring, HOPU and Boyu dated May 29, 2014 (as supplemented and/or amended from time to time)
“Side Letter”	the side letter entered into among our Company, COFCO (HK), Mainfield, KKR, Baring, HOPU and Boyu dated February 5, 2015
	[REDACTED]
“State Council”	State Council of the PRC (中華人民共和國國務院)
	[REDACTED]
“Subscription Agreement”	the subscription agreement entered into among our Company, COFCO (HK), Mainfield, KKR and Baring dated May 2, 2014
“subsidiaries”	has the meaning ascribed thereto under the Listing Rules, unless the context otherwise requires
“substantial shareholder”	has the meaning ascribed thereto in the Listing Rules
“Temasek”	TLS Beta Pte. Ltd., a limited liability company incorporated in Singapore on January 7, 2005, and a Shareholder holding approximately 8.2% of the issued share capital of our Company immediately prior to the [REDACTED]
“Track Record Period”	the period comprising the years ended December 31, 2013, 2014 and 2015 and for the four months ended April 30, 2016

DEFINITIONS

[REDACTED]

“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency of the United States

[REDACTED]

“VAT”	value-added tax
“Wuhan COFCO Meat”	Wuhan COFCO Meat Foods Co., Ltd. (武漢中糧肉食品有限公司), a limited liability company incorporated under the laws of the PRC on September 30, 2002 and an indirect wholly-owned subsidiary of our Company
“Yonekyu”	Yonekyu Corp., a limited liability company incorporated under the laws of Japan on February 26, 1969 and a 21.29% shareholder of MIY
“Yuxi”	Yuxi Investments Limited, a limited liability company incorporated in the BVI on May 19, 2014 and an indirect wholly-owned subsidiary of the Company
“Zhuo Mao”	Zhuo Mao Limited, a limited liability company incorporated in the BVI on October 22, 2015 and a direct wholly-owned subsidiary of the Company
“%”	per cent

The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese or another language included in this document is for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain terms used in this document in connection with us and our business. Some of these may not correspond to standard industry definitions.

“boars”	mature male hogs that have not been castrated and are used for breeding purpose
“breeding hogs”	male and female hogs of required qualities that are selected as breeding stock
“chilled pork”	raw pork that has undergone cooling and which is stored at temperatures of approximately 0°C to 4°C
“clenbuterol hydrochloride”	$C_{12}H_{18}Cl_2N_2O \bullet HCl$, a substance that acts on receptors of the nervous system and muscle tissue to promote lean growth
“commodity pigs”	live hogs at various stages of development, including piglets, nursery hogs, medium finishing hogs, large finishing hogs, studs and gilts
“farrowing”	to give birth to a litter of piglets
“fattening hogs”	hogs including medium finishing hogs and large finishing hogs
“finishing hogs”	hogs weighing approximately 100 kg and which are typically slaughtered when they reach approximately 180 days old
“frozen pork”	raw pork that has undergone freezing, and which is stored in temperatures of approximately -18°C
“gilts”	female pigs not yet mated that can be used as breeding stock or be sold in the market
“large finishing hogs”	hogs in finishing farms that are approximately 120 to 180 days old, which will be sold and slaughtered at an average weight of approximately 100 kg
“medium finishing hogs”	hogs in finishing farms that are 70 to 120 days old and transition to the next stage at an average weight of approximately 60 kg
“new processed meat product”	processed meat product developed with new formula or flavor
“nursery hogs”	young hogs of 21 to 70 days old that have been weaned off sow and consuming feed and transition to the next stage at approximately 25 kg
“piglets”	newborn hogs of 0 to approximately 21 days old

GLOSSARY OF TECHNICAL TERMS

“processed meat products”	consist of processed and packaged meat products
“PSY”	piglets weaned per sow per year, means the total number of piglets weaned in a given period, expressed on a yearly basis, divided by the average number of sows in this period
“ractopamine”	$C_{18}H_{23}NO_3$, a substance that acts on receptors of the nervous system and muscle tissue to promote lean growth
“sows”	female breeding hogs
“studs”	male breeding stock that are not yet mature
“warm fresh pork”	raw pork that that is sold to end-customers directly after slaughtering without undergoing a cooling process

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words “aim”, “anticipate”, “believe”, “can”, “continue”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “might”, “ought to”, “plan”, “potential”, “project”, “seek”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to the Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- our financial conditions and performance;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- changes on the fair valuation of our biological assets;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- our future available facilities, debt levels and capital needs;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;

FORWARD-LOOKING STATEMENTS

- our expectations with respect to our ability to acquire and maintain regulatory licenses, permits or filings;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to the cautionary statements in this section.

In this document, statements of or references to our intentions or those of the Directors are made as of the date of this document. Any such information may change in light of future developments.

All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

You should carefully consider all the information in this document, including the risks and uncertainties described below and our financial statements and the related notes, prior to investing in our Shares. The risk factors relating to our business, industry and China may not typically be associated with investing in equity securities of similar companies from other jurisdictions. Our business, financial condition, results of operations and cash flows could be materially and adversely affected by any of these risks. The [REDACTED] of our Shares could decrease due to any of these risks and you may lose all or part of [REDACTED].

We believe that there are certain risks involved in our operations, some of which are beyond our control. These risks can be broadly categorized into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to China; and (iv) risks relating to the [REDACTED].

RISKS RELATING TO OUR BUSINESS

Our results of operations are substantially affected by the selling prices of hogs and meat products, which affect our revenue, and by fluctuations in the purchase prices of hogs and grains (mainly corn and soybean meal), which affect our costs.

Our results of operations are significantly affected by the selling prices of hogs and meat products, which affect our revenue, and by the purchase prices of hogs and feed ingredients, which are our primary raw materials and affect our costs. All of these prices are determined by constantly changing and volatile market forces of supply and demand as well as other factors, over which we have little or no control. These factors include:

- economic conditions;
- government regulations and actions, in particular with regards to government intervention into hog price and environmental protection;
- competition;
- livestock diseases, crop diseases and pests;
- weather conditions, including the impact of weather on water supply, and the availability and pricing of grains;
- import restrictions imposed by PRC Government such as trade barriers resulting from, among other things, food safety concerns and developments in international relations;
- competing demand for corn, for use in the manufacture of ethanol and other alternative fuels; and

RISK FACTORS

- transportation and storage costs.

Hog prices typically move cyclically over periods of years, reflecting changes in market demand and supply. These fluctuations can be significant, as shown in recent years, with the average annual domestic live hog price in China decreasing from RMB14.91 per kg in 2013 to RMB13.19 per kg in 2014 and increasing to RMB15.23 per kg in 2015. Price increased further to RMB20.07 per kg in April 2016 but decreased to RMB18.51 per kg in August 2016. Hog supplies, and consequently prices, are affected by factors including the price of feed ingredients, in particular corn and soybean meal, outbreaks of swine diseases or media reports of swine diseases, and enforcement of food safety and environmental protection regulations. The average domestic price for corn, a key feed ingredient, in China increased from RMB2.04 per kg in 2010 to RMB2.45 per kg in 2013 and further to RMB2.49 per kg in 2014, but decreased to RMB2.37 per kg in 2015 and further to RMB1.98 per kg in April 2016. Price increased slightly to RMB2.08 per kg in August 2016. Furthermore, the costs of hogs raised at our own farms are tied to the prices of these same commodities. We cannot assure you that we will be able to pass on to our customers all or part of any increased costs experienced by us from time to time, in a timely manner or at all, which could have a material and adverse impact on our results of operations.

Outbreaks of diseases among or attributed to hogs and adverse publicity of these types of diseases can significantly affect our production, supply of raw materials, demand for our products and our business.

We take precautions to ensure that our hogs are healthy and that our hog farms, processed meat plants and other facilities operate in a sanitary manner. Nevertheless, we are subject to risks relating to our ability to maintain animal health and control diseases. An occurrence of swine diseases, such as highly pathogenic porcine reproductive and respiratory syndrome (also known as blue-ear disease), porcine circovirus, porcine epidemic diarrhea, pseudorabies, swine parvovirus, influenza A (H1N1) and swine eperythrozoonosis or any outbreak of other serious animal diseases or epidemics in China, might adversely impact our production, the supply of our raw materials and consumer confidence in all of our operating divisions.

Animal diseases can reduce the number of hogs produced, hamper the growth of hogs to finishing size, result in expensive medication and vaccination costs, require the quarantine or disposal of infected hogs and, in extreme cases, exterminate large quantities of hogs and temporarily suspend our business operations in the affected facilities, any of which could adversely affect our production or our ability to sell our products.

In addition, adverse publicity concerning any disease or health concern could also cause customers to lose confidence in the safety and quality of pork products. For example, the outbreak of porcine circovirus (which was identified in some dead hogs found in Huangpu River in Shanghai) in early 2013 affected Chinese consumers' confidence in pork products during this period.

RISK FACTORS

There is no assurance that there will be no recurrence of outbreaks of animal diseases in China. If we experience any outbreaks of animal diseases, our business, results of operations and financial condition may be adversely and materially affected.

Any perceived or actual food safety or health problems related to our raw materials, products, operations or China’s food industry in general could adversely affect our reputation, ability to sell our products and our financial performance, and subject us to liability claims and regulatory actions.

We are subject to risks affecting China’s food industry generally, including risks posed by the following:

- food spoilage;
- food contamination;
- contamination of raw materials;
- consumer product liability claims;
- product tampering;
- product labeling errors;
- expenses and possible unavailability of product liability insurance; and
- potential costs and disruption of a product recall.

If our raw materials or products are found to be spoiled, contaminated, tampered with, incorrectly labeled or reported to be associated with any such incidents, we may be subject to product liability claims, adverse publicity and government scrutiny or investigations, any of which could result in lower demand and prices for our products, increased costs and interruption of our operations. Any of these events could have a material and adverse impact on our reputation, business, financial condition, results of operations and prospects. Although we have not experienced any product recalls or material food safety incidents during the Track Record Period and we have taken measures to control and maintain the quality of our raw materials and products, there can be no assurance that contamination of our raw materials or products will not occur during the transportation, production, sales and distribution processes due to reasons unknown to us, out of our control or otherwise.

In addition to risks related to our processing operations and the subsequent handling of products, we may encounter similar risks if a third party were to tamper with our products. We may be required to recall certain of our products in the event of contamination or adverse test results. Any product

RISK FACTORS

contamination could also subject us to product liability claims, adverse publicity and government scrutiny, investigation or intervention, resulting in increased costs, and any of these events could have a material and adverse impact on our reputation, business, financial condition, results of operations and prospects.

The fair value of our biological assets may fluctuate significantly from period to period, causing our results of operations to be highly volatile.

We have significant biological assets, primarily consisting of live hogs, which we report at fair value less the estimated cost to sell such assets at each reporting date in accordance with HKFRS. In addition, we recognize gains or losses arising from agricultural produce at fair value less costs to sell at the point of harvest and from changes in fair value less costs to sell of biological assets in profit or loss for the period in which they arise. Fair value gains or losses (including unrealized fair value gains or losses) with respect to our biological assets, which are non-cash in nature, are attributable to changes in the physical characteristics of the hogs (for example, growth from piglets to finishing hogs) or changes in market prices for hogs or feed grains. The fair values of our biological assets at each reporting date during the Track Record Period were determined by an independent professional valuer and we intend to engage an independent professional valuer to determine the fair values of our biological assets going forward. In valuing our biological assets, the independent valuer has relied on a number of major parameters and assumptions which may vary from time to time, such as quantity and body weight of hogs and market price of hogs, as well as future trends in political, legal and economic conditions in China. See “Financial Information—Valuation of Biological Assets” for more information. The fair value of our hogs could be affected by factors including the accuracy of those parameters and assumptions, as well as the quality of our hogs and changes in the hog farming industry. Market prices for hogs and feed grains are highly volatile and susceptible to significant fluctuations from period to period. As a result of revaluations of our biological assets from period to period, our financial position and results of operations may change significantly from period to period. In addition, an increase or decrease in market prices for live hogs will increase or reduce our revenue, cost of sales, gains or losses arising from agricultural produce at fair value less costs to sell at the point of harvest and gains or losses arising from changes in fair value less costs to sell of biological assets, which makes our reported profit more volatile. In 2013, 2014, 2015 and the four months ended April 30, 2016, our cost of sales for continuing operations was increased by biological fair value adjustments of RMB177.9 million, RMB73.9 million, RMB354.3million and RMB421.0 million, respectively. In these respective periods, the net biological fair value adjustments that affected our profit or loss from continuing operations were negative RMB2.3 million, negative RMB47.5 million, RMB351.7 million and RMB156.2 million.

Although we may recognize fair value gains from increases in the fair value of our biological assets, these changes will not represent changes in our cash position as long as the relevant assets continue to be held by us. For further details, please see the section headed “Financial Information—Principal Factors Affecting Our Results of Operations—Changes in Fair Values of Biological Assets.”

RISK FACTORS

We are subject to risks associated with managing future growth and expansion.

Our future growth may depend on establishing new production facilities and expanding our production capacity, ramping up the production of our existing and new production facilities, introducing new products, expanding our sales and distribution network, and entering new markets or new sales channels. Our ability to achieve growth will be subject to a range of factors, including:

- competing with other companies in markets;
- exercising effective quality control and maintaining high safety standards;
- expanding our sales network and strengthening our existing relationships with customers;
- enhancing our research and development capabilities;
- hiring and training qualified personnel;
- controlling our costs of operations;
- prioritizing our operational, financial and management controls and systems in an efficient and effective manner;
- acquiring land parcels of suitable size and location for our operations, in particular hog production and slaughtering; and
- managing our various suppliers and leveraging our purchasing power.

Expansion into new geographic markets and new sales channels, including e-commerce channels in which we have limited operating experience and brand recognition, may present operating and marketing challenges that are different from those we currently face in our existing markets and sales channels. New markets and sales channels may have different competitive dynamics, consumer preferences and discretionary spending patterns compared to our existing markets and sales channels. Consumers in new markets and sales channels are likely to be unfamiliar with our brands and products and we may need to build or increase brand awareness in the relevant markets and sales channels by increasing investments in advertising and promotional activities. We may find it more difficult in new markets to hire, train and retain qualified employees. As a result, any products we introduce in new markets may be more expensive to produce and distribute and may take longer to reach expected sales and profit levels than in our existing markets, which in turn could affect the viabilities of these new operations and our overall profitability.

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Currently, our e-commerce operations include the sale of our products to major e-commerce operators such as womai.com (我買網) and yhd.com (一號店). In addition, we have launched regional flagship stores on WeChat to sell our products directly to mobile platform users. The development of our e-commerce operations depends on a number of factors, most of which are beyond our control, including the trust and confidence of China’s online consumers, as well as changes in consumer consumption patterns, tastes and preferences; the growth of Internet and mobile usage in China; and the development of fulfillment, payment and other ancillary services associated with e-commerce sales. A decline in the popularity of online shopping or any failure to respond to trends and consumer preferences in the e-commerce channel may adversely affect our sales and our business and growth prospects in this sales channel.

Additionally, our expansion plans and business growth could strain our managerial, operational and financial resources. Our ability to manage future growth will depend on our ability to continue to implement and improve operational, financial and management systems on a timely basis and to expand, train, motivate and manage our workforce. We cannot assure you that our personnel, systems, procedures and controls will be adequate to support our future growth. Failure to effectively manage our expansion may lead to increased costs and reduced profitability and may adversely affect our growth prospects. In addition, as we expand our operations, we may encounter regulatory, cultural and other difficulties that may also increase our costs of operations.

Our business depends on the strength of our reputation and brands. If we fail to maintain and enhance our reputation and brands, consumers’ recognition of and trust in us and our brands and products may be materially and adversely affected.

We rely on the strength of our reputation and brands “Joycome (家佳康)” and “Maverick (萬威客)” in marketing and selling our products. Our reputation and brands could be harmed by product defects, ineffective customer service, product liability claims, consumer complaints, or negative publicity or media reports.

Any claim against us, even if meritless or unsuccessful, could divert our management’s attention and resources from other business concerns, which may adversely affect our business and results of operations. Negative media coverage regarding the safety, quality or nutritional value of our products and the resulting negative publicity could materially and adversely affect consumers’ recognition of and trust in us and our brands and products. In addition, adverse publicity about any regulatory or legal action against us could damage our reputation and brand image, undermine our customers’ confidence in us and reduce long-term demand for our products, even if the regulatory or legal action is unfounded or immaterial to our operations.

Furthermore, negative publicity relating to our products, raw materials, brands, operations, the food industry or products similar to ours may adversely affect consumers’ perceptions of our products and result in decreased demand for our products. In particular, negative publicity relating to any one of our brands may be particularly harmful as we use only two core brands to sell our products, and therefore face risks from brand concentration. Adverse publicity concerning any perceived or actual

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health risks associated with our brands or products could also cause customers to lose confidence in the safety and quality of our products, which could adversely affect our reputation, business, financial condition, results of operations and prospects. We could also be adversely affected by perceived or actual health risks associated with similar products produced by others to the extent these types of risks cause consumers to lose confidence in the safety and quality of these types of products generally and therefore lead consumers to opt for other meat products that are perceived as more safe.

Additionally, China’s pork industry has experienced significant problems related to food safety, such as the use of clenbuterol hydrochloride in hog production by certain industry participants. While these events may not have any direct connection to us, these types of problems may cause consumers to lose confidence in the safety and quality of pork products generally and lead them to opt for other meat products that are perceived as more safe, even if these events do not involve our products or operations, they could adversely affect our results of operations.

We incurred losses from our continuing operations in 2013 and 2014, which makes it difficult to evaluate our future prospects and results of operations.

We incurred losses of RMB79.6 million and RMB349.4 million from our continuing operations in 2013 and 2014, respectively. These losses were primarily because most of our raw materials and products are subject to fluctuations of commodity prices and because we are a growth company and are ramping up our operations. See “Financial Information— Description of Selected Statement of Profit or Loss and Other Comprehensive Income Items— Profit/(Loss) for the Year/Period” for more information. Accordingly, you should consider our future prospects in light of the risks and uncertainties experienced by companies with relatively short operating histories. For our Company, these risks and uncertainties primarily relate to our ability to:

- manage the potential impact of price fluctuations of our products and raw materials;
- manage large-scale hog production operations and maintain effective control over our operating costs and expenses;
- maintain and enhance the quality of our products;
- increase awareness of our brands, attract additional customers and enhance customer loyalty;
- respond to competitive market conditions;
- respond to changes in our regulatory environment;
- raise sufficient capital to sustain and expand our business;
- attract, retain and motivate qualified personnel; and
- implement, monitor and enhance our internal control system.

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If we are unsuccessful in addressing any of these risks and uncertainties, our business, financial performance and results of operation may be materially and adversely affected.

We may require additional funding to finance our operations, which may not be available on terms acceptable to us or at all. In addition, our level of indebtedness and the terms of our indebtedness could adversely affect our business and liquidity position.

We currently fund our operations principally with proceeds from the sale of products and bank and other borrowings. As of the Indebtedness Date, we had outstanding indebtedness (including bank and other borrowings and loans) of RMB3,294.9 million, which included outstanding borrowings from COFCO Group of RMB1,018.8 million. Please see the section headed “Financial Information—Liquidity and Capital Resources—Indebtedness” in this document for further details regarding our bank borrowings, borrowings from COFCO Group and other indebtedness and the risk factor below “—If our relationship with COFCO Group changes, the operations and development of our business could be materially and adversely affected” for details regarding financing provided by COFCO Group. As of the Indebtedness Date, we had unutilized credit facilities of RMB2.6 billion from commercial banks, an unutilized credit facility of RMB1.0 billion from COFCO Finance and unutilized credit facilities from two commercial banks that each amounted to US\$150 million. To finance our ongoing operations, existing and future capital expenditure requirements, renewal of current bank borrowings, acquisition and investment plans and other funding requirements, we may need to obtain financing from external sources to supplement our internal sources of liquidity. Our ability to obtain external financing is subject to a variety of uncertainties, including, among other things:

- our future financial condition, results of operations and cash flows;
- general market conditions for capital raising and debt financing activities; and
- economic, political and other conditions in China and elsewhere.

If we fail to renew our existing bank borrowings or raise additional funding through future debt or equity offerings as needed, our ability to implement our business strategy may be impaired, which could adversely affect our growth, prospects and our results of operations. In addition, our ability to comply with financial covenants and conditions, make scheduled payments of principal and interest or refinance existing borrowings depends on our business performance, which is subject to economic, financial, competitive and other factors, including the other risks described in this document.

Any future bank borrowings or other debt financing that we obtain may contain covenants that may, among other things, restrict our ability to pay dividends; obtain additional financing; create liens and encumbrances; merge, dissolve, liquidate or consolidate; and dispose of or transfer assets and may

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result in higher leverage and finance costs. Servicing these types of debt obligations and complying with their covenants could also be burdensome to our operations. If we fail to service such debt obligations or are unable to comply with any of their covenants, we could be in default under such debt obligations and our liquidity and financial condition could be materially and adversely affected.

The preferential tax treatment, government grants and economic incentives that we currently enjoy may be altered or terminated, which could have a material adverse effect on our business, financial position, results of operations and prospects.

We enjoy certain preferential tax treatment in relation to certain portions of our operations. For further details, please see the section headed “Financial Information—Description of Selected Statement of Profit or Loss and Other Comprehensive Income Items—Continuing Operations—Income Tax Expense.” Additionally, we enjoy a number of government grants in China, including financial subsidies from local governments in recognition of our contributions to local economic development and subsidies from various levels of government authorities in support of our industry’s development, such as subsidies in relation to the environmentally friendly disposal of dead hogs, breeding stock insurance, introduction of improved varieties, and the use of manure to fertilize farms and biogas to generate electricity. In 2013, 2014, 2015 and the four months ended April 30, 2016, total government grants we recognized amounted to approximately RMB21.2 million, RMB28.1 million, RMB38.1 million and RMB2.0 million, respectively. The PRC Government has provided an interest-free loan to us, and provided two additional low-interest-rate loans to us through a state-owned policy bank. See “Relationship with Controlling Shareholders—Independence from COFCO Group—Financial Independence.” There can be no assurance that the preferential tax treatment, government grants and economic incentives that we enjoy will not be altered or terminated. Any alteration or termination of our current preferential tax treatments, government grants or economic incentives could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our environmental-related costs may increase if Chinese environmental protection laws become more onerous, and non-compliance with relevant environmental protection laws could lead to the imposition of fines and penalties and harm our business.

Our business is subject to extensive and increasingly stringent environmental protection laws and regulations of China. These laws and regulations require us to adopt measures to effectively control and properly dispose of dead hogs, manure, waste gases, waste water, noise and other environmental waste materials. Failure to comply with these laws and regulations may result in significant consequences to us, including administrative, civil and criminal penalties, liability for damages and negative publicity. If the breach is serious, PRC Government may suspend or close any operation failing to comply with such laws or regulations. See the section headed “Business—Environmental Matters and Animal Welfare” for further discussion of our regulatory compliance as it relates to environmental risk.

As of the Latest Practicable Date, we had not completed the environmental protection completion inspection procedures required for commencement of operation at certain of our projects in Hubei

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Province, Guangdong Province, Jiangsu Province, the Inner Mongolia Autonomous Region, Hebei Province and Jilin Province and had not obtained pollutant emission permits for certain of our projects in Chifeng, the Inner Mongolia Autonomous Region; Zhangbei, Hebei Province; and Yancheng, Jiangsu Province. For details, please see “Business—Legal Proceedings and Compliance—Non-compliance Matters.” There is no assurance that we will not be subject to any administrative action for these non-compliance matters in the future, and if this were to happen, our business, results of operation and financial position may be adversely affected.

We have incurred environmental costs, including the costs of running biogas stations, sewage treatment costs and costs relating to greening to comply with environmental protection laws. We incurred total environmental costs for the years ended December 31, 2013, 2014 and 2015 and the four months ended April 30, 2016 of RMB17.5 million, RMB18.7 million, RMB24.0 million and RMB6.3 million, respectively. We will continue to incur costs to comply with environmental protection laws and regulations. In addition, new environmental issues could arise and lead to currently unanticipated investigations, assessments or costs. There can also be no assurance that PRC Government will not change existing laws or regulations or impose additional or stricter laws or regulations, compliance with which may require us to incur significant costs and capital expenditures and as a result materially and adversely affect our financial condition and results of operations.

We had net current liabilities as of December 31, 2013, 2014 and 2015, April 30, 2016 and August 31, 2016, and we cannot assure you that we will not continue to record net current liabilities.

As of December 31, 2013, 2014 and 2015, April 30, 2016 and August 31, 2016, we had net current liabilities of approximately RMB2,277.1 million, RMB1,162.7 million, RMB851.1 million, RMB908.6 million and RMB664.4 million, respectively. Please see the section headed “Financial Information—Liquidity and Capital Resources—Net Current Liabilities” in this document for further details regarding our net current liabilities. We may continue to have net current liabilities in the future. Significant net current liabilities could constrain our operational flexibility and adversely affect our ability to expand our business. In addition, during the years ended December 31, 2013 and 2014, our net operating cash outflows amounted to RMB478.6 million and RMB370.4 million, respectively, which included net operating cash outflows from the Discontinued Operation of RMB114.5 million and RMB27.9 million, respectively. For the four months ended April 30, 2015, our net operating cash outflows amounted to RMB84.1 million, which included net operating cash inflows from the Discontinued Operation of RMB52.7 million. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to rely on external funding. If adequate external funds are not available on commercially reasonable terms, we may face liquidity issues and our business, financial condition and results of operations may be materially and adversely affected.

We depend on a continuous and stable supply of hogs and feed, which are subject to price volatility and other risks.

Hogs and feed are the key raw materials that we purchase from external suppliers for use in our operations, and a continuous and stable supply of hogs and feed in the quantity and of a quality that

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we require is crucial to our operations. Our fresh pork division purchases hogs and our hog production division purchases feed from third-party suppliers. We expect to continue to source quality raw materials including hogs and feed from external suppliers. We generally do not enter into any long-term contracts with any of our hog and feed suppliers. There can be no assurance that we will continue to be able to source hogs, feed or other raw materials meeting our requirements, on reasonable prices or terms or at all. If the supply of any of our key raw materials is interrupted for whatever reason, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We have third-party distributors to market our products, and we may not be able to attract or retain our distributors.

We have third-party distributors to sell some of our products. As of April 30, 2016, we had a total of 307 distributors, of whom 228 were for our fresh pork products and 79 were for our processed meat products. In 2013, 2014, 2015 and the four months ended April 30, 2016, our revenue from sales of fresh pork products to distributors accounted for 20.9%, 22.1%, 30.8% and 46.8% of our fresh pork sales revenue, respectively. In these same respective periods, our revenue from sales of processed meat products to distributors accounted for 22.3%, 28.4%, 22.4% and 19.4% of our processed meat products sales revenue. Any one of the following events could cause fluctuations or declines in our revenue and could have an adverse effect on our financial condition and results of operations:

- reduction, delay or cancellation of orders from one or more of our large distributors;
- failure to renew distribution agreements and maintain relationships with our existing distributors;
- failure to establish relationships with new distributors on favorable terms;
- inability to timely identify and appoint additional or replacement distributors upon the loss of one or more of our distributors; and
- breach of distribution agreements by our distributors, including prohibitions on sales by our distributors of our competitors’ processed meat products.

We may not be able to compete successfully against larger and better-funded sales and marketing campaigns of our competitors, especially if these competitors provide their distributors with more favorable arrangements. We cannot assure you that we will not lose any of our distributors to our competitors, which could cause us to lose some or all of our favorable arrangements with such distributors and may result in reductions in the coverage of our distribution network or decreases in our sales volume. In addition, we may not be able to successfully manage our distributors and the cost of any expansion of our distribution and sales network may exceed the revenue generated from these efforts. There can be no assurance that we will be successful in detecting any non-compliance by our

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distributors with the provisions of their distribution agreements. Non-compliance by our distributors could, among other things, negatively affect our brand, demand for our products and our relationships with other distributors. Furthermore, if there is a decline in end-consumer demand, our distributors may not place orders for new products from us or may reduce the quantity of their usual orders. The occurrence of any of these factors could result in a significant decrease in the sales volume of our products and therefore adversely affect our financial condition and results of operations.

Changes in our relationships with our major customers, or in the trade terms with these customers, may reduce our sales and profits.

Our sales to five largest customers accounted for approximately 16.1%, 17.3%, 14.9% and 19.5% of our continuing operations’ total revenue for the years ended December 31, 2013, 2014 and 2015 and the four months ended April 30, 2016, respectively. We do not have long-term sales agreements or other contractual assurances as to future sales to these major customers.

Our business could suffer significant setbacks in sales and operating income if our customers’ business plans or markets change significantly or if we lose one or more of our large customers. Moreover, consolidation in China’s retail industry is likely to continue, including among hypermarkets, supermarkets, e-commerce retailers, restaurants, food processors and food distributors, which is likely to result in us having a more concentrated retail base and increased credit exposure to certain customers. Furthermore, as China’s retail-branded food and foodservice industries continue to consolidate, our large customers may seek to use their position to improve their profitability through improved inventory efficiency, lower pricing, increased promotional programs and increased emphasis on private label products. If we are unable to use our competitive strengths, marketing expertise, product innovation capabilities and brand recognition to respond quickly and effectively to these market trends, our profitability and sales volume growth could be negatively affected. To the extent we provide concessions or trade terms that are more favorable to our large customers, our margins may be reduced. The loss of a significant customer or a material reduction in sales to, or adverse change to trade terms with, a significant customer could materially and adversely affect our product sales, financial condition, results of operations and prospects.

Our sales and reputation may be adversely affected by delays in delivery or poor handling by third-party logistics service providers.

We rely on third-party logistics service providers to deliver our products to our customers. There are various factors beyond our control that could result in delays in delivery, including natural disasters and extreme weather, labor strikes, traffic accidents and road maintenance constructions. Delays in delivery could reduce the shelf life of our products and in turn adversely affect our results of operations. If our products are not delivered on time, we may breach our sales agreements and have to pay damages to our customers accordingly. More importantly, this may adversely affect our reputation and further cause loss of customers and market share, which could adversely affect our results of operations.

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We require our logistics service providers to provide a suitable environment and maintain sanitation standards in the vehicles used to deliver our products. For our fresh pork products and low-temperature processed meat products, we engage logistics service providers with dependable cold-chain transportation and storage capacity. As we do not have any direct control over our logistics service providers, we cannot guarantee their quality of services, in particular the quality of their vehicles or warehouses. If third-party logistics service providers cause any damage to or loss of our products, we may lose customers, experience lower sales and our brand image may be tarnished.

Additionally, disputes with or termination of our contractual relationships with one or more of our logistics service providers could delay deliveries of our products, increase costs, disrupt our supply to customers or cause customer dissatisfaction. There can be no assurance that we can continue or extend relationships with our current logistics service providers on terms acceptable to us, or that we will be able to establish relationships with new logistics service providers to ensure timely and cost-efficient delivery services. If we are unable to maintain or develop good relationships with logistics service providers, our ability to deliver products in sufficient quantities on a timely basis or at acceptable prices may be harmed. We cannot guarantee that no interruptions will occur which could materially and adversely affect our business, prospects or results of operations.

We have recognized a large amount of goodwill. If we determine our goodwill to be impaired, it would adversely affect our financial condition and results of operations.

Our goodwill amounted to approximately RMB100.6 million as of each of the dates of December 31, 2013, 2014 and 2015 and April 30, 2016, respectively, accounting for approximately 2.0%, 1.3%, 1.4% and 1.3% of our total assets as of the same respective dates. The goodwill arose from our acquisition of the Maverick business in 2009. This goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value at the acquisition date of any previous equity interest the acquirer held in the acquiree over the net of the amounts at the acquisition date of the identifiable assets we acquired and the liabilities we assumed.

We review goodwill for impairment at least annually or more frequently if events or changes in circumstances indicate potential impairment. Determining whether goodwill is impaired requires us to estimate the value in use of the cash generating unit to which we have allocated goodwill. This value-in-use calculation requires us 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, an impairment loss may arise. We did not recognize impairment losses in respect of goodwill during the Track Record Period. Please refer to Notes 3, 4 and 17 to Appendix I to this document for further details.

In evaluating the potential for impairment of goodwill, we make assumptions regarding the continuity of the Maverick business, its future operating performance, its business trends, and market and economic conditions. This analysis requires us to make subjective assumptions, and there are inherent uncertainties relating to this analysis and our management’s judgment in assessing the recoverability of the goodwill. Our estimates of the projected cash flows from the relevant

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cash-generating unit related to the Maverick business may be susceptible to downward revision as a result of factors that adversely affect our Maverick business, or under circumstances where the Maverick business fails to sustain the growth we have estimated for it. If we were required to recognize impairment charges, they could substantially affect our reported earnings in the periods when recognized. In addition, impairment charges would negatively affect our financial ratios and could limit our ability to obtain financing.

Our operations are subject to the risks associated with acquisitions and investments in joint ventures.

From time to time, we review opportunities for strategic growth through acquisitions or through investment in joint ventures. We completed the acquisition of the Maverick business in November 2009. On October 30, 2015, we entered into a joint venture agreement with Genesus to establish the Genesus JV. On November 16, 2015, we entered into a joint venture agreement with Merit Biotech (as amended by an amendment agreement dated June 10, 2016) to establish three joint ventures. For further information, see the section headed “History, Development and Reorganization—Acquisitions, Investments and Disposals.” There can be no assurance that our objectives and strategies in respect of our acquisitions or investments will be achieved. These acquisitions and investments may involve large transactions or realignment of existing investments. These transactions present financial, managerial and operational challenges, including:

- diversion of management attention from managing our existing business;
- complexities in integrating businesses, operations, personnel, and financial and other systems;
- lack of experience operating in the geographical or product markets of the acquired business;
- potential impairment losses relating to the acquired businesses or joint ventures;
- potential loss of key employees and customers of the acquired business;
- assumption of and exposure to unknown or contingent liabilities of the acquired businesses;
- increased levels of debt, potentially adversely impacting our various financial ratios;
- potential disputes with the sellers or joint venture partners; and
- potential lack of common business goals and strategies with, and cooperation of, our joint venture partners.

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We may experience financial or other setbacks if any of the businesses that we have acquired or may acquire have problems or liabilities that we are not aware of or exceed our expectations.

Our efforts in developing, launching and promoting new products may not be successful, and we may not be able to anticipate or make timely responses to changes in consumer tastes, preferences, perceptions and spending patterns.

Customer preferences differ across and within our operating regions and shift over time in response to changes in culinary, demographic and social trends, economic circumstances and the marketing efforts of our competitors. In light of diverse and changing customer preferences, our future growth depends on our ability to adapt to market trends and introduce new or improved products, in particular processed meat products, in a timely manner that satisfy the tastes and preferences of consumers. There can be no assurance that our existing products will continue to be accepted by our customers or that we will be able to anticipate or respond to changes in consumer tastes and preferences in a timely manner. Our failure to anticipate, identify or react to these particular tastes or changes could adversely affect our sales performance and our profitability.

New product development and product extensions can be expensive, and we cannot assure you that our new or improved products will gain market acceptance, meet the particular tastes or preferences of consumers or generate acceptable margins. We may expend substantial resources developing and marketing new and improved products which may not achieve expected sales levels. If we are not able to effectively gauge the direction of our markets and successfully identify and develop new or improved products in these changing markets, our financial results and our competitive position may suffer.

Our international trading business is subject to risks associated with fluctuations in the differentials between domestic selling prices and international purchase prices of imported meat products, the exporting countries, export and import regulations and foreign exchange rates.

Most of our imported meat products are purchased and sold under a “back-to-back” model. Under this model, we typically firstly orally agree on the purchase of the relevant meat products with our domestic customers and, after the international supplier confirms the sale, we will enter into written sales agreements with our domestic customers within one to five working days. For imported meat products not sold under the “back-to-back” model, we are subject to risks associated with fluctuations in the differentials between domestic selling prices and international purchase prices of imported meat products, over which we have little control. We cannot assure you that we will be able to pass on all or part of any increased purchase prices to domestic customers or decreased selling prices to international suppliers in a timely manner or at all, which could have a material and adverse impact on our results of operations.

A substantial portion of our cost of sales denominated in currencies other than RMB related to our international trading business and was denominated in the U.S. dollar during the Track Record Period. We may also in the future pay for our imported meat products in other currencies. Changes in

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exchange rates between RMB and these currencies may adversely affect our sales and profit margins. This in turn may have a material adverse impact on our business, financial condition and results of operations. In addition, our results of operations may be adversely affected by factors in the countries from which we import meat products, including outbreaks of animal diseases, international economic and political conditions, export licensing requirements and restrictions imposed by various foreign countries, different regulatory structures and unexpected changes in regulatory environments, foreign taxation and potentially negative consequences from changes in tax laws, hostilities, acts of terrorism, disruptions in shipping or reduced availability of freight transportation. PRC Government policies, such as tariffs, duties and import restrictions, may also significantly affect our ability to import meat products or adversely affect the supply and demand for, and prices of, our imported meat products.

Our operations may be interrupted by production difficulties due to mechanical failures, utility shortages or explosions, fires, Acts of God or other calamities at or near our facilities.

We rely on machinery and equipment to achieve mass production of our products. Any mechanical failures or breakdowns could materially disrupt our production and cause us to incur additional costs to repair or replace the affected mechanical systems. There can be no assurance that we will not experience problems with our machinery and equipment or that we will be able to address any such problems or obtain replacements in a timely manner. Problems with key machinery and equipment in one or more of our production facilities may affect our ability to produce our products or cause us to incur significant expenses to repair or replace the affected machines or equipment. Any of these factors could have a material adverse effect on our business, financial condition, results of operations and prospects.

Furthermore, our production and operations depend on a continuous and adequate supply of utilities, such as electricity, water and gas. If there are any shortages of power, water, gas or other utilities in regions where our production facilities are located, the local authorities may require our production facilities to be shut down. Any disruption in the supply of electricity, water or gas at our production facilities would disrupt our production, and could cause deterioration or loss of our products. This could adversely affect our ability to fulfill our sales orders and consequently may have an adverse effect on our business and operations.

In addition, explosions, fires, earthquakes, natural disasters or extreme weather, including droughts, floods, excessive cold or heat, typhoons or other storms could cause power outages, gas or water shortages, damage our production and processing facilities and warehouses or disrupt our transportation channels, any one of which could significantly disrupt our operations. For example, the massive explosions at the Port of Tianjin in August 2015 caused severe damages to our imported meat products stored at two warehouses near the explosions site. See “Financial Information—Results of Our Operations—The Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014—Other Gains and Losses.” There can be no assurance that similar or more serious incidents will not occur in the future or that we will be fully insured or otherwise compensated for such incidents. Any failure to take adequate steps to mitigate the potential impact of unforeseeable incidents, or to effectively respond to such incidents if they occur, could adversely affect our business, financial condition and results of operations.

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If our relationship with COFCO Group changes, the operations and development of our business could be materially and adversely affected.

We will enter into a number of agreements and arrangements with COFCO Group to facilitate our business operations, mainly including: (i) office lease agreements between us and COFCO Group; (ii) trademark licensing from COFCO Group to us; (iii) our purchase of feed, frozen meat and other products from COFCO Group; (iv) supply of our products to COFCO Group for sale and for consumption; (v) certain administrative services provided by COFCO Group to us; (vi) insurance products provided by Aviva-COFCO to us; and (vii) financial services provided by COFCO Finance. See the sections headed “Relationship with Controlling Shareholders” and “Connected Transactions” for further details. Other than the contractual obligations described above, COFCO Group will be under no obligation to provide assistance to us. As a [REDACTED] company, we will continue to refine and improve our financial and management systems and deploy adequate resources to operate effectively. If we are unable to continue to receive contractual support from COFCO Group and we fail to implement the relevant measures in a timely manner or secure adequate resources or obtain required services, our business could be adversely affected. If the relationship between COFCO Group and us changes, the operations and development of our business could be materially and adversely affected.

We are subject to potential adverse consequences in respect of certain of our properties.

As of the Latest Practicable Date, we had not completed the environmental protection completion inspection procedures and had not obtained building ownership certificates for certain of our buildings in Wuhan, Hubei Province. These buildings are mainly used for production facilities. For details, please see “Business—Legal Proceedings and Compliance—Non-compliance Matters.”

Separately, as a result of changes in the local water reserve zoning plan, the land parcel in Heshan, Guangdong Province, on which the processed meat production facility of Maverick is located, was included in a Class I water reserve area; this inclusion was made before we acquired Maverick in 2009. As of the Latest Practicable Date, we had not completed the environment protection completion inspection procedures before commencing operation of this facility. For details, please see “Business—Legal Proceedings and Compliance—Non-compliance Matters.” This production facility has been in normal operation during the Track Record Period and up to the Latest Practicable Date.

There is no assurance that we will not be subject to any administrative action for these non-compliances in the future, and if this were to happen, our business, results of operation and financial position may be adversely affected.

Title and documentation defects related to certain of our leased properties may adversely affect our ability to use these properties.

As of the Latest Practicable Date, (i) we had not completed the filings for facility agricultural-use land (設施農用地備案) for six parcels of our leased land in Wuhan, Hubei Province

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with an aggregate area of 758,386.7 square meters, (ii) lessors of seven properties with an aggregate gross floor area of approximately 968.1 square meters had not provided us with the relevant title certificates or other ownership documents and (iii) we had not completed the administrative filings for registration with respect to seven property lease agreements, representing an aggregate gross floor area of 561.0 square meters. For details, please see “Business—Our Properties—Defects Related to Leased Properties.” These leased properties are used mainly as hog farms, dormitories, Joycome-designated stores and offices.

In respect of the facility agriculture-use land for which we had not completed the filings, there is no assurance that we will not be subject to any administrative actions for these non-compliance incidents in the future, and if this were to happen, our business, results of operation and financial position may be adversely affected.

In respect of the leased properties of which the lessors had not provided title certificates or other ownership documents, our PRC Legal Advisers have advised us that we will not be penalized for the lessors’ failure to provide title certificates or other ownership documents. However, if the lessors do not have the lawful rights to lease properties, the lease agreements governing the relevant buildings may not be legally binding and enforceable under Chinese laws. As at the Latest Practicable Date, we were not aware of any challenge being made by any third party to our occupation and use of these leased properties, but we may be required to cease occupation and use of such leased properties if valid claims are brought. Legal proceedings relating to these properties could consume substantial managerial and financial resources.

Regarding the properties for which we had not registered the relevant lease agreements, our PRC Legal Advisers have advised us that the relevant government authorities may require that the lease agreements to be registered within a certain period of time. If we do not comply with such requirement in a timely manner, we may be subject to a maximum fine of RMB10,000 per incident.

Our success depends on our ability to retain our core management team and other key personnel.

Our future business performance and prospects depend significantly on our Directors and senior management as they are in charge of the overall planning, development and execution of our business and operations. If any of our Directors and/or any members of senior management were to terminate their services or employment with us, we may not be able to find suitable replacements in a timely manner, at acceptable cost or at all. In addition, competition for qualified personnel in China is intense and the availability of suitable candidates may be limited. Failure to attract and retain key personnel could materially and adversely affect our results of operations and business prospects.

Our performance depends on favorable labor relations with our employees, and any deterioration in labor relations, shortage of labor or material increase in wages may have an adverse effect on our results of operation.

Our business is labor intensive, and our success depends on our ability to hire, train, retain and motivate our employees. As of August 31, 2016, we had 5,202 employees. We consider favorable labor relations as a significant factor that can affect our performance, and any deterioration of our labor relations could cause labor disputes, which could result in disruptions to production and operations.

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Over the last three decades, China has experienced rapid economic growth, and with it significant increases in labor costs. Our staff costs recognized in our continuing operations’ cost of sales, selling and distribution expenses and administrative expenses were approximately RMB287.9 million, RMB309.1 million, RMB364.8 million and RMB127.3 million in 2013, 2014, 2015, respectively and the four months ended April 30, 2016. Average labor wages in China are expected to continue to increase. In addition, we may need to increase our total compensations to attract and retain experienced personnel required to achieve our business objectives. Any shortages in the availability of labor, any material increases in our staff costs or any deterioration in employee relations may have a material adverse effect on our business, financial condition, results of operations and prospects.

We may not be able to adequately protect our intellectual property and know-how, which could materially and adversely affect our business.

We believe that our current intellectual property rights and those for which we have pending applications provide protection to our business and are all the rights necessary for our operations. However, there can be no assurance that our intellectual property applications will be approved, any of our intellectual property rights will adequately protect our intellectual property, we will be able to detect breaches of our intellectual property rights, our intellectual property rights will not be challenged by third parties or found to be invalid or unenforceable or our intellectual property rights will be effective in preventing third parties from utilizing similar business models, processes or brand names to offer similar products. For example, counterfeit products are potential threats to our “Joycome (家佳康)” and “Maverick (萬威客)” trademarks, which could reduce demand for our products. We may also be subject to disputes, claims or litigation involving our intellectual property rights or third-party intellectual property rights and there may be claims that we infringe third-party intellectual property rights. Any of these could disrupt our business and divert our management’s attention from our operations. The costs associated with these types of disputes, claims or litigation may be substantial and could have a material adverse effect on our brand image, business, financial condition, results of operations and prospects.

We may not be able to identify and prevent fraud or other misconduct committed by our employees, customers or other third parties.

We are exposed to fraud or other misconduct committed by our employees, customers or other third parties, which could subject us to financial losses, third party claims, regulatory investigations or reputational damages. Despite our internal control measures in place, we cannot assure you that our internal control policies and procedures are sufficient to prevent, or that we could properly manage the conduct of our employees or customers, or that we can otherwise fully detect or deter, all incidents of fraud, legal, tax or other regulatory non-compliance, violations of relevant laws and regulations and other misconduct. Any such conduct committed by our employees, customers or other third parties could have an adverse effect on our reputation, business, financial condition and results of operations.

RISK FACTORS

Improvements to our risk management and internal control systems may not be adequate or effective.

We have designed and implemented risk management and internal control systems consisting of relevant organizational framework policies and procedures, financial reporting procedures and processes, compliance rules and policies and risk management measures that we believe are appropriate for our business operations. We seek to continue to improve our risk management and internal control systems from time to time. However, we cannot assure you that our risk management and internal control systems will be sufficiently effective in ensuring, among other things, the accurate reporting of financial results and in preventing fraud. Since our risk management and internal control systems depend on implementation by our employees, we cannot assure you that our employees are sufficiently trained to implement the systems or that their implementation will not involve any human error or mistakes. If we fail to timely update, implement and modify or fail to deploy sufficient human resources, as applicable, our risk management policies and procedures, our business, financial condition and results could be materially and adversely affected.

Failures or security breaches of our information technology systems could disrupt our operations and negatively impact our business.

We use information technology systems to monitor our production process, increase efficiencies in our facilities and inventory management, and manage and analyze our operations and financial information. We also use information technology to process financial information for internal reporting purposes and to comply with regulatory, legal and tax requirements. In addition, we rely on information technology for electronic communications with our facilities, personnel, customers and suppliers. Our information technology system may be vulnerable to various threats including unauthorized disclosure of information, intentional alteration of data, cyber-attacks, electrical disruptions, system configuration errors and telecommunication malfunctions. Although we have implemented protection and back-up schemes for our information technology system, these may not be sufficient. Any serious system failure or system malfunction could negatively affect our operations, financial condition and reputation. Any unauthorized disclosure of information could compromise our trade secrets, confidential information and customer information, which could adversely affect our results of operation, financial condition and reputation.

Personal injuries, damage to property or fatal accidents may occur in our production facilities.

We use machinery and equipment in our production processes such as cutting equipment, heating machines and biogas generation equipment, which are potentially dangerous and may cause industrial accidents and personal injuries to our employees. In addition, our employees may violate safety measures or other related rules and regulations, which may cause industrial accidents. In August 2015, there was a biogas poisoning accident at one of our hog farms in Chifeng, the Inner Mongolia Autonomous Region, resulting in the death of two of our employees and the injury of another two employees. According to the investigation report issued by the relevant governmental authority, the direct cause of this incident was the relevant employees' violation of standard operating procedures.

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Inadequate implementation of our safety management measures and weak safety awareness of the relevant employees were identified as indirect causes. See “Business—Occupational Health and Safety” for details of the incident. Any significant accident could interrupt production and result in personal injuries, damages to properties, fatal accidents and legal and regulatory liabilities. In addition, potential industrial accidents leading to significant property loss or personal injury may subject us to claims and legal proceedings, and we may be liable for medical expenses and other payments to employees and their families as well as fines or penalties. As a result, our reputation, brand, business, results of operations and financial condition may be materially and adversely affected.

Our insurance coverage may not be adequate to cover all the risks.

During the Track Record Period, we have maintained insurance coverage including property insurance, hog insurance, product liability insurance, equipment damage insurance, cargo transportation insurance and employee related insurance. Please see the section headed “Business—Insurance” in this document for further details. However, we do not maintain insurance policies against interruptions to business operations or maintain third-party liability insurance against claims for environmental liabilities. If there were to be any interruptions to business operations or third-party liability claims with respect to which we are not covered by insurance or our insurance coverage is inadequate, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our operations are subject to the general risks of litigation.

During the ordinary course of business, we may be involved in litigation or legal proceedings related to, among other things, product or other types of liability, labor disputes or sales contract disputes that could have a material and adverse effect on our financial condition. These actions could also expose us to negative publicity, which might adversely affect our brands, reputation and customer preference for our products. If we become involved in any litigation or other legal proceedings in the future, the outcome of these types of proceedings could be uncertain and could result in settlements or outcomes that adversely affect our financial condition. In addition, any litigation or legal proceedings could incur substantial legal expenses and distract significant time and attention of our management, diverting their attention from our business and operations.

The outbreak of any severe contagious diseases, if uncontrolled, could adversely affect our business and results of operation.

Our business could be materially and adversely affected by the outbreaks of contagious diseases such as Severe Acute Respiratory Syndrome and influenza A (including H1N1, H7N9 and H10N8). While we did not suffer any material loss resulting from contagious diseases during the Track Record Period, if an epidemic were to occur in the regions where we operate, our operations could be materially and adversely affected as a result of loss of personnel, damages to property or decreased demand for our products.

RISK FACTORS

In addition, if any of our employees become infected by any severe communicable diseases, it could adversely affect or disrupt our production at the relevant production facility and adversely affect our operations as we may be required to close our production facilities to prevent the spread of the disease. The spread of any severe communicable disease in China may also affect the operations of our suppliers and customers, which could in turn adversely affect our operating results.

Our business is subject to changes in consumer demand and consumption patterns for our products.

Our business depends substantially on consumer demand and consumption patterns; they are affected by a number of factors, few of which are within our control. These factors include consumer preferences, tastes and spending habits, consumer perception of safety and quality of meat products generally and our products in particular, shifts in discretionary spending toward other goods, consumer purchasing power, prices of our products and competing or substitute products, general and local economic conditions, and uncertainties about future economic prospects. A decline in the demand for our products could occur as a result of a change in any of the factors described above at any time. Our success will depend in part on our ability to anticipate, identify or adapt to these changes and to timely offer new marketing strategies that can attract consumers to our products.

RISKS RELATING TO OUR INDUSTRY

China’s pork industry is affected by fluctuations in the domestic and global economy and financial markets.

Our business operations depend on the condition of and overall activity in China’s pork industry, which may be adversely affected by changes in national or global economic conditions and the local economic conditions of the markets in which we operate. Changes may include changes to GDP growth, inflation, interest rates, availability of and access to capital markets, consumer spending and the effects of governmental initiatives to manage economic conditions. Weak economic conditions could harm our business by contributing to reductions in demand, insolvency of suppliers and customers, and increased challenges in conducting our operations. For example, the global economy and financial markets experienced significant disruptions in 2008 and the United States, Europe and other economies experienced periods of recession. Recovery from the lows of 2008 and 2009 has been uneven and new challenges and issues have arisen, including the escalation of the European sovereign debt crisis since 2011, the slowdown of China’s economic growth since 2012, and the significant decline and volatility in Chinese stock markets in the second quarter of 2015. We cannot provide any assurance that these or other events will not continue or arise in the future. Slowdowns in global, national and regional economies could cause declines in consumer confidence and disposable income levels, which may result in lower demand for our products and affect our business, results of operations and financial position.

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In addition, the general lack of available credit and confidence in the financial markets associated with any market volatility or downturn could adversely affect our access to capital as well as our suppliers' and customers' access to capital, which in turn could adversely affect our ability to fund our working capital requirements and capital expenditures.

Our operations are extensively regulated by PRC Government and subject to inspections and examinations by Chinese regulatory authorities and various license and permit requirements. The costs associated with compliance with such regulations and requirements can be substantial. Our results of operations and future growth prospects may be materially and adversely affected by future changes in government regulations.

Our operations are subject to extensive regulation by Chinese governmental authorities, including primarily the Ministry of Agriculture, the Ministry of Land and Resources, MOFCOM, SAIC, CFDA, the General Administration of Quality Supervision, Inspection and Quarantine and the Ministry of Environmental Protection, as well as their provincial and local counterparts. These regulatory bodies have broad discretion and authority to regulate many aspects of the hog breeding, hog farming, hog slaughtering, pork processing, processed meat production and distribution, and meat import industries in China, including setting hygiene and safety standards for production, quality standards for meat products and environmental requirements on the treatment of dead hogs, sewage and wastes; and handling filings of facility agricultural-use land. In addition, we are required to obtain and maintain various licenses, permits and filings in order to operate our business. These include, among others, Certificate for Production and Operation of Breeding Livestock and Poultry, Certificate for Animal Epidemic Disease Prevention, Certificate for Designated Facility for Live Hog Slaughtering, Certificate for Food Production Certificate for Food Operation and filing of facility agricultural-use land. We are also required to obtain various government approvals and comply with applicable hygiene and food safety standards in relation to our production processes, premises and products.

Loss of or failure to obtain necessary permits, licenses and filings could delay or prevent us from meeting current product demand, introducing new products, building new facilities or acquiring new businesses and could adversely affect our operating results. If we are found not to be in compliance with applicable laws and regulations, particularly if it relates to or compromises food safety, we could be subject to administrative and civil remedies, including fines, injunctions, recalls or asset seizures, as well as potential criminal sanctions, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, future material changes in regulations over our operations could result in increased operating costs or affect our ordinary operations, which could also have a material adverse effect on our operations and our financial results.

We operate in a highly competitive industry and may face increased competition. New competitors who enter the market could have an adverse impact on our businesses and prospects.

We face intense competition in terms of safety and quality, brand recognition, taste, price and distribution. The pork industry in China is highly fragmented. We face increasing competition from

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local, national and foreign producers. Competitors may develop products of a comparable or superior quality to ours, or adapt more quickly than we do to evolving consumer preferences or market trends. In addition, developments in government regulation have driven consolidation in the Chinese pork industry, with smaller operators unable to bear the increasing costs of regulatory compliance such as environmental protection regulations. The consolidation among industry participants in China may produce stronger domestic competitors as well as competitors more specialized in particular segments and geographic markets. Furthermore, our competitors may form alliances to achieve scales of operations or sales networks that would make it more difficult for us to compete. Increased competition may also lead to price wars, counterfeit products or negative brand advertising, all of which may adversely affect our market share and profit margin. To expand market share or enter into new markets, some of our competitors may use aggressive pricing strategies, greater incentives and subsidies for distributors, retailers and other customers. We may not be able to compete effectively with our current or potential competitors, and our inability to compete successfully against competitors could result in loss of market share or reduced profit margins, either of which could adversely impact our results of operations.

Our results of operations may fluctuate from period to period due to seasonality.

Our business is subject to seasonal fluctuations. Demand for our products is typically relatively higher in the second half of the year due to Chinese consumers' consumption patterns. Demand for our products is also typically higher before traditional festivals, such as Mid-Autumn Festival, China's National Day (October 1) and China's Spring Festival. Consequently, sales volumes of our fresh pork, processed meat and imported frozen meat products are typically higher in the second half of the year than in the first half of the year. This seasonal trend in our financial results may be offset or amplified by fluctuations in prices of commodities that are our raw materials or products. Therefore, our interim financial results may not be indicative of our annual financial results.

We face risks relating to fluctuations in the prices of substitute products.

Fluctuations in the market prices of substitutes for our products, especially decreases in the prices of substitute protein products (such as poultry, beef, mutton, lamb and seafood) relative to pork, affect the prices of pork products. As a result of decreases in the prices of substitute protein products relative to pork, consumers may purchase less pork. For example, past outbreaks of avian influenza in various parts of the world reduced global demand for poultry and created temporary surpluses of poultry. The surplus of poultry products placed downward pressure on poultry prices and also negatively affected meat prices including pork. Even where we are able to adjust our selling prices in response to decreases in the prices of substitute products, our profit margin may experience contraction, which would in turn have a material adverse impact on our business, financial condition, results of operations and prospects.

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RISKS RELATING TO CHINA

Changes in political, social and economic policies in China may materially and adversely affect our business, financial condition, results of operations and prospects.

All of our operating subsidiaries are located in China and all of our business activities are conducted in China. Accordingly, changes in political, social and economic policies in China may materially affect our results of operations and business prospects. The Chinese economy differs from the economies of most developed countries in many aspects, including the level of government involvement, degree of development, economic growth rate, control of foreign exchange and allocation of resources. Since 1978, PRC Government has implemented many economic and social reform measures. As a result, China is experiencing a transition from a planned economy to a more market-oriented economy. Many of the reforms are exploratory or experimental, and they are expected to be modified as the economic and social situation develops. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. China has experienced rapid economic growth over the past few decades; however, its continued growth has faced downward pressure since the second half of 2008 and its annual GDP growth rate has declined from 9.5% in 2011 to 6.9% in 2015, according to the National Bureau of Statistics of China (中華人民共和國國家統計局). There is no assurance that future growth will be sustained at similar rates or at all. Our business, financial position, results of operations and prospects may be materially and adversely affected by PRC Government’s political, economic and social policies, including those specific to our industry.

Uncertainties in the Chinese legal system may adversely affect our business and limit the legal protection available to you.

Our subsidiaries and operations are mainly located in China and are subject to the laws and regulations of China. In addition, our offshore holding companies and certain transactions between them may be subject to various PRC laws and regulations. The Chinese legal system is a civil law system based on written statutes. Unlike the common law legal system, prior court decisions in a civil law system have little precedential value and can only be used as a reference. Furthermore, China’s statutes are subject to interpretation by legislative bodies, judicial authorities and enforcement bodies, which increases the uncertainty. Since 1978, when PRC Government started economic reforms, China has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade. Many of these laws and regulations are relatively new and are subject to frequent changes and uncertainties in implementation and interpretation. There may also be new laws and regulations to cover new economic activities in China. We cannot predict future developments in the Chinese legal system. These uncertainties in the Chinese legal system may adversely affect our business and limit the legal protection available to you.

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Government control of currency conversion and fluctuations in the exchange rates of the Renminbi may adversely affect our business and results of operations and our ability to remit dividends.

PRC Government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing Chinese foreign exchange regulations, payments of current account items, including dividend payments, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE is required for foreign currency conversions for payment under capital account items such as equity investments. PRC Government may also at its discretion restrict our access in the future to foreign currencies for current account transactions. Under our current corporate structure, our revenue is primarily derived from dividend payments from our Chinese subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our Chinese subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. In addition, our liquidity and ability to satisfy our third-party payment and loan repayment obligations could be materially and adversely affected.

Since a significant amount of our future cash flows from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of China or otherwise fund our business activities that are conducted in foreign currencies, in particular our international trading business. This could also affect the ability of our subsidiaries in China to obtain foreign debt or equity financing, including by means of loans or capital contributions from us.

The exchange rates of the Renminbi against foreign currencies, including the Hong Kong dollar, are affected by, among other things, changes in China’s political and economic conditions. Any fluctuations in exchange rates of the Renminbi against the U.S. dollar or other foreign currencies may cause our costs for importing frozen meat and byproducts, raw materials and equipment to be volatile. In 2014 and 2015, we recorded net exchange losses of RMB16.1 million and RMB69.8 million, respectively. In the four months ended April 30, 2016, we entered into foreign currency forward contracts with banks to hedge certain of our currency risk arising from our accounts payable denominated in U.S. dollars, which related to our international trading business. As a result, we are subject to the risk that the counterparty to one or more of these arrangements will default on its performance of the terms of the arrangement. In addition, the effectiveness of these hedges depends on our ability to accurately forecast future changes in foreign exchange rates and to effectively match the amount and timing of our foreign currency exposure to the hedging arrangements. As a result, we may suffer losses in these hedging activities. We recorded RMB0.9 million of loss on fair value changes in respect of these foreign currency forward contracts in the four months ended April 30, 2016. In addition, to the extent that we need to convert Hong Kong dollars that we will receive from the [REDACTED] into Renminbi for our operations, appreciation of Renminbi against the Hong Kong

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dollar would have an adverse effect on the Renminbi amount that we will receive. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making dividend payments on our Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would reduce the Hong Kong dollar amount available to us.

As a holding company, we rely on the distribution by our Chinese subsidiaries for funding.

We are a holding company incorporated in the Cayman Islands, and we operate our business through our operating subsidiaries in China. We rely on distributions to us by our Chinese subsidiaries for funding, including to pay dividends to our Shareholders and to service any debt we may incur. The Chinese laws permit dividends to be paid by our Chinese subsidiaries only out of their distributable profits determined in accordance with the PRC generally accepted accounting principles (“PRC GAAP”), which differ from the accounting principles and standards generally accepted in many other jurisdictions. The Chinese laws also require each of our Chinese subsidiaries to maintain a general reserve fund of 10% of its after-tax profits based on PRC GAAP, up to a maximum of 50% of its registered capital. Any of our Chinese subsidiaries that is a foreign invested enterprise may also be required to set aside individual funds for staff welfare, bonuses and development in accordance with Chinese laws. These reserve funds are not available for distribution as cash dividends. Additionally, factors such as cash flows, restrictions in debt instruments, withholding tax and other arrangements may restrict our Chinese subsidiaries’ ability to pay dividends to us and in turn restrict our ability to pay dividends to our Shareholders. Distributions by our Chinese subsidiaries to us in forms other than dividends may also be subject to government approvals and taxes.

The Chinese tax authorities have strengthened their scrutiny over transfers of equity interests in a PRC resident enterprise by a non-resident enterprise, which may negatively affect our business and our ability to conduct mergers, acquisitions or other investments and the value of [REDACTED] in our Company.

On February 3, 2015, SAT issued the Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (“Circular 7”). This regulation repealed certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Non-Resident Enterprises (關於加強非居民企業股權轉讓企業所得稅管理的通知) (“Circular 698”) and certain rules clarifying Circular 698. Circular 698 was issued by SAT on December 10, 2009. Circular 7 provides comprehensive guidelines relating to, and heightened the Chinese tax authorities’ scrutiny on, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise (“PRC Taxable Assets”). For example, when a non-resident enterprise transfers equity interests in an overseas holding company that directly or indirectly holds certain PRC Taxable Assets and if the transfer is believed by the Chinese tax authorities to have no reasonable commercial purpose than to evade enterprise income tax, Circular 7 allows the Chinese tax authorities to reclassify this indirect transfer of PRC Taxable Assets into a direct transfer and impose on the non-resident enterprise a 10% rate of PRC enterprise income tax. Circular 7 exempts this tax, for examples, (i) where a non-resident enterprise derives income from an indirect transfer of PRC Taxable Assets by acquiring and selling shares of a [REDACTED] holding company in the [REDACTED], and (ii) where a

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non-resident enterprise transfers PRC Taxable Assets that it directly holds and an applicable tax treaty or arrangement exempts this transfer from PRC enterprise income tax. It remains unclear whether any exemptions under Circular 7 will be applicable to any future mergers, acquisitions or other investments that we may make outside China involving PRC Taxable Assets or to transfers of our Shares by our Shareholders. If the Chinese tax authorities impose PRC enterprise income taxes on these activities, our ability to expand our business or seek financing through these transactions and the value of [REDACTED] in our Shares may be adversely affected.

Our Company may be deemed as a PRC tax resident under the EIT Law and be subject to Chinese taxation on our worldwide income.

Under the EIT Law, an enterprise established under the laws of a jurisdiction other than China, may be considered as a PRC tax resident provided that its “de facto management body” is located within China. Supplementary rules of the EIT Law interprets “de facto management body” as a body that exercises substantial management or control over the business, personnel, finance and properties of an enterprise. Through a circular promulgated in April 2009, SAT further clarified the criteria for determining whether an enterprise has a “de facto management body” within China. As most of our management are currently based in China and many may remain in China, our Company and our non-PRC subsidiaries may be treated as PRC tax residents and a number of unfavorable tax consequences could follow. We may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income and to PRC enterprise income tax reporting obligations. Any income sourced by us from outside China, such as interest on [REDACTED] held outside China, would be subject to PRC enterprise income tax at a rate of 25%. While the EIT Law provides that dividend income between “qualified resident enterprises” is exempt from PRC enterprise income tax, it is not clear whether our Company and our non-PRC subsidiaries would be eligible for this exemption were we considered to be PRC tax residents. In addition, if we are treated as PRC tax residents under Chinese laws, capital gains realized from sales of our Shares and dividends we pay to non-PRC resident Shareholders may be treated as income sourced within China. Accordingly, dividends we pay to non-PRC resident Shareholders and transfers of Shares by these Shareholders may be subject to PRC income tax. The tax on this income of non-PRC resident enterprise Shareholders would be imposed at a rate of 10% (and may be imposed at a rate of 20% in the case of non-PRC resident individual Shareholders), subject to the provisions of any applicable tax treaty. If we are required to withhold PRC income tax on dividends payable to you, or if you are required to pay PRC income tax on the transfer of our Shares, the value of [REDACTED] in our Shares may be materially and adversely affected.

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Current Chinese regulations on loans provided by, and foreign direct investment by, an offshore holding company to Chinese companies may delay or prevent us from using the proceeds from the [REDACTED] to fund our business operations in China.

Any loans or capital contributions that we, as an offshore entity, make to our Chinese subsidiaries that are foreign-invested enterprises, including with the proceeds of the [REDACTED], are subject to Chinese laws and regulations. Foreign-invested enterprises must register with SAFE or its local counterpart in order to obtain shareholder loans from the foreign investors. The aggregate amount of these foreign loans must not exceed statutory limits. Furthermore, the foreign-invested enterprises must register with SAFE or its local counterpart for repayment of the foreign loans. In addition, foreign investors must obtain approvals from MOFCOM or its local counterpart and register with SAIC or its local counterpart to make capital contributions to the foreign-invested enterprises. We cannot assure you that we can obtain the required government approvals or registrations on a timely basis, or at all, with respect to loans or capital contributions that we may make to our Chinese subsidiaries. If we fail to obtain the approvals or registrations, our ability to use the proceeds from the [REDACTED] to fund our operations in China would be negatively affected, which would in turn materially and adversely affect our liquidity and our ability to expand our business.

You may encounter difficulties in effecting service of legal process upon us, our Directors and senior management and enforcing foreign judgments against us, our Directors and senior management.

We are a company incorporated in the Cayman Islands with substantial assets located within China. Some of our Directors and most of our senior management reside in China and a majority of their assets are within China. As a result, it may not be possible for you to effect service of legal process on us or our Directors or senior management within China.

Judgments of courts of another jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a treaty to such effect with China. Currently, China does not have treaties providing for the reciprocal enforcement of judgments by the courts of Japan, the United States, the United Kingdom or most other western countries. On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (the “Arrangement”), pursuant to which reciprocal recognition and enforcement of judgments may be possible between these two jurisdictions provided that the judgment is rendered by a final court of these two jurisdictions and the parties have an expressly written choice of court. It may be difficult or impossible for you to enforce judgment between these jurisdictions if you have not agreed on sole jurisdiction with the other party. In addition, Hong Kong has no arrangement for reciprocal enforcement of judgments with the United States and certain other jurisdictions. As a result, you may encounter difficulties in enforcing foreign judgments against us or our Directors or senior management.

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RISKS RELATING TO THE [REDACTED]

As there has been no prior [REDACTED] for our Shares, their [REDACTED] may be volatile and an active [REDACTED] in our Shares may not develop.

Prior to the [REDACTED], there was no [REDACTED] for our Shares. The [REDACTED] of our Shares is the result of negotiations among us, the Joint Sponsors and [REDACTED] (on behalf of [REDACTED]), and the [REDACTED] may differ significantly from the [REDACTED] for our Shares following the [REDACTED]. There is no guarantee that an active [REDACTED] for our Shares will develop, or, if it does develop, that it will sustain or that the [REDACTED] of our Shares will not decline after the [REDACTED].

The [REDACTED] and [REDACTED] of our Shares may be volatile, which may result in substantial losses for [REDACTED] in our Shares.

The [REDACTED] of our Shares may fluctuate widely in response to factors beyond our control. Factors that could cause significant [REDACTED] changes include but are not limited to the following:

- changes in our results of operations, earnings and cash flows, and securities analysts' estimates of our financial performance;
- changes in competitive landscapes of our industries, including strategic alliances, acquisitions or joint ventures by us or our competitors;
- changes in general economic conditions affecting us or our industries;
- regulatory developments, and our inability to obtain or renew necessary licenses and permits;
- changes in our senior management;
- fluctuations of the general stock market, particularly fluctuations in [REDACTED] of other companies that operate mainly in China and are [REDACTED]; and
- material litigation or regulatory investigations affecting us or our senior management.

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There will be a time gap of several business days between [REDACTED] of our Shares [REDACTED] under the [REDACTED]. The [REDACTED] of the Shares after [REDACTED] begins could be lower than the [REDACTED].

The [REDACTED] of our Shares will be determined on the [REDACTED]. However, our Shares will not commence [REDACTED] on the [REDACTED] until they are delivered, which is expected to be several Business Days after the [REDACTED]. [REDACTED] are not able to sell or otherwise [REDACTED] in our Shares before they [REDACTED]. Accordingly, holders of our Shares are subject to the risk that the price of our Shares after [REDACTED] begins could be lower than the [REDACTED] as a result of adverse market conditions or other adverse development that may occur between the [REDACTED] and the time [REDACTED].

Control by our Controlling Shareholders of a substantial percentage of our Company’s share capital after the completion of the [REDACTED] may limit your ability to influence the outcome of decisions requiring the approval of Shareholders and the interests of our Controlling Shareholders may not be aligned with those of our other Shareholders.

Upon the completion of the [REDACTED] approximately [REDACTED]% of our Shares will be held by our Controlling Shareholders. After the completion of the [REDACTED], our Controlling Shareholders will continue to have significant influence on us on various important corporate actions requiring the approval of Shareholders, such as mergers, disposal of assets, election of Directors, and timing and amount of dividends and other distributions. There may be a conflict between our Controlling Shareholder’s interests and [REDACTED]. Control by our Controlling Shareholders of a substantial percentage of our Shares may have the effect of delaying, discouraging or preventing a change in control of us, which may deprive [REDACTED] of opportunities to receive premiums for [REDACTED] and may reduce the price of the Shares. If our Controlling Shareholders cause us to pursue strategic objectives that would conflict with [REDACTED], [REDACTED] may also be left in a disadvantaged position.

Future sales or major divestment of our Shares by any of our Controlling Shareholders or [REDACTED] Investors could adversely affect the prevailing market price of our Shares.

The [REDACTED] of our Shares may be adversely affected by future sales of a significant number of our Shares in the [REDACTED] after the [REDACTED], or the possibility of such sales, by our Controlling Shareholders or [REDACTED] Investors. The Shares held by our Controlling Shareholders and [REDACTED] Investors are subject to certain [REDACTED] arrangements; please see the section headed “[REDACTED]—[REDACTED] and Expenses—[REDACTED] Pursuant to the Hong Kong [REDACTED]—[REDACTED] by the Controlling Shareholders” in this document for a detailed description of the restrictions. After the restrictions of the [REDACTED] arrangements expire, our Controlling Shareholders and [REDACTED] Investors may dispose of our Shares. Sales of a substantial amount of our Shares could adversely affect the [REDACTED] of our Shares, which could also negatively affect our ability to raise equity capital.

RISK FACTORS

Our future financing may cause dilution of [REDACTED] shareholding or place restrictions on our operations.

In order to raise capital and expand our business, we may consider [REDACTED] and issuing additional Shares or other securities convertible into or exchangeable for our Shares in the future other than on a pro rata basis to our then existing Shareholders. As a result, the shareholdings of those Shareholders may experience dilution in net asset value per Share. If additional funds are to be raised through debt financing, certain restrictions may be imposed on our operations, which may:

- further limit our ability or discretion to pay dividends;
- increase our risks in adverse economic conditions;
- adversely affect our cash flows; or
- limit our flexibility in business development and strategic plans.

You will experience immediate and substantial dilution in the book value of [REDACTED] as a result of the [REDACTED].

The [REDACTED] of our Shares is higher than our net tangible book value per Share immediately prior to the [REDACTED]. Therefore, purchasers of our Shares will experience an immediate dilution in pro forma net tangible book value per Share. Our existing Shareholders will, however, receive an increase in pro forma net tangible book value per Share with respect to their Shares.

There is no assurance of whether or when we will pay dividends.

We cannot guarantee when, if or in what form and amount dividends will be paid on our Shares following the [REDACTED]. Distribution of dividends must be proposed by our Board and is subject to a number of factors, including the results of operations, cash flows, financial situation and capital expenditure requirements of our Group, distributable profits of our subsidiaries and dividends they pay to us, our future plans and business prospects, market conditions, our Articles of Association, regulatory restrictions and our contractual obligations. See section headed “Financial Information—Dividend” of this document for further details of factors that our Directors may consider and restrictions on our dividend distribution.

RISK FACTORS

The facts, forecasts and other statistics obtained from government sources and other third parties contained in this document may not be accurate, and statistics in the document provided by Frost & Sullivan are subject to assumptions and methodologies set forth in the “Industry Overview” section of this document.

In this document, certain facts, forecasts and other statistics concerning China, its economic conditions and industries are derived from publications by Chinese government agencies, industry associations, or an industry report commissioned by us. Although we have taken reasonable care in extracting those facts, forecasts and statistics, they have not been independently verified by us, the Joint Sponsors, [REDACTED], [REDACTED], any of our or their respective directors, officers or representatives or any other person involved in the [REDACTED]. We cannot assure you that those facts, forecasts and statistics are accurate and reliable. We cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy in other jurisdictions. You should consider carefully how much weight you place on those facts, forecasts and statistics.

This document contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for periods of time to which such statements relate.

This document contains certain future plans and forward-looking statements about us that are made based on the information currently available to our management. The forward-looking information contained in this document is subject to certain risks and uncertainties. Whether we implement those plans, or whether we can achieve the objective described in this document, will depend on various factors including market conditions, our business prospects, actions by our competitors and global financial situations.

This document contains certain hypothetical information based on changes relative to historical events and analysis based on it, and you should not place undue reliance on this information or analysis.

This document contains certain hypothetical information and analysis based on it, which includes the use of certain accompanying assumptions, in particular in respect of historical prices of hogs and feed. The Company cannot offer assurances that the assumptions would have been true under the hypotheses presented or that the results of these hypothetical changes would have matched the results presented. See “Financial Information—Principal Factors Affecting Our Results of Operation—Fluctuations in Commodity Prices,” “Financial Information—Description of Selected Statement of Profit or Loss and Other Comprehensive Income Items—Continuing Operations—Revenue” and “Financial Information—Description of Selected Statement of Profit or Loss and Other Comprehensive Income Items—Continuing Operations—Cost of Sales.” Given the

RISK FACTORS

hypothetical nature of this information and the uncertainty of the assumptions made, the results that would have resulted under these hypotheses might not have occurred in the way we had expected. Accordingly, [REDACTED] should not place undue reliance on the hypothetical information and related analysis included in this document.

You may experience difficulties in [REDACTED] shareholder rights because we are incorporated in the Cayman Islands and Cayman Islands law is different from the laws of Hong Kong and other jurisdictions in terms of minority shareholder protection.

We are an exempted company incorporated in the Cayman Islands with limited liability. Cayman Islands law differs in some respects from the laws of Hong Kong and other jurisdictions where [REDACTED] may be located. Our corporate affairs are governed by our Memorandum and Articles of Association, Cayman Companies Law and the common law of the Cayman Islands. The rights of our Shareholders to take legal actions against us and our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedents in the Cayman Islands, and from English common law, which has persuasive but not binding authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under Cayman Islands law may not be as clearly established as they would be under statutes or judicial precedents in Hong Kong, the United States or other jurisdictions where [REDACTED] may be located. In particular, the Cayman Islands has a less developed body of securities law. As a result, our Shareholders may have more difficulty in protecting their interests in the face of actions taken by our management, Directors or Controlling Shareholders than they would as shareholders of a Hong Kong company, a United States company or companies incorporated in other jurisdictions.

[REDACTED] should read the entire document carefully and should not place any reliance on any information contained in press articles or other media in making [REDACTED] decision.

Prior or subsequent to the publication of this document, there may have been or be press and media coverage regarding us and the [REDACTED], which includes certain information about us that does not appear in, or is different to what is contained in, this document. We have not authorized the disclosure of any such information in the press or media. Financial information, financial projections, valuation and other information about us contained in such unauthorized press or media coverage may not truly reflect what is disclosed in the document or the actual circumstances. We do not accept any responsibility for such unauthorized press and media coverage or for the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information. To the extent that any information appearing in the press and media is inconsistent or conflicts with the information contained in this document, we disclaim it. [REDACTED] should rely only on the information contained in this document in making an [REDACTED] decision.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the [REDACTED], our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, an issuer must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. Rule 3.28 of the Listing Rules provides that an issuer must appoint as its company secretary an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the [REDACTED], capable of discharging the functions of a company secretary.

We have appointed Dr. Zhang Nan and Ms. Chau Hing Ling as joint company secretaries. Ms. Chau is a fellow member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

Dr. Zhang joined COFCO in April 2008 as an analyst specialising in the foods sector in the strategy department in COFCO and joined the Group in September 2010. 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. By virtue of Dr. Zhang’s experience and familiarity with the Group, our Company believes Dr. Zhang is capable of discharging the duties as a joint company secretary of our Company and is a suitable person to act as a joint company secretary of our Company. Further, given that its main operation is in the PRC, our Company believes that it would be in the best interests of our Company and its corporate governance to have Dr. Zhang with the relevant background and experience in the PRC to act as our joint company secretary. Since Dr. Zhang does not possess the academic and professional qualifications required of a company secretary under Note 1 to Rule 3.28 of the Listing Rules, we have [sought and obtained] from the [REDACTED] a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Dr. Zhang may be appointed as our company secretary. The waiver [was granted] for a 3-year period on the condition that we engage Ms. Chau as a company secretary to assist Dr. Zhang in the discharge of her duties as a company secretary and in gaining the relevant experience as required under Rule 3.28 of the Listing Rules. Such waiver will be revoked immediately if and when Ms. Chau ceases to provide such assistance. At the end of the 3-year period, we must liaise with the [REDACTED] which will re-visit the situation in the expectation that we should then be able to demonstrate to the satisfaction of the [REDACTED] that Dr. Zhang, having had the benefit of Ms. Chau’s assistance for three years, would have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver would not be necessary.

For further details about Dr. Zhang’s qualifications, please refer to the section headed “Directors and Senior Management” in this document.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Since we have our headquarters and principal operations in the PRC, the executive Director has been and is expected to continue to be based in the PRC.

Accordingly, we have applied to the [REDACTED] for, and the [REDACTED] [has agreed to grant,] a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain effective communication with the [REDACTED], we will put in place the following measures in order to ensure that regular communication is maintained between the [REDACTED] and us:

- (a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the [REDACTED]. The two authorized representatives are Mr. Xu Jianong and Ms. Chau Hing Ling;
- (b) each of the authorized representatives will have all necessary means to contact all the Directors promptly at all times, as and when the [REDACTED] wishes to contact the Directors on any matters;
- (c) all the Directors who are not ordinarily resident in Hong Kong have or can apply for valid travel documents to visit Hong Kong for business purposes and would be able to meet with the [REDACTED] upon reasonable notice;
- (d) the Company will retain a Hong Kong legal adviser to advise on matters relating to the application of the Listing Rules and other applicable Hong Kong laws and regulations after [REDACTED];
- (e) Guotai Junan Capital Limited, our compliance adviser, will act as an additional channel of communication with the [REDACTED]; and
- (f) each Director has provided their respective mobile phone number, office phone number, e-mail address and fax number to the [REDACTED].

For further information about other channels of communication with the [REDACTED], please refer to the section headed “Directors and Parties Involved in the [REDACTED]” in this document.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTION

We have entered into, and are expected to continue, transaction(s) which will constitute non-exempt continuing connected transaction(s) of our Company under the Listing Rules upon the [REDACTED]. Accordingly, we have applied to the [REDACTED] for, and the [REDACTED] [has granted], a waiver in relation to such continuing connected transaction(s) between us and certain connected persons under Chapter 14A of the Listing Rules. Please see the section headed “Connected Transactions” in this document for further details of these transaction(s).

[REDACTED] IN SHARES PRIOR TO [REDACTED]

Pursuant to [REDACTED] of the Listing Rules, there must be no [REDACTED] in the Shares by a connected person of the Company from the date which is four clear Business Days before the expected hearing date until [REDACTED] is granted.

On the [REDACTED] and immediately after the [REDACTED] becoming unconditional and effective, Mainfield, a direct shareholder of the Company prior to and immediately after [REDACTED], will repurchase 33% of its issued share capital from MIY. As consideration, Mainfield will transfer 33% of its assets, including 531,141,296 Shares held by Mainfield to MIY. Immediately upon completion of the Mainfield Restructuring, MIY will become a direct Shareholder, and Mainfield will become wholly-owned by China Foods (Holdings).

The Company intends to proceed with and complete the Mainfield Restructuring immediately prior to [REDACTED]. The completion of the Mainfield Restructuring is conditional upon, amongst others, the [REDACTED] becoming unconditional and effective. As such, the Company does not contemplate that it will satisfy the strict requirement under [REDACTED].

Accordingly, we have applied to the [REDACTED] for, and the [REDACTED] [has agreed to grant], a waiver from strict compliance with the requirement of [REDACTED] on the following grounds:

- (a) the Mainfield Restructuring constitutes a part of the corporate reorganization of the Group in preparation for [REDACTED];
- (b) MIY will continue to be the beneficial owner of such number of Shares then held by Mainfield in proportion to MIY’s shareholding in Mainfield immediately before the [REDACTED]. Mainfield, China Foods (Holdings), COFCO (HK) and COFCO, being the Controlling Shareholders, will be subject to the relevant lock-up restrictions pursuant to the Shareholders’ Agreement and the undertaking provided to the [REDACTED], and MIY will be subject to the lock-up restrictions pursuant to the Mainfield Shareholders’ Agreement and the undertaking provided to the [REDACTED], which are more onerous than the lock-up restrictions under [REDACTED];

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (c) the agreement under which the Mainfield Restructuring is contemplated is a pre-existing agreement and the completion of the Mainfield Restructuring will not result in MIY reducing its interest in the Company or effectively, the Group. The Mainfield Restructuring is to enable MIY to become direct Shareholder upon [REDACTED]; and
- (d) the Mainfield Restructuring involves the disposal (and not acquisition) of Shares by Mainfield which will not acquire any direct benefit from such disposal of Shares.

The Company further agreed and confirmed that the Directors and senior management of the Company, and their associates, will not [REDACTED] in the Shares from four clear business days before the expected hearing date until [REDACTED] is granted.

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

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INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

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INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Residential Address	Nationality
Non-executive Director and Chairman of the Board		
MA Jianping (馬建平)	Room 1201, Unit 2, Building 1, Yard 1, Dong Hou He Yan, Chong Wen District, Beijing China	Chinese
Executive Director		
XU Jianong (徐稼農)	Room 402, Unit 3, Building 1, Yard 1 Donghouheyan, Chongwen District, Beijing China	Chinese
Non-executive Directors		
WANG Zhiying (王之盈)	Room 2-1-401, Zhongzhi Residence Community Deshengmenwai Street, Beijing China	Chinese
XU Yang (徐陽)	China World Apartments South Lodge 05C No. 1 Jian Guo Men Wai Avenue Beijing, 100004 China	Chinese
WOLHARDT Julian Juul	Flat 501, 5/F., Tavistock Tower 1 10 Tregunter Path, Mid-Levels Hong Kong	Danish
CUI Guiyong (崔桂勇)	1133A Yosemite Villa, Shunyi District Beijing 101302 China	Chinese
WU Hai (吳海)	Room 401, Block 303, No. 37 Xueyuan Road Haidian District, Beijing China	Chinese
ZHOU Qi (周奇)	Flat B, 30/F., Tower 7, Phase 4, Bel-air Pokfulam, Hong Kong	Chinese
Independent Non-executive Directors		
CHEN Huanchun (陳煥春)	Unit 18-5, Block 9, Bei Yuan Shizishan Street Hongshan District, Wuhan China	Chinese
FU Tingmei (傅廷美)	8/F, Harbour View Terrace 114 Tin Hau Temple Road North Point, Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Name	Residential Address	Nationality
LI Michael Hankin (李恒健) . .	Flat 4C 19 Broadcast Drive Kowloon, Hong Kong	Chinese
WU Chi Keung (胡志強)	Flat A, 9/F, Block 2 17 Braemer Hill Road Braemer Hill Mansions North Point, Hong Kong	Chinese

See “Directors and Senior Management” in this document for further information regarding our Directors.

PARTIES INVOLVED

Joint Sponsors

Morgan Stanley Asia Limited
46/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

J.P. Morgan Securities (Far East) Limited
28/F, Chater House
8 Connaught Road Central
Central
Hong Kong

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

**Auditor and Reporting Accountants
of the Company**

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway
Hong Kong

Legal advisers to the Company

As to Hong Kong and U.S. laws:
Cleary Gottlieb Steen & Hamilton (Hong Kong)
37th Floor, Hysan Place
500 Hennessy Road
Hong Kong

As to PRC law:
Commerce & Finance Law Offices
6F NCI Tower
A12 Jianguomenwai Avenue
Beijing, 100022
China

As to Cayman Islands law:
Maples and Calder
53rd Floor, The Center
99 Queen’s Road Central
Hong Kong

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Industry Consultant

Frost & Sullivan
Suite 1014-1018, Tower B
Greenland Hui Center
500 Yunjin Road
Shanghai
China

Biological Assets Valuer

Savills Valuation and Professional Services Limited
23rd Floor
Two Exchange Square
Central
Hong Kong

[REDACTED]

CORPORATE INFORMATION

Registered office	Offshore Incorporations (Cayman) Limited Grand Pavilion, Hibiscus Way 802 West Bay Road, P.O. Box 31119, KY1-1205 Cayman Islands
Head office in the PRC	COFCO Fortune Plaza No.8, Chao Yang Men South St. Chao Yang District, Beijing, China
Principal place of business in Hong Kong	33/F., COFCO Tower 262 Gloucester Road Causeway Bay Hong Kong
Company’s website	www.cofco-joycome.com (The information on the website does not form part of this document)
Joint Company Secretaries	Dr. Zhang Nan Ms. Chau Hing Ling <i>Fellow member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries</i>
Authorized representatives	Mr. Xu Jianong Ms. Chau Hing Ling
Audit Committee	Mr. Wu Chi Keung (Chairman) Mr. Fu Tingmei Dr. Cui Guiyong

CORPORATE INFORMATION

Nomination Committee

Mr. Ma Jianping (Chairman)

Dr. Chen Huanchun

Mr. Fu Tingmei

Remuneration Committee

Mr. Li Michael Hankin (Chairman)

Mr. Wu Chi Keung

Mr. Wang Zhiying

Food Safety Committee

Dr. Chen Huanchun (Chairman)

Dr. Wu Hai

Mr. Xu Jianong

[REDACTED]

Compliance Adviser

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

Principal Banks

Agricultural Bank of China Ltd
(Business department, Main Branch)
F8, East Tower
Chemsunny World Trade Center
28 Fuxingmennei Street
Beijing
China

CORPORATE INFORMATION

Bank of Communication Beijing Branch
Tower A, Tongtai Building
33 Financial Street
Xicheng District
Beijing
China

Industrial and Commercial Bank of China Ltd.
Beijing Chaoyang sub-branch
Jinqi Building
No.1 Chaowai Street
Chaoyang District
Beijing
China

INDUSTRY OVERVIEW

The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by us. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Joint Sponsors, [REDACTED], [REDACTED], [REDACTED], [REDACTED] or any of our or their respective directors, officers or representatives or any other person involved in the [REDACTED] nor is any representation given as to its accuracy or completeness. The information and statistics contained in this section may not be consistent with other information and statistics compiled within or outside of China.

REPORT COMMISSIONED FROM FROST & SULLIVAN

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on, the pork industry in the PRC for the period from 2010 to 2020. The report prepared by Frost & Sullivan for us is referred to in this document as the Frost & Sullivan Report. We paid Frost & Sullivan a fee of RMB500,000, which we believe reflects market rates for reports of this type. Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. It conducts industry research among other services. Frost & Sullivan has been covering the Chinese market from its offices in the PRC since the 1990s. Its industry coverage in the PRC includes agriculture, chemicals, materials and food, among others.

We have included certain information from the Frost & Sullivan Report in this document because we believe this information facilitates an understanding of China’s pork industry for the prospective [REDACTED]. The Frost & Sullivan Report includes information on China’s pork industry as well as other economic data, which have been quoted in the document. Frost & Sullivan’s independent research consists of both primary and secondary research obtained from various sources in respect of the PRC pork industry. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan’s own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. On this basis, our Directors are satisfied that the disclosure of future projections and industry data in this section is not biased or misleading. We believe that the sources of this information are appropriate sources for the information and we have taken reasonable care in extracting and reproducing such information.

INDUSTRY OVERVIEW

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report, various official government publications and other publications.

In compiling and preparing the research, Frost & Sullivan assumed that the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the stable and healthy development of the PRC pork market. In addition, Frost & Sullivan has developed its forecast on the following bases and assumptions: China’s economy is likely to maintain stable growth in the next decade and the country’s social, economic and political environment is likely to remain stable in the forecast period. Additionally, per capita disposal income and per capita consumption expenditure of urban households are expected to grow based on the macroeconomic assumptions of the economy. Additional key industry drivers include: (i) improving living standards in China that increase the consumption of animal proteins and corresponding stable growth in consumption of pork; (ii) increasing demand for modern distribution channels that can guarantee the safety and quality of pork products; and (iii) improving technology in the PRC pork industry, especially large-scale farms and slaughtering houses with advanced production technologies and standardized management systems that will gradually replace small-scale competitors.

THE PRC PORK INDUSTRY

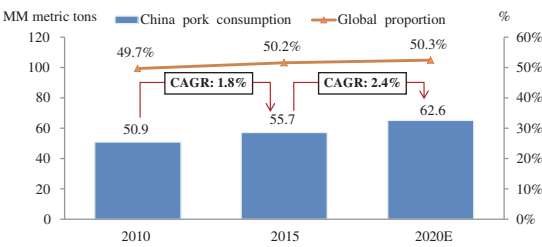
Overview

Driven by consumption growth, rising urbanization and disposable income, the PRC has witnessed an increase of domestic demand and economic growth. According to Frost & Sullivan, the PRC nominal GDP is expected to grow from RMB67.7 trillion in 2015 to RMB92.3 trillion in 2020 at a CAGR of 6.4%. The increase in the middle class and a rise in disposable income have accelerated the influx of people from rural areas into cities, with urbanization rate expected to increase from 56.1% in 2015 to 59.9% in 2020. Additionally, per capita disposable income of urban households is expected to increase from RMB31,200 in 2015 to RMB45,530 in 2020 at a CAGR of 7.9% while per capita consumption expenditure of urban households is projected to grow from RMB21,390 in 2015 to RMB29,920 in 2020 at a CAGR of 6.9%, according to Frost & Sullivan.

China is the largest pork production and consumption market in the world, comprising 49.2% and 50.2% of the global production and consumption markets respectively in 2015. According to Frost & Sullivan, the PRC pork production is expected to experience stable growth at 2.5% CAGR from 54.9 million metric tons in 2015 to 62.2 million metric tons in 2020, while pork consumption is projected to continue to grow at 2.4% CAGR from 55.7 million metric tons in 2015 to 62.6 million metric tons in 2020. On a per capita basis, pork consumption is expected to increase at a CAGR of 1.9% from 40.5 kg in 2015 to 44.4 kg in 2020, according to Frost & Sullivan. Pork is deeply rooted in Chinese culture and diet, and comprised 61.9% of China’s meat consumption in 2015.

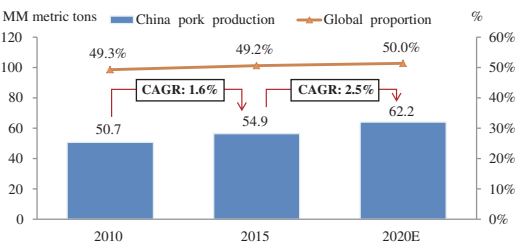
INDUSTRY OVERVIEW

China pork consumption (2010-2020E)



Source: U.S. Department of Agriculture (historical); Frost & Sullivan (projection)

China pork production (2010-2020E)

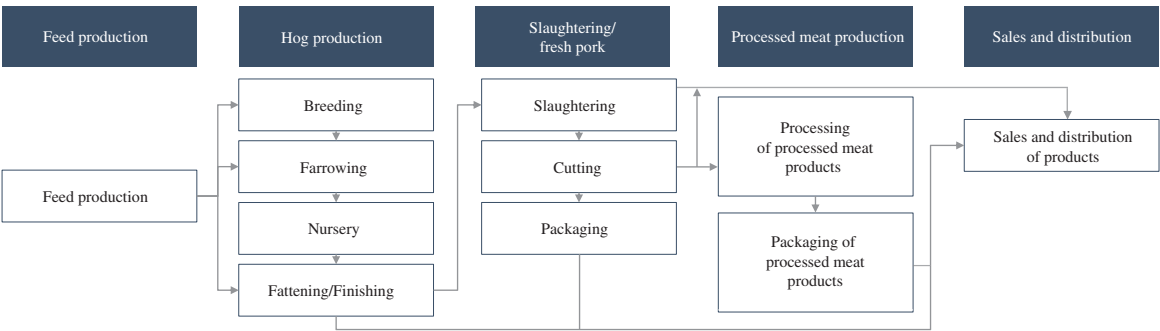


Source: U.S. Department of Agriculture (historical); Frost & Sullivan (projection)

According to Frost & Sullivan, in 2015 only 0.23 million metric tons of PRC pork production was exported as compared to 55.7 million metric tons that was consumed domestically, while China continued to be a net importer of pork, with import volumes of 1.03 million metric tons in the same year.

In recent years, the Chinese hog production market has experienced a shortage in supply due to factors such as stricter enforcement of environmental laws and regulations by the PRC Government. As a result, a large number of hog farms have been closed down in China, causing a decrease in sow supply and a corresponding decrease in hog production. Commensurately, as the industry is consolidating, large-scale hog producers have increased their market share, due to their ability to strengthen supervision and control mechanisms, promote efficient production and sales, manage food safety and comply with changing environmental regulations. For more information please see “—Market Analysis of PRC Pork Industry—Hog Production”.

The PRC Pork Value Chain



The pork industrial value chain can be categorized into five key divisions: feed production, hog production, slaughtering/fresh pork, processed meat production, sales and distribution. According to Frost & Sullivan, vertical integration and scale are key factors to achieve optimal efficiency and ensure quality control over the entire value chain.

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Feed production: Feed is categorized into either commercial feed or local feed and contains key raw materials such as corn and soybean meal for hog production. Large-scale hog producers either purchase commercial feed or produce them directly through their own feed mills to reduce feed costs and ensure food safety over the supply chain, with procured ingredients such as corn and soybean. Small-scale and backyard hog producers typically purchase local feed.

Hog production: Hog production starts with the breeding of hogs and continues with farrowing, which is the birth of newborn piglets. Thereafter, piglets are transferred to nursery and fattening farms where they will become finishing hogs and are sent for slaughter. For further details on hog production, its duration and corresponding price cycle, please see “—Market Analysis of PRC Pork Industry—Hog Production.”

Slaughtering/Fresh pork: Hogs are slaughtered in slaughterhouses to produce fresh pork products that are either sold directly or transported as raw materials for further processing of processed meat products. Normally after slaughtering, large-scale slaughterhouses sell half-carcass, chilled or frozen pork cuts while small-scale slaughterhouses sell half-carcass directly.

Processed meat production: Production typically involves processing of fresh pork and a variety of other types of proteins. Processed meat products can be divided into two categories: low-temperature meat product (“LTMP”), and high-temperature meat product (“HTMP”). LTMP products are processed at 72 to 95 degrees celsius and are processed, stored and distributed under low temperatures below 4 degrees celsius with a storage life of 45 to 60 days. HTMP products are processed at 72 to 121 degrees celsius and packed in cans, aluminum foil bags or vacuumed packaging with a storage life of 6 to 12 months and can be stored at room temperature.

Sales and distribution: Sales and distribution of pork products often requires cold storage capabilities in order to transport products such as fresh pork and LTMP. Most commonly used transportation methods for pork products include trains and trucks that can either be self-operated or operated through a third party logistics provider.

Food Safety and Environmental Incidents and Regulations of China

Food safety and environmental incidents

According to Frost & Sullivan, China’s pork industry has experienced several food and environmental incidents historically that have re-shaped consumer awareness and government focus on food quality, safety and environmental regulations in the country:

- In March 2013, it was reported that at least 10,000 dead pigs were found in Shanghai’s Songjiang section of the Huangpu river, which is a drinking water source for more than 20

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million residents in Shanghai and other cities. The carcasses were found to have had the porcine circovirus and were allegedly disposed of by farmers in neighboring Jiaying, Zhejiang Province that came from small, backyard farms which had deplorable environmental sanitation standards and high hog mortality rates.

- In recent years, there have been several reports of pork products in China that contained clenbuterol, an illegal chemical that increases lean meat production in hogs, causing ministry-level officials to oversee operations and the recall of thousands of related products.
- In recent years, PRC Government has heightened its concern on livestock production on its key administration list of environmental governance. Since 2014, PRC Government has stepped up enforcement of environmental laws and regulations such as the Environmental Protection Law, the Administrative Measures on the Prevention and Cure of Pollution Caused by Breeding of Livestock and Poultry, the Regulations on the Prevention and Control of Pollution from Large-scale Breeding of Livestock and Poultry and the Action Plan to Control Water Pollution which has led to either reconstruction or closing down a large number of small-scale hog producers in the country. For example, over 13,000 hog farms in Fujian Province have been closed and dismantled in the second half of 2015 and approximately 70,000 hog farms were closed down in Zhejiang Province by the end of September 2014.

Bio-security, food safety and environmental factors of production are important considerations to the hog industry in China. Due to food safety and environmental incidents such as the aforementioned, there is increased food safety awareness in China and PRC Government has become stricter in enforcing food safety and environmental related regulations. Hence, there is an increased barrier to entry into the hog production and slaughtering markets across China. For more details on food safety and environmental regulations, please refer to “Regulatory Overview” section.

MARKET ANALYSIS OF PRC PORK INDUSTRY

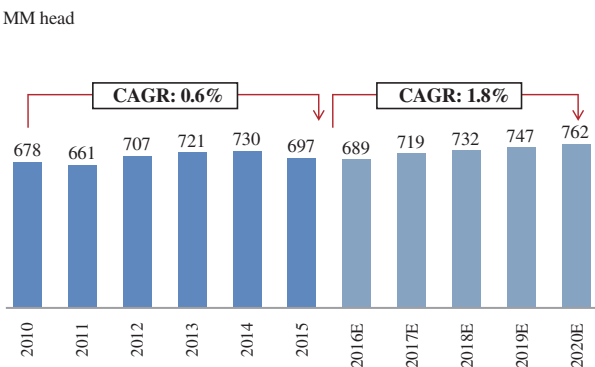
Hog Production

China’s hog production grew at a relatively low CAGR of 0.6% from 677.80 million head in 2010 to 696.60 million head in 2015 largely due to an abnormally low production period in 2015. The low production can be attributed to factors such as the increase in production from 2011 to 2014, corresponding decrease in average hog prices, decreasing sow stock since 2014, as well as increasing food safety and environmental regulations, which have led to the exit of many small-scale hog producers and the subsequent increase in market share of large-scale hog producers — a trend seen in more mature hog markets such as the United States. Comparatively, China’s hog production volume grew at a CAGR of 1.9% from 2010 to 2014. According to Frost & Sullivan, China’s hog production is expected to maintain stable growth going forward at a CAGR of 1.8% from 696.60 million head in 2015 to 761.63 million head in 2020.

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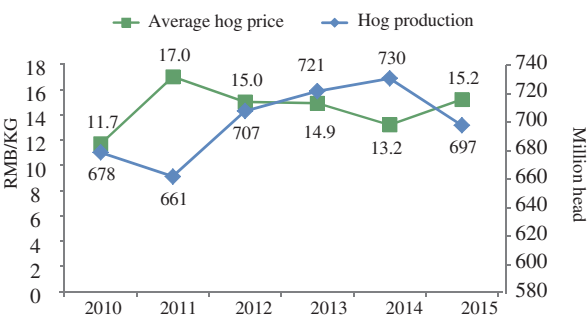
In 2011, an outbreak of the Porcine Epidemic Diarrhea virus (“PED”) depleted hog production volume to a low of 660.62 million head that caused hog price to rise to as high as RMB19.68 per kg in September of that year. The high average hog price in turn caused the hog production industry to increase production volume, reaching 729.93 million head by 2014 which caused average hog price for the year to decrease to RMB13.19 per kg. As a result of the decreasing price environment, hog production decreased substantially with the reduction of sow stock to 38 million head in 2015 from a high of approximately 50 million head in 2012. Furthermore, the effect on hog production in 2015 was further magnified by stricter implementation of environmental and food safety regulations, which forced a large number of hog farms to close and contributed to the decrease in production.

China hog production volume (2010-2020E)



Source: U.S. Department of Agriculture (historical);
Frost & Sullivan (projection)

China hog production and prices (2010-2015)

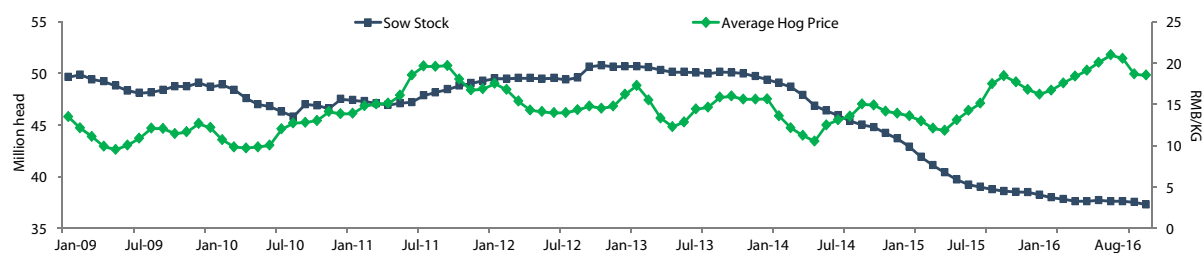


Source: U.S. Department of Agriculture (hog production);
China Animal Agriculture Association
(average hog price)

While hog prices are also driven by corn and other feed costs in the long term, hog supply fluctuation is a key driver for hog prices in the short to medium-term. China’s pork cycle dynamics have historically shown that hog producers increase production when hog prices are high and consequently decrease production when prices are low. Additionally, hog price fluctuations are exacerbated by the time lags in changes in production and fragmentation of the industry. As price increases, the majority of hog producers increase production simultaneously and cause prices to come down. In recent years, however, as average hog price has increased, sow supply and corresponding hog production volume have continued to decrease due to factors such as stricter enforcement of environmental regulations. For example, sow stock has fallen from approximately 46.9 million head in April 2014 to 37.3 million head in August 2016, while average hog price has continued to increase from RMB10.5 per kg to RMB18.5 per kg for the same time period.

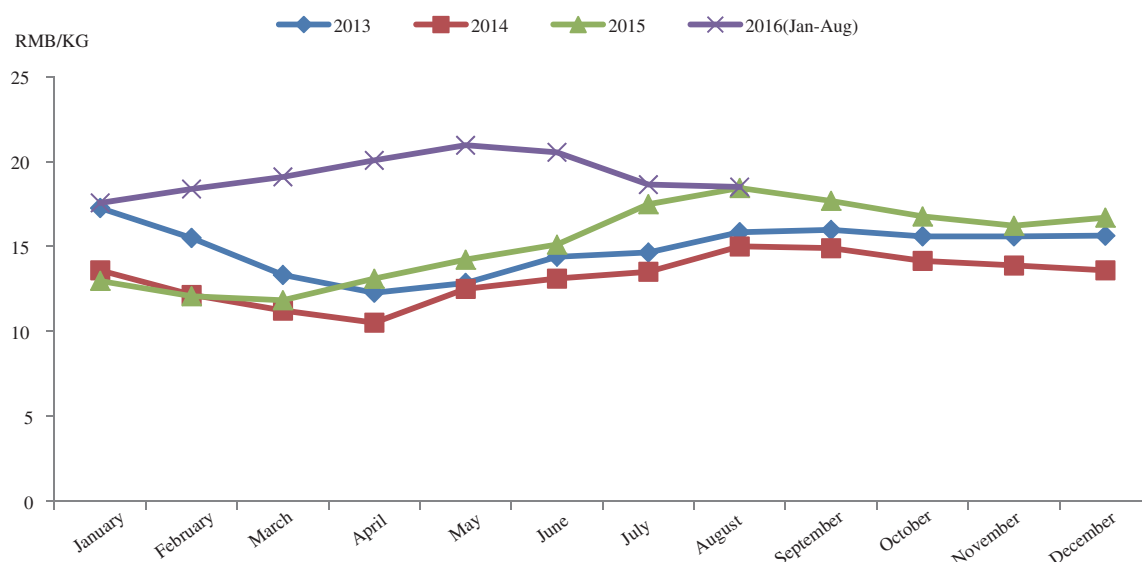
INDUSTRY OVERVIEW

China parent sow stock supply and average hog price (2009-August 2016)



Source: China Animal Agriculture Association

China's monthly average live hog price (2013-August 2016)



Source: China Animal Agriculture Association

China's hog prices move cyclically over periods of years. Fluctuations in hog prices were significant in recent years, with the average annual domestic live hog price in China decreasing from RMB14.9 per kg in 2013 (with a high end of RMB17.3 per kg in January and a low end of RMB12.3 per kg in April) to RMB13.2 per kg in 2014 (with a high end of RMB15.0 per kg in August and a low end of RMB 10.5 per kg in April), and increasing to RMB15.2 per kg in 2015 (with a high end of RMB18.5 per kg in August and a low end of RMB11.8 per kg in March). The average live hog price in China increased further in 2016 to RMB20.1 per kg in April 2016, but decreased to RMB18.5 per kg in August 2016.

Hog production depends on existing parent sow supply that produces new piglets which eventually go on to become finishing hogs. Following existing grandparent sows' gestation period of

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around four months, it normally takes another eight months for a piglet to turn into a parent sow. After increasing parent sow stock, it takes approximately 10 months to translate into an increase in finishing hog production. As such, with low parent sow stock in August 2016, it will likely take approximately 22 months in total for parent sow supply and corresponding finishing hog production to increase. Additionally, stricter enforcement of food safety and environmental regulations has limited the growth of existing hog producers and has paved the exit of a large number of small-scale hog producers. Hence, according to Frost & Sullivan, China’s hog production volume is expected to remain at current level over the next 12 to 24 months, which is likely to continue to support average hog prices from falling significantly below August 2016 levels.

The hog-to-corn price ratio has been used as a profitability indicator for Chinese pork producers, whereby a higher ratio indicates higher profitability. According to Frost & Sullivan, as corn comprised 56% to 62% of hog production’s feed costs over the past 5 years ending in 2015, feed costs have historically been correlated with corn prices. Since 2006, although there have been fluctuations in the hog-to-corn price ratio due to the pork cycle, both the overall and the intra-cycle average hog-to-corn price ratios have been approximately 6.6x and negatively correlated with corn prices.

Additionally, there is a significant gap between domestic and international corn prices due to Chinese government subsidies. Corn prices have increased in the past 10 years largely due to PRC Government’s stockpiling initiatives of domestic corn inventory in order to benefit domestic farmers. However, in March 2016, PRC Government announced its termination of the stockpiling policy, gradually releasing its ownership of approximately 50% of the global corn inventory through the open market. According to Frost & Sullivan, corn prices are expected to decline amidst increasing supply based on a price of RMB2.08 per kg in August 2016, which in turn is expected to increase the hog to corn price ratio amidst a rising average hog price environment.

Hog prices in various provinces of China

Province	Nursery hog				Large finishing hog			
	As of December 31,			As of April 30,	As of December 31,			As of April 30,
	2013	2014	2015	2016	2013	2014	2015	2016
	(RMB/kg)							
Hubei	28.44	20.20	38.43	63.62	14.52	13.03	16.64	20.73
Jiangsu	18.33	18.80	34.00	43.25	15.13	13.40	17.00	20.57
Tianjin	27.17	23.17	25.00	64.83	15.09	13.18	16.70	20.72
Jilin	19.33	13.00	34.00	69.00	14.17	12.63	17.40	20.77
Inner Mongolia ¹	23.94	17.55	34.88	64.30	15.04	12.98	16.75	20.90
Hebei	19.56	16.81	30.50	69.09	14.78	12.95	16.51	20.73
National average	23.94	17.55	34.88	64.30	15.04	12.98	16.75	20.90

Source: 中國種豬信息網 <http://chinaswine.org.cn/>;
Frost & Sullivan

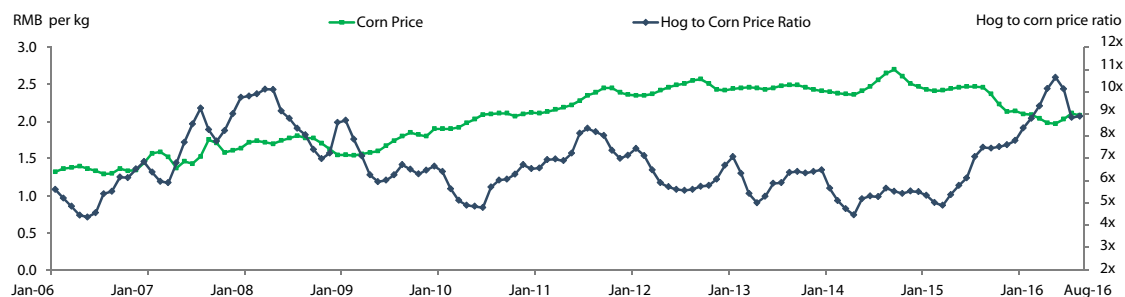
Note:

- There is no market price for Inner Mongolia from chinaswine.org.cn, and therefore national average has been adopted as proxy for the purpose of market price cross-check from this database.

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According to Frost & Sullivan, hog prices vary among different regions in China. A primary reason for this is the variance in feed prices among different regions. Corn is one of the primary feeds used in China’s hog industry and it is mainly produced in China’s northern area, which leads to the corn price being generally lower in northern China. For example, the average corn price in Guangxi Province, which is located in southern China, during the last week of 2015 was RMB2.35 per kg, compared with RMB1.70 per kg in Heilongjiang Province, which is located in northern China, during the same period, according to 中國種豬信息網 (<http://chinaswine.org.cn>). Another reason is that different regions of China have different labor costs; for example, the average wages in primary industry in 2014 in Jiangsu Province were RMB33,060, compared with RMB21,156 in Hubei Province, according to China’s National Bureau of Statistics. In addition, regions with relatively higher temperatures can have higher hog transportation costs as a result of needs for air-conditioning facilities and potentially higher culling of hogs during transportation, and disease can affect regional hog supply, which also contributes to the regional price differences.

Monthly corn price and hog to corn price ratio (2006-August 2016)

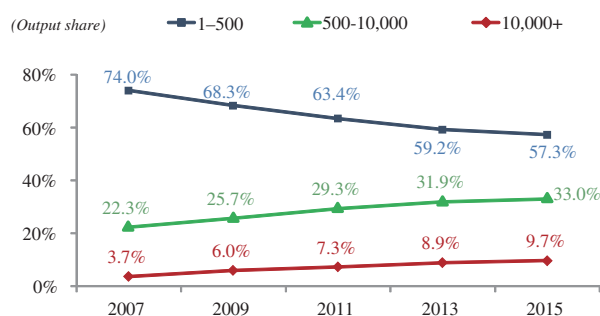


Source: China Animal Agriculture Association (hog price); The Ministry of Agriculture (corn price)

While sub-scale independent farms with less than 500 head still dominate the hog production market at 57.3% market share in 2015, larger farms with more than 10,000 head capacity have accelerated their expansion on the back of industry modernization and enhanced food and environmental safety regulations introduced by PRC Government, increasing its market share from 3.7% in 2007 to 9.7% in 2015. In contrast, the market share of farms with more than 10,000 head capacity in the U.S. was at 75.0% as of 2012. Furthermore, the market share of PRC hog producers with less than 500 head capacity has decreased from 74.0% in 2007 to 57.3% in 2015, while U.S. farms with similar capacities have further decreased their market shares from 12.0% in 1998 to 3.0% in 2012. With rising urbanization, increasing Chinese population’s income and corresponding rise in labor cost, smaller hog producers will eventually not be able to cover labor costs. Most importantly, stricter implementation of food safety and environmental regulations have not only caused the exit of many small-scale hog producers, but also constrained the expansion of large hog producers and contributed to the record sow supply shortage in China. Therefore, the structural shortage of sow supply will not reverse as quickly as in previous cycles, according to Frost & Sullivan. Furthermore, similar to the historical trend in the US market, China’s hog production market’s fragmentation will eventually dissipate to make room for more established, large-scale producers.

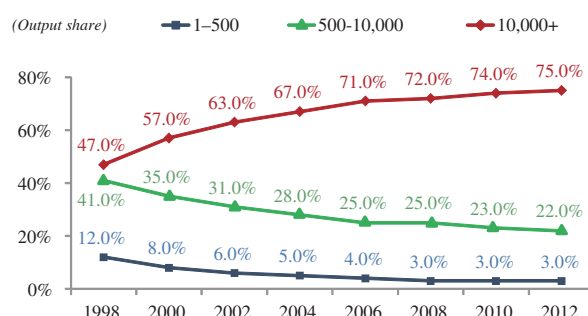
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Output contributed by each scale of hog farms in China (2007-2015)



Source: PRC Ministry of Agriculture

Output contributed by each scale of hog farms in US (1998-2012)



Source: U.S. Department of Agriculture

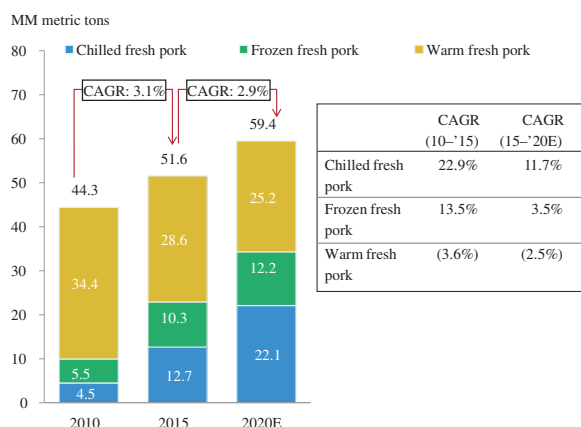
Slaughtering/Fresh Pork

The PRC fresh pork consumption market is expected to experience stable growth at a CAGR of 2.9% from 51.6 million metric tons in 2015 to 59.4 million metric tons in 2020, according to Frost & Sullivan. Fresh pork comprises of three key categories, with warm fresh pork historically dominating consumption with a volume of 28.6 million metric tons in 2015, compared to chilled fresh pork and frozen pork with consumption volumes of 12.7 million metric tons and 10.3 million metric tons respectively in the same year. However, given heightened consumer awareness over food safety and quality, there is an increase in demand for chilled fresh pork and a decrease in demand for warm fresh pork. Chilled fresh pork consumption increased from 4.5 million metric tons in 2010 to 12.7 million metric tons in 2015 at a CAGR of 22.9%, which according to Frost & Sullivan, will continue to grow to 22.1 million metric tons in 2020 at a CAGR of 11.7%.

Given the lower shelf lives of both warm fresh pork and chilled fresh pork and corresponding transportation limitations, producers of such products must locate slaughterhouses in vicinity of its distributors or end-customers. On the other hand, frozen fresh pork has longer shelf lives and is thus a large part of the imported meats business in China.

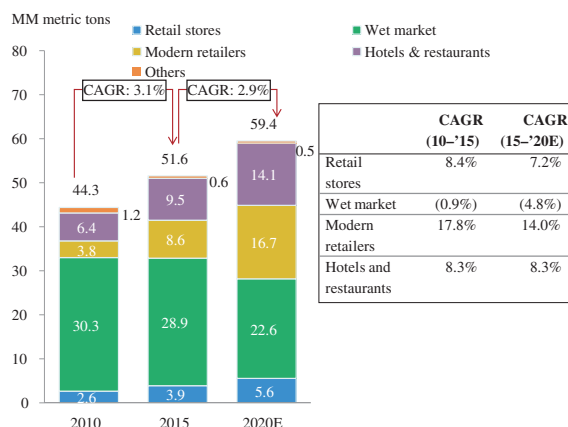
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China fresh pork consumption volume breakdown by category (2010-2020E)



Source: U.S. Department of Agriculture (historical);
Frost & Sullivan (projection)

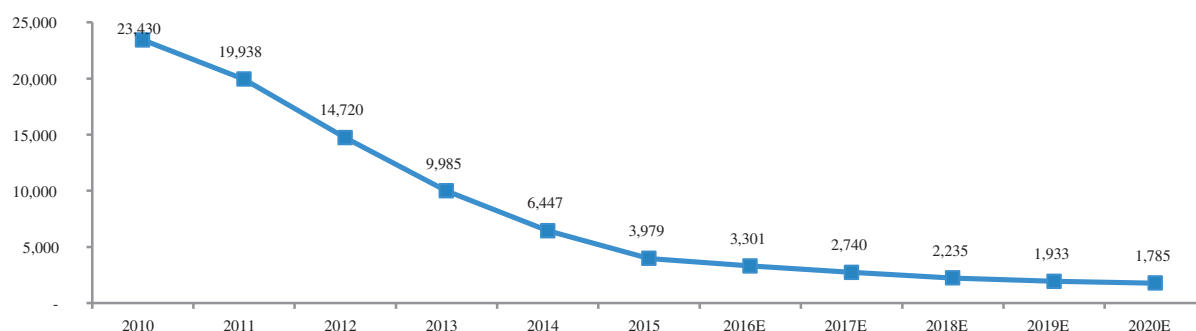
China fresh pork consumption volume breakdown by channels (2010-2020E)



Source: U.S. Department of Agriculture (historical);
Frost & Sullivan (projection)

Fresh pork in China is sold and distributed through a variety of key channels including wet markets, modern retailers (supermarkets and hypermarkets), hotels and restaurants, and retail stores (grocery stores and branded chain stores). Historically, wet markets, where warm fresh pork is largely sold, have played a dominant role, distributing 28.9 million metric tons of a total of 51.6 million metric tons of fresh pork in 2015. However, due to heightened food safety concerns, in addition to rapid urbanization, the rise of the middle class and growing importance of convenience for the average Chinese consumer, sales of fresh pork products such as chilled fresh pork and frozen fresh pork sold through sales channels including modern retailers and hotels and restaurants are poised for higher growth. It is expected that products sold through modern retailers will grow at a CAGR of 14.0% from 8.6 million metric tons in 2015 to 16.7 million metric tons in 2020, while those sold through hotels and restaurants will grow at a CAGR of 8.3% from 9.5 million metric tons in 2015 to 14.1 million metric tons in 2020.

Decreasing number of licensed slaughtering houses (China), 2010-2020E



Source: National Bureau of Statistics of China (historical);
Frost & Sullivan (projection)

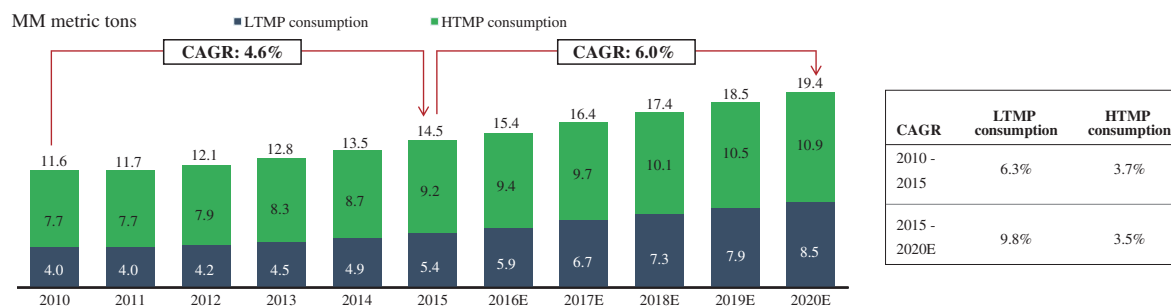
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According to the Outline of Development Plan of the National Hog Slaughter Industry (2010-2015), PRC Government has adopted a policy of reducing slaughtering houses to promote concentration in the slaughter industry, strengthening supervision and management, and promoting efficient production and distribution. According to Frost & Sullivan, the number of slaughterhouses is expected to decrease to approximately 1,785 by 2020. As China’s Ministry of Agriculture continues to promote the reorganization of substandard slaughterhouses in 2016, large-scale designated slaughterhouses are expected to have broader market prospects in the fresh pork business going forward.

Processed Meat

Processed meat consumption in China has experienced stable growth at a CAGR of 4.6% from 2010 to 2015, and is expected to grow at a CAGR of 6.0% from 14.5 million metric tons in 2015 to 19.4 million metric tons in 2020 on the back of increased disposable income, the expansion of the middle class population and its corresponding more westernized dietary habits. Processed meat products can be divided into two key categories: LTMP which includes hams, sausages and bacon, as well as HTMP which includes ham sausage and canned pork. With increasing modernization and urbanization across China, demand for western-influenced LTMP products such as bacon and ham will lead the growth going forward, with a CAGR of 9.8% from 5.4 million metric tons in 2015 to 8.5 million metric tons in 2020.

Processed meat products consumption breakdown by LTMP & HTMP (China), 2010-2020E



Source: U.S. Department of Agriculture;
Frost & Sullivan

COMPETITIVE LANDSCAPE

While China is the world’s largest hog production market, the market is highly fragmented with approximately 47 million producers of various sizes and scale, with the top five hog producers taking a combined share of approximately 3.6% in 2015. Recently, PRC Government has made food and

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environmental safety and quality a top policy priority and has continued to adopt and enforce more stringent industry standards for hog production. This will likely benefit large-scale hog producers who uphold these requirements at the expense of small-scale backyard producers who have continued to exit the market in recent years and contributed to the sow supply shortage.

China hog production market by production volume of finishing hogs (2015)

Ranking	Company	Production volume (MM head)	Market share
1	Company A	15.4	2.6%
2	Company B	1.8	0.3%
3	Company C	1.7	0.3%
4	The Group	1.0	0.2%
5	Company D	1.0	0.2%
Top 5.		20.8	3.6%
Total		583.0	100.0%

Source: Frost & Sullivan

China’s fresh pork market is equally fragmented, with a large proportion of individual producers and processors. The top ten fresh pork players had a combined market share of 5.1%. However, as can be seen through the decreasing number of licensed slaughterhouses in China, heightened food safety concerns and scrutiny by consumers and regulators have benefited large-scale players to expand and have caused small-scale players to exit the market due to higher operating standards and associated costs. The processed meat production market is slightly less fragmented, with the top ten operators comprising of approximately 15.6% of the total market.

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China fresh pork market by sales revenue (2015)

Ranking	Company	Sales revenue	Market share
		(RMB bn)	
1	Company A	24.4	1.9%
2	Company B	14.9	1.2%
3	Company C	6.5	0.5%
4	Company D	6.0	0.5%
5	Company E	3.6	0.3%
6	Company F	2.7	0.2%
7	Company G	2.3	0.2%
8	The Group	2.0	0.2%
9	Company H	1.4	0.1%
10	Company I	0.9	0.1%
Top 10 .		64.5	5.1%
Total . .		1,272.4	100.0%

Source: Frost & Sullivan

China processed meat market by sales revenue (2015)

Ranking	Company	Sales revenue	Market share
		(RMB bn)	
1	Company A	22.6	8.5%
2	Company B	6.2	2.3%
3	Company C	4.3	1.6%
4	Company D	2.8	1.0%
5	Company E	2.5	0.9%
6	Company F	2.0	0.8%
7	Company G	0.5	0.2%
8	Company H	0.3	0.1%
9	The Group	0.3	0.1%
10	Company I	0.2	0.1%
Top 10 .		42.0	15.6%
Total . .		267.4	100.0%

Source: Frost & Sullivan

The Chinese meat import market (beef, pork, lamb and chicken) also displays a degree of fragmentation, with the top five players comprising 14.5% of the market.

China meat import market by import volume (2015)

Ranking	Company	Import volume ⁽¹⁾	Market share
		(Thousand Metric Tons)	
1	Company A	137.0	5.0%
2	The Group	86.0	3.2%
3	Company B	60.4	2.2%
4	Company C	55.9	2.1%
5	Company D	55.0	2.0%
Top 5.		394.2	14.5%
Total		2,725.1	100.0%

Source: Frost & Sullivan

Note: (1) Import volume based on customs clearance basis; meat includes only beef, pork, lamb and poultry (both meat and offals)

REGULATORY OVERVIEW

All of our business operations are based in the PRC and are subject to extensive supervision and regulation by the PRC Government. This section summarizes the main laws, rules and regulations which impact key aspects of our business.

Set out below are summaries of certain aspects of the PRC laws and regulations which are relevant to the operation and business of the Company.

LAWS AND REGULATIONS RELATING TO LARGE-SCALE LIVESTOCK RAISING AND BREEDING INDUSTRY

Breeding Farm or Large-Scale Breeding Plot

According to the Animal Husbandry Law of the PRC (《中華人民共和國畜牧法》) which was promulgated by the Standing Committee of the National People’s Congress (the “**Standing Committee**”) on December 29, 2005, became effective on July 1, 2006 and was amended on April 24, 2015, and Administrative Measures for Labeling the Livestock and Poultry and Breeding Files (《畜禽標識和養殖檔案管理辦法》), which were issued by Ministry of Agriculture (農業部) (the “**MOA**”) on June 26, 2006 and became effective on July 1, 2006, livestock and poultry breeding farms and large-scale breeding plots are required to:

- (1) have production premises and supporting facilities commensurate with their scales of breeding;
- (2) have animal husbandry and veterinary technicians in their service;
- (3) meet the epidemic prevention conditions, as provided for by laws and administrative regulations and prescribed by the administrative department for animal husbandry and veterinary medicine under the State Council;
- (4) have facilities such as methane-generating pits for the comprehensive use of, or other facilities for innocuous treatment of, the feces of livestock and poultry, waste water and other solid wastes; and
- (5) meet other conditions provided for by laws and administrative regulations.

The founder of a breeding farm or large-scale breeding plot is required to obtain the livestock and poultry labels and codes.

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License for Production and Operation of Breeding Livestock

According to the Animal Husbandry Law, and the Regulations on Administration of Breeding Livestock and Poultry (《種畜禽管理條例》) which was promulgated on April 15, 1994 by the State Council and became effective on July 1, 1994, as amended in January 2011, an entity or individual engaged in the production and operation of breeding livestock and poultry or in the commercial production of new born livestock and poultry shall obtain a license for production and operation of breeding livestock and poultry. An applicant applying for the license for production and operation of breeding livestock and poultry shall meet various conditions set out in the Animal Husbandry Law and the Regulations on Administration of Breeding Livestock and Poultry. The license is issued by the animal husbandry and veterinary medicine authority under the local people’s government at or above the county level and is valid for three years.

Animal Epidemic Prevention Requirement

According to the Animal Epidemic Prevention Law of the PRC (《中華人民共和國動物防疫法》) which was promulgated by the Standing Committee on July 3, 1997, amended on August 30, 2007, June 29, 2013 and April 24, 2015, and became effective on January 1, 2008, and Censoring Measures on Conditions for Animal Epidemic Prevention (《動物防疫條件審查辦法》) which was promulgated by the MOA on January 21, 2010 and became effective on May 1, 2010, building an animal breeding farm (small breeding plot) or isolation place, animal slaughtering and processing house, or a place where animals and animal products are given innocuous treatment requires the Certificate of Conformity to the Conditions for Animal Epidemic Prevention (《動物防疫條件合格證》) from the administrative department for veterinary medicine. Before slaughtering, selling or transporting animals, or selling or transporting animal products, the owner shall submit an application to the local animal health supervision institution for quarantine. Quarantine Certificates will be issued for and quarantine marks will be attached on the animals and animal products that have passed the quarantine. Measures for the Administration of Animal Quarantine (《動物檢疫管理辦法》) which were promulgated by the MOA on January 21, 2010 and became effective on March 1, 2010, further provide that an examination must be conducted by local authorities on animal-related products, and an Animal Quarantine Certificate (《動物檢疫合格證明》) must be obtained before distributing such products.

Veterinary Drugs Supervision

According to Regulations on Administration of Veterinary Drugs (《獸藥管理條例》) which were promulgated by the State Council on April 9, 2004, became effective on November 1, 2004 and were amended on July 29, 2014 and February 6, 2016, it is prohibited to add in animal feed or drinking water any hormonal drug or other prohibited drugs specified by the administrative department for veterinary medicine under the State Council, administer human medicine to animals, or to sell animal food products that contain illicit drugs or in which the residual amount of veterinary drugs exceeds

REGULATORY OVERVIEW

the limits. The drugs prohibited to be added in animal feed or drinking water are listed in detail in the List of Drugs Forbidden to be Used in Feeds or Drinking Water of Animals (《禁止在飼料和動物飲用水中使用的藥物品種目錄》) co-promulgated by the MOA, the Ministry of Health, and the State Food and Drug Administration (formerly known as “**State Drug Administration**”) on February 9, 2002.

Under the above-mentioned laws and regulations, livestock and poultry labels and codes for breeding farms for livestock and poultry and license for production and operation of breeding livestock and poultry as well as a Certificate of Conformity to the Conditions for Animal Epidemic Prevention are required. Operators are also required to abide by the relevant requirements with respect to the operation of breeding farms and large-scale breeding plots. Violation of these requirements or failure to obtain relevant permits would lead to a series of penalties, including confiscation of the products, instruments and earnings, imposition of fines, revocation of the permits, and/or even criminal liabilities.

Laws and Regulations Relating to Feed Production

Under the Regulations on Administration of Feed and Feed Additives (《飼料和飼料添加劑管理條例》), which were promulgated by the State Council on May 29, 1999, amended on November 29, 2011, December 7, 2013 and February 6, 2016, and became effective on May 1, 2012, and the Administrative Measures for Production Licensing of Feed and Feed Additives (《飼料和飼料添加劑生產許可管理辦法》), which were issued by the MOA on May 2, 2012, became effective on July 1, 2012, and was amended on December 31, 2013, feed production enterprises must comply with feed industry development plans and industrial policies and meet the following conditions:

- (1) have plant buildings, equipment and warehousing facilities accommodating the feed and feed additive production;
- (2) have full-time technical staff to accommodate the feed and feed additive production;
- (3) have necessary product quality testing bodies, staff and facilities and quality control systems;
- (4) have production conditions that meet safety and health requirements stipulated by the government;
- (5) have in place pollution prevention and control measures that meet the national environmental protection requirements; and
- (6) other conditions specified in the administration standards for feed and feed additives quality safety formulated by the competent administrative department of agriculture under the State Council.

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Enterprises are required to obtain a production license before operating a feed production business. In addition, enterprises are required to maintain the requisite conditions to produce feed and follow relevant rules relating to feed production. Violation of these rules or failing to obtain production license could lead to a range of penalties, including confiscation of the products, instruments and earnings, imposition of fines or even revocation of the production licenses.

LAWS AND REGULATIONS RELATING TO HOG SLAUGHTERING

According to Regulations on Administration of Hog Slaughtering (《生豬屠宰管理條例》) which were promulgated by the State Council on December 19, 1997, amended on December 19, 2007, January 8, 2011 and February 6, 2016, and Implementing Measures for Regulations on Administration of Hog Slaughtering (《生豬屠宰管理條例實施辦法》) which was promulgated on July 28, 2008 and became effective on August 1, 2008, the PRC government implements a system that requires hogs to be slaughtered by designated hog slaughtering plants (houses) and quarantined in a centralized manner. The governments of prefecture-level cities are responsible for issuing the permits and signboards of designated hog slaughtering plants (houses) to the designated plants. A designated hog slaughtering plant (house) is required to:

- (1) have a source of water supply that is commensurate with the operation scale of the slaughter and meet the standards for water quality set by the national government authorities;
- (2) have stand-by slaughter rooms, slaughter rooms, emergency slaughter rooms, hog slaughter equipment and means of transportation which conform to the requirements prescribed by the national government authorities;
- (3) have the technical staff for hog slaughter who have obtained health certificates;
- (4) have qualified meat product quality inspectors;
- (5) have inspection equipment and sterilization facilities that conform to the requirements prescribed by the government, and the facilities for pollution prevention and control that conform to the environmental protection requirements;
- (6) have the facilities for innocuous disposal of diseased hogs and hog products derived therefrom; and
- (7) obtain a qualification certificate of animal epidemic prevention.

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A designated hog slaughtering plant (house) is required to establish a stringent inspection system controlling meat product quality. Inspection of meat product quality must be carried out simultaneously with hog slaughtering, and the inspection results must be recorded truthfully. The records of inspection results must be retained for at least two years. Hog products of a designated hog slaughtering plant (house) shall not leave the plant (house) before they have undergone the inspection process or if they fail such inspection.

LAWS AND REGULATIONS RELATING TO THE FOOD INDUSTRY

Food Safety in General

According to the Food Safety Law of the PRC (《中華人民共和國食品安全法》) (the “**Food Safety Law**”), which was promulgated by the Standing Committee on February 28, 2009, amended on April 24, 2015 and became effective on October 1, 2015, and the Implementing Regulations for the Food Safety Law of the PRC (《中華人民共和國食品安全法實施條例》), which were promulgated by the State Council on July 20, 2009, became effective on the same day, and were amended on February 6, 2016, the food and drug administrative department of the State Council shall supervise and administer food production and trade activities in accordance with the Food Safety Law and its functions prescribed by the State Council. National food safety standards shall be developed and published by the health administrative department of the State Council in conjunction with the food and drug administrative department of the State Council. The Food Safety Law and its implementation regulations require:

- (1) any entity engaging in food production, food sales and catering services to obtain the relevant license;
- (2) food production and operation to comply with food-safety standards and certain other requirements. Food producers shall not purchase or use raw food materials, food additives or food related products which do not meet food-safety standards;
- (3) each food producer or trader to establish and implement a personnel health management system. Each worker who engages in food production or trading worker is required to take a physical examination each year and obtain health certificate prior to working;
- (4) food producers to check the licenses and food eligibility certification documents of their suppliers before purchasing raw food materials, food additives and food-related products from them. Each food production enterprise shall establish a procurement check record system and a food ex-factory check record system and ensure the records are authentic and retained for at least two years; and

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- (5) the packages of pre-packed food to bear labels. The labels shall state matters including the name, specifications, net content, date of production, list of ingredients or components, producer’s name, address and contact information, shelf life, product standard code, storage conditions, the general name of the food additives used in the national standards, category number of the food production license, and other content acquired by laws, regulations or food safety standards.

The PRC has established a food recall system. When a food producer finds that the food produced by it does not comply with food safety standards or there is any evidence proving that the food produced may harm human health, it shall immediately stop production, recall the food on the market, notify the relevant producers, traders and consumers, and record the recall and notification. When a food trader finds that the food traded by it under the aforesaid circumstance, it shall immediately stop trading such food, notify the relevant producers, traders and consumers, and record the cessation of trading and the notification. The food producers shall take measures on the recalled food, including but not limited to harmless disposal and destruction, and report the recall and treatment of the recalled food to the food and drug administration at or above the county level. Where the food producers or traders fail to recall or stop producing or trading the food which are not in compliance with food safety standards under Article 63 of the Food Safety Law, the food and drug administration at or above the county level shall order them to recall or stop production or trading. On March 11, 2015, the China Food and Drug Administration (國家食品藥品監督管理總局) (the “CFDA”) promulgated the Administrative Measures for Food Recall (《食品召回管理辦法》), which became effective on September 1, 2015. The Administrative Measures for Food Recall provides the detailed rules on the food recall system.

In the event of any breach of the Food Safety Law, relevant authorities may confiscate any illegal gains and food products, issue warnings and impose rectification orders and monetary penalties up to thirty times the value of the illegal products, as well as revoke the relevant certificate and impose criminal liability in severe cases.

License for Food Production and Food Operation

Pursuant to Measures for the Administration of Food Production Licensing (《食品生產許可管理辦法》), which was promulgated by the CFDA on August 31, 2015, and took effect from October 1, 2015, and Measures for the Administration of Food Operation Licensing (《食品經營許可管理辦法》), which was promulgated by the CFDA on August 31, 2015, and took effect from October 1, 2015, any entity or individual engaging in food production or food operation shall meet various conditions set out in the Measures for the Administration of Food Production Licensing and Measures for the Administration of Food Operation Licensing, and obtain the food production license or food operation license respectively from the local branched of the CFDA.

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LAWS AND REGULATIONS RELATING TO PRODUCT QUALITY

The Product Quality Law of the PRC

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》), which was promulgated on February 22, 1993, became effective on September 1, 1993, and was subsequently amended on July 8, 2000, producers are liable for the quality of the products they produce. Where anyone produces or sells products that do not comply with the relevant national or industrial standards safeguarding the health and safety of the persons and property, the relevant authority will order such person to suspend the production or sales, confiscate the products, impose a fine of an amount higher than the value of the products and less than three times of the value of the products, confiscate illegal gains (if any) as well as revoke the business license in severe cases. Where the activities constitute a crime, the offender will be prosecuted.

The Agricultural Products Safety Law of the PRC

According to the Agricultural Products Quality Safety Law of the PRC (《中華人民共和國農產品質量安全法》), which was promulgated by the State Council on April 29, 2006 and became effective on November 1, 2006, producers of agricultural products shall use chemical products reasonably and avoid contaminating agricultural production sites. Agricultural producers shall also ensure that the preservatives, additives and other chemicals used in the process of the packaging, preservation, storage and transportation of agricultural products shall conform with the relevant mandatory technical specifications set by the State.

Product Liabilities

Manufacturers and distributors of defective products in the PRC may incur liability for losses and injuries caused by such products. Under the General Principles of the Civil Laws of the PRC (《中華人民共和國民法通則》), which became effective on 1 January 1987 and was amended on August 27, 2009, and the Law on the Protection of Consumer Rights and Interests of the PRC (《中華人民共和國消費者權益保護法》), which was promulgated on October 31, 1993, became effective on January 1, 1994 and was amended on August 27, 1999 and October 25, 2013, the manufacturers and distributors will be held liable for losses and damages suffered by consumers caused by the defective products manufactured or distributed by them.

Under the above-mentioned laws and regulations, we are required to ensure that products which we produce and sell meet the requirements for safeguarding human health and ensuring human and property safety. Failing to do so will lead to a series of penalties, including the suspension of production and sale, confiscation of the products and earnings, imposition of fines, revocation of business licenses, and/or even criminal liabilities. In addition, if the products cause personal injuries or other form of torts, the manufacturers and distributors of the products may be subject to tort liability.

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LAWS AND REGULATIONS RELATING TO FOOD IMPORT

Foreign Trade Registration

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) which were promulgated on May 12, 1994 by the Standing Committee, amended on April 6, 2004 and became effective on July 1, 2004, enterprises that engage in foreign trade are required to register with competent department of foreign trade under the State Council or its authorized institution. Customs will refuse to handle the formalities for declaration and clearance of goods imported or exported by a foreign trade operator that fails to complete the record-filing registration formalities.

Custom Registration

Pursuant to the Administrative Provisions for the Registration of Customs Declaration Agents by the PRC Customs Authorities (《中華人民共和國海關報關單位註冊登記管理規定》), which were promulgated by the General Administration of Customs on March 13, 2014 and came into effect on the same day, entities or individuals who import or export goods are required to complete the registration formalities with Customs authorities before they may handle their own declarations.

Compulsory Inspection

Pursuant to the Law on Import and Export Commodity Inspection of the PRC (《中華人民共和國進出口商品檢驗法》), which became effective on October 1, 2002 and was last amended on June 29, 2013, and the Regulations on Implementation of the Law on Import and Export Commodity Inspection of the PRC (《中華人民共和國進出口商品檢驗法實施條例》), which were promulgated by the State Council on August 31, 2005, became effective on December 1, 2005, and were amended on July 18, 2013 and February 6, 2016, the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中國國家質量監督檢驗檢疫總局) (the “GAQSIQ”) is responsible for issuing the catalogue of import and export commodities that are subject to compulsory inspection. According to this Catalogue, import and export of hogs and pork are subject to compulsory inspection.

Import License

According to the Import and Export Administration Regulations and Measures for the Administration of Automatic Import Licensing for Goods (《貨物自動進口許可管理辦法》), which were promulgated by the Ministry of Commerce (商務部) (the “MOFCOM”) and General Administration of Customs on November 10, 2004 and became effective on January 1, 2005, to import goods which are subject to automatic import licensing requirements, the consignee (including importers and imported goods users) shall submit the application for an Automatic Import License with the local or corresponding license issuing authority and obtain an Automatic Import License

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before going through customs declaration formalities. All the frozen meat products we imported (pork, beef, poultry, mutton and lamb) are included in the Catalogue of Goods Subject to Automatic Import License Administration for the Year 2016 (《2016年自動進口許可管理貨物目錄》), and thus are subject to such licensing requirements.

Quarantine of Imported Animals Products

According to the Law of the PRC on Quarantine of Animals and Plants Entering and Leaving the PRC (《中華人民共和國進出境動植物檢疫法》), which was promulgated on October 30, 1991 by the Standing Committee of the NPC and became effective on April 1, 1992, as amended on August 27, 2009, and its implementation regulations (《中華人民共和國進出境動植物檢疫法實施條例》) which was promulgated on December 2, 1996 by the State Council and became effective on January 1, 1997, importers of animals or animal products must apply in advance, and go through the formalities, for quarantine approval.

Registration System of Foreign Food Manufactures

According to Administrative Measures for the Safety of Import and Export Food (《進出口食品安全管理辦法》), which were promulgated by the GAQSIQ on September 13, 2011 and became effective on March 1, 2012, foreign manufactures of food for export to the PRC shall be subject to registration requirements by the GAQSIQ.

LAWS AND REGULATIONS RELATING TO PROPERTY

Land Registration

The Land Administration Law of the PRC (《中華人民共和國土地管理法》) was promulgated by the Standing Committee on June 25, 1986, became effective on January 1, 1987 and was amended on December 29, 1988, August 29, 1998 and August 28, 2004. The Regulations for the Implementation of the Land Administration Law of the PRC (《中華人民共和國土地管理法實施條例》) were promulgated by the State Council on December 27, 1998, became effective on January 1, 1999, and were amended on January 8, 2011 and July 29, 2014 (collectively, the “**Land Administration Law**”). Under the Land Administration Law, the national government implements a land registration and certification system. Lawfully registered land ownership and land use rights are protected by law and may not be infringed upon by any units or individuals.

Rural Land Contracting

Pursuant to the Rural Land Contracting Law of the PRC (《中華人民共和國農村土地承包法》) (the “**Rural Land Contracting Law**”) which was promulgated by the Standing Committee on August

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29, 2002 and became effective on March 1, 2003, as amended on August 27, 2009, contractors of rural land can be members of the economic collective that owns or uses the relevant land, or enterprises and individuals outside the economic collective. A contractor of rural land is primarily entitled to the following rights:

- (1) using and benefiting from the use of contracted land, transferring the right to operate the contracted land, and independently organizing the operation of the contracted land;
- (2) obtaining compensation if the contracted land is expropriated or occupied by the government in accordance with the laws; and
- (3) other rights specified by the laws.

At the same time, a contractor of rural land must undertake the following obligations:

- (1) maintaining the agricultural usage of the contracted land and refraining from using the land for non-agricultural purposes;
- (2) protecting and using the contracted land in accordance with the laws and refraining from causing any permanent damage to the contracted land; and
- (3) other obligations specified by the laws.

The awarding party of contracted land, primarily the economic collective that owns or uses the relevant land, is entitled to monitor whether the contractor is using the contracted land in agreed manners. However, it may not interfere with normal operations of the contractor in accordance with the laws.

Contracting Rural Land to Non-member of Economic Collective

According to the Rural Land Contracting Law, the decision to contract the rural land to an enterprise or individual that is not a member of the economic collective which owns the land must be made in accordance with relevant procedures, which require (i) the approval by at least two-thirds of the members of the economic collective or two-thirds of the representatives for members of the economic collective, and (ii) the approval by the competent government at the township level.

Transferring Right to Operating Contracted Land

The Property Law and the Rural Land Contracting Law provide that a contractor of rural land may transfer its right to operate the contracted land through subcontracting, leasing, exchanging, assignment or other means by entering into written agreements with the transferee. The transferee

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could be members of the economic collective that own the relevant contracted land, or enterprises and individuals outside the economic collective as long as such enterprises and individuals engage in agricultural production activities. A transfer of the contractor’s right to operate the contracted land must comply with, among other things, the following principles:

- (1) such transfer must be based on voluntary negotiation between the contractor and the transferee;
- (2) such transfer must not alter the (i) nature of the ownership or (ii) agricultural usage of the contracted land;
- (3) the term of transfer may not exceed the remainder of the contracting term;
- (4) the transferee must be capable of conducting agricultural production activities; and
- (5) members of the same economic collective shall enjoy priority in obtaining the right to operate the contracted land under same conditions.

Pursuant to the Measures for the Administration of Transferring Right to Operating Contracted Rural Land (《農村土地承包經營權流轉管理辦法》), which was promulgated by the MOA on January 19, 2005 and went into effect on March 1, 2005, the relationship between the contractor and the awarding party of the contracted land will not be affected if the contractor transfers its right to operating the contracted land to a third party. If the transferring is accomplished through assignment, prior consent from the awarding party must be obtained. If the transferring is accomplished through the other means, the contractor only needs to file the transfer with the awarding party timely.

If a contractor intends to authorize the awarding party or an intermediary agency to transfer its right to operate the contracted land to a third party, it shall issue a letter of authorization that specifies particulars such as the scope and term of authorization. Without the written authorization of the contractor, no organization or individual may transfer the right to operate the relevant contracted land.

Land Used for Agricultural Facilities

According to the Circular of the Ministry of Land and Resources and the Ministry of Agriculture on Relevant Issues Concerning Improving the Administration of Land Used for Agricultural Facilities (《國土資源部、農業部關於完善設施農用地管理有關問題的通知》), which was promulgated and became effective on September 30, 2010 and later repealed on September 29, 2014, land used for agricultural facilities, including land used to construct production facilities and land used to construct ancillary facilities for agricultural production activities, shall be deemed and administered as agricultural land under the Classification of Land Utilization (《土地利用現狀分類》) (GB/T 21010-2007). According to the Circular of the Ministry of Land and Resources and the Ministry of Agriculture on the Further Promotion of the Healthy Development of Facility Agriculture (《國土資源

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部、農業部關於進一步支持設施農業健康發展的通知》) which was promulgated and became effective on September 29, 2014, land used for agricultural facilities is divided into land for production facilities, land for ancillary facilities and land for supporting facilities, which is in nature agricultural land and shall be administered as such, and accordingly, no governmental approval of cultivated land conversion is required for the use of agricultural land for agricultural facilities. No such land can be put into use without the signing of a land use agreement with the local government at township or town level and rural collective economic organization. After the signing of such agreement, the township government or town government shall promptly submit the land use agreement and construction plans of the facilities to be built on such land to the competent department of land and resources and agricultural department at the county level for record keeping as required. Land used for agricultural facilities must not be used for non-agricultural purposes without going through the legal requirements under the PRC laws.

Grassland Law

Pursuant to the Grassland Law of the PRC (《中華人民共和國草原法》), which was promulgated by the Standing Committee on June 18, 1985, amended on December 28, 2002, August 27, 2009 and June 29, 2013, all activities of grassland planning, protection, development, use and management conducted within the PRC shall be subject to the relevant provisions and the administrative responsible institutions for grasslands of the local people’s governments at or above the county level shall be in charge of supervision over the grasslands in their respective administrative areas.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION AND WATER-DRAWING

Environmental Protection

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (the “**Environmental Protection Law**”), which was promulgated and became effective on December 26, 1989, revised on April 24, 2014, and became effective on January 1, 2015, entities that cause environmental pollution and other public hazards must incorporate environmental protection work into their plans, establish an environmental protection responsibility system, and adopt effective measures to prevent and control pollution and other environmental harms caused to the environment by waste gases, wastewater, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of the production, construction or other activities. Enterprises that are in violation of the Environmental Protection Law may be subject to a warning, payment of damages, imposition of a fine, or limitation or suspension of production in accordance with the seriousness of the case. If a criminal offense is committed, the offender may be subject to criminal liabilities.

On November 29, 1998, the State Council promulgated the Regulations on the Administration of Environmental Protection of Construction Project (《建設項目環境保護管理條例》). On October 28, 2002, the Standing Committee approved the Law on Appraising of Environment Impact of the PRC

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(《中華人民共和國環境影響評價法》) which became effective on September 1, 2003. According to the aforesaid laws, the construction units responsible for the construction projects must submit corresponding environmental impact appraisal documents to the relevant administrative departments of environmental protection for examination and approval and obtain approvals from such administrative departments of environmental protection before they commence construction. Environmental protection facilities shall be designed, built and commissioned together with the whole construction project. No permission shall be given for a construction project to be commissioned until its environmental protection facilities have been examined and assessed and determined to be up to standard by the relevant department of the environmental protection administration that is responsible for examining and approving the environmental impact statement of the applicant.

Pursuant to the requirements under the amended Law on Prevention of Water Pollution of the PRC (《中華人民共和國水污染防治法》), which became effective as of June 1, 2008, the amended Law on Prevention of Air Pollution of the PRC (《中華人民共和國大氣污染防治法》), which became effective as of January 1, 2016, and Administrative Regulations on Levy and Utilization of Sewage Charge (《排污費徵收使用管理條例》), which became effective as of July 1, 2003, enterprises which discharge water or air pollutants must pay discharge fees based on the types and volumes of the pollutants discharged. The discharge fees are calculated by the local environmental protection authority, which will review and verify the types and volumes of pollutants discharged. In addition, the Law on Prevention and Control of Environmental Noise Pollution of the PRC (《中華人民共和國環境噪聲污染防治法》), which was promulgated on October 29, 1996, regulates the prevention and control of noise pollution. Under the amended Law on Prevention of Environmental Pollution Caused by Solid Waste of the PRC (《中華人民共和國固體廢物污染環境防治法》), which became effective as of April 1, 2005 and was amended on June 29, 2013, entities and individuals that collect, store, transport, utilize or dispose of solid waste must take precautions against the spread, loss and leakage of such solid waste and adopt other measures to prevent solid waste from polluting the environment.

The Administrative Measures on the Prevention and Cure of Pollution Caused by Breeding of Livestock and Poultry (《畜禽養殖污染防治管理辦法》) which were promulgated and became effective on May 8, 2001, and the Regulations 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》) which were promulgated on November 11, 2013 and became effective on January 1, 2014, set out the requirements for the prevention and ratification of pollution caused by or contaminants emitted during the breeding of livestock and poultry. In the event of violation of such administrative measures, the relevant authorities of environment protection can impose orders to stop by production and to rectify the violation.

Under the above-mentioned laws and regulations, we are required to abide by various provisions regarding the environmental protection and prevention of pollution. We are required to complete the environmental impact evaluation process prior to commencing a construction project. We are also required to obtain discharge permits and pay discharge fees for the discharge of pollutants. Failing to comply with environmental protection laws and regulations would subject us to a range of penalties

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varying from warnings, fines and suspension of the production or operation to other administrative sanctions, depending on the degree of damage or adverse consequences. The responsible person of the breaching entity may be subject to criminal liabilities for serious breaches which result in significant damages to private or public property or personal injury or death.

Water-drawing Laws and Regulations

According to the amended Water Law of the PRC (《中華人民共和國水法》), which was promulgated by the Standing Committee on January 21, 1988, amended on August 29, 2002 and became effective on October 1, 2002, any entities and individuals that draw water directly from rivers, lakes or underground shall apply to the water administrative departments or the drainage management departments for a Water-Drawing Permit (《取水許可證》) and pay water resource fees in order to obtain water-drawing rights in accordance with the national water-drawing permit system and the water resource fee system. Failure to comply with these provisions would result in the fines or even revocation of the Water-Drawing Permits.

LAWS AND REGULATIONS RELATING TO LABOR AND SOCIAL SECURITY

Employment Contracts

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》), which was promulgated on July 5, 1994 and became effective on January 1, 1995, and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), which became effective on January 1, 2008 and was amended on December 28, 2012, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or entities on one hand and the laborers on the other hand.

Employee Funds

As required under the Regulation of Insurance for Labor Injury (《工傷保險條例》), implemented on January 1, 2004, and amended on December 20, 2010 and came into effect on January 1, 2011, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》), implemented on January 1, 1995, the Decisions on the Establishment of a Unified Programme for Old-Aged Pension Insurance of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》), issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Programme for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》), promulgated on December 14, 1998, the Unemployment Insurance Measures (《失業保險條例》), promulgated on January 22, 1999, and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), implemented on July 1, 2011, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. Enterprises must apply for social insurance registration with local social insurance agencies and pay premiums for their employees. If an enterprise fails to pay the required premiums on time or in full amount, the

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authorities in charge will demand the enterprise to settle the overdue amount within a stipulated time period and impose a 0.05% overdue fine. If the overdue amount is still not settled within the stipulated time period, an additional fine with an amount of one to three times of the overdue amount will be imposed.

According to the Regulation on Management of Housing Provident Fund (《住房公積金管理條例》), which was promulgated by the State Council on April 3, 1999, became effective on the same day and was amended on March 24, 2002, enterprises must register with the competent managing center for housing funds and, upon the examination by such managing center of housing fund, complete procedures for opening an account at the relevant bank for the deposit of employees’ housing funds. Employers are required to contribute, on behalf of their employees, to housing accumulation funds. The payment is required to be made to local administrative authorities. Any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

LAWS AND REGULATIONS RELATING TO OCCUPATION SAFETY

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) (the “**Production Safety Law**”), which was promulgated by the Standing Committee on June 29, 2002, amended on August 27, 2009 and August 31, 2014, and became effective on December 1, 2014, any entity engaging in manufacturing must meet national or industry standards regarding safety production and provide qualified working conditions required by laws, administrative rules and the national or industry standards. The entity engaging in manufacturing must install prominent warning sign at or on the relevant dangerous operation site, facility and equipment. The design, production, installment, use, test, maintenance, upgrade and disposal of safety equipment must comply with national and industry standards.

LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

On March 16, 2007, the National People’s Congress enacted the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “**EIT Law**”), which became effective as of January 1, 2008. On December 6, 2007, the State Council enacted the Implementation Rules for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) which also became effective as of January 1, 2008. According to the EIT Law and the implementation rules, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control entity is within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but (i) have entities or premises in China, or (ii) have no entities or premises but have income generated from China. According to the EIT Law and the implementation rules, foreign invested enterprises in the PRC are subject to enterprise income tax at a uniform rate of 25%. A non-resident enterprise that has an establishment

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or premises within the PRC shall pay enterprise income tax at a rate of 25% on its income that is derived from such establishment or premises inside the PRC and that is sourced outside the PRC but is actually connected with the said establishment or premises. A non-resident enterprise that has no establishment or premises within the PRC but has income from the PRC, and a non-resident enterprise that has establishment or premises in the PRC but its income has no actual connection to such establishment or premises in the PRC, shall be subject to PRC withholding tax at the rate of 10% on its income sourced from the PRC.

The PRC and Hong Kong governments entered into the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “**Arrangement**”) on August 21, 2006. According to the Arrangement, the withholding tax rate on dividends paid by a PRC company to a Hong Kong resident entity is 5% if such Hong Kong resident entity directly holds at least 25% of the equity interest in the PRC company, and 10% if the Hong Kong resident entity holds less than 25% of the equity interest in the PRC company.

Enterprise Income Tax on Indirect Transfer of Non-resident Enterprises

On February 3, 2015, the Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (“**Circular 7**”) was promulgated by the PRC State Administration of Taxation, which repealed certain provisions in the Notice on Strengthening the Administration of Enterprises Income Tax on Non-Resident Enterprises (《關於加強非中國居民企業股權轉讓所得企業所得稅管理的通知》) (“**Circular 698**”) issued by the PRC State Administration of Taxation on December 10, 2009. According to Circular 7, when a non-resident enterprise (not including individuals or PRC resident enterprises) transfers the assets (including equity interests) in an overseas holding company which directly or indirectly owns PRC taxable properties, including shares in a PRC company (“**PRC Taxable Assets**”), for the purposes of avoiding PRC enterprise income taxes through an arrangement without reasonable commercial purpose, such indirect transfer should be reclassified and recognized to be a direct transfer of the assets (including equity interests) of a PRC resident enterprise in accordance with the EIT Law.

Dividend Tax

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated by the State Administration of Taxation (國家稅務總局) (the “**SAT**”) and became effective on February 20, 2009, all of the following requirements shall be satisfied in order to enjoy the preferential tax rates provided under the tax agreements: (i) the tax resident that receives dividends should be a company as provided in the tax

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agreement; (ii) the equity interests and voting shares of the PRC resident company directly owned by the tax resident reaches the percentages specified in the tax agreement; and (iii) the equity interests of the Chinese resident company directly owned by such tax resident at any time during the twelve months prior to receiving the dividends reach a percentage specified in the tax agreement.

According to the Announcement on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (關於發佈《非居民納稅人享受稅收協定待遇管理辦法》的公告), which was promulgated by the SAT on August 27, 2015, and became effective as of November 1, 2015, any non-resident taxpayer meeting conditions for enjoying the convention treatment may be entitled to the convention treatment itself/himself when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities.

Value-Added Tax

Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) were promulgated by the State Council on 13 December 1993 and came into effect on 1 January 1994. The Provisional Regulations were amended on 10 November 2008 and the amended Provisional Regulations came into effect on 1 January 2009. The Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (Revised in 2011) (《中華人民共和國增值稅暫行條例實施細則(2011年修訂)》) were promulgated by the Ministry of Finance (財政部) and the SAT on 15 December 2008 and were amended and came into effect on November 1, 2011 (collectively, the “**VAT Law**”). According to the VAT Law, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC must pay value-added tax. According to the Circular of the Ministry of Finance and the State Administration of Taxation on the Application of Low Value-added Tax Rate and Simplified Method to Certain Goods (《財政部、國家稅務總局關於部分貨物適用增值稅低稅率和簡易辦法徵收增值稅政策的通知》) (the “**VAT Notice**”), the value-added tax rate is 13% for taxpayers that sell or import goods such as agricultural products (which refers to primary plant and animal products including grains, vegetables, livestock and poultry products). The value-added tax rate is 17% for taxpayers that sell or import goods that are not specifically listed in the VAT Law and VAT Notice, or provide processing, repairs and replacement services.

Business Tax

Pursuant to the Provisional Regulations of the PRC on Business Tax (《中華人民共和國營業稅暫行條例》), which became effective from January 1, 1994 and was amended on November 10, 2008 (effective as of January 1, 2009) and its implementation rules, all entities and individuals that provide taxable services, transfer intangible assets or sell real estate within the PRC are required to pay business tax. The scope of services which constitute taxable services and the rates of business tax are prescribed in the List of Items and Rates of Business Tax (營業稅稅目稅率表) attached to the regulation. On March 23, 2016, the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通

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知》) (“**Circular 36**”), was promulgated by the Ministry of Finance and the State Administration of Taxation. According to Circular 36, the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner as of May 1, 2016, and all taxpayers of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to payment of value-added tax instead of business tax.

We are required to obtain tax registration certificates and pay taxes on time and in full, including enterprise income tax, value-added tax and business tax. Failure to do so could lead to penalties such as being ordered to rectify, overdue fines and other fines.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

Foreign Exchange Administration

Under the Foreign Currency Administration Rules of the PRC (《中華人民共和國外匯管理條例》) which was promulgated in 1996 and amended in 1997 and 2008, and various regulations issued by the State Administration of Foreign Exchange of the PRC (“SAFE”), RMB may be converted into foreign currencies without approval for the purpose of current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. Conversion of RMB into other currencies for capital account items, such as direct investments, loans, security investments and repatriation of investments, however, is still subject to the approval of SAFE or its competent local branches. Under Foreign Currency Administration Rules of the PRC, enterprises may only buy, sell or remit foreign currencies at those banks authorized to conduct foreign exchange business after providing valid commercial documents and relevant supporting documents and, in the case of capital account item transactions, obtaining approval from SAFE or its competent local branches.

Pursuant to the Regulation of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), promulgated on June 20, 1996 by the PBOC and which became effective on July 1, 1996, the Foreign-Invested Enterprises (“FIE”), may only buy, sell or remit foreign currencies at those banks authorized to conduct foreign exchange business after providing valid commercial supporting documents and, in the case of capital account item transactions, obtaining approvals from the SAFE.

On August 29, 2008, the SAFE promulgated the Notice of the General Affairs Department of the SAFE on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises (《國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》) (the “**SAFE Circular 142**”) regulating the conversion by a foreign-invested enterprise of its foreign currency registered capital into Renminbi. The SAFE Circular 142 provides that the Renminbi fund converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC. The use of such Renminbi fund may not be altered without

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approval, and such Renminbi fund may not in any case be used to repay any Renminbi loans that were taken out but that have not been utilized. Violations of the SAFE Circular 142 could result in severe monetary penalties. On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) (the “**SAFE Circular 19**”), which became effective on June 1, 2015 and replaced the SAFE Circular 142. Under the SAFE Circular 19, the restriction is abolished that the using the Renminbi fund converted from foreign currency registered capital of a foreign-invested enterprise for equity investments within the PRC. Meanwhile, the use of such Renminbi should still obey the restrictions as set in this circular, such as it cannot be directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by national laws and regulations; investment in securities unless otherwise provided by laws and regulations; granting the entrust loans in Renminbi (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by the third party) or repaying the bank loans in Renminbi that have been sub-lent to the third party; and paying the expenses related to the purchase of real estate not for self-use, except for the foreign-invested real estate enterprises.

Dividend Distribution

The principal laws governing dividend distributions by our PRC Subsidiaries include the PRC Company Law (《中華人民共和國公司法》), which was promulgated on December 29, 1993 and became effective on July 1, 1994 and was subsequently amended on December 25, 1999, August 28, 2004 and October 27, 2005 and on December 28, 2013. Dividend distribution by wholly foreign-owned enterprises (“**WFOE**”) and Sino-foreign equity joint ventures (“**EJV**”) are further governed by the PRC Law Concerning Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法》), which was promulgated on April 12, 1986 and revised on October 31, 2000, and its Implementation Regulations (《中華人民共和國外資企業法實施細則》) promulgated on December 12, 1990 and revised on April 12, 2001 and February 19, 2014, the PRC Law on Sino-foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》) promulgated on July 8, 1979 and revised on March 15, 2001 and the Implementation Regulations (《中華人民共和國中外合資經營企業法實施條例》) promulgated on September 20, 1983 and revised on December 21, 1987, July 22, 2001, January 8, 2011 and February 19, 2014.

Under these laws and regulations, PRC companies, including WFOEs and EJVs, may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting principles. In addition, PRC companies, including domestic companies, WFOEs and EJVs are required to set aside each year at least 10% of their after-tax profit based on PRC accounting principles to their statutory general reserves funds until the cumulative amount of such reserve fund reaches 50% of their registered capital. These reserves are not distributable as cash dividends. Furthermore, EJVs and WFOEs in the PRC may also be required to set aside individual funds for employee welfare, bonuses and development, at the discretion of such PRC companies and as stipulated in their articles of association. These reserves or funds are not distributable as dividends.

HISTORY, DEVELOPMENT AND REORGANIZATION

GENERAL

Our Company was incorporated in the BVI as a limited liability company on March 11, 2014. Mainfield, then held as to 67% and 33% by COFCO (HK) and MIY respectively, subscribed for one Share on April 17, 2014 (representing the then entire issued share capital of our Company). On April 22, 2014, Mainfield transferred the entire issued share capital of COFCO Meat Products (HK) to our Company. As consideration, our Company issued one additional Share to Mainfield. We are the holding company of our Group with our business conducted through COFCO Meat Investments. COFCO Meat Investments is our indirect wholly-owned subsidiary, which owns our PRC operating subsidiaries.

OUR HISTORY AND BUSINESS MILESTONES

The history of our Group can be traced back to 2002 when COFCO Group incorporated Wuhan COFCO Meat. In 2009, COFCO Meat Investments was incorporated by COFCO Group as the holding company of its meat production business. Set out below are the significant milestones of our corporate and business development:

Year	Milestones
2002	• Wuhan COFCO Meat, a member of our Group, was incorporated by COFCO Group, and began engaging in key businesses across the entire pork industry value chain, including feed production, hog production, hog slaughtering, as well as distribution and sale of fresh pork and processed meat under the “Joycome (家佳康)” brand
2008	• Wuhan COFCO Meat received the award of Agriculture Industrialization National Key Enterprise (農業產業化國家重點龍頭企業) issued by MOA, NDRC, MOF, MOFCOM, PBOC, CSRC and All China Federation of Supply and Marketing Cooperatives (中華全國供銷合作總社)
2009	• COFCO Meat Investments was incorporated as the holding company of COFCO Group’s meat products business • We acquired 100% equity interests of Maverick, and began selling products under the “Maverick (萬威客)” brand in southern China • We incorporated COFCO Meat (Beijing), and began engaging in the international meat trading business previously operated by COFCO Group

HISTORY, DEVELOPMENT AND REORGANIZATION

Year	Milestones
2011	• We introduced MIY as a strategic investor • Our hog production facilities in Tianjin commenced operations • We received the award of Top Five Leading Enterprises in Live Hog Industry of Hubei Province (湖北省生豬行業五強龍頭企業) issued by People’s Government of Hubei Province (湖北省人民政府)
2012	• Our phase one hog production facility in Dongtai, Jiangsu Province commenced operations with an annual production capacity of 500,000 hogs • Our phase one hog slaughtering facility in Dongtai, Jiangsu Province commenced operations with an annual processing capacity of 1,500,000 hogs • Our hog slaughtering capacity reached 2,000,000 hogs • We became the meat product supplier of the Chinese Olympic Sports Delegation from 2012 to 2015 • We received the award of Live Hog Standardized Model Farm (生豬標準化示範場) issued by MOA
2013	• Our hog production facility in Songyuan, Jilin Province commenced operations • Our annual hog production capacity exceeded 1,000,000 hogs per year
2014	• We introduced KKR, Baring, HOPU and Boyu as financial investors • Our phase one hog production facility in Chifeng, Inner Mongolia Autonomous Region and phase two hog production facility in Dongtai, Jiangsu Province commenced operations
2015	• Our total revenue exceeded RMB5,000,000,000 • Our hog production facility in Xiangshui, Jiangsu Province, phase one hog production facility in Zhangbei, Hebei Province and phase two hog production facility in Chifeng, Inner Mongolia Autonomous Region commenced operations • HOPU transferred its interest in our Company to Temasek • Our annual hog production capacity exceeded 2,000,000 hogs per year

HISTORY, DEVELOPMENT AND REORGANIZATION

CORPORATE DEVELOPMENT OF OUR COMPANY

Origins of Our Business

COFCO Group started the hog trading business over 50 years ago. COFCO is a state-owned enterprise in China, which was founded in 1952. COFCO has been listed in Fortune’s Global Top 500 Companies consecutively since 1996, and is an enterprise under the direct purview of the SASAC. In 2002, Wuhan COFCO Meat was incorporated by COFCO Group to carry out its key businesses across the entire pork industry value chain, including feed production, hog production and hog slaughtering, as well as distribution and sale of fresh pork and processed meat under the “Joycome (家佳康)” brand. Such businesses were carried over to our Group as a result of the acquisition of Wuhan COFCO Meat by COFCO Meat Investments in 2009. In 2009, COFCO Meat (Beijing) was incorporated by COFCO Meat Investments to carry out the international meat trading business previously operated by COFCO Group. Save as disclosed in the section headed “Relationship with Controlling Shareholders”, COFCO Group is no longer engaged in pork business or international meat trading.

Establishment and Development of Our Group

Set forth below are the establishment and development of our major subsidiaries:

Wuhan COFCO Meat

Wuhan COFCO Meat was incorporated in the PRC by COFCO (BVI) No. 40 Limited, a company incorporated in the BVI with limited liability on August 30, 2000, and commenced its business on September 30, 2002. The principal business of Wuhan COFCO Meat includes hog production, livestock slaughtering and production and sale of processed meat products and feed.

On August 18, 2009, COFCO (BVI) No. 40 Limited and COFCO Meat Investments entered into an equity transfer agreement pursuant to which COFCO (BVI) No. 40 Limited agreed to transfer to COFCO Meat Investments the 100% equity interest in Wuhan COFCO Meat held by it, at a consideration of US\$14,450,000. The consideration was determined based on the investment costs paid by COFCO (BVI) No. 40 Limited. The transfer was completed on December 16, 2009.

COFCO Meat Investments

COFCO Meat Investments was incorporated in the PRC by COFCO Meat Products (HK) and commenced its business on March 20, 2009. The principal business of COFCO Meat Investments is investments in the meat products industry.

COFCO Meat (Tianjin)

COFCO Meat (Tianjin) was incorporated in the PRC by COFCO Meat Investments and commenced its business on April 24, 2009. The principal business of COFCO Meat (Tianjin) includes research and development of meat products, feed and additives, slaughtering technology and hog production.

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COFCO Meat (Jiangsu)

COFCO Meat (Jiangsu) was incorporated in the PRC by COFCO Meat Investments and commenced its business on June 26, 2009. The principal business of COFCO Meat (Jiangsu) includes hog production, livestock and poultry slaughtering and sale of meat products.

On June 28, 2013, COFCO Meat Investments, COFCO and MIY entered into a joint venture agreement, pursuant to which the parties thereto agreed that the registered capital of COFCO Meat (Jiangsu) shall be increased to approximately US\$65,291,199, and COFCO and MIY agreed to contribute approximately US\$10,244,189 and US\$5,047,010, respectively. Upon completion of the contribution, the equity interests of COFCO Meat (Jiangsu) were held by COFCO Meat Investments, COFCO and MIY as to approximately 76.58%, 15.69% and 7.73%, respectively.

Pursuant to the Jiangsu Restructuring, COFCO Meat (Jiangsu) became held as to approximately 76.58% and 23.42% by COFCO Meat Investments and Yuxi, respectively. Please see the section headed “—Corporate Restructuring” for further details of the transfer.

COFCO Meat (Beijing)

COFCO Meat (Beijing) was incorporated in the PRC by COFCO Meat Investments and commenced its business on July 23, 2009. The principal business of COFCO Meat (Beijing) includes import and export of meat products and meat processing facilities and sale of packaged products.

COFCO Joycome (Jilin)

COFCO Joycome (Jilin) was incorporated in the PRC by COFCO Meat Investments and commenced its business on December 4, 2012. The principal business of COFCO Joycome (Jilin) includes livestock feeding, production of cereals, servicing of agricultural machineries and primary processing of agricultural products and trading of feed ingredients.

COFCO Joycome (Chifeng)

COFCO Joycome (Chifeng) was incorporated in the PRC by COFCO Meat Investments and commenced its business on March 7, 2014. The principal business of COFCO Joycome (Chifeng) includes hog production, production of cereals, servicing of agricultural machineries and primary processing of agricultural products.

COFCO Joycome (Zunhua)

COFCO Joycome (Zunhua) was incorporated in the PRC by COFCO Meat Investments and commenced its business on June 21, 2016. The principal business of COFCO Joycome (Zunhua) includes hog production and sale and production of cereals.

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ACQUISITIONS, INVESTMENTS AND DISPOSALS

Acquisition of Maverick

On November 3, 2009, COFCO Meat Products (HK) entered into a sale and purchase agreement with Luc-Attia Holdings Limited, a limited liability company incorporated in Hong Kong (“**Luc-Attia**”) and Smithfield Asia Holdings Limited, a limited liability company incorporated in the BVI (“**Smithfield Asia**”), each an independent third party, pursuant to which each of Luc-Attia and Smithfield agreed to sell their respective 50% of the issued share capital of Farasia, which held the entire equity interests of Maverick, and COFCO Meat Products (HK) agreed to purchase the 100% of the issued share capital of Farasia, for a consideration of RMB194,000,000 (which was determined based on arm’s length negotiations with reference to the financial performance of Maverick). The consideration was settled on November 3, 2009. The purpose of the acquisition was to introduce new technologies, products, sales channels, markets and staff to our Group’s business; given that Maverick has a long established history in the processed meat industry, providing diverse product offerings and high quality products.

On December 24, 2009, the directors of Maverick passed a series of board resolutions to change its name to 中糧萬威客食品有限公司 (COFCO Maverick Food Products Co., Ltd.). On July 25, 2012, in order to streamline our corporate structure, Farasia and COFCO Meat Investments entered into an equity transfer agreement, pursuant to which Farasia agreed to transfer to COFCO Meat Investments the 100% equity interests it held in Maverick at a consideration of RMB19,493,403.86. The transfer was completed on November 26, 2012.

Joint Venture with Genesis

On October 30, 2015, COFCO Meat Investments and Genesis, an Independent Third Party, entered into a joint venture agreement (the “**Genesis JV Agreement**”), pursuant to which the parties agreed to establish a joint venture in the PRC (the “**Genesis JV**”) to engage in the marketing of swine breeding stock of Genesis in the PRC. The purpose of such investment was to benefit from the technological support of Genesis and produce hogs using breeding stock produced by Genesis. The registered capital of the Genesis JV is US\$1,000,000, of which US\$510,000 (i.e. 51%) shall be contributed by COFCO Meat Investments, and US\$490,000 (i.e. 49%) shall be contributed by Genesis. The capital contribution of the Genesis JV is expected to be completed by the end of 2016.

Joint Venture with Merit Biotech

On November 16, 2015, COFCO Meat Investments and Merit Biotech, an Independent Third Party, entered into a joint venture agreement (as amended by a supplemental agreement dated June 10, 2016) (the “**Merit Biotech JV Agreement**”), pursuant to which the parties agreed to establish three joint ventures, Merit/CM, CM/Merit and Jiangsu Merit/Cofco-Joycome, in the PRC, all of which are engaged in the hog production business. The purpose of such investments was to expand our

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production in Jiangsu province, where Merit Biotech has a large presence, as well as to benefit from Merit Biotech’s experience in hog production. The registered capital of each of Merit/CM, CM/Merit and Jiangsu Merit/Cofco-Joycome is US\$6,000,000, US\$12,000,000 and US\$12,000,000, respectively, of which 60% (being US\$3,600,000, US\$7,200,000 and US\$7,200,000, respectively) shall be contributed by Merit Biotech and 40% (being US\$2,400,000, US\$4,800,000 and US\$4,800,000, respectively) shall be contributed by COFCO Meat Investments. The capital contributions of each of Merit/CM, CM/Merit and Jiangsu Merit/Cofco-Joycome are expected to be completed by the end of 2016. Pursuant to the terms of the Merit Biotech JV Agreement, COFCO Meat Investments may, at its sole discretion, choose to increase its shareholding in one of the three joint ventures to up to 60%, whether by acquiring shares held by Merit Biotech or by subscribing for new shares, at a price to be determined based on independent valuation.

Each of the aforementioned acquisitions and investments have been properly and legally completed and settled, and all applicable regulatory approvals have been obtained.

[REDACTED] INVESTMENTS

Overview of the [REDACTED] Investments

For the benefit of our long-term business development and expansion of our Group, we introduced MIY in 2011, and KKR, Baring, Boyu and HOPU in 2014 as [REDACTED] investors. In 2015, Temasek replaced HOPU as our [REDACTED] investor (together with MIY, KKR, Baring and Boyu, the “[REDACTED] Investors”).

On August 18, 2011, COFCO (HK), Mitsubishi, Itoham, Yonekyu, MIY and Mainfield entered into a share subscription agreement (the “**MIY Subscription Agreement**”), pursuant to which MIY agreed to subscribe for 33 new shares in Mainfield at a consideration of the US\$ equivalent of RMB692,935,300. The consideration was determined with reference to a valuation report prepared by an Independent Third Party. The consideration was settled on August 31, 2011. Upon completion of the subscription, Mainfield was held as to 67% by COFCO (HK) and 33% by MIY.

On May 2, 2014, our Company, COFCO (HK), Mainfield, KKR and Baring entered into a subscription agreement (the “**Subscription Agreement**”), pursuant to which KKR agreed to subscribe for 752,630,736 new Shares for a consideration of the US\$ equivalent of RMB752,630,736 and Baring agreed to subscribe for 150,526,147 new Shares for a consideration of the US\$ equivalent of RMB150,526,147, representing approximately 20% and 4%, respectively, of the then Shares in issue upon completion of the investment. The consideration was determined based on arm’s length negotiations with reference to an appraisal carried out by an Independent Third Party. The consideration was settled on May 30, 2014.

On May 26, 2014, our Company, COFCO (HK), Mainfield, Baring, HOPU and Boyu entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”) pursuant to which Mainfield agreed to sell 790,262,273 Shares and each of HOPU, Boyu and Baring agreed to purchase from Mainfield 308,578,602 Shares, 293,525,987 Shares and 188,157,684 Shares, for a consideration of the

HISTORY, DEVELOPMENT AND REORGANIZATION

US\$ equivalent of RMB315,993,372, the US\$ equivalent of RMB300,579,061 and the US\$ equivalent of RMB192,678,885, respectively. The consideration was determined based on arm's length negotiations with reference to an appraisal carried out by an Independent Third Party. The consideration was settled by Baring and Boyu on May 30, 2014 and by HOPU on June 3, 2014. Upon completion of the transfers, Mainfield, KKR, Baring, HOPU and Boyu held approximately 55%, 20%, 9%, 8.2% and 7.8% of the then Shares in issue, respectively.

On February 5, 2015, our Company, COFCO (HK), Mainfield, KKR, Baring, HOPU and Boyu entered into a side letter (the “**Side Letter**”) in order to implement the Jiangsu Restructuring (as defined below), details of which are set out in more details below. After a series of restructuring steps, Mainfield, Baring, HOPU and Boyu became holders of 723,684 shares, 65,789 shares, 107,895 shares and 102,632 shares in Yuxi, respectively. Pursuant to each of the Subscription Agreement, the Sale and Purchase Agreement and the Side Letter, as part of the Jiangsu Restructuring, our Company agreed to (i) allot and issue to each of Mainfield, Baring, HOPU and Boyu 134,802,004 Shares, 12,254,728 Shares, 20,097,753 Shares and 19,117,375 Shares respectively, in consideration for which Mainfield, Baring, HOPU and Boyu transferred 723,684 shares, 65,789 shares, 107,895 shares and 102,632 shares in Yuxi to our Company respectively; and (ii) upon completion of the agreed transfers, allot and issue to each of KKR and Baring 49,018,911 Shares and 9,803,782 Shares, at a subscription price of the US\$ equivalent of RMB49,018,911 and the US\$ equivalent of RMB9,803,782, respectively. The consideration was settled on February 11, 2015. Upon completion of the transfers and subscriptions, Mainfield, KKR, Baring, HOPU and Boyu held 2,204,536,528 Shares, 801,649,647 Shares, 360,742,341 Shares, 328,676,355 Shares and 312,643,362 Shares, representing approximately 55%, 20%, 9%, 8.2% and 7.8% of the then issued share capital of our Company, respectively.

On September 25, 2015, HOPU and Temasek entered into a sale and purchase agreement (the “**HOPU-Temasek Sale and Purchase Agreement**”) pursuant to which HOPU agreed to sell and Temasek agreed to purchase all of the 328,676,355 Shares held by HOPU, representing approximately 8.2% of our then issued share capital, for a consideration of US\$57,600,000. The consideration was determined with reference to the purchase price paid by HOPU to Mainfield in accordance with the Sale and Purchase Agreement and the Side Letter, as well as a holding interest. The consideration was settled on September 30, 2015. Temasek entered into an all-party deed with our Company, COFCO (HK), Mainfield, KKR, Baring, HOPU and Boyu (the “**All-party Deed**”) and executed a deed of adherence (the “**Deed of Adherence**”) on September 25, 2015, pursuant to which Temasek replaced HOPU as a party to the Sale and Purchase Agreement and the Shareholders' Agreement upon completion of the transfer.

HISTORY, DEVELOPMENT AND REORGANIZATION

Details of the [REDACTED] Investments by MIY

The below table summarizes the details of the [REDACTED] Investment by MIY:

Name of [REDACTED] Investor	MIY
Name of the Agreement(s)	MIY Subscription Agreement
Date of the Agreement(s)	August 18, 2011
Date of closing of the relevant [REDACTED] Investment	August 31, 2011
Number of shares in Mainfield subscribed	33
Total percentage of then equity interest subscribed	33%
Amount of consideration paid	Approximately [REDACTED]
Payment date of consideration	August 31, 2011
Basis of determination of consideration	Based on a valuation report prepared by an Independent Third Party
Number of Shares to be held upon completion of the Mainfield Restructuring	531,141,296
Cost per Share paid by MIY	Approximately [REDACTED] (not taking into account the Share Repurchase (as defined below)
Discount to the [REDACTED]	[REDACTED] (not taking into account the Share Repurchase (as defined below)) (using the mid-point of the [REDACTED] stated in this document)
Use of proceeds	Expansion of livestock breeding, slaughtering and manufacturing capacity; production, sale, import and export of all kinds of edible (fresh, frozen or processed) beef, pork, chicken, lamb, and duck; and supplement of working capital for COFCO Meat Investments and its subsidiaries
Whether fully utilized	Yes
Shareholding in our Company upon [REDACTED] (assuming [REDACTED] is not exercised)	[REDACTED]
Strategic benefits to our Company	Strengthened capital; enhanced corporate governance; knowledge and experience in management, operations and development of business strategy; introduction of new technology

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Mainfield Shareholders’ Agreement

Pursuant to the Mainfield Shareholders’ Agreement:

- (a) COFCO (HK) shall have the right to nominate two (2) directors of Mainfield and MIY shall be entitled to nominate one (1) director of Mainfield, and the chairman of the board shall be nominated by COFCO (HK) and appointed by the board;
- (b) The quorum for the meeting of the board of Mainfield shall be two (2) directors, provided that it shall include at least one (1) director nominated by each of COFCO (HK) and MIY. If a quorum is not present within thirty (30) minutes from the time when the meeting should have begun or if during the meeting there is no longer a quorum, the meeting shall be adjourned to the same time on the seventh (7th) Business Day thereafter and at that adjourned meeting any two (2) directors (or their alternates) present shall constitute a quorum;
- (c) The following matters require the unanimous approval of the board of Mainfield: (a) amendment of Mainfield’s constitutional documents or corporate name; (b) any resolution that would result in Mainfield’s voluntary winding up, liquidation or receivership; (c) any resolution in respect of corporate restructuring or listing of the shares of Mainfield; (d) any resolution that no dividend shall be declared while our Company declares dividends to its shareholders; (e) (i) any change in the nature and scope of the business of Mainfield, and (ii) the expansion of the business activities other than in relation to the business of Mainfield; (f) any disposal of the beneficial interest in Mainfield; (g) any transfer of the shares in Mainfield held by COFCO (HK) to its affiliate; (h) any director’s emoluments which exceed a considerable amount; (i) establishment or entering into any joint venture, partnership or incorporating any subsidiaries of Mainfield; (j) issuance of any equity securities of Mainfield which may have the effect of diluting the ownership of MIY; (k) Mainfield lending money to, giving a guarantee or providing the security for debts for any third party, or incurring any off-balance sheet financing or other activity that causes a contingent liability; (l) the annual budget; (m) any capital expenditure other than set forth in the annual budget; (n) change of the auditors or any change in accounting practices or policies; (o) approval of any M&A proposal proposed by COFCO (HK) which conflicts with the business of Mainfield; (p) any material amendment of the Shareholders’ Agreement; and (q) any purchase by Mainfield of Shares held by KKR, Baring, Temasek or Boyu in accordance with the terms of the Shareholders’ Agreement, provided that if the matters specified in (f) and (g) above have been approved by the Board with the approval of the Director nominated by MIY, then such matter shall not require unanimous approval;
- (d) at any time after the [REDACTED], MIY shall be entitled to demand Mainfield to distribute the assets of Mainfield; and

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- (e) for a period of one year after the [REDACTED], MIY shall not transfer any shares in Mainfield (if MIY or any of its affiliates remain as a shareholder of Mainfield) or any Shares (if MIY or any of its affiliates directly hold Shares) without the prior written consent of COFCO (HK), KKR, Baring, Temasek and Boyu.

The parties to the Mainfield Shareholders’ Agreement entered into a supplemental agreement to the Mainfield Shareholders’ Agreement pursuant to which the parties thereto agreed to amend the share transfer restrictions upon [REDACTED] applicable to MIY (as set out in paragraph (e) above). Please refer to the section headed “Lock-up and [REDACTED]” below for more details of the amended share transfer restrictions which will be applicable to MIY upon [REDACTED].

Since MIY will cease to hold any shares in Mainfield upon completion of the Mainfield Restructuring, the Mainfield Shareholders’ Agreement will cease to be effective upon the [REDACTED], except for provisions which are intended to survive termination, including but not limited to the lock-up restrictions.

Details of [REDACTED] Investments by KKR, Baring, Temasek and Boyu

The below table summarizes the details of the [REDACTED] Investments by KKR, Baring, Temasek and Boyu:

Name of [REDACTED]				
Investor	KKR	Baring	Temasek	Boyu
Name of the Agreement(s)	Subscription Agreement	Subscription Agreement Sale and Purchase Agreement	HOPU-Temasek Sale and Purchase Agreement	Sale and Purchase Agreement
Date of the Agreement(s)	May 2, 2014 (as supplemented by the Side Letter on February 5, 2015)	Subscription Agreement: May 2, 2014 (as supplemented by the Side Letter on February 5, 2015) Sale and Purchase Agreement: May 26, 2014 (as supplemented by the Side Letter on February 5, 2015, the All-party Deed on September 25, 2015 and the Deed of Adherence on September 25, 2015)	September 25, 2015 (together with the All-party Deed on September 25, 2015 and the Deed of Adherence on September 25, 2015)	May 26, 2014 (as supplemented by the Side Letter on February 5, 2015, the All-party Deed on September 25, 2015 and the Deed of Adherence on September 25, 2015)

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Name of [REDACTED] Investor	KKR	Baring	Temasek	Boyu
Date of closing of the relevant [REDACTED] Investment	February 11, 2015	February 11, 2015	September 30, 2015	February 11, 2015
Number of Shares acquired or subscribed	Subscription Agreement: 752,630,736 As part of the Jiangsu Restructuring: 49,018,911 Total: 801,649,647	Subscription Agreement: 150,526,147 Sale and Purchase Agreement: 188,157,684 As part of the Jiangsu Restructuring: 22,058,510 Total: 360,742,341	328,676,355 US\$57,600,000	Sale and Purchase Agreement: 293,525,987 As part of the Jiangsu Restructuring: 19,117,375 Total: 312,643,362
Total percentage of then equity interest subscribed	Approximately 20%	Approximately 9%	Approximately 8.2%	Approximately 7.8%
Amount of consideration paid	Subscription Agreement: the US\$ equivalent of RMB 752,630,736 As part of the Jiangsu Restructuring: the US\$ equivalent of RMB 49,018,911 Total: the US\$ equivalent of RMB801,649,647	Subscription Agreement: the US\$ equivalent of RMB 150,526,147 Sale and Purchase Agreement: the US\$ equivalent of RMB 192,678,885 As part of the Jiangsu Restructuring: the US\$ equivalent of RMB9,803,782 and 65,789 Shares in Yuxi (purchased at a price of the US\$ equivalent of RMB12,254,728) Total: the US\$ equivalent of RMB365,263,542	US\$57,600,000	Sale and Purchase Agreement: the US\$ equivalent of RMB 300,579,061 As part of the Jiangsu Restructuring: 102,632 Shares in Yuxi (purchased at a price of the US\$ equivalent of RMB19,117,375) Total: the US\$ equivalent of RMB319,696,436

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Name of [REDACTED] Investor	KKR	Baring	Temasek	Boyu
Cost per Share paid by each [REDACTED] Investor (not taking into account the Share Repurchase (as defined below))	Approximately HK\$1.19	Approximately HK\$1.20	Approximately HK\$1.36	Approximately HK\$1.21
Discount to the [REDACTED] (not taking into account the Share Repurchase (as defined below)) (being the mid-point of the [REDACTED] stated in this document)	Approximately [REDACTED]%	Approximately [REDACTED]%	Approximately [REDACTED]%	Approximately [REDACTED]%
Payment date of consideration	February 11, 2015	February 11, 2015	September 30, 2015	February 11, 2015
Basis of determination of consideration	based on arm’s length negotiations with reference to an appraisal carried out by an Independent Third Party	based on arm’s length negotiations with reference to an appraisal carried out by an Independent Third Party	with reference to the prices paid by HOPU to Mainfield plus a holding interest	based on arm’s length negotiations with reference to an appraisal carried out by an Independent Third Party
Use of proceeds	expansion of livestock breeding, slaughtering and manufacturing capacity; production, sale, import and export of all kinds of edible (fresh, frozen or processed) beef, pork, chicken, lamb, and duck; and supplement of working capital for COFCO Meat Investments and its subsidiaries	expansion of livestock breeding, slaughtering and manufacturing capacity; production, sale, import and export of all kinds of edible (fresh, frozen or processed) beef, pork, chicken, lamb, and duck; and supplement of working capital for COFCO Meat Investments and its subsidiaries	N/A	expansion of livestock breeding, slaughtering and manufacturing capacity; production, sale, import and export of all kinds of edible (fresh, frozen or processed) beef, pork, chicken, lamb, and duck; and supplement of working capital for COFCO Meat Investments and its subsidiaries
Whether fully utilized	Yes	Yes	N/A	Yes

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Name of [REDACTED] Investor	KKR	Baring	Temasek	Boyu
Shareholding in our Company upon [REDACTED] (assuming [REDACTED] is not exercised)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Strategic benefits to our Company	Strengthened capital; enhanced corporate governance; knowledge and experience in management, operations and development of business strategy	Strengthened capital; enhanced corporate governance; knowledge and experience in management, operations and development of business strategy	N/A	Strengthened capital; enhanced corporate governance; knowledge and experience in management, operations and development of business strategy

Rights of [REDACTED] Investors

In connection with the [REDACTED] Investments, COFCO (HK), Mainfield, KKR, Baring, HOPU, Boyu and our Company entered into a shareholders’ agreement on May 29, 2014 (as supplemented and/or amended from time to time) (the “**Shareholders’ Agreement**”), pursuant to which KKR, Baring, HOPU and Boyu were granted certain rights customary to financial investors, as set out below. Pursuant to the All-party Deed and the Deed of Adherence, Temasek replaced HOPU as a party to the Shareholders’ Agreement. Such special rights will be terminated upon (i) termination by written agreement by all parties to the Shareholders’ Agreement; (ii) all Shares in our Company being held by one shareholder or its affiliates; (iii) the passing of an effective resolution or the making of a binding order for the winding-up of our Company; or (iv) the completion of the [REDACTED] (except the restructuring of MIY’s interests, the right to participate in the [REDACTED], the share transfer restrictions and the confidentiality provision, which shall survive after the [REDACTED]).

Set for the below is a summary of the principal special rights granted to the [REDACTED] Investors pursuant to the Shareholders’ Agreement:

Pre-emptive right:

Our Company shall not issue any securities (other than in connection with the [REDACTED] or a management incentive plan) unless having first offered each of Mainfield, KKR, Baring, Temasek and Boyu the right to purchase such securities on a pro rata basis.

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Information right:

Our Company shall provide each of Mainfield, KKR, Baring, Temasek and Boyu with (i) information and results reasonably necessary to monitor their indirect investments in the Company or its subsidiaries; (ii) annual budget, capital expenditure plan, debt financing and business and management plan no later than end of November of each financial year; (iii) the monthly consolidated management income statements and balance sheets of our Company no later than 20 days after the end of each month; (iv) the quarterly consolidated management and balance sheets of our Company no later than 20 days after the end of each quarter; (v) the annual consolidated management income statements and balance sheets of our Company no later than 60 days after the end of each financial year; (vi) our Company’s annual audited accounts within four months after the end of each financial year; (vii) such other reports as the Board may determine; (viii) such other financial information related to the business of the Group as reasonably requested; and (ix) the right to inspect the books and accounting records of our Company and our subsidiaries.

Notification right:

Our Company shall notify each of Mainfield, KKR, Baring, Temasek and Boyu promptly of: (i) any matter having, or reasonably likely to have, a material adverse effect on the Group; (ii) any legal proceedings that may lead to a material or contingent liability on our Company or any of our subsidiaries; and (iii) any criminal prosecution, non-routine government investigation, or similar event that is instituted or threatened against our Company or any of our subsidiaries or their respective directors or legal representatives.

Board representation right:

Mainfield shall be entitled to nominate nine (9) Directors (of whom seven (7) Directors shall be nominated by COFCO (HK) and two (2) Directors shall be nominated by MIY), KKR shall be entitled to nominate one (1) Director, Baring shall be entitled to nominate one (1) Director, Temasek shall be entitled to nominate one (1) Director and Boyu shall be entitled to nominate one (1) Director.

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In the event the shareholding ratio among Mainfield, KKR, Baring, Temasek and Boyu materially alters from the initial shareholding ratio as at the date of the Shareholders' Agreement, nomination rights in respect of the number of directors of the Company, COFCO Meat Products (HK) and COFCO Meat Investments as among Mainfield, KKR, Baring, Temasek and Boyu as set forth above shall be adjusted so that the numbers of directors nominated by Mainfield, KKR, Baring, Temasek and Boyu respectively approximate their shareholdings in the Company as closely as possible, provided that each of KKR, Baring, Temasek and Boyu shall remain entitled to nominate one (1) Director for so long as it holds at least twenty-five percent (25%) of the Shares initially subscribed and/or purchased by it pursuant to the Subscription Agreement and/or the Share Purchase Agreement (as applicable).

Veto rights:

Certain corporate actions of our Company required approval of one Director of each of COFCO (HK), MIY, KKR, Baring, Temasek and Boyu. Such actions include, among others things:

- (a) any transfer of Shares held by Mainfield to an affiliate;
- (b) sale of fixed assets, intangible assets and other long-term investment assets with value greater than or equal to (i) RMB3 million in a single transaction or (ii) RMB10 million in aggregate in any financial year;
- (c) issuance of new securities which may dilute existing shareholding;
- (d) any one-off transactions with a Related Party (as defined below) where the value is greater than or equal to RMB3 million for a single transaction or is greater than or equal to RMB10 million in the aggregate in any fiscal year;

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- (e) (i) formulating or amending the Continuing Related Party Transaction Rules (as defined below); (ii) entering into continuing Related Party transactions which are required to be approved by each of COFCO (HK), MIY, KKR, Baring, Temasek and Boyu pursuant to the Continuing Related Party Transaction Rules; (iii) budget for continuing Related Party transactions for each fiscal year; (iv) any continuing Related Party transactions exceeding such budget; and (v) continuing Related Party transactions in contravention or expected to be in contravention of the Continuing Related Party Transaction Rules;
- (f) annual budget for the Group for capital expenditure and loan financing for each financial year, and any capital expenditure other than those set forth therein;
- (g) change of auditor or change in accounting practices or policies of the Group; and
- (h) approval of any M&A Proposal (as defined below).

If such matter has been discussed and not approved by the Board in two board meetings, such matter shall be submitted to a third board meeting and shall only require the simple majority vote of the Board including the affirmative vote of at least one director nominated by COFCO (HK) and the director nominated by KKR, and either (i) one director nominated by MIY and one of the three directors nominated by Baring, Temasek and Boyu, or (ii) all of the three directors nominated by Baring, Temasek and Boyu.

“Related Party” means (a) any direct or indirect shareholder of any member of our Group, (b) any director of any member of our Group, (c) any officer of any member of our Group, (d) any spouse of a shareholder, director or officer of any member of our Group, and any parent, step-parent, grandparent, child, step-child, grandchild, sibling, step-sibling, cousin, in-law, uncle, aunt, nephew, niece or great-grandparent of such person and his or her spouse, (e) any person in which any shareholder, director or officer of any member of our Group has any interest, other than a passive shareholding of less than one percent (1%) in a publicly listed company, or over which a Related Party exercises control or significant influence through voting, position or ownership or (f) any other affiliate of any member of our Group

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“Continuing Related Party Transaction Rules” means the rules formulated by our Company governing continuing transactions between any member of our Group and a Related Party

“M&A Proposal” means a potential investment, merger or acquisition by COFCO (HK) and/or any of its affiliates of a target which operates in the same business field as our Company which, pursuant to the Shareholders’ Agreement, must first be offered to our Company

Quorum of Board meetings:

Quorum of Board meetings shall be six (6) Directors which shall include at least one (1) Director nominated by COFCO (HK), one (1) Director nominated by MIY, the Director nominated by KKR, the Director nominated by Baring, the Director nominated by Temasek and the Director nominated by Boyu.

If a quorum is not present within thirty (30) minutes from the time scheduled for the Board meeting or if a quorum is no longer present during the meeting, the meeting shall be adjourned to the same time on the seventh (7th) Business Day after, at which any two (2) Directors representing two (2) different shareholders present shall constitute a quorum.

Quorum of general meetings:

Quorum of general meetings shall be two (2) representatives of Mainfield (of whom one (1) shall be a representative of COFCO (HK) and one (1) shall be a representative of MIY) and one (1) representative of each of KKR, Baring, Temasek and Boyu.

If a quorum is not present within thirty (30) minutes from the time scheduled for the general meeting or if a quorum is no longer present during the meeting, the meeting shall be adjourned to the same time on the tenth (10th) Business Day after, at which any representatives representing two (2) different shareholders present shall constitute a quorum.

Restructuring of MIY’s interest:

Upon [REDACTED], MIY shall be entitled to restructure and exchange its shares in Mainfield into Shares in our Company in accordance with the Listing Rules, in a manner which shall not cause delay or interruption to the process of the [REDACTED] and which shall not dilute the shareholding percentages of KKR, Baring, Temasek and Boyu in our Company.

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***Right to participate in the
[REDACTED]:***

At the time of the [REDACTED] and to the extent permitted by the Listing Rules, each of KKR, Baring, Temasek and Boyu may sell the Shares held by them in proportion to their respective shareholding percentages, with the aggregate number of Shares to be sold by them not exceeding one third of the number of new Shares to be issued at the time of [REDACTED]. Notwithstanding the above, if MIY restructures and exchanges its shares in Mainfield into Shares in our Company in accordance with the preceding paragraph, then MIY may also sell such Shares, provided that (i) such sale shall not lead to delay of the [REDACTED] and (ii) the aggregate number of Shares sold by MIY, KKR, Baring, Temasek and Boyu shall not exceed one third of the number of new shares issued at the time of the [REDACTED].

Liquidity protection right:

Upon the occurrence of any one of the following events and the delivery of a notice by KKR or jointly by any two (2) of Baring, Temasek and Boyu, each of KKR, Baring, Temasek and Boyu shall have the right to require our Company, Mainfield or COFCO (HK) to purchase all or a portion of the Shares held by each of them at a price that is equal to the higher of (i) a price that would yield an internal rate of return in US\$ of 7% to such shareholder on the subscription or purchase price (as the case may be) paid by such shareholder attributable to the relevant Shares and (ii) the fair market value of the relevant Shares:

- (a) breach by COFCO (HK) or Mainfield of the Shareholders’ Agreement or the memorandum and articles of association of our Company that is not curable or is curable but is not cured within forty-five (45) days;
- (b) in a Board meeting convened to approve the [REDACTED], if the Director nominated by KKR or any two (2) of the following four (4) Directors: any Director nominated by MIY and the three Directors nominated by Baring, Temasek and Boyu vote in favour of the [REDACTED] but the Director nominated by Mainfield does not vote in favour of the [REDACTED], and an agreement is not reached within forty-five (45) days;

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- (c) COFCO (HK) fails to comply with the relevant provision of the Shareholders’ Agreement requiring COFCO (HK) and Mainfield not to take any action or permit the occurrence of any event that may lead to a delay or hurdle to the [REDACTED], and such breach is not curable or is curable but is not cured within forty-five (45) days; or
- (d) the Jiangsu Restructuring is not completed before March 15, 2015.

On May 4, 2016, the parties to the Shareholders’ Agreement entered into a supplemental agreement to the Shareholders’ Agreement pursuant to which the parties thereto agreed to terminate this liquidity protection right.

Share transfer restrictions:

- (a) Subject to the following transfer restrictions, each of KKR, Baring, Temasek and Boyu may transfer any or all of its Shares to any third party transferee:
 - (i) until the earlier of (i) the completion of the [REDACTED] and (ii) January 1, 2018, none of KKR, Baring, Temasek or Boyu may transfer any Shares held by them to any third party transferee without the prior written consent of COFCO (HK);
 - (ii) except for a transfer of Shares upon [REDACTED] as described above, for a period of one (1) year after the completion of the [REDACTED], none of KKR, Baring, Temasek or Boyu may transfer any Shares held by them without the prior written consent of COFCO (HK);
 - (iii) none of KKR, Baring, Temasek or Boyu shall transfer any Shares held by them to any entity or person that competes with our Company in the PRC, Hong Kong and Macau Special Administrative Region, is hostile to our Company or may adversely affect the interest of our Company in any event without the prior consent of COFCO (HK);

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- (b) Until the completion of the [REDACTED], Mainfield shall not transfer any Shares without the prior written consent of KKR, Baring, Temasek and Boyu. Following the completion of the [REDACTED], Mainfield may transfer any Shares held by it, provided that:
 - (i) upon completion of the [REDACTED], Mainfield may not transfer any Shares at any time if, following such transfer, Mainfield would have transferred a higher percentage of its shareholding in our Company immediately after the [REDACTED] (the “[REDACTED] Shareholding”) than the percentage of the [REDACTED] Shareholding transferred by KKR, Baring, Temasek and Boyu collectively prior to such time; and
 - (ii) Mainfield shall remain the single largest Shareholder of our Company until such time that KKR, Baring, Temasek and Boyu collectively hold less than 5% of the entire issued share capital of our Company.

The parties to the Shareholders’ Agreement entered into a second supplemental agreement to the Shareholders’ Agreement pursuant to which the parties thereto agreed to amend the share transfer restrictions upon [REDACTED] applicable to KKR, Baring, Temasek and Boyu (as set out in paragraph (a)(ii) above) and applicable to Mainfield (as set out in paragraphs (b)(i) and (b)(ii) above). Please refer to the section headed “Lock-up and [REDACTED]” below for more details of the amended share transfer restrictions which will be applicable to each of Mainfield, KKR, Baring, Temasek and Boyu upon [REDACTED].

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Anti-dilution right:

If our Company issues further Shares for a consideration per share less than RMB1.00 per share (the “**Lower Price**”), our Company shall issue additional number of Shares to each of KKR, Baring, Temasek and Boyu such that the average price paid by each of KKR, Baring, Temasek and Boyu to subscribe or purchase (as the case may be) their respective Shares shall be equal to the Lower Price. The anti-dilution right will not apply to the [REDACTED]. The Company undertakes that it will not issue any further Shares at a Lower Price prior to the [REDACTED], and therefore, the anti-dilution right will not be triggered.

Information on the [REDACTED] Investors

MIY

MIY Corporation is a limited liability company incorporated under the laws of Japan. As at the Latest Practicable Date, MIY Corporation is held as to approximately 57.42%, 21.29% and 21.29% by Mitsubishi, Itoham and Yonekyu, respectively. Each of Itoham and Yonekyu are wholly-owned by Itoham Yonekyu Holdings, which in turn is held as to approximately 39% by Mitsubishi. Each of Mitsubishi and Itoham Yonekyu Holdings is listed on the Tokyo Stock Exchange.

Other than its shareholding interest in the Company as disclosed in this document and the Director nominated by MIY Corporation, namely Mr. Xu Yang, MIY Corporation and its ultimate beneficial owners are independent from our Group and connected persons of our Company.

KKR

Promise Meat Investment II Ltd is an exempted company with limited liability incorporated under the laws of the Cayman Islands. As at the Latest Practicable Date, Promise Meat Investment II Ltd is a wholly-owned subsidiary of Promise Meat Investment I Ltd (an exempted company with limited liability incorporated under the laws of the Cayman Islands). Promise Meat Investment I Ltd is a subsidiary of KKR Asian Fund II L.P.. The general partner of KKR Asian Fund II L.P. is KKR Associates Asia II L.P. (an exempted limited partnership organized and existing under the laws of the Cayman Islands) and the general partner of KKR Associates Asia II L.P. is KKR Asia II Limited (an exempted company with limited liability incorporated under the laws of the Cayman Islands) which is wholly-owned by KKR Fund Holdings L.P. (an exempted limited partnership organized and existing under the laws of the Cayman Islands). The general partners of KKR Fund Holdings L.P. are KKR Fund Holdings GP Limited (an exempted company with limited liability incorporated under the laws of the Cayman Islands) and KKR Group Holdings L.P. (an exempted limited partnership organized and existing under the laws of the Cayman Islands). KKR Fund Holdings GP Limited is wholly-owned by KKR Group Holdings L.P. The general partner of KKR Group Holdings L.P. is KKR Group Limited (an exempted company with limited liability incorporated under the laws of the Cayman Islands), which is wholly-owned by KKR & Co. L.P.

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KKR Asian Fund II L.P., an exempted limited partnership organized and existing under the laws of the Cayman Islands focused on management buyouts and build-ups and growth equity investment opportunities in Asia, is advised by Kohlberg Kravis Roberts & Co., L.P., a Delaware limited partnership and subsidiary of KKR & Co. L.P., whose common units are traded on the New York Stock Exchange. Other than its shareholding interest in the Company as disclosed in this document and the Director nominated by Promise Meat Investment II Ltd, namely Mr. Julian Wolhardt, Promise Meat Investment II Ltd and its ultimate beneficial owner are independent from our Group and connected persons of our Company.

Baring

Baring Private Equity Asia V Holding (16) Limited is a limited liability company incorporated under the laws of BVI. As at the Latest Practicable Date, it is owned as to 99.35% by The Baring Asia Private Equity Fund V, L.P. (an exempted limited partnership organized and existing under the laws of the Cayman Islands). The general partner of The Baring Asia Private Equity Fund V, L.P. is Baring Private Equity Asia GP V, L.P. (an exempted limited partnership organized and existing under the laws of the Cayman Islands). The general partner of Baring Private Equity Asia GP V, L.P. is Baring Private Equity Asia GP V Limited (an exempted company with limited liability incorporated under the laws of the Cayman Islands). Baring Private Equity Asia GP V Limited is wholly-owned by Jean Eric Salata. Jean Eric Salata disclaims beneficial ownership of such Shares, except to the extent of his economic interest in such entities.

Other than its shareholding interest in the Company as disclosed in this document and the Director nominated by Baring Private Equity Asia V Holding (16) Limited, namely Mr. Cui Guiyong, Baring Private Equity Asia V Holding (16) Limited and its ultimate beneficial owner are independent from our Group and connected persons of our Company.

Temasek

TLS Beta Pte. Ltd. is a limited liability company incorporated under the laws of Singapore. As at the Latest Practicable Date, TLS Beta Pte. Ltd. was wholly-owned by Temasek Life Sciences Private Limited (a limited liability company incorporated under the laws of Singapore), which in turn is wholly-owned by Fullerton Management Pte. Ltd. (a limited liability company incorporated under the laws of Singapore). Fullerton Management Pte. Ltd. is wholly-owned by Temasek Holdings (Private) Limited (an exempt private company incorporated under the laws of Singapore).

Other than its shareholding interest in the Company as disclosed in this document and the Director nominated by TLS Beta Pte. Ltd., namely Mr. Wu Hai, TLS Beta Pte. Ltd. and its ultimate beneficial owner are independent from our Group and connected persons of our Company.

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Boyu

Shiny Joyful Limited is an exempted company with limited liability incorporated under the laws of the Cayman Islands as an investment holding company. As at the Latest Practicable Date, it is wholly-owned by Boyu Capital Fund I, L.P. (an exempted limited partnership organized and existing under the laws of the Cayman Islands). Boyu Capital General Partner I, L.P. (an exempted limited partnership organized and existing under the laws of the Cayman Islands) is the general partner of Boyu Capital Fund I, L.P.. Boyu Capital General Partner I, Ltd. (an exempted company with limited liability incorporated under the laws of the Cayman Islands) is in turn the general partner of Boyu Capital General Partner I, L.P.. Boyu Capital Management Ltd. (an exempted company with limited liability incorporated under the laws of the Cayman Islands) is the management company of Boyu Capital Fund I, L.P.. Boyu Capital Management Ltd. is a leading China-focused private investment firm providing growth and transformational capital for industry-leading businesses in Greater China.

Other than its shareholding interest in the Company as disclosed in this document and the Director nominated by Shiny Joyful Limited, namely Mr. Zhou Qi, Shiny Joyful Limited and its ultimate beneficial owner are independent from our Group and connected persons of our Company.

Lock-up and [REDACTED]

Pursuant to the Shareholder’s Agreement (as amended) and the Mainfield Shareholders’ Agreement (as amended), each of Mainfield, MIY, KKR, Baring, Temasek and Boyu has agreed and undertaken that:

- Mainfield will not, at any time during the period of twelve months following the [REDACTED], dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares held by it provided that this restriction shall not apply to any transfer of Shares by Mainfield pursuant to any management incentive scheme; and
- Each of MIY, KKR, Baring, Temasek and Boyu will not:
 - (a) at any time during the period of six months following the [REDACTED] (the “**First Six-Month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares held by it; and

HISTORY, DEVELOPMENT AND REORGANIZATION

- (b) at any time during the period of six months commencing on the date on which the First Six-Month Period expires, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares held by it if, as a result, its shareholding in our Company would fall below 50% of the Shares held by it immediately after the [REDACTED] and the exercise of the [REDACTED] (if the [REDACTED] is exercised) and, in the case of KKR, Baring, Temasek and Boyu, without taking into account the Shares to be transferred in accordance with any management incentive scheme (including but not limited to the [REDACTED] Share Incentive Scheme) or acquired in the [REDACTED],

provided that the above restrictions shall not apply to any transfer of Shares pursuant to any management incentive scheme (including but not limited to the [REDACTED] Share Incentive Scheme).

Save as disclosed above, the terms of the [REDACTED] Investment Agreements do not impose any other lock-up obligations over the Shares held by the [REDACTED] Investors upon [REDACTED].

Since each of MIY and KKR will be holding more than 10% of the total issued share capital of our Company immediately following the completion of the [REDACTED], each of MIY and KKR will be a substantial shareholder of our Company upon [REDACTED] and hence a connected person of our Company. Accordingly, all shares held by MIY and KKR shall not be counted towards the [REDACTED] after [REDACTED] for the purposes of Rule 8.08 of the Listing Rules.

Compliance with Interim Guidance

On the basis that (i) the consideration for the [REDACTED] Investments was settled more than 28 clear days before the date of our first submission of the [REDACTED] form to the [REDACTED] Division of the [REDACTED] in relation to the [REDACTED]; and (ii) the special rights granted to the [REDACTED] Investors will terminate upon [REDACTED], the Joint Sponsors are not aware of any circumstances or incidences that could lead to their belief that the [REDACTED] Investments are not in compliance with the Interim Guidance on [REDACTED] Investments issued by the [REDACTED] on October 13, 2010, the Guidance Letter HKEx-GL43-12 issued by the [REDACTED] in October 2012 and as updated in July 2013 and the Guidance Letter HKEx-GL44-12 issued by the [REDACTED] in October 2012.

HISTORY, DEVELOPMENT AND REORGANIZATION

CORPORATE RESTRUCTURING

The Jiangsu Restructuring

In 2014, we underwent certain corporate restructuring in relation to the shareholding of COFCO Meat Jiangsu (the “**Jiangsu Restructuring**”), as follows:

1. *Incorporation of Yuxi by COFCO (HK) and transfer of approximately 15.69% equity interests in COFCO Meat (Jiangsu) held by COFCO to Yuxi*

On May 19, 2014, Yuxi was incorporated in the BVI as a limited liability company. On June 18, 2014, 1 share was issued to COFCO (HK) at par value (representing the then entire issued share capital of Yuxi).

On July 15, 2014, COFCO, COFCO (HK) and Yuxi entered into a share transfer agreement, pursuant to which COFCO agreed to transfer the approximately 15.69% equity interests in COFCO Meat (Jiangsu) held by it to COFCO (HK), which in turn transferred the same to Yuxi. As consideration, Yuxi allotted and issued 669,999 new shares of US\$1.00 each to COFCO (HK), and COFCO (HK) allotted and issued 1 new share of HK\$1.00 to COFCO. The allotment of shares completed on December 31, 2014 and the transfer of shares in COFCO Meat (Jiangsu) completed on January 26, 2015.

2. *Transfer of approximately 7.73% equity interests in COFCO Meat (Jiangsu) held by MIY to Yuxi*

On July 17, 2014, MIY and Yuxi entered into a share transfer agreement, pursuant to which MIY agreed to sell and Yuxi agreed to purchase the approximately 7.73% equity interests in COFCO Meat (Jiangsu) held by MIY. The consideration for such transfer was RMB62,389,400, which was determined based on a valuation report prepared by an Independent Third Party. The transfer was completed on January 26, 2015.

On January 23, 2015, Yuxi allotted and issued 330,000 new shares of US\$1.00 each to MIY at an aggregate subscription price of RMB62,389,400. The amount of subscription price payable by MIY was set off against the amount payable by Yuxi to MIY for the above transfer.

The allotment and issuance was completed on January 23, 2015, upon which COFCO (HK) and MIY held 67% and 33% of the issued share capital of Yuxi, respectively.

HISTORY, DEVELOPMENT AND REORGANIZATION

3. *Injection of the entire equity interests in Yuxi into Mainfield by COFCO (HK) and MIY*

On January 23, 2015, COFCO (HK) and MIY transferred their respective entire shareholdings in Yuxi to Mainfield. As consideration, Mainfield issued and allotted 67 shares and 33 shares of US\$1.00 each to COFCO (HK) and MIY, respectively. The transfer was completed on January 23, 2015, upon which Mainfield held 100% of the issued share capital of Yuxi.

4. *Transfer of shares in Yuxi held by Mainfield to each of Baring, HOPU and Boyu*

On February 10, 2015, Mainfield transferred 107,895 shares, 102,632 shares and 65,789 shares in Yuxi to HOPU, Boyu and Baring, respectively, representing approximately 10.79%, 10.26% and 6.58% of the issued share capital of Yuxi. As consideration, HOPU, Boyu and Baring paid to Mainfield the US\$ equivalent of RMB20,097,753, the US\$ equivalent of RMB19,117,375 and the US\$ equivalent of RMB12,254,728, respectively. Such consideration was determined based on a valuation report prepared by an Independent Third Party. The transfers were completed on February 10, 2015.

5. *Injection of the entire equity interests in Yuxi into our Company by each of Mainfield, Baring, HOPU and Boyu*

On February 11, 2015, Mainfield, HOPU, Boyu and Baring transferred their respective entire shareholdings in Yuxi to our Company, namely 723,684 shares, 107,895 shares, 102,632 shares and 65,789 shares, respectively. As consideration and pursuant to the terms of the Subscription Agreement, the Sale and Purchase Agreement and the Side Letter, our Company issued and allotted 134,802,004 Shares, 20,097,753 Shares, 19,117,375 Shares and 12,254,728 Shares to Mainfield, HOPU, Boyu and Baring, respectively. The transfers were completed on February 11, 2015. Upon completion of the transfers, Yuxi became a wholly-owned subsidiary of our Company.

Pursuant to the terms of the Subscription Agreement, the Sale and Purchase Agreement and the Side Letter, upon completion of the said transfers, each of KKR and Baring subscribed for 49,018,911 Shares and 9,803,782 Shares, at a subscription price of the US\$ equivalent of RMB49,018,911 and the US\$ equivalent of RMB9,803,782, respectively. Upon completion of the transfers and issuances, our Company was held by Mainfield, KKR, Baring, HOPU and Boyu as to approximately 55%, 20%, 9%, 8.2% and 7.8%, respectively.

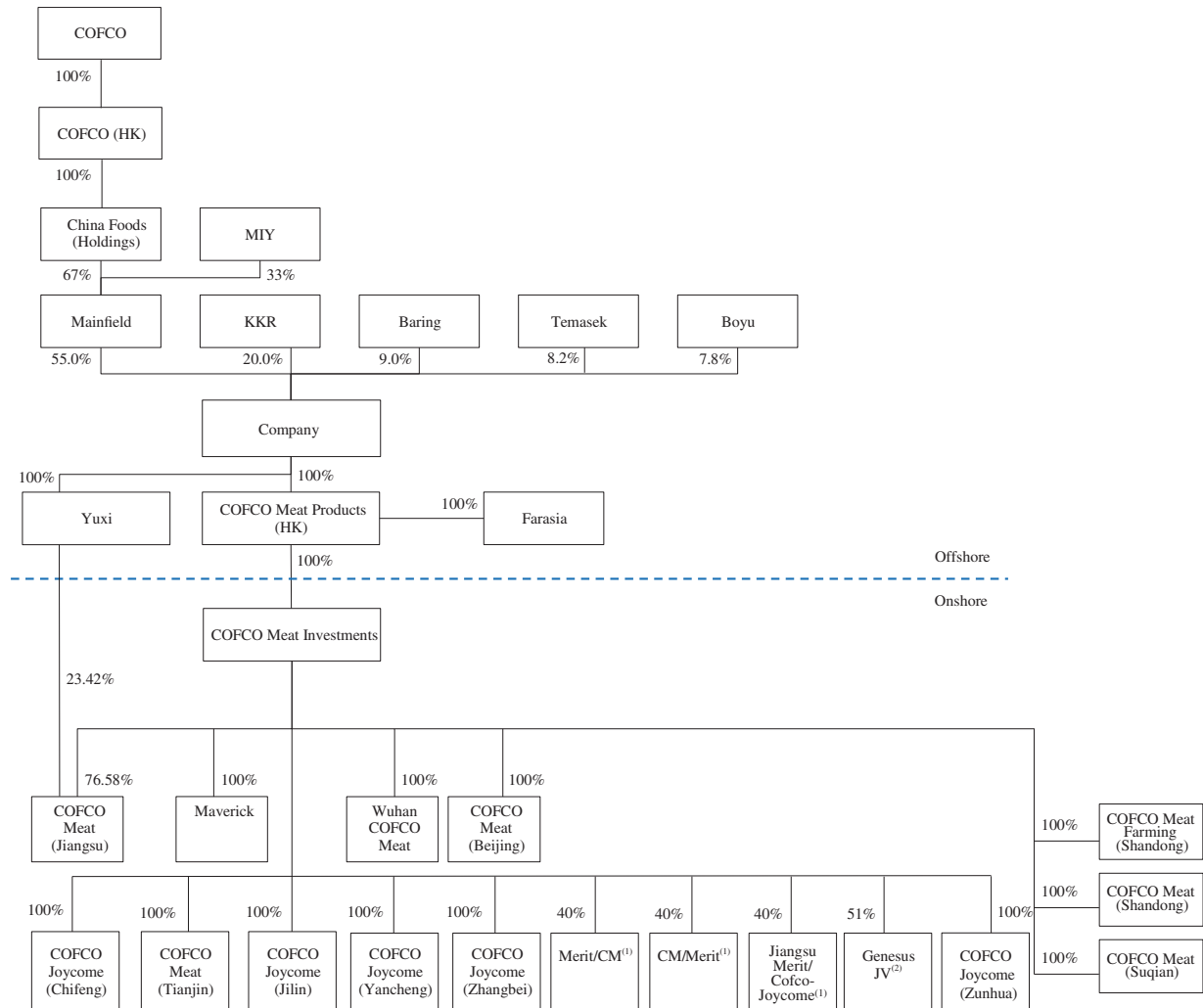
Transfer of Shares in Mainfield by COFCO (HK) to China Foods (Holdings)

On December 28, 2015, China Foods (Holdings) and COFCO (HK) entered into a share transfer agreement pursuant to which COFCO (HK) agreed to sell and China Foods (Holdings) agreed to purchase 201 shares in Mainfield, being all the shares in Mainfield held by COFCO (HK). As consideration, China Foods (Holdings) issued 1 new share with par value of US\$1.00 to COFCO (HK). The transfer was completed on December 28, 2015.

HISTORY, DEVELOPMENT AND REORGANIZATION

REORGANIZATION

In preparation for the [REDACTED], our Group has undertaken the Reorganization. Set out below is the shareholding structure of our Group immediately prior to the Reorganization:



Notes:

- Each of Merit/CM, CM/Merit and Jiangsu Merit/Cofco-Joycome are held as to 40% and 60% by COFCO Meat Investments and Merit Biotech, an Independent Third Party, respectively.
- Genesys JV is held as to 51% and 49% by COFCO Meat Investments and Genesys, an Independent Third Party, respectively.

HISTORY, DEVELOPMENT AND REORGANIZATION

Reasons for the Exclusion of COFCO Meat (Suqian), COFCO Meat Farming (Shandong) and COFCO Meat (Shandong) from Our Group

Prior to the Reorganization, our Group is engaged in the production of both pork and poultry products. COFCO Meat (Suqian), COFCO Meat Farming (Shandong) and COFCO Meat (Shandong) are engaged in the poultry farming, poultry slaughtering, and sales and distribution of poultry products business (the “**Poultry Business**”), while the rest of our Group is focused on hog production, hog slaughtering, the production and sales and distribution of fresh pork and processed pork meat products. In order to streamline our product offering and enable our Group to focus its businesses across the pork industry value chain, taking into account the financial contribution of the Poultry Business, we decided to exclude COFCO Meat (Suqian), COFCO Meat Farming (Shandong) and COFCO Meat (Shandong) from our Group.

Incorporation of COFCO Poultry as the Holding Company of COFCO Meat (Suqian), COFCO Meat Farming (Shandong) and COFCO Meat (Shandong)

On February 4, 2016, COFCO Poultry was incorporated in the PRC as a wholly-owned subsidiary of COFCO Meat Investments.

COFCO Poultry entered into three equity transfer agreements with COFCO Meat Investments on February 15, 2016, February 17, 2016 and February 17, 2016 respectively, pursuant to which COFCO Meat Investments agreed to sell and COFCO Poultry agreed to purchase 100% of the equity interests in each of COFCO Meat (Suqian), COFCO Meat Farming (Shandong) and COFCO Meat (Shandong) for a consideration of RMB1.00, RMB2,249,550.02 and RMB109,790,215.34, respectively. The consideration was determined based on the audited net asset value as at December 31, 2015 of each of COFCO Meat (Suqian), COFCO Meat Farming (Shandong) and COFCO Meat (Shandong), respectively. In the case of COFCO Meat (Suqian), as the net asset value as of December 31, 2015 was negative, a nominal consideration of RMB1.00 was paid. Upon the completion of such transfers on February 29, 2016, each of COFCO Meat (Suqian), COFCO Meat Farming (Shandong) and COFCO Meat (Shandong) were wholly-owned by COFCO Poultry, which in turn was wholly-owned by COFCO Meat Investments.

Incorporation of Offshore Holding Companies, Repurchase of Shares and Disposal of Equity Interests in COFCO Poultry

On September 30, 2015, Daloong Enterprises was incorporated in the BVI as a limited liability company. On January 6, 2016, one subscriber share was issued to COFCO (HK) at par value (representing the entire issued share capital of Daloong Enterprises). On the same day, COFCO (HK) transferred the 1 share in Daloong Enterprises to Mainfield at a consideration of US\$1.00. On April 5, 2016, Daloong Enterprises allotted and issued 549, 200, 90, 82 and 78 new shares to Mainfield, KKR, Baring, Temasek and Boyu for a consideration of US\$27,499, US\$10,000, US\$4,500, US\$4,100

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and US\$3,900, respectively. The consideration was determined based on the initial capital requirements of Daloong Enterprises. Upon completion of such issuance on April 5, 2016, Daloong Enterprises was held as to 55%, 20%, 9%, 8.2% and 7.8% by Mainfield, KKR, Baring, Temasek and Boyu, respectively.

On September 23, 2015, Heaplink was incorporated in the BVI as a limited liability company. On January 6, 2016, one subscriber share was issued to Daloong Enterprises at par value (representing the entire issued share capital of Heaplink).

On November 30, 2015, Heaplink (HK) was incorporated in Hong Kong as a limited liability company. On January 6, 2016, Heaplink acquired one share in Heaplink (HK) (representing the entire issued share capital of Heaplink (HK)) at a consideration of HK\$1.00.

On April 18, 2016, COFCO Meat Investments and Heaplink (HK) entered into an equity transfer agreement pursuant to which COFCO Meat Investments agreed to sell and Heaplink (HK) agreed to purchase 100% of the equity interests in COFCO Poultry at a consideration of RMB1.00. The consideration was determined based on the net asset value of COFCO Poultry. As the net asset value of COFCO Poultry was negative, a nominal consideration of RMB1.00 was paid. The transfer was completed on April 22, 2016. Upon completion of such transfer, COFCO Poultry became a wholly-owned subsidiary of Heaplink (HK), and was no longer part of our Group.

On April 29, 2016, our Company passed a set of board resolutions approving the repurchase by our Company of 595,017,450 Shares, 216,369,982 Shares, 97,366,492 Shares, 88,711,693 Shares and 84,384,293 Shares from Mainfield, KKR, Baring, Temasek and Boyu, respectively (the “**Share Repurchase**”). As consideration, our Company paid US\$57,923,044, US\$35,143,897, US\$15,996,631, US\$15,546,581 and US\$13,989,847 (being the US\$ equivalent of RMB375,868,425, RMB228,052,262, RMB103,803,738, RMB100,883,319 and RMB90,781,516) to Mainfield, KKR, Baring, Temasek and Boyu, respectively. The total consideration of US\$138,600,000 (being the US\$ equivalent of RMB899,389,260) was determined based on the investment costs of Mainfield, KKR, Baring, Temasek and Boyu. The Shares under the Share Repurchase were transferred to the Company and cancelled on April 29, 2016, and the payments will be settled prior to the [REDACTED].

On May 23, 2016, Daloong Enterprises further allotted and issued 595,016,900, 216,369,782, 97,366,402, 88,711,615 and 84,384,211 new shares to Mainfield, KKR, Baring, Temasek and Boyu for a consideration of US\$57,895,544, US\$35,133,897, US\$15,992,131, US\$15,542,481 and US\$13,985,947, respectively. The consideration was determined with reference to the price of the Share Repurchase. Upon completion of such issuance on May 23, 2016, Daloong Enterprises remained held as to approximately 55%, 20%, 9%, 8.2% and 7.8% by Mainfield, KKR, Baring, Temasek and Boyu, respectively.

As advised by our PRC Legal Advisers, the disposal of the Poultry Business has fulfilled the formalities for approval pursuant to the relevant PRC laws and regulations.

HISTORY, DEVELOPMENT AND REORGANIZATION

Incorporation of Zhuo Mao as a holding company of our subsidiaries

On October 22, 2015, Zhuo Mao was incorporated in the BVI as a limited liability company. On December 17, 2015, one subscriber share was issued to COFCO (HK) at a consideration of US\$1.00 (representing the entire issued share capital of Zhuo Mao). On the same day, COFCO (HK) transferred the one share in Zhuo Mao to our Company at a consideration of US\$1.00.

On December 23, 2015, our Company transferred four shares in COFCO Meat Products (HK), representing 100% of its issued share capital, to Zhuo Mao. As consideration, Zhuo Mao allotted and issued one new share to our Company. On February 23, 2016, our Company transferred 1,000,000 shares in Yuxi, representing 100% of its issued share capital, to Zhuo Mao. As consideration, Zhuo Mao allotted and issued one new share to our Company. Upon completion of such transfers, each of COFCO Meat Products (HK) and Yuxi became wholly-owned by Zhuo Mao, which in turn is wholly-owned by our Company.

Participation of the [REDACTED] Share Incentive Scheme by KKR, Baring, Temasek and Boyu

In order to incentivize the core management team of our Group, KKR, Baring, Temasek and Boyu participated in the [REDACTED] Share Incentive Scheme, pursuant to which our Company, KKR, Baring, Temasek and Boyu agreed to negotiate in good faith and use reasonable endeavours to reach an agreement in relation to the structure of the employee benefit trust (or any other structure of similar nature) proposed to be set up to administer the grant of options and, upon reaching such agreement and the fulfillment of certain other conditions, KKR, Baring, Temasek and Boyu shall contribute 3% of each of their Shares to a trustee which shall in turn grant options to 40 employees of the Group to acquire, subject to certain terms and conditions, proceeds of the sale of 17,558,389, 7,901,275, 7,198,939 and 6,847,772 Shares, respectively, from the trustee at an exercise price of the HK\$ equivalent of RMB1.37 per Share.

Since the [REDACTED] Share Incentive Scheme does not involve the grant of options to subscribe for any new Shares of the Company, it is not required to be subject to the provisions in Chapter 17 of the Listing Rules. It does not cause any effect to the total number of Shares outstanding and will not result in any dilution effect to the Shares of the Company. Please see the section headed “Statutory and General Information—D. [REDACTED] Share Incentive Scheme” for further details of the [REDACTED] Share Incentive Scheme.

HISTORY, DEVELOPMENT AND REORGANIZATION

Re-domiciliation of Our Company from the BVI to the Cayman Islands

Pursuant to a shareholders’ resolution dated April 25, 2016, we re-domiciled our Company from the BVI to the Cayman Islands on May 4, 2016 in order to benefit from greater flexibility in relation to corporate structures offered by the laws of the Cayman Islands. The shareholding structure of our Company remains unchanged after the transfer of our Company’s registration from the BVI to the Cayman Islands. Upon completion of the re-domiciliation of our Company to the Cayman Islands, our Company was renamed to its current name of COFCO Meat Holdings Limited (中糧肉食控股有限公司).

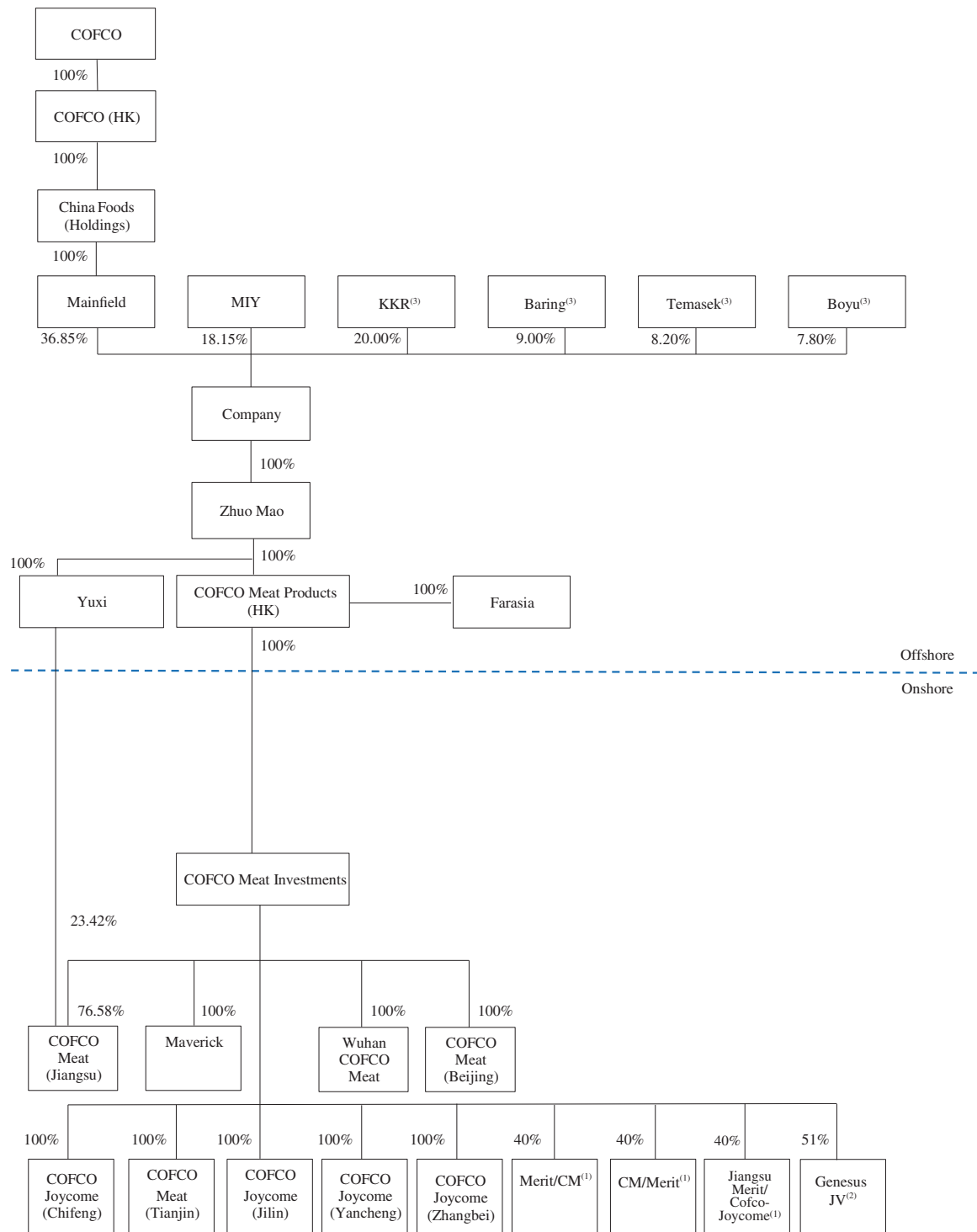
Mainfield Restructuring

Pursuant to the Mainfield Restructuring, on the [REDACTED] and immediately after the [REDACTED] becoming unconditional and effective, Mainfield will repurchase 33% of its issued Share Capital from MIY. As consideration, Mainfield will transfer 33% of its assets, including 531,141,296 Shares held by Mainfield to MIY. Immediately upon completion of the Mainfield Restructuring, MIY will become a direct Shareholder of 531,141,296 Shares and Mainfield will become wholly-owned by China Foods (Holdings).

HISTORY, DEVELOPMENT AND REORGANIZATION

OUR STRUCTURE IMMEDIATELY PRIOR TO THE [REDACTED]

The following chart sets forth our corporate structure after the Reorganization and immediately prior to the [REDACTED] (unless otherwise specified, each subsidiary is 100% owned by its holding company):



HISTORY, DEVELOPMENT AND REORGANIZATION

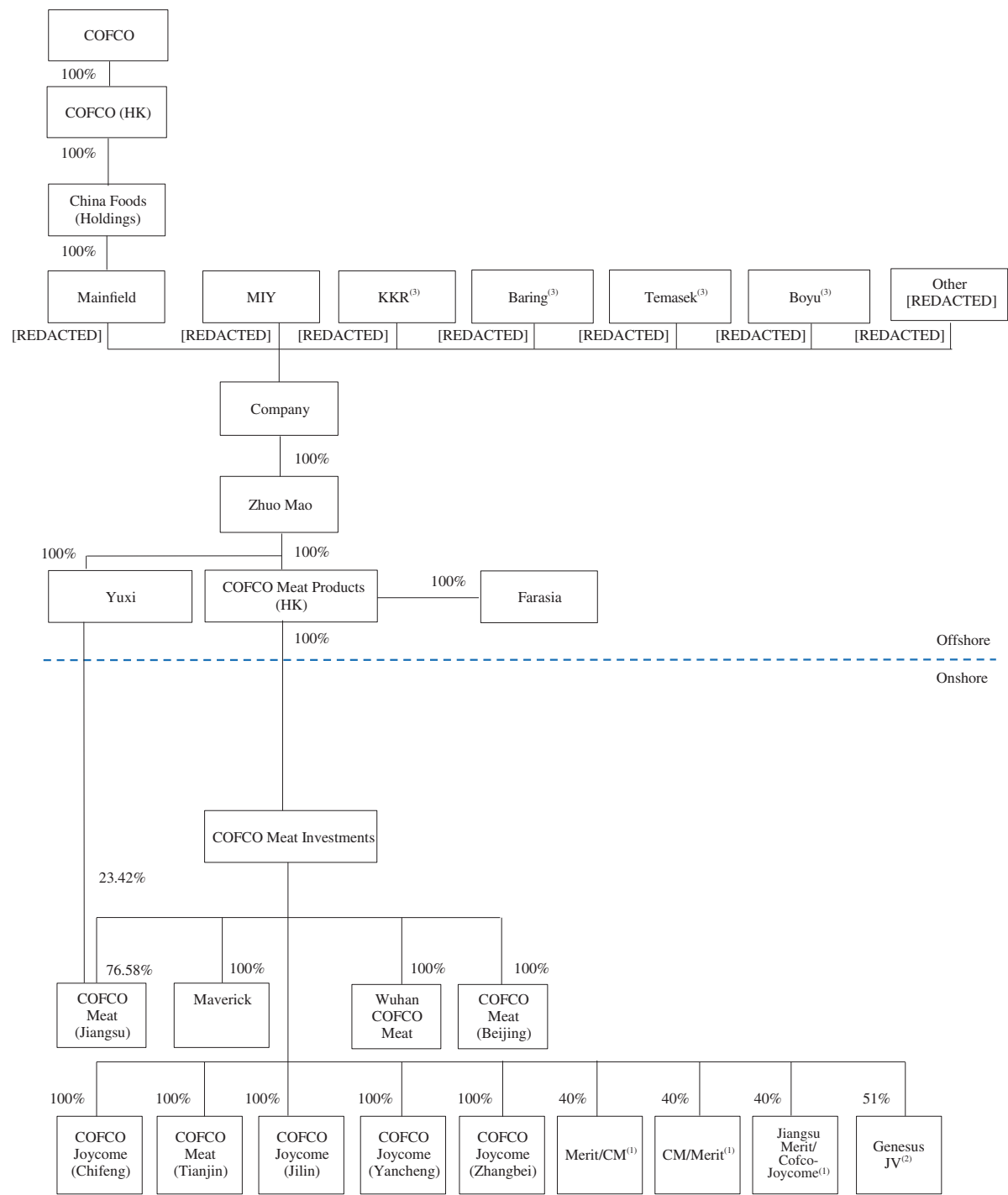
Notes:

1. Each of Merit/CM, CM/Merit and Jiangsu Merit/Cofco-Joycome are held as to 40% and 60% by COFCO Meat Investments and Merit Biotech, an Independent Third Party, respectively.
2. Genesis JV is held as to 51% and 49% by COFCO Meat Investments and Genesis, an Independent Third Party, respectively.
3. Each of our Company, KKR, Baring, Temasek and Boyu agreed to negotiate in good faith and use reasonable endeavours to reach an agreement in relation to the structure of the employee benefit trust (or any other structure of similar nature) proposed to be set up to administer the grant of options and, upon reaching such agreement and the fulfillment of certain other conditions, KKR, Baring, Temasek and Boyu shall contribute 17,558,389, 7,901,275, 7,198,939 and 6,847,772 Shares, respectively, to a trustee to be set up which shall in turn grant options to 40 employees of the Group to acquire proceeds of the sale of Shares at an exercise price of the HK\$ equivalent of RMB1.37 per Share. Please see the section headed “Statutory and General Information—D. [REDACTED] Share Incentive Scheme” for further details of the [REDACTED] Share Incentive Scheme.

HISTORY, DEVELOPMENT AND REORGANIZATION

OUR STRUCTURE IMMEDIATELY FOLLOWING THE [REDACTED]

The following chart sets forth our shareholding structure immediately after the completion of the [REDACTED], assuming the [REDACTED] is not exercised:



HISTORY, DEVELOPMENT AND REORGANIZATION

Notes:

1. Each of Merit/CM, CM/Merit and Jiangsu Merit/Cofco-Joycome are held as to 40% and 60% by COFCO Meat Investments and Merit Biotech, an Independent Third Party, respectively.
2. Genesis JV is held as to 51% and 49% by COFCO Meat Investments and Genesis, an Independent Third Party, respectively.
3. Each of our Company, KKR, Baring, Temasek and Boyu agreed to negotiate in good faith and use reasonable endeavours to reach an agreement in relation to the structure of the employee benefit trust (or any other structure of similar nature) proposed to be set up to administer the grant of options and, upon reaching such agreement and the fulfillment of certain other conditions, KKR, Baring, Temasek and Boyu shall contribute 17,558,389, 7,901,275, 7,198,939 and 6,847,772 Shares, respectively, to a trustee to be set up which shall in turn grant options to 40 employees of the Group to acquire proceeds of the sale of Shares at an exercise price of the HK\$ equivalent of RMB1.37 per Share. Please see the section headed “Statutory and General Information—D. [REDACTED] Share Incentive Scheme” for further details of the [REDACTED] Share Incentive Scheme.

COMPLIANCE WITH PRC LAWS

M&A Rules

Under the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the “**M&A Rules**”), a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from MOFCOM is required.

As advised by our PRC Legal Advisers, each of the PRC subsidiaries our Company controlled, other than Maverick and Wuhan COFCO Meat, was incorporated as a foreign-invested enterprise; while Maverick and Wuhan COFCO Meat became part of our Group through acquisition of equity in foreign-invested enterprises. Therefore, the M&A Rules is not applicable.

BUSINESS

OVERVIEW

We are a rapidly growing pork company in China with a vertically integrated business model operating across the entire industry value chain. We are uniquely positioned to benefit from current trends in China’s pork industry, including industry consolidation toward large-scale hog farms, increasing consumer demand for safe, high-quality products, and the need to comply with increasingly stringent environmental regulations. Our businesses include feed production, hog production, slaughtering, the production, distribution and sale of fresh pork and processed meat products and the import and sale of frozen meat products. We were one of the first enterprises in China to adopt large-scale hog farming, according to Frost & Sullivan. As of the Latest Practicable Date, we had 47 hog farms, two slaughtering plants and two processed meat plants strategically located across China. As of April 30, 2016, we had 1.0 million live hogs. In 2015, we produced 1.2 million hogs. According to Frost & Sullivan, we ranked fourth in China’s hog production market by production volume of finishing hogs in 2015. Our vertically integrated business model and stringent food-safety control system help us to closely monitor our production processes to ensure food safety. Shortly before the 2012 London Olympics, China’s General Administration of Sports designated us as the sole meat product supplier for the Chinese Olympic Sports Delegation between 2012 and 2015, an important demonstration of recognition of and trust in the safety and quality of our products.

China’s hog production industry is consolidating towards a model based on large-scale integrated operations. This model has advantages in production efficiency, disease control, food safety and sustainability. Furthermore, with the implementation of the amended Environmental Protection Law of the PRC in 2015, environmental protection requirements and enforcement of environmental regulations have been continuously enhanced across the country. These regulatory developments are squeezing out small and household operations that cannot comply with the increasingly stringent regulatory requirements. According to Frost & Sullivan, the market share of hog farms with annual production capacities in excess of 500 head increased from 26.0% in 2007 to 42.7% in 2015, and the market share for those in excess of 10,000 head increased from 3.7% in 2007 to 9.7% in 2015. In anticipation of this consolidation trend, we have actively expanded our scale and gradually increased our market share in China’s hog production market. Our annual hog production capacity increased from 1.3 million head as of December 31, 2013 to 2.3 million head as of December 31, 2015, representing a CAGR of 30.7%. As of the Latest Practicable Date, we had five new hog production projects in development, all of which are expected to be completed before the end of 2016, which will increase our annual hog production capacity to over 3.5 million head by year-end. Over the next five years, we intend to continue our expansion, and our goal is to expand our annual hog production capacity to 5.5 million head by the end of 2020, representing a CAGR of 19.3% between 2015 and 2020.

BUSINESS

Since our establishment, we have gained extensive experience in the construction and operation of large-scale hog farms, and technical expertise in environmental protection is one of our core competitive strengths. With China’s environmental protection regulations becoming increasingly stringent, environmental protection issues will have a far-reaching effect on the cost structure and expansion capabilities of existing hog producers and create a barrier to entry for new hog producers.

We have a strong and diversified shareholder base built around COFCO, a Fortune Global 500 company and leading state-owned Chinese agribusiness company directly owned and managed by the State-owned Assets Supervision and Administration Commission of the State Council (“SASAC”), and Mitsubishi and its associates Itoham and Yonekyu, which have extensive experience in livestock farming and meat products processing. Through implementation of state-owned enterprise reform, we also brought in leading financial investors KKR, Baring, Temasek and Boyu as our shareholders. Our shareholders have provided us with support in a variety of areas, including strategic planning, talent acquisition, resource allocation, branding, operations and corporate governance. These contributions from our shareholders have helped us optimize our resource allocation and increase our operating efficiency, particularly production efficiency. The increase in our production efficiency has been reflected in our increased average finishing weight per hog and piglets weaned per sow per year (PSY) over the Track Record Period.

Our senior management team has an average of approximately 20 years of industry experience. Many of them gained management expertise while holding various positions in COFCO and its subsidiaries. They have in-depth knowledge in fields including livestock farming, meat processing and international trading and extensive experience in corporate management.

We have two core brands—“Joycome (家佳康)” and “Maverick (萬威客)” —both of which have clear positioning, with high food-safety and quality standards as the brands’ core values. In our fresh pork division, we market our small-pack fresh pork products under the “Joycome (家佳康)” brand and sell our fresh pork products at our own and franchised Joycome-designated stores. We are expanding our sales of Joycome-branded small-pack fresh pork products, which offer consumers convenience and packaging with better protection from contamination. We are also opening more Joycome-designated stores to sell our products; this sales channel gives us more control over the display and promotion of our products and allows us to closely monitor consumer preference and behavior. Our processed meat products, which we market under the “Joycome (家佳康)” and “Marverick (萬威客)” brands, are mainly premium low-temperature processed meat products, which represent one of China’s fastest-growing segments of pork products, according to Frost & Sullivan. These products primarily target China’s middle-class urban families. With changes in consumer spending habits, increasing awareness of food-safety issues and consumer preference for tasty and convenient food, we believe that our branded products have substantial growth potential.

BUSINESS

We import frozen meat products, mainly pork, beef, poultry, mutton and lamb. According to Frost & Sullivan, in 2015 we ranked second in China’s meat import market by import volume. Our international meat suppliers are from leading producing countries such as Brazil, Chile, Germany, Denmark, Australia and New Zealand. We follow market developments closely to provide cost-competitive raw material solutions for our major customers, including food service companies and food processors, and provide our customers with a large diversified selection of products, value-added services and cross-region supply support. We have been expanding our sale of imported frozen meat products to hypermarkets and supermarkets to introduce high-quality meat products from overseas to Chinese consumers.

We have established separate sales networks for our sale of live hogs, fresh pork products, processed meat products and imported frozen meat products. Each of these networks targets the specific sales channels and businesses suitable for their respective products. Our customers generally include wholesalers, restaurants and canteens, hypermarkets and supermarkets, food processors and distributors. We also sell some of our products at Joycome-designated stores and through the e-commerce channel.

Our business grew rapidly during the Track Record Period. Our revenue from continuing operations increased from RMB3,733.6 million in 2013 to RMB5,055.7 million in 2015, representing a CAGR of 16.4%, and increased by 43.0% from RMB1,375.6 million in the four months ended April 30, 2015 to RMB1,967.6 million in the same period of 2016. Our annual hog production capacity increased from 1.3 million head as of December 31, 2013 to 2.3 million head as of December 31, 2015. Our hog production volume increased from 0.9 million head in 2013 to 1.2 million head in 2015 and increased from 0.4 million head in the four months ended April 30, 2015 to 0.5 million head in the same period of 2016. Our total sales volume of fresh pork (both internal and external sales) increased from 94.5 thousand metric tons in 2013 to 127.8 thousand metric tons in 2015 and increased from 36.6 thousand metric tons in the four months ended April 30, 2015 to 40.9 thousand metric tons in the same period of 2016; our total sales volume of processed meat products (both external and internal sales) increased from 7,548 metric tons in 2013 to 9,548 metric tons in 2015 and increased from 2,942 metric tons in the four months ended April 30, 2015 to 2,962 metric tons in the same period of 2016; and our total sales volume of imported frozen meat (both internal and external sales) increased from 72.8 thousand metric tons in 2013 to 107.2 thousand metric tons in 2015 and increased from 28.8 thousand metric tons in the four months ended April 30, 2015 to 32.7 thousand metric tons in the same period of 2016.

To create value for our shareholders and society, we will continue to focus on producing safe, high-quality meat products, expanding the scale of our hog-farming operations, increasing our market share and developing our “Joycome (家佳康)” and “Maverick (萬威客)” brands to become synonymous with safe, high-quality meat products.

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OUR COMPETITIVE STRENGTHS

Our business platform covers the entire value chain of China’s pork industry, and we strictly control all aspects of production. This allows us to meet increasing market demand for safe, high-quality meat products and uniquely positions us to benefit from current trends in China’s pork industry.

Our vertically integrated business model covers China’s entire pork industry value chain, including feed production, hog production, slaughtering, the production, distribution and sale of fresh pork and processed meat products and the import and sale of frozen meat products. Compared to our competitors that focus on either hog farming (upstream) or slaughtering and processing (downstream), we can better control our overall production processes which allows us to enhance and maintain quality control and ensure food safety.

To ensure the safety and quality of our products, we have developed and maintain strict technical specifications and procedures for each step of our production processes. We have established a sound and comprehensive product traceability system, and have obtained and maintain quality and safety management system certifications including ISO9001, ISO22000 and HACCP. None of our products has ever failed tests of the Ministry of Agriculture (“MOA”) or the China Food and Drug Administration (“CFDA”) for the presence of veterinary drugs or prohibited chemicals. In 2015, CFDA conducted sampling inspections on 86 batches of our products and CFDA and MOA conducted on-site sampling inspections of hundreds of batches of our products—the passing rate for these inspections was 100%.

We have developed and maintain supplier management and control measures across our operations and established a supplier-admission system that includes hierarchical management of our suppliers based on their performance. We have also put in place a raw material inspection system to ensure the quality of our raw materials. For example, each batch of feed supplied to us is inspected before entering our hog farms. We conduct sampling tests on each type of feed from each supplier for important hygiene indicators such as mycotoxins. We also conduct annual performance evaluations of our suppliers based on product quality and service standards.

Food safety incidents in China in recent years have underscored the difficulties and challenges that food enterprises face in controlling the sources of their raw materials. These incidents have significantly increased Chinese consumers’ sensitivity to and awareness of food safety. In response to these concerns, we are expanding our sales of our branded small-pack fresh pork products, which have been well-received by middle class families. We can achieve a premium on these products when compared to other fresh pork products because of our brand value (particularly in food safety) and the products’ convenience and protective packaging.

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Clenbuterol is a drug that has been illegally used in China by some hog producers to try to produce hogs with higher lean-to-fat ratios. Its use is prohibited because of serious health problems that clenbuterol-tainted products have caused for consumers. In addition to serious health risks for ordinary consumers, clenbuterol-tainted meat has been a major source of competitive athletes' foodborne doping cases. From 2012 to 2015, the China Anti-Doping Agency conducted extensive sample testings of our meat products using international standards. Our products passed 100% of these tests. Following our successful completion of these tests, we began supplying meat products to major sport centers for China's Olympic athletes, including the National Sports Training Center, Beijing Sport University, the Table Tennis and Badminton Center, the Athletics Administrative Center, the Water Sports Center, the Cycling and Fencing Center, Olympic Sports Center, the Volleyball Center and the Qinhuangdao Training Base. These facilities maintain long-term procurement contracts with us, and we have consistently met their standards, fully demonstrating our ability to control food safety.

Capitalizing on the significant trend in China's hog production industry toward large-scale farming, our hog production model enables us to increase production efficiency and has a high degree of predictability and replicability.

China's hog production industry is rapidly changing from small-scale and household farming to large-scale farming. This change is driven by factors including fluctuations in hog prices, increasingly stringent enforcement of environmental regulations, accelerating urbanization and Chinese government policies to encourage large-scale farming. According to Frost & Sullivan, large-scale hog producers are increasing their market shares amidst industry consolidation due to their ability to comply with food safety and environmental regulations. The market share of hog farms with annual production capacity in excess of 500 head increased from 26.0% in 2007 to 42.7% in 2015, and the market share for those in excess of 10,000 head increased from 3.7% in 2007 to 9.7% in 2015. In addition, Chinese pork consumption increased at a CAGR of 1.8% from 50.9 million metric tons in 2010 to 55.7 million metric tons in 2015, and is expected to continue to grow at a CAGR of 2.4% to 62.6 million metric tons in 2020. In anticipation of the market consolidation and increase in market demand, we have actively expanded our scale and gradually increased our market share in hog production. As of the Latest Practicable Date, we had 47 hog farms across six provinces, and in recent years have steadily increased our production scale. Our hog production capacity increased from 1.3 million head as of December 31, 2013 to 2.3 million head as of December 31, 2015, representing a CAGR of 30.7%. The number of hogs we produced increased from 0.9 million head in 2013 to 1.2 million head in 2015 and increased from 0.4 million head in the four months ended April 30, 2015 to 0.5 million head in the same period of 2016. To continue this growth, as of the Latest Practicable Date, we had five hog production projects that are expected to be completed in 2016, and these projects are expected to increase our annual hog production capacity to over 3.5 million head by year-end. Over the next five years, we intend to continue our hog production expansion, and our goal is to achieve an annual hog production capacity of 5.5 million head by the end of 2020, representing a CAGR of 19.3% between 2015 and 2020.

We are one of the pioneers in China's large-scale hog production, and we have devoted significant funds and research efforts to large-scale hog production since our establishment. We are

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constantly studying and applying industry best-practices from leading international hog production enterprises. Through years of accumulated experience, we have developed expertise in site selection and hog farm design and operation. Leveraging our experience and expertise, we have enhanced our labor productivity and our disease prevention and control capabilities, primarily through standardization and refinement of our production processes. Our average finishing weight per hog increased from 96.4kg in 2013 to 101.8kg in 2015 and 106.6kg in the four months ended April 30, 2016, which reduced our average slaughtering and processing costs per kilogram of pork and as a result increased our profit per hog. Our piglets weaned per sow per year (PSY) increased from 21.6 in 2013 to 22.6 in 2015 and 23.4 in the four months ended April 30, 2016, which demonstrates our improvement in hog reproductive performance. In addition, our relationship with COFCO and our proven expansion model have helped us to develop strong support from local governments in China. Our proven ability to expand production capacity and improve operational efficiency has helped us to replicate our successful production model to increase our market share and establish us as a benchmark enterprise in our industry.

We are pursuing innovative projects in environmental protection and sustainable development for hog production, and we believe that our core competence in environmental protection is an important competitive edge for our expansion and development.

In recent years the development of China’s hog production industry has been dominated by the introduction of new environmental protection laws and regulations. In 2014, China’s Administrative Measures on the Prevention and Cure of Pollution Caused by Breeding of Livestock and Poultry were implemented, and in 2015 the amended Environmental Protection Law of China came into force. As a result, small-scale and household farming enterprises have been and will continue to be required to upgrade their equipment for functions such as heating and pollutant discharge. Many small-scale and household farms have been unable to comply with these new environmental protection requirements and therefore have been forced to exit from the industry. These developments are also expected to make it more challenging and difficult for farmers who have withdrawn from the industry to return during favorable market conditions. These developments are expected to limit the growth of the number of live hogs nationwide, affect the ability of hog producers to expand and create barriers to entry.

In contrast with smaller producers, we have devoted significant resources to research and development in environmental protection and the development of sustainable hog production techniques and facilities. We have established a dedicated team focusing on developing an ecological hog production model. We have made the following technical achievements in this area:

- We have developed our bioslurry-to-field (沼液返田) system and biogas heating and electricity generation initiatives and have implemented them in our hog farms. As part of these initiatives, we process the manure generated from our hog farms in an environmentally friendly way to produce bioslurry, which can be used as an organic fertilizer, reducing the costs for chemical fertilizers and pesticides in surrounding

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farmlands and decreasing our costs for manure disposal. In 2013, we began operating our first biogas recycling project in Dongtai, Jiangsu Province. This project integrates power generation, heat supply and fertilizer preparation using manure from our hog farms as feedstock.

- We have developed a fully enclosed system for hog disposal. In this system, dead hogs are collected and delivered to designated locations where they undergo high temperature crushing and heating and biological fermentation. We use part of the waste residue generated through this process in biogas stations, and use the remainder for our bioslurry-to-field systems.

We have an experienced management team and receive strong support from our shareholder base.

Our senior management team has an average of approximately 20 years of industry experience in various aspects of our business, including livestock farming, meat processing and international trading. In addition, we benefit from the talents and experience of COFCO and its subsidiaries (“COFCO Group”). Many of our senior management members gained management expertise while serving in positions within COFCO Group, and they have achieved outstanding results in corporate management and project execution. In addition, some of our senior management members worked in multinational livestock farming enterprises, and the experience they brought to us has helped us develop into an industry leader in hog production.

We are the principal meat-business platform of COFCO and have inherited its social responsibility of “ensuring national food security, leading food safety in the industry.” COFCO is a large state-owned enterprise directly owned and managed by SASAC. In addition to meat business, in the past decade COFCO Group has developed integrated businesses including grain and oil products, foods, real estate, finance and e-commerce through organic growth and acquisitions in the relevant industries. COFCO Group has a presence in more than 140 countries and regions and has developed into an international food/grain company, covering a wide range of businesses including grain procurement, trading and processing. In particular, we benefit from COFCO Group’s substantial strengths in understanding global markets, which help us procure high quality raw materials at favorable prices. Womai.com, COFCO Group’s e-commerce platform, helps us expand our sales channels. On behalf of Chinese government, COFCO operates China’s national reserves of live hogs and frozen meat. In this role, COFCO can select partners who satisfy its requirements to supply live hogs and frozen meat for the national reserves. One of COFCO’s subsidiaries, COFCO Nutrition and Health Research Institute Co., Ltd., provides us with technical support to improve our operational efficiency.

Our other shareholders include Mitsubishi and its associates Itoham and Yonekyu, as well as leading financial investors KKR, Baring, Temasek and Boyu. Mitsubishi is a strategic partner of COFCO and is one of Japan’s leading enterprises in feed and livestock farming. Itoham and Yonekyu have extensive operating experience and advanced research and development technical capabilities in

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the pork processing sector. Our financial investors have strong track records in investing in and supporting companies in industries with high growth-potential. We and our shareholders share the same views on socially responsible investments and place great importance on food safety and comprehensive environmental protection. Our shareholders have continuously assisted us in improving our operating efficiency, including selecting and recommending industry experts with global experience. These experts have assisted us in optimizing our hog production techniques, improving our animal quarantine systems, enhancing automation, researching and developing Western-style processed meat products, and improving our quality control system. In addition, our shareholders have also assisted us in setting up our corporate governance in line with industry best practices, and we have made continuous improvement in our management systems, including strategy development, staff training and establishing performance-based incentive systems.

Our core brands have clear positioning and benefit from China’s rapidly growing market demand.

We use our two core brands, “Joycome (家佳康)” and “Maverick (萬威客),” to sell our fresh pork and processed meat products. We have established clear market-positioning for these brands, with a high standard for food safety as their core value. Under the “Joycome (家佳康)” brand, primarily through our small-pack fresh pork products and processed meat products, as well as sale of fresh pork through our own and franchised Joycome-designated stores, we have established our brand value using the tagline of “five checkpoints for product safety: environment checkpoint—reject heavy metals, feed checkpoint—reject growth hormones, hog farming checkpoint—reject hormones, inspection checkpoint—reject clenbuterol, and transportation checkpoint—reject contamination.” Our “Maverick (萬威客)” brand reflects 22 years of expertise in producing and selling processed meat products in China with the tagline “excellent meat product expert.” Our branded processed meat products are primarily premium low-temperature processed meat products. Low-temperature processed meat products represent one of China’s fastest-growing sectors of pork products. According to Frost & Sullivan, the consumption of low-temperature processed meat products in China increased at a CAGR of 6.3% between 2010 and 2015 and is expected to increase further at a CAGR of 9.8% from 2015 to 2020.

In terms of product positioning and target markets, both “Joycome (家佳康)” and “Maverick (萬威客)” are well positioned and have substantial growth potential within China’s rapidly growing market. These brands mainly target China’s middle-class urban families. China’s urbanization rate is expected to continue to grow, and the population of the urban middle class—our primary consumer base—is also expected to continue to grow. We have formulated a branding strategy and developed marketing channels in accordance with the characteristics of our target consumers. For example, in terms of product offerings, in response to changing family consumption patterns and demands, we have launched products such as bacon, smoked sausage and smoked ham for sale in first- and second-tier Chinese cities. In terms of product packaging, we have launched more small package products suitable for family cooking, which are well-received by consumers for their convenience, hygienic and protective packaging and assuring brand. According to Frost & Sullivan, sales of fresh pork products by modern retailers (including hypermarkets and supermarkets) are expected to grow at

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a CAGR of 14.0% from 8.64 million metric tons in 2015 to 16.65 million metric tons in 2020, which represents the highest forecasted growth among the major sales channels for fresh pork products. In addition, we plan to open more Joycome-designated stores to sell our products, which we believe, provides us with more control over display and promotion of our products and allows us to closely monitor consumer preference and behavior. To rapidly promote the growth of our processed meat business, we also plan to accelerate the development of our sales to chain catering business and baked goods producers that use processed meats in their products. In terms of product promotion, we consider factors such as leisure time and the spending patterns of middle class families. We have used cartoon characters and cute and interesting styles for our television advertisements to attract the attention of family consumers.

As the principal meat-business platform of COFCO and with strict quality control measures that we have implemented, we have gained a reputation among our corporate customers, including restaurants, canteens and food processors, for the safety and high quality of our products. Our reputation and position within COFCO Group also provide us with edges when pricing our products that we sell to these customers.

We are a leading Chinese meat importer and can better serve our customers through the variety of products we import.

In 2015, we ranked second in China’s meat import market in terms of combined import volume of pork, beef, poultry, mutton and lamb, according to Frost & Sullivan. Our international trading business cooperates closely with global meat suppliers. The suppliers of our imported frozen meat products are from a number of major meat-producing countries such as Brazil, Chile, Germany, Denmark, Australia and New Zealand. Because of the relatively large differences in meat prices in different regions of the world, we closely follow global market developments to provide cost-competitive products and value-added services for our major customers, supported by the negotiating power we enjoy given our large-scale and diversified purchases. We provide our customers with a large diversified selection of products, value-added services and cross-region supply support.

We sell our imported frozen meat products externally to third-party customers and our discontinued poultry business and internally to our processed meat products division. In addition to the competitive advantage growing out of the vertically integrated model in our pork business, the frozen meat products that we sell internally for our production of processed meat products enable us to better control our costs and our raw material quality to ensure food safety.

OUR STRATEGIES

Expand upstream production capacity to achieve greater scale with modernized facilities.

Our annual hog production capacity as of April 30, 2016 was 2.3 million head. As of the Latest Practicable Date, we had five new hog production projects in development, all of which are expected

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to be completed before the end of 2016; these projects will increase our annual hog production capacity to over 3.5 million head by year-end. We will continue to expand our integrated hog production capacity by establishing new hog farms and expanding the capacity of our existing hog farms. We target to increase our annual hog production capacity to approximately 4 million head by the end of 2017. Our goal is to increase our annual hog production capacity by an average of approximately 500,000 head every year from 2018 to 2020 and achieve an annual hog production capacity of 5.5 million head by the end of 2020. In our industry’s practice, it normally takes approximately 2 years to develop a new hog production facility to meet its designed annual production capacity. Based on our current plan for expanding our hog production capacity, our goal is to increase our annual hog production volume to approximately 2.3 million head in 2017. Our ability to achieve this level of production is subject to a substantial number of uncertainties, including that no outbreaks of diseases among or attributed to hogs or adverse publicity of these types of diseases occur, market conditions (in particular hog prices) remain favorable, our operational efficiency will continue to improve and government policies remain favorable. Through this expansion, we expect to add new revenue streams and further reduce the unit costs of our products through greater economies of scale and increasing standardization of management and production techniques. There is no guarantee that we will achieve our plans and targets for production capacity and production volume as scheduled, or at all. These plans and targets are subject to a number of factors out of our control, and our management may consider it advisable to adjust our business strategies or operational plans or targets in response to economic, political, regulatory, market or other commercially significant factors. For example, unfavorable movements in hog prices or hog production costs (such as feed costs) may make it commercially advisable for us to reduce production volumes to control costs or reduce losses. See also “Forward-Looking Statements” and “Risk Factors” for more information.

In establishing new hog farms and expanding our existing farms, we will leverage our experience and expertise in the construction and operation of large-scale hog farms that we have accumulated over the years to continuously improve hog farm design and install modern equipment to further reduce labor and other costs. We will also maintain and develop our central laboratories, regional laboratories and the veterinary teams to enhance our epidemic disease prevention and control.

Increase investment in technology, improve production efficiency and reduce production costs.

We have initiated operational improvements to increase the number of hogs we produce per sow per year, and improve the lean-to-fat ratio and the meat texture of our hogs. These include breeding and genetic improvements, nutritional assurance, production optimization and improvements in our disease prevention and control. In these initiatives, we receive support from industry experts from Denmark, the United States, Canada and Japan. We believe that these initiatives will help us to maintain our position as one of China’s leading enterprises in hog production.

We will continue our cooperation with leading domestic research institutions such as Huazhong Agricultural University, Nanjing Agricultural University and Harbin Veterinary Research Institute as

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well as with overseas institutions and companies, including Genesus. This cooperation will support us in developing high quality breeding hogs with superior genetics for breeding experiments and breeding herd improvement. We will also continue to engage leading foreign experts who can provide expertise and technological assistance in our operational improvements.

We and Merit Biotech established three joint ventures, CM/Merit, Merit/CM and Jiangsu Merit/Cofco-Joycome in December 2015, January 2016 and June 2016, respectively, and we plan to combine the advantages of Merit Biotech in immune system and feed nutrition with our advantages in hog farming scale and industrial chain processing.

We will also continuously improve our feed formulas through our cooperation with feed suppliers to continue to reduce our feed costs.

Expand our production capacities for feed production, hog production, slaughtering and processing to further enhance our vertically integrated business model.

During the Track Record Period, our feed mill in Wuhan, Hubei Province and two consigned feed mills of COFCO provided over 20% of the feed we used in our hog production. We are expanding our feed production capacity to increase the vertical integration of our pork business. As of the Latest Practicable Date, we had four new feed mills in development, three of which are expected to be completed by the end of 2016, and the remaining one by the end of 2017. Our annual production capacity for these new feed mills is expected to reach 720 thousand metric tons by the end of 2017. We believe higher internal supply of feed for our hog farming operations will enable us to maintain better control over food safety, quality and costs. By increasing our internal supply of feed, we believe that we can lower our production costs through eliminating price markups on feed production costs that third-party feed suppliers typically charge for the feed we purchase from them, we can react to changes in the feedstuff market in a more timely manner and use more cost-effective formulas to produce our feed, and we can potentially save transportation costs as our feed production facilities are generally closer to our hog farms compared to third-party feed suppliers. In addition, we typically build our feed production facilities in regions where we have relatively large hog production volumes, and we believe this will help our feed production facilities meet their designed production capacities and achieve economies of scale.

According to Frost & Sullivan, China’s pork industry is highly fragmented with approximately 47 million hog producers of various sizes and scale, with the top five hog producers having a combined market share of only 3.6% in 2015. We will continue to expand our operations across the entire pork industry value chain, including by establishing new production facilities and acquiring target companies that can generate value and achieve synergies. Our hog farms are widely distributed across China, covering the Inner Mongolia Autonomous Region, Tianjin Municipality, and Jilin, Hebei, Jiangsu and Hubei provinces. Our two slaughtering plants are located in Hubei Province and Jiangsu Province, and our two processed meat production plants are located in Hubei Province and Guangdong Province. We believe there are greater opportunities available in the upstream portion of China’s pork industry value chain, in particular hog production. Accordingly, in recent years we have

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made greater efforts to expand our hog production capacity and will continue to grow our hog production business to further enhance our vertically integrated business model, which enhance our ability to maintain quality control and ensure food safety. We plan to increase the proportion of our own breeding, farrowing, farming and processing. We also plan to establish additional slaughtering plants and processed meat production plants in areas near our hog farms, which will help us to integrate our business, increase income from downstream businesses, reduce costs, control product quality and improve the geographical coverage areas of our branded products. We plan to expand our slaughtering operations in China’s northern region through strategic acquisition or by constructing new slaughtering plants. In implementing this strategy, we have conducted relevant market research and site selection analysis (including investigating and assessing local land, customers, competitors and other market conditions), communicated with relevant local governmental authorities and had some preliminary contact with selected potential targets for acquisitions. As of the Latest Practicable Date, we had not engaged in any negotiations or entered into any letter of intent or any definitive and finalized understanding, commitment or agreement, legally binding or not, in connection with any acquisitions of this type. We plan to construct a new processed meat production plant in Dongtai, Jiangsu Province, which is expected to be completed in 2020. We believe expansion of our hog production, slaughtering and processing capacities will enable us to capitalize on the increasing consumer demand for safe, high-quality pork products, more effectively distribute our products to the market, optimize our logistics and other operational costs and gather more local market intelligence.

We expect to increase the utilization rates of our slaughtering plant in Jiangsu Province, which commenced operations in October 2012 and was ramping up its production during the Track Record Period, and our two processed meat production plants located in Hubei Province and Guangdong Province. We intend to achieve this by implementing our strategies to continue expanding our sales network and increasing the geographic coverage of our products, and further enhancing the brand-awareness of our two core brands “Joycome (家佳康)” and “Maverick (萬威客)” as described below. Through these strategies, we believe that we will be able to increase the sales volumes and production volumes of our fresh pork products and processed meat products; as a result, we expect to increase these utilization rates.

Continue to expand our sales network and increase the geographic coverage of our products.

We will continue to develop sales channels that we believe have relatively higher growth potential and better potential to meet consumer demands, such as supermarkets, hypermarkets and Joycome-designated stores. We expect to increase the volume of our fresh pork products to be sold through hypermarkets and supermarkets, which is consistent with the spending patterns of Chinese middle-class families and their increasing demand for fresh pork products. We will implement a flat management structure for our sales network that will enable us to quickly respond to local and regional market developments, reduce our distribution costs and allow us to interact closely with end-customers. We plan to attract a wider customer range, including more restaurants, canteens and food processors. We will continue to increase our production of strategically customized products for major customers such as restaurant chains. We will regularly monitor product sales in various channels and manage our product offerings according to our corporate strategy and customer feedback.

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We will continue to increase the number of our logistics partners, improve their service quality and expand the coverage area of our cold-chain logistics capacity. We also plan to increase our store penetration ratio and brand awareness in first- and second-tier cities in China’s northern, central, eastern and southern regions through effective brand promotion and advertising.

We will further develop the e-commerce channel, including through womai.com (我買網) and weidian.com (微店), to cater to the purchasing patterns of younger consumers and to expand the geographic coverage of our products.

Further enhance brand influence and awareness and increase market share by fully leveraging our strong advantage in food safety.

We will continue to develop our “Joycome (家佳康)” and “Maverick (萬威客)” brands and reinforce recognition of our food safety advantage through imaging and interaction with consumers. Our cooperation with the Chinese Olympic Sports Delegation has been highly successful. We will continue our cooperation with the Chinese Olympic Sports Delegation to highlight our food-safety advantage and enhance our brand awareness.

Our Joycome-branded small-pack fresh pork products have been well received by consumers. We believe this product category has strong growth potential among fresh pork products. We plan to use small-pack products to promote sales of various fresh pork products including tenderloins, rump meat and streaky pork to meet the demands of middle-class Chinese families for convenience and food safety.

We have established a research and development department for processed meat products to collect feedback from consumers and develop more formulas, flavors and packaging options for products according to the changing consumption patterns and consumer demands. In 2013, 2014 and 2015, we launched 61, 73 and 50 new processed meat products, respectively. In 2013, 2014 and 2015, the revenue from the sale of new processed meat products launched in the relevant year and the two years prior to that year accounted for 16.3%, 24.4% and 20.1%, respectively, of our total revenue from sales of processed meat products in that year. In 2015, in terms of sales revenue of low-temperature processed meat products, we ranked first in Guangzhou and Shenzhen in aggregate, second in Wuhan and third in each of Beijing and Shanghai, according to Frost & Sullivan. We will continue to strengthen our market-leading positions in our core low-temperature processed meat product markets. We also plan to develop and launch low-temperature Chinese-style processed meat products, leisure processed meat products, frozen main course meat products and fermented meat products.

Continue to recruit and train talent to ensure a strong talent pool and market competitiveness.

Recruitment and development of talent is one of the key factors for our success. We recruit fresh graduates from universities every year to replenish manpower and we cooperate with agricultural

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universities and institutions to jointly train our key professionals. Through these arrangements, we have a continuous supply of young talent with modern operating management knowledge and professional skills. We also actively hire experienced middle and senior management and technical experts suitable for our strategic development.

We have a comprehensive training strategy for the development of our talent. We provide continuing education and training programs to our employees to improve their skills and develop their potential. We have established key performance indicators for our employees, including work efficiency, teamwork spirit, professional knowledge and other key performance indicators, and we conduct periodic reviews to manage our talent pools.

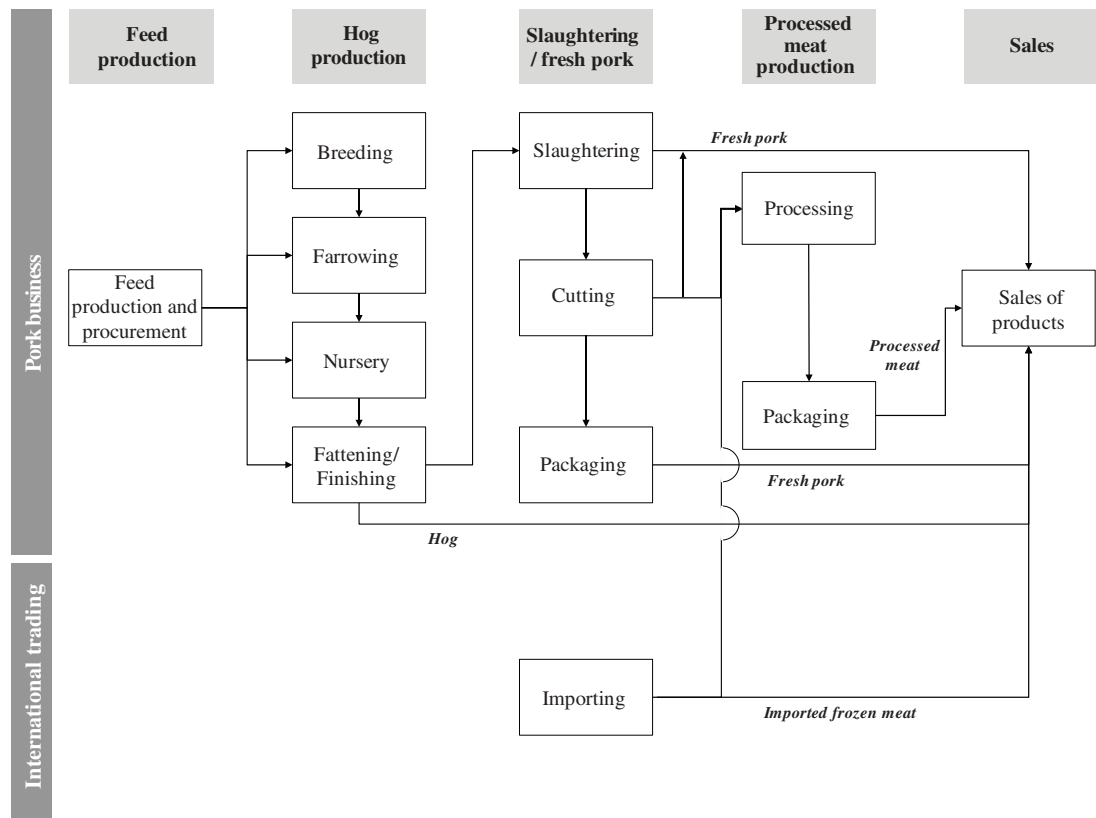
In determining incentives, we will follow our principles of “determining salary by position, determining remuneration according to performance, linking with market trends, and promoting capabilities and development” to continuously improve our remuneration system and incentive scheme to make our remuneration competitive in the market and to effectively incentivize our management.

We emphasize team learning and technology innovation, and will continue our “team learning” methods. Our training system is divided into different levels to cater to the needs and characteristics of our talent. We conduct various types of professional development and team learning events in our hog production, fresh pork, processed meat products and international trading divisions to enhance the leadership abilities of our management and the professional standards of our technical staff. This will drive our strategic transformation into an industry leader and promote the continuous rapid development of our business.

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OUR BUSINESS

We operate through two main business lines: (1) our pork business, in which we produce live hogs, fresh pork and processed meat products using our vertically integrated platform, and (2) our international trading business, in which we import and sell frozen meat and byproducts in China. The illustration below presents the principal stages of our two business lines.



Pork Business

Our vertically integrated business model for our pork business extends across the entire pork industry value chain including feed production, hog production, slaughtering and the production, distribution and sale of fresh pork and processed meat products. Our vertically integrated business model helps us to ensure food safety and the quality of our products and allows us to capture value across the entire pork industry value chain. Our pork business encompasses three divisions (which correspond to our segment reporting in the Accountants’ Report as set out in Appendix I to this document): hog production, fresh pork and processed meat products. We have two core brands: “Joycome (家佳康)” and “Maverick (萬威客).” We market our fresh pork and processed meat products under the “Joycome (家佳康)” brand, primarily in China’s central, eastern and northern regions, and market our processed meat products under the “Maverick (萬威客)” brand, primarily in China’s southern and eastern regions. The three divisions of our pork business are summarized below.

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- *Hog Production.* Our hog production division includes feed production and hog breeding and farming operations. According to Frost & Sullivan, in 2015 we ranked fourth in China’s hog production market by production volume of finishing hogs. We supply the majority of the hogs we produce to our fresh pork division, and sell the remaining hogs to external customers. For the years ended December 31, 2013, 2014 and 2015 and the four months ended April 30, 2016, total sales of our hog production division (both internal and external) were RMB1,284.9 million, RMB1,237.3 million, RMB1,749.6 million and RMB980.1 million, respectively.
- *Fresh Pork.* Our fresh pork division includes hog slaughtering operations and the distribution and sale of fresh pork products, primarily chilled pork products and, to a lesser extent, frozen pork products. According to Frost & Sullivan, in 2015 we were a top ten producer in China’s fresh pork market in terms of sales revenue. Our fresh pork division sources a majority of the hogs that it processes from our hog production operations, and it purchases the remaining hogs from external suppliers. In addition to external sales, our fresh pork division also provides fresh pork to our processed meat products division as a raw material. For the years ended December 31, 2013, 2014 and 2015 and the four months ended April 30, 2016, total sales of our fresh pork division (both internal and external) were RMB1,483.8 million, RMB1,506.5 million, RMB2,106.9 million and RMB788.7 million, respectively.
- *Processed Meat Products.* Our processed meat products division includes the production, distribution and sale of a wide range of processed meat products, primarily premium quality low-temperature processed meat products. According to Frost & Sullivan, in 2015 we were a top ten producer in China’s processed meat products market in terms of sales revenue. In addition, in 2015, in terms of sales revenue of low-temperature processed meat products, we ranked first in Guangzhou and Shenzhen in aggregate, second in Wuhan and third in each of Beijing and Shanghai. We source substantially all of the raw meat (primarily pork, as well as poultry and beef) we use in our production of processed meat products from our fresh pork division, our international trading business and the discontinued poultry business (the poultry business transferred to COFCO Poultry as part of the Reorganization). For the years ended December 31, 2013, 2014 and 2015 and the four months ended April 30, 2016, total sales of our processed meat products division were RMB271.7 million, RMB290.9 million, RMB329.8 million and RMB103.8 million, respectively.

Hog Production

According to Frost & Sullivan, in 2015 we ranked fourth in China’s hog production market by production volume of finishing hogs. In our hog production division, we produce hog feed, breed hogs and conduct farming operations. As of the Latest Practicable Date, we owned and operated 47 hog farms with a total annual production capacity of approximately 2.3 million head. In addition, as of the Latest Practicable Date, we had five new hog production projects in development, which are expected

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to increase our aggregate designed annual production capacity by over 1.2 million hogs. All of these projects are expected to be completed in 2016. For details of our ongoing new hog production projects, please see “—Production—Production Expansion Plans” below. The following table sets forth the number of our hog farms that were in operation as of the dates indicated.

	As of January 1, 2013	As of December 31,			As of April 30,	
		2013	2014	2015	2015	2016
Number of hogs farms in operation	22	26	33	47	33	47

We have expanded our hog production capacity and our hog production volume rapidly, with these metrics increasing at CAGRs of 30.7% and 11.8%, respectively, from 2013 to 2015. We are also committed to improving our operational efficiency, and have established teams dedicated to breeding, nutrition and the prevention of epidemics. These teams engage experts and closely monitor operating metrics and the implementation of operational improvements. Our operational efficiency increased steadily during the Track Record Period, with increases in our key operational metrics as shown in the table below. These operational efficiency improvements can significantly improve our margins, as they reduce our costs and increase our effective capacity. The table below sets forth certain operating metrics of our hog production division.

	As of/For the year ended December 31,						As of/For the four months ended April 30,		
				2014 vs. 2013	2015 vs. 2014				
	2013	2014	2015	% Change	% Change	CAGR ⁽¹⁾	2015	2016	% Change
Annual Production Capacity⁽²⁾ (thousand head)	1,340.0	1,590.0	2,290.0	18.7%	44.0%	30.7%	1,590.0	2,290.0	44.0%
Production Volume⁽³⁾ (thousand head)	935.8	1,000.5	1,168.9	6.9%	16.8%	11.8%	410.5	504.9	23.0%
Average Finishing Weight (kg per head)⁽⁴⁾	96.4	97.8	101.8	1.5%	4.1%	2.8%	102.6	106.6	3.9%
Piglets Weaned Per Sow Per Year (PSY)⁽⁵⁾	21.6	22.2	22.6	2.8%	1.8%	2.3%	21.5	23.4	8.8%

Notes:

- (1) CAGR is calculated for the period from 2013 to 2015 or from December 31, 2013 to December 31, 2015, as appropriate.
- (2) Annual production capacity for hog production has been calculated as the total designed annual hog production capacity of the given hog production facilities in operation at the end of the period.

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- (3) The production volume includes hogs we produce for both internal and external sales in the period. The annual production capacity and production volume of our hog production division increased during the Track Record Period as a result of our continuous business growth. The gap between our annual production capacity and production volume and the smaller increase in our rates of production volume as compared to increase in our annual production capacity resulted primarily from our rapid expansion of hog production capacity during the Track Record Period.
- (4) Over the Track Record Period, while the average finishing weight of our finishing hogs increased, the time to grow our finishing hogs shortened.
- (5) Means the total number of piglets weaned in a given period, expressed on a yearly basis, divided by the average number of sows in this period.

We use a majority of the finishing hogs that we produce in our fresh pork production. Our hog production facilities are located in Hubei Province, Jiangsu Province and the northern region of China (including Jilin Province, the Inner Mongolia Autonomous Region, Tianjin Municipality and Hebei Province) and our two slaughtering plants located in Hubei Province and Jiangsu Province. Because transporting live hogs over long distances is not cost-effective and we currently do not have slaughtering facilities near our hog farms in the northern region of China, we generally sell the hogs that we produce at these hog farms, primarily finishing hogs, to external customers. In addition, when we experience mismatches between the supply from our hog farms and the demand and capacity of our nearby slaughtering plants in Hubei Province and Jiangsu Province, we sell our excess hogs to external customers.

We expanded our hog production capacity during the Track Record Period, including by establishing new hog production facilities, primarily new hog farms. The hog farms we established during the Track Record Period were located primarily in China’s northern region, where we currently do not have slaughtering facilities. As a result, our internal hog sales as a percentage of total hog sales decreased during the Track Record Period. The effect of this development in the hog production segment caused our internal hog sales as a percentage of total sales to decline. We plan to establish additional slaughtering plants in areas near our hog farms, through which we expect to increase our internal hog sales. In addition, as our hog production efficiency increases and the hogs we produce exceed the designed capacity of some of our hog farms, we also sometimes sell our excess piglets to other hog producers. The table below sets forth the number of hogs that we produced for sale and a breakdown of our internal and external sales of these hogs for the periods indicated.

	Year Ended December 31,						For the four months ended			
							April 30,			
	2013		2014		2015		2015		2016	
	<i>(thousand head, except percentage)</i>									
Internal Hog										
Sales	639.6	68.3%	636.8	63.6%	641.4	54.9%	229.8	56.0%	248.6	49.2%
External Hog										
Sales ⁽¹⁾	<u>296.2</u>	<u>31.7%</u>	<u>363.7</u>	<u>36.4%</u>	<u>527.5</u>	<u>45.1%</u>	<u>180.7</u>	<u>44.0%</u>	<u>256.3</u>	<u>50.8%</u>
Total	<u>935.8</u>	<u>100.0%</u>	<u>1,000.5</u>	<u>100.0%</u>	<u>1,168.9</u>	<u>100.0%</u>	<u>410.5</u>	<u>100.0%</u>	<u>504.9</u>	<u>100.0%</u>

Note:

- (1) Our external sales consist of sales of finishing hogs, piglets, nursery hogs and breeding stock.

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During the Track Record Period, we sourced feed for our hog farming operations from our own feed production, consignment arrangements with two of COFCO Group’s feed mills and purchases from third parties, including other feed mills of COFCO Group. We are constructing new feed mills to increase the vertical integration of our pork business, as we believe this allows us to better control food safety, quality and costs. Since August 2015, we have bought feed ingredients and consigned them for processing at two of COFCO Group’s feed mills in Hubei Province on a tolling basis. For details regarding processing of feed by COFCO Group and purchase of feed from COFCO Group, please see “Connected Transactions—Continuing Connected Transactions—Non-Exempt Continuing Connected Transactions with COFCO Group—Mutual Supply of Products and Services with COFCO Group.” As of the Latest Practicable Date, we were constructing three new feed mills in Songyuan, Jilin Province; Chifeng, the Inner Mongolia Autonomous Region; and Zhangbei, Hebei Province. These new feed mills are expected to be completed by the end of 2016. We also plan to construct another new feed mill in Guangshui, Hubei Province, which is expected to be completed by the end of 2017. The annual production capacity of each new feed mill is expected to be 180 thousand metric tons, and we plan to use the feed produced by these mills for our hog farms in Songyuan, Chifeng, Guangshui and Zhangbei.

Until August 2015, we had produced feed at our feed mill in Wuhan, Hubei Province, which had an annual production capacity of 120 thousand metric tons. For zoning and biosecurity reasons that require minimum distances between feed mills and hog farms, our Wuhan feed mill suspended hog feed production and began producing other types of feed for COFCO Group on a tolling basis since August 2015. For more details, please see “Connected Transactions—Continuing Connected Transactions—Non-Exempt Continuing Connected Transactions with COFCO Group—Mutual Supply of Products and Services with COFCO Group—Mutual Provision of Feed Processing Services.”

During the Track Record Period, our Wuhan feed mill and the two consigned feed mills of COFCO Group provided over 20% of the feed we used in our hog production. We purchased the remaining feed from third-party suppliers, including COFCO Group.

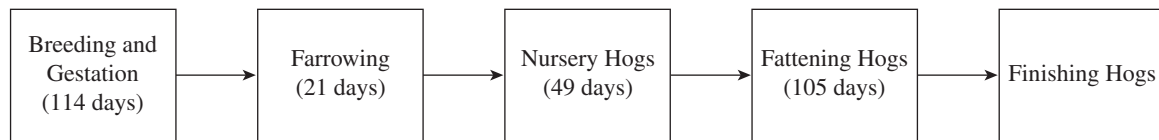
Feed Production Process

We have developed a range of feed formulations, and we use specific formulations for breeding hogs according to their growth stages based on age and weight. We are now using four feed formulations for breeding hogs, three feed formulations for nursery hogs and three feed formulations for fattening hogs. We inspect and sample test feed ingredients, primarily corn and soybean meals, upon delivery to our feed mill. We grind the feed ingredients and mix them based on different formulations. Once mixed, feed ingredients are processed in conditioners by combining water, heat and pressure and then further processed in pellets. After screening through rotary screeners, we store the feed at our warehouses for distribution to our hog farms. We require the two consigned feed mills of COFCO Group to follow the same production procedures and standards for the production of feed for us, and we send our quality control personnel to the feed mills to monitor the production process.

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Hog Production Process

The following chart illustrates our hog production process, which typically takes approximately 300 days from gestation to finishing.



- *Breeding and Gestation.* We import purebred breeding hogs and frozen semen from Canada and Denmark to produce purebred breeding hogs in our nucleus breeding hog farms, where we breed and raise our breeding stock. We use the “Duroc x Landrace x Yorkshire” crossbreeding technique, with “Landrace x Yorkshire” crossbred parent stock females mating with Duroc parent boars, giving birth to “Duroc x Landrace x Yorkshire” crossbred hogs. We select our parent stock from our breeding hog farms based on prescribed criteria such as health condition, effective nipple number and weight. Once selected, gilts are separated into individual pens in gestation stalls where they are artificially inseminated and stay for the gestation period. The gestation period for sows is typically around 114 days. As of December 31, 2013, 2014 and 2015 and April 30, 2016, we had approximately 56 thousand, 57 thousand, 80 thousand and 89 thousand breeding stock in our breeding operations, respectively.
- *Farrowing.* Typically three days prior to the end of the gestation period, we transfer pregnant sows to farrowing stalls to prepare for farrowing. The farrowing stalls are cleansed, disinfected and dried for farrowing. Typically around 21 days after farrowing, newborn piglets are weaned and transported to our nursery farms.
- *Nursing.* Nursery hogs stay at the nursery farms for approximately 49 days, where they grow to approximately 25 kg.
- *Fattening.* At the completion of their stay at nursery farms, the nursery hogs are transported to finishing farms. Our hogs typically stay at finishing farms for approximately 105 days, where they grow to approximately 100 kg, when they are classified as finishing hogs.

Hog Production Controls

In addition to measures applicable to our overall production as described in the section headed “—Quality Control and Food Safety” below, we have developed and follow strict quality-control policies and procedures for our hog production. These primarily include:

- *Location and Construction of Hog Farms.* We raise our hogs in farms that were designed and constructed according to prescribed standards on temperature, humidity and ventilation

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conditions for hogs at different growth stages. Our hog farms have been designed to meet all applicable zoning and other government regulations, including adherence to required construction standards and the maintenance of appropriate separation distances between hog farms and slaughtering plants, other hog farms, factories, residences, schools, rivers and wells. In addition, we maintain a minimum of one kilometer of separation distance between sow farms and nursery or finishing farms, a minimum of three kilometers of separation distance between hog transfer stations and nursery or finishing farms, and around two kilometers separation distance between hog transfer stations and vehicle washing and disinfecting stations, for disease prevention and epidemic control purposes.

- *Disease Prevention and Epidemic Control.* We have adopted procedures to prevent diseases among our hogs and to help us control outbreaks of disease. These procedures include measures to prevent contaminants from entering our farms. We have developed and strictly implemented containment periods and disinfection procedures we use before a person enters a facility. Equipment and supplies delivered to our hog farms must be disinfected before entering. Vehicles must be washed, disinfected and dried before loading hogs, and our hog dispatch docks must be disinfected within two hours of dispatching hogs. In addition to the veterinarians stationed at our hog farms, our regional veterinary teams conduct regular on-site circuit inspections of our hog farms and strictly follow our quarantine requirements. We systematically use high quality vaccines to protect our hogs against both endemic swine diseases and in response to specific disease outbreaks. We swiftly isolate diseased hogs and vaccinate or dispose of the affected animals, depending on the nature of the disease. When we identify any indication of a potential outbreak of an epidemic, the relevant hog farm is immediately quarantined and the hogs are vaccinated against the specific swine disease, if a vaccine is available.
- *Veterinary Drug Controls.* Our purchase, storage and use of veterinary drugs for treatment of our hogs is in strict compliance with the Regulations on Administration of Veterinary Drugs (《獸藥管理條例》), List of Drugs Forbidden to be Used in Feeds or Drinking Water of Animals (《關於禁止在飼料和動物飲用水中使用的藥物品種目錄》) and other relevant laws and regulations as well as our internal policies and procedures. We carefully control our use of veterinary drugs in hog production. We follow a multi-faceted program to prevent the use of prohibited drugs and the occurrence of drug residues in our products. We have developed and continuously update a list of permissible veterinary drugs in hog production and their respective withdrawal periods (the period after administration of a drug necessary to assure that drug residues in the pork produced from a hog are below maximum residue limits), taking into account relevant laws and regulations and industry best practices. Our production personnel strictly implement the rules on drug’s withdrawal period, record the use of veterinary drugs in our hog production on a daily basis and discontinue their use according to the relevant drug’s withdrawal period. For example, we

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prohibit the use of Doramectin (a veterinary drug for the treatment of parasites) 56 days prior to finishing a hog. Our quality control personnel follow a continuous inspection regime to ensure the proper implementation of our veterinary drug residue control measures at each of our hog farms.

- *Environmentally Friendly Disposal of Diseased Hogs.* We dispose of any diseased hogs culled from our farms in an environmentally friendly manner. For more details, please see “—Environmental Matters and Animal Welfare.”
- *Pre-sale Inspection.* Prior to selling, we inspect each hog for disease symptoms and trauma injuries, check the farming log (daily hog farming record) and veterinary drug use record of each batch of hogs to make sure all drug withdrawal periods have lapsed, and conduct sample testing for prohibited chemicals such as clenbuterol hydrochloride, ractopamine and antibiotics.

Sale of Hogs

We sell finishing hogs externally either to third-party slaughtering plants near our hog farms or to hog dealers. To much smaller extent, we also sell piglets, nursery hogs and breeding stock.

For external finishing hog sales, we enter into framework sales agreements with slaughtering plants and hog dealers, typically including the following key provisions:

- **Duration:** Typically one year. For each purchase under the framework sales agreement, both parties confirm in writing the number of hogs sold and price one day before delivery.
- **Minimum Purchase Amount:** None.
- **Pricing Policy:** Agreed by both parties based on market conditions.
- **Payment Terms:** Payment in advance or upon delivery of the hogs.
- **Transfer of Risk:** Risks are generally transferred from us to the purchaser upon delivery at our hog farms.
- **Termination:** Notice in advance.

Our sales agreements with certain large third-party slaughtering plants differ in some respects from our standard sales agreements. For example, we have granted credit periods of a few business days to one third-party slaughtering plant.

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We generally sell our hogs to small-scale third-party hog farms and local hog dealers in spot sales on a live-weight basis. We confirm these sales in the relevant sales confirmations, which set forth the number of hogs sold, total weight and price. The purchasers inspect the hogs and make payment to us before delivery of the hogs at our hog farms. Following delivery, the purchasers are not allowed to return the hogs.

Fresh Pork

Our fresh pork division includes our hog slaughtering operations and our production, distribution and sale of fresh pork products. According to Frost & Sullivan, in 2015 we were a top ten producer in China’s fresh pork market in terms of sales revenue. As of the Latest Practicable Date, we had two slaughtering facilities, one with an annual processing capacity of 1,500 thousand hogs in Dongtai, Jiangsu Province and the other with an annual processing capacity of 500 thousand hogs in Wuhan, Hubei Province. In addition to our own slaughtering plants, we also engage external slaughtering plants to provide slaughtering services for the hogs produced in our hog farms in the northern region of China, where we currently do not have slaughtering facilities. In the years ended December 31, 2013, 2014 and 2015 and the four months ended April 30, 2015 and 2016, we processed (including through slaughtering services provided by third-party slaughtering plants) approximately 1,033 thousand, 1,122 thousand, 1,265 thousand, 383 thousand and 385 thousand hogs, respectively, and sold (externally and internally) 94.5 thousand, 102.9 thousand, 127.8 thousand, 36.6 thousand and 40.9 thousand metric tons of fresh pork products, respectively. Our fresh pork division sources a majority of the hogs that it processes from our hog production operations, and it purchases the remaining hogs from external suppliers. For details regarding hogs provided by our hog production division, please see “—Our Business—Pork Business—Hog Production.”

Our fresh pork products consist of primarily chilled pork and, to a lesser extent, frozen pork. In our production of chilled pork, after it is cut and packed, meat is immediately chilled to a temperature of between 0°C and 4°C. Our chilled pork products are maintained within this temperature range during storage and transportation. Our temperature control regime helps to preserve the freshness, quality and safety of the meat. Chilled pork typically needs to be consumed within six days from the time of slaughter. In our production of frozen pork, we freeze the meat at -28°C for 24 to 48 hours, after which it is stored or transported at -18°C. Frozen pork can be kept for about 24 months from the time of slaughter.

We sell our fresh pork products externally as half-carcass, pork cuts, small-pack fresh pork products and byproducts. We produce various pork cuts mainly including shoulder, loin, foreleg, hindleg, ribs and side-pork. We sell chilled half-carcass and various chilled and frozen pork cuts to our customers. We also produce special cuts from particular parts of a hog in response to customer requests. Our small-pack fresh pork products are sold under the “Joycome (家佳康)” brand. In addition to our external sales, we also supply fresh pork that we produce to our processed meat production as a raw material.

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Photos of some of our fresh pork products

Products	Pictures of Products
Half-carcass	
Pork Cuts	  

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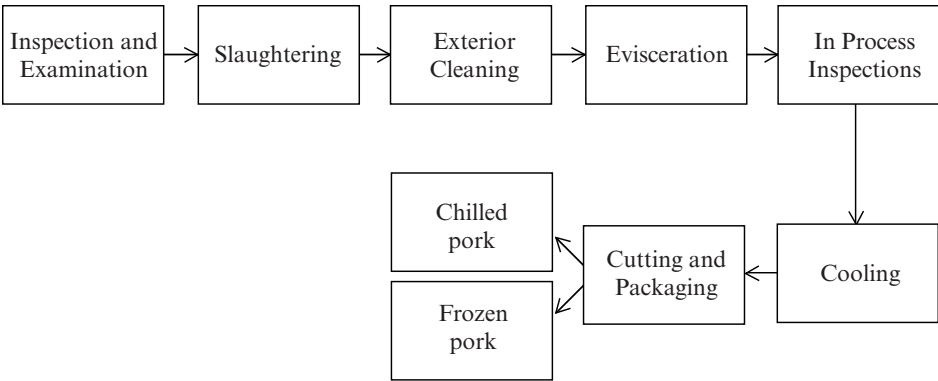
Products	Pictures of Products

Small-pack Fresh Pork



Fresh Pork Production Process

The following chart illustrates our fresh pork production process. The processing of fresh pork products typically takes one to two days before the products are distributed for sale.



- *Inspection and Examination.* Before we admit hogs to our slaughtering facilities, our staff and officials of the local animal health inspection authorities (who are stationed at our slaughtering facilities) check the Animal Health Inspection Qualification Certificate for the live hogs issued by the local animal health inspection authorities. Upon delivery of each batch of live hogs, our quality inspection staff and government officials inspect each hog for disease symptoms and the presence of defects such as lameness. After acceptance, hogs are held for a 12-to-24-hour pre-slaughter rest for observation. We closely monitor the condition of hogs during the pre-slaughter rest period to ensure that they are in good

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condition for slaughtering. During this period, our quality control personnel and government officials conduct sample urine tests on each batch of hogs to ensure that the hogs do not contain prohibited chemicals such as clenbuterol hydrochloride or ractopamine. We strictly control the sourcing of our external hog purchases. For details, please see “—Quality Control and Food Safety—Quality Control over Raw Materials” and “—Raw Materials and Suppliers—Suppliers.”

- *Slaughtering.* We use advanced equipment to immobilize and slaughter the hogs to enhance quality and safety and to minimize the human labor required.
- *Exterior Cleaning.* Slaughtered hogs go through a thorough exterior cleaning process. They are then scalded by steam to loosen hair to prevent cross-contamination and then dehaired by singeing with a gas flame. Our quality control personnel and government officials inspect the masseter muscles and lymph nodes of slaughtered hogs for parasites and inflammation.
- *Evisceration and In-Process Inspection.* After exterior cleaning, internal organs of the slaughtered hogs are removed. Our quality control personnel and government inspection officials test the organs to ensure the hogs do not contain prohibited chemicals or antibiotics. Subsequently, we use automatic carcass splitting machines to produce half-carcass. Our quality control personnel and government inspection officials use lean-meters to measure the total backfat depth and grade the lean quality of the half-carcass.
- *Cooling.* Half-carcasses are placed in cooling rooms at a temperature of -25°C for three hours and then at temperatures between -1°C and 4°C for 16 hours. Among others, this cooling procedure helps to lower the acidity of the carcasses, as higher levels of acidity affect the freshness and texture of the pork.
- *Cutting and Packaging.* After cooling, we cut the half-carcasses into different cuts of pork in cutting rooms. After metal detection by X-ray machines, chilled pork products are chilled at a temperature of between 0°C and 4°C and frozen pork products are frozen at -28°C for 24 to 48 hours and then stored at -18°C. We use a modified atmosphere packing technique in packaging our small-pack fresh pork products to maintain freshness and meat color. Our small-pack fresh pork products are better protected from contamination and can be cooked straight from the package without further cutting or cleaning.

Our fresh pork products are then delivered to our customers and our processed meat production facilities.

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Fresh Pork Production Controls

In addition to the measures described below, which are applicable to our overall production as described in “—Quality Control and Food Safety” below, we have adopted the following quality control measures for our fresh pork production:

- *Quality Management System.* Both of our slaughtering facilities in Dongtai, Jiangsu Province and Wuhan, Hubei Province have adopted ISO9001 quality management systems for quality control and production management. Please see “—Quality Control and Food Safety—Quality Standards and Certifications” for details about ISO9001. In addition, our slaughtering facility in Wuhan has obtained Green Food Certification from China Green Food Development Center and passed its annual inspections. Green Food Certification demonstrates that the holder’s production process, product quality and the storage and transportation of products satisfy the “green food” requirements of the Ministry of Agriculture of China.
- *Batch Processing.* We use batch processing to strictly separate the hogs from different hog farms in the slaughtering process.

Sales and Distribution of Fresh Pork Products

Substantially all of the fresh pork products we produce at our slaughtering plants located in Dongtai, Jiangsu Province and Wuhan, Hubei Province are chilled pork products. In the northern region of China, in our fresh pork division we sell primarily chilled pork products, and we use third-party slaughtering plants to provide us with slaughtering services, as we do not have a slaughtering plant in the region. Due to the perishable nature of chilled pork, we currently focus our sales of fresh pork products in China’s central region in Hubei Province, in particular Wuhan, and in China’s eastern region, in particular in the Yangtze River Delta region. In addition, we sell Joycome-branded small-pack fresh pork products mainly in China’s central and eastern regions. To further expand our capacity, we plan to upgrade our slaughtering production facilities, increase the utilization rates of our existing facilities and build additional slaughtering plants in areas around our hog farms. We also plan to expand our sales network of fresh pork products to deepen our market penetration and enlarge our geographic coverage, which we believe will better integrate our business, increase downstream income, reduce costs and ensure product quality and safety.

Our chilled pork products are primarily half-carasses, pork cuts and branded small-pack fresh pork products. We sell our chilled half-carasses and pork cuts primarily to wholesalers, distributors, hypermarkets, supermarkets, restaurants and canteens and at Joycome-designated stores. We sell our branded small-pack chilled fresh pork products primarily to hypermarkets and supermarkets, at Joycome-designated stores and through the e-commerce channel. We sell our frozen pork, mainly pork cuts, primarily to food processors, as well as wholesalers, restaurants and canteens.

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Distributors

To promote our sales of fresh pork products, deepen our market penetration and expand our geographic coverage, we use distributors for the sale of fresh pork products by leveraging their local market knowledge and resources. These distributors typically resell our products to hypermarkets, supermarkets, wet markets, restaurants or canteens. Based on our industry knowledge, we believe that our use of distributors for our fresh pork products is generally in line with the industry practice.

The following table sets forth our revenues from sales of fresh pork products to distributors and other customers, as well as their respective contributions to our fresh pork sales revenue for the periods indicated.

	Year Ended December 31,						Four Months Ended	
							April 30,	
	2013		2014		2015		2016	
	(RMB million, except percentages)							
Sales to distributors	298.3	20.9%	318.1	22.1%	623.6	30.8%	367.2	46.8%
Sales to wholesalers	734.7	51.5%	686.0	47.6%	851.6	42.0%	225.3	28.7%
Sales to hypermarkets								
and supermarkets	164.2	11.5%	170.8	11.8%	199.2	9.8%	74.3	9.5%
Sales to food processors,								
restaurants and								
canteens	140.1	9.8%	151.1	10.4%	204.7	10.1%	67.3	8.6%
Other sales	88.6	6.3%	117.5	8.1%	148.3	7.3%	49.8	6.4%
Total revenue from sales								
of fresh pork products .	1,425.9	100.0%	1,442.5	100.0%	2,027.4	100.0%	783.9	100.0%

We select our fresh pork distributors based on their business qualifications and marketing capabilities, such as breadth and quality of sales network, knowledge of local market, reputation, financial stability, and logistics and transportation capabilities. We generally use standard distribution agreements for our distributors; this helps us to efficiently manage our distributors and ensure an orderly market for our products. Our division-based sales representatives closely monitor the performance of our fresh pork distributors and regularly communicate with them to keep track of their sales performance, customers and demand, local market competition, customer preference trends, and their compliance with the distribution agreements and our policies. We manage and monitor our direct sales customers and distributors’ customers, in particular those in the same sales channels, including hypermarkets and supermarkets, restaurants and canteens, and generally do not allow our distributors to sell products to our direct sales customers. Our sales personnel conduct regular on-site visits to our fresh pork distributors and various points-of-sale to check their sales, storage conditions, logistics facilities and quality control and to ensure that our products are distributed within the agreed geographical regions and in compliance with our marketing and sales policies. Our fresh pork products primarily consist of chilled pork. Due to the perishable nature of our fresh pork products, it is not

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cost-effective for the distributors to transport these products to other geographic markets. Furthermore, as fresh pork is a commodity product, our sales to the distributors and the distributors’ resales largely depend on prevailing market prices. Our distributors normally place orders and we deliver the products to their designated delivery points (including some points-of-sale) on a daily basis. Given these conditions, we believe that the measures we have taken to monitor and manage our distributors, combined with our “payment-before-delivery” and “no return unless defective” policies, help mitigate the risks of inventory accumulation in our distribution channels and cannibalization among the distributors. We are not aware of any substantial competition among our distribution channels of fresh pork products or material stock accumulation or cannibalization by our distributors during the Track Record Period. We continuously monitor and assess our distributors’ performance, and their compliance with the distribution agreements and our policies and decide whether to renew a distribution agreement upon its expiration based on the relevant distributor’s performance. If we identify any non-compliance issues, we inform the relevant distributor and request the distributor to cease its non-compliant activities. Our distributors are liable for breaches of the distribution agreements, and we are entitled to require them to indemnify us for the losses caused by relevant breaches pursuant to the agreements and relevant Chinese Law.

We have a seller-buyer relationship with our distributors. We retain no ownership over the products that we sell to the distributors, and all significant risks and rewards associated with these products are transferred to them upon delivery. Our distributors sell our products to various points of sale. To the best knowledge of our Directors, all of our distributors were Independent Third Parties and none of our distributors was wholly-owned or majority-controlled by our current or ex-employees during the Track Record Period. To the best knowledge of our Directors, our distributors are primarily engaged in the business of distributing meat and food products in China.

The following table sets forth the changes in the number of our distributors for fresh pork products during the Track Record Period.

	As of December 31,			As of April 30,
	2013	2014	2015	2016
Distributors for fresh pork products				
As of the beginning of the period	38	36	44	175
Addition of new distributors	12	18	145	104
Termination of distributors	14	10	14	51
Net increase/(decrease) in distributors . . .	(2)	8	131	53
As of the end of the period	36	44	175	228

During the Track Record Period, the additions of new distributors for our fresh pork products primarily reflected (i) the production volume ramp-up of our slaughtering facility in Dongtai, Jiangsu Province, and (ii) our expanding sales and market share. The terminations of our existing distributors for our fresh pork products primarily reflected (i) subpar performance of certain distributors, and (ii) consolidation among our distributors.

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The key terms of our standard distribution agreements for distributors of our fresh pork products include:

- Duration: Typically one year.
- Designated Distribution Area: The distributors are typically prohibited from reselling our products outside its designated distribution area. For some of our distributors in China’s eastern region, there is no restriction on distribution area.
- Sales Targets and Incentive Scheme: The distributor is incentivized to achieve progressive sales targets. The incentive scheme is typically in the form of discounts.
- Minimum Purchase Amount: None.
- Pricing Policy: We and the distributors agree on the prices at which we sell products to them based on market conditions.
- Retail Price of Fresh Pork Products: In light of the commodity nature of fresh pork, we do not provide recommended retail prices to the distributors.
- Payment Terms: Payment before delivery.
- Exclusivity: Distributors of our fresh pork products typically may not sell any products competing with our products. However, we do not impose this requirement for some of our distributors in China’s eastern region.
- Product Return: The distributor is not allowed to return our products unless defective.
- Termination: We may terminate the distribution agreement if the distributor breaches certain material provisions such as designated distribution area.

In order to quickly expand in the Yangtze River Delta region’s markets, increase our market share and promote our “Joycome (家佳康)” brand in eastern China, we selected a limited number of distributors in eastern China as our expansion partners, and we had seven of these expansion partners as of the Latest Practicable Date. We sell fresh pork products to our expansion partners, who in turn sell our fresh pork products to their customers. We also allow our expansion partners to develop Joycome-designated stores (including stores that they establish and operate or that they cooperate with or procure others to establish and operate), in addition to distributing our fresh pork products. We allow our fresh pork expansion partners to use our “Joycome (家佳康)” brand in the stores that they develop on the condition that they meet our requirements for operating Joycome-designated stores. We have entered into annual special sales agreements with our expansion partners. Under these agreements, the expansion partners are not allowed to resell our products outside the designated

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distribution areas and they may not sell other competing products. As a return for authorized use of our “Joycome (家佳康)” brand, we require our expansion partners to place a security deposit, of RMB200,000 with us and pay annual royalty fees of RMB3,000 to RMB5,000 per store (depending on location of the store). Our “payment-before-delivery” and “no return unless defective” policies apply to these expansion partners. We may offer discounts to them depending on their purchase amounts. We also offer bonuses to them for additional stores that they develop. We may terminate a special sales agreement if the expansion partner breaches certain material provisions including the provisions on designated distribution areas.

Joycome-Designated Stores

As of April 30, 2016, our fresh pork products were sold at over 200 Joycome-designated stores located in 15 cities. We also sell our processed meat products in a number of Joycome-designated stores. Most Joycome-designated stores are stores that we establish and directly operate, while the remainder are franchised stores and stores developed by our expansion partners. Joycome-designated stores are typically located within hypermarkets, supermarkets and commercial complexes. For franchised stores, we enter into annual franchise agreements with the franchisees, and we sell our products to them for retail at their franchised stores. Under these agreements, the franchisees operate the stores under the “Joycome (家佳康)” brand, place a security deposit with us, and pay us an annual royalty fee. We have a seller-buyer relationship with our franchisees, and risks associated with the products that we sell to the franchisees are transferred to the franchisees upon delivery of products. We set uniform decoration standards for all Joycome-designated stores. We provide operational guidance and training to all franchised Joycome-designated stores and conduct periodic on-site inspections on them.

The key terms of our standard franchise agreement for Joycome-designated stores include:

- Duration: Typically one year.
- Designated Sales Area: The franchisee is prohibited from selling our products outside the designated sales area.
- Minimum Purchase Amount: None.
- Pricing Policy: We agree with the franchisee on prices for the products that we sell to the franchisee based on market conditions.
- Retail Price: We provide the franchisee suggested price guidelines for our small-pack fresh pork products and recommended retail prices for our processed meat products.
- Payment Terms: Payment before delivery.

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- Exclusivity: The franchisee agrees to only sell our products in the franchised store.
- Product Return: The franchisee is generally not allowed to return our products unless the products are defective.
- Termination: We may terminate the franchise agreement upon a material breach of the agreement by the franchisee.

We plan to open more Joycome-designated stores to sell our products, which we believe, can give us more control over how our products are displayed and promoted and allow us to maintain a better sense of the consumer market.

Wholesalers

Given the perishable nature of chilled pork, we sell our fresh pork products to a number of wholesalers to deepen our penetration into traditional sales channels, such as wet markets. We believe there is no substantial competition between our wholesalers and distributors to resell our fresh pork products to wet markets. We do not monitor or restrict the operations or resales (such as resale prices or sales areas) of our wholesalers. We enter into sales agreements with our wholesalers. Under these agreements, we sell fresh pork products to the wholesalers generally at prevailing market prices and the wholesalers typically make full payment to us before delivery of the products. We generally do not accept return of products from the wholesalers. We provide discounts to some wholesalers for relatively large purchases.

Hypermarkets and Supermarkets

Our sales agreements with our hypermarket and supermarket customers are based on forms provided by those customers. We generally enter into annual sales agreements with these customers, under which we typically grant them credit terms of seven to 75 days from the date of product delivery. Our hypermarket and supermarket customers are allowed to return defective products, and hypermarkets and supermarkets that sell our processed meat products are also generally allowed to return unsalable products or products whose warranty period is about to expire. We do not impose minimum purchase requirements on them. We pay hypermarkets and supermarkets fees for promoting our products, and we pay these fees in respect of expenses they incur in promoting our products such as product displays, advertisement printing, promotional campaigns and the engagement of temporary salespeople. We also offer hypermarkets and supermarkets discounts for relatively large purchases and, if they meet certain sales targets, we provide rebates to them. These rebates are negotiated and determined by reference to various criteria such as past performance and market conditions. Our revenue is reported net of the discounts, and we recognize the rebates in our selling and distribution expenses. Our sales agreements with hypermarkets and supermarkets may be terminated by either party after giving the other party advance written notice for a period stipulated in the sales agreements, or be immediately terminated by a party under specified circumstances such as a serious breach of contract terms by the other party.

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E-commerce Channel

We sell our products, including fresh pork and processed meat products, under the “Joycome (家佳康)” and “Marverick (萬威客)” brands to major e-commerce operators such as womai.com (我買網) and yhd.com (一號店). In addition, we have launched regional flagship stores on WeChat to directly sell our products to mobile device users. These e-commerce operators typically settle payments with us on a monthly basis. We may provide discounts or rebates to the e-commerce operators. We intend to promote more of our products online to cater to the changing consumption patterns of China’s consumers.

Processed Meat Products

Our processed meat products division includes our production, distribution and sale of a wide range of processed meat products. According to Frost & Sullivan, in 2015 we were a top ten producer in China’s processed meat market in terms of sales revenue, and in terms of sales revenue of low-temperature processed meat products, we ranked first in Guangzhou and Shenzhen in aggregate, second in Wuhan and third in each of Beijing and Shanghai. According to Frost & Sullivan, the consumption of low-temperature processed meat products in China increased at a CAGR of 6.3% between 2010 and 2015 and is expected to increase further at a CAGR of 9.8% from 2015 to 2020. The processed meat products marketed under the “Joycome (家佳康)” and “Maverick (萬威客)” brands are well positioned and have substantial growth potential within the growing market. We intend to continue to strength our leading positions in our core low-temperature processed meat product markets, expand our geographic coverage and develop and launch new processed meat products to meet consumer demand.

As of the Latest Practicable Date, we had two facilities for the production of processed meat products, one in Wuhan, Hubei Province and the other in Heshan, Guangdong Province, with an aggregate production capacity of approximately 17,000 metric tons per annum. We plan to construct a new processed meat production plant in Dongtai, Jiangsu Province, which is expected to be completed in 2020. The annual production capacity of this plant is expected to be 10 thousand metric tons. Substantially all of the meat (primarily pork, as well as poultry and beef) we use in our processed meat production is supplied by our fresh pork division, our international trading business and the discontinued poultry business. In the years ended December 31, 2013, 2014 and 2015 and the four months ended April 30, 2015 and 2016, we sold (both externally and internally) approximately 7,548 metric tons, 8,358 metric tons, 9,548 metric tons, 2,942 metric tons and 2,962 metric tons of processed meat products, respectively.

Over 95% of the processed meat products we sold during the Track Record Period were low-temperature processed meat products, all of which (other than bacon) are ready-to-eat. These products require refrigerated storage, and can be kept at temperatures of between 0°C and 4°C for about 45 to 60 days before consumption. Our premium quality low-temperature processed meat products primarily include sausage, bacon, ham and Chinese-style processed meat products. In January 2015, to meet consumer demand, we also began producing high-temperature processed meat products that can be stored at room temperature. These products mainly include Chinese-style meat products and leisure foods such as pork sticks.

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We develop new processed meat products to respond to evolving consumer preferences. Some of our new products are customized products developed for foreign quick service restaurant chains. In 2013, 2014 and 2015, we launched 61, 73 and 50 new processed meat products, respectively. The table below sets forth the respective revenue contributions in 2013, 2014 and 2015 of new processed meat products launched in the relevant year and the two years prior to that year.

	Year Ended December 31,		
	2013	2014	2015
	(RMB million, except percentage)		
Revenue from sales of new processed meat products . . .	44.2	70.7	66.1
Revenue from sales of processed meat products	<u>270.8</u>	<u>290.4</u>	<u>329.8</u>
Revenue contribution of new processed meat products .	<u>16.3%</u>	<u>24.4%</u>	<u>20.1%</u>

The table below sets forth information about our principal processed meat products. The retail market price ranges of our processed meat products were generally stable in the Track Record Period.

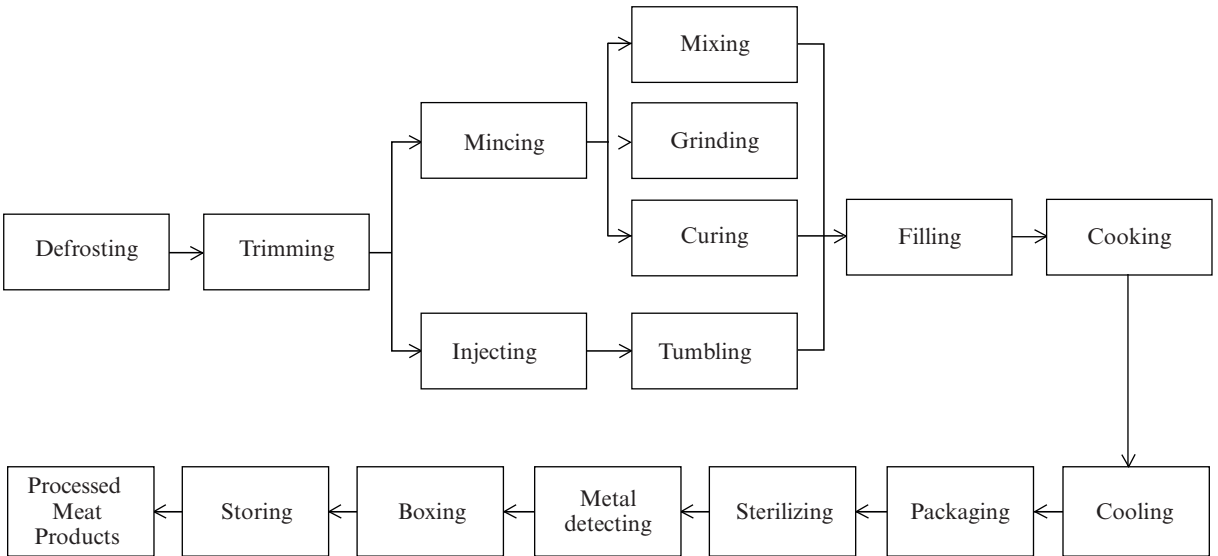
Pictures of Products	Product Series	Description	Retail Market
			Price Range as of Latest Practicable Date (RMB/kg)
		Premium bacon	86 to 138
		Sliced ham	112 to 176
		Hot dog	45 to 75
		Ham	66 to 89
		Sausage	40 to 146
		Chinese-style marinated products	94 to 99

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Pictures of Products	Product Series	Description	Retail Market
			Price Range as of Latest Practicable Date (RMB/kg)
		Premium bacon	84 to 133
		Sliced ham	53 to 112
		Hot dog	54 to 70
		Ham	57 to 92
		Premium sausage	59 to 144
		Chinese-style marinated products	86 to 148

Processed Meat Production Process

The following chart illustrates the production process for our principal processed meat products.



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The production process for our key processed meat products begins with defrosting frozen raw meat. The defrosted raw meat is then trimmed and minced using mechanical mincers and mixed with other ancillary ingredients such as spices. Depending on the different processing procedures involved for the specific product, the mixture of raw meat and other ingredients are chopped, kneaded or cured. We then stuff the resulting mixed meat paste into molds to mold the paste into the proper finished shape. Processed meat products are processed at processing temperatures of approximately 72°C to 90°C. After temperature processing, the processed meat products are cooled and packaged. Then low-temperature processed meat products are sterilized at core temperatures up to 95°C for 8 to 20 minutes and high-temperature processed meat products are sterilized at core temperatures up to 121°C for 30 to 60 minutes. Use of relatively low sterilizing temperatures for low-temperature processed meat products allows for high levels of nutrient retention and better taste. The relatively higher sterilizing temperatures for high-temperature processed meat products eliminate more microorganisms, resulting in longer shelf-lives and permitting room temperature storage. In the final step, our processed meat products are boxed and delivered to warehouses for distribution and sale. The key equipment in our processed meat product processing operations includes cutting machines, mincers, choppers, injection molding machines, smoking machines, automatic packaging machines and coolers. Most of the key equipment was imported from manufacturers in Germany, the United States and Japan.

Processed Meat Production Controls

In addition to measures applicable to our overall production as described in the section headed “—Quality Control and Food Safety” below, we have adopted the following quality control measures for our production of processed meat products:

- *Standardized Operating Procedures.* We have developed and maintain standardized production and operating procedures that enable us to ensure consistent quality of our products.
- *Pre-sale Inspections.* Before our processed meat products are sold to our customers, we conduct sample inspections of each batch of products to ensure quality.
- *Advanced Inspection Equipment.* Our quality control personnel are equipped with advanced quality inspection equipment, such as thermal sensors and metal detectors.

Sales and Distribution of Processed Meat Products

We market our processed meat products under two core brands: “Joycome (家佳康)” and “Maverick (萬威客).” We distribute our Joycome-branded processed meat products primarily in China’s central, eastern and northern regions, while we distribute our Maverick-branded products

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primarily in the southern and eastern regions. Our premium quality low-temperature processed meat products primarily target middle-class consumers who are concerned about food quality, safety, taste and convenience. We have also developed premium quality products such as bacon, smoked sausage and smoked ham for sale in first- and second-tier Chinese cities.

Our processed meat product customers are primarily hypermarkets, supermarkets, retail stores, distributors, restaurants and canteens. We also sell our processed meat products at Joycome-designated stores and through the e-commerce channel. See “—Our Business—Pork Business—Fresh Pork” for details of our agreements with hypermarkets and supermarkets and descriptions of Joycome-designated stores and the e-commerce channel.

Distributors

To promote our two core processed meat product brands and expand the sales channels and geographical coverage of our processed meat products, we sell our processed meat products through distributors, who in turn distribute these products primarily to small-to-medium-size retail stores, restaurants, canteens and food processors. Based on our industry knowledge, we believe that our use of distributors for our processed meat products is generally in line with industry practice.

The following table sets forth our revenues from sales of processed meat products to distributors and other customers, as well as their respective contributions to our processed meat products sales revenue for the periods indicated.

	Year ended December 31,						Four months ended	
							April 30,	
	2013		2014		2015		2016	
	(RMB million, except percentages)							
Sales to distributors	60.3	22.3%	82.4	28.4%	74.0	22.4%	20.1	19.4%
Other sales	210.5	77.7%	208.0	71.6%	255.8	77.6%	83.4	80.6%
Total revenue from sales of processed meat products	270.8	100.0%	290.4	100.0%	329.8	100.0%	103.5	100.0%

We select our processed meat distributors based on their business qualifications and marketing capabilities, such as breadth and quality of sales network, knowledge of local market, reputation, financial stability, and storage and transportation capabilities. We generally use a standard distribution agreement for our distributors; this helps us to efficiently manage our distributors and ensure an orderly market of our products. We typically only have one processed meat distributor in a relatively small designated geographical region or in a designated sales channel for a relatively large geographical region to avoid cannibalization among distributors. In Beijing, Shanghai, Guangzhou, Shenzhen and Wuhan, we sell our processed meat products directly to relatively large hypermarkets

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and supermarkets and do not sell to these customers through distributors. For that reason, we also restrict our distributors in these cities from selling our products to these customers. Our sales representatives monitor the performance of our processed meat distributors and regularly communicate with them to keep track of their sales performance and demand, local market competition and customer preference trends. Our sales personnel conduct regular on-site visits to our processed meat distributors and various points-of-sale to check their sales, selling prices, inventory, storage conditions, logistics facilities and quality control; ensure that our products are distributed within the agreed geographical regions and sales channels; and maintain healthy competition among distributors. We believe that these measures, combined with our “payment-before-delivery” and “no return unless defective” policies and the perishable nature of our low-temperature processed meat products, help mitigate the risk of inventory accumulation in our distribution channels. We are not aware of any material stock accumulation by our distributors during the Track Record Period. We continuously monitor and assess our distributors’ performance and decide whether to renew a distribution agreement upon its expiration based on the relevant distributor’s performance.

We have a seller-buyer relationship with our distributors. We retain no ownership over the products that we sell to the distributors, and all significant risks and rewards associated with those products are transferred to them upon delivery. Our distributors sell our products to various points-of-sale. To the best knowledge of our Directors, except for one distributor we used in 2014 which was a subsidiary of Itoham, all of our distributors were Independent Third Parties, and none of our distributors was wholly-owned or majority-controlled by our current or ex-employees during the Track Record Period. For the distributor we used in 2014 that was a subsidiary of Itoham, we signed our standard distribution agreement with that distributor, the terms of which were not preferential compared to our other distributors. To the best knowledge of our Directors, our distributors are primarily engaged in the business of distributing meat and food products in China.

The following table sets forth the changes in the number of our distributors for processed meat products during the Track Record Period.

Distributors for processed meat products	As of December 31,			As of April 30,
	2013	2014	2015	2016
As of the beginning of the period	60	95	151	133
Addition of new distributors	44	73	36	5
Termination of distributors	9	17	54	59
Net increase/(decrease) in distributors . . .	35	56	(18)	(54)
As of the end of the period	95	151	133	79

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During the Track Record Period, the additions of new distributors for our processed meat products primarily reflected (i) an increase in the number of distributors targeting specific regions or channels that were the focus of our sales and marketing efforts, and (ii) our expanding sales and market share. The terminations of existing distributors for our processed meat products primarily reflected (i) subpar performance of certain distributors, and (ii) consolidation among our distributors.

The key terms of our standard distribution agreement for our processed meat products include:

- Duration: Typically one year.
- Designated Distribution Area and/or Channel: The distributor may not resell our products outside its designated area and/or sales channel.
- Sales Targets and Incentive Scheme: The distributor is incentivized to achieve progressive sales targets. The incentive scheme is typically in the form of rebates.
- Minimum Purchase Amount: None.
- Pricing Policy: We set the prices at which we sell products to the distributors based on market conditions, which we may adjust by providing 15 days prior written notice.
- Retail Price of Processed Meat Products: We provide our distributors with recommended retail prices for our processed meat products sold to them.
- Payment Terms: Typically payment before delivery.
- Exclusivity: Distributors of our processed meat products may not sell any products competing with our products.
- Product Return: The distributor may return our products only if they are defective.
- Termination: We may terminate a distribution agreement if the distributor breaches certain material provisions including exclusivity and designated distribution area and/or channel.

We believe that our standard distribution agreements enable us to sufficiently incentivize the distributors to actively market and sell our products and provide us with sufficient controls over the distribution network to ensure an orderly market for our processed meat products.

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International Trading

In our international trading business we import frozen meat (including pork, beef, poultry, mutton and lamb) and byproducts and resell these products in China, including internally to our processed meat products division. According to Frost & Sullivan, in 2015 we ranked second in China’s meat import market by import volume. In light of the widening supply shortfall in China between the supply of and demand for safe, high-quality meat, we began our international meat import business in 2009. In this business, we act as principal in the import of frozen meat products, primarily pork, beef, poultry, mutton and lamb. We sell a vast majority of our imported frozen pork, beef, mutton and lamb to external customers and we supply the remainder to our processed meat products division.

We import frozen meat products only from countries and suppliers approved by China’s General Administration of Quality Supervision, Inspection and Quarantine. During the Track Record Period, we imported pork primarily from Germany, Chile, the Netherlands, Denmark, France, the United States and Spain; poultry from Brazil and Chile; beef primarily from Australia, New Zealand, Uruguay, Argentina and Brazil; and mutton and lamb primarily from Australia and New Zealand.

The table below sets forth a breakdown of sales volume (both external and internal) of our international trading business by product type for the periods indicated.

	Year Ended December 31,						Four months ended April 30,			
	2013		2014		2015		2015		2016	
	(metric tons, except percentage)									
Pork.	21,002	28.9%	23,905	31.8%	60,250	56.2%	12,790	44.4%	13,901	42.5%
Poultry.	25,956	35.7%	31,782	42.3%	26,450	24.7%	9,917	34.4%	15,092	46.2%
Beef.	19,288	26.5%	14,723	19.6%	18,050	16.8%	4,951	17.2%	3,613	11.0%
Mutton and										
Lamb	6,508	8.9%	4,690	6.3%	2,469	2.3%	1,140	4.0%	86	0.3%
Total	72,756	100.0%	75,100	100.0%	107,219	100.0%	28,798	100.0%	32,691	100.0%

For the years ended December 31, 2013, 2014 and 2015 and the four months ended April 30, 2015 and 2016, we sold (both externally and internally) 72,756 metric tons, 75,100 metric tons, 107,219 metric tons, 28,798 metric tons and 32,691 metric tons of imported frozen meat products, respectively. Our international trading division had revenue of approximately RMB1,651.8 million, RMB1,602.5 million, RMB1,942.7 million, RMB570.7 million and RMB592.5 million, in these respective periods. For the years ended December 31, 2013, 2014 and 2015 and the four months ended April 30, 2016, 6.3%, 28.6%, 14.3% and 6.3% of our sales volume (both external and internal) of imported frozen

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poultry were to our discontinued poultry business, respectively, and we sold the remainder to external customers. We plan to continue selling frozen poultry to our discontinued poultry business. For more details, please see “Connected Transactions—Continuing Connected Transactions—Non-Exempt Continuing Connected Transactions with COFCO Group—Mutual Supply of Products and Services with COFCO Group—Purchase of Frozen Meat Products from COFCO Group.”

Sale of Imported Frozen Meat Products

We sell our imported frozen meat products primarily to food processors, as well as wholesalers, restaurants (including food service companies) and canteens. In June 2013, as a pilot program, we engaged a distributor to distribute our imported frozen beef, mutton and lamb in Hohhot, the Inner Mongolia Autonomous Region. In March 2014, we terminated this arrangement because the distributor had failed to meet our quarterly minimum sales targets for three consecutive quarters. We had no significant revenue from our sales to this distributor in 2013 or 2014. Since then, in light of the nature of this business, we have not used distributors to sell our imported frozen meat products.

Most of our imported meat products are purchased and sold under a “back-to-back” model. Under this model, we typically firstly orally agree on the purchase of the relevant meat products with our domestic customer and, after the international supplier confirms the sale, we will enter into a written sales agreement with our domestic customer within one to five working days. This type of arrangements reduces our exposure to price fluctuations. Under the model, we often require our customers to pay us a deposit equal to 20% to 50% of the aggregate purchase price in advance to reduce the risk of default. We also cooperate with some of our large food service company customers to formulate annual imported meat procurement plans for them, and we implement these plans in a cost-effective manner based on the prevailing international prices of the relevant meat products.

We act as principal in importing frozen meat products by signing purchase agreements with the international suppliers directly, and enter into sales agreements or sales confirmation orders with our customers to resell these products. The sales agreements typically include the following key terms:

- **Duration:** Typically one year. For each purchase, both parties sign a sales confirmation order which sets forth products, quantity, specification, price, time and place of delivery.
- **Product Quality:** The imported meat products must comply with the relevant inspection standards for imported meat products provided by Chinese law. The purchaser must report to us any quality defect within seven business days after the delivery. After the confirmation of the quality defect by a third-party inspection and testing institution agreed by both parties, we are responsible for claiming damages from the relevant international supplier. We do not accept any product quality claim, after seven business days of delivery.
- **Payment Term:** Payment before delivery. We may require certain sale deposits (typically 20% to 50% of the total purchase price) before shipping.

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- Price: Agreed by both parties for each purchase.
- Risk allocation: Risk transferred to the purchaser upon delivery at the cold storage warehouse.

Discontinued Business

We historically engaged in poultry business that includes chicken farming, slaughtering and sales. We had two poultry production facilities, one in Suqian, Jiangsu Province and the other in Weifang, Shandong Province. For the years ended December 31, 2013, 2014 and 2015, our loss from the discontinued poultry business amounted to approximately RMB162.1 million, RMB61.6 million and RMB58.8 million, respectively. We recorded profit from the discontinued poultry business of RMB3.9 million in the four months ended April 30, 2016. Our processed meat products division purchases poultry from the discontinued poultry business as a raw material and our international trading business sells frozen poultry to our discontinued poultry business. For more details, please see “Connected Transactions—Continuing Connected Transactions—Non-Exempt Continuing Connected Transactions with COFCO Group.”

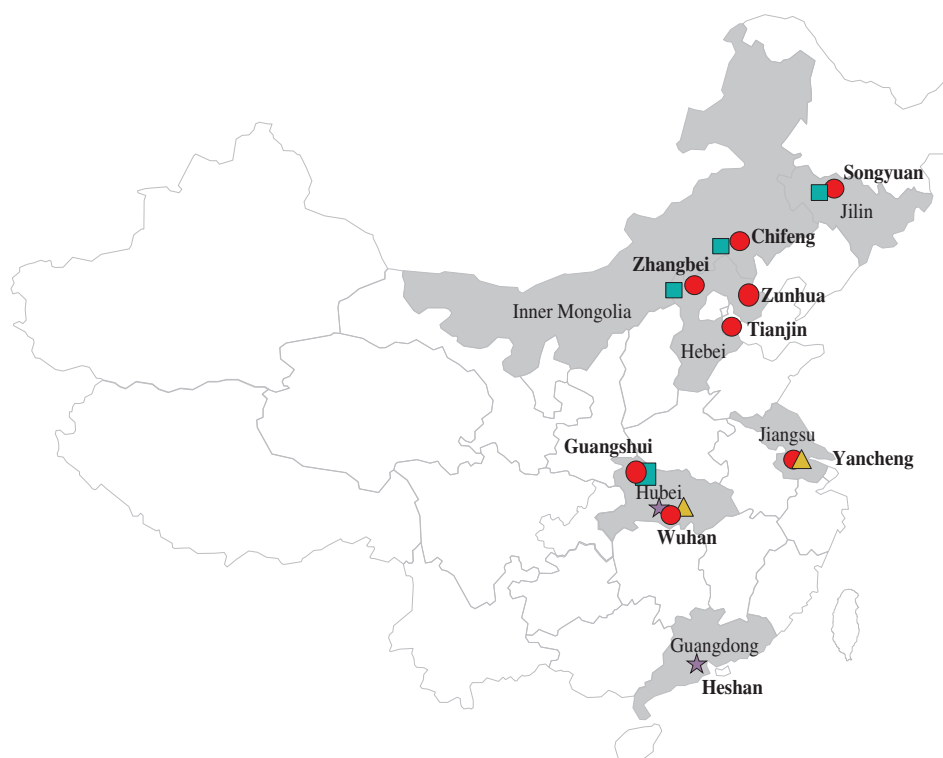
For details of the discontinued poultry business and the reasons for the disposal, please see “History, Development and Reorganization—Reorganization,” “Financial Information—Description of Selected Statement of Profit or Loss and Other Comprehensive Income Items—Discontinued Operation” and Note 12 to “Appendix I—Accountants’ Report” for more information.

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PRODUCTION

Our Production Facilities

The map below shows the geographic distribution of our primary production facilities, including feed mills for hog production, hog farms, slaughtering plants, and processed meat production facilities as of the Latest Practicable Date.



Hog farms			Slaughtering facilities	
Location	Number of Hog Farms	Capacity ('000 head)	Location	Capacity ('000 head)
Existing projects			Existing projects	
Chifeng, Inner Mongolia	10	500	Dongtai, Jiangsu	1,500
Songyuan, Jilin	5	250	Wuhan, Hubei	500
Zhangbei, Hebei	4	200	Total	2,000
Tianjin	2	100	Processed meat facilities	
Yancheng, Jiangsu	17	800	Location	Capacity ('000 metric tons)
Wuhan, Hubei	9	440	Existing projects	
Total	47	2,290	Wuhan, Hubei	7
New projects			Heshan, Guangdong	10
Chifeng, Inner Mongolia	2	55	Total	17
Zhangbei, Hebei	6	331	Feed mills	
Guangshui, Hubei	4	219	Location	Capacity ('000 metric tons)
Zunhua, Hebei	6	344	New projects	
Songyuan, Jilin	6	300	Songyuan, Jilin	180
Total	24	1,249	Chifeng, Inner Mongolia	180
			Zhangbei, Hebei	180
			Guangshui, Hubei	180
			Total	720

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The table below sets forth the production capacities, production volumes and utilization rates for our production facilities for slaughtering operations and processed meat products for the periods indicated. For production capacities and production volumes for our hog production, please see “—Our Business—Pork Business—Hog Production.”

Year ended December 31,									Four months ended April 30,					
2013			2014			2015			2015			2016		
Annual			Annual			Annual			Annual			Annual		
Production Capacity	Production Volume	Utilization Rate ⁽³⁾	Production Capacity	Production Volume	Utilization Rate ⁽³⁾	Production Capacity	Production Volume	Utilization Rate ⁽³⁾	Production Capacity	Production Volume	Utilization Rate ⁽³⁾	Production Capacity	Production Volume	Utilization Rate ⁽³⁾
Slaughtering Operations ⁽¹⁾ (thousand head, except percentages).														
2,000	966	48.3%	2,000	1,087	54.3%	2,000	1,263	63.1%	2,000	383	57.4%	2,000	385	57.7%
Processed Meat Products ⁽²⁾ (metric tons, except percentages)														
17,000	7,913	46.5%	17,000	8,623	50.7%	17,000	9,974	58.7%	17,000	3,073	54.2%	17,000	3,097	54.7%

Notes:

- (1) Annual production capacity for our slaughtering plants is calculated on a 350-day basis for a year. Each day has one eight-hour working shift. We processed 1,033, 1,122, 1,265, 383 and 385 thousand hogs in 2013, 2014, 2015 and the four months ended April 30, 2015 and 2016, respectively, including hogs slaughtered by our slaughtering plants in Wuhan and Dongtai and hogs slaughtered by third parties under slaughtering services arrangements in northern China.
- (2) Our production capacity for processed meat products is calculated on a 312-day basis for a year. Each day has two 10-hour working shifts.
- (3) Utilization rate is calculated as the production volume as a percentage of the production capacity for the relevant period.

The increase in the utilization rate of our slaughtering operations from 2013 to 2015 was primarily due to the ramp-up of production volume at our slaughtering facility in Dongtai, Jiangsu Province, which started production in October 2012. The increase in the utilization rate of our processed meat production operations from 2013 to 2015 was primarily due to the expansion of our sales channels and geographic coverage of our processed meat products. The utilization rates of our slaughtering operations and processed meat production operations for the four months ended April 30, 2016 were lower as compared to the year ended December 31, 2015 primarily as a result of reduced production activities around the Chinese New Year holidays.

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Production Expansion Plans

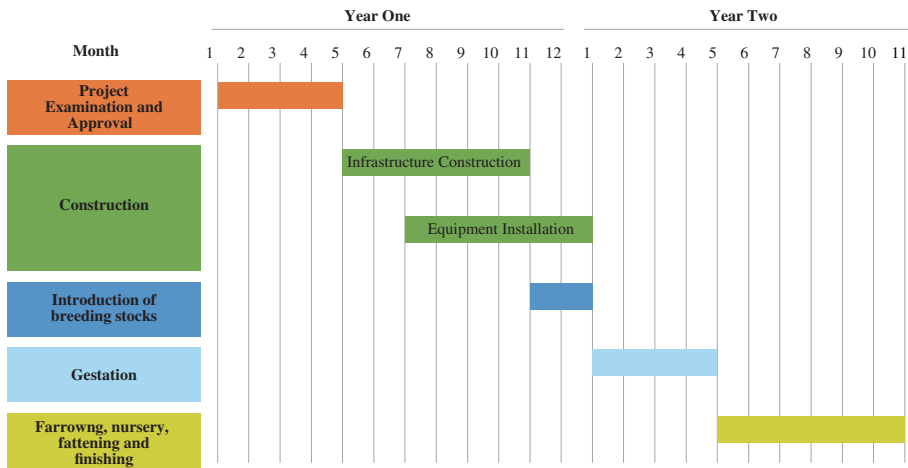
We intend to expand our production facility network to enhance efficiency, reduce transportation time and costs, and achieve economies of scale. In planning our expansion, we take into account synergies between different parts of our operations, local market conditions, our expected production needs, estimated development costs, utilization of existing production facilities and the competitive landscape in order to best leverage our competitive strengths. In light of the trend in China’s hog production industry moving from small-scale farming to large-scale farming, we plan to further expand our hog production capacity to achieve greater scale and increase our market share in the hog production industry.

The table below sets forth details of our expansion plans for our hog production farms, feed mills and processed meat production plant as of August 31, 2016. We expect to finance these expansion projects with bank loans, our internal funds and the net proceeds from the [REDACTED].

	Estimated Development Costs	Development Costs Incurred as of August 31, 2016	Designed Annual Production Capacity	Expected Completion Year
	<i>(RMB million)</i>	<i>(RMB million)</i>		
Hog Production:				
Chifeng, the Inner Mongolia Autonomous Region	103.4	nil	55,200 head	2016
Zhangbei, Hebei Province	458.0	114.7	331,200 head	2016
Zunhua, Hebei Province	475.7	0.2	343,500 head	2016
Guangshui, Hubei Province	273.3	24.4	218,900 head	2016
Songyuan, Jilin Province	510.4	383.3	300,000 head	2016
Subtotal	1,820.8	522.6	1,248,800 head	N/A
Feed Production:				
Songyuan, Jilin Province	46.9	34.2	180,000 metric tons	2016
Chifeng, the Inner Mongolia Autonomous Region	49.8	11.7	180,000 metric tons	2016
Zhangbei, Hebei Province	49.7	9.9	180,000 metric tons	2016
Guangshui, Hubei Province	45.3	0.2	180,000 metric tons	2017
Subtotal	191.5	56.0	720,000 metric tons	N/A
Processed Meat Production:				
Dongtai, Jiangsu Province	83.0	Nil	10,000 metric tons	2020
Subtotal	83.0	Nil	10,000 metric tons	N/A

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The following chart illustrates the development cycle of starting up our new hog production facilities in Zhangbei, Hebei Province which have an annual production capacity of approximately 200,000 head.



QUALITY CONTROL AND FOOD SAFETY

Quality Control Management

We are committed to providing safe, high-quality products. Our products are well known for their high quality and safety, and we believe this is attributable to our superior operational control over quality and food safety. For example, from 2012 to 2015, the China Anti-Doping Agency conducted extensive sample testing of our meat products using international standards for meat doping. Our meat products passed 100% of the tests. Since 2012, we have supplied meat products to major sport centers in China, including the National Sports Training Center, Beijing Sport University, the Table-tennis and Badminton Center, the Athletics Administrative Center, the Water Sports Center, the Cycling and Fencing Center, Olympic Sports Center, the Volleyball Center and the Qinhuangdao Training Base. They have highly praised our products, which fully demonstrates our ability to control food safety.

In 2012, we adopted our current quality control and food safety management system, which was designed and standardized according to our quality, safety and risk control framework. This system provides us with detailed procedures covering each phase of our operations, including procurement, production, storage and logistics, sales and distribution. We believe that substantial vertical integration among our hog production, fresh pork and processed meat products divisions provides us a substantial competitive advantage in quality control.

Our quality control team is responsible for formulating, managing and supervising the implementation of our quality control system. Our headquarters-level quality control department formulates and improves quality control and food safety management system and requirements. Our local quality control and inspection teams implement our quality control and food safety management system and requirements in our daily operations. We have dedicated quality control personnel for each production line in each of our production facility.

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Since 2012 we have worked with the Chinese Academy of Inspection and Quarantine Comprehensive Test Center, and since 2013 worked with SGS-CSTC Standards Technical Services Co., Ltd., a global leading inspection, verification, testing and certification company, in testing feed and our products for illegal chemicals, pathogenic microorganisms, antibiotics and heavy metals.

Quality Standards and Certifications

We have obtained a number of international quality management certifications for our production facilities, such as ISO9001 for all of our production facilities in Wuhan and Dongtai, ISO22000 for our processed meat products production facilities in Wuhan and Heshan and our fresh pork production facilities in Dongtai and HACCP for our fresh meat production facilities in Wuhan and our processed meat products production facilities in Heshan. We obtained these certifications by applying to independent accreditation bodies and passing their documentary and on-site inspections. These certifications are subject to annual independent audit by the relevant accreditation bodies, and primarily include:

- ISO9001: specifies requirements for a quality management system where an organization needs to demonstrate its ability to consistently provide products that meets customer and applicable statutory and regulatory requirements.
- ISO22000: specifies requirements for a food safety management system where an organization in the food chain needs to demonstrate its ability to control food safety hazards to ensure that food is safe at the time of human consumption.
- HACCP: specifies requirements for a food safety management system where an organization in the food chain needs to address food safety issues through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product.

Food Safety Management

We have established and maintain a quality control system covering each stage of our operations. We emphasize five checkpoints for product safety: environment checkpoint—reject heavy metals, feed checkpoint—reject growth hormones, hog farming checkpoint—reject hormones, inspection checkpoint—reject clenbuterol, and transportation checkpoint—reject contamination. We have taken the following measures to coordinate various aspects of our quality control system in relation to food safety issues.

- *Food Safety Internal Controls.* We have formulated, implemented and strictly maintain food safety internal control standards covering food safety issues related to our research and development, supplier certification and management, procurement, production, storage, transportation and sales and distribution activities.

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- *Sourcing Control.* We place great emphasis on sourcing control because food safety issues in our upstream processes can negatively affect products downstream. During the Track Record Period, we sourced a majority of the hogs that we processed in our fresh pork operations from our hog production operations. We plan to increase our self-sufficiency rate for feed to enhance the quality and safety of our hog production. For detailed quality control measures over live hogs and raw materials, please see “—Our Business—Pork Business—Hog Production—Hog Production Controls” above and “—Quality Control and Food Safety—Quality Control over Raw Materials” below.
- *Food Safety Risk Management and Emergency Response.* Our quality control department analyzes and identifies food safety risks in our production processes, and we assess these risks and proactively take preventive measures to address them. Our food safety emergency response plan sets out detailed response procedures and responsibilities. If a food contamination incident is identified, the production in the relevant production facility is suspended and the facility is sanitized or otherwise serviced to resolve the issue. We form special investigation teams that include personnel from our quality control, production and engineering departments to investigate these types of incidents. These investigation teams identify contamination sources by checking production records and conducting sample tests. Once a contamination source is identified, we may provide training to the relevant production personnel, increase inspection scope and frequency, purchase additional inspection equipment and introduce other necessary preventive measures. Our quality control personnel evaluate the effectiveness of preventive measures we take after the incident. The production in the relevant facility resumes only when the quality control department confirms that the facility can satisfy our food safety requirements.
- *Hygiene and Quarantine Control.* We have implemented hygiene and quarantine procedures at our production facilities to ensure the safety of our products and compliance with applicable laws and regulations. These procedures include: (i) cleanings and sterilization processes of facilities, equipment and tools in our production facilities and in the vehicles used for delivery of our products; (ii) periodic checks and inspections of our production facilities by our quality control personnel; (iii) periodic circuit inspections of hog farms by our regional veterinary teams; and (iv) inspection of clothing and personal hygiene of our staff.
- *Traceability System.* We have developed and maintain a tracing system that covers raw materials procurement, hog production, fresh pork production, processed meat production and sales and distribution. This system enables us to maintain traceability of products purchased by customers to the relevant production facility and further to the raw materials purchased from suppliers. For example, we assign a unique number to each slaughtered hog, through which we can trace the relevant information including the name of the hog farm (either our hog farm or the third-party supplier that supplied the hog), inspection and quarantine information, batch number, processing record, weight and the pork grade.

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- *Interactive Communications.* We maintain standardized communication procedures to facilitate internal and external communications. We use these procedures to maintain regular close contacts with relevant regulatory authorities, customers, suppliers and employees to gather essential food safety information and updates in food safety laws and regulations. For details regarding our procedures to collect and process customer feedback, please see “—Quality Control and Food Safety—Product Returns, Warranties and Consumer Feedback” in this document.
- *Employee Training.* We provide regular quality control, production safety and other technical training to our employees to ensure they can satisfy our safety and quality requirements.

Quality Control over Raw Materials

The raw materials used in our hog production are feed and feed ingredients, the raw materials used in our production of fresh pork are live hogs, and the primary raw materials used in our production of processed meat products are raw meat which includes mainly pork and, to a lesser extent, poultry and beef. We have adopted strict quality control measures with regard to the raw materials we purchase, primarily including:

- *Qualified Supplier Lists.* We only procure raw materials from suppliers on our qualified suppliers list. Our procurement department pre-screens supplier applications on the basis of product quality, production capacity, reliability, systems for quality control and traceability, and market reputation. After screening, we check the relevant qualifications, licenses, permits and certificates of the candidate and its products. For key raw materials, such as live hogs and feed, we also conduct on-site inspections, and test the samples. After comprehensive evaluations, we add the supplier to our qualified suppliers list as trial supplier. Then we start with small purchases from the trial supplier and evaluate the trial supplier and the raw materials purchased. After three to five successful trial purchases of raw materials and passing our evaluation, the trial supplier becomes our official supplier.
- *Certifications Inspection and Quality Testing.* We require raw materials provided by our suppliers to meet our safety and quality standards—which are consistent with or higher than those set by PRC Government. Suppliers must provide us with the required quality certifications or testing report for each batch of key raw materials such as feed and hogs. All live hogs that we purchase and accept must have passed government quarantine inspections, and upon delivery of each batch of live hogs, we inspect them for any disease symptoms and the presence of defects such as lameness. For feed deliveries, we conduct laboratory sample testing in accordance with the standards stipulated by PRC Government. At least once a quarter, an accredited third-party quality inspection organization samples the feed delivered to us by each supplier and issues a report on nutritional and chemical components and microorganism in the feed.

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- *Quality Guarantees.* Before a supplier can begin supplying key raw materials to us, we require it to provide quality guarantee undertakings to us, guaranteeing that (i) all raw materials it delivers to us will be in compliance with the applicable animal quarantine and food safety laws and will have passed all required government inspections, (ii) it will provide test reports and government inspection and quarantine certificates for each batch of raw materials, if applicable and (iii) no materials prohibited by Chinese law, including clenbuterol hydrochloride and ractopamine, are used in the production of the raw materials.
- *Onsite Inspection.* For key raw materials that are most likely to affect the quality of our products—such as live hogs and feed—we regularly conduct on-site inspections of the production facilities, quality and food safety control systems implemented at our supplier’s production facilities, veterinary drug use records of live hogs and epidemic prevention measures.

Quality Control over Production

We have implemented comprehensive quality control systems and strict quality control standards and procedures across each stage of our production operations. For details, please see “—Our Business—Pork Business.” Our production facilities are subject to periodic inspections and examinations conducted by the relevant government authorities including CFDA and MOA and their local branches, which inspect our production process, quality control procedures, live hogs and products to determine compliance status and areas that can be further improved. For example, CFDA and MOA and their local branches conducted hundreds of on-site inspections of our live hogs and products in 2015 and the passing rate of these inspections was 100%. During the Track Record Period, we did not receive any written notice or sanction for material non-compliance, violation, or recommendation for improvement with respect to our production operations by the government authorities.

Quality Control over International Trading

- *Source Control.* We only import meat products from countries and suppliers approved by China’s General Administration of Quality Supervision, Inspection and Quarantine. We also require our suppliers to ensure that the meat products they supply to us do not contain prohibited chemicals.
- *Pre-sale Inspection.* We check photos, product specifications or sample products provided by exporters before making purchases from them. We typically require that the production date of imported meat products be within five months of the vessel departure date. In addition, for imported pork products we require our suppliers in the relevant countries to provide ractopamine-free certificates issued by independent third party laboratories.

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- *Government Inspections.* All meat products we import are subject to mandatory sampling inspection by Chinese governmental authorities before entry into the Chinese market. We strictly follow the inspection procedures and requirements for imported products after the products reach port in China, and we do not dispatch imported products until all import requirements are satisfied.
- *Defective Products.* Our contracts require the suppliers to return or destroy defective products, including products containing prohibited chemicals, and we strictly implement these provisions. In June 2013, we imported two containers of frozen pork products from a supplier in the United States, a producing country that permits the use of ractopamine. The frozen pork products in one container were tested and reported by the Shanghai Yangshan Entry-Exit Inspection and Quarantine Bureau to have excessive ractopamine. Upon receipt of the final Sub-standard Goods Inspection and Quarantine Notice from Shanghai Yangshan Entry-Exit Inspection and Quarantine Bureau, we arranged for the affected products to be returned to the supplier, and the relevant frozen pork products were transported out of Shanghai Port in December 2013. We do not believe this incident had a material adverse impact on our financial condition or results of operations. Other than this incident, during the Track Record Period and as of the Latest Practicable Date, we did not experience any incidents related to the import of sub-standard products.

Quality Control over Storage and Logistics

- *Control over Storage.* Prior to acceptance, our warehouse management personnel check the delivery note, the inspection report, quantity and record relevant information and entry time. We conduct stock-takings on ad hoc, monthly, semi-annual and annual bases. We also periodically check the shelf-life of stored materials. We maintain storage conditions according to the nature of our raw materials and finished products, and we maintain strict sanitation standards to prevent contamination and cross-contamination. We use automatic temperature controls in our fresh meat and low-temperature processed meat product warehouses and check and record the temperature in each warehouse every two to three hours. We follow a “first in, first out” principle in distributing raw materials and products. We require the operators of our leased warehouses to follow the same requirements as in our owned warehouses.
- *Control over Logistics.* We select our logistic service providers based primarily on their cold-chain logistic capacity, size of their vehicle fleet, number of experienced drivers and quality control capabilities. We require them to ensure a suitable environment and sanitation standards in their vehicles. For products requiring stable low temperatures storage during transportation, vehicles used must be equipped with refrigeration equipment and a thermometer recording the temperature at least every five minutes. We require our logistics service providers to use separate vehicles to deliver chilled pork, frozen pork and processed meat products. We perform monthly reviews of the performance of our logistics service providers to ensure that goods delivered to us or our customers fully comply with our requirements.

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Quality Control over Sales and Distribution Network

- *Quality Control over Distributors.* We require our fresh pork and low-temperature processed meat products distributors to be equipped with specified quantities of refrigerated warehouse space and vehicles. We regularly visit our distributors for our fresh pork and processed meat products to check their sales, selling prices, storage conditions, logistics facilities and quality control and to ensure that our products are distributed within the agreed geographical regions. For further details regarding our quality control over distributors, please see “—Sales and Distribution Network.”
- *Quality Control over Points-of-Sale.* We periodically inspect the quality of our products sold at various points-of-sale to check the maintenance of proper temperatures, shelf-life and packaging integrity. We also dispatch on-site sales representatives to certain hypermarkets and supermarkets to assist them with the sales and marketing of our products and monitor the inventory level and the quality of our products.

Product Returns, Warranties and Consumer Feedback

Other than defective products, our customers are generally not allowed to return our products after they have accepted delivery, except that we permit certain hypermarkets and supermarkets to return to us unsalable processed meat products or processed meat products approaching their use-by dates. The sales revenue of the returned products was directly deducted from our total revenue of the relevant period. We are responsible for the costs of returning or exchanging the returned products. During the Track Record Period, there were no product recalls or material product returns from our customers. We believe this record reflects the quality of and generally strong consumer demand for our products. During the Track Record Period, the volume of returned processed meat products accounted for less than 4% of the total revenue of our processed meat products division and less than 0.3% of our total revenue from continuing operations in each period. Given the quantities involved, we do not believe these returned products had a material adverse impact on our financial condition or results of operations. Accordingly, we did not record any provision for product warranty during the Track Record Period.

We use detailed procedures to collect and process consumer feedback. We maintain 24-hour consumer service hotlines for consumer inquiries, feedback and complaints. Our sales personnel are required to call, or in some cases meet in person, the consumers and collect additional information regarding their complaints. The bar codes and production dates on our products facilitate us in addressing these issues by tracing relevant information recorded in our management system. Based on the information collected by our sales personnel, the relevant production departments are notified about any reported product defects and carry out remedial measures as necessary. We address complaints in a variety of ways, including communicating with consumers and paying them reasonable compensation.

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During the Track Record Period and as of the Latest Practicable Date, (i) we were not subject to any material fines or other penalties from Chinese government authorities regarding product quality or safety; (ii) we were not required to undertake any mandatory product recalls; (iii) we did not have any material product liability exposure; and (iv) we did not receive any material product quality complaints from consumers.

SALES AND DISTRIBUTION NETWORK

We have established separate sales networks for live hogs, fresh pork products, processed meat products and imported frozen meat products. Each of these networks targets the specific sales channels and businesses suitable for the respective product types. Our division-based sales and distribution management system allows us to effectively manage and monitor our sale channels. While our sales channels for pork products have evolved over time and industry practice may vary among sales channels, we believe that our multi-channel business model enables us to better penetrate into our respective products’ targeted markets, increase our sales and market shares and optimize our operating results. For details of our division-based sales and distribution network, please see “—Our Business.”

Our headquarters-based marketing and sales team is responsible for strategic matters such as sales plan development, price management and control, brand management, coordination of sales efforts among divisions to create synergies, and oversight of regional sales teams. Our regional sales teams for our pork business are responsible for day-to-day operations including management of customers, marketing and promotion, inventory management and data collection. Our headquarters-based imported meat sales team is responsible for sales of imported meat products.

For the years ended December 31, 2013, 2014 and 2015 and the four months ended April 30, 2016, our sales to our five largest customers accounted for 16.1%, 17.3%, 14.9% and 19.5% of our continuing operations’ total revenue, respectively. All of our five largest customers during the Track Record Period were Independent Third Parties. None of our Directors, their respective associates or Shareholders who, to the knowledge of our Directors, owned five per cent or more of our issued Shares as of the Latest Practicable Date had an interest in any of our five largest customers during the Track Record Period. We had an average of approximately four years of business relationships with our five largest customers during the Track Record Period.

Pricing

Our products are not subject to any price control or regulations by the Chinese governmental authorities. We set a benchmark price for a given product sold to our customers in a regional market by considering a variety of factors, such as the dynamics of market demand and supply, market trends, costs of raw materials, production costs, competitive landscape, historical sales data and the expected profit margins for us and our customers. We endeavor to make timely adjustments to our benchmark

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prices based on these factors and other market conditions. Prices for our live hogs and fresh pork products are primarily based on the prevailing market prices in different regional markets. The prices for our processed meat products are less dependent on the prevailing market rates as they have a higher degree of differentiation, and are therefore relatively more stable.

In our international trading business we act as principal in importing frozen meat products. When making pricing decisions, we take into account a number of factors, including the domestic selling prices and international prices of the relevant meat products, our procurement costs and ancillary expenditures, competitive landscape, historical sales data, the risks we bear in relation to the imported meat products from the port of loading until final delivery to the customers and our expected profit margin.

We generally set recommended retail prices for distributors of our processed meat products, which are subject to adjustments reflecting the local market conditions. We provide our Joycome-designated franchised stores with suggested price guidelines for small-pack fresh pork products and recommended retail prices for our processed meat products, and the franchisees may adjust the retail prices according to market conditions. We also provide recommended retail prices for our processed meat products and suggested price guidelines for small-pack fresh pork products to our hypermarket and supermarket customers, which are in line with industry practice.

We may from time to time provide discounts to certain of our customers such as hypermarkets, supermarkets, distributors, wholesalers and e-commerce operators depending on our marketing strategies and the types and quantity of products they purchase from us, and these discounts directly reduce our revenue. We may also provide rebates to certain supermarkets, hypermarkets, distributors, wholesalers and e-commerce operators, generally on the condition that the agreed sales targets are met, and these rebates are recorded in our selling and distribution expenses.

SEASONALITY

Demand for our products is typically relatively higher in the second half of the year due to Chinese consumers' consumption patterns. Demand for our products is also typically higher before traditional festivals, such as the Mid-Autumn Festival, China's National Day (October 1) and China's Spring Festival. Consequently, sales volumes of our fresh pork, processed meat and imported frozen meat products are typically higher in the second half of the year than in the first half of the year. This seasonal trend in our financial results may be offset or amplified by fluctuations in prices of commodities that are our raw materials or products. Therefore, our interim financial results may not be indicative of our annual financial results.

BRANDING AND MARKETING

Our fundamental marketing strategy is to provide safe, high-quality products to consumers. Our branding strategy is focused on promoting our two core brands: “Joycome (家佳康)” and “Maverick

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(萬威客),” and targeting middle-to-high-income families. This consumer group, in particular those with children, typically attach great importance to the safety and quality of the food products they buy. Our Joycome-branded fresh pork products have been recognized as Hubei Famous Product by the Hubei Province Quality Development Strategy Leading Group Office. Our “Maverick (萬威客)” brand reflects 22 years of expertise in producing and selling processed meat products in China with the tagline “excellent meat product expert.” It is well recognized in China’s southern and eastern regions.

We promote our products and brands through various advertising channels, including television, subway, interior building advertisements, elevator posters, internet websites such as Youku.com and social media platforms such as WeChat. For the three years ended December 31, 2013, 2014 and 2015 and the four months ended April 30, 2016, our promotion and advertising expenses amounted to RMB50.2 million, RMB59.7 million, RMB45.1 million and RMB30.6 million, respectively.

LOGISTICS AND TRANSPORTATION

During the Track Record Period and as of the Latest Practicable Date, we outsourced substantially all of our product transportation to logistics service providers who are Independent Third Party. As of the Latest Practicable Date, we had over 30 logistics service providers. For details regarding quality control over logistics, please see “—Quality Control and Food Safety—Quality Control over Storage and Logistics.”

Our transportation arrangements with third-party logistics providers allow us to devote less capital investment than we would have to devote to developing and maintaining our own large-scale logistics system. Outsourcing these services also allows us to transfer most of the risks relating to transportation and delivery of our products. During the Track Record Period and as of the Latest Practicable Date, we had not experienced any significant delay or poor handling of goods that would materially and adversely affect our business operations. Furthermore, the current logistics services market provides us with sufficient alternative options of logistics service providers who could offer similar terms as our existing logistics service providers. During the Track Record Period, we did not encounter any shortage of supply of logistics services.

RAW MATERIALS AND SUPPLIERS

Raw Materials

The raw materials for our hog production operations are feed and feed ingredients, primarily corn and soybean meal. Feed ingredients are commodities and their prices generally fluctuate with market conditions that depend on supply and demand, government policies and weather conditions in major raw material production areas. For the three years ended December 31, 2013, 2014 and 2015 and the four months ended April 30, 2016, we used 277.5 thousand metric tons, 323.9 thousand metric tons, 408.3 thousand metric tons and 187.4 thousand metric tons of feed in our hog production, respectively. The average domestic Chinese price for corn, a key feed ingredient, was RMB2.45 per kg, RMB2.49 per kg and RMB2.37 per kg in 2013, 2014 and 2015, respectively, and RMB1.98 per kg in April 2016.

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Live hogs are the raw material for our fresh pork production. In addition to hogs produced from our hog farms, we also purchase live hogs from third-party hog farms located near our slaughtering facilities. The average live hog price in China decreased from RMB14.91 per kg in 2013 to RMB13.19 per kg in 2014 and increased to RMB15.23 per kg in 2015 and further to RMB20.07 per kg in April 2016.

Raw meat, which includes mainly pork and, to a lesser extent, poultry and beef, is the primary raw material of our processed meat production. The pork we use in our processed meat production is supplied by our fresh pork production division and our international trading division. The poultry we use in our processed meat production is supplied by our discontinued poultry business. The beef used in our processed meat production is supplied by our international trading division.

For details regarding our quality control over the procurement of raw materials, please see “—Quality Control and Food Safety—Quality Control over Raw Materials” in this document.

Suppliers

We typically work with large, reputable suppliers to secure a stable supply of the high quality raw materials used in our production process. For example, we purchase feed only from reputable large feed mills and purchase live hogs only from third-party suppliers with an annual production capacity of over 10,000 hogs. Our raw materials are generally available from a number of suppliers, and we normally have various sources of supply for each type of raw materials to reduce our dependency on a single supplier. During the Track Record Period, we did not encounter any shortages of supply of our raw materials. We typically enter into annual framework agreements with our suppliers and purchase raw materials by purchase orders based on prevailing market prices, supply and demand dynamics and our inventory levels.

We have established a comprehensive and robust supplier-management system with the following significant features:

- *Qualified Supplier Lists, Certifications Inspection and Quality Testing and Quality Guarantee.* Please see “—Quality Control and Food Safety—Quality Control over Raw Materials” for details.
- *Ongoing Monitoring and Evaluation.* At least once a year, we evaluate each supplier’s performance, based primarily on factors such as product quality, quality control system, price, logistics and other services. According to the results, the suppliers are categorized into four levels:
 - Level I—Suppliers categorized as Level I for three consecutive evaluations are entitled to preferential treatment such as increases in purchase amounts and a priority in receiving payment;

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- Level II—Suppliers are allowed to continue to provide raw materials;
- Level III—Suppliers are put on a watch list and the purchase amounts are reduced. A supplier categorized as Level III for three consecutive evaluations is removed from our qualified suppliers list; and
- Level IV—Suppliers are removed from our qualified suppliers list immediately and cannot be admitted to our qualified suppliers list during the following 12 months.
- *Pricing and Payment Term.* The key raw materials for our production—feed ingredients and live hogs—are commodities with volatile prices. For details of risk associated with fluctuations in raw materials and our ability to mitigate this risk and competitively price our products, please see sections headed “Risk Factors—Risks Relating to Our Business—Our results of operations are substantially affected by the selling prices of hogs and meat products, which affect our revenue, and by fluctuations in the purchase prices of hogs and grains (mainly corn and soybean meal), which affect our costs” and “Financial Information—Principal Factors Affecting Our Results of Operations—Fluctuations in Commodity Prices.” Our suppliers grant us payment terms that vary depending on a number of factors including our relationship with the suppliers and the size of the transactions. Our suppliers typically provide us with credit terms of three to seven business days of delivery of live hogs, 15 to 30 business days of delivery of feed and 15 to 60 days of delivery of other raw materials, and we settle our trade payables by bank transfers.

In 2013, 2014, 2015 and the four months ended April 30, 2016, purchases from our five largest suppliers accounted for 39.7%, 30.2%, 22.2% and 20.3% of our continuing operations’ total purchases, respectively.

We have maintained long-term stable relationships with our suppliers. For our five largest suppliers during the Track Record Period, we had business relationships with these suppliers on average of approximately four years. Other than COFCO and two of its subsidiaries (which are our suppliers) and Itoham (which owns 65% shares of one of our suppliers), none of our Directors, their respective associates or any Shareholder who, to the knowledge of our Directors, owned 5% or more of our issued Shares as of the Latest Practicable Date has any interest in any of our five largest suppliers during the Track Record Period.

During the Track Record Period, we did not have any material disputes with our suppliers.

INVENTORY

Our inventories include primarily finished goods, as well as raw materials and work-in-progress. Finished goods consist primarily of fresh pork products and imported frozen meat products intended

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for external sales and processed meat products. Raw materials consist primarily of feed, meats (such as pork and poultry) intended for internal use, feed ingredients, packaging materials and consumables. Work-in-progress consists primarily of meat undergoing processing and related semi-finished packaging materials.

Given the perishable nature of most of our inventories, we try to balance the operational flexibility provided by appropriate inventory levels against unnecessary waste from excess inventory. We maintain stringent inventory control and appropriate inventory levels, and we periodically review our inventory levels for slow moving inventory, obsolescence or declines in market value. We have implemented detailed warehousing operating procedures such as our first-in-first-out inventory management practice, timely record keeping, appropriate labeling and periodic stock taking. We manage our inventory levels based on anticipated demand, estimates of our production volume for the next period, seasonality, existing levels of inventory stock, and prevailing price levels of the raw materials. Please see “Financial Information—Analysis of Selected Statement of Financial Position Items—Inventories” for more information.

RESEARCH AND DEVELOPMENT

We conduct research and development activities across the pork industry value chain, including feed production, hog production, fresh pork production and processed meat products production. The production departments of our hog production and fresh pork divisions are responsible for the research and development activities of their respective divisions.

Our research and development efforts for hog production focus primarily on developing hog breeding and farming techniques, nutritional improvements, and enhancing disease prevention, quality control and environmental protection. For example, pursuant to the Genesis JV Agreement, Genesis has agreed to sell us purebred breeding hogs and semen from its hog farms in Canada at favorable prices and provide support to our breeding operations, including providing technical training, dispatching hog-breeding experts to our hog farms and coordinating with us in a genetic improvement program to improve hog growth rates, feed conversion and carcass characteristics and to increase the number of piglets born alive per litter. In addition, pursuant to a strategic cooperation framework agreement that we entered into with Harbin Veterinary Research Institute, we and Harbin Veterinary Research Institute have agreed to share each other’s resources in developing swine disease monitoring techniques and diagnosis and prevention technologies. This framework agreement has a three-year term commencing from August 2014. Pursuant to this framework agreement, we and Harbin Veterinary Research Institute will enter into project contracts to implement specific projects. Our PRC Legal Advisers are of the view that this strategic cooperation framework agreement is valid and legally binding.

We have been developing new feed formulations and testing them in a 2,000 head hog farm in Hubei Province to continuously improve feed efficiency and reduce production costs. In part as a result of these efforts, our hog production operational efficiency increased during the Track Record Period, with increases in the average finishing weight of our hogs. For more details, please see “—Our Business—Pork Business—Hog Production.”

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Our research and development efforts for processed meat focus primarily on developing better tasting products and meeting consumer demand for more healthy foods. Our sales and marketing departments regularly conduct market research and collect market information to assist us in researching and developing new products. Some of our new products are customized products developed for specific quick service restaurants. In 2013, 2014 and 2015, we launched 61, 73 and 50 new processed meat products, respectively. As of August 31, 2016, we had 17 dedicated research and development personnel responsible for the research and development activities related to our processed meat products. Most of our processed meat product research and development personnel have completed tertiary education, and six of them have more than 10 years of relevant experience.

We continuously invest in upgrading our quality control technologies and developing new production techniques. In the years ended December 31, 2013, 2014 and 2015, we completed 62 projects, 76 projects and 51 projects in technological innovation, respectively. For the years ended December 31, 2013, 2014 and 2015 and the four months ended April 30, 2016, we incurred total research and development costs of RMB1.8 million, RMB3.3 million, RMB1.2 million and RMB0.7 million, respectively.

OCCUPATIONAL HEALTH AND SAFETY

Our operations are subject to various Chinese laws and regulations with respect to employee health and safety. Based on these regulations, we have implemented safety guidelines in relation to safety control procedures and standards. We require all of our employees to strictly comply with these guidelines. We carry out regular safety checks on our production equipment to ensure that the equipment is thoroughly tested and safe for use. All of our employees are provided with regular workplace safety training and health checkups. We also require operators of our production equipment to attend training sessions on the required safety standards prior to operation. Furthermore, we have adopted emergency plans for our production facilities that designate the responsible personnel and response procedures in the event of occupational health and safety emergencies.

We have developed production safety accident management measures that set forth procedures for our handling of production safety accidents, accident classification, accident reporting procedures, accident investigation and penalty measures. These measures classify production safety accidents into five grades (ranked with smaller numbers being more serious) and other less serious accidents based on the personal injury and casualty and direct economic loss caused. Any accident classified as grade V (defined as (1) one to three persons slightly injured, or (2) direct economic loss of between RMB2,000 and RMB100,000) or above must be reported to our headquarter safety management department within designated periods of between one to 24 hours depending on the accident grade. We form investigation teams to investigate all accidents of grade V or above. Within 30 to 45 days after an accident, the investigation team is required to produce a report specifying details of the accident, emergency response measures taken, losses incurred, causes of the accident, liability determination and recommended penalty for the liable person(s), and the corrective and preventive action plans. Once the investigation report is reviewed and approved by our quality and safety-management department, our human resources department and finance department impose relevant penalty on

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personnel determined to be liable, such as decrease in performance-based bonus, demotion or dismissal. Our safety management department follows up and supervises the implementation of the corrective and preventive action plans. Our senior management receives quarterly reports of statistics that includes a summary and analysis of accidents of all grades.

Except for the incident described below, during the Track Record Period, we did not experience any material accidents in the course of our production process that resulted in the death or serious injury of our employees.

In August 2015, there was a biogas poisoning accident at one of our hog farms in Chifeng, the Inner Mongolia Autonomous Region, resulting in the death of two of our employees and the injury of another two employees. An investigation team formed by the Chifeng municipal government investigated this incident and concluded its investigation in January 2016. According to the investigation report, the incident occurred when the relevant employees were injecting water into a manure lagoon in order to unchoke the manure lagoon’s drain pipe, but subsequently were overcome by hazardous gas in the plant. While the standard procedures for these types of operations require the employees to wear personal protective equipment, ventilate the manure lagoon, and test the level of hazardous gas before commencing work, the relevant employees failed to do any of these things. In addition, according to the investigation report, the direct cause of this incident was the relevant employees’ violation of standard operating procedures. Inadequate implementation of our safety management measures, including failure to provide the employees with adequate training on occupational health and safety and failure to install hazardous gas detection equipment, and weak safety awareness of the relevant employees were identified as indirect causes. We paid fines of RMB0.49 million as required by the Chifeng Administration of Work Safety according to applicable Chinese laws and regulations and paid compensation of RMB2.78 million to the estates of the deceased employees. As advised by our PRC Legal Advisers, the injuries to the two employees were work-related injuries, and the level of work-related injury is generally assessed based on applicable Chinese laws and regulations after the hospital confirms the condition of the injured employee is stable and further treatment is no longer required. As of the Latest Practicable Date, one injured employee had been discharged from the hospital and the level of work-related injury was under assessment; the other injured employee remained hospitalized. None of these employees or estates of these employees has initiated any claim, litigation or proceeding against us in relation to this incident. We do not believe that this incident had a material adverse impact on our financial condition or results of operations.

To reduce the risk of similar incidents, we have implemented the following measures in the relevant effluent treatment plant, including:

- improving ventilation of the plant by installing new ventilators and fans;
- reducing the risks of fire and explosion by installing explosion-prevention devices and electrostatic eliminators;

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- improving workplace safety management by installing protective nets and caution signs; and
- providing adequate first-aid devices and rescue equipment in the plant.

We have also implemented the following measures to improve our safety management system and prevent recurrence of similar incidents:

- *Safety Management.* We have implemented a safe production responsibility system, which sets forth in detail the responsibility of each department and relevant individuals in charge. We have also updated our standard operating procedures with a focus on safety requirements, prohibited conducts, and approval procedures for hazard operations.
- *Safety Inspection.* We have established a periodic safety inspection system, with monthly hog farm inspections by our hog farming subsidiaries, weekly hog farm inspections by the head of each hog farm and daily inspections by the leader of each work unit.
- *Safety Devices.* We installed additional safety equipment, including explosion-prevention devices, electrostatic eliminators, protective nets, first-aid devices and rescue equipment, in the relevant production facilities to prevent or mitigate future occurrences of similar work injuries.
- *Emergency Response Plan.* We have improved our emergency plans by increasing emergency equipment and other materials and by conducting periodic emergency response drills.
- *Safety Training.* We provide enhanced safety training to all of our employees. Employees operating key equipment must be specifically trained with respect to the safety issues involved.
- *Safety Performance Evaluation.* We include safety performance management as a key indicator in the performance evaluation of the management of each department and production facility.

ENVIRONMENTAL MATTERS AND ANIMAL WELFARE

We are subject to PRC environmental laws and regulations including the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Law on the Prevention and Treatment of Water Pollution of the PRC (《中華人民共和國水污染防治法》), the Law on the Prevention and Treatment of Air Pollution of the PRC (《中華人民共和國大氣污染防治法》), the Law on Prevention and Treatment of Solid Waste of the PRC (《中華人民共和國固體廢物防治法》), the Law on Prevention and Control of Environmental Noise Pollution of the PRC (《中華人民共和國環境噪聲污

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染防治法》，the Administrative Measures on the Prevention and Cure of Pollution Caused by Breeding of Livestock and Poultry (《畜禽養殖污染防治管理辦法》) and the 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》). In particular, there are environmental regulations concerning the treatment of wastewater produced by our slaughtering facilities. Please see the section headed “Regulatory Overview” in this document. We are subject to periodic inspections by local regulatory authorities with respect to these laws and regulations. We have endeavored to implement policies and measures in the operation of our business to ensure our compliance with Chinese environmental laws and regulations in all material respects.

To satisfy the environmental protection requirements for different pollutants, we have adopted the following environmental protection measures:

- **Dead Hogs.** We use advanced equipment to dispose of dead hogs in an environmentally friendly manner. Dead hogs are collected and delivered to designated locations where they undergo high temperature crushing and heating and biological fermentation. We use part of the waste residue generated through this process in biogas stations, and use the remainder for our bioslurry-to-field systems.
- **Animal Waste.** Manure and other animal waste from our hog production operations are collected and processed through our continuously stirred tank reactor system to yield biogas and bioslurry.
- **Water.** We have wastewater processing facilities to process the wastewater from our operations. This helps us to ensure that no wastewater is discharged in violation of the applicable Chinese laws.

We use the biogas that we generate as clean energy for heating and electricity generation, and we provide the bioslurry we generate as organic fertilizer to the farmers near our hog farms.

We have adopted emergency planning, response and control procedures as countermeasures for unexpected environmental pollution accidents to minimize any adverse effect caused by potential environmental non-compliance and environmental incidents. We classify environmental pollution accidents into four grades depending on the extent of environmental impact, personal injury and casualty, and direct economic losses. Our quality and safety-management department is responsible for the investigation and resolution of the accidents, in accordance with incident grade-specific guidelines.

We have incurred environmental costs, including the costs of running biogas station, sewage treatment costs and costs relating to greening to comply with environmental protection laws. We incurred total environmental costs of RMB17.5 million, RMB18.7 million, RMB24.0 million and RMB6.3 million in 2013, 2014, 2015 and the four months ended April 30, 2016, respectively. We

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received government grants of RMB5.6 million, RMB9.3 million, RMB12.7 million and RMB0.1 million in relation to the environmentally friendly disposal of dead hogs and the use of bioslurry to fertilize farms and biogas to generate electricity in 2013, 2014, 2015 and the four months ended April 30, 2016, respectively.

Although as advised by our PRC Legal Advisers, there are no PRC laws and regulations on animal welfare applicable to our business and operations, we seek to protect the physical and psychological well-being of our hogs by adopting internal control procedures during the hog breeding, hog farming and hog slaughtering processes. In particular, we ensure the well-being of our hogs in the following aspects:

- *Hog Feed.* To provide our hogs with safe and high-quality feed:

Appropriate types and amounts of feeds are selected and fed to our hogs in accordance with their demands for nutrients in different development stages. To ensure that our hogs consume adequate nourishment and to enhance their health conditions, feed formula is specifically customized according to their three nursery phases and three fattening phases.

We use automatic feeding systems that deliver feed mechanically to satisfy the feeding needs of our hogs and to guarantee the freshness of the feed. The size of the feeding downpipe of the machines are adjusted according to the size of the hogs, so that they are able to consume the feed at any time.

Feed is transported in closed compartments of specialized bulk feed trucks, and is delivered through helical conveyers. Feed is sent directly from the feed mills to the feed silos near the hog farms. The transport of the feed is fully-sealed to eliminate the risk of contamination in transit.

- *Living Conditions.* We provide a fully-automated living environment that is clean and comfortable for our hogs, in particular:

The ventilation system includes a summer ventilation mode and a winter ventilation mode. The target temperature of the living environment is set according to the needs of our hogs in different development stages, and the size of the inlet is adjusted through setting the initial and finishing temperature of the fan. The air is kept fresh and the wind velocity is kept relatively uniform to suit the living needs of our hogs.

We provide appropriate heating equipment (such as heating radiators, air heaters and heat lamps) for ventilation purposes and to keep the hogs warm in winter, so that the hogs enjoy a comfortable living environment. Further, newborn piglets are placed under heat lamps to maintain their body temperature.

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We adopt internal requirements that regulate the minimum living area for each hog in accordance with their different development stages.

- *Water.* To provide our hogs with sufficient and clean water:

We provides a sufficient number of drinkers for our hogs and adjust the heights of the drinkers to ensure that hogs of all sizes are able to drink water comfortably. The water pressure is adjusted according to the needs of our hogs in different development stages.

We monitor the quality of the water regularly to ensure the safety of the water and compliance with national standards for drinking water for livestock in China.

- *General Health.* To manage general health of our hogs:

When a batch of hogs are transferred out of a hog farm, the farm is thoroughly washed, sterilized and dried before the arrival of the next batch of hogs. This helps prevent cross-infection among different batches of hogs.

We maintain a stringent disease prevention and epidemic control system in our hog farms. We actively monitor the health condition of our hogs, and they are given high quality vaccines and other veterinary medicine, as required. Please see “—Our Business—Pork Business—Hog Production—Hog Production Controls” for details.

We identify and give appropriate individual treatment to hogs in need of health care, and use humane methods to euthanize sick or injured hogs not responding to care and treatment.

We use advanced equipment to dispose of dead hogs, manure and other animal waste to avoid the spread of stench. Please see the environment protection measures we have adopted discussed above for details.

- *Slaughtering.* To avoid unnecessary pain and suffering:

We let our hogs rest quietly in the waiting pens for around 12 to 24 hours before the slaughtering process, during which they are provided with drinking water and showering to relax.

We use carbon dioxide to stun our hogs. We believe, as a result, they do not feel any pain during the slaughtering process.

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INSURANCE

Our insurance coverage consists primarily of property insurance, live hog insurance, product liability insurance, equipment damage insurance, cargo transportation insurance and employee related insurance. We consider our insurance coverage to be adequate, as we have in place all the mandatory insurance policies required by Chinese laws and regulations and in accordance with the commercial practice in our industry.

Our property insurance primarily covers our buildings, facilities and machinery. Our live hog insurance primarily covers death of our breeding sows and fattening hogs, in each case subject to typical per-head limitations on insurance claim. Our equipment damage insurance covers damages caused to our equipment in our production facilities. Our cargo transportation insurance covers imported cargos transported from ports to warehouses. Our product liability insurance covers claims of personal injury, disease, death or property damage caused by our products. Our employer-related insurance mainly consists of contributions to or provisions of the employee pension insurance, workplace injury insurance, maternity insurance, unemployment insurance, health insurance, housing funds as required by PRC laws and regulations. For risks not being covered by insurance, please see the section headed “Risk Factors—Risks Relating to Our Business—Our insurance coverage may not be adequate to cover all the risks.”

On August 12, 2015, a series of explosions occurred at the Port of Tianjin. Some of our imported frozen meat products were stored at two warehouses near the explosions site, and were severely damaged. For details regarding the financial impact of this incident, please see the section headed “Financial Information—Description of Selected Statement of Profit or Loss and Other Comprehensive Income Items—Continuing Operations—Other Gains and Losses.” In light of the insurance indemnity we have obtained or expect to obtain in respect of the incident, we believe it will not result in any material adverse effect on our business, financial conditions, results of operations and prospects. For more information, please see the section headed “Risk Factors—Risks Relating to Our Business—Our operations may be interrupted by production difficulties due to mechanical failures, utility shortages or explosions, fires, Acts of God or other calamities at or near our facilities.”

INTELLECTUAL PROPERTIES

Our intellectual property rights are important to our business, primarily because we rely on consumers’ recognition of our brand names. As of August 31, 2016, we had 28 registered trademarks including “Joycome (家佳康)” and “Maverick (萬威客),” two applications for trademark registration, eight software copyrights and five domain names in China. Details of our intellectual property rights registered and pending registration which we consider to be or may be material to our business are set out in the section headed “Appendix IV—Statutory and General Information—B. Further Information about our Business—2. Intellectual Property Rights of our Group” in this document.

COFCO granted to our Group the right to use its trademarks in relation to our business in Hong Kong and China for a term of three years. For detailed information, please see the section headed “Connected Transactions—Continuing Connected Transactions—Exempt Continuing Connected Transactions with COFCO Group—Trademark Licenses.”

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We apply a proactive approach in managing our intellectual property rights. We have obtained defensive registrations of our trademarks in additional categories. With respect to proprietary know-how that is not patentable and processes for which patents are difficult to enforce, we rely on trade secret protection and confidentiality agreements to safeguard our interests. Furthermore, under PRC laws and regulations, all of the patentable inventions, utility models and designs developed by our employees in connection with their employment with us are automatically assigned to us.

During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, we had not been subject to any material intellectual property claims that could have a material adverse effect on our operations or financial performance.

MAJOR AWARDS

We received some awards and recognition in respect of quality of our products, brand recognition and our social contributions, including the key awards and recognition set forth in the table below:

Awards and Recognition	Year	Issuing Authority
Agriculture Industrialization National Key Enterprise (農業產業化國家重點龍頭企業) for Wuhan COFCO Meat	2008 through 2015	MOA, NDRC, MOF, MOFCOM, PBOC, CSRC and All China Federation of Supply and Marketing Cooperatives (中華全國供銷合作總社)
Live Hog Standardized Model Farm (生豬標準化示範場)	2012 through 2015	Ministry of Agriculture (農業部)
Hog Slaughtering and Production Enterprise with the Most Valuable Brand (豬禽屠宰加工最有價值品牌企業)	2015	China Meat Association (中國肉類協會)
Agriculture Industrialization Provincial Key Enterprise (農業產業化省級重點龍頭企業)	2015	People's Government of Jilin Province (吉林省人民政府)
Agriculture Industrialization Provincial Key Enterprise (農業產業化省級重點龍頭企業)	2013	Agriculture Commission of Jiangsu Province (江蘇省農業委員會)
Animal Epidemic Prevention Model Farm of Jiangsu Province (江蘇省動物防疫規範達標示範場)	2012	Agriculture Commission of Jiangsu Province (江蘇省農業委員會)
Top Five Leading Enterprises in Live Hog Industry of Hubei Province (湖北省生豬行業五強龍頭企業)	2011	People's Government of Hubei Province (湖北省人民政府)
Jiangsu Province Animal Husbandry Ecological Health Production Model Base (江蘇省畜牧生態健康養殖示範基地)	2011	Agriculture Commission of Jiangsu Province (江蘇省農業委員會)
Hubei Famous Product (湖北名牌產品) for Joycome fresh pork	2005 through 2015	Hubei Province Quality Development Strategy Leading Group Office (湖北省實施質量興省戰略工作領導小組辦公室)

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EMPLOYEES

As of August 31, 2016, we had 5,202 employees. The table below sets out a breakdown of our employees by function as of August 31, 2016.

Function	Employees
Production	3,469
Quality control, research and development and engineering	854
Sales and marketing	575
Finance, human resources and administration	<u>304</u>
Total	<u><u>5,202</u></u>

The remuneration packages for our employees include salary, bonuses and allowances. As required by Chinese regulations, we participate in social insurance schemes operated by the relevant local government authorities and maintain mandatory pension contribution plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance for our employees. We also contribute to housing accumulation funds for our employees.

We provide continuing education and training programs to our employees to improve their skills and develop their potential. We also adopt evaluation programs through which our employees can receive feedback. We foster strong employee relations by offering various staff benefits and personal development support. Our subsidiaries in China have established labor unions in accordance with the applicable Chinese law. We are not subject to any collective bargaining agreements. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material labor disputes or claims.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

With the growth and expansion of our operations, potential risks to our business increase as well. In order to identify, assess and control the risks that may create impediments to the growth of our business, we have designed and implemented risk management policies to address various potential risks identified in relation to our operations, including operational risks, credit risks, market risks, financial risks and legal risks. Our risk management policies set forth procedures to identify, analyze, categorize, mitigate and monitor various risks as well as the reporting hierarchy of risks identified in our operations. Each of our business departments and functions is responsible for identifying and evaluating the risks relating to its area of operations and implementing our risk management and internal control systems. Our Audit Committee is responsible for overseeing our management in the implementation of our overall risk management and internal control systems and assessing our risk management and internal control systems.

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We have adopted a risk management system, which includes four steps:

- Identification: We identify existing and emerging risks and categorize them according to the nature of the risks.
- Assessment: Based on the identification and categorization of our risks, we make reference to previous experience to analyze and assess the likelihood and loss degree of the potential risks.
- Mitigation: We mitigate the potential impact of risks primarily through two methods: (1) we make efforts to change the conditions of the risks to reduce frequency of loss and loss magnitude of the risks themselves, such as setting higher safety standards; and (2) we make financial arrangements to neutralize the effect and damage of the risks, such as purchasing insurance policies.
- Evaluation: We evaluate the costs and effect of our mitigation measures to assess the effectiveness and efficiency of our risk management system. The result of the evaluation is then reported to our management and Board as a reference point to further refine our risk management system.

For measures over quality control and market and other risks, please see sections headed “—Quality Control and Food Safety” and “Financial Information—Market and Other Financial Risks.”

Internal Control

To continuously improve our corporate governance and internal control system, we have adopted, or will adopt before the [REDACTED], a series of internal control policies, procedures and plans designed to provide reasonable assurance of our achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. We have taken steps to ensure the effective implementation of our internal control system by establishing the Audit Committee with a mandate to monitor our internal control system and review its effectiveness; providing training to our Directors, senior management and employees with respect to our internal control policies and the duties and responsibilities of directors and management of listed companies under the Listing Rules and other applicable laws and regulations; and appointing Guotai Junan Capital Limited as our compliance adviser to advise on ongoing compliance with the Listing Rules and other applicable [REDACTED] and regulations in Hong Kong.

OUR PROPERTIES

We occupy certain properties in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. They mainly include premises for our farms, slaughter sites, processed meat plants and feed mills.

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According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which require a valuation report with respect to all of our Group’s interests in land or buildings. This is because as of April 30, 2016, each of our properties had a carrying amount that was less than 15% of our consolidated total assets.

Owned Properties

We had obtained land use right certificates for seven parcels of land with an aggregate area of approximately 515,427.5 square meters and building ownership certificates for 16 properties with an aggregate floor area of approximately 68,068.2 square meters as of the Latest Practicable Date. Please see “—Legal Proceedings and Compliance—Non-compliance Matters” for a discussion of our failure to obtain building ownership certificates for certain of our production facilities in Wuhan, Hubei Province.

Leased Properties

As of the Latest Practicable Date, we leased 42 parcels of land with an aggregate area of approximately 27,276,200.0 square meters and 29 properties with an aggregate gross floor area of approximately 8,239.3 square meters, from third parties to support our business activities and operations. These leased properties are mainly used as hog farms, Joycome-designated stores, as well as offices. Please see “—Legal Proceedings and Compliance—Non-compliance Matters” for defects related to certain of our leased properties.

Defects Related to Leased Properties

Lack of Filing of Leased Land

As of the Latest Practicable Date, we had not completed the filings for facility agricultural-use land (設施農用地備案) for six parcels of our leased land in Wuhan, Hubei Province with an aggregate area of 758,386.7 square meters. We use these properties mainly as hog farms. According to confirmation letters issued by the Agriculture Commission of Jiangxia District of Wuhan on March 28, 2016, the Land and Resources and Planning Bureau of Jiangxia District of Wuhan on May 6, 2016, the Land, Animal Husbandry and Veterinary Bureau of Xinzhou District of Wuhan and the Resources and Planning Bureau of Xinzhou District of Wuhan on April 27, 2016, the relevant government authorities have suspended filings for facility agricultural-use land as the land planning is changing. The confirmation letters advise us that they will not initiate any administrative actions against us as a result of these incidents. As advised by our PRC Legal Advisers, the Agriculture Commission of Jiangxia District of Wuhan, Land and Resources and Planning Bureau of Jiangxia District of Wuhan, Land, Animal Husbandry and Veterinary Bureau of Xinzhou District of Wuhan and Resources and

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Planning Bureau of Xinzhou District of Wuhan are the competent government authorities to issue such confirmation letters. Our PRC Legal Advisers are of the view that (a) the land lease contracts underlying the relevant leased land that we entered into are in compliance with applicable PRC laws; and (b) the likelihood that we will be subject to administrative actions is remote as (i) these incidents are caused by the suspension of registration filing by the relevant government authorities during the land planning changing period, (ii) there are no express legal consequences under PRC laws for failure to complete the filings for facility agricultural-use land, and (iii) the competent government authorities have confirmed in writing that these incidents are not caused by our own reason and they will not initiate any administrative actions against us, respectively.

Title Defect Related to Leased Properties

As of the Latest Practicable Date, the lessors of seven of our leased properties, with an aggregate gross floor area of 968.1 square meters, had not provided us with valid title certificates or other ownership documents. These properties are mainly used as Joycome-designated stores, offices and dormitories for our employees. Our PRC Legal Advisers have advised us that, with respect to these properties, we will not be penalized for the lessors' failure to provide the title certificates or other ownership documents. However, if the lessors do not have the lawful rights to the properties, the relevant lease agreements may not be legally binding and enforceable under Chinese laws, and consequently we may not be able to continue to occupy and use these properties. We may be required to cease occupation and use of these leased properties if a valid claim for these properties arises. We are communicating with our lessors to provide relevant certificates and documentary evidence, but the timing for us to obtain these certificates is beyond our control. As of the Latest Practicable Date, we were not aware of any challenge being made by any third party to our current occupation and use of these properties, and our business operations had not been disrupted due to our lessors' inability to provide the relevant title certificates or other ownership documents in relation to the relevant lease agreements.

We have adopted the following enhanced internal control policies to prevent the recurrence of similar title defects issues in relation to our renewal of existing and future leased properties:

- For our existing properties with title defects, we have compiled a comprehensive list of those properties. We have assigned our legal department to coordinate with relevant administrative departments and subsidiaries to follow up with the relevant parties to retrieve the title certificates or other ownership documents of these properties.
- Our legal department and relevant administrative departments regularly assess the risks arising from the title defects of the leased properties. For defective properties that we assess as having high risks which could affect our occupation and usage of the properties or our operations at these properties, we will implement relocation plans for the relevant operations in a timely manner accordingly when necessary.

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- Our legal department and relevant administrative departments conduct due diligence and reviews when we lease additional properties, particularly on the nature, designated usage and title certificates for such properties.
- We request the incorporation of warranty and indemnity provisions in our lease agreements to require our lessors to provide valid title certificates and indemnify us against any losses and damages arising from defective title.

Lack of Registration of Leased Properties

As of the Latest Practicable Date, seven of our leased properties in China, with an aggregate gross floor area of 561.0 square meters, had not been registered with the relevant housing authorities. The lessors of five of these leased properties, with an aggregate gross floor area of 482.7 square meters, had not provided us with valid title certificates or other ownership documents as of the Latest Practicable Date. These properties are used mainly as Joycome-designated stores and offices. Pursuant to the provisions of the Administrative Measures for Commodity House Leasing (商品房屋租賃管理辦法), parties to a property lease agreement must register the lease agreement with the relevant housing authorities within 30 days of executing the lease agreement. For lease agreements that are not registered with the relevant housing authorities, we may be subject to a maximum fine of RMB10,000 per incident. Our PRC Legal Advisers have advised us that our failure to register the lease agreements does not affect the validity or enforceability of the lease agreements. During the Track Record Period and up to the Latest Practicable Date, we had not received any notice of any penalty from the relevant housing authorities in relation to our failure to register these leases.

Our Directors believe that the defects in our leased properties described above will not have a material adverse effect on our business, financial condition and results of operations, because as compared with similar properties in comparable neighborhood, there is no material difference in the rents we paid for these leased properties, and in the unlikely event that we are required to terminate our usage of these properties, we believe that replacement premises for these leased properties are readily available, the estimated time and cost for relocation would not be material, and our operations located at these properties could be relocated to new sites without material interruption to our business and our financial condition or results of operations would not be materially and adversely affected.

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LICENSES, PERMITS AND CERTIFICATES

Our PRC Legal Advisers have confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had obtained all material requisite licenses, approvals and permits from relevant PRC authorities for our operations in China. Except as disclosed in the document, our requisite licenses and permits were valid as of the Latest Practicable Date. The following table sets forth the material requisite permits and licenses for our business operation:

Division	Permit and License	Issuing Authority	Validity Period
Hog Production	Certificate for Animal Epidemic Disease Prevention (動物防疫條件合格證)	County level branch of the Ministry of Agriculture	The Animal Epidemic Prevention Law of the PRC (《中華人民共和國動物防疫法》) does not specify a validity period. Competent authorities have the authority to determine the validity periods and the practice varies among different authorities.
Hog Production	Certificate for Production and Operation of Breeding Livestock and Poultry (種畜禽生產經營許可證)	County level branch of the Ministry of Agriculture	Three years
Fresh Pork	Certificate for Designated Facility for Live Hog Slaughtering (生豬定點屠宰證)	Municipal government	None
Processed Meat	Certificate for Food Production (食品生產許可證) (formerly National Certificate for Production of Industrial Products (全國工業產品生產許可證))	County level branch of CFDA	Five years
Fresh Pork and Processed Meat	Certificate for Food Operation (食品經營許可證) (formerly Certificate for Food Circulation (食品流通許可證))	County level branch of CFDA	Five years

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For more information about the laws and regulations that we are subject to, please see the section headed “Regulatory Overview” in this document. Some of our material permits and licenses have limited periods of validity, such as five years for a Certificate for Food Production or a Certificate for Food Operation. Our legal compliance personnel are responsible for monitoring the validity status of our permits and licenses, and preparing timely applications for renewal of the relevant permits and licenses. We currently do not expect any material impediment in timely renewing our material permits and licenses as they expire, if applicable.

LEGAL PROCEEDINGS AND COMPLIANCE

We have detailed compliance procedures to identify and control the legal risks in our operations. According to our PRC Legal Advisers, other than as disclosed in this document, we have complied in all material aspects with all applicable laws and regulations during the Track Record Period.

Legal Proceedings

We were from time to time involved in legal proceedings arising from the ordinary course of our business during the Track Record Period, but none of them is material to us. As of the Latest Practicable Date, none of our Company, subsidiaries or Directors was a party to any pending or threatened litigation, arbitration or administrative proceeding that could have a material adverse effect on our financial position or results of operations.

Non-compliance Matters

Defects Related to Environmental Protection and Owned Properties

As of the Latest Practicable Date, we had submitted all required documents to the relevant local government authorities but had been unable to complete the environmental protection completion inspection procedures (環保竣工驗收手續) before we commenced production and obtain building ownership certificates for certain production facilities in Jiangxia District, Wuhan, Hubei Province. We have obtained the land use right certificates for these projects, under which we are entitled to use the land for industrial purpose. Following changes in the urban zoning plan of Jiangxia District in Wuhan, which occurred after the construction of the relevant production facilities, we are no longer eligible to complete the relevant environmental protection completion inspection procedures for these production facilities. Moreover, we are unable to obtain the relevant building ownership certificates for these buildings. According to a confirmation letter issued by the People’s Government of Jiangxia District of Wuhan on April 8, 2016, the government will allow us to continue our production at these production facilities and it will not initiate any administrative actions against us for these incidents. As advised by our PRC Legal Advisers, the People’s Government of Jiangxia District of Wuhan is the competent government authority to issue such a confirmation. Our PRC Legal Advisers are of the view that the likelihood that we will be subject to any administrative actions (including order to rectify, fine, order to demolish, seizure of illegal income and suspension of operation) in respect of these

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incidents is remote, as (i) our failure to complete environmental protection completion inspection procedures and obtain building ownership certificates is due to the changes in the urban zone planning of Jiangxia District, which made it impractical for us to pass the environmental protection completion inspection procedures and obtain the relevant building ownership certificates; and (ii) the People’s Government of Jiangxia District of Wuhan has confirmed in writing that it will not initiate any administrative actions against us. Accordingly, no provision has been made in our financial statements. External revenue generated by the relevant production facilities in Wuhan was less than 18% of our total revenue from continuing operations in 2015. In the unlikely event that the local government required us to relocate these production facilities in Wuhan for public interests, according to applicable Chinese laws, we are entitled to reach an agreement with the local government for compensation and the timing of the relocation. We believe we will be able to identify the replacement facilities for these production facilities before moving out of the existing production facilities. We would not expect to suspend our operations at these production facilities until the replacement facilities are completed and ready for operation. Accordingly, we do not expect these incidents would result in any material adverse effect on our business.

Defects Related to Environmental Protection Documentation

As of the Latest Practicable Date, we had not completed the environmental protection completion inspection procedures before commencement of operation for the following projects.

Maverick Project

As a result of changes in the local water reserve zoning plan, the land parcel in Heshan, Guangdong Province on which our Maverick processed meat production facility is located, was included in a Class I water reserve area; this inclusion was made before we acquired Maverick in 2009. As a result of these changes, we are not eligible to complete the relevant environmental protection completion inspection procedures for our production facility. Our PRC Legal Advisers are of the view that the likelihood that we are subject to administrative actions (including fine, suspension of operation and demolition) is remote because (i) Maverick obtained the Pollutants Emission Permit (污染物排放許可證) pursuant to the relevant Chinese laws; (ii) according to a confirmation letter issued by the competent government authority, Maverick had complied with all the applicable Chinese laws and regulations in relation to pollutant emissions; (iii) during our interview with relevant officials of Heshan People’s Government and Heshan Environmental Protection Bureau in May 2016, the officials orally confirmed that (a) our failure to complete the environmental protection completion inspection procedures after our acquisition of Maverick was due to the changes in the local water reserve zoning plan; (b) we may continue to operate at this production facility as we currently do; (c) the relevant government authorities currently do not have any plan to shut down or demolish this production facility; and (d) in case the relevant government authorities were to require us to relocate this production facility, they would not order us to shut down or demolish this production facility until we complete our relocation to the replacement facility. We believe we will be able to identify the replacement facility for this production facility before moving out of the existing production facility. We would not expect to be

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required to suspend our operations at this production facility until a replacement facility is completed and ready for operation. Accordingly, no provision has been made in our financial statements. As advised by our PRC Legal Advisers, the relevant officials have the authority to provide such oral confirmation. Up to the Latest Practicable Date, we have not received any notice from the local government requiring us to suspend our operation at this facility or shut down or demolish this facility. This production facility had been in normal operation during the Track Record Period and up to the Latest Practicable Date. As external revenue generated by Maverick was less than 6.0% of our total revenue from continuing operations in 2015, we do not expect any regulatory action in respect of it to result in any material adverse effect on our business.

Dongtai Projects

In December 2009, we obtained approval from Dongtai Environmental Protection Bureau for an environmental impact assessment report for our Jindongtai hog farm project. This farm has a total annual production capacity of 500 thousand head and is located in the Dongtai Coastal Economic Industrial District. In August 2011, China’s Environmental Protection Department determined that although the Dongtai Coastal Economic Industrial District includes 11 sq.km. of the Yancheng National Nature Reserve (in which our Jindongtai hog farm project is located), it approved the local environmental protection bureau conducting an environmental impact assessment on the Dongtai Coastal Economic Industrial District, because the local government and the enterprises in the district had conducted environmental protection remedial measures to its satisfaction. In December 2011, Yancheng Environmental Protection Bureau approved the environmental impact assessment on the Dongtai Coastal Economic Industrial District. In October 2013, Jiangsu Province Environmental Protection Department approved in principle the ecological report and technical evaluation opinion for our Jindongtai hog farm project and submitted its report to China’s Environmental Protection Department. In May 2014, China’s Environmental Protection Department ordered Jiangsu Province Environmental Protection Department to conduct further evaluation of the projects in the Yancheng National Nature Reserve and perform environmental impact post-assessment, and in the meantime suspend the approval of any project that may affect the Yancheng National Nature Reserve. In May 2016, the Jiangsu Province Environmental Protection Department provided in-principle approval for continuing the application process for approval of the projects. In addition to the Jindongtai hog farm project, we also have hog farms with total annual production capacity of 350 thousand head that are located in the Dongtai Coastal Economic Industrial District and are near the Yancheng National Nature Reserve. We are cooperating with the local government in completing the environmental protection procedures for our project in the Yancheng National Nature Reserve and we are applying for the environmental protection completion inspection procedures for our projects near the Yancheng National Nature Reserve.

According to a confirmation letter issued to us by the Dongtai Environmental Protection Bureau on April 18, 2016, it will not initiate any administrative actions against us for these non-compliance incidents. As advised by our PRC Legal Adviser, in accordance with relevant PRC laws and regulations, the Ministry of Environmental Protection under the State Council, the environmental protection administrative authorities of a province, autonomous region or municipality directly under

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the Central Government, and the environmental protection administrative authorities at or above the county level are responsible for supervision and administration over the examination and approval of environmental matters for construction projects within their respective administrative regions. The higher level environmental protection administrative authorities are required to reinforce the supervision and administration over the lower level authorities in order to promptly rectify illegal conduct in environmental matters for construction projects. Meanwhile, the relevant regulations require the environmental protection administrative authorities at or above the county level where non-compliant acts are committed to investigate and impose administrative penalties against such non-compliant acts. In accordance with these regulatory provisions, the environmental protection administrative authorities at the places of the construction projects are the relevant and competent supervision and administration authorities over the environmental matters for construction projects. Therefore, as advised by our PRC Legal Advisers, Dongtai Environmental Protection Bureau, the county-level environmental protection administrative authorities providing opinions on our compliance with the relevant requirements, is the competent government authority to issue such a confirmation. Our PRC Legal Advisers are of the view that the likelihood that we will be subject to administrative actions (including order to rectify, compensation for damage caused, fine and suspension of production or usage) is remote as (i) our failure to complete the environmental protection completion inspection procedures was due to the environmental protection planning policies of the Dongtai Coastal Economic Industrial District, which is under review and change by the Environmental Protection Department; (ii) we are cooperating with the local government in completing the environmental protection procedures for our projects in the Yancheng National Nature Reserve and we are applying for the environmental protection completion inspection procedures for our projects near the Yancheng National Nature Reserve; and (iii) Dongtai Environmental Protection Bureau has confirmed in writing that it will not initiate any administration actions against us for our continuing operation at these projects. In addition, as advised by our PRC Legal Advisers, there are no substantial legal impediments to completing the environmental protection completion inspection procedures for these projects. Accordingly, no provision has been made in our financial statements. As external revenue generated by this hog farm project was less than 5% of our total revenue from continuing operations in 2015, we do not expect these incidents would result in any material adverse effect on our business.

Huangshi Projects

We had not completed the environmental protection completion inspection procedures before commencing the operation for our two breeding hog farms in Huangshi, Hubei Province because local villagers constructed some buildings near our breeding hog farms after we commenced construction of our breeding hog farms and because of changes in the environmental protection completion inspection requirements that resulted in the delay in processing our application. The buildings near our breeding hog farms were recently removed, and we are completing the environmental protection inspection procedures. According to confirmation letters issued by the Fuchi Branch of Yangxin County Environmental Protection Bureau on April 22, 2016 and by the Chengui Branch of Daye Environmental Protection Bureau on April 13, 2016, the environmental protection completion inspection procedures for these breeding hog farms are ongoing and they will not initiate any

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administrative action against us before the completion of these inspection procedures. As advised by our PRC Legal Advisers, the Fuchi Branch of Yangxin County Environmental Protection Bureau and the Chengui Branch of Daye Environmental Protection Bureau are the competent government authorities to issue such confirmation letters. Our PRC Legal Advisers are of the view that based on the above written confirmation letters, the likelihood that we will be subject to administrative actions (including fine and suspension of production or usage) in respect of these incidents is remote. In addition, as advised by our PRC Legal Advisers, there are no substantial legal impediments to completing the environmental protection completion inspection procedures for these projects. Accordingly, no provision has been made in our financial statements. As external revenue generated by these hog farms was less than 2% of our total revenue from continuing operations in 2015, we do not expect these incidents would result in any material adverse effect on our business.

Projects in Chifeng, Zhangbei, Changling, and Yancheng

We had not completed the environmental protection completion inspection procedures before commencing the operation of certain of our hog farms in Chifeng, the Inner Mongolia Autonomous Region; Zhangbei, Hebei Province; Changling, Jilin Province; and Yancheng, Jiangsu Province and had not obtained pollutant emission permit for hog farms in Chifeng, Zhangbei and Yancheng. These hog farms are part of our hog production projects in these regions, and the construction of these projects are still ongoing. According to confirmation letters issued by the Wengniute Qi Environmental Protection Bureau on April 14, 2016, the Zhangbei County Environmental Protection Bureau on April 18, 2016, the Zhangbei County Environmental Protection Bureau on April 18, 2016, the Changling County Environmental Protection Bureau on April 25, 2016 and the Xiangshui County Environmental Protection Bureau on April 18, 2016, the relevant environmental protection authority will conduct environmental protection completion inspection procedures and issue the pollutants emission permit for these hog farms after the entire hog production project, of which our completed hog farms are a part, are completed, and the relevant environmental protection authority will not initiate any administrative action against us for these non-compliance incidents. As advised by our PRC Legal Advisers, the Wengniute Qi Environmental Protection Bureau, Zhangbei County Environmental Protection Bureau, Changling County Environmental Protection Bureau and Xiangshui County Environmental Protection Bureau are the competent government authorities to issue such confirmation letters. Our PRC Legal Advisers are of the view that the likelihood that we will be subject to administrative actions (including fine and suspension of operation) is remote as the competent government authorities have confirmed in writing that they will not initiate any administrative action against us in respect of these incidents. During the Track Record Period and up to the Latest Practicable Date, our hog farms in Chifeng, Zhangbei, Changling and Yancheng have been in normal operation, and we have not received any notice from the local government requiring us to suspend our operations at these hog farms. In addition, as advised by our PRC Legal Advisers, there are no substantial legal impediments to completing the environmental protection completion inspection procedures for these projects. Accordingly, no provision has been made in our financial statements. As total external revenue generated by the relevant hog farms in Chifeng, Zhangbei, Changling and Yancheng was less than 2% of our total revenue from continuing operations in 2015, we do not expect these incidents would result in any material adverse effect on our business.

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Enhanced Internal Control Measures to Prevent Recurrence of Non-compliance Incidents

In view of the above non-compliance incidents, we have taken the following measures to enhance our internal control system:

- We maintain a list of approvals, certificates, licenses and filings that are required in order for us to commence operation hog farms and production plants, and will update this list from time to time based on our communications with local authorities and advice from our external advisers. In determining the development plan and timetable for the development of a new hog farm or production plant, we will prescribe specific timelines within which various approvals, certificates, licenses and filings should be applied for and obtained so that our operations team will follow these timelines to make necessary applications. Designated management personnel will regularly review and monitor the progress of the approval, certificate license and permit applications;
- Before the commencement of formal operation of any hog farm or production plant, a designated manager will perform an examination of the approvals, certificates, licenses and filings and ensure that all of the relevant approvals, certificates, licenses and filings have been obtained and report the status of these procedures to the farm or plant manager, as applicable. The farm or plant manager, as applicable, is not allowed to approve the commencement of formal operation until all relevant approvals, certificates, licenses and filings have been obtained;
- We have regularly updated our legal manuals to reflect the latest relevant laws and regulations, including those on environmental protection and licensing procedures and land policies;
- We have assigned our internal audit department to review and monitor our major business activities on a regular basis, conduct random inspection and report its findings to our Audit Committee; and
- We conduct regular internal training of our management and employees on our compliance policies and will engage external professionals, including our Hong Kong and PRC legal advisers and our compliance advisors, to conduct training on our ongoing compliance and obligations under the Listing Rules and other Hong Kong and PRC regulations to ensure awareness and compliance of the policies.

View of our Directors and the Joint Sponsors

Our Directors are of the view that the non-compliance incidents described above are not of a material nature, and most of them were primarily due to delays in obtaining approvals or registrations caused by changes in zoning plans, government policies or application procedure. Based on our

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implementation of the enhanced internal control measures described above and our operation scale, our Directors believe that the enhanced internal control measures are adequate and effective to prevent recurrence of the non-compliance incidents, and the non-compliance incidents described above do not have any material impact on the suitability of our Directors to act as directors of a [REDACTED] under Rules 3.08 and 3.09 of the Listing Rules and the suitability for [REDACTED] of our Company under Rule 8.04 of the Listing Rules, and nothing has come to the attention of the Joint Sponsors that would reasonably cause the Joint Sponsors to disagree with the Directors’ view regarding the suitability for [REDACTED] of the Company.

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You should read the following discussion and analysis in conjunction with our consolidated financial information included in “Appendix I—Accountants’ Report” and “Appendix II—Unaudited Pro Forma Financial Information,” in each case together with the accompanying notes. This consolidated financial information includes the financial information of our Discontinued Operation, which our Directors resolved to dispose of in November 2015 and we disposed of in April 2016. The Accountants’ Report has been prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong.

This discussion contains forward-looking statements that reflect our current view with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as factors that we believe are appropriate under the circumstances. However, our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Risk Factors” and elsewhere in this document.

OVERVIEW

We are a rapidly growing pork company in China with a vertically integrated business model operating across the entire industry value chain in China. Our businesses include feed production, hog production, slaughtering, the production, distribution and sale of fresh pork and processed meat products and the import and sale of frozen meat products. We have grown rapidly, and as of the Latest Practicable Date, we had 47 hog farms, two slaughtering plants and two processed meat plants strategically located across China. We ranked fourth in China’s hog production market by production volume of finishing hogs in 2015, according to Frost & Sullivan.

We are uniquely positioned to benefit from current trends in China’s pork industry, including industry consolidation toward large-scale hog farms, increasing consumer demand for safe, high-quality products, and the need to comply with increasingly stringent environmental regulations. We were one of the first enterprises in China to adopt large-scale hog farming, according to Frost & Sullivan. Our annual hog production capacity increased from 1.3 million head as of December 31, 2013 to 2.3 million head as of December 31, 2015, representing a CAGR of 30.7%. We expect to increase our annual hog production capacity to over 3.5 million head by the end of 2016. Over the next five years, we intend to continue our expansion and our goal is to expand our annual hog production capacity to 5.5 million head by the end of 2020, representing a CAGR of 19.3% between 2015 and 2020. Our vertically integrated business model and stringent food-safety control system help us to closely monitor our production processes to ensure food safety. Shortly before the 2012 London Olympics, General Administration of Sports of China designated us as the sole meat product supplier for the Chinese Olympic Sports Delegation between 2012 and 2015, an important demonstration of recognition of and trust in the safety and quality of our products.

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We have a strong and diversified shareholder base built around COFCO, a Fortune Global 500 company and leading state-owned Chinese agribusiness company directly owned and managed by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC, and Mitsubishi and its associates Itoham and Yonekyu, which have extensive experience in livestock farming and meat products processing. Through implementation of state-owned enterprise reform, we also brought in leading financial investors KKR, Baring, Temasek and Boyu as new shareholders. Our shareholders have provided us with support in a variety of areas, including strategic planning, talent acquisition, resource allocation, branding, operations and corporate governance.

Our revenue from continuing operations increased slightly from RMB3,733.6 million in 2013 to RMB3,746.0 million in 2014, increased by 35.0% from 2014 to RMB5,055.7 million in 2015 and increased by 43.0% from RMB1,375.6 million in the four months ended April 30, 2015 to RMB1,967.6 million in the same period of 2016. We had losses for the year from continuing operations of RMB79.6 million and RMB349.4 million in 2013 and 2014, respectively, a profit for the year from continuing operations of RMB209.7 million in 2015 and a profit for the period from continuing operations of RMB460.6 million in the four months ended April 30, 2016. Our financial performance has been and is likely to continue to be strongly affected by price fluctuations of commodities, in particular live hogs and feed. The results of our hog production segment historically have had and are expected to continue to have the largest influence on our net profit or loss, and this segment’s results of operations are largely affected by hog price movements in China. For a discussion of how hog and other commodity prices affect our results of operations, please see “—Principal Factors Affecting Our Results of Operations—Fluctuations in Commodity Prices.” Our hog production segment’s average selling price (for external sales only) decreased by 13.2% from 2013 to 2014, but increased by 26.9% from 2014 to 2015 and by 67.5% from the four months ended April 30, 2015 to the same period of 2016. Another key factor affecting our profitability is the ramp-up of our operations. On the one hand, with the expansion and ramp-up of our production facilities, our sales volume and revenue increased during the Track Record Period, and with increased revenue, our selling and distribution expenses and administrative expenses accounted for a lower percentage of our total revenue from continuing operations from 2014 to 2015 and from the four months ended April 30, 2015 to the same period of 2016. On the other hand, the addition of new facilities causes us to incur fixed costs and expenses when the production volumes and utilization rates of these new production facilities are still low. It takes time for a new production facility (be it a hog farm or a processing plant) to ramp up its production and reduce its operating expenses on a per-unit basis. In particular, substantially all of our hog farms were established since 2011 or are being constructed. See “Business—Our Business—Pork Business—Hog Production” for more information on the number of hog farms that were in operation as of period-end dates during the Track Record Period. Our slaughtering plant in Dongtai, Jiangsu Province, which has an annual production capacity three times that of our older plant in Wuhan, commenced operations in October 2012 and its operations have been ramping up throughout the Track Record Period. Our profitability is also affected by our operating efficiency. Our average finishing weight increased from 96.4 kg per head in 2013 to 97.8 kg per head in 2014, 101.8 kg per head in 2015 and 106.6 kg per head in the four months ended April 30, 2016, while the time to grow our finishing hogs shortened. In addition, our PSY increased from 21.6 in 2013 to 22.2 in 2014, 22.6 in 2015 and 23.4 in the four months ended April 30, 2016. These changes led to the improvements in our hog

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production efficiency, including improving our feed conversion and reducing our operating expenses on a per-unit basis. For example, the improvement in our profitability in the four months ended April 30, 2016, compared to the same period of 2015, was due in part to our greater hog production efficiency as a result of our efforts to improve feed efficiency, which reduced our average feed cost.

BASIS OF PRESENTATION

Our business is conducted by COFCO Meat Products (HK) (which was previously directly owned by Mainfield, a subsidiary of COFCO) and its subsidiaries. Pursuant to the Reorganization (before the completion of the Mainfield Restructuring), our Company became the holding company of the companies now comprising our Group on April 22, 2014. The companies now comprising our Group were under the control of Mainfield before and after the Reorganization (before the completion of the Mainfield Restructuring). As a result, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2013 and 2014 have been prepared as if the Company had always been the holding company of our Group and the current group structure had existed throughout the Track Record Period, or since the respective dates of incorporation/establishment of the companies now comprising our Group, whichever period is shorter. The consolidated statements of financial position as of December 31, 2013 has been prepared to present the assets and liabilities of the companies now comprising our Group as if the Company had always been the holding company of our Group and the current group structure had existed at December 31, 2013.

As of December 31, 2013, 2014 and 2015 and April 30, 2016, our net current liabilities amounted to RMB2,277.1 million, RMB1,162.7 million, RMB851.1 million and RMB908.6 million, respectively. We finance our operations primarily through funding obtained from financial institutions and the immediate holding company and shareholders. As further explained in “—Liquidity and Capital Resources—Net Current Liabilities” and “—Liquidity and Capital Resources—Working Capital” below, we closely monitor our financial performance and liquidity requirements to safeguard our ability to continue as a going concern. Our Directors believe that, after taking into account the financial resources available to us, including internally generated funds, credit facilities available and expected to be available, and the estimated net proceeds of the [REDACTED], we have sufficient working capital for our present requirements for at least the next 12 months from the date of this document.

PRINCIPAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Fluctuations in Commodity Prices

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 fluctuations of commodity prices, including prices of corn and soybean meal (which are our primary feed ingredients), live hogs and pork in China. In our

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international trading business, we are exposed to 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, in particular the prices of live hogs, has had and is expected to continue to have a significant effect on our profitability.

Commodity prices generally fluctuate with market conditions, including supply and demand, outbreaks of diseases, government policies and weather conditions in major farming regions. For example, prices for feed and hogs demonstrate a cyclical nature over periods of years, reflecting changes in market supply and demand. Pork prices also fluctuate cyclically over periods of years, reflecting changes in market supply and demand, and the supply of pork is affected by, among others, government regulations on hog farming and slaughtering, environmental regulations and outbreaks of diseases. See “Industry Overview—Market Analysis of PRC Pork Industry—Hog Production” for more information on historical fluctuations of prices for feed, hogs and pork in China. See also “Risk Factors—Risks Relating to Our Business—Our results of operations are substantially affected by the selling prices of hogs and meat products, which affect our revenue, and by fluctuations in the purchase prices of hogs and grains (mainly corn and soybean meal), which affect our costs.”

Our hog production segment’s costs are affected by the market prices for feed ingredients, and its revenue depends on the market prices for live hogs. Our fresh pork segment’s costs depend on our costs of producing live hogs (primarily the cost of feed ingredients) and the market prices for hogs we purchase from third parties. The market prices for our fresh pork products, or pork prices, generally fluctuate with hog prices, although usually with some time lag. Changes in the market prices of live hogs relative to fresh pork products can have a significant effect on the profitability of our fresh pork segment. Our processed meat products segment’s costs depend primarily on the market prices for the relevant raw meat (primarily pork) in China and in overseas markets. The selling prices of our processed meat products may, in the long run, fluctuate with the market prices for live hogs, but are generally less volatile, due in part to a higher degree of product differentiation. Our international trading segment’s gross profit margin is affected by the price differentials between the Chinese and overseas market prices for meats such as pork, beef, poultry, mutton and lamb.

Given its relative size, our hog production segment has the most significant effect on our overall profitability and its results are substantially affected by the price of live hogs; accordingly, our overall profitability has been and we expect it will continue to be significantly affected by the market price of live hogs in China. The fact that during the Track Record Period we were significantly more profitable in the four months ended April 30, 2016 than in other periods — a period in which, according to Frost and Sullivan, the price of live hogs was at the highest level in the Track Record Period, was attributable in large part to the higher hog prices during that period. (In addition to higher hog prices, this period’s performance also improved as a result of our increased hog production volumes and improved feed efficiency; see “—Results of Our Operations—The Four Months Ended April 30, 2016 Compared with the Four Months Ended April 30, 2015.”) Conversely, in 2014, we had a significant net loss from continuing operations; hog prices in 2014 were at their lowest level during the Track Record Period, and this was a significant reason for our recording a net loss from continuing

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operations in 2014. The table below shows the relationship between live hog prices and our profitability during the Track Record Period by providing for each period the average market price of finishing hogs in China, the segment results for our hog production segment and our net profit/(loss) from continuing operations.

	Year ended December 31,					Four months ended April 30,		
	2013	2014	2015	2014 vs.	2015 vs.	2015	2016	% Change
				2013	2014			
				% Change	% Change			
Average market price for finishing hogs (RMB/kg)	14.9	13.2	15.2	(11.4)%	15.2%	12.5	18.8	50.4%
Segment results for hog production (RMB in millions)	60.1	(119.9)	138.4	N/A	N/A	(78.0)	336.1	N/A
Net profit/(loss) from continuing operations (RMB in millions)	(79.6)	(349.4)	209.7	(338.8)%	N/A	(138.6)	460.6	N/A

Notes:

- 1 According to Frost and Sullivan based on data from China Animal Agriculture Association. According to the same source, the monthly average market price for finishing hogs ranged between RMB12.3/kg and RMB17.3/kg in 2013, between RMB10.5/kg and RMB15.0/kg in 2014, between RMB11.8/kg and RMB18.5/kg in 2015, between RMB11.8/kg and RMB13.1/kg in the four months ended April 30, 2015, and between RMB17.6/kg and RMB20.1/kg in the four months ended April 30, 2016. See “Industry Overview—Market Analysis of PRC Pork Industry—Hog Production” for more information.
- 2 Segment results are arrived at before biological fair value adjustments. See Note 6 to the Accountants’ Report included in Appendix I to this document.

Our hog production segment has the most significant effect on our overall profitability and its results are substantially affected by the market prices of live hogs in China. As shown in the table above, the average market price for finishing hogs in China decreased by 11.4% from 2013 to 2014, while our hog production segment’s segment results reversed from RMB60.1 million in 2013 to negative RMB119.9 million in 2014 and our net loss from continuing operations increased from RMB79.6 million in 2013 to RMB349.4 million in 2014. In 2015, when the average market price for finishing hogs increased by 15.2% from the previous year, our hog production segment’s segment results reversed to RMB138.4 million and our continuing operations reversed from a net loss of RMB349.4 million in 2014 to a net profit of RMB209.7 million. Comparing the four months ended April 30, 2016 with the same period in the previous year, the average market price for finishing hogs increased by 50.4%, while our hog production segment’s segment results reversed to RMB336.1 million compared to negative RMB78.0 million in the same period of 2015 and our continuing operations reversed to a net profit of RMB460.6 million compared to a net loss of RMB138.6 million in the same period of 2015. Although the market price of live hogs has historically had the most significant effect on our overall profitability, other factors also have had and are expected to continue to have influence our profitability. See “—Results of Our Operations” for a discussion of our historical results.

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We conducted an historical analysis of the per-kilogram market prices for live hogs and the per-unit operating costs of our hog production segment during the Track Record Period to demonstrate the level of market prices for live hogs necessary for our hog production segment to record positive segment results. In our hog production segment, we sell various quantities of piglets, nursery hogs and breeding stock in addition to finishing hogs, and in 2013, 2014, 2015 and the four months ended April 30, 2015 and 2016, our sales of finishing hogs accounted for approximately 85-91% of the total number of hogs we sold and approximately 96-98% of the total weight of hogs we sold. The cost of production and sales prices for hogs other than finishing hogs can vary significantly from that of finishing hogs, and accordingly our revenue and cost data for our hog production segment is not compatible with finishing hog market price data for purposes of analyzing profitability. Given these constraints, for purposes of this analysis, in calculating our per-unit cost of sales and per-unit operating expenses, for each period we made adjustments to approximate the variances attributable to sales during the period of hogs other than finishing hogs.

Reviewing the data for the periods in the Track Record Period, as shown in the table above the segment results for our hog production segment were only negative in 2014 and in the first four months of 2015. In each of these periods the market price of hogs were below the minimum level that our historical analysis showed as necessary in that period for us to record positive segment results for hog production. Our positive segment results for 2013, 2015 and the first four months of 2016 were all consistent with market price of hogs in these periods that exceeded the minimum level for positive segment results as shown by this historical analysis. Although this analysis was conducted using historical data, we believe that the results, showing hog prices fluctuating above and below levels necessary to support our positive segment results for hog production, may be useful in understanding our future profitability.

The production of the data used in this historical analysis required the use of estimates and judgments and represent approximations rather than actual historical amounts. We nevertheless believe that our analysis based on this data may be useful for understanding the relationship between hog prices and our profitability. Investors should also be mindful that, in addition to hog prices, our results of operations are affected by numerous other factors discussed in this section of the document. Furthermore, hog prices have other significant effects on our results of operations. See “—Changes in Fair Value of Biological Assets.” See also “—Description of Selected Statement of Profit or Loss and Other Comprehensive Income Items—Continuing Operations—Revenue” for a sensitivity analysis on hog price movements.

Our Ability to Competitively Price Our Products

Our ability to competitively price our products significantly affects our profitability. Factors affecting our pricing include the dynamics of market demand and supply, anticipated market trends, costs of raw materials, production costs, product categories, spending patterns of target consumers, competitive landscape, and expected profit margins. We believe that our vertically integrated business model for hog, fresh pork and processed meat production provides us with an advantage in competitively pricing our products. We have expanded our annual hog production capacity, which

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increased at a CAGR of 30.7% from 1.3 million head as of December 31, 2013 to 2.3 million head as of December 31, 2015. We expect our annual hog production capacity to further increase by 54.5% to 3.5 million head as of December 31, 2016, compared to the end of 2015. See “Business—Production—Production Expansion Plans.” We believe that this capacity expansion will help us to mitigate the impact of hog price volatility on the cost of sales for our fresh pork and processed meat products segments. In addition to expanding our production capacity, we have implemented stringent quality control procedures in line with Chinese consumers’ enhanced food safety and quality awareness, which has helped us maintain the attractiveness of our products. We have also expanded our third-party hog supplier base to maintain a steady hog supply for our fresh pork and processed meat products segments. We seek to increase our inventories of frozen meat products when we believe market prices are relatively low and use these inventories when market prices for these items are relatively high.

Our ability to maintain and increase our market share will depend on our ability to control costs, increase our business scale, maintain the premium quality and safety of our products, price our products at desired levels, meet changing consumer preferences, expand and optimize our sales channels, and enhance market recognition of our brands.

Consumer Demand and Consumption Patterns for Our Products

Our results of operations are strongly affected by consumer demand and consumption patterns for pork products and substitute protein products, such as poultry, beef, mutton, lamb and seafood. Our hog production and fresh pork segments together accounted for 48.5%, 49.5%, 55.1% and 64.6% of our continuing operations’ total revenue in 2013, 2014, 2015 and the four months ended April 30, 2016, respectively. Pork was the primary raw material for our processed meat products segment and represented a significant portion of the meat products sold by our international trading segment during the Track Record Period. We also use poultry and beef as raw materials for some of our processed meat products, and we sell imported beef, poultry, mutton and lamb products in our international trading segment. Consumer demand and consumption patterns for our products are affected by a large number of factors, few of which are within our control. These factors include consumer preferences, tastes and spending habits, consumer perception of safety and quality of meat products generally and our products, shifts in discretionary spending toward other goods, consumer purchasing power, prices of our products and competing or substitute products, general and local economic conditions, and uncertainties about future economic prospects.

China’s real GDP grew at a rate of 7.7%, 7.3%, 6.9% and 6.7% in 2013, 2014, 2015 and the first quarter of 2016, respectively. The per capita disposable income of Chinese urban households grew at a rate of 7.7%, 9.0%, 8.2% and 8.0% in these respective periods. These economic developments, coupled with enhanced awareness of food safety and quality issues, have resulted in Chinese consumers’ increased preference for safe, high-quality branded meat products. Our two processed meat product brands—“Joycome (家佳康)” and “Maverick (萬威客)” —have high food safety and

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quality standards as their core values. We are expanding our sales of branded small-pack fresh pork products, which offer better protection from contamination. In addition, our processed meat products are mainly premium low-temperature processed meat products, which are more nutritious than high-temperature processed meat products according to Frost & Sullivan.

We believe that there is significant growth potential in China for protein products. While Chinese consumers’ demand for competing meats such as beef and poultry has grown significantly in recent years, Frost & Sullivan expects Chinese consumers’ preference for pork to remain strong. Pork accounts for approximately 61.9% of Chinese consumers’ meat consumption in 2015 due to cultural preferences, according to Frost & Sullivan. China is currently and is expected to remain the world’s largest pork consumption country. In 2015, according to Frost & Sullivan, China’s total pork consumption was 55.7 million metric tons, accounting for 50.2% of the global pork consumption. China’s total pork consumption grew at a CAGR of 1.8% from 2010 to 2015 and is expected to grow at a CAGR of 2.4% from 2015 to 2020. Within China’s total pork consumption, China’s total fresh pork consumption increased at a CAGR of 3.1% from 44.3 million metric tons in 2010 to 51.6 million metric tons in 2015 and is expected to grow at a CAGR of 2.9% from 2015 to 59.4 million metric tons in 2020. China’s total chilled fresh pork consumption increased at a CAGR of 22.9% from 4.5 million metric tons in 2010 to 12.7 million metric tons in 2015 and is expected to grow at a CAGR of 11.7% from 2015 to 22.1 million metric tons in 2020. China’s low-temperature processed meat consumption grew at a CAGR of 6.3% from 4.0 million metric tons in 2010 to 5.4 million metric tons in 2015 and is expected to grow at a CAGR of 9.8% from 2015 to 8.5 million metric tons in 2020. Low-temperature processed meat products accounted for 36.9% of China’s processed meat consumption in 2015 and are expected to account for a higher portion—43.9%—of China’s processed meat consumption in 2020. We believe that the continued development of China’s economy and living standards will benefit the consumption of our pork products, as well as meat products such as pork, beef, poultry, mutton and lamb that we import.

Changes in Fair Values of Biological Assets

Our results of operations are significantly affected by changes in fair values of our biological assets. Our biological assets include breeding hogs, commodity pigs and (before we completed the disposal of the Discontinued Operation on April 22, 2016) chicken breeders and broilers. As discussed below, our results of operations are affected by these changes in three ways. In aggregate, these changes increased our loss for the year from continuing operations by RMB2.3 million in 2013 and by RMB47.5 million in 2014. In 2015, in aggregate these changes of RMB351.7 million caused our loss for the year from continuing operations before biological fair value adjustments of RMB132.0 million to reverse to a profit for the year from continuing operations of RMB209.7 million. In the four months ended April 30, 2016, in aggregate these changes increased our profit for the period from continuing operations by RMB156.2 million. For a presentation of our full results of operations both before and after biological fair value adjustments and showing the amounts of these three types of adjustments, see our Consolidated Statements of Profit or Loss and Other Comprehensive Income included in “Appendix I—Accountants’ Report.”

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Because of our production and sale of biological assets in our business, in each reporting period we recognize gains and losses arising from two different aspects of our business:

- (1) agricultural produce at fair value less costs to sell at the point of harvest, which represent changes in fair values of our biological assets that we sold (both internally and externally) during that period due to changes in the physical attributes of these assets (typically primarily changes in weight, age and health) and the market-determined prices of these biological assets, less costs to sell at the time of sale (whether internal or external), and
- (2) changes in fair value less costs to sell of biological assets, which represent changes in fair values of our biological assets that remained as our biological assets as of the end of that period, due to changes in the physical attributes of these assets (typically primarily changes in weight, age and health) and market-determined prices of these biological assets, less costs to sell at the end of that period.

See “—Valuation of Biological Assets” for more information on our biological assets’ valuation methodologies and assumptions. Because the valuations used in the methods described above are made as at the time of harvest or the end of the relevant period, as applicable, they may not result in adjustments that are consistent with general price trends over the period. For item (1) above, we recorded a gain of RMB23.4 million, a loss of RMB78.3 million, a gain of RMB249.7 million and a gain of RMB165.5 million arising from agricultural produce at fair value less costs to sell at the point of harvest for our continuing operations in 2013, 2014 and 2015 and the four months ended April 30, 2016, respectively. And for item (2) above, we recorded gains arising from changes in fair value less costs to sell of biological assets of RMB152.2 million, RMB104.7 million, RMB456.3 million and RMB411.8 million for our continuing operations in 2013, 2014 and 2015 and the four months ended April 30, 2016, respectively.

In addition to the two adjustments described in the previous paragraph, changes in fair values of biological assets also affect our cost of sales. We adjust our cost of sales for changes in fair values of biological assets, with fair value gains increasing our costs of sales and fair value losses decreasing our costs of sales, although the timing of these adjustments to our cost of sales are not necessarily the same as the related gains or losses. Our cost of sales in each reporting period is adjusted to add (a) gain or loss arising from agricultural produce at fair value less costs to sell at the point of harvest for hogs that we sold (both internally and externally) in that period (equal to item (1) above), and (b) gain or loss arising from changes in fair value less costs to sell of biological assets recognized in the prior period. These adjustments increased the cost of sales of our continuing operations by RMB177.9 million, RMB73.9 million, RMB354.3 million and RMB421.0 million in 2013, 2014, 2015 and the four months ended April 30, 2016, respectively.

As a result of the biological fair value adjustments recognized in our cost of sales, our gross profit and gross profit margin before and after biological fair value adjustments may be substantially different, depending on the size and direction of the biological fair value adjustments. For example, for the four months ended April 30, 2016 our gross profit margin before fair value adjustments was

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22.5%, while our gross profit margin after fair value adjustments was 1.1%. The difference between these margins was attributable solely to the RMB421.0 million increase in our cost of sales as a result of fair value adjustments. Changes in the biological fair value adjustments are affected by changes in hog prices, our sales volume (both internal and external) of live hogs and our average costs to sell the live hogs. See “—Results of Operations” for the period-to-period discussions on our cost of sales, which include discussions on biological fair value adjustments, and the period-to-period discussions on our gross profit and gross profit margin.

None of the fair value gains generates any cash inflows for our operations and, similarly, none of the fair value losses results in any cash outflows for our operations. We expect our results of operations to continue to be affected by the changes in fair values of our live hogs.

Production Capacity and Capacity Utilization

Our results of operations are significantly affected by the growth in capacity and utilization of our production facilities. We believe that the expansion of our hog production facilities has helped us to significantly broaden our market reach, increase our hog sales and reduce our hog transportation expenses, and will continue to drive our growth in the foreseeable future. Our hog farms had an aggregate annual production capacity of 1.3, 1.6 and 2.3 million head as of December 31, 2013, 2014 and 2015, respectively. We expect our annual production capacity for live hogs to increase by 54.5% to 3.5 million head as of December 31, 2016, compared to the end of 2015. See “Business—Production—Production Expansion Plans.” Our hog production volume increased by 6.9% from 0.9 million head in 2013 to 1.0 million head in 2014, by 16.8% to 1.2 million head in 2015 and by 23.0% from 0.4 million head in the four months ended April 30, 2015 to 0.5 million head in the same period of 2016.

In addition, increases in production capacity utilization rates have significantly affected our fresh pork and processed meat products segments’ sales growth and margin improvements. Our two slaughtering plants had an aggregate annual processing capacity of 2.0 million head as of each of the dates of December 31, 2013, 2014 and 2015 and April 30, 2015 and 2016, and an average utilization rate of 48.3%, 54.3%, 63.1%, 57.4% and 57.7% in 2013, 2014, 2015 and the four months ended April 30, 2015 and 2016, respectively. The increases in the utilization rate from 2013 to 2015 reflected primarily the ramp-up of operations of our slaughtering plant in Jiangsu Province, which commenced operations in October 2012. The utilization rate of our slaughtering plant in Jiangsu Province was 31.3%, 38.5%, 50.4%, 44.5% and 45.4% in 2013, 2014, 2015 and the four months ended April 30, 2015 and 2016, respectively; this compares with the utilization rate of our slaughtering plant in Hubei Province, which was 99.3%, 101.8%, 101.3%, 96.0% and 94.6% in these respective periods. Our two processed meat production facilities had an aggregate annual production capacity of 17,000 metric tons as of each of the dates of December 31, 2013, 2014 and 2015 and April 30, 2015 and 2016, and an aggregate average utilization rate of 46.5%, 50.7%, 58.7%, 54.2% and 54.7% in 2013, 2014, 2015 and the four months ended April 30, 2015 and 2016, respectively. Our utilization rates in the four months ended April 30, 2015 and 2016 were relatively low compared to the annual utilization rates in 2015 primarily due to the break during China’s Spring Festival in February.

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Segment and Channel Mix

Our overall profitability is significantly affected by our business segments’ revenue mix. Among our four business segments, the gross profit margin for our hog production segment typically experiences greater volatility as the prices for hogs and feed ingredients fluctuate. Our hog production segment (external sales only) accounted for 10.3%, 11.0%, 15.0% and 24.8% of our continuing operations’ total revenue in 2013, 2014, 2015 and the four months ended April 30, 2016, respectively. In addition, our processed meat products segment typically has higher gross profit margins than our other segments. Our processed meat products segment (external sales only) accounted for 7.3%, 7.8%, 6.5% and 5.3% of our continuing operations’ total revenue in 2013, 2014, 2015 and the four months ended April 30, 2016, respectively. As Chinese consumers’ disposable income continues to grow, Frost & Sullivan expects China’s processed pork products consumption to continue to grow at a rate higher than that of pork consumption in general.

In our international trading segment, we import frozen meat products and resell it in China, externally to third parties and internally to our processed meat products segment. We are typically able to import meat at prices lower than the domestic prices, and our gross profit margin for this segment is in large part determined by the size of this price differential. As a commodities trading business, our gross profit margin for this business tends to be relatively tight, but volumes are relatively high, and this segment typically accounts for a very substantial part of both our revenue and our cost of sales. Our international trading segment (external sales only) accounted for 44.2%, 42.8%, 38.4% and 30.1% of our continuing operations’ total revenue in 2013, 2014, 2015 and the four months ended April 30, 2016, respectively. See “—Results of Our Operations—Segment Results” for more information.

Our gross profit margin and net profit margin are also affected by the mix and expansion of our sales channels in our fresh pork and processed meat products segments. For example, our sales to hypermarkets and supermarkets generally have higher gross profit margins than our sales to wholesalers and distributors. However, this higher gross profit margin for sales to hypermarkets and supermarkets may be offset in part by the marketing expenses that we are required to pay to these customers as part of our agreements with them. We have been expanding relatively higher-margin sales channels to improve our profitability, and our channel mix may change as we focus on expanding particular sales channels.

Major Costs and Expenses

Our primary costs are primary raw materials, including feed used in our production of hogs, live hogs used in our production of fresh pork, raw meat (primarily pork) used in our production of processed meat products, and imported frozen meat products in our international trading business. Primary raw materials accounted for 85.5%, 87.4%, 83.3% and 69.1% of our continuing operations’ total cost of sales in 2013, 2014, 2015 and the four months ended April 30, 2016, respectively. Our costs of feed accounted for 21.0%, 22.0%, 18.5% and 18.9% of our continuing operation’s total cost of sales in 2013, 2014, 2015 and the four months ended April 30, 2016, respectively. Our feed mill

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in Wuhan, Hubei Province and consigned feed mills of COFCO Group provided more than 20% of the feed for our hog production during the Track Record Period, and we purchased the remaining feed from external suppliers, including COFCO Group. Our costs of feed for hog production depend primarily on the market prices for corn and soybean meal. Our costs externally purchased of live hogs accounted for 12.2%, 13.7%, 18.0% and 11.3% of our continuing operation’s total cost of sales in 2013, 2014, 2015 and the four months ended April 30, 2016, respectively. Our costs of live hogs for fresh pork production depend on the market prices for live hogs, which are affected by the supply of live hogs and the costs of producing live hogs, including costs of feed and costs resulting from the culling of hogs primarily due to slow growth or death of the hogs or outbreaks of diseases and infections. Our costs of raw meat for producing processed meat products accounted for a relatively small percentage of our total cost of sales during the Track Record Period, and they depend primarily on prices of the relevant raw meat (primarily pork) in the Chinese and overseas markets. Our international trading business’ primary costs are costs for purchasing raw meats from overseas markets. Our costs of these meats (including imported frozen pork, beef, mutton, lamb and poultry for our international trading business) accounted for 42.3%, 42.4%, 38.6% and 30.4% of our continuing operation’s total cost of sales in 2013, 2014, 2015 and the four months ended April 30, 2016, respectively.

Our staff costs also affect our profitability. Our staff costs recognized in our continuing operations’ cost of sales, selling and distribution expenses and administrative expenses were RMB287.9 million, RMB309.1 million, RMB364.8 million and RMB127.3 million in 2013, 2014, 2015 and the four months ended April 30, 2016, respectively, accounting for 7.7%, 8.3%, 7.2% and 6.5% of our continuing operations’ total revenue in these respective periods. While we strive to improve our operating efficiency and control costs, our staff costs may continue to grow with the increase in our business scale in the foreseeable future.

Our finance costs also affect our profitability. Our continuing operations’ finance costs as a percentage of revenue were 2.8%, 3.7%, 2.6% and 2.0% in 2013, 2014, 2015 and the four months ended April 30, 2016, respectively. Our finance costs were interest expenses on our borrowings, net of interest capitalized. During the Track Record Period, we used borrowings primarily to finance our working capital and capital expenditures for the expansion of our production facilities.

Taxation and Government Grants

Our profitability is affected by preferential tax treatments and government grants we enjoy, especially on our hog production and fresh pork segments. Under the EIT Law and the related implementation rules, our Chinese subsidiaries are subject to Chinese enterprise income tax at the rate of 25%. Pursuant to the EIT Law and the related implementation rules, our Chinese subsidiaries that engage in animal-husbandry (for example, hog production) are exempt from enterprise income tax on income derived from that business. According to the EIT Law and the related implementation rules and the Circular of the Ministry of Finance and the State Tax Administration on Scope of Agricultural Products’ Primary processing Entitled to Preferential Policies on Enterprise Income Tax (Trial Implementation) (Cai Shui [2008] No. 149), our Chinese subsidiaries that carry out primary

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processing of agriculture products (for example, slaughtering of hogs) are exempt from enterprise income tax on income derived from that business. In addition, according to the relevant regulations, our Chinese subsidiaries that sell self-produced agricultural products (for example, live hogs) and feed formulations are exempt from VAT on income derived from those sales, and our Chinese subsidiary that sells electricity generated using biogas produced from manure is entitled to a 100% refund of VAT paid for the electricity sold. One of our Chinese subsidiaries that sells fresh meat (fresh pork) is exempt from VAT on income derived from those sales. Most of our Chinese subsidiaries that engage in animal husbandry are also exempt from property and land use taxes associated with that business.

Government grants, which are subject to the discretion of government authorities, affected our profitability during the Track Record Period. We recorded government grants of RMB21.2 million, RMB28.1 million, RMB38.1 million and RMB2.0 million in 2013, 2014, 2015 and the four months ended April 30, 2016, respectively, accounting for 0.6%, 0.7%, 0.8% and 0.1% of our revenue from continuing operations during these respective periods and accounting for negative 26.6% and negative 8.0% of our net loss from continuing operations in 2013 and 2014 and 18.2% and 0.4% of our net profit from continuing operations in 2015 and the four months ended April 30, 2016, respectively. These government grants included financial subsidies that we received from local governments in recognition of our contributions to local economic development and subsidies from various levels of government authorities in support of our industry’s development, such as subsidies in relation to the environmentally friendly disposal of dead hogs, breeding stock insurance, introduction of improved varieties, and the use of manure to fertilize farms and biogas to generate electricity.

There is no assurance that we will continue to enjoy the preferential tax treatments and government grants at the levels that we historically have, or at all. Any material reduction in the tax benefits and government grants that we enjoy may have a material adverse effect on our financial results.

Seasonality

Demand for our products is typically relatively higher in the second half of the year due to Chinese consumers’ consumption patterns. Demand for our products is also typically higher before traditional festivals, such as the Mid-Autumn Festival, China’s National Day (October 1) and China’s Spring Festival. Consequently, sales volumes of our fresh pork, processed meat and imported frozen meat products are typically higher in the second half of the year than in the first half of the year. This seasonal trend in our financial results may be offset or amplified by fluctuations in prices of commodities that are our raw materials or products. Therefore, our interim financial results may not be indicative of our annual financial results.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Our significant accounting policies, which are important for you to understand our financial condition and results of operations, are set forth in detail in Notes 3 and 4

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to “Appendix I—Accountants’ Report” to this document. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. We have set forth below those accounting policies that we believe involve the most significant estimates and judgments used in preparing our financial statements.

Biological Assets

Our biological assets represent live hogs (which for valuation purposes are placed into five categories: piglets, nursery hogs, medium and large finishing hogs, replacement studs and gilts, and breeding stock) and live chickens. We measure biological assets at initial recognition and at the end of each reporting period at their fair value less costs to sell. A gain or loss arising on initial recognition of biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset is included in profit or loss for the period in which it arises.

We measure our agricultural produce (that is, the hog or chicken carcass) harvested from our biological assets, which represent our own hogs or chickens at the time of sale (internal or external), at their fair value less costs to sell at the point of harvest (that is, time of sale (internal or external)). This measurement is the cost at that date when applying HKAS 2 *Inventories*.

Goodwill

We carry goodwill arising on the acquisition of a business at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, we allocate goodwill to each of our cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

We test a cash-generating unit to which we have allocated goodwill 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, we test the cash-generating unit to which we have allocated goodwill for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, we allocate the impairment loss first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. We recognize impairment loss for goodwill directly in profit or loss. We do not reverse an impairment loss recognized for goodwill in subsequent periods.

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On disposal of the relevant cash-generating unit, we include the attributable amount of goodwill in the determination of the profit or loss on disposal.

Equity-settled Share-based Payment Transactions

We measure Equity-settled share-based payments to employees and others providing similar services at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on our estimate of equity instruments that will eventually vest, with a corresponding increase in equity. For share options that vest immediately at the date of grant, we expense the fair value of the share option granted immediately to profit or loss. At the end of each reporting period, we revise our estimate of the number of equity instruments expected to vest. We recognize the impact of the revision of the original estimates, if any, in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the reserve.

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Estimated Impairment of Goodwill

Determining whether goodwill is impaired requires us to estimate the value in use of the cash generating units to which we have allocated goodwill. This value-in-use calculation requires us 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, a material impairment loss may arise. As at each of the dates of December 31, 2013, 2014 and 2015 and April 30, 2016, carrying amount of goodwill, all of which was attributable to our Maverick business, was RMB100.6 million.

Fair Value Measurement of Biological Assets

We determine the fair values less costs to sell of biological assets at the end of each reporting period with reference to the market-determined prices, species, growing conditions, costs incurred and professional valuation.

Our Directors work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. These determinations involve the use of significant judgment. If actual results differ from our original estimates, these differences from the original estimates will affect the fair value changes we recognize in profit or loss in the period in which the estimates change and in future periods. The carrying amount of our biological assets as at December 31, 2013, 2014 and 2015 and April 30, 2016 was RMB697.0 million, RMB761.1 million, RMB1,211.1 million (including balance reclassified as held for sale of RMB18.5 million) and RMB1,408.9 million, respectively.

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DESCRIPTION OF SELECTED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

Continuing Operations

Revenue

Our revenue represents income from the sale of goods to external customers, net of sales tax. Our revenue is derived from four segments: (1) revenue from our hog production segment includes sales of live hogs, (2) revenue from our fresh pork segment includes sales of fresh chilled and frozen pork products, (3) revenue from our processed meat products segment includes sales of processed meat products, and (4) revenue from our international trading segment includes sales of imported frozen meat products, such as pork, beef, mutton, lamb and poultry. Our revenue on a consolidated basis is arrived at after elimination of inter-segment transactions. As a result, our discussions of operating segments below use revenue amounts that include only sales to external customers. Our revenue remained relatively stable at RMB3,733.6 million in 2013 and RMB3,746.0 million in 2014. Our revenue increased by 35.0% to RMB5,055.7 million in 2015, compared to the prior year. Our revenue increased by 43.0% from RMB1,375.6 million in the four months ended April 30, 2015 to RMB1,967.6 million in the same period of 2016.

The table below sets forth our revenue (after elimination of inter-segment transactions) by segment for the periods indicated.

	For the year ended December 31,						For the four months ended April 30,					
	2013		2014		2015		2015		2016			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%		
Hog production	385,175	10.3	410,588	11.0	755,868	15.0	205,221	14.9	487,754	24.8		
Fresh pork	1,425,877	38.2	1,442,518	38.5	2,027,363	40.1	497,532	36.2	783,876	39.8		
Processed meat products	270,763	7.3	290,426	7.8	329,784	6.5	102,122	7.4	103,520	5.3		
International trading	1,651,784	44.2	1,602,507	42.7	1,942,690	38.4	570,709	41.5	592,480	30.1		
Total	3,733,599	100.0	3,746,039	100.0	5,055,705	100.0	1,375,584	100.0	1,967,630	100.0		

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The table below sets forth our sales volume and average selling price (for external sales only) by segment for the periods indicated.

	For the year ended December 31,						For the four months ended April 30,			
	2013		2014		2015		2015		2016	
	Average Sales volume ⁽¹⁾	Average selling price ⁽²⁾	Average Sales volume ⁽¹⁾	Average selling price ⁽²⁾	Average Sales volume ⁽¹⁾	Average selling price ⁽²⁾	Average Sales volume ⁽¹⁾	Average selling price ⁽²⁾	Average Sales volume ⁽¹⁾	Average selling price ⁽²⁾
Hog production	296,235	1,300	363,663	1,129	527,457	1,433	180,665	1,136	256,300	1,903
Fresh pork	91,117	15,649	98,989	14,572	123,289	16,444	35,654	13,955	40,682	19,268
Processed meat products.	7,530	35,959	8,350	34,783	9,548	34,539	2,942	34,716	2,961	34,965
International trading	72,479	22,790	74,908	21,393	106,896	18,174	28,712	19,877	31,898	18,574

Note:

- (1) Head for hog production and metric tons for other segments.
- (2) RMB/head for hog production and RMB/metric ton for other segments.

The following sensitivity analysis provides some illustration on the impact of hypothetical changes in the price for hogs on our profit from continuing operations before biological fair value adjustments for the periods indicated. Please also see “—Principal Factors Affecting Our Results of Operations—Fluctuations in Commodity Prices” for more information on the relationship between hog prices and our profitability. The notes following this analysis include important information about the methodology and assumptions relied upon, and investors should consider this information in reviewing the analysis.

For the year ended December 31, 2013

% Change in the price for hogs	(30)%	(25)%	(20)%	(15)%	(10)%	(5)%	5%	10%	15%	20%	25%	30%
Change in the profit/(loss) for the year from continuing operations before biological fair value adjustments (RMB'000)	(385,458)	(321,215)	(256,972)	(192,729)	(128,486)	(64,243)	64,243	128,486	192,729	256,972	321,215	385,458

For the year ended December 31, 2014

% Change in the price for hogs	(30)%	(25)%	(20)%	(15)%	(10)%	(5)%	5%	10%	15%	20%	25%	30%
Change in the profit/(loss) for the year from continuing operations before biological fair value adjustments (RMB'000)	(371,189)	(309,324)	(247,459)	(185,594)	(123,730)	(61,865)	61,865	123,730	185,594	247,459	309,324	371,189

For the year ended December 31, 2015

% Change in the price for hogs	(30)%	(25)%	(20)%	(15)%	(10)%	(5)%	5%	10%	15%	20%	25%	30%
Change in the profit/(loss) for the year from continuing operations before biological fair value adjustments (RMB'000)	(524,882)	(437,401)	(349,921)	(262,441)	(174,961)	(87,480)	87,480	174,961	262,441	349,921	437,401	524,882

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For the four months ended April 30, 2015

% Change in the price for hogs . . .	(30)%	(25)%	(20)%	(15)%	(10)%	(5)%	5%	10%	15%	20%	25%	30%
Change in the profit/(loss) for the year from continuing operations before biological fair value adjustments												
(RMB'000)	(149,054)	(124,212)	(99,369)	(74,527)	(49,685)	(24,842)	24,842	49,685	74,527	99,369	124,212	149,054

For the four months ended April 30, 2016

% Change in the price for hogs . . .	(30)%	(25)%	(20)%	(15)%	(10)%	(5)%	5%	10%	15%	20%	25%	30%
Change in the profit/(loss) for the year from continuing operations before biological fair value adjustments												
(RMB'000)	(294,026)	(245,022)	(196,017)	(147,013)	(98,009)	(49,004)	49,004	98,009	147,013	196,017	245,022	294,026

Note:

This sensitivity analysis is in respect of our net profit or loss from continuing operations before biological fair value adjustments and does not reflect the changes in biological fair value adjustments to cost of sales, gain/(loss) arising from agricultural produce at fair value less costs to sell at the point of harvest or gain/(loss) arising from changes in fair value less costs to sell of biological assets that would result from changes in hog prices. It would be impracticable to include appropriate adjustments for these items because the fair values of some types of hogs (for example, medium finishing hogs) are based on costs or a combination of costs and reference market prices, instead of solely based on market prices. Investors should, nevertheless, note that changes in fair values of biological assets have a significant effect on our results of operations, and accordingly should not give undue emphasis to this analysis in respect of profitability before biological fair value adjustments; see “—Principal Factors Affecting Our Results of Operations—Changes in Fair Values of Biological Assets.”

This sensitivity analysis assumes that hog price movements affect only the revenue of our hog production segment and that the gross profits for our fresh pork and processed meat products segments remain unchanged. In particular, this sensitivity analysis assumes that a one-RMB increase in the purchase price of hogs for the fresh pork segment is 100% compensated for by a one-RMB increase in pork price. Similarly, this analysis assumes that a one-RMB increase in the purchase price of pork (resulting from a one-RMB increase in the hog price) for the processed meat products segment is 100% compensated for by a one-RMB increase in the selling price of the processed meat products. These assumptions are not consistent with the historical relationships between hog prices and pork prices or among hog prices, pork prices and our selling prices of processed meat products.

This sensitivity analysis assumes that the prices for all types of hogs (including finishing hogs, piglets, nursery hogs and breeding stock) move in the same direction and at the same rate. In reality, the price movements for different types of hogs may vary.

This sensitivity analysis assumes that the cost of sales for the hog production segment remains unchanged. In particular, this sensitivity analysis does not reflect correlations between hog prices and feed prices and assumes that feed price remains constant while hog prices change.

This sensitivity analysis assumes all line items between gross profit and profit/(loss) before tax and income tax expenses remain unchanged. See “Risk Factors—Risks Relating to the [REDACTED]—This document contains certain hypothetical information based on changes relative to historical events and analysis based on it, and you should not place undue reliance on this information or analysis.”

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Cost of Sales

Our cost of sales consists primarily of primary raw materials, staff costs, depreciation and amortization, packaging and ancillary raw materials, and utilities, as well as biological fair value adjustments. The raw materials used in our hog production are feed, as well as feed ingredients (primarily corn and soybean meal) for our production of feed used in our hog production. The raw materials used in our fresh pork production are live hogs. The primary raw materials used in our processed meat production are raw meat, which includes mainly pork and, to a lesser extent, poultry and beef. In our international trading business, our raw materials include frozen meat products that we import for external sales. Our packaging and ancillary raw materials include packaging materials for our fresh pork and processed meat products, as well as non-meat food ingredients for our processed meat products. Biological fair value adjustments represent (1) the change in fair value of hogs less costs to sell at the point of harvest for hogs sold (both internally and externally) during the period, plus (2) the change in fair value less costs to sell of biological assets recognized in the prior period. See “—Principal Factors Affecting Our Results of Operations—Changes in Fair Values of Biological Assets” for more information on these biological fair value adjustments.

The table below sets forth our cost of sales (after elimination of inter-segment transactions) by category for the periods indicated.

	For the year ended December 31,						For the four months ended			
	2013		2014		2015		April 30,		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Primary raw materials	3,033,466	85.5	3,170,609	87.5	4,114,491	83.3	1,187,889	89.0	1,344,463	69.1
Feed	743,513	21.0	798,106	22.0	911,757	18.5	354,392	26.6	368,255	18.9
Live hogs	433,487	12.2	497,213	13.7	889,716	18.0	139,482	10.5	219,296	11.3
Imported frozen pork	264,926	7.5	281,778	7.8	668,286	13.5	158,132	11.9	157,892	8.1
Imported frozen beef	587,080	16.5	479,481	13.2	649,635	13.2	180,487	13.5	133,572	6.9
Imported frozen mutton and lamb	160,977	4.5	121,409	3.3	70,767	1.4	28,448	2.1	1,485	0.1
Imported frozen poultry	490,920	13.8	649,236	17.9	518,952	10.5	197,023	14.8	298,495	15.3
Others ⁽¹⁾	352,563	9.9	343,386	9.5	405,379	8.2	129,925	9.7	165,468	8.5
Packaging and ancillary raw materials	50,059	1.4	53,640	1.5	58,422	1.2	18,725	1.4	17,787	0.9
Staff costs	109,927	3.1	123,308	3.4	150,065	3.0	52,341	3.9	54,026	2.8
Depreciation and amortization . . .	97,674	2.8	115,047	3.2	149,071	3.0	48,725	3.7	53,594	2.7
Utilities	35,586	1.0	37,604	1.0	44,166	0.9	16,548	1.2	18,658	1.0
Others	43,995	1.2	52,091	1.4	67,138	1.4	16,146	1.2	36,384	1.9
Biological fair value adjustments .	177,909	5.0	73,883	2.0	354,348	7.2	(6,215)	(0.5)	421,043	21.6
Total	<u>3,548,616</u>	<u>100.0</u>	<u>3,626,183</u>	<u>100.0</u>	<u>4,937,701</u>	<u>100.0</u>	<u>1,334,160</u>	<u>100.0</u>	<u>1,945,955</u>	<u>100.0</u>

Note:

- (1) Includes primarily costs resulting from the culling of hogs, costs of vaccines and medicines for hog production, and costs of raw meat (including pork, poultry and beef) for processed meat production.

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Our cost of sales increased by 2.2% from RMB3,548.6 million in 2013 to RMB3,626.2 million in 2014. Our cost of sales increased by 36.2% from RMB3,626.2 million in 2014 to RMB4,937.7 million in 2015, primarily due to an RMB943.9 million increase in primary raw materials and an RMB280.5 million increase in biological fair value adjustments. Our cost of sales increased by 45.9% from RMB1,334.2 million in the four months ended April 30, 2015 to RMB1,946.0 million in the same period of 2016, primarily due to an RMB427.3 million increase in biological fair value adjustments and an RMB156.6 million increase in primary raw materials.

The following sensitivity analysis illustrates the impact of hypothetical changes in the price for feed on our profit from continuing operations for the periods indicated.

For the year ended

December 31, 2013

% Change in the price for										
feed	10%	8%	6%	4%	2%	(2)%	(4)%	(6)%	(8)%	(10)%
Change in profit/(loss) for the										
year from continuing										
operations (RMB'000)	(74,351)	(59,481)	(44,611)	(29,741)	(14,870)	14,870	29,741	44,611	59,481	74,351

For the year ended

December 31, 2014

% Change in the price for										
feed	10%	8%	6%	4%	2%	(2)%	(4)%	(6)%	(8)%	(10)%
Change in profit/(loss) for the										
year from continuing										
operations (RMB'000)	(79,811)	(63,848)	(47,886)	(31,924)	(15,962)	15,962	31,924	47,886	63,848	79,811

For the year ended

December 31, 2015

% Change in the price for										
feed	10%	8%	6%	4%	2%	(2)%	(4)%	(6)%	(8)%	(10)%
Change in profit/(loss) for the										
year from continuing										
operations (RMB'000)	(91,176)	(72,941)	(54,705)	(36,470)	(18,235)	18,235	36,470	54,705	72,941	91,176

For the four months ended

April 30, 2016

% Change in the price for										
feed	10%	8%	6%	4%	2%	(2)%	(4)%	(6)%	(8)%	(10)%
Change in profit/(loss) for the										
period from continuing										
operations (RMB'000)	(36,825)	(29,460)	(22,095)	(14,730)	(7,365)	7,365	14,730	22,095	29,460	36,825

Note:

The sensitivity analysis above assumes that only one variable changes while other variables remain unchanged and that costs of internally produced feed change at the same rates as the prices for externally purchased feed. This sensitivity analysis is intended for reference only, and any variation may differ from the amounts indicated. Investors should note in particular that this sensitivity analysis is not intended to be exhaustive and is limited to the impact of changes in the price for feed (other than feed used for hogs that were culled during the relevant period) for our continuing operations.

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Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less cost of sales, and our gross profit margin represents gross profit as a percentage of revenue. Our gross profit was RMB185.0 million, RMB119.9 million, RMB118.0 million and RMB21.7 million in 2013, 2014, 2015 and the four months ended April 30, 2016, respectively. Our gross profit margin was 5.0%, 3.2%, 2.3% and 1.1% in these respective periods. Our gross profit margin before biological fair value adjustments (which are included in our cost of sales) was 9.7%, 5.2%, 9.3% and 22.5% in these respective periods.

Other Income

Our other income consists of interest income from banks, dividend income from available-for-sale investment (which was our equity investment in Mingji, a private company in China), and government grants. Government grants, which are subject to the discretion of government authorities, affected our profitability during the Track Record Period. During the Track Record Period, our government grants included financial subsidies that we received from local governments in recognition of our contributions to local economic development and subsidies from various levels of government authorities in support of our industry’s development, such as subsidies in relation to the environmentally friendly disposal of dead hogs, breeding stock insurance, introduction of improved varieties, and the use of manure to fertilize farms and biogas to generate electricity. Our other income was RMB29.2 million, RMB38.8 million, RMB58.5 million and RMB2.8 million in 2013, 2014, 2015 and the four months ended April 30, 2016, respectively. Our government grants for continuing operations were RMB21.1 million, RMB28.1 million, RMB38.1 million and RMB2.0 million in 2013, 2014, 2015 and the four months ended April 30, 2016, respectively, accounting for 0.6%, 0.7%, 0.8% and 0.1% of our revenue from continuing operations during these respective periods.

Other Gains and Losses

Our other gains and losses include exchange gains and losses from foreign currency translation; write-down of inventories; loss on disposal of property, plant and equipment; impairment or reversal of impairment on accounts receivable; impairment or reversal of impairment on other receivables; gain from changes in fair value of financial assets designated as fair value through profit or loss, which were wealth management products; and others, including insurance compensation for dead hogs in the ordinary course of our business. In 2015, we also had inventories destroyed by the accidental explosions at Tianjin Port on August 12, 2015, and received insurance compensation in relation to these damages, which were included in other gains and losses. We had net other losses of RMB2.2 million, RMB23.9 million and RMB127.6 million in 2013, 2014 and 2015, respectively, and net other gains of RMB39.7 million in the four months ended April 30, 2016. See “— Results of Our Operations—The Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014—Other Gains and Losses” for more information on our losses caused by the Tianjin Port explosions and our collection of the relevant insurance compensation.

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Selling and Distribution Expenses

Our selling and distribution expenses consist of promotion and advertising expenses, wages and salaries and social security contributions for sales and marketing personnel, transportation expenses and vehicle maintenance expenses, rental fees for storage facilities and stores, depreciation and amortization for sales-related facilities and equipment, and other expenses. In 2013, 2014, 2015 and the four months ended April 30, 2016, our selling and distribution expenses were RMB174.0 million, RMB195.0 million, RMB223.4 million and RMB79.2 million, representing 4.7%, 5.2%, 4.4% and 4.0% of our revenue, respectively.

Administrative Expenses

Our administrative expenses consist of wages and salaries and social security contributions for administrative personnel, communication and miscellaneous office expenditures, depreciation and amortization, travel expenses, rental fees, stamp duty and property tax, consultancy fees, and other expenses. In 2013, 2014, 2015 and the four months ended April 30, 2016, our administrative expenses were RMB173.6 million, RMB174.3 million, RMB178.5 million and RMB60.9 million, representing 4.6%, 4.7%, 3.5% and 3.1% of our revenue, respectively.

Gain/(Loss) Arising from Agricultural Produce at Fair Value Less Costs to Sell at the Point of Harvest

For our hogs that were sold (both internally and externally) during a reporting period, we recognize gains or losses equal to the change in the fair value of these hogs, less costs to sell at the time of sale (both internal and external). We recognized a gain of RMB23.4 million, a loss of RMB78.3 million, a gain of RMB249.7 million and a gain of RMB165.5 million arising from agricultural produce at fair value less costs to sell at the point of harvest in 2013, 2014, 2015 and the four months ended April 30, 2016, respectively. See “—Principal Factors Affecting Our Results of Operations—Changes in Fair Values of Biological Assets” for more information.

Gain Arising from Changes in Fair Value Less Costs to Sell of Biological Assets

For hogs that remained as our biological assets at the end of a reporting period, we recognize gains or losses equal to the change in the fair value of these hogs, less costs to sell at the period-end. We had gains of RMB152.2 million, RMB104.7 million, RMB456.3 million and RMB411.8 million arising from changes in fair value less costs to sell of biological assets in 2013, 2014, 2015 and the four months ended April 30, 2016, respectively. See “—Principal Factors Affecting Our Results of Operations—Changes in Fair Values of Biological Assets” for more information.

Finance Costs

Our finance costs consist of interest on bank and other borrowings and loans from fellow subsidiaries (companies that are under common control with our Group by COFCO), an intermediate

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holding company (COFCO (HK), a subsidiary of COFCO) and the immediate holding company (Mainfield, a subsidiary of COFCO), less interest capitalized. In 2013, 2014, 2015 and the four months ended April 30, 2016, our finance costs were RMB104.7 million, RMB137.6 million, RMB133.4 million and RMB40.0 million, representing 2.8%, 3.7%, 2.6% and 2.0% of our revenue, respectively.

Income Tax Expense

Our income tax expense was RMB15.0 million, RMB3.6 million, RMB10.0 million and RMB0.6 million in 2013, 2014, 2015 and the four months ended April 30, 2016, respectively.

Under the laws of the Cayman Islands and the British Virgin Islands, we are not subject to any income or capital gains tax and the dividends paid by us are not subject to any withholding tax in the Cayman Islands or the British Virgin Islands.

Our subsidiary incorporated in Hong Kong (COFCO Meat Products (HK)) is subject to profits tax at 16.5% of its estimated assessable profits. No provision has been made for Hong Kong profits tax, as we had no assessable profits generated in Hong Kong during the Track Record Period.

Under the EIT Law and the related implementation rules, our Chinese subsidiaries are subject to Chinese enterprise income tax at the rate of 25%. Pursuant to the EIT Law and the related implementation rules, our Chinese subsidiaries that engage in animal-husbandry (for example, hog production) are exempt from enterprise income tax on income derived from that business. According to the EIT Law and the related implementation rules and the Circular of MOF and SAT on Scope of Agricultural Products’ Primary Processing Entitled to Preferential Policies on Enterprise Income Tax (Trial Implementation) (Cai Shui [2008] No. 149), our Chinese subsidiaries that carry out primary processing of agriculture products (for example, slaughtering of hogs) are exempt from enterprise income tax on income derived from that business.

Profit/(Loss) for the Year/Period

We had an accumulated loss of RMB334.4 million as of January 1, 2013. This amount was primarily attributable to (1) the selling and distribution expenses that we incurred before 2013 for our processed meat products business that were related to sales channel expansions and promotional activities, (2) losses from the Discontinued Operation, as its production facility in Suqian, Jiangsu Province commenced operation in late 2011 and was in the ramp-up stage in 2012 and because China’s overall market demand for poultry was relatively weak in 2012, and (3) our marketing and logistics expenses in connection with our fresh pork business’ expansion into the northern China market and our expenditures for construction of our slaughtering plant in Dongtai, Jiangsu Province, which commenced operation in October 2012. Both our hog production business and our international trading business had an accumulated profit as of January 1, 2013.

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We had losses from continuing operations of RMB79.6 million in 2013 and RMB349.4 million in 2014 and profits from continuing operations of RMB209.7 million in 2015 and RMB460.6 million in the four months ended April 30, 2016. Our profitability has been and will continue to be subject to a number of factors, including commodity price fluctuations, ramp-up of our operations and improvements in our operating efficiency. Most of our raw materials (feed, live hogs and raw meats) and our products (live hogs, pork and frozen meat products) are commodities. Since substantial amounts of both our costs and our revenue are tied to commodity prices, like others operating in this industry, our financial performance has been and is likely to continue to be strongly affected by fluctuations of commodity prices. Our losses in 2013 and 2014 and our profits in 2015 and the four months ended April 30, 2016 were due in part to fluctuations of commodity prices, particularly hog prices, which affected the revenue and gross profit of our hog production segment—the segment that typically has the largest influence on our net profit or loss. Our average selling price for external sales of hogs decreased by 13.2% from 2013 to 2014, increased by 26.9% from 2014 to 2015 and increased by 67.5% in the four months ended April 30, 2016 compared to the same period of 2015.

In addition to commodity price fluctuations, another key reason for our losses from continuing operations in 2013 and 2014 and our relatively low net profit margin for continuing operations in 2015 (4.1%) is that we are still a growth company and are ramping up our production, which causes us to incur significant fixed costs and expenses when the production volumes and utilization rates of our new production facilities are still low. It takes time for a new production facility (be it a hog farm or a processing plant) to ramp up its production and reduce its average operating expenses. Substantially all of our hog farms were established beginning from 2011 or are being constructed. Our annual hog production capacity grew at a CAGR of 30.7% from December 31, 2013 to December 31, 2015. It typically takes two years from the beginning of a hog farm construction project’s approval procedures until the hog farm produces its first batch of finishing hogs. Our slaughtering plant in Dongtai, Jiangsu Province, which has an annual production capacity three times that of our older plant in Wuhan, commenced operation in October 2012, and its utilization rate increased from 31.3% in 2013 to 50.4% in 2015. In addition, we had significant depreciation expenses during the Track Record Period, which were RMB86.0 million, RMB104.3 million, RMB114.0 million and RMB48.8 million in 2013, 2014, 2015 and the four months ended April 30, 2016, respectively. Our loss of RMB138.6 million in the four months ended April 30, 2015 reversed to a profit of RMB460.6 million in the same period of 2016. In addition to the factors discussed in detail above, this reversal was also due in part to our greater hog production efficiency as a result of our efforts to improve feed efficiency. For more details of improvements in our hog production efficiency, please see “Business—Our Business—Pork Business—Hog Production.”

Biological fair value adjustments have had a significant impact on our profitability during the Track Record Period, and are likely to continue to influence our profitability. We had losses from continuing operations before biological fair value adjustments of RMB77.3 million, RMB301.8 million and RMB142.0 million in 2013, 2014 and 2015, respectively, and a profit from continuing operations before biological fair value adjustments of RMB304.4 million in the four months ended April 30, 2016. The differences between our profit or loss from continuing operations before and after biological fair value adjustments were negative RMB2.3 million and negative RMB47.5 million in 2013 and 2014, respectively, and positive RMB351.7 million and positive RMB156.2 million in 2015

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and the four months ended April 30, 2016, respectively. The fluctuations in the size and direction of these adjustments were primarily due to changes in hog prices and increases in our sales volume (both internal and external) of live hogs during the Track Record Period, as well as movements in our average costs to sell the live hogs. See “—Results of Operations” for the period-to-period discussions of biological fair value adjustments in cost of sales, as well as period-to-period discussions on gain/(loss) arising from agricultural produce at fair value less costs to sell at the point of harvest and gain arising from changes in fair value less costs to sell of biological assets.

Discontinued Operation

On November 20, 2015, our Directors resolved to dispose of our poultry business, which comprises COFCO Meat (Shandong), COFCO Meat (Suqian) and COFCO Meat Farming (Shandong) and which includes chicken farming, slaughtering and sales, or the Discontinued Operation. This disposal is consistent with our strategy to focus on our pork business. We classified the assets and liabilities attributable to the Discontinued Operation as disposal group held for sale, and they are presented separately in our consolidated financial statements as of December 31, 2015. We entered into an equity transfer agreement with Heaplink (HK) to dispose of the Discontinued Operation on April 18, 2016, and completed the disposal on April 22, 2016. See “History, Development and Reorganization—Reorganization” and “Business—Our Business—Discontinued Business” for more information on the Discontinued Operation and its disposal. The Discontinued Operation recorded losses of RMB162.1 million, RMB61.6 million and RMB58.8 million in 2013, 2014 and 2015, respectively, and a profit of RMB3.9 million in the four months ended April 30, 2016.

RESULTS OF OUR OPERATIONS

The table below sets forth, for the periods indicated, selected financial data derived from our consolidated statements of profit or loss and other comprehensive income, the details of which are set forth in the Accountants’ Report in Appendix I to this document. The discussions below of our revenue by segment are based on amounts arrived at after elimination of inter-segment transactions. We had losses from continuing operations before biological fair value adjustments of RMB77.3 million, RMB301.8 million and RMB142.0 million in 2013, 2014 and 2015, respectively, and a profit from continuing operations before biological fair value adjustments of RMB304.4 million in the four months ended April 30, 2016. For details of the fair value adjustments recognized in our consolidated statements of profit or loss and other comprehensive income, please see pages I-7 through I-9 of Appendix I to this document. Our historical results presented below are not necessarily indicative of the results that may be expected of us for any future period. The period-to-period discussions below focus on our continuing operations only.

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	For the year ended December 31,						For the four months ended April 30,			
	2013		2014		2015		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Continuing operations										
Revenue	3,733,599	100.0	3,746,039	100.0	5,055,705	100.0	1,375,584	100.0	1,967,630	100.0
Hog production	385,175	10.3	410,588	11.0	755,868	15.0	205,221	14.9	487,754	24.8
Fresh pork	1,425,877	38.2	1,442,518	38.5	2,027,363	40.1	497,532	36.2	783,876	39.8
Processed meat products	270,763	7.3	290,426	7.8	329,784	6.5	102,122	7.4	103,520	5.3
International trading	1,651,784	44.2	1,602,507	42.7	1,942,690	38.4	570,709	41.5	592,480	30.1
Cost of sales	(3,548,616)	(95.0)	(3,626,183)	(96.8)	(4,937,701)	(97.7)	(1,334,160)	(97.0)	(1,945,955)	(98.9)
Gross profit	184,983	5.0	119,856	3.2	118,004	2.3	41,424	3.0	21,675	1.1
Other income	29,231	0.8	38,816	1.0	58,471	1.2	17,102	1.2	2,849	0.1
Other gains and losses	(2,162)	(0.1)	(23,911)	(0.6)	(127,622)	(2.5)	(7,015)	(0.5)	39,747	2.0
Selling and distribution expenses	(173,962)	(4.7)	(194,986)	(5.2)	(223,366)	(4.4)	(70,824)	(5.1)	(79,159)	(4.0)
Administrative expenses	(173,608)	(4.6)	(174,335)	(4.7)	(178,502)	(3.5)	(55,345)	(4.0)	(60,888)	(3.1)
Share of loss of a joint venture	—	—	—	—	—	—	—	—	(213)	(0.0)
Gain/(loss) arising from agricultural produce at fair value less costs to sell at the point of harvest	23,402	0.6	(78,324)	(2.1)	249,688	4.9	(73,574)	(5.3)	165,513	8.4
Gain arising from changes in fair value less costs to sell of biological assets	152,207	4.1	104,660	2.8	456,342	9.0	61,743	4.5	411,760	20.9
Finance costs	(104,702)	(2.8)	(137,568)	(3.7)	(133,365)	(2.6)	(52,145)	(3.8)	(40,028)	(2.0)
Profit/(loss) before tax	(64,611)	(1.7)	(345,792)	(9.2)	219,650	4.3	(138,634)	(10.1)	461,256	23.4
Income tax expense	(15,006)	(0.4)	(3,570)	(0.1)	(9,994)	(0.2)	—	—	(626)	(0.0)
Profit/(loss) for the year/period from continuing operations	<u>(79,617)</u>	<u>(2.1)</u>	<u>(349,362)</u>	<u>(9.3)</u>	<u>209,656</u>	<u>4.1</u>	<u>(138,634)</u>	<u>(10.1)</u>	<u>460,630</u>	<u>23.4</u>

Note: Our cost of sales for continuing operations increased as a result of biological fair value adjustments of RMB177.9 million, RMB73.9 million, RMB354.3 million and RMB421.0 million in 2013, 2014, 2015 and the four months ended April 30, 2016, respectively. Our cost of sales for continuing operations was reduced by biological fair value adjustments of RMB6.2 million in the four months ended April 30, 2015. In 2013, 2014, 2015 and the four months ended April 30, 2015 and 2016, the net biological fair value adjustments that affected our profit or loss from continuing operations were negative RMB2.3 million, negative RMB47.5 million, RMB351.7 million, negative RMB5.6 million and RMB156.2 million, respectively.

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The Four Months Ended April 30, 2016 Compared with the Four Months Ended April 30, 2015

Revenue

Our revenue increased by 43.0% from RMB1,375.6 million in the four months ended April 30, 2015 to RMB1,967.6 million in the same period of 2016, primarily as a result of higher revenue from our hog production and fresh pork segments.

Hog Production

Revenue from our hog production segment increased significantly from RMB205.2 million in the four months ended April 30, 2015 to RMB487.8 million in the same period of 2016. This increase was primarily due to a 67.5% increase in our average selling price for live hogs, as well as a 41.9% increase in sales volume, which was primarily as a result of increases in production volume at our hog farms in the Inner Mongolia Autonomous Region, Jiangsu Province and Jilin Province.

Fresh Pork

Revenue from our fresh pork segment increased by 57.6% from RMB497.5 million in the four months ended April 30, 2015 to RMB783.9 million in the same period of 2016. This increase was primarily due to a 38.1% increase in our average selling price for fresh pork products, as well as a 14.1% increase in sales volume as a result of our expansion of sales channels and geographical market reach.

Processed Meat Products

Revenue from our processed meat products segment increased by 1.4% from RMB102.1 million in the four months ended April 30, 2015 to RMB103.5 million in the same period of 2016, as a result of a 0.7% increase in our average selling price for processed meat products and a 0.6% increase in our sales volume of processed meat products.

International Trading

Revenue from our international trading segment increased by 3.8% from RMB570.7 million in the four months ended April 30, 2015 to RMB592.5 million in the same period of 2016. This increase was primarily due to a significant increase in sales volume of poultry to fulfill orders from certain major customers, as well as an increase in sales revenue from pork as a result of a more favorable price differential between the Chinese and overseas markets and the strong market demand in China for pork. These factors were offset in part by decreases in sales volumes of beef and mutton and lamb, primarily due to relatively weak market demand in China for these products.

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Cost of Sales

Our cost of sales increased by 45.9% from RMB1,334.2 million in the four months ended April 30, 2015 to RMB1,946.0 million in the same period of 2016. This increase was primarily due to (1) an RMB427.3 million increase in biological fair value adjustments (which reversed from an RMB6.2 million reduction to our cost of sales in the four months ended April 30, 2015 to an RMB421.0 million increase in our cost of sales in the same period of 2016), primarily as a result of a significant increase in market prices for live hogs, an increase in our hog production segment’s higher sales volume (both internal and external) of live hogs, and our greater hog production efficiency as a result of our efforts to improve feed efficiency, which helped to reduce our average costs to sell the live hogs; and (2) an RMB156.6 million increase in primary raw materials, including primarily an RMB101.5 million increase in cost of imported frozen poultry and an RMB79.8 million increase in costs of live hogs as a result of our increased sales volume of frozen poultry and fresh pork and higher hog prices.

Gross Profit and Gross Profit Margin

As a result of the factors discussed above, our gross profit declined by 47.7% to RMB21.7 million in the four months ended April 30, 2016, compared to RMB41.4 million in the same period of 2015, and our gross profit margin decreased to 1.1% in the four months ended April 30, 2016, compared to 3.0% in the same period of 2015. This decrease in our gross profit margin was primarily due to a decrease in our fresh pork segment’s gross profit margin as hog prices increased at a greater rate than pork prices. Our gross profit margin before fair value adjustments for biological assets (which are included in our cost of sales) increased from 2.6% in the four months ended April 30, 2015 to 22.5% in the same period of 2016, primarily due to a significant increase in market prices for live hogs, as well as our greater hog production efficiency as a result of our efforts to improve feed efficiency, which helped to reduce our average costs to sell the live hogs. Our gross profit margin before biological fair value adjustments increased while our gross profit margin after these adjustments decreased, primarily because these adjustments reversed from negative RMB6.2 million in the four months ended April 30, 2015 to RMB421.0 million in the same period of 2016.

Other Income

Our other income decreased by 83.3% from RMB17.1 million in the four months ended April 30, 2015 to RMB2.8 million in the same period of 2016. This decrease was primarily due to an RMB10.9 million decrease in interest income from banks and an RMB3.4 million decrease in government grants.

Other Gains and Losses

We had net other gains of RMB39.7 million in the four months ended April 30, 2016, compared to net other losses of RMB7.0 million in the same period of 2015. This reversal was primarily due to RMB36.8 million in insurance compensation that we received and recognized in the four months ended April 30, 2016 in connection with our inventories destroyed in the Tianjin Port explosions in August 2015.

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Selling and Distribution Expenses

Our selling and distribution expenses increased by 11.8% from RMB70.8 million in the four months ended April 30, 2015 to RMB79.2 million in the same period of 2016. This increase was primarily due to an increase in advertising and promotion expenses to market our brands and our fresh pork and processed meat products, as well as an increase in staff costs as a result of an increase in the size of our sales team.

Administrative Expenses

Our administrative expenses increased by 10.0% from RMB55.3 million in the four months ended April 30, 2015 to RMB60.9 million in the same period of 2016. This increase was primarily due to our incurrence of expenses in respect of the [REDACTED] in the four months ended April 30, 2016.

Share of Loss of a Joint Venture

We recorded RMB213 thousand in share of loss of a joint venture in the four months ended April 30, 2016. This was related to loss of CM/Merit, which was established on December 25, 2015 and is 40% owned by us.

Gain/(Loss) Arising from Agricultural Produce at Fair Value less Costs to Sell at the Point of Harvest

In the four months ended April 30, 2016, we had a gain of RMB165.5 million arising from agricultural produce at fair value less costs to sell at the point of harvest, compared to a loss of RMB73.6 million in the same period of 2015. This change was primarily due to a significant increase in market prices for live hogs, an increase in our sales volume (both internal and external) of live hogs, and our greater hog production efficiency as a result of our efforts to improve feed efficiency, which helped to reduce our average costs to sell the live hogs.

Gain Arising from Changes in Fair Value Less Costs to Sell of Biological Assets

Our gain arising from changes in fair value less costs to sell of biological assets increased significantly from RMB61.7 million in the four months ended April 30, 2015 to RMB411.8 million in the same period of 2016. This increase was primarily due to an increase in the number of live hogs that remained as our biological assets as of April 30, 2016 compared to April 30, 2015, an increase in market prices for live hogs as of April 30, 2016 compared to April 30, 2015, and our greater hog production efficiency as a result of our efforts to improve feed efficiency, which helped to reduce our average costs to sell the live hogs.

Finance Costs

Our finance costs decreased by 23.2% from RMB52.1 million in the four months ended April 30, 2015 to RMB40.0 million in the same period of 2016. This decrease was primarily due to a decrease in our average borrowings.

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Profit/(Loss) Before Tax

For the foregoing reasons, we had a profit before tax of RMB461.3 million in the four months ended April 30, 2016, compared to a loss before tax of RMB138.6 million in the same period of 2015.

Income Tax Expense

We did not have any income tax expense in the four months ended April 30, 2015, while we had income tax expense of RMB0.6 million in the same period of 2016. In both periods, our low income tax expense was primarily because our hog production and fresh pork businesses were exempt from enterprise income tax. The fact that we did not have any income tax expense in the four months ended April 30, 2015 was also because our processed meat and international trading businesses recorded losses in that period. Our relatively low income tax expense in the four months ended April 30, 2016 was also because our Chinese subsidiary that engaged in international trading made a profit in that period but utilized tax losses from previous periods.

Profit/(Loss) for the Period from Continuing Operations

For the foregoing reasons, we had a profit for the period from continuing operations of RMB460.6 million in the four months ended April 30, 2016, compared to a loss for the period from continuing operations of RMB138.6 million in the same period of 2015.

The Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014

Revenue

Our revenue increased by 35.0% from RMB3,746.0 million in 2014 to RMB5,055.7 million in 2015, as a result of increases in sales for all our segments.

Hog Production

Our revenue from the hog production segment increased by 84.1% from RMB410.6 million in 2014 to RMB755.9 million in 2015. This increase was primarily due to a 45.0% increase in sales volume, primarily as a result of increases in production volume at our newly established hog farms in Jilin Province and the Inner Mongolia Autonomous Region and our existing hog farms in Jiangsu Province, as well as a 26.9% increase in our average selling price for live hogs in 2015.

Fresh Pork

Our revenue from the fresh pork segment increased by 40.5% from RMB1,442.5 million in 2014 to RMB2,027.4 million in 2015. This increase was primarily due to a 24.5% increase in sales volume as a result of the ramp-up of and higher utilization rate at our slaughtering plant in Jiangsu Province and our expansion of sales channels and geographic market reach, as well as a 12.8% increase in our average selling price for fresh pork products.

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Processed Meat Products

Our revenue from the processed meat products segment increased by 13.6% from RMB290.4 million in 2014 to RMB329.8 million in 2015. This increase was primarily due to a 14.3% increase in sales volume, primarily as a result of the expansion of our sales channels (particularly supermarkets, supermarkets and restaurants).

International Trading

Our revenue from the international trading segment increased by 21.2% from RMB1,602.5 million in 2014 to RMB1,942.7 million in 2015. This increase was primarily due to a significant increase in sales volume of pork as a result of a more favorable price differential between the Chinese and overseas markets, as well as a higher sales volume of beef resulting from our enhanced efforts to sell beef. These factors were offset in part by a decrease in sales volume of poultry, as well as a decrease in sales volume of mutton and lamb as a result of a less favorable price differential between the Chinese and overseas markets.

Cost of Sales

Our cost of sales increased by 36.2% from RMB3,626.2 million in 2014 to RMB4,937.7 million in 2015. This increase was primarily due to (1) an RMB943.9 million increase in primary raw materials, including primarily an RMB392.5 million increase in costs of live hogs, an RMB386.5 million increase in costs of imported frozen pork, an RMB170.2 million increase in costs of imported frozen beef and an RMB113.7 million increase in costs of feed primarily as a result of our increased sales in all our segments, offset in part by an RMB130.3 million decrease in costs of imported frozen poultry in line with our lower sales of frozen poultry; and (2) an RMB280.5 million, or 379.6%, increase in biological fair value adjustments from RMB73.9 million in 2014 to RMB354.3 million in 2015, as a result of an increase in market prices for live hogs and our hog production segment’s higher sales volume (both internal and external) of live hogs.

Gross Profit and Gross Profit Margin

As a result of the factors discussed above, our gross profit declined by 1.5% to RMB118.0 million in 2015, compared to RMB119.9 million in 2014, and our gross profit margin decreased to 2.3% in 2015, compared to 3.2% in 2014. This decrease in our gross profit margin was primarily because our international trading segment’s gross profit margin was lower as a result of a less favorable price differential between the Chinese and overseas markets for our sales of mutton and lamb and because our fresh pork segment’s gross profit margin was lower as hog prices increased at a greater rate than pork prices. Our gross profit margin before fair value adjustments for biological assets (which are included in our cost of sales) increased from 5.2% in 2014 to 9.3% in 2015, primarily

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due to an increase in market prices for live hogs. Our gross profit margin before biological fair value adjustments increased while our gross profit margin after these adjustments decreased, primarily because these adjustments increased significantly from RMB73.9 million in 2014 to RMB354.3 million in 2015.

Other Income

Our other income increased by 50.6% from RMB38.8 million in 2014 to RMB58.5 million in 2015. This increase was primarily due to an RMB10.0 million increase in government grants, as well as an RMB6.5 million increase in interest income from banks.

Other Gains and Losses

Our net other losses increased significantly from RMB23.9 million in 2014 to RMB127.6 million in 2015. This increase was primarily due to RMB99.9 million in inventories destroyed in an explosion accident, which were imported frozen meat products destroyed by the Tianjin Port explosions, and an RMB53.6 million increase in net exchange losses arising from our borrowings in U.S. dollars, as the RMB depreciated against the U.S. dollar in 2015. These factors were offset in part by RMB50.0 million in insurance compensation we received and recognized in 2015 in connection with the inventories destroyed by the Tianjin Port explosions and RMB11.4 million in gain from changes in fair value of financial assets designated as fair value through profit or loss (which were wealth management products). As of the Latest Practicable Date, we received RMB86.8 million in insurance compensation (inclusive of the amount of RMB50.0 million received and recognized in 2015) in respect of the inventories destroyed by the Tianjin Port explosions.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 14.6% from RMB195.0 million in 2014 to RMB223.4 million in 2015. This increase was primarily due to an increase in marketing expenses in connection with the expansion of our sales channels, as well as an increase in staff costs as a result of an increase in the size of our sales team and an increase in transportation expenses in line with our higher sales.

Administrative Expenses

Our administrative expenses increased by 2.4% from RMB174.3 million in 2014 to RMB178.5 million in 2015.

Gain/(Loss) Arising from Agricultural Produce at Fair Value less Costs to Sell at the Point of Harvest

In 2015, we had a gain of RMB249.7 million arising from agricultural produce at fair value less costs to sell at the point of harvest, compared to a loss of RMB78.3 million in 2014. This change was primarily due to an increase in market prices for live hogs, as well as an increase in our sales volume (both internal and external) of live hogs.

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Gain Arising from Changes in Fair Value Less Costs to Sell of Biological Assets

Our gain arising from changes in fair value less costs to sell of biological assets increased significantly from RMB104.7 million in 2014 to RMB456.3 million in 2015. This increase was primarily due to an increase in market prices for live hogs, as well as an increase in the number of live hogs that remained as our biological assets, both as of December 31, 2015 compared to the end of the prior year.

Finance Costs

Our finance costs remained relatively stable at RMB133.4 million in 2015 compared to RMB137.6 million in 2014.

Profit/(Loss) Before Tax

For the foregoing reasons, we had a profit before tax of RMB219.7 million in 2015, compared to a loss before tax of RMB345.8 million in 2014.

Income Tax Expense

Our income tax expense increased significantly from RMB3.6 million in 2014 to RMB10.0 million in 2015. This increase was primarily due to the enterprise income tax incurred in 2015 by one of our Chinese subsidiaries in connection with government grants that it received. We had an effective tax rate of 4.5% in 2015.

Profit/(Loss) for the Year from Continuing Operations

For the foregoing reasons, we had a profit for the year from continuing operations of RMB209.7 million in 2015, compared to a loss for the year from continuing operations of RMB349.4 million in 2014.

The Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

Revenue

Our revenue remained relatively stable at RMB3,746.0 million in 2014 compared to RMB3,733.6 million in 2013. Revenue in the hog production, processed meat products and fresh pork segments increased, but this was offset in part by lower revenue in the international trading segment.

Hog Production

Our revenue from the hog production segment increased by 6.6% from RMB385.2 million in 2013 to RMB410.6 million in 2014. This increase was primarily due to a 22.8% increase in sales

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volume, primarily as a result of increases in production volume at our newly established hog farms in Jilin Province and our existing hog farms in Jiangsu Province, offset in part by a 13.2% decrease in our average selling price for live hogs.

Fresh Pork

Our revenue from the fresh pork segment increased by 1.2% from RMB1,425.9 million in 2013 to RMB1,442.5 million in 2014. The 8.6% increase in sales volume as a result of the ramp-up of and higher utilization rate at our slaughtering plant in Jiangsu Province and our sales channel and market expansions was substantially offset by a 6.9% decrease in our average selling price for fresh pork products.

Processed Meat Products

Our revenue from sales of processed meat products increased by 7.3% from RMB270.8 million in 2013 to RMB290.4 million in 2014. This increase was primarily due to a 10.9% increase in sales volume, primarily as a result of our introduction of new products that were well received by consumers and the expansion of our sales channels (particularly hypermarkets, supermarkets and restaurants).

International Trading

Our revenue from sales of frozen meat products decreased by 3.0% from RMB1,651.8 million in 2013 to RMB1,602.5 million in 2014. This decrease was primarily due to a lower sales volume for beef, mutton and lamb as a result of less favorable price differentials between the Chinese and overseas markets, offset in part by an increase in sales volume of frozen poultry to the Discontinued Operation primarily to fulfill orders from a major customer.

Cost of Sales

Our cost of sales increased by 2.2% from RMB3,548.6 million in 2013 to RMB3,626.2 million in 2014. This increase was primarily due to an RMB137.1 million increase in primary raw materials, including primarily an RMB158.3 million increase in costs of imported frozen poultry and an RMB63.7 million increase in costs of live hogs as a result of our higher sales volume of frozen poultry and fresh pork, offset in part by an RMB107.6 million decrease in costs of imported frozen beef as a result of our lower sales of frozen beef. The increase in primary raw materials was substantially offset by an RMB104.0 million, or 58.5%, decrease in biological fair value adjustments from RMB177.9 million in 2013 to RMB73.9 million in 2014, as a result of a decrease in market prices for live hogs.

Gross Profit and Gross Profit Margin

As a result of the factors discussed above, our gross profit decreased by 35.2% from RMB185.0 million in 2013 to RMB119.9 million in 2014, and our gross profit margin decreased from 5.0% in

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2013 to 3.2% in 2014. This decrease in our gross profit margin was primarily due to an increase in culling costs, primarily as a result of an increase in production volume, as new hog farms were put into operation and certain of the new hog farms had higher culling than older farms. Our gross profit margin before fair value adjustments for biological assets (which are included in our cost of sales) decreased from 9.7% in 2013 to 5.2% in 2014, primarily due to a decrease in market prices for live hogs. Our gross profit margin before biological fair value adjustments decreased at a greater rate than our gross profit margin after these adjustments, primarily because these adjustments decreased from RMB177.9 million in 2013 to RMB73.9 million in 2014.

Other Income

Our other income increased by 32.8% from RMB29.2 million in 2013 to RMB38.8 million in 2014. This increase was primarily due to an RMB6.9 million increase in government grants.

Other Gains and Losses

Our net other losses increased significantly from RMB2.2 million in 2013 to RMB23.9 million in 2014. This increase was primarily because we recognized net exchange losses of RMB16.1 million in 2014, compared to net exchange gains of RMB6.6 million in 2013. The exchange losses in 2014 arose primarily from our borrowings in U.S. dollars, as the RMB depreciated against the U.S. dollar.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 12.1% from RMB174.0 million in 2013 to RMB195.0 million in 2014. This increase was primarily due to increases in marketing expenses and transportation expenses in line with our increased sales and an increase in staff costs as a result of an increase in size of our sales team.

Administrative Expenses

Our administrative expenses remained relatively stable at RMB173.6 million in 2013 and RMB174.3 million in 2014.

Gain/(Loss) Arising from Agricultural Produce at Fair Value Less Costs to Sell at the Point of Harvest

We had a loss of RMB78.3 million in 2014 arising from agricultural produce at fair value less costs to sell at the point of harvest, compared to a gain of RMB23.4 million in 2013. This reversal was due to a decrease in market prices for live hogs.

Gain Arising from Changes in Fair Value Less Costs to Sell of Biological Assets

Our gain arising from changes in fair value less costs to sell of biological assets decreased by 31.2% from RMB152.2 million in 2013 to RMB104.7 million in 2014. This decrease was due to a decrease in market prices for live hogs as of December 31, 2014 compared to the end of the prior year, offset in part by an increase in the number of live hogs that remained as our biological assets as of December 31, 2014 compared to the end of the prior year.

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Finance Costs

Our finance costs increased by 31.4% from RMB104.7 million in 2013 to RMB137.6 million in 2014. This increase was primarily due to an increase in our average level of borrowings, primarily to fund our capital expenditures.

Loss Before Tax

For the foregoing reasons, our loss before tax increased significantly from RMB64.6 million in 2013 to RMB345.8 million in 2014.

Income Tax Expense

Our income tax expense decreased by 76.2% from RMB15.0 million in 2013 to RMB3.6 million in 2014. This decrease was primarily because our Chinese subsidiary that engaged in international trading made a profit in 2013, compared to a loss in 2014.

Loss for the Year from Continuing Operations

For the foregoing reasons, our loss for the year from continuing operations increased from RMB79.6 million in 2013 to RMB349.4 million in 2014.

Segment Results

The tables below set forth our revenue from continuing operations by segment and each segment’s contribution to external sales, for the periods indicated.

For the year ended December 31, 2013:

	Hog production	% of total external sales	Fresh pork	% of total external sales	Processed meat products	% of total external sales	International trading	% of total external sales	Total	% of total external sales
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Total revenue.	1,284,859	34.4	1,483,774	39.8	271,719	7.3	1,659,249	44.4	4,699,601	125.9
Less: Inter-segment sales	899,684	24.1	57,897	1.6	956	0.0	7,465	0.2	966,002	25.9
External sales	385,175	10.3	1,425,877	38.2	270,763	7.3	1,651,784	44.2	3,733,599	100.0

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For the year ended December 31, 2014:

	Hog production	% of total external sales	Fresh pork	% of total external sales	Processed meat products	% of total external sales	International trading	% of total external sales	Total	% of total external sales
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Total revenue.	1,237,296	33.0	1,506,485	40.2	290,897	7.8	1,604,150	42.8	4,638,828	123.8
Less: Inter-segment sales	826,708	22.0	63,967	1.7	471	0.0	1,643	0.0	892,789	23.8
External sales	410,588	11.0	1,442,518	38.5	290,426	7.8	1,602,507	42.8	3,746,039	100.0

For the year ended December 31, 2015:

	Hog production	% of total external sales	Fresh pork	% of total external sales	Processed meat products	% of total external sales	International trading	% of total external sales	Total	% of total external sales
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Total revenue.	1,749,605	34.6	2,106,868	41.7	329,791	6.5	1,950,125	38.5	6,136,389	121.4
Less: Inter-segment sales	993,737	19.6	79,505	1.6	7	0.0	7,435	0.1	1,080,684	21.4
External sales	755,868	15.0	2,027,363	40.1	329,784	6.5	1,942,690	38.4	5,055,705	100.0

For the four months ended April 30, 2015:

	Hog production	% of total external sales	Fresh pork	% of total external sales	Processed meat products	% of total external sales	International trading	% of total external sales	Total	% of total external sales
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Total revenue.	496,846	36.1	513,196	37.3	102,331	7.4	573,196	41.7	1,685,569	122.5
Less: Inter-segment sales	291,625	21.2	15,664	1.1	209	0.0	2,487	0.2	309,985	22.5
External sales	205,221	14.9	497,532	36.2	102,122	7.4	570,709	41.5	1,375,584	100.0

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For the four months ended April 30, 2016:

	Hog production	% of total external sales	Fresh pork	% of total external sales	Processed meat products	% of total external sales	International trading	% of total external sales	Total	% of total external sales
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Total revenue.	980,086	49.8	788,741	40.1	103,776	5.3	607,149	30.9	2,479,752	126.0
Less: Inter-segment sales	492,332	25.0	4,865	0.2	256	0.0	14,669	0.7	512,122	26.0
External sales	487,754	24.8	783,876	39.8	103,520	5.3	592,480	30.1	1,967,630	100.0

The table below sets forth our segment results before biological fair value adjustments from continuing operations and each segment's contribution to our continuing operations' total segment results for the periods indicated:

	Hog production	% of total segment results	Fresh pork	% of total segment results	Processed meat products	% of total segment results	International trading	% of total segment results	Total	% of total segment results
Segment results	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Year ended December 31, 2013	60,149	75.8	(9,633)	(12.1)	(11,066)	(13.9)	39,944	50.3	79,394	100.0
Year ended December 31, 2014	(119,919)	95.5	(7,322)	5.8	(456)	0.4	2,077	(1.7)	(125,620)	100.0
Year ended December 31, 2015	138,378	206.0	(1,469)	(2.2)	4,015	6.0	(73,763)	(109.8)	67,161	100.0
Four months ended April 30, 2015 . .	(78,017)	108.6	7,383	(10.3)	(1,065)	1.5	(152)	0.2	(71,851)	100.0
Four months ended April 30, 2016 . .	336,120	91.0	(1,512)	(0.4)	(2,574)	(0.7)	37,327	10.1	369,361	100.0

Our segment results before biological fair value adjustments represent the profit earned by or loss from each segment without allocation of central administration costs, directors' emoluments, fair value adjustments on biological assets, certain other gains and losses, and finance costs. Following are discussions of these segment results on a period-to-period comparative basis.

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The Four Months Ended April 30, 2016 Compared with the Four Months Ended April 30, 2015

Hog Production

The hog production segment recorded segment results of RMB336.1 million in the four months ended April 30, 2016, compared to negative RMB78.0 million in the same period of 2015. This reversal was primarily due to (1) an increase in our average selling price for live hogs, (2) an increase in sales volume, primarily as a result of increases in production volume at our hog farms in the Inner Mongolia Autonomous Region, Jiangsu Province and Jilin Province, and (3) our greater hog production efficiency as a result of our efforts to improve feed efficiency, which helped to reduce our average costs to sell the live hogs.

Fresh Pork

The fresh pork segment’s segment results reversed from RMB7.4 million in the four months ended April 30, 2015 to negative RMB1.5 million in the same period of 2016. This reversal was primarily because hog prices increased at a greater rate than pork prices, although this was offset in part by an increase in our sales volume as a result of our expansion of sales channels and geographical market reach.

Processed Meat Products

The processed meat products segment’s segment results declined from negative RMB1.1 million in the four months ended April 30, 2015 to negative RMB2.6 million in the same period of 2016. This decline was primarily due to an increase in selling and distribution expenses related to our sales channel development and promotional activities, offset in part by a decrease in administrative expenses as a result of our efforts to control expenses.

International Trading

The international trading segment’s segment results reversed from negative RMB0.2 million in the four months ended April 30, 2015 to RMB37.3 million in the same period of 2016. This reversal was primarily due to our recognition of RMB36.8 million in insurance compensation in the four months ended April 30, 2016 in connection with our inventories destroyed in the Tianjin Port explosions in August 2015, as well as an increase in gross profit from sales of pork as a result of a more favorable price differential between the Chinese and overseas markets and the strong market demand for pork in China, offset in part by a decrease in our sales of beef due to relatively weak market demand for beef in China.

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The Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014

Hog Production

The hog production segment recorded segment results of RMB138.4 million in 2015, compared to negative RMB119.9 million in 2014. This reversal was primarily due to an increase in sales volume, primarily as a result of increases in production volume at our newly established hog farms in Jilin Province and the Inner Mongolia Autonomous Region and our existing hog farms in Jiangsu Province, as well as an increase in our average selling price for live hogs in 2015.

Fresh Pork

The fresh pork segment's segment results improved from negative RMB7.3 million in 2014 to negative RMB1.5 million in 2015. This improvement was primarily due to the ramp-up of and higher utilization rate at our slaughtering plant in Jiangsu Province and our expansion of sales channels and geographic market reach.

Processed Meat Products

The processed meat products segment's segment results reversed from negative RMB0.5 million in 2014 to RMB4.0 million in 2015. This reversal was primarily the results of our continued efforts to expand sales channels.

International Trading

The international trading segment's segment results reversed from RMB2.1 million in 2014 to negative RMB73.8 million in 2015. This reversal was primarily due to a net other loss of RMB49.9 million (after considering insurance compensation received and recognized in 2015) in relation to our imported frozen meat inventories destroyed by the Tianjin Port explosions, as well as foreign exchange losses related to trade finance arrangements as the RMB depreciated against the U.S. dollar.

The Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

Hog Production

The hog production segment recorded segment results of negative RMB119.9 million in 2014, compared to segment results of RMB60.1 million in 2013. This reversal was primarily due to a decrease in our average selling price for live hogs, offset in part by an increase in production volume, primarily at our newly established hog farms in Jilin Province and our existing hog farms in Jiangsu Province.

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Fresh Pork

The fresh pork segment recorded segment results of negative RMB9.6 million in 2013, primarily because our slaughtering plant in Jiangsu Province commenced operation in October 2012 and had a relatively low utilization rate as it was in the process of ramping up its operations in 2013. The fresh pork segment’s results improved to negative RMB7.3 million in 2014, primarily due to the ramp-up of and higher utilization rate at our slaughtering plant in Jiangsu Province (which came into operation in October 2012) and our expansion of sales channels and geographic market reach.

Processed Meat Products

The processed meat products segment recorded segment results of negative RMB11.1 million in 2013, primarily due to the relatively low sales of this segment compared to its operating expenses (particularly selling and distribution expenses), given its early stage of development. The processed meat products segment’s segment results improved to negative RMB0.5 million in 2014, primarily due to our introduction of new products that were well received by customers and our enhanced efforts to expand sales channels.

International Trading

The international trading segment’s segment results decreased by 94.8% from RMB39.9 million in 2013 to RMB2.1 million in 2014. This decrease was primarily because of a decrease in sales volume of beef, mutton and lamb as a result of less favorable price differentials between the Chinese and overseas markets, offset in part by an increase in sales volume of poultry to the Discontinued Operation, primarily to fulfill orders from a major customer.

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LIQUIDITY AND CAPITAL RESOURCES

We have funded our operations principally with cash generated from our operations, borrowings and shareholders’ capital contributions. Our primary uses of cash during the Track Record Period were for working capital purposes and capital expenditures for expansion of production facilities.

Cash Flow

The following table sets forth selected cash flow data from our consolidated statements of cash flows for the periods indicated.

	For the year ended December 31,			For the four months ended
	2013	2014	2015	April 30,
	RMB'000	RMB'000	RMB'000	2016
				RMB'000
Net cash generated from/(used in) operating activities.	(478,608)	(370,384)	381,286	628,525
Net cash used in investing activities	(390,243)	(698,871)	(1,252,382)	(167,768)
Net cash generated from/(used in) financing activities.	789,662	2,902,683	(1,098,183)	(257,741)
Cash and cash equivalents at beginning of the year/period	384,136	298,855	2,142,369	182,006
Cash and cash equivalents (including Discontinued Operation) at end of the year/period	298,855	2,142,369	182,006	380,245

Cash Flow Generated from/(Used in) Operating Activities

In the four months ended April 30, 2016, we had net cash generated from operating activities of RMB628.5 million, consisting of approximately RMB155.0 million in operating cash inflows before movements in working capital, net cash inflows of RMB475.3 million relating to movements in working capital and income tax paid of RMB1.8 million. Our operating cash inflows before movements in working capital were primarily attributable to our profit for the period of RMB464.6 million, adjusted for non-cash items, including primarily to deduct a gain arising from changes in fair value less cost to sell of biological assets of RMB415.5 million and to add back depreciation of RMB64.3 million and finance costs of RMB42.0 million. Our net cash inflows relating to movements in working capital were primarily attributable to an RMB211.4 million decrease in inventories, as a result of our enhanced efforts to sell our frozen meat products, an RMB197.5 million decrease in biological assets, and an RMB45.8 million decrease in prepayments, deposits and other receivables.

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In 2015, we had net cash generated from operating activities of RMB381.3 million, consisting of approximately RMB3.6 million in operating cash inflows before movements in working capital, net cash inflows of RMB383.6 million relating to movements in working capital and income tax paid of RMB5.9 million. Our operating cash inflows before movements in working capital were primarily attributable to our profit for the year of RMB150.9 million, adjusted for non-cash items, including primarily to add back depreciation of RMB174.6 million and finance costs of RMB140.9 million and to deduct a gain arising from changes in fair value less cost to sell of biological assets of RMB454.3 million. Our net cash inflows relating to movements in working capital were primarily attributable to an RMB278.6 million decrease in inventories, as a result of our enhanced efforts to sell our imported frozen meat inventory and our higher use of frozen pork inventory following increases in hog prices, and an RMB123.0 million increase in trade-nature payables in line with our higher purchases of inventories.

In 2014, we had net cash used in operating activities of RMB370.4 million, consisting of RMB215.7 million in operating cash outflows before movements in working capital, net cash outflows of RMB134.9 million relating to movements in working capital and income tax paid of RMB19.8 million. Our operating cash outflows before movements in working capital were primarily attributable to our loss for the year of RMB411.0 million, adjusted for non-cash items, including primarily to add back depreciation of RMB156.0 million and finance costs of RMB153.8 million and to deduct a gain arising from changes in fair value less costs to sell of biological assets of RMB111.5 million. Our net cash outflows relating to movements in working capital were primarily attributable to an RMB230.6 million increase in inventories, as a result of an increase in our inventory of imported frozen meat products, an increase in poultry inventory for the Discontinued Operation, and our stockpiling of frozen pork inventories as we believed hog prices were relatively low. These factors were offset in part by an RMB101.1 million increase in trade-nature payables, in line with our higher purchases of inventories, and an RMB47.4 million decrease in biological assets.

In 2013, we had net cash used in operating activities of RMB478.6 million, consisting of RMB90.2 million in operating cash outflows before movements in working capital, net cash outflows of RMB383.5 million relating to movements in working capital and income tax paid of RMB4.9 million. Our operating cash outflows before movements in working capital were primarily attributable to our loss for the year of RMB241.7 million, adjusted for non-cash items, including primarily to add back depreciation of RMB132.5 million and finance costs of RMB124.3 million and to deduct a gain arising from changes in fair value less costs to sell of biological assets of RMB147.9 million. Our net cash outflows relating to changes in working capital were primarily attributable to an RMB346.7 million increase in inventories, primarily due to an increase in our inventory of imported meat products, and an RMB152.5 million decrease in trade-nature payables, primarily in relation to the Discontinued Operation. These factors were offset in part by an RMB102.8 million decrease in biological assets.

Cash Flow Used in Investing Activities

In the four months ended April 30, 2016, our net cash used in investing activities was RMB167.8 million. This was mainly attributable to RMB191.4 million in payments for property, plant and equipment, primarily in relation to our hog farms and feed mills under construction, offset in part by an RMB49.9 million net decrease in financial assets at fair value through profit or loss, which were wealth management products.

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In 2015, our net cash used in investing activities was RMB1,252.4 million. This was mainly attributable to RMB782.1 million in payments for property, plant and equipment, primarily in relation to our hog farms under construction, and an RMB488.2 million net increase in financial assets at fair value through profit or loss, which were wealth management products.

In 2014, our net cash used in investing activities was RMB698.9 million. This was mainly attributable to RMB683.8 million in payments for property, plant and equipment, primarily in relation to our hog farms under construction.

In 2013, our net cash used in investing activities was RMB390.2 million. This was mainly attributable to RMB419.4 million in payments for property, plant and equipment, primarily in relation to our hog farms under construction.

Cash Flow Generated from/(Used in) Financing Activities

In the four months ended April 30, 2016, our net cash used in financing activities was RMB257.7 million. This was mainly attributable to RMB1,283.4 million in repayment of bank and other borrowings, offset in part by proceeds from borrowings, including RMB1,024.8 million in new bank and other borrowings and an RMB100.0 million loan from the ultimate holding company (COFCO). See “Relationship with Controlling Shareholders—Independence from COFCO Group—Financial Independence” for more information on this loan from COFCO.

In 2015, our net cash used in financing activities was RMB1,098.2 million. This was mainly attributable to RMB6,086.2 million in repayment of bank and other borrowings, RMB179.5 million in repayment to fellow subsidiaries (companies under common control with our Group by COFCO) and RMB131.7 million in interest paid. These factors were offset in part by proceeds from borrowings, including RMB5,152.7 million in new bank and other borrowings.

In 2014, our net cash generated from financing activities was RMB2,902.7 million. This was mainly attributable to RMB5,658.1 million in new bank and other borrowings, RMB1,671.4 million in issue of new shares and RMB802.6 million in advances from the immediate holding company, Mainfield (a subsidiary of COFCO). These factors were offset in part by repayments, including RMB4,195.6 million in repayment of bank and other borrowings, RMB808.6 million in repayment of loan from an intermediate holding company, COFCO (HK) (a subsidiary of COFCO) and RMB160.6 million in interest paid.

In 2013, our net cash generated from financing activities was RMB789.7 million. This was mainly attributable to RMB3,132.5 million in new bank and other borrowings and RMB149.0 million in contribution from a non-controlling shareholder (MIY). These factors were offset in part by RMB2,372.9 million in repayment of bank and other borrowings and RMB127.8 million in interest paid.

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Net Current Liabilities

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of	As of the
	2013	2014	2015	April 30,	Indebtedness
	RMB'000	RMB'000	RMB'000	2016	Date
				RMB'000	RMB'000
Current Assets					
Inventories	710,162	933,277	518,652	302,464	508,210
Biological assets	541,440	602,791	936,296	1,171,838	1,288,480
Accounts receivable	153,098	190,374	165,438	169,162	159,207
Prepayments, deposits and other receivables	186,432	203,944	178,440	130,427	175,296
Amounts due from fellow subsidiaries ⁽¹⁾	5,619	1,588	1,920	259,574	20,901
Amounts due from the immediate holding company ⁽²⁾	100	—	—	—	—
Amounts due from the ultimate holding company ⁽³⁾	—	—	1,789	3,039	3,039
Amounts due from a related company ⁽⁴⁾	265	703	573	584	1,174
Loans to fellow subsidiaries ⁽¹⁾	—	—	—	586,000	—
Financial assets at fair value through profit or loss	—	—	499,555	454,551	272,736
Derivative financial instruments	—	—	—	—	12,107
Pledged and restricted bank deposits	4,281	32,506	39,878	37,675	45,769
Cash and cash equivalents	298,855	2,142,369	175,735	380,245	389,670
Assets of disposal group classified as held for sale	—	—	993,037	—	—
Subtotal	<u>1,900,252</u>	<u>4,107,552</u>	<u>3,511,313</u>	<u>3,495,559</u>	<u>2,876,589</u>
Current Liabilities					
Accounts and bills payables	176,858	279,797	244,384	254,666	312,872
Other payables, accruals and deposits received	438,477	710,204	661,463	604,254	577,626
Derivative financial instruments	—	—	—	878	—
Bank and other borrowings	1,754,002	3,199,565	2,053,377	1,543,946	1,525,790
Amounts due to fellow subsidiaries ⁽¹⁾	323,013	270,113	52,425	162,739	148,948
Amounts due to the immediate holding company ⁽²⁾	640,432	802,809	19,164	403,828	39,270
Amounts due to shareholders	—	—	—	523,521	—
Amounts due to an intermediate holding company ⁽⁵⁾	13,670	—	—	—	—
Amounts due to the ultimate holding company ⁽³⁾	2,000	2,000	—	2,735	1,378
Loans from the immediate holding company ⁽²⁾	—	—	904,970	900,145	932,430
Loans from the ultimate holding company ⁽³⁾	5,500	5,500	2,500	2,500	2,500
Loans from an intermediate holding company ⁽⁵⁾	808,600	—	—	—	—
Current tax liabilities	14,790	274	5,494	4,908	186
Liability directly associated with disposal group classified as held for sale	—	—	418,626	—	—
Subtotal	<u>4,177,342</u>	<u>5,270,262</u>	<u>4,362,403</u>	<u>4,404,120</u>	<u>3,541,000</u>
Net current liabilities	<u>(2,277,090)</u>	<u>(1,162,710)</u>	<u>(851,090)</u>	<u>(908,561)</u>	<u>(664,411)</u>

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Notes:

- (1) Companies that are under common control with our Group by COFCO.
- (2) Mainfield, a subsidiary of COFCO.
- (3) COFCO.
- (4) Includes a jointly controlled entity of COFCO and that entity’s subsidiaries.
- (5) COFCO (HK), a subsidiary of COFCO.

We had net current liabilities of RMB2,277.1 million, RMB1,162.7 million, RMB851.1 million, RMB908.6 million and RMB664.4 million as of December 31, 2013, 2014 and 2015, April 30, 2016 and August 31, 2016 (the “Indebtedness Date”), respectively.

We had net current liabilities as of December 31, 2013, primarily the cumulative result of our use of short-term borrowings to pay for capital expenditures related to our production facilities in 2013 and in previous years.

Our net current liabilities decreased by 48.9% to RMB1,162.7 million as of December 31, 2014 compared to the prior year, primarily due to our issuance of shares to Mainfield and [REDACTED] Investors for consideration of RMB1,671.4 million.

Our net current liabilities decreased by 26.8% to RMB851.1 million as of December 31, 2015 compared to the prior year, primarily due to our reclassification of all assets and liabilities (current and non-current) of the Discontinued Operation into current assets and current liabilities, respectively, as of December 31, 2015, offset in part by our use of a portion of our shareholders’ capital contributions to pay for capital expenditures related to our production facilities.

Our net current liabilities increased by 6.8% to RMB908.6 million as of April 30, 2016 compared to December 31, 2015, primarily due to an RMB574.4 million decrease in net current assets in relation to the Discontinued Operation as we completed its disposal in April 2016. This was offset in part by an RMB509.4 million decrease in short-term bank and other borrowings, primarily because we did not renew some short-term borrowings when they matured. The RMB216.2 million decrease in inventories as of April 30, 2016 compared to December 31, 2015 was primarily due to our enhanced efforts to sell frozen meat products. The RMB523.5 million amounts due to shareholders and an RMB375.9 million amount due to the immediate holding company (Mainfield) as of April 30, 2016 related to our Share Repurchase in April 2016 in connection with the disposal of the Discontinued Operation. The loans to fellow subsidiaries (which are companies that are under common control with our Group by COFCO) of RMB586.0 million as of April 30, 2016 were loans we made to entities that carried out the Discontinued Operation before we completed the disposal (“the Disposal Group”). The amounts due from fellow subsidiaries of RMB259.6 million as of April 30, 2016 included primarily an amount due from Heaplink (HK) of RMB112.0 million, representing the price at which we sold the Discontinued Operation to it, and our advances to the Disposal Group. The amounts due to fellow subsidiaries of RMB162.7 million as of April 30, 2016 included primarily advances from the Disposal

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Group. See “History, Development and Reorganization—Reorganization” for more information on our disposal of the Discontinued Operation and the Share Repurchase. We plan to settle all of the amounts due to shareholders (RMB523.5 million as of April 30, 2016) and an amount due to the immediate holding company (RMB375.9 million as of April 30, 2016) related to the Share Repurchase, other non-trade nature amounts due to the immediate holding company (RMB27.9 million as of April 30, 2016), non-trade nature amounts due from fellow subsidiaries (RMB214.9 million as of April 30, 2016), non-trade nature amounts due to fellow subsidiaries (RMB98.3 million as of April 30, 2016), non-trade nature amounts due to the ultimate holding company (RMB2.7 million as of April 30, 2016), loans to fellow subsidiaries (RMB586.0 million as of April 30, 2016), loans from COFCO Finance (non-current, in the amount of RMB340.0 million as of April 30, 2016), and loans from the immediate holding company (RMB900.1 million as of April 30, 2016) before the [REDACTED]. We will not settle trade-nature related party balances, nor will we settle the loans from the ultimate holding company (current and non-current, in the amount of RMB56.7 million as of April 30, 2016), which were funded by the Chinese government (see “—Indebtedness” for more information on these loans from the ultimate holding company). See “—Analysis of Selected Statement of Financial Position Items—Related Party Transactions” for more information on our plan to settle the related party balances.

Our current liabilities decreased by 26.9% to RMB664.4 million as of the Indebtedness Date, compared to April 30, 2016. This decrease was primarily due to our repayment of RMB523.5 million in amounts due to shareholders; our repayment of RMB364.6 million in amounts due to an immediate holding company (Mainfield); an RMB205.7 million increase in inventories as a result of higher purchases of frozen meat products for our international trading business; and an RMB116.6 million increase in biological assets as a result of an increase in hog production volume, offset in part by a slight decrease in market prices for hogs. These factors were offset in part by our fellow subsidiaries’ repayment of loans of RMB586.0 million to us; an RMB238.7 million decrease in amounts due from fellow subsidiaries, which were primarily non-trade nature amounts repaid by our fellow subsidiaries to us; and an RMB181.8 million decrease in financial assets at fair value through profit or loss, which were our wealth management products.

Working Capital

As of the Indebtedness Date, we had unutilized credit facilities of RMB2.6 billion from commercial banks, an unutilized credit facility of RMB1.0 billion from COFCO Finance and unutilized credit facilities from two commercial banks that each amounted to US\$150 million. Under these two U.S. dollar credit facilities, we may draw down funds to repay loans to the immediate holding company (Mainfield, a subsidiary of COFCO). Our Directors believe that, after taking into account the financial resources available to us, including internally generated funds, credit facilities available and expected to be available, and the estimated net proceeds of the [REDACTED], we have sufficient working capital for our present requirements for at least the next 12 months from the date of this document.

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After due consideration and discussions with the Company’s management and based on the above and the assumption that there is no material change in the composition and trend of our capital expenditure, the Joint Sponsors have no reason to believe that the Company cannot meet its working capital requirements for the 12-month period from the date of this document.

Indebtedness

The following table sets forth our interest-bearing bank and other borrowings and loans from the immediate holding company (Mainfield, a subsidiary of COFCO), an intermediate holding company (COFCO (HK), a subsidiary of COFCO) and the ultimate holding company (COFCO) as of the dates indicated (exclusive of the Discontinued Operation as of December 31, 2015):

	As of December 31,						As of the Indebtedness			
	2013		2014		2015		As of April 30, 2016		Date	
	<i>Effective</i>	<i>Effective</i>	<i>Effective</i>	<i>Effective</i>	<i>Effective</i>	<i>Effective</i>	<i>Effective</i>	<i>Effective</i>	<i>Effective</i>	<i>Effective</i>
	<i>interest</i>	<i>interest</i>	<i>interest</i>	<i>interest</i>	<i>interest</i>	<i>interest</i>	<i>interest</i>	<i>interest</i>	<i>interest</i>	<i>interest</i>
	<i>RMB'000</i>	<i>rates</i>	<i>RMB'000</i>	<i>rates</i>	<i>RMB'000</i>	<i>rates</i>	<i>RMB'000</i>	<i>rates</i>	<i>RMB'000</i>	<i>rates</i>
Unsecured bank loans	1,759,463		2,603,527		1,838,703		1,806,792		2,250,807	
Secured bank loans	<u>42,500</u>		<u>97,260</u>		<u>85,085</u>		<u>25,222</u>		<u>25,222</u>	
Bank loans	1,801,963	1.90%-6.30%	2,700,787	2.10%-6.18%	1,923,788	1.69%-6.00%	1,832,014	3.92%-5.15%	2,276,029	3.92%-4.90%
Unsecured loans from a non-banking financial institution ⁽¹⁾	<u>218,309</u>	1.34%-5.40%	<u>781,938</u>	1.92%-6.00%	<u>500,000</u>	3.92%-4.37%	<u>340,000</u>	3.92%-4.13%	—	—
Subtotal of bank and other borrowings	2,020,272		3,482,725		2,423,788		2,172,014		2,276,029	
Loans from the immediate holding company ⁽²⁾	—	—	—	—	904,970	2.69%	900,145	3.24%	932,430	3.24%
Loans from an intermediate holding company ⁽³⁾	808,600	3.40%	—	—	—	—	—	—	—	—
Loans from the ultimate holding company ⁽⁴⁾	<u>5,500</u>	—	<u>5,500</u>	—	<u>2,500</u>	—	<u>56,749</u>	0-1.20%	<u>86,393</u>	0-1.20%
Total borrowings	<u>2,834,372</u>		<u>3,488,225</u>		<u>3,331,258</u>		<u>3,128,908</u>		<u>3,294,852</u>	

Notes:

- (1) COFCO Finance, a subsidiary of COFCO.
- (2) Mainfield, a subsidiary of COFCO.
- (3) COFCO (HK), a subsidiary of COFCO.
- (4) COFCO.

Our total borrowings increased by 23.1% from RMB2,834.4 million as of December 31, 2013 to RMB3,488.2 million as of December 31, 2014. This increase was primarily due to an RMB844.1 million increase in unsecured bank loans and an RMB563.6 million increase in unsecured loans from COFCO Finance, offset in part by our repayment of RMB808.6 million to an intermediate holding company (COFCO (HK), a subsidiary of COFCO). Our total borrowings decreased by 4.5% from December 31, 2014 to RMB3,331.3 million as of December 31, 2015. This decrease was primarily due

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to an RMB764.8 million decrease in unsecured bank loans and an RMB281.9 million decrease in unsecured loans from COFCO Finance, offset in part by loans from the immediate holding company (Mainfield, a subsidiary of COFCO) of RMB905.0 million. Our total borrowings decreased by 6.1% from December 31, 2015 to RMB3,128.9 million as of April 30, 2016. This decrease was primarily due to an RMB160.0 million decrease in unsecured loans from COFCO Finance. Our total borrowings increased by 5.3% from April 30, 2016 to RMB3,294.9 million as of the Indebtedness Date. This increase was primarily due to an RMB444.0 million increase in unsecured bank loans, offset in part by our repayment of RMB340.0 million to COFCO Finance. Please see “Relationship with Controlling Shareholders—Independence from COFCO Group—Financial Independence” for more details on the loans from the ultimate holding company (COFCO) as of December 31, 2015, April 30, 2016 and the Indebtedness Date. Our borrowings in the table above included those in foreign currencies and that were translated into RMB. Specifically, we had a Hong Kong dollar-denominated bank loan equivalent to RMB93.9 million as of December 31, 2014, with an interest rate of 2.20%. In addition, as of December 31, 2013, 2014 and 2015, we had U.S. dollar-denominated bank and other borrowings equivalent to RMB310.5 million, RMB645.7 million and RMB66.7 million, respectively. We also had U.S. dollar-denominated loans from the immediate holding company (Mainfield, a subsidiary of COFCO) equivalent to RMB905.0 million as of December 31, 2015, RMB900.1 million as of April 30, 2016 and RMB932.4 million as of the Indebtedness Date. As of December 31, 2013, 2014 and 2015, April 30, 2016 and the Indebtedness Date, these U.S. dollar denominated borrowings had interests rates ranging from 1.34% to 3.65%, 1.92% to 3.29% and 1.28% to 2.69%, interest rate of 3.24% and interest rate of 3.24%, respectively. During the Track Record Period, we used borrowings primarily to fund our working capital and capital expenditures.

The following table sets forth the maturity profile of our bank and other borrowings as of the dates indicated:

	As of December 31,			As of April 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	1,754,002	3,199,565	2,053,377	1,543,946
In the second year	55,000	60,000	99,339	160,933
In the third to fifth year, inclusive.	211,270	218,160	253,822	448,655
Beyond five years	—	5,000	17,250	18,480
Subtotal	2,020,272	3,482,725	2,423,788	2,172,014
Less: Amounts due within one year shown				
under current liabilities.	(1,754,002)	(3,199,565)	(2,053,377)	(1,543,946)
Amounts shown under non-current liabilities . .	<u>266,270</u>	<u>283,160</u>	<u>370,411</u>	<u>628,068</u>

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All of our loans from the immediate holding company (Mainfield, a subsidiary of COFCO) and an intermediate holding company (COFCO (HK), a subsidiary of COFCO) were short-term borrowings as of each of the dates of December 31, 2013, 2014 and 2015. Our loans from the ultimate holding company (COFCO) were short-term borrowings as of each of the dates of December 31, 2013, 2014 and 2015. We had a short-term loan of RMB2.5 million and a long-term of RMB54.2 million from the ultimate holding company (COFCO) as of April 30, 2016; the funding for these loans was provided by the Chinese government, which provided loans (either directly or through a state-owned policy bank) of the same amounts to COFCO for it to on-lend to us. See “Relationship with Controlling Shareholders—Independence from COFCO Group—Financial Independence” and Notes 36 and 37 to the Accountants’ Report in Appendix I to this document.

Our loan agreements contain standard terms and conditions that are customary for commercial bank loans in China. Our loan agreements contain material covenants that, among others, require lenders’ consent before our relevant subsidiaries make any mergers, acquisitions, reorganization, divisions, capital reduction, changes of shareholding structure, or equity investment, enter into joint ventures, significantly increase indebtedness, assign material assets or creditor’s rights, or apply for bankruptcy or dissolution. During the Track Record Period and up to the Latest Practicable Date, we had no violations of these covenants that could have a material adverse effect on our business operations or financial results. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material default in repayment of our trade and other payables or bank or other borrowings or any difficulties in obtaining credit facilities with terms that are commercially acceptable to us. We have obtained credit facilities from two commercial banks, each in the amount of US\$150 million, under which we may draw down funds before the [REDACTED] to repay our loans from the immediate holding company (Mainfield, a subsidiary of COFCO). In addition, as of the Latest Practicable Date, we made drawdowns of RMB66.6 million in September 2016 under four long-term bank loan agreements, which will mature by January 2023, December 2023, December 2023 and September 2024, respectively. We borrowed these loans for the purpose of constructing hog farms. Other than these, as of the Latest Practicable Date, we did not have any plan for material external debt financing. Our ability to obtain adequate external financing will depend on a number of factors, including our financial performance and results of operations, as well as factors beyond our control. See “Risk Factors—Risks Relating to Our Business—We may require additional funding to finance our operations, which may not be available on terms acceptable to us or at all. In addition, our level of indebtedness and the terms of our indebtedness could adversely affect our business and liquidity position.”

Statement of Indebtedness

As of the Indebtedness Date, we had (i) bank borrowings of RMB2,276.0 million (which included bank borrowings of RMB25.2 million secured by certain of our accounts receivable; unsecured and guaranteed bank borrowings of RMB293.6 million; and unsecured and unguaranteed bank borrowings of RMB1,957.2 million); (ii) loans from the immediate holding company (Mainfield, a subsidiary of COFCO) of RMB932.4 million, which were unsecured; and (iii) loans from the ultimate holding company (COFCO) of RMB86.4 million, which were unsecured and unguaranteed. In addition, as of

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the Indebtedness Date, we provided guarantees for bank loans of RMB114.3 million and bills payables of RMB28.5 million for COFCO Meat (Suqian), which is now a fellow subsidiary and previously carried out part of the Discontinued Operation before we completed its disposal in April 2016. We expect to settle these guarantees before the [REDACTED].

Save as disclosed above, as of the Indebtedness Date, we did not have any outstanding debt securities, debentures, bank overdrafts, loans or other similar indebtedness, hire purchase or finance lease obligations, or any mortgages, charges, guarantees or other material contingent liabilities. Other than as disclosed in this document, since the Indebtedness Date, there has been no material adverse change in our indebtedness.

Capital Expenditures

The following table sets forth our capital expenditures for the periods indicated:

	For the year ended December 31,			For the four months ended
	2013	2014	2015	April 30,
	RMB'000	RMB'000	RMB'000	2016
Payments for property, plant and equipment. . .	419,429	683,766	782,094	191,352
Payments for prepaid lease payment.	4,445	15,501	15,383	9,805
Payments for other intangible assets	723	2,254	854	110
Total	424,597	701,521	798,331	201,267

Our capital expenditures during the Track Record Period comprised primarily expenditures for our hog farms in Jilin Province, the Inner Mongolia Autonomous Region, Jiangsu Province and Hebei Province, as well as our other production and ancillary facilities. We had four, seven and 14 hog farms commence operations in 2013, 2014 and 2015, respectively. See “Business—Our Business—Pork Business—Hog Production” for more information. The RMB276.9 million increase in our capital expenditures from 2013 to 2014 was primarily related to our construction of new hog farms in the Inner Mongolia Autonomous Region and our expansion of hog farms in Jilin Province. The RMB96.8 million increase in our capital expenditures from 2014 to 2015 was primarily related to our construction of new hog farms in Jiangsu Province and Hebei Province. During the Track Record Period, we funded our capital expenditures primarily with internally generated resources and borrowings. As of April 30, 2016, our capital expenditure requirements included primarily construction of hog farms in the Inner Mongolia Autonomous Region, Jilin Province, Hebei Province and Hubei Province, and construction of feed mills in the Inner Mongolia Autonomous Region, Jilin Province, Hebei Province and Hubei Province. See “Business—Production—Production Expansion Plans” for more information. We expect to pay capital expenditures of RMB1.3 billion for the year ending 2016. We expect to finance our capital expenditures with bank loans, our internal funds and the net proceeds from the [REDACTED].

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Operating Lease Arrangements

We have leased properties primarily for our hog farms and ancillary facilities, stores and offices. The following table sets forth our commitments for future minimum lease payments under non-cancellable operating leases as of the dates indicated:

	As of December 31,			As of April 30,
	2013	2014	2015 ⁽¹⁾	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	3,207	3,039	3,445	8,752
In the second to fifth year inclusive.	8,781	9,105	11,732	12,095
After five years	<u>71,023</u>	<u>69,561</u>	<u>82,322</u>	<u>77,249</u>
Total	<u><u>83,011</u></u>	<u><u>81,705</u></u>	<u><u>97,499</u></u>	<u><u>98,096</u></u>

(1) Excludes commitments of the Discontinued Operation.

The Discontinued Operation had investment properties that were leased to third-party tenants as chicken farms. We disposed of the Discontinued Operation, including these investment properties, on April 22, 2016. The following table sets forth the third-party tenants' future minimum lease payments under non-cancellable operating leases as of the dates indicated:

	As of December 31,			As of April 30,
	2013	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	—	15,360	15,610	—
In the second to fifth year inclusive.	—	63,190	55,790	—
After five years	<u>—</u>	<u>9,050</u>	<u>840</u>	<u>—</u>
Total	<u><u>—</u></u>	<u><u>87,600</u></u>	<u><u>72,240</u></u>	<u><u>—</u></u>

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Capital Commitments

Our capital commitments during the Track Record Period were for the construction and expansion of our production facilities and investments in joint ventures. We plan to finance our capital commitments as of April 30, 2016 primarily with our cash flows generated from operating activities. The table below sets forth our capital commitments as of the dates indicated:

	As of December 31,			As of
	2013	2014	2015 ⁽¹⁾	April 30,
	RMB'000	RMB'000	RMB'000	2016
				RMB'000
Contracted, but not provided for:				
Capital commitments in respect of:				
- Purchase of property, plant and equipment	294,573	175,912	206,757	206,178
- Investments in joint ventures	—	—	82,310	66,602

(1) Excludes commits of the Discontinued Operation.

ANALYSIS OF SELECTED STATEMENT OF FINANCIAL POSITION ITEMS

Goodwill

Our goodwill arose from our acquisition of Maverick, which conducts processed meat business, in 2009. See “History, Development and Reorganization—Acquisitions, Investments and Disposals—Acquisition of Maverick” for more information. The cost and carrying amount of our goodwill was RMB100.6 million as of each of the dates of December 31, 2013, 2014 and 2015 and April 30, 2016.

Goodwill is not amortized but is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For the purposes of impairment testing, our goodwill has been allocated to our processed meat cash generating unit that manufactures and sells processed meat products under the brand of “Maverick (萬威客).” See Note 17 to the Accountants’ Report included in Appendix I to this document for more information on impairment tests. No impairment was recognized during the Track Record Period.

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Available-for-sale Investments

Our available-for-sale investments were our 15% equity interest in Mingji, a private company incorporated in China. Our available-for-sale investments were RMB23.5 million as of each of the dates of December 31, 2013, 2014 and 2015 and April 30, 2016. We measure our equity investment in Mingji at cost less impairment at the end of each reporting period, because we believe insufficient information is available to measure its fair value. We do not intend to dispose of this equity interest in the near future.

Financial Assets at Fair Value Through Profit or Loss

Our financial assets at fair value through profit or loss were wealth management products purchased from a reputable state-owned commercial bank. We did not have any wealth management products as of December 31, 2013 or 2014. To improve utilization of our cash-on-hand on a short-term basis, we purchased RMB-denominated wealth management products in 2015. Our wealth management products of RMB499.6 million as of December 31, 2015 and RMB454.6 million as of April 30, 2016 consisted of short-term (up to 150 days) wealth management products. The pay-out of these wealth management products was linked to a variety of fixed and floating rate financial assets. These underlying financial assets included RMB and foreign currency money market instruments, such as treasury bonds, bills issued by the PBOC, bonds issued by financial institutions, money market instruments, debentures with relatively high credit ratings, private placement notes issued in the inter-bank bond market, low-risk inter-bank lending and swaps; fixed investment instruments and non-standard debts issued by commercial banks and other qualified institutions; and regulatorily compliant trust plans and other investments.

Our Treasury Policies

We prepare our annual budget and monthly plans to ensure that we have sufficient liquidity to meet the requirements of our strategic development and operating activities. We have adopted treasury policies to optimize returns on our surplus funds and manage our relevant risks. According to our treasury policies, our subsidiary—COFCO Meat Investments carries out our investments in financial products. COFCO Meat Investments’ finance department closely monitors and constantly reports to our management the risks and performance of our investments in financial products. Under our treasury policies, we only purchase financial products from COFCO Finance and certain reputable commercial banks. To purchase financial products from any other financial institution, we will carefully consider its qualifications and relevant contract terms and will need approval from the general manager of COFCO Meat Investments. Our business team closely follows the changes in supply and demand dynamics for our products and raw materials and their price fluctuations, and our finance team keeps timely communications with our business team and, when necessary, conducts sensitivity analysis and scenario analysis to ensure that we have sufficient liquidity to respond to market fluctuations.

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When we have surplus funds, we typically deploy the funds in the following order: (1) repayment of borrowings (primarily short-term borrowings) to lower our leverage and finance costs, (2) making short-term deposits (primarily seven-day call deposits), and (3) purchasing principal-protected financial products with investment periods that match our potential uses of the surplus funds, taking into account market conditions and our business needs. We are generally not allowed to invest in non-principal-protected financial products. Any investment in non-principal-protected financial products needs to be approved by COFCO Meat Investments’ general manager and board of directors. The deputy director of COFCO Meat Investments’ finance department is responsible for preparing the investment plans and oversees its implementation. This deputy director has over 10 years of experience in financial management, particularly treasury management. Investments in short-term deposits are subject to approval by COFCO Meat Investments’ head of finance department. Investments in principal-protected financial products need to be reviewed by its legal department and approved by its head of finance department. See “Directors and Senior Management—Senior Management” for profile of Mr. Li Lei, who is also head of finance department of COFCO Meat Investments. Investments in other financial products need to be reviewed by COFCO Meat Investments’ legal department and approved by its head of finance department, general manager and board of directors.

Biological Assets and Valuation

Our biological assets consist primarily of commodity pigs at various stages of development and breeding stock used to create future market animals, and before we completed the disposal of the Discontinued Operation on April 22, 2016, broilers and chicken breeders. Our biological assets were independently valued by Savills, an independent professional valuer with appropriate extensive experience in valuation of biological assets. See the section headed “—Valuation of Biological Assets.” As our Directors resolved to dispose of the Discontinued Operation in November 2015, as of December 31, 2015 we reclassified the biological assets of the Discontinued Operation as assets of disposal group classified as held for sale. We did not have any live chickens as of April 30, 2016.

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The following table sets out the carrying value and number of our biological assets (excluding biological assets of the Discontinued Operation as of December 31, 2015) at the end of each of the reporting periods:

	As of December 31,						As of April 30,	
	2013		2014		2015		2016	
	'000		'000		'000		'000	
	RMB'000	head	RMB'000	head	RMB'000	head	RMB'000	head
Livestock:								
Live hogs	672,888	581	739,859	685	1,192,566	889	1,408,925	987
Piglets	15,930	67	20,363	77	29,170	116	28,350	149
Nursery hogs . . .	79,774	148	71,318	164	244,875	252	275,034	286
Medium finishing hogs	143,309	143	153,261	176	184,080	183	271,212	206
Large finishing hogs	209,728	140	244,007	186	357,579	211	461,329	218
Replacement studs and gilts	79,286	27	92,570	25	120,592	47	135,913	39
Breeding stock	144,862	56	158,340	57	256,270	80	237,087	89
Live chicken	24,127	1,443	21,272	2,033	—	—	—	—
Total	697,015		761,131		1,192,566		1,408,925	
Current portion	541,440		602,791		936,296		1,171,838	
Non-current portion	155,575		158,340		256,270		237,087	
Total	697,015		761,131		1,192,566		1,408,925	

The carrying value of our biological assets increased by 9.2% from RMB697.0 million as of December 31, 2013 to RMB761.1 million as of December 31, 2014. This increase was primarily due to an increase in our hog production volume, offset in part by a decrease in market prices for live hogs. The carrying value of our biological assets increased by 56.7% from December 31, 2014 to RMB1,192.6 million as of December 31, 2015. This increase was primarily due to increases in both market prices for live hogs and our hog production volume. The carrying value of our biological assets increased by 18.1% from December 31, 2015 to RMB1,408.9 million as of April 30, 2016. This increase was due to increases in both market prices for live hogs and our hog production volume.

Inventories

Our inventories include primarily finished goods, as well as raw materials and work in progress. Finished goods consist primarily of fresh pork products and imported frozen meat products intended

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for external sales, and processed meat products. Raw materials consist primarily of feed, meats (such as pork and poultry) intended for internal use, feed ingredients, food ingredients, packaging materials and consumables. Work in progress consists primarily of meat undergoing processing and related semi-finished packaging materials.

The following table sets forth our inventories as of the dates indicated.

	As of December 31,			As of April 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	127,090	132,528	102,325	94,440
Work in progress	7,931	7,307	6,354	6,724
Finished goods	575,141	793,442	409,973	201,300
Total	<u>710,162</u>	<u>933,277</u>	<u>518,652</u>	<u>302,464</u>

Our inventories increased by 31.4% from RMB710.2 million as of December 31, 2013 to RMB933.3 million as of December 31, 2014. This increase was primarily due to an RMB199.6 million increase in finished goods as a result of an increase in our inventory of imported frozen meat products, an increase in poultry inventory for the Discontinued Operation, and our stockpiling of frozen pork inventories during periods we believed hog prices were relatively low. Our inventories decreased by 44.4% from RMB933.3 million as of December 31, 2014 to RMB518.7 million as of December 31, 2015. This decrease was primarily due to our enhanced efforts to sell our imported frozen meat inventory and our higher sales of frozen pork inventory following increases in hog prices, as well as our decision to dispose of the Discontinued Operation in 2015 and the resulting reclassification of its inventories as assets of disposal group classified as held for sale. Our inventories decreased by 41.7% from December 31, 2015 to RMB302.5 million as of April 30, 2016, primarily due to our enhanced efforts to sell frozen meat products.

We periodically assess impairment of inventories and typically recognize write-down of inventories when their cost is lower than their net realizable value. We wrote down inventories of RMB10.3 million, RMB7.4 million, RMB14.2 million and approximately RMB211 thousand in 2013, 2014, 2015 and the four months ended April 30, 2016, respectively. These write-downs were primarily due to decreases in net realizable value of frozen pork and imported meat products.

The following table sets forth our inventory turnover days for the periods indicated:

	For the year ended December 31,			For the four months ended
	2013	2014	2015	April 30, 2016
Inventory turnover days ⁽¹⁾	41.9	62.4	49.2	30.5

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Note:

- (1) Calculated as the average of the beginning and ending inventory (inclusive of the Discontinued Operation) for a period divided by cost of sales (inclusive of the Discontinued Operation and before biological fair value adjustments) for that period and multiplied by 365 days (for a year) or 120 days (for the four months period).

Our inventory turnover days increased from 41.9 days in 2013 to 62.4 days in 2014, primarily due to a relatively high balance of inventory for our international trading segment, the Discontinued Operation and the fresh pork segment as of December 31, 2014. Our inventory turnover days decreased from 2014 to 49.2 days in 2015, primarily as inventories for our international trading and fresh pork segments decreased. Our inventory turnover days decreased from 2015 to 30.5 days in the four months ended April 30, 2016, primarily due to our enhanced efforts to sell frozen meat products, as well as because we completed the disposal of the Discontinued Operation (including its inventories) on April 22, 2016.

As of August 31, 2016, we had used or sold RMB277.0 million, or 91.6%, of our balance of inventories as of April 30, 2016.

Trade-nature Receivables

Our trade-nature receivables include accounts receivable from third-party customers and trade-nature amounts due from fellow subsidiaries and a related company. Our trade-nature receivables are non-interest-bearing. We typically offer a credit period of 4 to 180 days after the product delivery date to certain hypermarkets and supermarkets, food processors, restaurants and e-commerce operators with good credit record and relatively large purchase volumes. We typically do not grant any credit terms to our wholesalers or distributors. Our trade-nature receivables from fellow subsidiaries and a related company (see notes to the table below) are repayable on similar credit terms to those offered to our major customers. See “—Related Party Transactions” for more details on the nature of these entities and our amounts due from these entities. We seek to maintain strict control over our outstanding trade-nature receivables by assessing our customers’ creditworthiness, limiting the credit terms and balances we may grant, and regularly reviewing any overdue balances. Our trade-nature receivables relate to a large number of diversified customers, and there is no significant concentration of credit risk by industry or geographical location. We do not hold any collateral or other credit enhancements over our trade-nature receivables.

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The following table sets forth a breakdown of our trade-nature receivables as of the dates indicated:

	As of December 31,			As of April 30,
	2013	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accounts receivable	154,036	191,858	166,373	177,929
Impairment loss	(938)	(1,484)	(935)	(8,767)
Subtotal	153,098	190,374	165,438	169,162
Trade-nature amounts due from fellow subsidiaries ⁽¹⁾	185	416	298	44,711
Trade-nature amounts due from a related company ⁽²⁾	265	703	573	584
Total	153,548	191,493	166,309	214,457

Notes:

(1) Companies that are under common control with our Group by COFCO.

(2) Includes a jointly controlled entity of COFCO and that entity's subsidiaries.

Our trade-nature receivables increased by 24.7% from RMB153.5 million as of December 31, 2013 to RMB191.5 million as of December 31, 2014. This increase was primarily due to our higher sales to restaurants to whom we granted credit terms. Our trade-nature receivables decreased by 13.2% from December 31, 2014 to RMB166.3 million as of December 31, 2015. This decrease was primarily a result of our reclassifications related to the Discontinued Operation, offset in part by our higher credit sales in our international trading business. Our trade-nature receivables increased by 29.0% from December 31, 2015 to RMB214.5 million as of April 30, 2016, primarily related to our trade-nature receivables from the entities carrying out the Discontinued Operation after we completed its disposal on April 22, 2016.

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The following table sets forth an aging analysis of our trade-nature receivables as of the dates indicated, based on the delivery date and net of impairment loss:

	As of December 31,			As of April 30,
	2013	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accounts receivable:				
Within 3 months	139,896	175,547	151,551	154,978
3 to 6 months	11,125	12,366	2,854	8,394
6 months to 1 year	1,327	139	10,322	3,128
Above 1 year	750	2,322	711	2,662
Total	<u>153,098</u>	<u>190,374</u>	<u>165,438</u>	<u>169,162</u>
Trade-nature amounts due from fellow subsidiaries ⁽¹⁾ and a related company ⁽²⁾ :				
Within 3 months	407	1,040	832	45,256
3 to 12 months	43	40	—	—
1 to 2 years	—	39	39	39
Total	<u>450</u>	<u>1,119</u>	<u>871</u>	<u>45,295</u>

Notes:

- (1) Companies that are under common control with our Group by COFCO.
- (2) Includes a jointly controlled entity of COFCO and that entity's subsidiaries.

During the Track Record Period, a substantial majority of our trade-nature receivables were aged within three months.

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The following table sets forth an aging analysis of our trade-nature receivables that are past due but not impaired as of the dates indicated:

	As of December 31,			As of
	2013	2014	2015	April 30,
	RMB'000	RMB'000	RMB'000	2016
Accounts receivable:				
Neither past due nor impaired	150,578	187,787	156,215	163,045
Within 3 month past due	1,675	84	1,123	3,128
More than 3 months but less than 1 year past due	620	206	7,699	2,874
Over 1 year past due	225	2,297	401	115
Total.	<u>153,098</u>	<u>190,374</u>	<u>165,438</u>	<u>169,162</u>
Trade-nature amounts due from fellow subsidiaries ⁽¹⁾ and a related company ⁽²⁾ :				
Neither past due nor impaired	407	1,040	832	45,256
Less than 1 year past due.	43	40	—	—
1 to 2 years past due	—	39	39	39
Total.	<u>450</u>	<u>1,119</u>	<u>871</u>	<u>45,295</u>

Notes:

- (1) Companies that are under common control with our Group by COFCO.
- (2) Includes a jointly controlled entity of COFCO and that entity's subsidiaries.

Our trade-nature receivables that were past due but not impaired relate to a number of independent customers that have a good track record with us. Based on our past experience, we believe that no provision for impairment is necessary in respect of these balances, as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The following table sets forth our trade-nature receivables turnover days for the periods indicated:

	For the year ended December 31,			For the four months ended
	2013	2014	2015	April 30,
				2016
Trade-nature receivables turnover days ⁽¹⁾	10.4	12.6	11.8	11.2

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Note:

- (1) Calculated as the average of the beginning and ending trade nature receivables (including accounts receivable and trade-nature receivables due from fellow subsidiaries and a related company) for a period divided by revenue (inclusive of the Discontinued Operation) for that period and multiplied by 365 days (for a year) or 120 days (for the four months period).

Our trade-nature receivables turnover days remained relatively stable at 10.4, 12.6, 11.8 and 11.2 days in 2013, 2014, 2015 and the four months ended April 30, 2016, respectively.

As of August 31, 2016, we had collected RMB203.6 million, or 94.9%, of our balance of trade-nature receivables as of April 30, 2016.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables consist primarily of VAT recoverable; prepayments to suppliers for products and services; prepayments of expenses, construction costs and current portion of land use rights; insurance compensation receivable; dividends receivable from Mingji and other receivables; and deposits with hypermarkets and supermarkets.

The following table sets forth a breakdown of our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,			As of
	2013	2014	2015	April 30,
	RMB'000	RMB'000	RMB'000	2016
VAT recoverable	136,265	152,784	119,213	96,246
Prepayments	25,223	27,560	27,631	10,589
Current portion of prepayment lease payments	6,061	6,568	6,212	6,487
Other receivables	17,014	12,093	19,427	11,322
Deposits	2,325	5,490	6,445	6,270
Subtotal	186,888	204,495	178,928	130,914
Impairment loss for prepayments and other receivables	(456)	(551)	(488)	(487)
Total	186,432	203,944	178,440	130,427

Our prepayments, deposits and other receivables increased by 9.4% from RMB186.4 million as of December 31, 2013 to RMB203.9 million as of December 31, 2014. This increase was primarily due to an increase in VAT recoverable related to the Discontinued Operation. Our prepayments, deposits and other receivables decreased by 12.5% from December 31, 2014 to RMB178.4 million as of December 31, 2015, primarily due to an RMB33.6 million decrease in VAT recoverable as a result of

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an increase in our sales of fresh pork products. Our prepayments, deposits and other receivables decreased by 26.9% from December 31, 2015 to RMB130.4 million as of April 30, 2016, primarily due to an RMB23.0 million decrease in VAT recoverable as a result of our increased sales of frozen meat products and an RMB17.0 million decrease in prepayments, primarily related to breeding stock that we purchased for newly established hog farms.

Trade-nature Payables

Our trade-nature payables include accounts and bills payables to suppliers and trade-nature amounts due to fellow subsidiaries (companies that are under common control with our Group by COFCO) for purchases of products. Our trade-nature payables are non-interest-bearing. Our suppliers typically provide us with credit terms of three to seven business days for deliveries of live hogs and 15 to 60 days for deliveries of other raw materials. Our bills payable are generally settled within 90 to 180 days.

The following table sets forth a breakdown of our trade-nature payables as of the dates indicated:

	As of December 31,			As of April 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Accounts payable	176,668	276,797	219,396	174,177
Bills payable	190	3,000	24,988	80,489
Subtotal	176,858	279,797	244,384	254,666
Trade-nature amounts due to fellow subsidiaries ⁽¹⁾	27,639	25,606	52,425	64,486
Total	204,497	305,403	296,809	319,152

Note:

(1) Companies that are under common control with our Group by COFCO.

Our trade-nature payables increased by 49.4% from RMB204.5 million as of December 31, 2013 to RMB305.4 million as of December 31, 2014. This increase was in line with our higher purchases of inventories. Our trade-nature payables decreased by 2.8% to RMB296.8 million as of December 31, 2015, primarily due to our reclassifications related to the Discontinued Operation, offset in part by our higher purchases of inventories. Our trade-nature payables increased by 7.5% from December 31, 2015 to RMB319.2 million as of April 30, 2016, primarily due to our higher purchases of feed for newly established hog farms, for which our suppliers granted us credit terms.

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The following table sets forth an aging analysis of our trade-nature payables (excluding bills payable) as of the dates indicated, based on the invoice date:

	As of December 31,			As of April 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Accounts payable:				
Within 1 year	167,986	265,596	211,370	169,433
1 to 2 years	7,187	4,757	5,434	2,756
Above 2 years	1,495	6,444	2,592	1,988
Total	<u>176,668</u>	<u>276,797</u>	<u>219,396</u>	<u>174,177</u>
Trade-nature amounts due to fellow subsidiaries ⁽¹⁾ :				
Within 3 months	27,639	25,606	52,425	64,486
Over 3 months	—	—	—	—
Total	<u>27,639</u>	<u>25,606</u>	<u>52,425</u>	<u>64,486</u>

Note:

(1) Companies that are under common control with our Group by COFCO.

During the Track Record Period, a substantial majority of our trade-nature payables were aged within one year.

The following table sets forth our trade-nature payables turnover days for the periods indicated:

	For the year ended December 31,			For the four months ended
	2013	2014	2015	April 30, 2016
Trade-nature payables turnover days ⁽¹⁾	21.5	19.4	25.0	26.0

Note:

(1) Calculated as the average of the beginning and ending trade-nature payables (including accounts and bills payable and trade-nature amounts due to fellow subsidiaries) for a period divided by cost of sales (inclusive of the Discontinued Operation and before biological fair value adjustments) for that period and multiplied by 365 days (for a year) or 120 days (for the four months period).

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Our trade-nature payables turnover days remained relatively stable at 21.5 and 19.4 days in 2013 and 2014, respectively. Our trade-nature payable turnover days increased to 25.0 days in 2015, primarily due to our higher purchases of feed for newly established hog farms, for which our suppliers granted us credit terms. Our trade-nature payable turnover days increased to 26.0 days in the four months ended April 30, 2016. This increase was primarily due to our higher purchases of feed on credit for newly established hog farms, offset in part by the fact that we completed the disposal of the Discontinued Operation (including its trade-nature payables) on April 22, 2016.

As of August 31, 2016, we had settled RMB225.3 million, or 70.6%, of our balance of trade-nature payables as of April 30, 2016.

Other Payables, Accruals and Deposits Received

Our other payables, accruals and deposits received consist primarily of bill payables for construction work, construction costs payable, salaries and wages payable, accruals of expenses, deposits received and other payables.

The following table sets forth our other payables, accruals and deposits received as of the dates indicated:

	As of December 31,			As of April 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Bill payable for construction work	4,091	157,049	191,792	140,367
Construction costs payable	171,479	291,949	248,527	227,789
Receipt in advance from customers	121,728	71,081	78,571	105,095
Salaries and wages payable	46,625	59,054	53,291	33,536
Accruals	42,548	38,239	34,960	40,228
Deposits received	27,513	58,536	32,345	30,539
Other payables	24,493	34,296	21,977	26,700
Total	<u>438,477</u>	<u>710,204</u>	<u>661,463</u>	<u>604,254</u>

Our other payables, accruals and deposits received increased by 62.0% from RMB438.5 million as of December 31, 2013 to RMB710.2 million as of December 31, 2014. This increase was primarily due to an RMB153.0 million increase in bill payables for construction work and an RMB120.5 million increase in construction costs payable, primarily in respect of our hog farms under construction. Our other payables, accruals and deposits received decreased by 6.9% from December 31, 2014 to RMB661.5 million as of December 31, 2015. This decrease was primarily due to our reclassifications related to the Discontinued Operation. Our other payables, accruals and deposits received decreased

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by 8.6% from December 31, 2015 to RMB604.3 million as of April 30, 2016. This decrease was primarily due to an RMB51.4 million decrease in bills payable for construction work and an RMB20.7 million decrease in construction costs payable, as we paid off certain construction costs related to our hog farms.

Related Party Transactions

The table below sets forth these amounts by nature as of the dates indicated:

	As of December 31,			As of April 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Trade-nature				
Accounts receivable from:				
- fellow subsidiaries ⁽¹⁾	185	416	298	44,711
- a related company ⁽²⁾	265	703	573	584
Prepayments to				
- fellow subsidiaries ⁽¹⁾	4,546	32	293	—
- the ultimate holding company ⁽³⁾	—	—	1,789	3,039
Accounts payable to fellow subsidiaries ⁽¹⁾	27,639	25,606	52,425	64,486
Other payable to the ultimate holding company ⁽³⁾	2,000	2,000	—	—
Non-trade nature				
Amounts due from fellow subsidiaries ⁽¹⁾	888	1,140	1,329	214,863
Amounts due from the immediate holding company ⁽⁴⁾	100	—	—	—
Amounts due to fellow subsidiaries ⁽¹⁾	295,374	244,507	—	98,253
Amounts due to the immediate holding company ⁽⁴⁾	640,432	802,809	19,164	403,828
Amounts due to an intermediate holding company ⁽⁵⁾	13,670	—	—	—
Amounts due to the ultimate holding company ⁽³⁾	—	—	—	2,735
Amounts due to shareholders	—	—	—	523,521
Loans to fellow subsidiaries ⁽¹⁾	—	—	—	586,000
Loans from a non-banking financial institution ⁽⁶⁾	218,309	781,938	500,000	340,000
Loans from the immediate holding company ⁽⁴⁾ .	—	—	904,970	900,145
Loans from an intermediate holding company ⁽⁵⁾	808,600	—	—	—
Loans from the ultimate holding company ⁽³⁾ . .	5,500	5,500	2,500	56,749

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Notes:

- (1) Companies that are under common control with our Group by COFCO.
- (2) Includes a jointly controlled entity of COFCO and that entity’s subsidiaries.
- (3) COFCO.
- (4) Mainfield, a subsidiary of COFCO.
- (5) COFCO (HK), a subsidiary of COFCO.
- (6) COFCO Finance, a subsidiary of COFCO.

Please see “Connected Transactions” and Note 29 to “Appendix I—Accountants’ Report” to this document for more information on the nature and balances of our transactions with fellow subsidiaries, a related company, the immediate holding company, an intermediate holding company, the ultimate holding company and shareholders. Please also see “—Trade-nature Receivables” and “—Trade-nature Payables” for discussions on changes in the trade-nature amounts due from and due to fellow subsidiaries and/or a related company that were effectively accounts receivable or payable. The non-trade nature amounts due to fellow subsidiaries, the immediate holding company, an intermediate holding company and the ultimate holding company as of December 31, 2013, 2014 and 2015 and April 30, 2016 were primarily related to expenditures paid by those entities on our behalf and their advances to us.

See “Liquidity and Capital Resources—Net Current Liabilities” for more information on our amounts due to shareholders and an amount due to the immediate holding company related to the Share Repurchase, loans to fellow subsidiaries, and non-trade nature amounts due from and due to fellow subsidiaries as of April 30, 2016 and the Indebtedness Date. We will settle all non-trade nature amounts due from and due to fellow subsidiaries, all non-trade nature amounts due to the ultimate holding company, all loans to fellow subsidiaries, all amounts due to shareholders and an amount due to the immediate holding company related to the Share Repurchase, all other non-trade nature amounts due to the immediate holding company, and all loans from the immediate holding company and COFCO Finance before [REDACTED]. We will not settle trade-nature related party balances, nor will we settle the loans from the ultimate holding company, which were funded by the Chinese government.

VALUATION OF BIOLOGICAL ASSETS

Information About the Independent Valuer

We have engaged Savills, an independent valuer, to determine the fair value of our biological assets as of December 31, 2013, 2014 and 2015 and April 30, 2016, respectively. The key valuers of the Savills team comprised Mr. James Woo, Mr. Anthony Lau, Mr. Wiley Pun, Ms. Miucila Liu and Mr. Gregory Xu.

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Mr. James Woo, Director at Savills, is a Member of Royal Institution of Chartered Surveyors (RICS). Mr. Woo is primarily responsible for the valuation work in the PRC for corporate clients for portfolio valuations, IPO, public announcement and company circular, feasibility studies and loan facilities. Mr. Woo has provided a wide range of valuation services to numerous companies of different industries in China. Mr. Woo oversaw the valuation of biological assets of China Foods and China Tontine Wines Group limited (0389.HK). Mr. Woo also led the valuation of other biological assets, such as traditional Chinese herbal medicine and plantations, for M&A purposes and financial reporting purposes such as PuraPharm International (H.K.) Limited (1498.HK).

Mr. Anthony Lau, Director at Savills, is a Registered Professional Surveyor (General Practice), a member of The Hong Kong Institute of Surveyors (HKIS), and a member of The Royal Institution of Chartered Surveyors (RICS). Mr. Lau is responsible for the valuation work in the PRC for corporate clients for portfolio valuations, IPO, public announcement and company circular, feasibility studies and loan facilities with over 23 years’ post-qualification experience in the valuation of properties in the PRC and Hong Kong. In addition to properties, Mr. Lau is one of the reviewers of the valuation of other biological assets, such as cattle, orange, grape and Chinese herbs for the purpose of financial reporting and internal reference of public and private companies.

Mr. Wiley Pun, Associate Director at Savills, is a member of the Hong Kong Institute of Certified Public Accountants (HKICPA), a non-practicing member of the Chinese Institute of Certified Public Accountants (CICPA) and a Professional Risk Manager (PRM) designation holder issued by the Professional Risk Managers’ International Association (PRMIA). Mr. Pun oversees the business valuation services of Savills with 9-year experience in accounting, auditing, corporate advisory and business and financial instrument valuation. Mr. Pun has provided a wide range of business and financial instrument valuation services to numerous listed and unlisted companies of different industries primarily in the PRC and Hong Kong. Mr. Pun acted as a specialist reviewer of valuation of various asset types, including biological assets, for auditing purpose in an international accounting firm before joining Savills.

Ms. Miucila Liu, Associate Director at Savills, holds the Chartered Financial Analyst designation. Ms. Liu is specialized in financial modeling, accounting compliance valuation, biological asset valuation, property valuation, derivative valuation and machinery & equipment valuation and currently responsible for the business valuation for IPO, financial reporting, M&A, project finance.

Mr. Gregory Xu, Senior Manager at Savills, is a Member of the Institute of Singapore Chartered Accountants (ISCA). Mr. Xu is specialized in financial modeling, valuation for transaction as well as accounting compliance purpose. Mr. Xu is primarily responsible for the business valuation for financial reporting, M&A, project finance and other purposes.

Based on market reputation and relevant background research, our Directors are satisfied that Savills is independent from us and is competent in conducting a valuation on our biological assets.

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Valuation Methodology

Savills has adopted the market approach as the primary approach in estimating the fair values of our biological assets. If no data is available for it to perform valuation under the market approach, Savills has adopted the cost approach and used market prices as a cross-check where possible.

The market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect the condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established market may be valued using this approach.

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets. Allowance is made for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes.

Based on their age, weight and purpose, live hogs for valuation purposes are placed as (1) breeding stock, including boars and sows, and (2) commodity pigs at various stages of development, including piglets, nursery hogs, medium and large finishing hogs, and replacement studs and gilts. piglets are unweaned newborn pigs at less than 3 weeks of age staying with their mother. Nursery hogs are weaned newborn pigs that are 21 to 70 days old staying in nursery facilities and transition to the next stage at an average weight of 25 kg. Medium finishing hogs are hogs in finishing farms that are 70 to 120 days old and transition to the next stage at an average weight of 60 kg. Large finishing hogs are hogs in finishing farms that are 120 to 180 days old, which will be sold and slaughtered at an average weight of 100 kg. Gilts are female pigs not yet mated that can be used as breeding stock or be sold in the market. Studs are male breeding stock that are not yet mature. Our live chickens are classified into chicken breeders and broilers. The detailed valuation techniques employed are as follows:

Live Hogs

Breeding Stock, Piglets, Replacement Studs and Gilts

The cost approach was adopted for breeding stock, as there was no active market for breeding stock at specific ages. The valuation was based on market prices for new breeding stock, adjusted for the reduction/consumption of useful lives of the breeding stock. We have applied the same valuation methodology to both locally available breeding stock and imported breeding stock in spite of their significant difference in terms of cost per head.

The cost approach was adopted for piglets to reflect depreciation due to use of breeding stock and other associated costs. The market approach and the income approach were not adopted, due to the lack of market prices, relatively higher death rate and the lack of significant biological transformation for newborn pigs.

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The cost approach was adopted for replacement studs and gilts. While Savills noted that there was trading of replacement studs and gilts in regional or local markets, the market prices for replacement studs and gilts could not be compared directly with the replacement studs and gilts already purchased and reared by us. This is because: (1) some of our replacement studs and gilts were internally generated and were of different ages from those sold on the market; and (2) some externally purchased replacement studs and gilts had grown in size since the time of purchase and accumulated feeding cost on our book value and were therefore not directly comparable to those sold on the market. In addition, replacement studs and gilts were yet to generate income to us due to their immature physical condition. Since replacement studs and gilts were either recently purchased or transferred in a few weeks to months before the valuation dates and the market prices for studs and gilts did not fluctuate significantly during this period, Savills adopted the original cost plus the rearing costs (for example, costs of vaccine, feeding and labor) subsequent to the purchase or transfer as the fair value of the replacement studs and gilts.

Nursery Hogs, Medium Finishing Hogs and Large Finishing Hogs

Savills adopted the market approach for nursery hogs in some locations where there were active markets for these pigs. For nursery hogs in Chifeng, the Inner Mongolia Autonomous Region (where there was no active market), Savills adopted an approach similar to that for medium finishing hogs as described below.

As there was no active market for medium finishing hogs, Savills adopted the market approach assuming market price of large finishing hogs as the estimated price receivable upon completion of the rearing cycle, less cost of completion, adjusted for survival rate and risk in price uncertainty upon completion. The unit cost to complete is estimated based on the unit cost of medium finishing hogs to the unit cost of large finishing hogs at the valuation dates, under the assumption that the future cost in completing the remaining rearing cycle (60-110 days) can be approximated by the historical cost. It is further adjusted by the number of pigs expected to die during this stage. The survival rate is estimated based on our historical statistics for respective locations and categories of pigs at the valuation dates. As the time to completion of the rearing cycle from medium finishing hogs to finishing hogs is between 60 and 110 days, a profit margin was deducted from the estimated price receivable upon completion to reflect the risk in price uncertainty between the valuation date and the time of completion.

Savills adopted the market approach for large finishing hogs, as there were active markets for these pigs at the valuation dates. The primary cost associated with the selling of large finishing hogs is cost of transportation, which is usually done by truck on a batch-by-batch basis. This cost is negligible and is not considered in the above valuation.

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Live Chickens

Chicken Breeders

Since there were chicken breeders of various ages and production cycles and there were no market prices for chicken breeders at different stages, Savills adopted the replacement cost approach for chicken breeders. The valuation was based on market prices, adjusted for the reduction/consumption of the useful lives of the chicken breeders.

Broilers

As there was no active market for fattening chickens and there were active markets for mature broilers and chicks purchased for rearing, Savills assumed that the weighted average price of the whole broiler population, taking into account their different stages of growth, is the average price of mature broilers and chicks. This assumed that the chicken population was evenly distributed and accumulated value accordingly.

The Joint Sponsors held various discussions with Savills in relation to its valuation procedures, valuation techniques and the information required to prepare its valuation report. The Joint Sponsors further compared the valuation techniques chosen with those used in other similar transactions and market practice.

Key Assumptions and Inputs

Breeding Stock, Piglets, Studs, Gilts and Chicken Breeders

The key inputs and assumptions for valuing our breeding stock and chicken breeders are the market price, useful lives and residual value.

The key input and assumption for valuing our piglets are the breeding costs.

The key inputs and assumptions for valuing our replacement studs and gilts are the purchase price, the breeding costs, and the rearing costs.

Nursery Hogs, Medium Finishing Hogs, Large Finishing Hogs and Broilers

The key input and assumption for valuing our nursery hogs, large finishing hogs and broilers is the market price.

The key inputs and assumptions for valuing our medium finishing hogs are the market price, the rearing costs and the survival rate.

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Our market price is based on the transacted prices of nursery hogs, large finishing hogs and broilers observed at or near the valuation dates in the respective market. The market price of large finishing hogs is one of the inputs used in determining the value of medium finishing hogs. These prices are cross-checked by Savills to the market prices from a third-party database. We operate our hog production business across different provinces, and each province has its own specific supply and demand dynamics because of differences in factors such as local sow supply, rearing cost (in particular feed cost), transportation cost and consumption habits. These factors lead to different market prices for hogs that we produced and sold in different locations on the same date. Hence the market price assumption adopted for hogs in the valuation is displayed as a range of price across the markets in which we operate.

Set forth below are the key assumptions and inputs adopted in the valuation process of our hogs as well as the actual historical results:

		As of December 31,			As of April 30,
		2013	2014	2015	2016
Hogs:					
Breeding stock					
Per head replacement					
cost ⁽¹⁾ (RMB)	Assumption used	1,103-21,510	1,278-24,890	1,444-24,164	1,594-23,336
	Actual	N/A	N/A	N/A	N/A
Piglets					
Per head replacement					
cost ⁽²⁾ (RMB)	Assumption used	221-249	250-343	209-332	83-268
	Actual	N/A	N/A	N/A	N/A
Nursery hogs					
Per head market price ⁽³⁾					
(RMB)	Assumption used	480-596	305-531	730-1,110	845-1,431
	Actual	480-596	305-531	730-1,110	845-1,431
Medium finishing hogs					
Per head market price ⁽⁴⁾					
(RMB)	Assumption used	892-1,043	737-906	965-1,145	1,231-1,574
	Actual	N/A	N/A	N/A	N/A
Large finishing hogs					
Per head market price ⁽⁵⁾					
(RMB)	Assumption used	1,437-2,181	1,259-1,387	1,623-1,741	2,087-2,293
	Actual	1,437-2,181	1,259-1,387	1,623-1,741	2,087-2,293
Replacement studs and gilts					
Per head cost ⁽⁶⁾ (RMB) . . .	Assumption used	1,618-14,786	1,379-25,776	1,227-24,983	1,198-4,894
	Actual	N/A	N/A	N/A	N/A

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		As of December 31,			As of April 30,
		2013	2014	2015	2016
Chickens:					
Chicken breeders					
Per head replacement					
cost ⁽⁷⁾ (RMB)	Assumption used	49-76	N/A	N/A	
	Actual	N/A	N/A	N/A	
Broilers					
Per head weighted average					
price ⁽⁸⁾ (RMB)	Assumption used	10-11	10-11	8	
	Actual	N/A	N/A	N/A	

Notes:

- Replacement costs of breeding stock

There were no active market for breeding stock that were already producing. Market prices for different species of boars and sows were adopted as the replacement cost for a new breeding stock. This replacement cost is then adjusted for the reduction/consumption of economic useful life by applying the respective metrics (number of times giving birth for sows and number of years in use for boars) to estimate the fair value of breeding stock in different species. Per head cost has a wide range due to large differences between a locally available parent sow for the breeding of finishing hogs and an imported purebred for the breeding of parent sow as the grandparent generation or great grandparent generation.

Among the locally available breeding stock, hogs of different gender, location, species or lineage are of different value ranges due to individual supply and demand dynamics.
- Costs of piglets

As there was no active market for piglets, the cost approach was adopted to reflect the depreciation of value due to use of breeding stock and other associated costs.
- Market prices of nursery hogs

As there were active markets for the nursery hogs in certain locations at each valuation date, market prices of nursery hogs were adopted. For location that did not have an active market, that is Chifeng, a similar approach as that for medium finishing hogs discussed below was adopted, as there was no alternative actively traded market accessible for nursery hogs within the region.

Overall price of nursery hogs increased significantly from 2014 to 2015 due to an increase in demand in the market, partly because the shortage of sow stock increased the demand for nursery hogs by farmers for further rearing.
- Market prices of medium finishing hogs

As there was no active market for the medium finishing hogs, the market prices for medium finishing hogs were estimated based on the market prices of large finishing hogs, less cost of completion, adjusted with survival rate and risk in price uncertainty upon completion.

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The difference between fair value per head of nursery hogs and that of medium finishing hogs was relatively small as of December 31, 2015 and April 30, 2016, primarily as a result of the different valuation methods adopted for these two types of hogs. The fair value per head of nursery hogs is based on their market prices. With market expectations of future price increases for large finishing hogs and as a result of shortage in sow stock, demand for nursery hogs increased in 2015 and remained relatively high in the four months ended April 30, 2016. This led to relatively higher market prices for nursery hogs as of December 31, 2015 and April 30, 2016. For medium finishing hogs, on the other hand, because there were no directly observable market prices, the fair value per head of medium finishing hogs is largely affected by the prevailing market prices for large finishing hogs. The prevailing market prices for large finishing hogs can differ materially from market expectations of future prices for large finishing hogs. Because of these differences, the fair value of medium finishing hogs was only marginally higher than the fair value of nursery hogs as of December 31, 2015. The difference between the fair values of these two types of hogs increased as of April 30, 2016, primarily because the fair value of medium finishing hogs increased, reflecting increases in the prevailing market prices for large finishing hogs.

5. Market prices of large finishing hogs	Market prices of large finishing hogs were adopted as there were active markets for the large finishing hogs as at each valuation date.
6. Costs of replacement studs and gilts	Similar to replacement breeding stock, a wide range was observed in the per head cost due to the large differences between the locally available parent sows and the imported purebreds. There were no frequent sales of replacement studs and gilts to external parties, and therefore no actual price is reported.
7. Replacement costs of chicken breeders	There were no active market for chicken breeders that were already producing. Market prices for chicken breeders were adopted as the replacement cost for a new chicken breeder. This replacement cost was then adjusted for the reduction/consumption of economic useful life by the number of days since the first egg laying to estimate the fair value of the chicken breeders.
8. Weighted average prices of the broilers	Market prices for the broiler and chick are obtained from actively traded market. Given the relatively short finishing cycle of 42 days, the weighted average price of mature broiler and chick serve as a good proxy of the average price of the whole broiler population. Since the broilers are only sold upon maturity, there is no actual weighted average prices of the broilers.

The Joint Sponsors held various discussions with Savills in relation to its valuation procedures, valuation bases and assumptions, valuation techniques and information required to prepare the valuation report of the biological assets to better understand the valuation process. As confirmed by Savills, the valuation of our hogs and chickens was conducted in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and with reference to the International Valuation Standards issued by the International Valuation Standards Council. Savills has further confirmed that its valuation procedures provide a reasonable basis for its

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opinion, and that the inputs used in the valuation technique are appropriate and reasonable. In addition, the Joint Sponsors discussed with our management and the Reporting Accountants with respect to the techniques chosen and the inputs used in the valuations. The Joint Sponsors further compared the valuation technique chosen, bases and assumptions of the valuation with those used in other similar transactions and market practice. The Joint Sponsors are satisfied that the valuation techniques chosen and the inputs used in the valuation technique are appropriate and reasonable.

Sensitivity Analysis

Our hogs are valued either under the market approach or the cost approach. Fair value of hogs valued under the market approach is subject to change in market prices. The following table illustrates the instantaneous change in the value of our live hogs that would arise under the market approach if the key input for valuation (market price) had changed at April 30, 2016, assuming all other variables to remain constant.

Change in market price	-10%	-8%	-6%	-4%	-2%	+2%	+4%	+6%	+8%	+10%
Change in fair value of live hogs (RMB million)	(100.8)	(80.6)	(60.5)	(40.3)	(20.2)	20.2	40.3	60.5	80.6	100.8

Stock-take and Internal Control Details

We have established standard protocols to ensure the headcount of our biological assets and the accuracy of other relevant information. We manage hogs in “lots” of the same birth date. Our procedures include tracking the number of hogs and chickens in each lot using a perpetual inventory system. We use these procedures to ensure that headcounts and other relevant information such as age-grouping and birth-records are accurately reflected in our SAP system. Each of our hog farms and the Discontinued Operation’s chicken farms conducts stock-take procedures monthly and at or about the end of each reporting period. Our stock-takes include representatives from our finance department and hog or chicken (as the case may be) farm management. Our perpetual inventory system tracks hogs and chickens when they are born (or otherwise placed into inventory), when they move into new stages of production and when they go to market. Hog and chicken mortalities are also tracked on a real-time basis and reduce the perpetual headcount.

We have developed a comprehensive policy for biological asset management. Our biological asset management policy covers the management structures of our hog farms, relevant accounting policies, transfers among age groups, purchase and sales of hogs, breeding, record keeping and stock-takes. To facilitate the implementation of our biological asset management policy, we employ our SAP system to keep a comprehensive record of our hogs.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we did not have any off-balance sheet arrangements.

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KEY FINANCIAL DATA AND RATIOS

The following table sets forth our key financial data and ratios as of the dates or for the periods indicated:

	For the year ended December 31,			For the four months ended April 30,	
	2013	2014	2015	2015	2016
Gross profit from continuing operations (RMB'000)	184,983	119,856	118,004	41,424	21,675
Gross profit margin ⁽¹⁾	5.0%	3.2%	2.3%	3.0%	1.1%
Gross profit from continuing operations before biological fair value adjustments (RMB'000)	362,891	193,739	472,352	35,209	442,718
Gross profit margin before biological fair value adjustments ⁽²⁾	9.7%	5.2%	9.3%	2.6%	22.5%
Net profit/(loss) from continuing operations (RMB'000)	(79,617)	(349,362)	209,656	(138,634)	460,630
Net profit margin ⁽³⁾	(2.1%)	(9.3%)	4.1%	(10.1%)	23.4%
Net profit/(loss) from continuing operations before biological fair value adjustments (RMB'000)	(77,318)	(301,815)	(142,026)	(133,018)	304,400
Net profit margin before biological fair value adjustments ⁽⁴⁾	(2.1)%	(8.1)%	(2.8)%	(9.7)%	15.5%
Return on equity ⁽⁶⁾	N/A ⁽⁵⁾	N/A ⁽⁵⁾	5.9%	N/A ⁽⁵⁾	56.4%
Return on assets ⁽⁷⁾	N/A ⁽⁵⁾	N/A ⁽⁵⁾	2.0%	N/A ⁽⁵⁾	18.7%
Interest coverage ratio ⁽⁸⁾	N/A ⁽⁹⁾	N/A ⁽⁹⁾	2.01x	N/A ⁽⁹⁾	11.10x
	As of December 31,			As of April 30,	
	2013	2014	2015	2016	
Current ratio ⁽¹⁰⁾	0.45	0.78	0.80	0.79	
Net debt-to-equity ratio ⁽¹¹⁾	482.3%	55.2%	119.3%	119.4%	

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Notes:

- (1) Equals gross profit from continuing operations for the period divided by revenue from continuing operations for that period and multiplied by 100%.
- (2) Equals gross profit from continuing operations for the period before biological fair value adjustments divided by revenue from continuing operations for that period and multiplied by 100%.
- (3) Equals profit or loss from continuing operations for the period divided by revenue from continuing operations for the period and multiplied by 100%.
- (4) Equals profit or loss from continuing operations for the period before biological fair value adjustments divided by revenue from continuing operations for that period and multiplied by 100%.
- (5) This number is not meaningful as we had net losses in 2013 and 2014 and the four months ended April 30, 2015.
- (6) Equals profit (inclusive of the Discontinued Operation) for the period divided by the average of the beginning and ending total equity for that period and multiplied by 100%. The return on equity for the four months ended April 30, 2016 is an annualized number (three times the number for the four months) based on the profit for the four months ended April 30, 2016, and hence may not be comparable to the return on equity based on the full-year profit for 2015.
- (7) Equals profit (inclusive of the Discontinued Operation) for the period divided by the average of the beginning and ending total assets for that period and multiplied by 100%. The return on assets for the four months ended April 30, 2016 is an annualized number (three times the number for the four months) based on the profit for the four months ended April 30, 2016, and hence may not be comparable to the return on assets based on the full-year profit for 2015.
- (8) Equals profit before finance costs and income tax expense for the period divided by finance costs (with capitalized interest added back) for that period, in all cases inclusive of the Discontinued Operation, and multiplied by 100%.
- (9) This number is not meaningful because we had losses before finance costs and income tax expense in 2013, 2014 and the four months ended April 30, 2015.
- (10) Equals current assets divided by current liabilities as at the respective financial period-end date.
- (11) Equals total interest-bearing bank and other borrowings and loans from the immediate holding company, an intermediate holding company and the ultimate holding company, less cash and cash equivalents, divided by total equity as at the respective period-end date and multiplied by 100%.

Return on Equity

Our return on equity was not meaningful in 2013 or 2014, as we had net losses in these years. Our return on equity was 5.9% in 2015 and 56.4% in the four months ended April 30, 2016. Our relatively high return on equity in the four months ended April 30, 2016 was primarily attributable to our significant profit from continuing operations in this period.

Return on Assets

Our return on assets was not meaningful in 2013 or 2014, as we had net losses in these years. Our return on assets was 2.0% in 2015 and 18.7% in the four months ended April 30, 2016. Our relatively high return on assets in the four months ended April 30, 2016 was primarily attributable to our significant profit from continuing operations in this period.

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Interest Coverage Ratio

Our interest coverage ratio was not meaningful in 2013 or 2014, as profit before finance costs and income tax expenses (inclusive of the Discontinued Operation) was negative in these years. We had an interest coverage ratio of 2.01x in 2015. Our interest coverage ratio was 11.10x in the four months ended April 30, 2016. This relatively high interest coverage ratio was primarily attributable to our significant profit from continuing operations in the four months ended April 30, 2016.

Current Ratio

Our current ratio increased from 0.45 as of December 31, 2013 to 0.78 as of December 31, 2014, primarily due to our issuance of shares for consideration of RMB1,671.4 million. Our current ratio increased from December 31, 2014 to 0.80 as of December 31, 2015, primarily due to our reclassification of all assets and liabilities (current and non-current) of the Discontinued Operation into current assets and current liabilities, respectively, as of December 31, 2015, offset in part by our use of a portion of our shareholders' capital contributions to pay for capital expenditures related to our production facilities. Our current ratio remained relatively stable at 0.80 as of December 31, 2015 and 0.79 as of April 30, 2016.

Net Debt-to-equity Ratio

Our net debt-to-equity ratio decreased from 482.3% as of December 31, 2013 to 55.2% as of December 31, 2014, primarily as a result of significant increases in cash and cash equivalents and total equity due to our issuance of shares, offset in part by an increase in total borrowings. Our net debt-to-equity ratio increased from December 31, 2014 to 119.3% as of December 31, 2015, primarily due to a significant decrease in cash and cash equivalents, offset in part by a decrease in total borrowings and an increase in total equity. Our net debt-to-equity ratio remained relatively stable at 119.3% as of December 31, 2015 and 119.4% as of April 30, 2016.

[REDACTED] EXPENSES

We incurred RMB8.3 million of [REDACTED] expenses during the Track Record Period, which were recognized as expenses. We expect to incur approximately [REDACTED] of [REDACTED] expenses (including [REDACTED]) after the Track Record Period, of which approximately [REDACTED] will be capitalized and [REDACTED] will be recognized as expenses after the [REDACTED] for the year ending December 31, 2016.

MARKET AND OTHER FINANCIAL RISKS

We are exposed to various types of market and financial risks including currency risk, interest rate risk, credit risk and liquidity risk. See Note 50 to “Appendix I—Accountants’ Report” to this document. The following is a description of the principal market and financial risks that we face.

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Market Risk

Currency Risk

We collect most of our revenue in RMB and pay most of our expenditures, including costs incurred for sales of goods and capital expenditures, in RMB. However, several of our subsidiaries that are engaged in import of frozen meat products or that have foreign currency borrowings expose us to foreign currency risk. During the Track Record Period, above 90% of our sales and above 60% of our cost of sales were denominated in RMB, our functional currency. A substantial portion of our cost of sales denominated in currencies other than RMB related to our international trading business and were denominated in U.S. dollars. Foreign currency risk arises when commercial sales and purchases transactions or recognized assets or liabilities are denominated in a currency that is not our relevant subsidiaries' functional currency. We are exposed to foreign currency risk primarily with respect to the U.S. dollar and the Hong Kong dollar, which is pegged with the U.S. dollar. We had assets of RMB6.0 million, RMB926.8 million, RMB7.9 million and RMB19.5 million and liabilities of RMB920.2 million, RMB1,542.1 million, RMB971.7 million and RMB900.1 million denominated in foreign currencies (including the U.S. dollar and the Hong Kong dollar) as of December 31, 2013, 2014 and 2015 and April 30, 2016, respectively. In 2013, 2014 and 2015, we did not enter into any currency forward contracts. We have paid even closer attention to our foreign currency risk after RMB experienced significant fluctuations against the U.S. dollar in August 2015, and we have kept timely communications on foreign exchange rates and forward prices with COFCO Finance and commercial banks that we have business relationships with. We entered into foreign currency forward contracts with banks in the four months ended April 30, 2016 to manage our exposure to foreign currency risk arising from accounts payable denominated in U.S. dollars in respect of our purchases for our international trading business. We recorded current liabilities (derivative financial instruments) of approximately RMB878 thousand in respect of these forward contracts as of April 30, 2016. As our management believes that the risk of RMB fluctuating against the U.S. dollar remains relatively high in 2016, we have since entered into currency forward contracts to cover a substantial majority of our foreign exchange exposures for our purchases in the international trading business. Our international trading business' procurement department monitors our currency forward contract position and exposures on a real-time basis according to our purchase agreements in the international trading business, and we enter into currency forward contracts to manage our foreign exchange exposure on a monthly or semi-monthly basis, depending on foreign exchange market conditions. In addition, to mitigate our exchange rate risk in our international trading business under the “back-to-back” model, we typically also fix an exchange rate for the imported meat purchase price with our domestic customer in advance according to market conditions. We update our foreign exchange exposures and internal records on a weekly basis and, before making a major foreign exchange decision (including whether to use currency forward contracts to manage our foreign currency risk), we conduct sensitivity analysis and stress test and report to our Directors. If RMB had weakened or strengthened against the U.S. dollar or the Hong Kong dollar by 5%, all other variables held constant, our loss for the year would have decreased or increased by RMB34.3 million and RMB23.1 million in 2013 and 2014, respectively, our profit for the year would have increased or decreased by RMB36.1 million in 2015, and our profit for the period would have increased or decreased by RMB33.0 million in the four months ended April 30, 2016.

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Interest Rate Risk

Our exposure to the risk of changes in interest rate rates relates primarily to our interest-bearing bank and other borrowings that have a floating interest rate. If interest rates had been 100 basis points higher or lower, all other variables being held constant, our loss for the year would have increased or decreased by RMB8.2 million and RMB20.4 million in 2013 and 2014, respectively, our profit for the year would have decreased or increased by RMB10.0 million in 2015, and our profit for the period would have decreased or increased by RMB10.0 million in the four months ended April 30, 2016. Results of the analysis above represent the effects on outstanding bank and other borrowings with a floating interest rate at the end of each reporting period.

Credit Risk

Our credit risk arises from the carrying amount of our recognized financial assets in our consolidated statements of financial position. Our credit risk is primarily attributable to our accounts receivable; other receivables; amounts due from fellow subsidiaries (companies that are under common control with us by COFCO), an intermediate holding company (COFCO (HK), a subsidiary of COFCO), the ultimate holding company (COFCO) and a related company (a jointly controlled entity of COFCO and that entity’s subsidiaries); loans to fellow subsidiaries; pledged and restricted bank deposits; and cash and cash equivalents. We monitor our exposure to credit risk on an ongoing basis and perform credit evaluations on customers who require credit over a certain amount. We monitor receivable balances on an ongoing basis to ensure that our exposure to bad debts is not significant. We have monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. We review the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. We do not have any significant concentration of credit risk. For amounts due from fellow subsidiaries, an intermediate holding company, the ultimate holding company and a related company and loans to fellow subsidiaries, we believe that it is unlikely for these entities to not make required payments to us, after considering their past settlement records and/or their financial positions. Our credit risk on cash and cash equivalents and pledged and restricted bank deposits is limited as these balances are placed with reputable financial institutions.

Liquidity Risk

In managing our liquidity risk, we monitor and maintain a level of cash and cash equivalents that we deem to be adequate to finance our operations and mitigate the effects of fluctuations in cash flows. We monitor the utilization of bank borrowings and ensure compliance with loan covenants. As of December 31, 2013, 2014 and 2015 and April 30, 2016, our net current liabilities amounted to RMB2,277.1 million, RMB1,162.7 million, RMB851.1 million and RMB908.6 million, respectively. Our net current liabilities position as at April 30, 2016 was mainly attributable to short-term bank and other borrowings of RMB1,543.9 million, loans from the immediate holding company (Mainfield, a subsidiary of COFCO) of RMB900.1 million and amounts due to shareholders of RMB523.5 million.

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Our Directors closely monitor our financial performance and liquidity requirements to safeguard our ability to continue as a going concern. As at April 30, 2016, our total bank and other borrowings amounted to RMB2,172.0 million, of which RMB1,543.9 million were due within one year as at April 30, 2016. As at April 30, 2016, our cash and cash equivalents amounted to RMB380.2 million. Meanwhile, our operating cash inflows amounted to RMB628.5 million (including operating cash outflows from the Discontinued Operation of RMB62.7 million) for the four months ended April 30, 2016.

The following table sets forth the maturity profile of our financial liabilities (including bank and other borrowings, accounts and bills payable, other payables and deposits received, loans from the immediate holding company (Mainfield, a subsidiary of COFCO), loans from an intermediate holding company (COFCO (HK), a subsidiary of COFCO), loans from the ultimate holding company (COFCO), amounts due to fellow subsidiaries (companies that are under common control with our Company by COFCO), amounts due to the immediate holding company, amounts due to an intermediate holding company, amounts due to the ultimate holding company and amounts due to shareholders) based on the agreed repayment terms as of the dates indicated:

	For the year ended December 31,			As of
	2013	2014	2015	April 30,
				2016
	<i>(RMB'000)</i>			
On demand or within 1 year	4,095,001	5,278,896	3,929,145	4,361,842
1 - 5 years	292,897	305,976	388,477	675,347
Over 5 years	—	5,750	19,838	138,852
Total undiscounted cash flows	4,387,898	5,590,622	4,337,460	5,176,040
Total carrying amounts.	4,307,094	5,482,067	4,230,123	4,975,556

DIVIDEND

Chinese laws require that dividends be paid only out of net profit calculated according to PRC accounting principles, which may differ from generally accepted accounting principles in other jurisdictions, including HKFRSs. Our subsidiaries in China that are foreign-invested enterprises set aside part of their net profit as statutory reserves in accordance with the requirements of relevant Chinese laws and the provisions of their respective articles of association. These portions of these subsidiaries' net profits are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future. Since we rely on our subsidiaries' dividends as the source of funds to pay dividends, these restrictions may limit or completely prevent us from paying dividends.

Any declaration and payment, as well as the amount of dividends, will be subject to our Articles of Association and the Cayman Companies Law. Our Shareholders in general meetings may approve

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and make any declaration of dividends, which must not exceed the amount recommended by our Directors. No dividend may be declared or paid except out of our profits or reserves set aside from profits in our Directors’ discretion. Dividends may also be declared and paid out of our share premium account in accordance with the Cayman Companies Law and our Articles of Association, provided that no dividend may be paid out of our share premium account unless we will be able to pay our debts as they fall due in the ordinary course of business immediately following the date on which the dividend is proposed to be paid.

As a Cayman Islands company, any dividend recommendation will be made at the absolute discretion of our Directors. The declaration, payment and amount of dividends will depend on our financial condition, earnings, capital requirements and surplus, our general financial condition, contractual and legal restrictions, our ability to receive dividend payments from our subsidiaries, and other factors that our Directors deem relevant. We did not declare or pay any dividend during the Track Record Period.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our financial position had the [REDACTED] been completed as at April 30, 2016 or at any future dates. It is prepared based on our consolidated net tangible assets as at April 30, 2016 as set out in our consolidated financial information contained in Appendix I to this document, and adjusted as described below.

Consolidated net tangible assets of the Group attributable to owners of the Company as of April 30, 2016		Estimated net proceeds from the [REDACTED]	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company		Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share	
<i>RMB'000</i>		<i>RMB'000</i>	<i>RMB'000</i>		<i>RMB</i>	<i>HK\$</i>
<i>(Note 1)</i>		<i>(Note 2)</i>			<i>(Note 3)</i>	<i>(Note 3)</i>

Based on the [REDACTED]

of [REDACTED] per

[REDACTED]. [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

Based on the [REDACTED]

of [REDACTED] per

[REDACTED]. [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

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Notes:

1. The consolidated net tangible assets of the Group attributable to owners of the Company as at April 30, 2016 is based on the consolidated net assets of the Group attributable to owners of the Company of RMB[REDACTED] as at April 30, 2016 less goodwill and intangible assets of the Group of RMB[REDACTED] and RMB[REDACTED], respectively as at April 30, 2016, as extracted from the Accountants' Report as set out in Appendix I to this document.
2. The estimated net proceeds from the [REDACTED] are based on [REDACTED] Shares to be issued at an [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per Share respectively, after deduction of the estimated [REDACTED] and related expenses expected to be incurred by the Group subsequent to April 30, 2016 and do not take into account of the exercise of the [REDACTED]. The estimated net proceeds from the [REDACTED] are converted from Hong Kong dollars into Renminbi at an exchange rate of RMB0.84799 to HK\$1. No representation is made that Hong Kong dollar amounts have been, could have been or could be converted to Renminbi amounts, or vice versa, at that rate or at any other rates or at all.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share is arrived at after making the adjustments referred to in note 2 above and on the basis of [REDACTED] Shares in total, taking into account that [REDACTED] Shares in issue as at April 30, 2016 and assuming that [REDACTED] Shares to be issued pursuant to the [REDACTED] had been completed on April 30, 2016. It does not take into account of any Shares which may be issued upon the exercise of the [REDACTED].

The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is converted to Hong Kong dollars at the rate of RMB0.84799 to HK\$1. No representation is made that the Renminbi amounts have been, could have been or could be converted into Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group as at April 30, 2016 to reflect any operating result or other transactions of the Group entered into subsequent to that date.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since April 30, 2016.

DISCLOSURE REQUIRED UNDER THE [REDACTED]

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 in Chapter 13 of the Listing Rules upon the [REDACTED] of the Shares on the [REDACTED].

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

Background

Mainfield had been our controlling shareholder during the Track Record Period, holding initially 100% of the issued share capital of our Company, and then approximately 55% after the [REDACTED] Investments. Immediately prior to the Mainfield Restructuring, Mainfield was held as to 67% by China Foods (Holdings) and 33% by MIY. Mainfield had been controlled by COFCO (HK) during the Track Record Period. Immediately after the Mainfield Restructuring and the completion of the [REDACTED], Mainfield will directly own [REDACTED] of the Shares and will continue to be our single largest shareholder.

Reasons for MIY’s Investments via Mainfield

MIY was the first strategic investor to invest in our Group, subscribing for shares in Mainfield, the then holding company of our subsidiaries, in 2011. KKR, Baring, HOPU and Boyu became financial investors in our Group in 2014, and HOPU transferred its interest to Temasek in 2015. As a result of the difference in timing of the investments, MIY holds its interests in our Company through Mainfield, while KKR, Baring, Temasek and Boyu made their investments in contemplation of the [REDACTED], and therefore purchased and/or subscribed for the Shares directly.

Ownership and Management of Mainfield

Pursuant to the Mainfield Shareholders’ Agreement, COFCO (HK) has the right to nominate two directors while MIY has the right to nominate one director to the board of Mainfield. Please see the section headed “History, Development and Reorganization—[REDACTED] Investments—Mainfield Shareholders’ Agreement” for further details. In addition, according to the Shareholders’ Agreement, COFCO (HK) has the right to nominate seven Directors while the other Shareholders have the right to nominate a total of six Directors. Please see the section headed “History, Development and Reorganization—[REDACTED] Investments—Rights of [REDACTED] Investors” for further details of the rights of Shareholders. As such, COFCO (HK) exercises control over Mainfield, through which it controlled our Company during the Track Record Period. MIY has been a passive strategic investor and has no control over either Mainfield or the Company.

Immediately after the Mainfield Restructuring, MIY will become a direct Shareholder and Mainfield will become wholly-owned by China Foods (Holdings). China Foods (Holdings) is legally and beneficially wholly-owned by COFCO (HK), which in turn is legally and beneficially wholly-owned by COFCO.

COFCO is currently engaged in a wide array of businesses, including agricultural commodities trading and agricultural products processing, logistics, food and beverages, real estate development, financial services and packaging products. COFCO and COFCO (HK) are the controlling shareholders of five other companies listed on the Stock Exchange, namely China Agri, China Foods, COFCO Packaging, Joy City and Mengniu.

Please see the section headed “Summary — Relationship with COFCO” for further details.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Lock-up Arrangement

Each of Mainfield, MIY, KKR, Baring, Temasek and Boyu has agreed and undertaken that:

- Mainfield will not, at any time during the period of twelve months following the [REDACTED], dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares held by it provided that this restriction shall not apply to any transfer of Shares by Mainfield pursuant to any management incentive scheme; and
- Each of MIY, KKR, Baring, Temasek and Boyu will not:
 - (a) at any time during the period of six months following the [REDACTED] (the “**First Six-Month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares held by it; and
 - (b) at any time during the period of six months commencing on the date on which the First Six-Month Period expires, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares held by it if, as a result, its shareholding in our Company would fall below 50% of the Shares held by it immediately after the [REDACTED] and the exercise of the [REDACTED] (if the [REDACTED] is exercised) and, in the case of KKR, Baring, Temasek and Boyu, without taking into account the Shares to be transferred in accordance with any management incentive scheme (including but not limited to the [REDACTED] Share Incentive Scheme) or acquired in the [REDACTED],

provided that the above restrictions shall not apply to any transfer of Shares pursuant to any management incentive scheme (including but not limited to the [REDACTED] Share Incentive Scheme).

Save as disclosed under the paragraph headed “Huafu Group” below, COFCO Group and the Directors confirm that they do not have any interest in a business which competes with or is likely to compete with our business, whether directly or indirectly, or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

HUAFU GROUP

Huafu was established on January 4, 1993 as a wholly state-owned enterprise under the purview of the SASAC. Huafu Group is engaged in a wide range of businesses, including but not limited to the management and operation of storage facilities and the production, processing, wholesale, sale, import and export and logistics of sugar products, meat products, vegetables and alcoholic beverages. Huafu Group has a hog business which consists of trading of frozen pork products, live hog reserve and hog slaughtering (the **“Huafu Hog Business”**).

On November 26, 2014, Huafu Group was acquired by COFCO upon the approval of the State Council. As at the Latest Practicable Date, Huafu Group is wholly-owned by COFCO. Huafu Group is currently managed by a management team which is independent of our Group. Prior to the acquisition of Huafu Group by COFCO, the hog business of Huafu Group was managed by a management team which was independent of COFCO Group.

Having conducted due diligence on the Huafu Hog Business, we are of the view that the quality of assets and the financial performance of the Huafu Hog Business do not satisfy the standards required by our Group. As such, after due consideration, our Company decided not to acquire the Huafu Hog Business from COFCO Group.

Our business is delineated from the Huafu Hog Business in the following ways:

Trading of frozen pork products and live hog reserve business

As of the Latest Practicable Date, Huafu Group has terminated trading of frozen pork products and it has no plan to carry out such trading any further. For the three years ended December 31, 2013, 2014 and 2015, the sales volumes of the trading of frozen pork products were approximately 45,806.8 metric tons, 44,201.7 metric tons and 13,916.0 metric tons, respectively. For the three years ended December 31, 2013, 2014 and 2015, the revenue attributable to Huafu Group’s frozen pork products trading business was approximately RMB721.5 million, RMB747.9 million and RMB246.2 million, respectively, and the net profit attributable to Huafu Group’s frozen pork products trading business was approximately RMB51.7 million, RMB1.8 million and RMB2.4 million, respectively.

Huafu Group remains its interests in the live hog reserve business. The Chinese government keeps a national reserves of live hogs. Huafu Group is authorized by the MOFCOM to select and supervise qualified hog farms to maintain the necessary live hog reserve. For the three years ended December 31, 2013, 2014 and 2015, the fees received by Huafu Group from MOFCOM for the selection and supervision of qualified hog farms was approximately RMB48.6 million, RMB45.2 million and RMB22.4 million, respectively. Huafu Group has a minority equity interest in each of the selected hog farms. However, Huafu Group is only a passive investor of no more than 10% in the relevant hog farms which carry out the live hog reserve business (other than one hog farm where Huafu Group has equity interest of 16%), with no right to appoint any of their management or nominate any members of the board of directors. As such, it has no influence over the management and operations of such hog farms. On this basis, we consider that Huafu Group’s interests in the live hog reserve business do not constitute material competition with our Group. COFCO Group does not currently intend to inject the live hog reserve business of Huafu Group into our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Hog slaughtering business

Huafu Group carries out its hog slaughtering business via its slaughtering plant in Beijing (the “**Beijing Slaughtering Plant**”), which occupies approximately 5,000 square meters and has slaughtering capacity of 2,000 hogs per day. For the three years ended December 31, 2013, 2014 and 2015, the revenue attributable to the Huafu hog slaughtering business were approximately RMB1,297.8 million, RMB1,175.1 million and RMB1,086.0 million, respectively, and the net profit attributable to the Huafu hog slaughtering business were approximately RMB0.6 million, RMB0.6 million and RMB2.5 million, respectively.

Since the acquisition of Huafu Group by COFCO Group, we have considered to utilize the Beijing Slaughtering Plant to supplement our demand for slaughtering capacity in Beijing. However, after due consideration, we are of the view that it is not operationally efficient to utilize its hog slaughtering services due to a number of limitations of the Beijing Slaughtering Plant. Such limitations include that certain parts of the facility do not meet our internal standards, hog slaughtering requirements and environmental protection standards and there is insufficient ancillary equipment to meet our capacity demand.

Huafu Group currently plans to revamp the Beijing Slaughtering Plant. We understand from Huafu Group that the revamp process is expected to begin within six months after [REDACTED], and will complete within four months thereafter. After completion of the revamp, Huafu Group will consider either offering the Beijing Slaughtering Plant for sale or providing hog slaughtering services to third parties. We may consider to acquire the Beijing Slaughtering Plant or utilize its hog slaughtering services (as the case may be), depending on the conditions of the revamped Beijing Slaughtering Plant, but we currently have no concrete plans to take such steps. Should we decide to acquire the Beijing Slaughtering Plant or utilize its hog slaughtering services, we will comply with the relevant Listing Rules.

As of the Latest Practicable Date, Huafu Group was still planning the revamp process, and was expected to begin within six months after [REDACTED]. As such, Huafu Group’s engagement in hog slaughtering business is merely a temporary arrangement. Upon completion of the revamp, Huafu Group will no longer engage in the hog slaughtering business for its own hogs, and will consider either offering the Beijing Slaughtering Plant for sale or providing hog slaughtering services to third parties at a slaughtering fee. We therefore do not consider that this constitutes material competition with our Group.

INDEPENDENCE FROM COFCO GROUP

Having considered the following factors, our Directors believe that we can conduct our business independently of COFCO Group from the [REDACTED].

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Operational Independence

We do not rely on COFCO Group for any significant amount of our revenue, product development, staffing or marketing and sales activities. We independently hold all of the production and operating facilities and technology relating to our current business operations. Sales, marketing and administrative functions relating to our business are carried out independently by our Group. We have sufficient operational capacity in terms of capital, equipment and employees to operate our businesses independently from COFCO Group. We have our own headcount of employees for our operations and independently manage our human resources. Our Group owns all licenses, trademarks or licenses to use the trademarks and other intellectual property rights which are material to our operations. Please see the section headed “Connected Transactions—Continuing Connected Transactions—Exempt Continuing Connected Transactions with COFCO Group —Trademark Licenses” in this document for further details of the trademark licenses.

Lease of Office Premises from COFCO Group

We have been leasing office premises in Beijing and Hong Kong from COFCO Group, details of which are set out in the section headed “Connected Transactions” in this document. The total area of premises leased from COFCO Group is approximately 1,117 square meters in Beijing and approximately 1,800 square feet in Hong Kong, representing approximately 0.005% of the total area of the premises occupied by our Group.

Purchase of Feed from COFCO Group

We have been purchasing feed products, feed ingredients and other material from COFCO Group during the Track Record Period, details of which are set out in the section headed “Connected Transactions” in the document. Although COFCO Group is one of our major suppliers, as the products which we purchase from COFCO Group are commodities which are widely accessible from other third parties suppliers, we do not consider our Group to be reliant on the supply from COFCO Group.

Trading of Poultry Products by Our Group

We have been engaging in the trading of a range of meat products, including but not limited to pork, beef and poultry, through the international trading division of our Group since 2009. In our international trading business, we source and import high quality frozen meat products from overseas and resell these products in China, including to our processed meat products division. Historically, the Disposal Group purchased frozen poultry products from the international trading division as raw materials for processed poultry products. Pursuant to the Reorganization plan, we have retained our international trading business, which still includes a portion of poultry trading, accounting for approximately 31%, 42% and 27% of total revenue of our international trading business for the three years ended December 31, 2013, 2014 and 2015, respectively.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

We consider that the poultry trading business of our Group differs from the Poultry Business of the Disposal Group in the following ways:

- *Products.* The international trading division of our Group is only engaged in the import of frozen meat products including frozen poultry products, while the business of the Disposal Group spans across the entire poultry industry value chain, including poultry farming, slaughtering, processing and sale. Frozen poultry products sold by our Group mainly consists of frozen chicken wings and frozen chicken feet, with a small amount of frozen chicken leg meat, while the Disposal Group sells a wide range of poultry products including fresh poultry (such as offal and minced chicken meat), processed chicken meat and frozen poultry (consisting mainly of chicken breast meat and chicken leg meat, with a small amount of chicken wings and chicken feet). Our frozen poultry products have been used as raw material by the Disposal Group for processing. During the three years ended December 31, 2013, 2014 and 2015, 6.3%, 28.6% and 14.3% of our frozen poultry products were sold to the Disposal Group as raw materials.
- *Customers.* Our customer base varies substantially with that of the Disposal Group. Our customers mainly purchase our products in bulk. Approximately 80% of our products are sold to two major customers, namely a major quick service restaurant chain and our Disposal Group, to be used as raw materials for processing. Our remaining customers consist of a small number of import product wholesalers. In contrast, the Disposal Group sells products to a wide range of customers, including food processors, wholesalers and retail distributors and consumers.
- *Management.* The international trading division of our Group and the Disposal Group are managed by independent management teams. In addition, the two management teams require fundamentally different skill sets. Management of our international trading division requires expertise and knowledge in international sourcing, commodities, trading and logistics, while management of the Disposal requires expertise and knowledge in poultry farming, slaughtering, processing and sale.
- *Business model.* As our Group does not engage in any poultry farming, slaughtering or processing of poultry products, we do not own any of the relevant farms, facilities or machineries, while the Disposal Group owns a number of poultry farms, slaughtering plants and food processors. We possess the pre-requisite qualifications and licenses required for the import of meat products from overseas. As of the Latest Practicable Date, the Disposal Group does not possess such valid qualifications and licenses.

On the basis of the differences as set forth above, we consider that there is no material competition between our Group and the Disposal Group. In addition, our international trading division forms an integrated business unit which shares the same management, knowhow and synergies, and is an intrinsic part of our Group. It would therefore be very costly for both our Group and the Disposal Group to separate the import poultry trading from the rest of the international trading division.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Furthermore, the Disposal Group has entered into an undertaking pursuant to which it undertakes that it shall not engage in any business which competes directly or indirectly with our Group, including the poultry import business, which would cease to have effect on the date on which COFCO Group ceases to hold directly or indirectly in aggregate 30% or more of the equity interests in the Disposal Group.

Management Independence

Our Board consists of 12 Directors, comprising one executive Director, seven non-executive Directors and four independent non-executive Directors. The executive management team of our Group is led by Mr. Xu Jianong, our executive Director, who is supported by a team of senior management. All of the members of our senior management have been managing the business of our Group throughout the Track Record Period. Each of our senior management possesses relevant management and/or industry-related experience. Please see the section headed “Directors and Senior Management” in this document for further details of their management experience.

Three members of our Board, namely Mr. Ma Jianping, Mr. Wang Zhiying and Mr. Fu Tingmei, also hold positions in COFCO Group. Set out below is a summary of the positions currently held by the Directors within our Group and COFCO Group and their respective industry experience and contribution to our Group:

Name	Role within our Group	Role within COFCO Group
Mr. Ma Jianping	Chairman and non-executive Director of our Company, chairman of COFCO Meat Investments	Vice-president of COFCO, deputy managing director of COFCO (HK), director of COFCO International Limited, non-executive director and chairman of China Foods, non-executive director of Joy City and director of COFCO Property (Group) Co., Ltd.
Mr. Wang Zhiying	Non-executive Director of our Company, director of COFCO Meat Investments	Director of human resources department of COFCO, non-executive director of China Foods
Mr. Fu Tingmei	Independent non-executive Director of our Company	Independent non-executive director of COFCO Packaging

To the best knowledge of our Directors and as of the Latest Practicable Date, no other Director or senior management member of our Group is also a director or member of senior management of COFCO Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

We believe that the Directors and members of the senior management are able to perform their roles in our Group independently and that our Group is capable of managing our business independently from the COFCO Group. Mr. Fu Tingmei is an independent non-executive director of COFCO Packaging and is not otherwise related to the COFCO Group. The positions in COFCO Group of Mr. Ma Jianping and Mr. Wang Zhiying will not materially impact on their abilities to discharge their fiduciary duties and duties of skill, care and diligence to our Company, for the following reasons:

- (i) Mr. Ma Jianping and Mr. Wang Zhiying, as our non-executive Directors, take a supervisory role in the Company and will not be involved in the daily management of our Group. They will devote approximately 15% of their time to our Group;
- (ii) in the event of a conflict of interest arising out of any transactions to be entered into by our Group, any Directors with a conflicting interest shall abstain from voting in respect of such transactions and shall not be counted in forming quorum at the relevant Board meetings;
- (iii) our four independent non-executive Directors have extensive experience in different areas and have been appointed in accordance with the requirements under the Listing Rules to ensure that the decision of the Board are made only after due consideration of independent and impartial opinions; and
- (iv) each of our Directors is aware of his fiduciary duties as a Director, which require, among other things, that he acts for our Company’s benefits and best interests and does not allow any conflict between his duties as a Director and his personal interests.

During the Track Record Period, Mr. Ma Jianping and Mr. Wang Zhiying did not receive any remuneration paid by our Group for services rendered to our Group. Mr. Ma Jianping and Mr. Wang Zhiying will not receive any Director’s fees for the year ending December 31, 2016.

As of the Latest Practicable Date, none of the Directors or their respective associates has interests in any business which competes or is likely to compete, either directly or indirectly, with that of our Group.

Financial Independence

We have historically engaged COFCO Finance, a wholly-owned subsidiary of COFCO, for deposits, loans, entrustment loans and other financial services licensed by PBOC. All business arrangements between our Group and COFCO Finance, including deposits of our Group placed with COFCO Finance and loans from COFCO Finance to our Group, are on normal commercial terms. Please refer to Notes 9, 29, 31, 34, 36 and 53 of the Accountants’ Report set forth in Appendix I to this document for more details regarding the deposits placed with, loans from, balances with, and guarantees from or to COFCO Group during the Track Record Period.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

PRC Government provides subsidized and interest free loans to support agricultural projects of certain companies, including but not limited to COFCO, from time to time. As of the Latest Practicable Date, PRC Government provided an interest-free loan of RMB2.5 million and, through a state-owned policy bank, a low-interest-rate loan of RMB100 million and a low-interest-rate loan of RMB54 million to COFCO for the benefit of a cold chain logistics project of our Group in Jiangsu Province, a technology improvement project of our facility in Wuhan and a hog production project of our Group in Hubei Province, respectively (the “**Government Loans**”). As the Government Loans were available to COFCO only, COFCO has further provided the Government Loans to our Group. As the Government Loans are subsidized loans, it is beneficial to the Shareholders as a whole for it to remain after [REDACTED]. The Government Loans will therefore not be settled prior to [REDACTED]. Furthermore, as at the Indebtedness Date, we had unutilized credit facilities of RMB2.6 billion from commercial banks, and we additionally obtained credit facilities from two commercial banks, each in the amount of US\$150 million. Considering the small amount of the Government Loans, we therefore consider that we are able to remain financially independent.

Save as disclosed above, we will settle all non-trade nature amounts due from and due to COFCO Group before [REDACTED].

Our Group has its own financial management system and ability to operate independently of COFCO Group from a financial perspective. Our Directors are of the view that our Group does not unduly rely on advances from COFCO Group for our business operations.

NON-COMPETITION UNDERTAKING

In order to ensure that direct competition does not develop between us and COFCO Group, each of COFCO, COFCO (HK), China Foods (Holdings) and Mainfield provided a non-competition undertaking in our favor, which is described below.

COFCO, COFCO (HK), China Foods (Holdings) and Mainfield have entered into the deed of non-competition in favor of our Company, pursuant to which each of them has undertaken to our Company (for itself and for the benefit of its subsidiaries) that they would not, and they would use their best endeavors to procure that their respective associates (except any members of our Group) shall not, whether directly or indirectly (including through any corporate, partnership, joint venture or other contractual arrangement) or as principal or agent, and whether on their own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any member of our Group), carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition, directly or indirectly, with the business of any member of our Group in the geographical areas in which our Group operates, except for the Huafu Hog Business (the “**Restricted Business**”).

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Each of COFCO, COFCO (HK), China Foods (Holdings) and Mainfield further undertakes (for itself and for the benefit of its subsidiaries) that, if it or its subsidiaries propose to acquire the Controlling Stake in any Business Opportunity, it shall first refer such Business Opportunity to our Company and shall not pursue such Business Opportunity unless our Directors or a board committee consisting of our independent non-executive Directors declines the Business Opportunity.

For the purposes of this section:

- **“Business Opportunity”** means any corporate, partnership, joint venture or other entity which carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition, directly or indirectly, with the business of any member of our Group in the geographical area in which our Group operates, provided that the revenue or assets attributable to such business accounts for 30% or more of the total revenue and total assets of such entity, as shown in such entity’s latest audited accounts; and
- **“Controlling Stake”** means (a) control over the composition of the relevant company’s board of directors; (b) control over more than half of the voting rights in the relevant company; or (c) holding more than half of the relevant company’s issued share capital.

Furthermore, COFCO Group undertakes that the Disposal Group shall not engage in any business which competes directly or indirectly with our Group, including the poultry import business, which undertaking shall cease to have effect on the date on which COFCO Group ceases to hold directly or indirectly in aggregate 30% or more of the equity interests in the Disposal Group.

Pursuant to the deed of non-competition, the above restrictions would only cease to have effect on the later of (i) 12 months after the [REDACTED]; and (ii) the date on which the shareholding of COFCO Group in our Company falls below 25%.

Further, the independent non-executive Directors will review, on an annual basis, the compliance of COFCO Group with the deed of non-competition (in particular, the right of first refusal relating to any Business Opportunity) and our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance with and enforcement of the deed of non-competition in our annual report or by way of announcement to the public.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following corporate governance measures to avoid potential conflict of interests and safeguard the interests of our Shareholders:

- (a) compliance with the Listing Rules, in particular, strictly observe any proposed transactions between us and connected persons and comply with the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules where applicable;
- (b) in the event that connected transactions, if any, between our Group and other business in which any Directors or their respective associates had any interest are submitted to the Board for consideration, the relevant interested Director will not be counted in the quorum and will abstain from voting on such matters, and majority votes on such matters, and majority votes by non-conflicted Directors are required to decide on such connected transactions;
- (c) appointment of Guotai Junan Capital Limited as our compliance advisor to advise us on the compliance matters in respect of the Listing Rules and applicable laws and regulations;
- (d) appointment of four independent non-executive Directors in order to achieve a more independent composition of our Board. The independent non-executive Directors have the qualification, integrity, independence and experience to fulfill their roles effectively. Please see the section headed “Directors and Senior Management” in this document for further details of our independent non-executive Directors;
- (e) our independent non-executive Directors will review, on an annual basis, the compliance with the deed of non-competition by COFCO, COFCO (HK), China Foods (Holdings) and Mainfield;
- (f) each of COFCO, COFCO (HK), China Foods (Holdings) and Mainfield has undertaken to our Company that it will provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the deed of non-competition;
- (g) our Company will disclose the review by our independent non-executive Directors relating to the compliance and enforcement of the deed of non-competition either in its annual report or by way of announcements to the public; and
- (h) each of COFCO, COFCO (HK), China Foods (Holdings) and Mainfield will make an annual confirmation to our Company on compliance with the deed of non-competition which shall be disclosed in the annual report of our Company or by way of announcements to the public.

CONNECTED TRANSACTIONS

OUR CONNECTED PERSONS

The connected persons of our Company for the purpose under Chapter 14A of the Listing Rules include but are not limited to COFCO (being a controlling shareholder), MIY (to be a substantial shareholder upon completion of the Mainfield Restructuring), Mitsubishi (being a holding company and hence an associate of MIY), Itoham and Yonekyu (each being a subsidiary of Itoham Yonekyu Holdings, a 30%-controlled company of Mitsubishi and hence each an associate of MIY) and Genesis (being a substantial shareholder of Genesis JV, a subsidiary of our Company). Accordingly, the following transactions with COFCO, Mitsubishi, Itoham, Yonekyu and Genesis and their respective subsidiaries and/or associates, which will either continue or take place after the [REDACTED], will constitute connected transactions of our Group under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Summary Table of Our Continuing Connected Transactions

Nature of Transactions	Applicable Listing Rules	Applicable Waiver Sought	Proposed annual caps		
			For the year ending December 31,		
			2016	2017	2018
			(RMB'000)	(RMB'000)	(RMB'000)
Exempt continuing connected transactions with COFCO Group					
PRC Trademark License Agreement	14A.76(1)(a)	Not applicable	N/A	N/A	N/A
Hong Kong Trademark License Agreement	14A.76(1)(a)	Not applicable	N/A	N/A	N/A
Poultry Trademark License Agreements	14A.76(1)(a)	Not applicable	500	500	500
Administrative Services Agreement	14A.76(1)(a)	Not applicable	2,920	3,310	3,750
Insurance Agreement	14A.76(1)(a)	Not applicable	430	480	520

CONNECTED TRANSACTIONS

Nature of Transactions	Applicable Listing Rules	Applicable Waiver Sought	Proposed annual caps		
			For the year ending December 31,		
			2016	2017	2018
			(RMB'000)	(RMB'000)	(RMB'000)
Partially exempt continuing connected transactions with COFCO Group					
Beijing Property Leasing Contract and Beijing Property Management Contract	14A.76(2)(a)	Waiver from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules	9,136	9,689	11,191
Hong Kong Tenancy Agreement	14A.76(2)(a)	Waiver from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules	358	1,127	1,187
Non-exempt continuing connected transactions with COFCO Group					
Mutual Supply Agreement	N/A	Waiver from strict compliance with the announcement and independent Shareholders' approval requirement under Rule 14A.35 and 14A.36 of the Listing Rules	913,010	1,054,765	1,172,693

CONNECTED TRANSACTIONS

Nature of Transactions	Applicable Listing Rules	Applicable Waiver Sought	Proposed annual caps		
			For the year ending December 31,		
			2016	2017	2018
			(RMB'000)	(RMB'000)	(RMB'000)
			<i>Breakdown of annual cap amounts</i>		
• Processing fee payable by us to COFCO			14,400	16,960	10,080
• Processing fee payable by COFCO to us			700	300	300
• Purchase of feed products, feed ingredients other materials and consultancy services			713,468	617,374	701,474
• Purchase of frozen meat products			N/A	200,000	200,000
• Purchase of the Poultry Products			34,540	45,150	57,380
• Service fees for the use of the Huaifu Cold Storage Facilities			1,100	1,610	2,270
• Sales revenue from supply of meat products			8,802	11,671	14,419
• Sales revenue from supply of frozen poultry products			140,000	161,700	186,770

CONNECTED TRANSACTIONS

Nature of Transactions	Applicable Listing Rules	Applicable Waiver Sought	Proposed annual caps		
			For the year ending December 31,		
			2016	2017	2018
			(RMB'000)	(RMB'000)	(RMB'000)
Financial Services Agreement	N/A	Waiver from strict compliance with the announcement and independent Shareholders' approval requirement under Rule 14A.35 and 14A.36 of the Listing Rules for the year ending December 31, 2016			
• Deposit Services					
(a) Deposit amounts			1,000,000	N/A	N/A
(b) Interests on deposits			6,960	N/A	N/A
• Loan Services					
(a) Loan amounts			800,000	N/A	N/A
(b) Interests on loans			26,100	N/A	N/A
• Entrustment Loan Services					
(a) Handling fees on entrustment loans			600	N/A	N/A
Non-exempt continuing connected transactions with Mitsubishi, Itoham and Yonekyu					

CONNECTED TRANSACTIONS

Nature of Transactions	Applicable Listing Rules	Applicable Waiver Sought	Proposed annual caps		
			For the year ending December 31,		
			2016	2017	2018
			(RMB'000)	(RMB'000)	(RMB'000)
MIY Mutual Supply Agreement	N/A	Waiver from strict compliance with the announcement and independent Shareholders' approval requirement under Rule 14A.35 and 14A.36 of the Listing Rules	172,546	224,082	301,593
			<i>Breakdown of annual cap amounts</i>		
• Purchase of the MIY Products			151,346	199,702	273,553
• Revenue from the supply of processed meat products			21,200	24,380	28,040
Exempt continuing connected transactions with Genesus					
Genesus Products Purchase Agreement	14A.76(1)(b)	Not Applicable	25,380	26,000	26,000

Exempt Continuing Connected Transactions with COFCO Group

The following transactions are entered into in the ordinary and usual course of business and on normal commercial terms or better where, as our Directors currently expect, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will not exceed 0.1% on an annual basis. Under Rule 14A.76(1)(a) of the Listing Rules, the following transactions will be exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Trademark Licenses

In anticipation of the licensing of trademarks between our Group and COFCO Group upon [REDACTED], we entered into the PRC Trademark License Agreement, the Hong Kong Trademark License Agreement and the Poultry Trademark License Agreements (each as defined below). Pursuant to Rule 14A.81 of the Listing Rules, the aggregate amount of license fees payable under the PRC Trademark License Agreement, the Hong Kong Trademark License Agreement and the Poultry Trademark License Agreement for the years ending December 31, 2016, 2017 and 2018 are expected to be approximately RMB500,000, RMB500,000 and RMB500,000, respectively. As a result, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will not exceed 0.1% on an annual basis. Under Rule 14A.76(1)(a) of the Listing Rules, the PRC Trademark License Agreement, the Hong Kong Trademark License Agreement and the Poultry Trademark License Agreements will be exempt from the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Trademark License Agreements in Relation to the “COFCO” and “中糧” Trademarks Owned by COFCO

During the Track Record Period, we had been using, among others, the “COFCO” and “中糧” trademarks registered in the PRC by COFCO. In anticipation of the [REDACTED], we entered into a PRC trademark license agreement (the “**PRC Trademark License Agreement**”) and a Hong Kong trademark license agreement (the “**Hong Kong Trademark License Agreement**”) with COFCO on May 26, 2016. Pursuant to the PRC Trademark License Agreement, COFCO granted to our Group the right to use its “COFCO”, “中糧” and other trademarks in relation to the business of our Group in the PRC at no consideration for the period until May 20, 2019. Pursuant to the Hong Kong Trademark License Agreement, COFCO granted to our Group the right to use its “COFCO”, “中糧” and other trademarks in relation to the business of our Group in Hong Kong for a nominal consideration of US\$1.00 for the period until May 20, 2019.

For more information about these trademarks, please refer to “Appendix IV—Statutory and General Information—B. Further Information about Our Business—2. Intellectual Property Rights of our Group—Trademarks” in this document.

Trademark License Agreement in Relation to Trademarks Owned by Our Group

During the Track Record Period, the Disposal Group, which was part of our Group prior to the Reorganization, had been using the trademarks registered in the PRC by us. Upon completion of the Reorganization, the Disposal Group was no longer part of our Group and instead became part of the COFCO Group. In order for the Disposal Group to continue to use the trademarks owned by us, COFCO Meat Investments entered into two trademark license agreements (the “**Poultry Trademark License Agreements**”) with COFCO Meat (Suqian) and COFCO Meat (Shandong), respectively, on May 16, 2016, whereby COFCO Meat Investments granted to COFCO Meat (Suqian) and COFCO Meat (Shandong) the right to use our “Joycome (家佳康)” trademark in the PRC for the period until

CONNECTED TRANSACTIONS

December 31, 2018. The licensing fee in respect of the use of such trademarks is 5% of the profits attributable to the sale of the products listed in the Poultry Trademark License Agreements. The Poultry Trademark License Agreements will terminate upon COFCO ceasing to be the ultimate largest shareholder of the Disposal Group.

For more information about these trademarks, please refer to “Appendix IV—Statutory and General Information—B. Further Information about Our Business—2. Intellectual Property Rights of our Group—Trademarks” in this document.

Pricing

The licensing fee under the Poultry Trademark License Agreements is determined with reference to the potential contribution of the “Joycome (家佳康)” trademark to the business of the Disposal Group.

Historical figures

There was no licensing fee payable by COFCO Meat (Suqian) and COFCO Meat (Shandong) to COFCO Meat Investments for the years ended December 31, 2013, 2014 and 2015 and for the four months ended April 30, 2016, given that Disposal Group formed part of our Group before the Reorganization and the trademark licensing only came into effect on May 16, 2016.

Annual cap amount

The Directors estimated the aggregate annual licensing fee payable by COFCO Meat (Suqian) and COFCO Meat (Shandong) to COFCO Meat Investments for the years ending December 31, 2016, 2017 and 2018 as follows:

	For the year ending December 31		
	2016	2017	2018
	'000	'000	'000
	(RMB)	(RMB)	(RMB)
Licensing fee	500	500	500

In arriving at the above proposed annual cap amount in respect of the licensing fee payable under the Poultry Trademark License Agreement, the Directors have considered the expected sales of “Joycome (家佳康)” branded products of the Disposal Group for the three years ending December 31, 2016, 2017 and 2018.

CONNECTED TRANSACTIONS

Administrative Services Agreement with COFCO

During the Track Record Period, our Group had been obtaining various administrative services, including telecommunication services, IT services, catering services, human resources services, legal and company secretarial services, training and other related services, from the COFCO Group. In anticipation of the [REDACTED], on [●], our Company entered into an administrative services agreement with COFCO (the “**Administrative Services Agreement**”), pursuant to which 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 on the Listing Date until December 31, 2018.

Pricing

The purchase price of administrative services under the Administrative Services Agreement is determined based on standard fees charged by COFCO to all tenants and service users.

Historical figures

The purchase price of administrative services paid to COFCO for the three years ended December 31, 2013, 2014 and 2015 and for the four months ended April 30, 2016 were approximately RMB721,000, RMB1,275,000, RMB1,671,000 and RMB621,000, respectively. The historical increase is due to an expansion of workforce and the commencement of our ERP system which utilizes the servers of COFCO.

Annual cap amount

The Directors estimated the aggregate purchase price of administrative services to be paid to COFCO under the Administrative Services Agreement for the years ending December 31, 2016, 2017 and 2018 as follows:

	For the year ending December 31		
	2016	2017	2018
	(RMB'000)	(RMB'000)	(RMB'000)
Purchase price of administrative services	2,920	3,310	3,750

In arriving at the above proposed annual cap amount in respect of the purchase price of administrative services under the Administrative Services Agreement, the Directors have considered (i) the historical figures as set out above; (ii) the expected increase of approximately 5% in unit price; (iii) the expected expansion of our workforce at a rate of approximately 10%; and (iv) the utilization of administrative services provided by COFCO (HK) upon [REDACTED].

CONNECTED TRANSACTIONS

Insurance Agreement with Aviva-COFCO

During the Track Record Period, our Group had been obtaining insurance services from Aviva-COFCO. In anticipation of the [REDACTED], on [●], our Company and Aviva-COFCO entered into an insurance agreement (the “**Insurance Agreement**”) pursuant to which Aviva-COFCO shall provide the Group with insurance products covering medical, accident and life insurance for its staff (the “**Insurance Services**”). The Insurance Agreement has a term commencing on the [REDACTED] until December 31, 2018.

Pricing

The insurance fees payable under the Insurance Agreement is determined with reference to insurance fees quotation offered by third party insurance brokers.

Historical figures

The insurance fees paid by us for Insurance Services to Aviva-COFCO for the three years ended December 31, 2013, 2014 and 2015 and the four months ended April 30, 2016 were approximately RMB312,000, RMB397,000, RMB390,000 and RMB315,000, respectively.

Annual cap amount

The Directors estimated the insurance fees to be paid by us for Insurance Services under the Insurance Agreement for the years ending December 31, 2016, 2017 and 2018 as follows:

	For the year ending December 31		
	2016	2017	2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Insurance fees	430	480	520

In arriving at the above proposed annual cap amount in respect of the insurance fees payable under the Insurance Agreement, the Directors have considered (i) the historical figures as set out above; and (ii) the expected expansion of our workforce at a rate of approximately 10%.

Partially Exempt Continuing Connected Transactions with COFCO Group

The following transactions are entered into in the ordinary and usual course of business and on normal commercial terms or better where, as our Directors currently expect, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 0.1%

CONNECTED TRANSACTIONS

but less than 5% on an annual basis. Under Rule 14A.76(2)(a) of the Listing Rules, the following transactions will be 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.

Lease of Premises

In anticipation of the lease of premises between our Group and COFCO Group upon [REDACTED], we entered into the Beijing Property Leasing Contract, the Beijing Property Management Contract and the Hong Kong Tenancy Agreement (each as defined below). Pursuant to Rule 14A.81 of the Listing Rules, the aggregate amount of rental expenses, management fees and service charges payable to the COFCO Group for the leased premises under the Beijing Property Leasing Contract, the Beijing Property Management Contract and the Hong Kong Tenancy Agreement for the years ending December 31 2016, 2017 and 2018 are expected to be approximately RMB9,498,000, RMB10,827,000 and RMB12,387,000, respectively. As a result, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 0.1% but less than 5% on an annual basis. Under Rule 14A.76(2)(a) of the Listing Rules, the Beijing Property Leasing Contract, the Beijing Property Management Contract and the Hong Kong Tenancy Agreement will be subject to the reporting, announcement and annual review requirements but will be exempt from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Lease of Office Premises in Beijing

During the Track Record Period, we had been using office premises owned by COFCO for general business and ancillary purposes. In order to avoid unnecessary disruptions to our business caused by relocation and enable us to ensure continuity of our operations, on [●], our Company entered into a property leasing contract with COFCO (the “**Beijing Property Leasing Contract**”), pursuant to which we leased from COFCO approximately 1,700 square meters of office premises of COFCO Fortune Plaza in Beijing and eight underground car parking spaces in COFCO Fortune Plaza for a term commencing on the [REDACTED] until December 31, 2018. The annual rent is determined based on prevailing market prices and is payable by three annual installments, with the first installment payable within three Business Days after the effective date of the Beijing Property Leasing Contract and each subsequent installment being payable on or before December 31 of the preceding year. We have the first right to renew the Beijing Property Leasing Contract on terms to be agreed between the parties. Should the Beijing Property Leasing Contract be renewed, we will comply with the requirements of Chapter 14A of the Listing Rules.

On [●], our Company entered into a property management contract with COFCO Sunshine Property Management (Beijing) Co., Ltd. (“**COFCO Sunshine**”) (the “**Beijing Property Management Contract**”), pursuant to which COFCO Sunshine agreed to provide to us various services for the maintenance and management of the leased premises for a term commencing on the [REDACTED] until December 31, 2018. The management fee is determined based on prevailing

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market prices and is payable in quarterly installments, with the first installment being payable on the date of the Beijing Property Management Contract and each subsequent installment being payable within 10 business days prior to the start of each quarter. The Beijing Property Management Contract may be renewed by agreement between the parties. Should the Beijing Property Management Contract be renewed, we will comply with the requirements of Chapter 14A of the Listing Rules.

Pricing

The annual rent and management fees under the Beijing Property Leasing Contract and the Beijing Property Management Contract are determined as follows:

- (a) the rental price and management fees are agreed between the parties following their arm’s length negotiations with reference to the prevailing market prices of other properties in the vicinity and the current prevailing market rates;
- (b) comparable rental price quotations offered by independent third parties for similar properties in the vicinity; and
- (c) rental prices and management fees offered by COFCO to other tenants.

Historical figures

The annual rent paid by us to COFCO and management fees paid by us to COFCO Sunshine for the three years ended December 31, 2013, 2014 and 2015 and for the four months ended April 30, 2016 were approximately RMB3,336,000, RMB4,890,000, RMB6,294,000 and RMB2,918,000, respectively.

Annual cap amount

The Directors estimated the aggregate rental expenses and annual management fees payable by our Company for the years ending December 31, 2016, 2017 and 2018 as follows:

	For the year ending December 31		
	2016	2017	2018
	'000	'000	'000
	(RMB)	(RMB)	(RMB)
Rental expense and management fee	9,136	9,689	11,191

In arriving at the above proposed annual cap amount in respect of the rental expense under the Beijing Property Leasing Contract and the management fee under the Beijing Property Management Contract, the Directors have considered (i) the historical figures as set out above; (ii) the current rental price of other properties in the vicinity and the prevailing market rates in Beijing at the time when

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entering into the Beijing Property Leasing Contract and the Beijing Property Management Contract; (iii) the steady increase of approximately 5% in rental price of other properties in the vicinity and future development of the property market in Beijing; and (iv) the potential expansion of office space at a rate of approximately 10% as a result of the growth of our Group.

Lease of Office Premises in Hong Kong

Our Company proposes to lease an office premise in Hong Kong as its principal place of business in Hong Kong upon [REDACTED]. In relation to this, on [●], our Company entered into a tenancy agreement with Bapton Company Limited (“**Bapton**”), an indirect subsidiary of COFCO (the “**Hong Kong Tenancy Agreement**”), pursuant to which our Company leased from Bapton approximately 1,800 square feet of office premises on the 6th floor of COFCO Tower at 262 Gloucester Road, Causeway Bay, Hong Kong for a term of two years commencing on the [REDACTED]. The annual rent and service charge are determined based on prevailing market prices. Our Company shall also be responsible for payment of government rates, at an annual rate percentage charge of 5% of the annual rent payable. The rent and service charge may be reviewed from time to time based on the market prevailing price. Should the Hong Kong Tenancy Agreement be renewed, we will comply with the requirements of Chapter 14A of the Listing Rules.

Pricing

The monthly rent and service charge under the Hong Kong Tenancy Agreement is determined as follows:

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

Historical figures

There was no rent and service charge payable by our Company to Bapton for the years ended December 31, 2013, 2014 and 2015 and for the four months ended April 30, 2016, given that the lease will only begin upon [REDACTED].

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Annual cap amount

The Directors estimated the aggregate annual rental expenses, service charge and rates payable by our Company for the years ending December 31, 2016, 2017 and 2018 as follows:

	For the year ending December 31		
	2016	2017	2018
	'000	'000	'000
	(HK\$)	(HK\$)	(HK\$)
Rental expense, service charge and rates	422	1,330	1,400
	(approximately RMB358)	(approximately RMB1,127)	(approximately RMB1,187)

In arriving at the above proposed annual cap amount in respect of the rental expense and service charge under the Hong Kong Tenancy Agreement, the Directors have considered (i) the existing rental price; (ii) the steady increase in rental price of other properties in the vicinity and future development of the property market in Hong Kong at a rate of approximately 5%; and (iii) the fact that we only rented the premise for 4 months during 2016.

Non-Exempt Continuing Connected Transactions with COFCO Group

The following transactions are entered into with COFCO Group and/or its associates in the ordinary and usual course of business and on normal commercial terms or better where, as our Directors currently expect, 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. The following transactions will therefore be subject to the reporting, announcement, annual review and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

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. In anticipation of the [REDACTED], on [●], our Company and COFCO entered into a mutual supply agreement in relation to the mutual supply of products and services (the “**Mutual Supply Agreement**”), pursuant to which we agreed to trade in the following products and services:

- Mutual provision of feed processing services whereby COFCO Group and our Group provide feed processing services to each other;
- Purchase of feed, other materials and consultancy services by our Group from COFCO Group;
- Purchase of frozen meat products by our Group from COFCO Group;

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- Purchase of poultry products by our Group from COFCO Group;
- Use of cold storage services by our Group from COFCO Group;
- Supply of meat products by our Group to COFCO Group; and
- Supply of frozen poultry products by our Group to COFCO Group.

The Mutual Supply Agreement has a term commencing on the [REDACTED] until December 31, 2018 and may be renewed by agreement between the parties.

Pursuant to Rule 14A.81 of the Listing Rules, the aggregate transaction amounts payable under the Mutual Supply Agreement for the years ending December 31 2016, 2017 and 2018 are expected to be approximately RMB913,010,000, RMB1,054,765,000 and RMB1,172,693,000, respectively. As a result, 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. The Mutual Supply Agreement will therefore be subject to the reporting, announcement, annual review and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Mutual Provision of Feed Processing Services

Historically, our Group had been processing part of our own feed products via our various feed processing facilities, including our feed processing facility in Wuhan (the “**Wuhan Feed Processing Facility**”). As our Wuhan Feed Processing Facility is situated in close proximity to our hog slaughtering facilities in Wuhan, in order to ensure a high standard of sanitation and hygiene and prevent cross-contamination, since August 2015, we stopped using the Wuhan Feed Processing Facility to process our own feed products and instead engaged COFCO Group to process a portion of our feed products for a processing fee. In order to utilize the free capacity of the Wuhan Feed Processing Facility, we also processed feed products for fish and other aquatic livestock for COFCO Group for a processing fee. In anticipation of the [REDACTED], we entered into the Mutual Supply Agreement.

(i) Processing of Feed by COFCO

Pursuant to the Mutual Supply Agreement, COFCO Group and/or its associates will process 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.

(ii) Processing of Feed by our Group

Pursuant to the Mutual Supply Agreement, our Group will also process feed ingredients provided by COFCO Group and/or its associates into feed products, including but not limited to feed products for fish and other aquatic livestock, at a processing fee determined based on prevailing market price.

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- (i) The processing fee payable by us to COFCO is determined based on prevailing market price with reference to prices quoted by potential third party suppliers, and currently at a rate of RMB120 per metric ton.
- (ii) The processing fee payable by COFCO to us is determined based on prevailing market price with reference to the price we charge to other third parties, and currently at a rate of RMB130 per metric ton.

Historical figures

As our Group only began providing feed processing services to COFCO Group and/or its associates, and vice versa, in August 2015, no processing fees were payable by us and by COFCO during the two years ended December 31, 2013 and 2014. For the five months ended December 31, 2015 and for the four months ended April 30, 2016:

- (i) The processing fee paid by us to COFCO was approximately RMB4,408,000 and RMB3,694,000; and
- (ii) The processing fee paid by COFCO to us was approximately RMB155,000 and RMB157,000.

Annual cap amount

The Directors estimated the processing fee payable by us to COFCO and payable by COFCO to us for the years ending December 31, 2016, 2017 and 2018 as follows:

	For the year ending December 31		
	2016	2017	2018
	(RMB'000)	(RMB'000)	(RMB'000)
Processing fee payable by us to COFCO	14,400	16,960	10,080
Processing fee payable by COFCO to us	700	300	300

In arriving at the above proposed annual cap amount in respect of the processing fee payable by us to COFCO and payable by COFCO to us, the Directors have considered the following factors:

- (i) the historical figures as set out above taking into account that the mutual provision of feed processing services began in August 2015;
- (ii) the expected stable unit prices;

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- (iii) the expected completion and commencement of operation of our new hog production facilities in 2016, resulting in an increase in demand for processing service in 2016 and 2017;
- (iv) the expected increase in our feed processing capacity in late 2017 upon the expected completion of three feed mills by the end of 2016 and the ramping-up of capacity, resulting in less need for utilizing the feed processing service provided by COFCO; and
- (v) as a result of (iv) above, COFCO is expected to process a higher proportion of its own feed products, resulting in less need for utilizing the feed processing service provided by us.

Purchase of Feed, Other Materials and Consultancy Services from COFCO Group

During the Track Record Period, our Group had been purchasing feed products, feed ingredients, other materials and consultancy services from the COFCO Group in order to satisfy our consumption demand for feed products. In anticipation of the [REDACTED], we entered into the Mutual Supply Agreement, pursuant to which our Group will purchase from COFCO Group and/or its associates various feed products, feed ingredients, materials for production such as protein powder and corn syrup, other related products and consultancy services at prevailing market prices.

Pricing

The purchase price of feed products, other materials and consultancy services payable is determined based on the quotations provided by other qualified third party suppliers for similar goods of similar quality.

Historical figures

The purchase amounts of feed products, other materials and consultancy services paid by us to COFCO for the three years ended December 31, 2013, 2014 and 2015 and for the four months ended April 30, 2016 were approximately RMB539,534,000, RMB482,906,000, RMB447,216,000 and RMB195,521,000, respectively.

The main reason for the changes during the Track Record Period was due to our diversification of external purchase channels, thereby reducing our purchases from COFCO.

Annual cap amount

The Directors estimated the aggregate purchase amounts of feed products, other materials and consultancy services payable by us for the years ending December 31, 2016, 2017 and 2018 as follows:

	For the year ending December 31		
	2016	2017	2018
	(RMB'000)	(RMB'000)	(RMB'000)
Purchase of feed products, feed ingredients other materials and consultancy services	713,468	617,374	701,474

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In arriving at the above proposed annual cap amount in respect of the purchase of feed products, other materials and consultancy services payable, the Directors have considered the following factors:

- (i) the historical figures as set out above;
- (ii) the fact that most of the purchases of feed products in 2016 are expected to take place during the second half of 2016, when certain new facilities (for example the new facilities located in Chifeng and Zhangbei) begin hog production operations, which are expected to have designed annual production capacity of 55,200 head and 331,200 head, respectively, and would therefore increase the total annual hog production capacity of the Group by approximately 16.87% (as compared to the annual hog production capacity of the Group as at December 31, 2015);
- (iii) the expected completion and commencement of operation of our other new hog production facilities in 2016, namely the new facilities located in Zunhua, Guangshui and Songyuan, which are expected to have designed annual production capacity of 343,500 head, 218,900 head and 300,000 head, respectively which, together with the new facilities in Chifeng and Zhangbei, are expected to increase the total annual hog production capacity by approximately 54.53% (as compared to the annual hog production capacity of the Group as at December 31, 2015), resulting in increasing demand for feed products and feed ingredients in 2016 and 2017;
- (iv) the expected increase in our annual feed production capacity of our Group by 540,000 metric tons in late 2017 upon the expected completion of three feed mills by the end of 2016 and the ramping-up of capacity, resulting in less need for purchase of external feed products and higher demand for feed ingredients; and
- (v) the expected increase in sales of pork products, resulting in an increase in demand for ancillary products.

Purchase of Frozen Meat Products from COFCO Group

COFCO is entitled to participate in certain government-driven international trading, including the import of frozen meat products such as pork, beef and poultry from overseas, from time to time. In order to take the opportunity to engage in such trading, COFCO and us agreed that we will engage COFCO to bid for the import of frozen meat products on our behalf. In turn, our Group will purchase such products from COFCO on a costs basis (taking into account the purchase price, as well as any importing costs and finance costs). COFCO has undertaken that it will not engage in such bidding unless requested by us, and that all of the purchased meat products will be sold to us. We expect to request COFCO to bid for the import of frozen meat products every year. In anticipation of the [REDACTED], we entered into the Mutual Supply Agreement, pursuant to which our Group will purchase from COFCO Group and/or its associates various imported frozen meat products, including but not limited to frozen beef and poultry products and other related products, at cost price.

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We have been engaging in the trading of a range of meat products through our international trading division since 2009. In our international trading business, we mainly source and import high quality frozen meat products from overseas so we do not rely on COFCO to import frozen meat products. The Mutual Supply Agreement merely provides us with one further option. The purchase amount of frozen meat products paid by us to COFCO for the year ended December 31, 2015 represented approximately 10.95% of our total amount of frozen meat products only. We are able to source similar products at comparable price and quantity if the Mutual Supply Agreement is terminated.

Historical figures

We began purchasing frozen meat products from COFCO in 2015. The purchase amount of frozen meat products paid by us to COFCO for the year ended December 31, 2015 was approximately RMB182,968,000.

Annual cap amount

The Directors estimated the aggregate purchase amounts of frozen meat products payable by us for the years ending December 31, 2016, 2017 and 2018 as follows:

	For the year ending December 31		
	2016	2017	2018
	(RMB'000)	(RMB'000)	(RMB'000)
Purchase of frozen meat products	N/A	200,000	200,000

In arriving at the above proposed annual cap amount in respect of the purchase of frozen meat products, the Directors have considered (i) the historical figures as set out above; (ii) an expected increase in bid quantities; (iii) the expected stable unit prices for 2017 and 2018; and (iv) the fact that COFCO did not win the bid to import such products on behalf of us in 2016.

Purchase of Poultry Products from COFCO Group

During the Track Record Period, the Disposal Group, which was part of our Group prior to the Reorganization, had been supplying poultry products to our Group, which are (i) used as part of the ingredients for some of our processed meat products and (ii) sold to third party customers via our points-of-sale. Upon completion of the Reorganization, the Disposal Group was no longer part of our Group and instead became part of the COFCO Group. In order for the Disposal Group to continue supplying such products, we entered into the Mutual Supply Agreement, pursuant to which our Group will purchase from COFCO Group and/or its associates certain poultry products (the “**Poultry Products**”), at prevailing market prices.

Pricing

The purchase price of the Poultry Products is determined based on the quotation provided by other third party suppliers for similar goods of similar quantity.

CONNECTED TRANSACTIONS

Historical figures

The purchase amounts of the Poultry Products paid by us to COFCO for the three years ended December 31, 2013, 2014 and 2015 and for the four months ended April 30, 2016 were approximately RMB28,018,000, RMB30,474,000 and RMB43,611,000 and RMB5,975,000, respectively. The historical increase was due to an increase in our purchase quantities as a result of the growth of our processed meat products business, as well as a one-time transaction of large quantity during 2015.

Annual cap amount

The Directors estimated the aggregate purchase amounts of the Poultry Products payable by us for the years ending December 31, 2016, 2017 and 2018 as follows:

	For the year ending December 31		
	2016	2017	2018
	(RMB'000)	(RMB'000)	(RMB'000)
Purchase of the Poultry Products	34,540	45,150	57,380

In arriving at the above proposed annual cap amount in respect of the purchase of the Poultry Products payable under the COFCO Poultry Products Purchase Agreement, the Directors have considered (i) the historical figures as set out above; (ii) our effort to expand our processed meat products resulting in the expected introduction of new processed meat product varieties as well as increased sales volume; and (iii) the expected stable prices for the three years ending December 31, 2016, 2017 and 2018.

Use of Cold Storage Services from COFCO Group

Huafu is a wholly-owned subsidiary of COFCO Group and owns various cold storage facilities in Wuhan and Beijing (the “**Huafu Cold Storage Facilities**”). Please refer to the section headed “Relationship with Controlling Shareholders — Huafu Group” for more details. Pursuant to the Mutual Supply Agreement, our Group obtained from Huafu and its subsidiaries and/or associates cold storage services provided by the Huafu Cold Storage Facilities.

Pricing

The service fee for the Huafu Cold Storage Facilities is determined based on the standard price offered to other third party users.

Historical figures

There was no service fee payable by us to COFCO for the years ended December 31, 2013, 2014 and 2015, given that the services began in 2016. The service fee payable by us to COFCO for the four months ended April 30, 2016 was approximately RMB93,000.

CONNECTED TRANSACTIONS

Annual cap amount

The Directors estimated the aggregate service fees payable by us to COFCO for the years ending December 31, 2016, 2017 and 2018 as follows:

	For the year ending December 31		
	2016	2017	2018
	(RMB'000)	(RMB'000)	(RMB'000)
Service fees	1,100	1,610	2,270

In arriving at the above proposed annual cap amount in respect of the service fees for the Huafu Cold Storage Facilities, the Directors have considered the expected increase in slaughtering volume and storage volume in Beijing and Wuhan.

Supply of Meat Products to COFCO Group

During the Track Record Period, our Group had been selling our products to COFCO Group for the following purposes: (a) for sale on womai.com, an online sales platform of COFCO Group; (b) for consumption, including being supplied to COFCO Group's canteens; and (c) for COFCO Group's production of other food products such as sandwiches and hotdogs. In anticipation of the [REDACTED], we entered into the Mutual Supply Agreement, pursuant to which our Group will sell to COFCO Group and/or its associates various meat products and other related products, including but not limited to fresh pork and processed meat products such as ham, sausages and bacon, at prevailing market prices.

Pricing

The supply price of meat products is determined as follows:

- (a) for products to be sold via womai.com, the price is determined based on the price of similar products offered to other e-commerce sales channels;
- (b) for products to be sold for consumption, the price is determined based on the prices offered to other canteens or similar establishments; and
- (c) for products to be used for food production, the price is determined based on the prices offered to other food processors.

Historical figures

The sales revenue from the supply of meat products to COFCO Group received by us for the three years ended December 31, 2013, 2014 and 2015 and for the four months ended April 30, 2016 were approximately RMB3,518,000, RMB7,483,000, RMB8,919,000 and RMB1,485,000, respectively. The reasons for such increases in 2014 was mainly because (i) we started supplying meat products to certain of COFCO's canteens at COFCO Fortune Plaza in Beijing; and (ii) we began selling meat products to a subsidiary of COFCO in Shenzhen, which purchased large volumes of meat products.

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Annual cap amount

The Directors estimated the aggregate sales revenue from the supply of meat products to be received by us for the years ending December 31, 2016, 2017 and 2018 as follows:

	For the year ending December 31		
	2016	2017	2018
	(RMB'000)	(RMB'000)	(RMB'000)
Sales revenue from supply of meat products	8,802	11,671	14,419

In arriving at the above proposed annual cap amount in respect of the sales revenue from the supply of meat products by us under the COFCO Supply Agreement, the Directors have considered (i) the historical figures as set out above; (ii) our Group’s increasing focus on e-commerce sales channels through womai.com; (iii) the plan to expand our fresh and processed pork supply to other canteens of the COFCO Group; and (iv) increasing sales volume coupled with stable prices.

Supply of Frozen Poultry Products to COFCO Group

During the Track Record Period, the international trading division of our Group had been importing frozen poultry products on behalf of the Disposal Group, which was part of our Group prior to the Reorganization. Upon completion of the Reorganization, the Disposal Group was no longer part of our Group and instead became part of the COFCO Group. As only our Group possesses the relevant import qualification and licenses and given the long-established relationship between our Group and the Disposal Group, in order for the Disposal Group to continue to purchase imported frozen poultry products after [REDACTED], we entered into the Mutual Supply Agreement, pursuant to which our Group will sell to COFCO Group and/or its associates frozen poultry products purchased by our international trading division at prevailing market prices.

In order to delineate our business with that of the Disposal Group, upon [REDACTED], COFCO Group has undertaken not to engage in the import of frozen poultry products. Please refer to the section headed “Relationship with Controlling Shareholders — Independence from COFCO Group — Operational Independence — Trading of poultry products by our Group” for more details.

Pricing

The supply price of frozen poultry products is determined based on the price of similar products offered to other third parties.

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Historical figures

The sales revenue from the supply of frozen poultry products received by us from COFCO for the three years ended December 31, 2013, 2014 and 2015 and for the four months ended April 30, 2016 were approximately RMB40,878,000, RMB215,648,000, RMB78,218,000 and RMB43,554,000, respectively. The reason for the significant increase in 2014 was due to a large one-time order of large quantity during 2014.

Annual cap amount

The Directors estimated the aggregate sales revenue and import service fee from the supply of frozen poultry products to be received by us for the years ending December 31, 2016, 2017 and 2018 as follows:

	For the year ending December 31		
	2016	2017	2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Sales revenue from supply of frozen poultry products	140,000	161,700	186,770

In arriving at the above proposed annual cap amount in respect of the sales revenue from the supply of frozen poultry products to be received by us, the Directors have considered (i) the historical figures as set out above; (ii) the expected stable unit prices for the three years ended December 31, 2016, 2017 and 2018; and (iii) an expected increase in demand for frozen poultry by the Disposal Group.

Financial Services Agreement with COFCO Finance

During the Track Record Period, our Group had been obtaining various financial services from COFCO Finance. In anticipation of the [REDACTED], on [●], the Company and COFCO Finance entered into a financial services agreement (the “**Financial Services Agreement**”), pursuant to which COFCO Finance shall provide the Group with, among others, (i) deposit and related services (the “**Deposit Services**”) and (ii) loan and related services (the “**Loan Services**”) and (iii) provision of entrustment loans among members of the Group with COFCO Finance acting only as agent (the “**Entrustment Loan Services**”). The Financial Services Agreement has a term commencing on the [REDACTED] until December 31, 2016.

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Pursuant to the Financial Services Agreement, COFCO Finance agreed to provide the services to our Group on the following principal terms:

- (a) The Group may obtain financial services from other financial institutions in addition to those provided by COFCO Finance pursuant to the Financial Services Agreement;
- (b) The Financial Services Agreement shall not be terminated by the parties unilaterally; and
- (c) Upon termination of the Financial Services Agreement, the Group shall have the right to withdraw its deposits with COFCO Finance immediately.

Pricing

The pricing under the Financial Services Agreement is determined as follows:

	Pricing policy
Deposit Services	The interest rates for the Group’s deposits with COFCO Finance will be determined in accordance with the standard RMB deposit rates promulgated by PBOC from time to time. The interest rates on the Deposit Services offered by COFCO Finance to the Group will be equal to or more favourable than those offered by other PRC financial institutions.
Loan Services	The interest rates to be charged by COFCO Finance for the provision of Loan Services to the Group will be determined by the Company and COFCO Finance with reference to the interest rates of PBOC from time to time and the prevailing market conditions. The interest rates on the Loan Services offered by COFCO Finance to the Group will be equal to or more favourable than those offered by other PRC financial institutions. Moreover, no security over the assets of the Group will be granted in respect of the financial assistance given by COFCO Finance.
Entrustment Loan Services	The handling fees to be charged by COFCO Finance in connection with the Entrustment Loan Services will be determined with reference to the market rates of similar services as promulgated by PBOC and will be equal to or more favourable than those offered by other PRC financial institutions to the Group.

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Historical figures

The transaction amounts paid by us for services from COFCO Finance for the three years ended December 31, 2013, 2014 and 2015 were as follows:

	For the year ending December 31			For the four months ended April 30
	2013	2014	2015	2016
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Deposit Services				
(a) Deposit amounts	241,716	976,157	962,269	181,727
	(the highest amount during the period)	(the highest amount during the period)	(the highest amount during the period)	(the highest amount during the period)
(b) Interests on deposits	1,977	3,429	8,377	389
Loan Services				
(a) Loan amounts	166,032	802,643	700,000	340,000
	(the highest amount during the period)	(the highest amount during the period)	(the highest amount during the period)	(the highest amount during the period)
(b) Interests on loans	3,841	25,018	24,202	5,447
Entrustment Loan Services				
Handling fees on entrustment loans	N/A	447	326	204

The reason for the increase in deposit amounts in 2014 was due to the fact that we received additional funds from the [REDACTED] Investments. The increase in interests on deposits during 2015 was due to the conversion of our funds from US\$ to RMB, which entitled our Group to a higher interest rate.

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Annual cap amount

The Directors estimated the transaction amounts to be paid by us for services under the Financial Services Agreement for the year ending December 31, 2016 as follows:

	For the year ending December 31 2016 (RMB'000)
Deposit Services	
(a) Deposit amounts	1,000,000 (the highest amount during the period)
(b) Interests on deposits	6,960
Loan Services	
(a) Loan amounts	800,000 (the highest amount during the period)
(b) Interests on loans	26,100
Entrustment Loan Services	
Handling fees on entrustment loans	600

In arriving at the above proposed annual cap amount in respect of the transaction amounts under the Financial Services Agreement, the Directors have considered (i) the historical figures as set out above; (ii) the expected average deposit amount of approximately RMB500,000,000 per year, having taken into account the capital expenditure plans in 2016; (iii) the expectation that the Company will deposit part of the proceeds from the [REDACTED] in accordance with the Financial Services Agreement; (iv) the expected continuous growth and expansion of our Group resulting in increases in (a) deposit amounts and hence also interests on deposits; and (b) loan amounts and hence also interests on loans; and (v) our expected internal entrustment loan amounts.

Information on COFCO Finance

COFCO Finance is a non-banking financial institution and an indirect wholly-owned subsidiary of COFCO established in the PRC in 2002 with the approval of PBOC. It is subject to the supervision of CBRC. All services to be provided by COFCO Finance to the Group pursuant to the Financial Services Agreement fall within its scope of business. According to its business license, COFCO Finance is authorized to provide services such as (a) the provision of financial and financing consultation services, credit appraisal and relevant consulting services and agency business services; (b) assisting implementation of payables and receivables of the transaction amounts; (c) handling of deposits, loans and bills acceptance and discounting; (d) conduct settlements and other relevant settlements; and (e) the provision of loans and financing leases.

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COFCO Finance is subject to stringent regulations and is regulated by PBOC and CBRC. CBRC’s supervision includes regular examination of the audited financial statements and other relevant materials required to be filed by group finance companies as well as on-site inspections and interviews with the senior management of group finance companies. To ensure compliance with the applicable laws and regulations, CBRC has powers to issue corrective and/or disciplinary orders and to impose penalties and/or fines on group finance companies.

Internal Control Measures

In order to safeguard the interests of our independent Shareholders, our Company will require COFCO Finance to provide us with reports on its liquidity on a regular basis in order for us to determine the suitability of engaging COFCO Finance for the transactions contemplated under the Financial Services Agreement from time to time.

Non-Exempt Continuing Connected Transactions with Mitsubishi, Itoham and Yonekyu

The following transactions are entered into with Mitsubishi, Itoham and Yonekyu and their respective subsidiaries and/or associates in the ordinary and usual course of business and on normal commercial terms or better where, as our Directors currently expect, 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. The following transactions will therefore be subject to the reporting, announcement, annual review and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Mutual Supply of Products and Services with Mitsubishi, Itoham and Yonekyu

From time to time, certain of our subsidiaries have traded in certain products with certain subsidiaries and/or associates of Mitsubishi, Itoham and Yonekyu. In anticipation of the [REDACTED], on [●], our Company, Mitsubishi, Itoham and Yonekyu entered into a mutual supply agreement in relation to the mutual supply of products (the “**MIY Mutual Supply Agreement**”), pursuant to which we agreed to trade in the following products:

- Purchase of products from Mitsubishi, Itoham and Yonekyu and their respective subsidiaries and/or associates; and
- Supply of meat products to Mitsubishi, Itoham and Yonekyu and their respective subsidiaries and/or associates.

The MIY Mutual Supply Agreement has a term commencing on the [REDACTED] until December 31, 2018 and may be renewed by agreement between the parties.

CONNECTED TRANSACTIONS

Pursuant to Rule 14A.81 of the Listing Rules, the aggregate transaction amounts payable under the MIY Mutual Supply Agreement for the years ending December 31 2016, 2017 and 2018 are expected to be approximately RMB172,546,000, RMB224,082,000 and RMB301,593,000, respectively. As a result, 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. The MIY Mutual Feed Supply Agreement will therefore be subject to the reporting, announcement, annual review and independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

Purchase of Products from Mitsubishi, Itoham and Yonekyu

During the Track Record Period, the international trading division of our Group had been purchasing imported beef and lamb, and our meat production division has been purchasing ancillary products from Mitsubishi, Itoham and Yonekyu and their respective subsidiaries and/or associates. In anticipation of the [REDACTED], we entered into the MIY Mutual Supply Agreement, pursuant to which our Group will purchase from Mitsubishi, Itoham, Yonekyu and their respective subsidiaries and/or associates imported beef and lamb, as well as various ancillary products, including but not limited to powders, coatings and other related products (the “**MIY Products**”), at prevailing market prices.

Pricing

The purchase price of the MIY Products is determined based on prices offered by Mitsubishi, Itoham or Yonekyu to other third parties.

Historical figures

The purchase amounts of the MIY Products paid by us to Mitsubishi, Itoham and Yonekyu for the three years ended December 31, 2013, 2014 and 2015 and for the four months ended April 30, 2016 were approximately RMB211,794,000, RMB114,883,000, RMB126,070,000 and RMB26,477,000, respectively.

Annual cap amount

The Directors estimated the aggregate purchase amounts of the MIY Products payable by us for the years ending December 31, 2016, 2017 and 2018 as follows:

	For the year ending December 31		
	2016	2017	2018
	(RMB'000)	(RMB'000)	(RMB'000)
Purchase of the MIY Products	151,346	199,702	273,553

CONNECTED TRANSACTIONS

In arriving at the above proposed annual cap amount in respect of the purchase of the MIY Products, the Directors have considered (i) the historical figures as set out above; (ii) the expected increase in quantity coupled with stable prices; (iii) the fast growing demand for beef and lamb products; and (iv) the growing trend in the profit margin for the sale of imported beef in the PRC, and accordingly our Company’s expectation to allocate more resources to increase our purchase volume of imported beef by approximately 56% from 2016 to 2018.

Supply of Meat Products to Mitsubishi, Itoham and Yonekyu

During the Track Record Period, we had been supplying meat products to Mitsubishi, Itoham and Yonekyu and their respective subsidiaries and/or associates. In anticipation of the [REDACTED], we entered into the MIY Mutual Supply Agreement, pursuant to which our Group will supply various processed meat products, including but not limited to ham, sausages and bacon, to Mitsubishi, Itoham, Yonekyu and their respective subsidiaries and/or associates at prevailing market prices.

Pricing

The supply price under the MIY Supply Agreement is determined based on prices offered to other third parties for products of similar quality.

Historical figures

The revenue from the supply of processed meat products received by us from Mitsubishi, Itoham and Yonekyu for the three years ended December 31, 2013, 2014 and 2015 and for the four months ended April 30, 2016 were approximately RMB17,862,000, RMB18,717,000, RMB19,835,000 and RMB5,698,000, respectively.

Annual cap amount

The Directors estimated the aggregate revenue from the supply of processed meat products to be received by us for the years ending December 31, 2016, 2017 and 2018 as follows:

	For the year ending December 31		
	2016	2017	2018
	(RMB'000)	(RMB'000)	(RMB'000)
Revenue from the supply of processed meat products			
products	21,200	24,380	28,040

In arriving at the above proposed annual cap amount in respect of the revenue from the supply of processed meat products, the Directors have considered (i) the historical figures as set out above; (ii) the expected growth in demand from Mitsubishi, Itoham and Yonekyu for the three years ending December 31, 2016, 2017 and 2018, based on our understanding of their projected increase in market share and number of stores; and (iii) the expected stable unit prices for the three years ending December 31, 2016, 2017 and 2018.

CONNECTED TRANSACTIONS

Exempt Continuing Connected Transactions with Genesis

The following transactions are entered into with Genesis and its subsidiaries and/or associates in the ordinary and usual course of business and on normal commercial terms where, as our Directors currently expect, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 1% but less than 5% on an annual basis and Genesis is a connected person at the subsidiary level. The following transactions will therefore be exempt from the reporting, announcement, annual review and independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

Purchase of products from Genesis

During the Track Record Period, our Group had been purchasing from Genesis and its subsidiaries and/or associates purebred breeding hogs and semen from Canada, which we use to produce purebred breeding hogs in our breeding hog farms. In anticipation of the [REDACTED], on [●], our Company entered into a purchase agreement with Genesis for the purchase of products (the “**Genesis Products Purchase Agreement**”), pursuant to which our Group will purchase from Genesis and its subsidiaries and/or associates purebred breeding hogs, semen and other related products (the “**Genesis Products**”), at prevailing market prices for a term commencing on the [REDACTED] until December 31, 2018. The Genesis Products Purchase Agreement may be renewed by agreement between the parties.

Pricing

The purchase price of the Genesis Products payable under the Genesis Products Purchase Agreement is determined based on prices offered by Genesis to other third parties.

Historical figures

The purchase amounts of the Genesis Products paid by us to Genesis for the two years ended December 31, 2013 and 2014 were approximately RMB100,000 and RMB2,011,000, respectively. No purchase was made by us to Genesis for the year ended December 31, 2015 and for the four months ended April 30, 2016. The changes during the Track Record Period was because we mainly purchased semen in 2013, breeding hogs (which is more expensive) in 2014 and did not make any purchases during 2015.

CONNECTED TRANSACTIONS

Annual cap amount

The Directors estimated the aggregate purchase amounts of the Genesus Products payable by us under the Genesus Products Purchase Agreement for the years ending December 31, 2016, 2017 and 2018 as follows:

	For the year ending December 31		
	2016	2017	2018
	(RMB'000)	(RMB'000)	(RMB'000)
Purchase of the Genesus Products	25,380	26,000	26,000

In arriving at the above proposed annual cap amount in respect of the purchase of the Genesus Products payable under the Genesus Products Purchase Agreement, the Directors have considered (i) the existing purchase amounts in 2016; and (ii) the expected increase in the purchase quantity of semen and breeding hogs for the two years ending December 31, 2017 and 2018.

Waiver Application for Partially Exempt and Non-exempt Continuing Connected Transactions

The Directors, including the independent non-executive Directors, consider that disclosure and approval of the partially exempt and non-exempt continuing connected transactions described above in full compliance with the Listing Rules would be impracticable and, in particular, would add unnecessary administrative costs to our Company. In addition, the Directors, including the independent non-executive Directors, believe that it is in the interest of our Company to continue to enter into these transactions with its connected persons described above after the [REDACTED].

As a result, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the [REDACTED] has granted, a waiver from strict compliance with the announcement requirement under Rule 14A.35 (in respect of the partially exempt and non-exempt continuing connected transactions) and the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules (in respect of the non-exempt continuing connected transactions), subject to the condition that the annual transaction values shall not exceed their respective estimated annual caps (as stated above).

In addition, the Directors confirm that our Company will comply with the applicable requirements under Chapter 14A of the Listing Rules and will immediately inform the [REDACTED] if any of the proposed annual caps set out above are exceeded, or when there is a material change in the terms of the transactions. Save for the continuing connected transactions for which a waiver has been granted, the Directors confirm that our Company will comply with the applicable requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Confirmation from the Directors

The Directors, including the independent non-executive Directors, are of the view that:

- (a) the continuing connected transactions described above for which a waiver is sought has been entered into and will be carried out in the ordinary and usual course of business of our Group on normal commercial terms or better, and that the terms of the continuing connected transactions are fair and reasonable and in the interest of our Company and the Shareholders as a whole; and
- (b) the proposed annual caps (where applicable) of such continuing connected transactions set out above are fair and reasonable and in the interest of our Company and the Shareholders as a whole.

Confirmation from the Joint Sponsors

The Joint Sponsors have reviewed the relevant information and historical figures prepared and provided by our Company relating to the partially exempt and non-exempt continuing connected transactions above, and have also discussed this transaction with us and obtained various representations from us. Based on the aforementioned due diligence work, the Joint Sponsors are of the view that:

- (a) such partially exempt and non-exempt continuing connected transactions set out above for which a waiver is sought has been entered into in the ordinary and usual course of business of our Group on normal commercial terms or better, is fair and reasonable and in the interest of the Shareholders as a whole; and
- (b) the proposed annual caps (where applicable) of such partially exempt and non-exempt continuing connected transactions set out above are fair and reasonable and in the interest of the Shareholders as a whole.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the [REDACTED]:

As of the Date of this document	US\$
Authorized share capital	
[REDACTED] Shares	[REDACTED]
Issued share capital	
2,926,398,323 Shares	2,926.4

Immediately after Completion of the [REDACTED]	US\$
Shares to be issued under the [REDACTED]	
[REDACTED] Shares	[REDACTED]

Total Issued Shares on completion of the [REDACTED]	
[REDACTED] Shares	[REDACTED]

ASSUMPTIONS

The above table assumes that the [REDACTED] becomes unconditional and the Shares are issued pursuant to the [REDACTED]. The above does not take into account any shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares upon [REDACTED] and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the [REDACTED].

[REDACTED] SHARE INCENTIVE SCHEME

Our Company has adopted a [REDACTED] Share Incentive Scheme. See “Appendix IV—Statutory and General Information—D. [REDACTED] Share Incentive Scheme” to this document for more information of the [REDACTED] Share Incentive Scheme.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the sum of:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the [REDACTED]; and
- (ii) the nominal amount of our share capital repurchased by the Company (if any) pursuant to the repurchase mandate (as mentioned below).

This general mandate to issue Shares will remain in effect until:

- (i) at the conclusion of our next annual general meeting; or
- (ii) the expiration of the period within which our Company’s next annual general meeting is required to be held under any applicable laws or the Articles; or
- (iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting, whichever is the earliest.

See “Appendix IV—Statutory and General Information—A. Further Information About Our Group—3. Resolutions of Our Shareholders” to this document for more information of this general mandate.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed “Structure of the [REDACTED]—[REDACTED]—Conditions of the [REDACTED]”, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal value of our share capital in issue immediately following the completion of the [REDACTED].

This general mandate relates only to repurchases made on the [REDACTED], or on any other [REDACTED] on which the Shares are [REDACTED] (and which is recognized by the [REDACTED] and the [REDACTED] for this purpose), and made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in “Appendix IV—Statutory and General Information—A. Further Information About Our Group—6. Repurchase of Our Own Securities” to this document.

SHARE CAPITAL

This general mandate to repurchase Shares will expire:

- (i) at the conclusion of our next annual general meeting; or
- (ii) the expiration of the period within which our Company’s next annual general meeting is required to be held under any applicable laws or the Articles; or
- (iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting, whichever is the earliest.

See “Appendix IV—Statutory and General Information—A. Further Information About Our Group—3. Resolutions of Our Shareholders” to this document for more information of this general mandate.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately following the completion of the [REDACTED] and assuming that the [REDACTED] is not exercised, have beneficial interests or short positions in our Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of interest in our Company immediately after the
			[REDACTED] ⁽¹⁾
Mainfield ⁽²⁾	Beneficial owner	[REDACTED]	[REDACTED]
China Foods (Holdings) ⁽²⁾	Interest in controlled corporation	[REDACTED]	[REDACTED]
COFCO (HK) ⁽²⁾	Interest in controlled corporation	[REDACTED]	[REDACTED]
COFCO ⁽²⁾	Interest in controlled corporation	[REDACTED]	[REDACTED]
MIY ⁽³⁾	Beneficial owner	[REDACTED]	[REDACTED]
Itoham Yonekyu Holdings ⁽³⁾	Interest in controlled corporation	[REDACTED]	[REDACTED]
Mitsubishi ⁽³⁾	Interest in controlled corporation	[REDACTED]	[REDACTED]
KKR ⁽⁴⁾	Beneficial owner	[REDACTED]	[REDACTED]
Promise Meat Investment I Ltd ⁽⁴⁾ .	Interest in controlled corporation	[REDACTED]	[REDACTED]
KKR Asian Fund IIL.P. ⁽⁴⁾	Interest in controlled corporation	[REDACTED]	[REDACTED]
KKR Associates Asia II L.P. ⁽⁴⁾	Interest in controlled corporation	[REDACTED]	[REDACTED]
KKR Asia II Limited ⁽⁴⁾	Interest in controlled corporation	[REDACTED]	[REDACTED]
KKR Fund Holdings L.P. ⁽⁴⁾	Interest in controlled corporation	[REDACTED]	[REDACTED]
KKR Fund Holdings GP Limited ⁽⁴⁾	Interest in controlled corporation	[REDACTED]	[REDACTED]

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of interest in our Company immediately after the
			[REDACTED] ⁽¹⁾
KKR Group Holdings L.P. ⁽⁴⁾	Interest in controlled corporation	[REDACTED]	[REDACTED]
KKR Group Limited ⁽⁴⁾	Interest in controlled corporation	[REDACTED]	[REDACTED]
KKR & Co. L.P. ⁽⁴⁾ . .	Interest in controlled corporation	[REDACTED]	[REDACTED]
KKR Management LLC ⁽⁴⁾	Interest in controlled corporation	[REDACTED]	[REDACTED]
Mr. Henry R. Kravis and Mr. George R. Roberts ⁽⁴⁾	Interest in controlled corporation	[REDACTED]	[REDACTED]
Baring ⁽⁵⁾	Beneficial owner	[REDACTED]	[REDACTED]
The Baring Asia Private Equity Fund V, L.P. ⁽⁵⁾	Interest in controlled corporation	[REDACTED]	[REDACTED]
Baring Private Equity Asia GP V, L.P. ⁽⁵⁾ .	Interest in controlled corporation	[REDACTED]	[REDACTED]
Baring Private Equity Asia GP V Limited ⁽⁵⁾	Interest in controlled corporation	[REDACTED]	[REDACTED]
Jean Eric Salata ⁽⁵⁾ . . .	Interest in controlled corporation	[REDACTED]	[REDACTED]
Temasek ⁽⁶⁾	Beneficial owner	[REDACTED]	[REDACTED]
Temasek Life Sciences Private Limited ⁽⁶⁾	Interest in controlled corporation	[REDACTED]	[REDACTED]
Fullerton Management Pte. Ltd. ⁽⁶⁾	Interest in controlled corporation	[REDACTED]	[REDACTED]

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of interest in our Company immediately after the
			[REDACTED] ⁽¹⁾
Temasek Holdings (Private) Limited ⁽⁶⁾ .	Interest in controlled corporation	[REDACTED]	[REDACTED]
Boyu ⁽⁷⁾	Beneficial owner	[REDACTED]	[REDACTED]
Boyu Capital Fund I, L.P. ⁽⁷⁾	Interest in controlled corporation	[REDACTED]	[REDACTED]
Boyu Capital General Partner I, L.P. ⁽⁷⁾ . . .	Interest in controlled corporation	[REDACTED]	[REDACTED]
Boyu Capital General Partner I, Ltd. ⁽⁷⁾ . . .	Interest in controlled corporation	[REDACTED]	[REDACTED]
Boyu Capital Holdings Ltd. ⁽⁷⁾ . . .	Interest in controlled corporation	[REDACTED]	[REDACTED]

Notes:

- (1) Assuming the [REDACTED] is not exercised.
- (2) Immediately following the completion of the [REDACTED], Mainfield will be 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 the Shares.
- (3) Immediately following the completion of the [REDACTED], MIY will become a direct holder of the Shares. Each of Itoham Yonekyu Holdings (as the indirect controlling shareholder of MIY) and Mitsubishi (as the controlling shareholder of MIY) is deemed to be interested in the Shares.
- (4) Each of Promise Meat Investment I Ltd (as the sole shareholder of KKR), KKR Asian Fund II L.P. (as the controlling shareholder of Promise Meat Investment I Ltd), KKR Associates Asia II L.P. (as the general partner of KKR Asian Fund II L.P.), KKR Asia II Limited (as the general partner of KKR Associates Asia II L.P.), KKR Fund Holdings L.P. (as the sole shareholder of KKR Asia II Limited), KKR Fund Holdings GP Limited (as the general partner of KKR Fund Holdings L.P.), KKR Group Holdings L.P. (as the general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings GP Limited), KKR Group Limited (as the general partner of KKR Group Holdings L.P.), KKR & Co. L.P. (as the sole shareholder of KKR Group Limited), KKR Management LLC (as the general partner of KKR & Co L.P.), and Mr. Henry R. Kravis and Mr. George R. Roberts (as designated members of KKR Management LLC) is deemed to be interested in the Shares. Mr. Henry R. Kravis and Mr. George R. Roberts disclaim beneficial ownership of the Shares.
- (5) Each of The Baring Asia Private Equity Fund V, L.P. (as the controlling shareholder of Baring), Baring Private Equity Asia GP V, L.P. (as the general partner of The Baring Asia Private Equity Fund V, L.P.), Baring Private Equity Asia GP V Limited (as the general partner of Baring Private Equity Asia GP V, L.P.), and Mr. Jean Eric Salata (as the sole shareholder of Baring Private Equity Asia GP V Limited) is deemed to be interested in the Shares. Mr. Jean Eric Salata disclaims beneficial ownership of the Shares, except to the extent of his economic interest in such entities.

SUBSTANTIAL SHAREHOLDERS

- (6) Each of Temasek Life Science Private Limited (as the sole shareholder of Temasek), Fullerton Management Pte. Ltd. (as the sole shareholder of Temasek Life Sciences Private Limited) and Temasek Holdings (Private) Limited (as the sole shareholder of Fullerton Management Pte. Ltd.) is deemed to be interested in the Shares.
- (7) Each of Boyu Capital Fund I, L.P. (as the sole shareholder of Boyu), Boyu Capital General Partner I, L.P. (as the general partner of Boyu Capital Fund I, L.P.), Boyu Capital General Partner I, Ltd. (as the general partner of Boyu Capital General Partner I, L.P.) and Boyu Capital Holdings Ltd. (as the sole shareholder of Boyu Capital General Partner I, Ltd.) is deemed to be interested in the Shares.
- (8) Each of the Company KKR, Baring, Temasek and Boyu have agreed to negotiate in good faith and use reasonable endeavours to reach an agreement in relation to the structure of the employee benefit trust (or any other structure of similar nature) proposed to be set up to administer the grant of options and, upon reaching such agreement and the fulfillment of certain other conditions, these Shares will be transferred to a trustee to be set up for the purpose of the [REDACTED] Share Incentive Scheme.

Save as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the [REDACTED] and assuming that the [REDACTED] is not exercised, have beneficial interests or short positions in our Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

The Board consists of 12 Directors, comprising one executive Director, seven non-executive Directors and four independent non-executive Directors.

The table below sets forth the name, age, time of joining our Group, position, date of appointment and roles and responsibilities of each of our Directors:

Name	Age	Time of joining our Group	Position	Date of Appointment	Roles and Responsibilities
<i>Non-executive Director</i>					
MA Jianping (馬建平)	52	March 2009	Non-executive Director, chairman of the Board, chairman of the Nomination Committee of the Board	April 17, 2014	Responsible for identifying, screening and recommending to the Board appropriate candidates to serve as directors of our Company and overseeing the process for evaluating the performance of the Board and overseeing the formulation of the Company’s corporate and business strategies
<i>Executive Director</i>					
XU Jianong (徐稼農)	51	September 2013	Executive Director, managing director and general manager of the Company, member of the Food Safety Committee of the Board	April 17, 2014	Responsible for implementing the Board’s decisions, formulating the Company’s corporate and business strategies, monitoring the daily operations of our Company, and making decisions and advising on issues relating to the appointments of the senior management

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Time of joining our Group	Position	Date of Appointment	Roles and Responsibilities
<i>Non-executive Directors</i>					
WANG Zhiying (王之盈)	45	December 2011	Non-executive Director, member of the Remuneration Committee of the Board	May 28, 2014	Responsible for supervising the general management of training and development, talent assessment, and recruitment and evaluating and making recommendations to the Board on the remuneration policy covering the Directors and senior management of our Company
XU Yang (徐陽)	36	February 2016	Non-executive Director	February 22, 2016	Responsible for assisting the chairman and managing director in formulating the corporate and business strategies and making major corporate and operational decisions of the Company
WOLHARDT Julian Juul	42	May 2014	Non-executive Director	May 28, 2014	Responsible for assisting the chairman and managing director in formulating the corporate and business strategies and making major corporate and operational decisions of the Company
CUI Guiyong (崔桂勇)	54	May 2014	Non-executive Director, member of the Audit Committee of the Board	May 28, 2014	Responsible for reviewing and supervising the financial reporting process and internal control system of our Company
WU Hai (吳海)	47	September 2015	Non-executive Director, member of the Food Safety Committee of the Board	September 30, 2015	Responsible for reviewing the food safety policies, assessing the food safety control mechanisms and making recommendations to the Board on matters relating to food safety

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Time of joining our Group	Position	Date of Appointment	Roles and Responsibilities
ZHOU Qi (周奇)	35	May 2014	Non-executive Director	May 28, 2014	Responsible for assisting the chairman and managing director in formulating the corporate and business strategies and making major corporate and operational decisions of the Company
<i>Independent Non-executive Directors</i>					
CHEN Huanchun (陳煥春) . . .	63	May 2016	Independent non-executive Director, chairman of the Food Safety Committee and member of the Nomination Committee of the Board	May 23, 2016	Responsible for identifying, screening and recommending to the Board appropriate candidates to serve as directors of our Company and overseeing the process for evaluating the performance of the Board as well as assessing the food safety control mechanisms and making recommendations to the Board on matters relating to food safety
FU Tingmei (傅廷美)	50	May 2016	Independent non-executive Director, member of the Audit Committee and the Nomination Committee of the Board	May 23, 2016	Responsible for reviewing and supervising the financial reporting process and internal control system of our Company as well as identifying, screening and recommending to the Board appropriate candidates to serve as directors of our Company and overseeing the process for evaluating the performance of the Board
LI Michael Hankin (李恒健) . .	52	May 2016	Independent non-executive Director, chairman of the Remuneration Committee of the Board	May 23, 2016	Responsible for evaluating and making recommendations to the Board on the remuneration policy covering the Directors and senior management of our Company

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Time of joining our Group	Position	Date of Appointment	Roles and Responsibilities
Wu Chi Keung (胡志強)	59	June 2016	Independent non-executive Director, chairman of the Audit Committee and member of the Remuneration Committee of the Board	June 23, 2016	Responsible for reviewing and supervising the financial reporting process and internal control system of our Company as well as evaluating and making recommendations to the Board on the remuneration policy covering the Directors and senior management of our Company

Non-executive Director

Mr. MA Jianping (馬建平), aged 52, was appointed as a Director on April 17, 2014 and was designated as a non-executive Director on May 23, 2016. Mr. Ma is the chairman of the Board.

Mr. Ma joined COFCO in 1986 and is currently a vice president of COFCO. Mr. Ma holds several directorships in certain subsidiaries of COFCO, including the deputy managing director of COFCO (HK), chairman of COFCO Meats Investments and a director of COFCO International Limited. Mr. Ma is also a non-executive director and the chairman of the board of China Foods; a non-executive director and the chairman of the board of Mengniu; a non-executive director of Joy City; and a director of COFCO Property (Group) Co., Ltd. (a company listed on the Shenzhen Stock Exchange with stock code 000031).

Mr. Ma graduated from University of International Business and Economics in the PRC in July 1986 and later obtained a degree of Executive Master of Business Administration in December 2005 from the same university and he has extensive experience in strategic planning, corporate finance, investment and M&A, and business management.

Executive Director

Mr. XU Jianong (徐稼農), aged 51, 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 the implementation of 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.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Xu has been the general manager of COFCO Meat Investments since September 2013. Mr. Xu has more than 25 years of experience in agricultural commodities and foods processing in the PRC. Mr. Xu first joined COFCO in August 1987 and has carried out managerial functions in several members of COFCO Group since October 1994. Prior to joining our Group, Mr. Xu was the deputy general manager, the executive deputy general manager and the general manager of the brewing materials division of China Agri from August 2000 to September 2008, from September 2008 to May 2010 and from May 2010 to September 2013, respectively.

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

Non-Executive Directors

Mr. WANG Zhiying (王之盈), aged 45, was appointed as a Director on May 28, 2014 and was designated as a non-executive Director on May 23, 2016. Mr. Wang is also currently a director of COFCO Meat Investments.

Mr. Wang primarily supervises the general management of human resources, including training and development, talent assessment, and recruitment and evaluating and making recommendations to the Board on the remuneration policy covering the Directors and senior management of our Group. Mr. Wang joined COFCO in September 2009 and served as the deputy general manager of China Foods. He has been the director of human resources department of COFCO since February 2011. Mr. Wang was an executive director and a non-executive director of China Foods from April 2010 to March 2011, and was a non-executive director of China Agri from March 2011 to November 2014, and he has been a non-executive director of China Foods since November 2014.

Prior to joining COFCO, Mr. Wang worked at China Agricultural University and a government department, carrying out specialized organizational human resources training and management functions. Mr. Wang has extensive experience in organization development, talent development, strategy planning, benchmarking management and general management.

Mr. Wang holds a bachelor of arts degree in sociology from Peking University (北京大學) in the PRC in July 1992, and an Executive Master of Business Administration from China Europe International Business School (中歐國際工商學院) in September 2012.

DIRECTORS AND SENIOR MANAGEMENT

Mr. XU Yang (徐陽), aged 36, was appointed as a Director on February 22, 2016 and was designated as a non-executive Director on May 23, 2016. Mr. Xu is primarily responsible for assisting the chairman and managing director in formulating the corporate and business strategies and making major corporate and operational decisions of the Company. Mr. Xu is also currently a director of COFCO Meat Investments.

Mr. Xu served as a manager at the feed and meat products department of Mitsubishi from October 2011 to August 2015. Since August 2015, Mr. Xu was assigned to Mitsubishi Corporation (China) Commerce Co., Ltd. (三菱商事(中國)商業有限公司) as a manager. Prior to joining Mitsubishi, Mr. Xu served at Marubeni Corporation at the overseas strategy & coordination department from May 2006 to May 2008, at the packaging paper & board department from June 2008 to July 2009 and from August 2010 to September 2010 and at the paper & paperboard department from October 2010 to September 2011, respectively.

Mr. Xu received his bachelor's degree in Japanese from Dalian University of Foreign Languages (大連外國語學院) in the PRC in July 2002. Mr. Xu obtained his master's degree in economics from Kyoto University in Japan in March 2006.

Mr. WOLHARDT Julian Juul, aged 42, was appointed as a Director on May 28, 2014 and was designated as a non-executive Director on May 23, 2016. Mr. Wolhardt is primarily responsible for assisting the chairman and managing director in formulating the corporate and business strategies and making major corporate and operational decisions of the Company. Mr. Wolhardt is also currently a director of COFCO Meat Investments.

Mr. Wolhardt is currently a partner of KKR Asia Limited focusing on private equity transactions in the Greater China region. He has been actively involved in advising on investments in Yageo Corporation (a company listed on the Taiwan Stock Exchange with stock code 2327), Far East Horizon Limited (a company listed on the Hong Kong Stock Exchange with stock code 3360), Fujian Sunner Development Co., Ltd. (a company listed on the Shenzhen Stock Exchange with stock code 002299) and COFCO Meat Investments since he joined KKR Asia Limited in 2006. Before joining KKR Asia Limited, Mr. Wolhardt was with Morgan Stanley Private Equity from 1998 to 2006 and was responsible for its private equity business in China. Mr. Wolhardt is currently a non-executive director of China Modern Dairy Holdings Ltd. (a company listed on the Hong Kong Stock Exchange with stock code 1117) and an independent non-executive director of Mengniu (a company listed on the Hong Kong Stock Exchange with stock code 2319). Mr. Wolhardt was an independent non-executive director of China Cord Blood Corporation (a company listed on the New York Stock Exchange with ticker CO) from April 2012 to May 2015. He was a non-executive director of United Envirotech Ltd, a company listed in Singapore, from October 2011 to August 2012.

Mr. Wolhardt has been a Certified Public Accountant since August 1995. He received a bachelor's degree in accounting from the University of Illinois (Urbana-Champaign) in the United States in May 1995.

DIRECTORS AND SENIOR MANAGEMENT

Dr. CUI Guiyong (崔桂勇博士), aged 54, was appointed as a Director on May 28, 2014 and was designated as a non-executive Director on May 23, 2016. Dr. Cui is primarily responsible for reviewing and supervising the financial reporting process and internal control system of our Group. Dr. Cui is also currently a director of COFCO Meat Investments.

Dr. Cui has been a managing director of Baring Private Equity Asia Limited since January 2012 and is primarily responsible for investments in greater China. Prior to joining Baring, he worked as a managing director at HOPU Investment Management Co. Ltd. from May 2008 to September 2009 and became a partner since October 2009. He worked at Morgan Stanley Asia Limited from April 2007 to April 2008 and acted as a managing director of investment banking. From March 2004 to April 2007, he worked with HSBC Group as a managing director of Global Investment Banking Asia Pacific — Resources and Energy at HSBC Markets (Asia) Limited. From June 2002 to August 2003, he was head of the investment banking division at ICEA Capital Limited. From September 1994 to June 2002 Dr. Cui held various positions in N M Rothschild & Sons including managing director, investment banking and the chief representative in N M Rothschild & Sons’ Beijing Office. Dr. Cui has been a non-executive director of AAG Energy Holdings Limited (a company listed on the Stock Exchange with stock code 2686) since January 2015 and China Shengmu Organic Milk Limited (a company listed on the Stock Exchange with stock code 1432) since March 2014, respectively. He also served as a non-executive director of Winsway Enterprises Holdings Limited (a company listed on the Stock Exchange with stock code 1733) from June 2010 to January 2012.

Dr. Cui obtained his bachelor of engineering degree and master of engineering degree from the University of Science and Technology Beijing (北京科技大學) (formerly known as Beijing Iron and Steel College (北京鋼鐵學院)) in the PRC in April 1982 and June 1987, respectively, and his doctor of philosophy degree from the University of Oxford in the United Kingdom in May 1995.

Dr. WU Hai (吳海), aged 47, was appointed as a Director on September 30, 2015 and was designated as a non-executive Director on May 23, 2016. Dr. Wu is primarily responsible for reviewing the food safety policies, assessing the food safety control mechanisms and making recommendations to the Board on matters relating to food safety. Dr. Wu is also currently a director of COFCO Meat Investments.

Dr. Wu has been a managing director of China at Temasek Holdings Advisors (Beijing) Co., Ltd. (“**Temasek Holdings**”) since May 2014. He has extensive experience in investments and management. Prior to joining Temasek Holdings, Dr. Wu was the chief executive officer at Ramaxel Technology (Shenzhen) Limited (記憶科技(深圳)有限公司), a DRAM module manufacturer in China from April 2012 to February 2014, and a managing director at CITIC Private Equity Funds Management Co., Ltd. (中信產業投資基金管理有限公司), a private equity firm in China from March 2010 to May 2012. Dr. Wu served as a consultant and later as a global partner at McKinsey & Company, a global management consulting firm from August 1999 to February 2010.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Wu obtained a master of business administration degree from Cornell University in the United States in May 1999. Dr. Wu also received a doctor’s degree in neuroscience and cell biology from Rutgers University in the United States in October 1997.

Mr. ZHOU Qi (周奇), aged 35, was appointed as a Director on May 28, 2014 and was designated as a non-executive Director on May 23, 2016. Mr. Zhou is primarily responsible for assisting the chairman and managing director in formulating the corporate and business strategies and making major corporate and operational decisions of the Company. Mr. Zhou is also currently a director of COFCO Meat Investments.

Mr. Zhou joined Boyu Capital Advisory Company Limited (“**Boyu Capital**”) in 2011 and is currently a managing director at Boyu Capital. Prior to joining Boyu Capital, Mr. Zhou was an investment professional at Principal Investment Area of Goldman Sachs from 2007 to 2011. Mr. Zhou also served as an analyst at the Global Investment Research Division of Beijing GaoHua Securities Company Limited (北京高華證券有限責任公司) from 2005 to 2007.

Mr. Zhou obtained his bachelor’s degree in accounting from Tsinghua University (清華大學) in the PRC in July 2003. Mr. Zhou also received his master’s degree in accounting from Tsinghua University in July 2005.

Independent Non-Executive Directors

Dr. CHEN Huanchun (陳煥春), aged 63, was appointed as an independent non-executive Director on May 23, 2016. Dr. Chen holds the position of the director and has been a professor in State Key Laboratory of Agricultural Microbiology at Huazhong Agriculture University (華中農業大學農業微生物學國家重點實驗室) since November 1994, and the chairman of the academic committee in State Key Laboratory of Virology at Wuhan University (武漢大學病毒學國家重點實驗室) since June 2012. His fields of expertise include epizootiology, anthroponosis, molecular biology, genetic-engineered vaccine and molecular diagnostic reagent. Dr. Chen’s major achievements include confirmation the outbreak of Porcine pseudorabies in China, separation and identification of the pseudorabies virus, development of various diagnostic methods, as well as systematical illustration of five forms of manifestations clinically in China. Dr. Chen has won the Second Prize of National Advance of Science and Technology (國家科技進步二等獎) in China in 2001, 2007 and 2011, respectively.

Dr. Chen graduated with his doctor’s degree in veterinary medicine from the University of Munich, Germany in February 1988. He has been now an academician at the Chinese Academy of Engineering (中國工程院) since June 2006, the advisory committee member of the Ministry of Agriculture of China from January 2008 to the present, and the president of Chinese Association of Animal Science and Veterinary Medicine (中國畜牧獸醫學會) October 2006 to the present.

DIRECTORS AND SENIOR MANAGEMENT

Mr. FU Tingmei (傅廷美), aged 50, was appointed as an independent non-executive Director on May 23, 2016. Mr. Fu has over 20 years of experience in investment, finance, law and business management. Between 1992 and 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, and a managing director of BNP Paribas Peregrine Capital Limited. Mr. Fu is currently an independent non-executive director of COFCO Packaging, Beijing Enterprises Holdings Limited (a company listed on the Stock Exchange with stock code 392), Guotai Junan International Holdings Limited (a company listed on the Stock Exchange with stock code 1788) and Postal Savings Bank of China Co., Ltd. (a company listed on the Stock Exchange with stock code 1658).

Mr. Fu graduated from the University of London, the United Kingdom with a master’s degree and a doctor’s degree in Law in November 1989 and March 1993 respectively.

Mr. Li Michael Hankin (李恆健), aged 52, was appointed as an independent non-executive Director on May 23, 2016. He has more than 20 years’ experience in financial and accounting matters, fundraising, mergers and acquisitions, restructuring and international business development. 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 (a company listed on the Stock Exchange with stock code 3800) since July 2014, as general manager of investor relations & mergers and acquisitions of Newton Resources Limited (a company listed on the Stock Exchange with stock code 1231) in 2013. Since August 2016, Mr. Li has been the head of financial planning at Hsin Chong Group Holdings Limited (a company listed on the Stock Exchange with stock code 0404). 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 between March 1994 and June 2004, Mr. Li was the executive director (Corporate Finance) at BNP Paribas Capital (Asia Pacific) Limited. During the period between July 2004 and December 2005, Mr. Li was employed at GoldBond Capital (Asia) Limited and was a managing director (investment banking) of Rothschild (Hong Kong) Limited during the period from March 2007 to May 2011.

Mr. Li obtained a bachelor’s degree in accountancy from California State University, Los Angeles in June 1985, and a Master of Business Administration degree from Columbia University, New York in May 1992.

Mr. Wu Chi Keung (胡志強), aged 59, was appointed as an independent non-executive Director of our Company on June 23, 2016. Mr. Wu has more than 30 years of experience in financial audit and specializes in providing auditing and assurance services, financial due diligence reviews, support services for merger and acquisitions, corporate restructuring and fund raising engagements. Mr. Wu was a partner of Deloitte Touche Tohmatsu until he retired in December 2008. Mr. Wu is currently a director of a family-owned private company, Born Best Company Limited, engaging in property investment and provision of consultancy services.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wu is currently an independent non-executive director of the following companies listed on Main Board of the Stock Exchange:

<u>Company Name (English)</u>	<u>Company Name (Chinese)</u>	<u>Stock Code</u>	<u>Appointment Date</u>
China Medical System Holdings Limited	康哲藥業控股有限公司	00867	June 25, 2010
Huabao International Holdings Limited	華寶國際控股有限公司	00336	August 8, 2013
Huajin International Holdings Limited	華津國際控股有限公司	02738	March 23, 2016
Jinchuan Group International Resources Co. Ltd	金川集團國際資源有限公司	02362	January 12, 2011
YuanShengTai Dairy Farm Limited	原生態牧業有限公司	01431	November 7, 2013
Zhong Fa Zhan Holdings Limited	中發展控股有限公司	00475	November 29, 2011

Mr. Wu was an independent non-executive director of the following companies listed on the Stock Exchange:

<u>Company Name (English)</u>	<u>Company Name (Chinese)</u>	<u>Stock Code</u>	<u>Period of Service</u>
China Wah Yan Healthcare Limited	中國華仁醫療有限公司	00648	January 3, 2012 to July 15, 2014
GreaterChina Professional Services Limited	漢華專業服務有限公司	08193	May 18, 2011 to July 2, 2014
JF Household Furnishings Limited	捷豐家居用品有限公司	00776	August 16, 2011 to October 5, 2012
Link Holdings Limited	華星控股有限公司	08237	June 20, 2014 to October 3, 2014

Mr. Wu obtained a high diploma in accountancy from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1980. He is an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) and a fellow of the Association of Chartered Certified Accountants (formerly known as the Association of Certified Accountants).

Save as disclosed above, each of our Directors did not hold any other directorships in listed public companies in the three years immediately preceding the date of this document.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed in this document, each of our Directors has confirmed that there are no other matters relating to his appointment as a Director that need to be brought to the attention of our Shareholders and there is no other information in relation to his appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Save as disclosed above, none of the Directors has any interests in a business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with our Group’s business and would require disclosure under Rule 8.10 of the Listing Rules.

SENIOR MANAGEMENT

The following table sets out the details of experience of each of our senior management members:

Name	Age	Position/ Title	Roles and Responsibilities	Time of Appointment	Time of joining our Group
XU Jianong (徐稼農)	51	Executive Director, managing director and general manager of the Company	Responsible for 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	April 27, 2016	September 2013
SHEN Yunxiang (沈雲祥) .	52	Deputy general manager of the Company and general manager of the hog production division	Responsible for the general management of operations, and formulating and implementing annual plans of the hog production division of the Company	April 27, 2016	June 2009
ZHANG Changxin (張昌新)	53	Deputy general manager of the Company and general manager of the fresh pork division	Responsible for the general management of hog slaughtering, fresh pork business and processed meat products business	April 27, 2016	September 2002

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position/ Title	Roles and Responsibilities	Time of Appointment	Time of joining our Group
LI Lei (李雷).	35	Chief financial officer	Responsible for the general management of matters relating to corporate finance and financial management and financial reporting	May 23, 2016	January 2015
ZHANG Jinglei (張京雷). .	41	General manager of the processed meat products division	Responsible for the general management of processed meat products business	June 12, 2016	December 2010
LI Zhengfang (李正芳). . .	41	Deputy general manager (executive) of the international trading division	Responsible for the general management of pork, beef and lamb international trading business	April 27, 2016	September 2008
ZHANG Nan (張楠).	35	Deputy general manager of the strategy department and joint company secretary	Responsible for strategy planning, research and investment management	May 23, 2016	September 2010

Mr. XU Jianong (徐稼農), aged 51, is an executive Director, the managing director and the general manager of the Company. Please see his biographical details in the paragraph headed “—Directors—Executive Director” in this section.

Dr. SHEN Yunxiang (沈雲祥), aged 52, was appointed as a deputy general manager of the Company and general manager of the hog production division on April 27, 2016. Dr. Shen has served as the deputy general manager and the general manager of the hog production division of COFCO Meat Investments since June 2009 and December 2010, respectively. He is primarily responsible for the general management of operations, and formulating and implementing annual plans of the hog production division of the Company. Dr. Shen has also served as the general manager of COFCO Joycome (Jilin) since December 2013. Dr. Shen has over 19 years of experience in the hog production industry. Dr. Shen served as business development manager and subsequently general manager of PIC (Zhangjiagang) Pig Improvement Co., Ltd. (皮埃西(張家港)種豬改良有限公司) from 1997 to 2006, and as general manager of Jilin Huazheng Agribusiness Development Co., Ltd. (吉林華正農牧業開發股份有限公司) from November 2006 to May 2009.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Shen obtained his bachelor’s degree in non-metal mining from Wuhan University of Technology (武漢理工大學) (formerly known as Wuhan University of Technology (武漢工業大學), which was formerly known as Wuhan Building Materials industry College (武漢建築材料工業學院)) in the PRC in June 1984, his master’s degree in engineering from McGill University in Canada in June 1988 and his doctor’s degree in economics from the University of Montreal in Canada in May 1995.

Mr. ZHANG Changxin (張昌新), aged 53, was appointed as a deputy general manager of the Company and general manager of the fresh pork division on April 27, 2016. Mr. Zhang has served as the general manager of the fresh pork division of COFCO Meat Investments since December 2010 and as the deputy general manager of COFCO Meat Investments since June 2014. He is primarily responsible for the operations and management of hog slaughtering and fresh pork business. Mr. Zhang served as the deputy general manager of the fresh pork division of COFCO Meat Investments from September 2008 to December 2010. Mr. Zhang has more than 27 years of experience in the meat industry in the PRC, and has extensive experience in corporate management. Mr. Zhang joined COFCO in June 1989. During the period from June 1989 to August 2008, Mr. Zhang held a number of positions with members of COFCO Group, and his managerial experience includes division manager of business division No. 3 of COFCO Meat Import and Export Hubei Co., Ltd. (中糧肉食品進出口湖北公司) (formerly known as China Meat and Poultry Joint Venture Co., Ltd. (Wuhan) (中國畜禽聯營公司武漢)), deputy manager and manager of its business division No. 3, deputy general manager and assistant general manager at Wuhan COFCO Import and Export Co., Ltd. (武漢中糧進出口公司); and currently the general manager of Wuhan COFCO Meat since September 2002.

Mr. Zhang graduated from Wuhan Institute of Agricultural Studies (武漢市農業學校) in the PRC in July 1982 majoring in animal husbandry and veterinary, and, by way of a long distance learning course, from Huazhong Agricultural University (華中農業大學) in the PRC in June 1988 majoring in animal husbandry.

Mr. LI Lei (李雷), aged 35, is the chief financial officer of the Company and is primarily responsible for 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. Mr. Li has over 10 years of 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 general manager of the same division and the general manager of its 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.

DIRECTORS AND SENIOR MANAGEMENT

Mr. ZHANG Jinglei (張京雷), aged 41, was appointed as the general manager of the processed meat products division of the Company on June 12, 2016. Since April 2013, Mr. Zhang was as an assistant general manager of the processed meat products division of COFCO Meat Investments, then its deputy general manager since June 2014 and its general manager since June 2016. Mr. Zhang is responsible for the general management of processed meat business, including formulating strategies, product research and development, procurement, production, quality control, sales and marketing. Mr. Zhang served several positions in different COFCO Group entities since joining COFCO in August 1995, including the general manager of the operational management division of the processed meat products division of COFCO Meat Investments, deputy general manager of Wuhan COFCO Meat, finance staff at COFCO Greenland Xingye Co., Ltd. (中糧綠地興業有限公司), finance officer at COFCO Corn Export Co., Ltd. (中糧玉米出口有限責任公司), chief of finance and subsequently deputy general manager of COFCO Malt (Jiangyin) Co., Ltd. (中糧麥芽(江陰)有限公司) and executive general manager of COFCO Meat (Tianjin). Mr. Zhang has extensive experience in the food and agriculture industry and general management of meat business operations.

Mr. Zhang received his undergraduate diploma in accounting in June 1995, and his bachelor of finance degree in January 2006, both from the University of International Business and Economics (對外經濟貿易大學) in the PRC. Mr. Zhang's bachelor of finance degree was obtained by way of a long distance learning course.

Ms. LI Zhengfang (李正芳), aged 41, was appointed as a deputy general manager (executive) of the international trading division of the Company on April 27, 2016. Ms. Li is responsible for the general management of pork, beef and lamb international trading business. Ms. Li first joined COFCO in October 1997 and has served several managerial positions in several COFCO Group entities since September 2008, including the strategy department, the marketing department, the beef and lamb processing division and the general manager of the pork import division of COFCO Meat Investments. 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. (中糧蓄禽肉食進出口公司) and assistant general manager at the meat and poultry department and subsequently the international meat department of COFCO Development Co., Ltd. (中糧發展有限公司). Ms. Li worked as a clerk at China Textile Import and Export Co., Ltd. (中國紡織品進出口總公司) from January 1997 to August 1997.

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.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Zhang Nan (張楠), aged 35, was appointed as a deputy general manager of the strategy department of our Company on May 23, 2016 and is responsible for strategy planning, research and investment management. Dr. Zhang has been a deputy general manager of the strategy department of COFCO Meat Investments since March 2015. Dr. Zhang joined the strategy department of COFCO in April 2008 and joined COFCO Meat Investments in September 2010. Dr. Zhang has extensive experience in meat industry research and strategy planning. Since April 2014, Dr. Zhang has been in charge of the board affairs of COFCO Meat Investments, including communicating with directors and shareholders and organising board meetings and has developed experiences in corporate governance.

Dr. Zhang obtained her bachelor’s degree in engineering and doctor’s degree in management from Tsinghua University in the PRC in July 2002 and July 2008, respectively.

Save as disclosed above, each of our senior management members did not hold any other directorships in listed public companies in the three years immediately preceding the date of this document.

JOINT COMPANY SECRETARIES

Dr. Zhang Nan (張楠) was appointed as a joint company secretary of our Company on May 23, 2016. Please see the paragraph head “—Senior Management” in this section for the biographical details of Dr. Zhang.

Ms. Chau Hing Ling (周慶齡) was appointed as a joint company secretary of our company on May 23, 2016. She has been a director of Corporate Services of Vistra Corporate Services (HK) Limited since June 2013, where she leads a team of professional staff to provide a full range of company secretary services. Ms. Chau has over 15 years of experience in the corporate services industry.

Ms. Chau is currently the company secretary of Keen Ocean International Holding Limited (a company listed on the Growth Enterprise Market of the Stock Exchange with stock code 8070). Ms. Chau received a master of laws majoring in corporate and financial law from The University of Hong Kong in November 2007. She has been a fellow member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries since May 2013.

BOARD COMMITTEE

We have established the following committees under the Board: Audit Committee, Remuneration Committee, Nomination Committee and Food Safety Committee. The committees operate in accordance with their respective terms of reference established by the Board.

DIRECTORS AND SENIOR MANAGEMENT

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with the Code on Corporate Governance Practices, as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members: Mr. Wu Chi Keung, Mr. Fu Tingmei and Dr. Cui Guiyong. The chairman of the Audit Committee is Mr. Wu Chi Keung. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of our Group.

Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with the Code on Corporate Governance Practices, as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of three members: Mr. Li Michael Hankin, Mr. Wu Chi Keung and Mr. Wang Zhiying. The chairman of the Remuneration Committee is Mr. Li Michael Hankin. The primary duties of the Remuneration Committee are to evaluate and make recommendations to the Board on the remuneration policy covering the Directors and senior management of our Group.

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with the Code on Corporate Governance Practices, as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of three members: Mr. Ma Jianping, Dr. Chen Huanchun and Mr. Fu Tingmei. The chairman of the Nomination Committee is Mr. Ma Jianping. The primary duties of the Nomination Committee are to identify, screen and recommend to the Board appropriate candidates to serve as directors of our Company and to oversee the process for evaluating the performance of the Board.

Food Safety Committee

We have established the Food Safety Committee in order to monitor food safety risks and supervise improvements in food safety control mechanisms. The Food Safety Committee consists of three members: Dr. Chen Huanchun, Dr. Wu Hai and Mr. Xu Jianong. The chairman of the Food Safety Committee is Dr. Chen Huanchun. The primary functions of the Food Safety Committee include, without limitation, reviewing the food safety policies drafted by the Board, assessing the food safety control mechanisms and making recommendations to the Board on matters relating to food safety.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT’S REMUNERATION

Our Directors and senior management receive compensation in the form of fees, salaries, bonuses, contributions to pension schemes and other allowances and benefits in kind subject to applicable laws, rules and regulations. The aggregate amount of compensation (including fees, salaries, bonuses, stock, stock options, contributions to pension schemes and other allowances) and benefits in kind paid to the Directors for the three years ended December 31, 2013, 2014 and 2015, and the four months ended April 30, 2016 was approximately RMB2,241,000, RMB2,225,000, RMB2,351,000 and RMB1,798,000, respectively. The aggregate amount of compensation and benefits in kind paid to the five highest paid individual employees of our Group for the three years ended December 31, 2013, 2014 and 2015, and the four months ended April 30, 2016 was approximately RMB5,751,000, RMB5,815,000, RMB6,424,000 and RMB4,563,000 respectively.

Under the arrangements currently in force, we estimate the aggregate of the remuneration and benefits in kind payable to the Directors for the year ending December 31, 2016 to be RMB2,986,600. The executive Director receive compensation in the form of fees, salaries, bonuses, contributions to pension schemes and other allowances and benefits in kind subject to applicable laws, rules and regulations. Please see the section headed “Appendix IV—Statutory and General Information—C. Further Information about our Directors and Substantial Shareholders—2. Particulars of Service Contracts” in this document for further details on the executive Director’s compensation.

The independent non-executive Directors receive fees from our Company. All Directors receive reimbursements from our Company for expenses which are necessary and reasonably incurred for providing services to our Company or handling matters in relation to the operations of our Company and are paid out of the funds of our Company by way of fees for their services as directors such sums (if any) as the Directors may from time to time determine (not exceeding in aggregate an annual sum excluding other amounts payable (e.g. expenses as remuneration for employment) or such larger amount as our Company may by ordinary resolution determine. Save as disclosed above, the Directors are not entitled to receive any other special benefits from our Company. The compensation of the Directors shall be determined by the Board after [REDACTED] at the recommendations from the Remuneration Committee which will take into account applicable laws, rules and regulations as well as prevailing market practices.

[REDACTED] SHARE INCENTIVE SCHEME

In order to incentivize the core management team of our Group, KKR, Baring, Temasek and Boyu participated in the [REDACTED] Share Incentive Scheme, pursuant to which our Company, KKR, Baring, Temasek and Boyu agreed to negotiate in good faith and use reasonable endeavours to reach an agreement in relation to the structure of the employee benefit trust (or any other structure of similar nature) proposed to be set up to administer the grant of options and, upon reaching such agreement and the fulfillment of certain other conditions, KKR, Baring, Temasek and Boyu shall contribute 3%

DIRECTORS AND SENIOR MANAGEMENT

of each of their Shares to a trustee which shall in turn grant options to 40 employees of the Group to acquire, subject to certain terms and conditions, proceeds of the sale of 17,558,389, 7,901,275, 7,198,939 and 6,847,772 Shares, respectively, of from the trustee at an exercise price of the HK\$ equivalent of RMB1.37 per Share.

Since the [REDACTED] Share Incentive Scheme does not involve the grant of options to subscribe for any new Shares of the Company, it is not required to be subject to the provisions in Chapter 17 of the Listing Rules. It does not cause any effect to the total number of Shares outstanding and will not result in any dilution effect to the Shares of the Company. Please see the section headed “Statutory and General Information—D. [REDACTED] Share Incentive Scheme” for further details of the [REDACTED] Share Incentive Scheme.

CODE ON CORPORATE GOVERNANCE PRACTICES

As at the Latest Practicable Date, the Directors consider that our Company has fully complied with the applicable code provisions as set out in the Code of Corporate Governance Practices as contained in Appendix 14 to the Listing Rules from the [REDACTED].

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please see the section headed “Business—Our Strategies” in this document for further details of our future plans.

USE OF PROCEEDS

Assuming an [REDACTED] of [REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] stated in this document), we estimate that (i) the gross proceeds of the [REDACTED] that we will receive will be approximately [REDACTED], and (ii) the net proceeds of the [REDACTED] that we will receive, after deduction of [REDACTED] and estimated expenses payable by us in connection with the [REDACTED], will be approximately [REDACTED].

If the [REDACTED] is fixed at [REDACTED] per [REDACTED] (being the high end of the [REDACTED] stated in this document), we will receive additional net proceeds of approximately [REDACTED]. If the [REDACTED] is fixed at [REDACTED] per [REDACTED] (being the low end of the [REDACTED] stated in this document), the net proceeds we receive will be reduced by approximately [REDACTED].

We intend to use the net proceeds of the [REDACTED] for the following purposes:

- approximately [REDACTED], or [REDACTED], will be used for [REDACTED];

- approximately [REDACTED], or [REDACTED], will be used for [REDACTED];

FUTURE PLANS AND USE OF PROCEEDS

- approximately [REDACTED], or [REDACTED], [REDACTED]; and

- approximately [REDACTED], or [REDACTED], will be used for [REDACTED].

In the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the proposed [REDACTED], we will adjust the allocation of net proceeds on a *pro rata* basis.

To the extent that the net proceeds of the [REDACTED] are not immediately applied to the above purposes, it is our present intention that those net proceeds will be deposited into interest-bearing bank accounts and/or money market instruments.

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

An amount of US\$250,000 is payable by our Company as sponsor fee to each of the Joint Sponsors.

[REDACTED]

UNDERWRITING

[REDACTED]

Joint Sponsors’ Independence

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

[REDACTED]

UNDERWRITING

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

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[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report, prepared for the purpose of inclusion in this Document, received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.



德勤 · 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

[●] 2016

The Directors

COFCO Meat Holdings Limited

Morgan Stanley Asia Limited

J.P. Morgan Securities (Far East) Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to COFCO Meat Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended 31 December 2015 and the four months ended 30 April 2016 (the “Track Record Period”) for inclusion in the document of the Company dated [●] 2016 (the “Document”) in connection with the [REDACTED] and [REDACTED] of the shares of the Company on the [REDACTED] (the “[REDACTED]”) (the “[REDACTED]”).

The Company was incorporated as a business company and registered in the British Virgin Islands with limited liability under the BVI Business Companies Act, 2004 of British Virgin Islands under the name of Charm Thrive Investments Limited on 11 March 2014. The Company was re-domiciled as an exempted company registered by way of continuation in the Cayman Islands with limited liability with effect from 4 May 2016. Pursuant to a special resolution of the Company dated 25 April 2016, the name of the Company has been changed from Charm Thrive Investments Limited to COFCO Meat Holdings Limited and the change was certified by the Registrar of Companies of Cayman Islands on 12 May 2016.

Pursuant to a part of a group reorganization, as described more fully in the section headed “History, Development and Reorganization” to the Document and Note 1 to section A below, the Company became the holding company of companies now comprising the Group on 22 April 2014.

APPENDIX I

ACCOUNTANTS’ REPORT

All subsidiaries have adopted 31 December as their financial year end date. At the date of this report, the Company has direct and indirect interests in the following companies comprising the Group:

Name of subsidiary	Place and date of incorporation/ establishment	Paid up issued/ registered capital	Equity interest attributable to the Group					Principal activities
			At 31 December			At 30 April	At date of this report	
			2013	2014	2015	2016		
			%	%	%	%	%	
Zhuo Mao Limited (卓貿公司)	British Virgin Islands (“BVI”) 22 October 2015	US\$1	—	—	100	100	100	Investment holding
COFCO Meat Products (HK) Limited (中糧肉食(香港)有限公司) (“COFCO Meat Products (HK)”))	Hong Kong 10 October 2008	HK\$3,080,270,014	100	100	100	100	100	Investment holding
Farasia Corporation (泛亞公司)	BVI 15 February 1993	US\$16,055,010	100	100	100	100	100	Investment holding
Yuxi Investments Limited (裕熙投資有限公司) (Note (iii))	BVI 19 May 2014	US\$1,000,000	—	—	100	100	100	Investment holding
中糧肉食投資有限公司 (COFCO Meat Investments Company Limited*) (“COFCO Meat Investments”) (Note (i))	People’s Republic of China (the “PRC”) 20 March 2009	US\$467,973,200	100	100	100	100	100	Investment holding
中糧肉食(北京)有限公司 (COFCO Meat (Beijing) Co., Ltd.*) (“COFCO Meat (Beijing)”) (Note (ii))	PRC 23 July 2009	US\$10,000,000	100	100	100	100	100	Import and sale of frozen meat products
中糧肉食(天津)有限公司 (COFCO Meat (Tianjin) Co., Ltd.*) (“COFCO Meat (Tianjin)”) (Note (ii))	PRC 24 April 2009	US\$15,000,000	100	100	100	100	100	Hog production
中糧肉食(江蘇)有限公司 (COFCO Meat (Jiangsu) Co., Ltd.*) (“COFCO Meat (Jiangsu)”) (Note (ii))	PRC 26 June 2009	US\$65,291,199	76.58	76.58	100	100	100	Hog production, livestock slaughtering, manufacture and sale of fresh pork
武漢中糧肉食有限公司 (COFCO Wuhan Meat Product Co., Ltd.*) (“Wuhan COFCO Meat”) (Note (ii))	PRC 30 September 2002	US\$71,450,000	100	100	100	100	100	Hog production, livestock slaughtering, manufacture and sale of fresh pork and processed meat products
中糧萬威客食品有限公司 (COFCO Maverick Food Products Co., Ltd.*) (“Maverick”) (Note (ii))	PRC 6 July 1994	US\$38,100,000	100	100	100	100	100	Manufacture and sale of processed meat products

APPENDIX I

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Name of subsidiary	Place and date of incorporation/ establishment	Paid up issued/ registered capital	Equity interest attributable to the Group					Principal activities
			At 31 December			At 30 April	At date of this report	
			2013	2014	2015	2016		
			%	%	%	%	%	
中糧家佳康(吉林)有限公司 (COFCO Joycome (Jilin) Co., Ltd.*) (“COFCO Joycome (Jilin)”) (Note (ii))	PRC 4 December 2012	US\$63,420,290	100	100	100	100	100	Hog production
中糧家佳康(赤峰)有限公司 (COFCO Joycome (Chifeng) Co., Ltd.*) (“COFCO Joycome (Chifeng)”) (Note (ii))	PRC 7 March 2014	US\$66,720,000	—	100	100	100	100	Hog production
中糧家佳康(張北)有限公司 (COFCO Joycome (Zhangbei) Co., Ltd.*) (“COFCO Joycome (Zhangbei)”) (Note (ii))	PRC 4 December 2014	US\$20,000,000	—	100	100	100	100	Hog production
中糧家佳康(鹽城)有限公司 (COFCO Joycome (Yancheng) Co., Ltd.*) (“COFCO Joycome (Yancheng)”) (Note (ii))	PRC 10 September 2014	US\$20,160,000	—	100	100	100	100	Hog production
中糧肉食養殖(山東)有限公司 (COFCO Meat Farming (Shandong) Co., Ltd.*) (“COFCO Meat Farming (Shandong)”) (Note (ii))	PRC 1 April 2010	US\$10,880,000	100	100	100	—	—	Poultry husbandry
中糧肉食(宿遷)有限公司 (COFCO Meat (Suqian) Co., Ltd.*) (“COFCO Meat (Suqian)”) (Note (ii))	PRC 26 March 2010	US\$64,620,000	100	100	100	—	—	Poultry husbandry, processing and sales of meat products
中糧肉食(山東)有限公司 (COFCO Meat (Shandong) Co., Ltd.*) (“COFCO Meat (Shandong)”) (Note (ii))	PRC 18 November 2009	US\$10,000,000	100	100	100	—	—	Poultry husbandry, processing and sales of meat products

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

Notes:

- (i) This company is a wholly-foreign owned enterprise.
- (ii) These companies are PRC limited liability companies.
- (iii) On 11 February 2015, the Company acquired 1,000,000 ordinary shares of US\$1 each in Yuxi Investment Limited from the shareholders of the Company by issue of 186,271,860 ordinary shares. Details are set out in note (e) to the consolidated statements of change in equity.

Except for Zhuo Mao Limited, all subsidiaries were indirectly held by the Company as at 30 April 2016 and at the date of this report.

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ACCOUNTANTS’ REPORT

No statutory audited financial statements have been prepared for entities incorporated in the BVI as there are no statutory audit requirements in the BVI.

The statutory financial statements of other companies comprising the Group for each of the three years ended 31 December 2015, or since the respective dates of their incorporation/establishment, where there is a shorter period and information of their respective auditors are as follows:

Name of subsidiary	Financial year/period ended	Name of auditors
COFCO Meat Products (HK)	31 December 2013, 2014 and 2015	Baker Tilly Hong Kong Limited
COFCO Meat Investments	31 December 2013, 2014 and 2015	天職國際會計師事務所(特殊普通合夥) (Baker Tilly China Certified Public Accountants*) (“Baker Tilly China”)
COFCO Meat (Beijing)	31 December 2013, 2014 and 2015	Baker Tilly China
COFCO Meat (Tianjin)	31 December 2013, 2014 and 2015	Baker Tilly China
COFCO Meat (Jiangsu)	31 December 2013, 2014 and 2015	Baker Tilly China
Wuhan COFCO Meat	31 December 2013, 2014 and 2015	信永中和會計師事務所(特殊普通合夥) (ShineWing Certified Public Accountants*) (“ShineWing”)
Maverick	31 December 2013, 2014 and 2015	Baker Tilly China
COFCO Joycome (Jilin)	31 December 2013, 2014 and 2015	Baker Tilly China
COFCO Joycome (Chifeng)	31 December 2014 and 2015	Baker Tilly China
COFCO Joycome (Zhangbei)	31 December 2014 and 2015	ShineWing
COFCO Joycome (Yancheng)	31 December 2014 and 2015	Baker Tilly China
COFCO Meat Farming (Shandong)	31 December 2013, 2014 and 2015	Baker Tilly China
COFCO Meat (Suqian)	31 December 2013, 2014 and 2015	Baker Tilly China
COFCO Meat (Shandong)	31 December 2013, 2014 and 2015	ShineWing

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

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ACCOUNTANTS’ REPORT

Statutory financial statements of COFCO Meat Products (HK) for the relevant financial periods were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Statutory financial statements of the remaining subsidiaries above for the relevant financial periods were prepared in accordance with relevant accounting principles and regulations applicable to entities established in the PRC.

For the purpose of this report, the directors of the Company (the “Directors”) have prepared the consolidated financial statements of the Company and its subsidiaries for the Track Record Period (the “Underlying Financial Statements”) in accordance with the accounting policies which conform with HKFRSs issued by the HKICPA. We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 “[REDACTED] and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements on the basis set out in Note 1 to Section A below. No adjustments are considered necessary to the Underlying Financial Statements in preparing our report for inclusion in the Document.

The preparation of the Underlying Financial Statements is the responsibility of the Directors who approved their issue. The Directors are also responsible for the contents of the Document in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in Note 1 to Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group as at 31 December 2013, 2014 and 2015 and 30 April 2016, and of the Company as at 31 December 2014 and 2015 and 30 April 2016, and of the financial performance and cash flows of the Group for the Track Record Period.

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ACCOUNTANTS’ REPORT

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the four months ended 30 April 2015 together with the notes thereon have been extracted from the unaudited financial information of the Group for the same period (the “30 April 2015 Financial Information”) which was prepared by the Directors solely for the purpose of this report. We conducted our review on the 30 April 2015 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. Our review of the 30 April 2015 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 30 April 2015 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 April 2015 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

APPENDIX I

ACCOUNTANTS’ REPORT

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December				Four months ended 30 April					
		2013		2014		2015		2015		2016	
		Results before	Biological	Results before	Biological	Results before	Biological	Results before	Biological	Results before	Biological
		fair value	fair value	fair value	fair value	fair value	fair value	fair value	fair value	fair value	fair value
		adjustments	adjustments	adjustments	adjustments	adjustments	adjustments	adjustments	adjustments	adjustments	adjustments
NOTE		RMB'000	RMB'000	Total	RMB'000	RMB'000	RMB'000	Total	RMB'000	RMB'000	RMB'000
Continuing operations											
	Revenue	3,733,599	—	3,733,599	3,746,039	5,055,705	—	5,055,705	1,375,584	1,967,630	—
5		(3,370,708)	(177,908)	(3,548,616)	(3,552,300)	(73,883)	(3,626,183)	(4,937,701)	(1,340,375)	(1,524,912)	(421,043)
10	Cost of sales.										
		362,891	(177,908)	184,983	193,739	(73,883)	119,856	472,352	35,209	442,718	(421,043)
	Gross profit										
		29,231	—	29,231	38,816	—	38,816	58,471	17,102	2,849	—
7	Other income										
		(2,162)	—	(2,162)	(23,911)	—	(23,911)	(127,622)	(7,015)	39,747	—
8	Other gains and losses										
		(173,962)	—	(173,962)	(194,986)	—	(194,986)	(223,366)	(70,824)	(79,159)	—
	Selling and distribution expenses										
		(173,608)	—	(173,608)	(174,335)	—	(174,335)	(178,502)	(55,345)	(60,888)	—
	Administrative expenses										
		—	—	—	—	—	—	—	—	(213)	—
	Share of loss of a joint venture										
	Gain/(loss) arising from										
	agricultural produce at fair										
	value less costs to sell at the										
	point of harvest	—	23,402	23,402	—	(78,324)	(78,324)	249,688	—	(73,574)	165,513
	Gain arising from changes in fair										
	value less costs to sell of										
	biological assets	—	152,207	152,207	—	104,660	104,660	456,342	—	61,743	411,760
9	Finance costs	(104,702)	—	(104,702)	(137,568)	—	(137,568)	(133,365)	(52,145)	(40,028)	—

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ACCOUNTANTS’ REPORT

NOTE	Year ended 31 December				Four months ended 30 April			
	2013		2014		2015		2016	
	Results before biological fair value adjustments	Biological fair value	Results before biological fair value adjustments	Biological fair value	Results before biological fair value adjustments	Biological fair value	Results before biological fair value adjustments	Biological fair value
	<u>RMB '000</u>	<u>RMB '000</u>	<u>RMB '000</u>	<u>RMB '000</u>	<u>RMB '000</u>	<u>RMB '000</u>	<u>RMB '000</u>	<u>RMB '000</u>
(Loss)/profit for the year/period attributable to the owners of the Company:								
- from continuing operations		(79,650)		(323,590)		209,656		460,630
- from discontinued operations		<u>(162,124)</u>		<u>(61,605)</u>		<u>(58,752)</u>		<u>3,921</u>
		<u>(241,774)</u>		<u>(385,195)</u>		<u>150,904</u>		<u>464,551</u>
Profit/(loss) for the year/period attributable to non-controlling interests:								
- from continuing operations		33		(25,772)		—		—
		<u>(241,741)</u>		<u>(410,967)</u>		<u>150,904</u>		<u>464,551</u>
(Loss)/profit for the year/period								
Total comprehensive (expense)/income attributable to:								
Owners of the Company		(221,407)		(386,520)		145,082		464,599
Non-controlling interests		<u>33</u>		<u>(25,772)</u>		—		—
		<u>(221,374)</u>		<u>(412,292)</u>		<u>145,082</u>		<u>464,599</u>
Basic (loss)/earnings per share:		RMB(21.13)		RMB(14.05)		RMB3.79		RMB11.64
From continuing and discontinued operations		<u>cents</u>		<u>cents</u>		<u>cents</u>		<u>cents</u>
		<u>RMB(6.96)</u>		<u>RMB(11.81)</u>		<u>RMB5.27</u>		<u>RMB11.54</u>
		<u>cents</u>		<u>cents</u>		<u>cents</u>		<u>cents</u>
From continuing operations								

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 April
	NOTE	2013	2014	2015	2016
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Goodwill	17	100,609	100,609	100,609	100,609
Property, plant and equipment . .	18	2,709,551	3,391,305	3,418,057	3,490,585
Investment properties	19	—	115,359	—	—
Prepaid lease payments	20	103,025	111,958	108,224	115,828
Intangible assets	21	2,788	3,839	2,378	2,187
Investment in a joint venture . . .	22	—	—	—	15,495
Available-for-sale investments . .	23	23,516	23,516	23,516	23,516
Biological assets	24	155,575	158,340	256,270	237,087
Deposits paid for purchase of property, plant and equipment		3,341	15,690	17,404	14,730
Deferred tax assets	25	370	398	—	—
		<u>3,098,775</u>	<u>3,921,014</u>	<u>3,926,458</u>	<u>4,000,037</u>
Current assets					
Inventories	26	710,162	933,277	518,652	302,464
Biological assets	24	541,440	602,791	936,296	1,171,838
Accounts receivable	27	153,098	190,374	165,438	169,162
Prepayments, deposits and other receivables	28	186,432	203,944	178,440	130,427
Amounts due from fellow subsidiaries	29	5,619	1,588	1,920	259,574
Amounts due from the immediate holding company . .	29	100	—	—	—
Amounts due from the ultimate holding company	29	—	—	1,789	3,039
Amounts due from a related company	29	265	703	573	584
Loans to fellow subsidiaries . . .	36	—	—	—	586,000
Financial assets at fair value through profit or loss	30	—	—	499,555	454,551
Pledged and restricted bank deposits	31	4,281	32,506	39,878	37,675
Cash and cash equivalents	31	<u>298,855</u>	<u>2,142,369</u>	<u>175,735</u>	<u>380,245</u>
		1,900,252	4,107,552	2,518,276	3,495,559
Assets of disposal group classified as held for sale . . .	12	<u>—</u>	<u>—</u>	<u>993,037</u>	<u>—</u>
		1,900,252	4,107,552	3,511,313	3,495,559

APPENDIX I

ACCOUNTANTS’ REPORT

	NOTE	At 31 December			At 30 April
		2013	2014	2015	2016
		RMB’000	RMB’000	RMB’000	RMB’000
Current liabilities					
Accounts and bills payables	32	176,858	279,797	244,384	254,666
Other payables, accruals and deposits received	33	438,477	710,204	661,463	604,254
Bank and other borrowings	34	1,754,002	3,199,565	2,053,377	1,543,946
Derivative financial instruments .	35	—	—	—	878
Amounts due to fellow subsidiaries	29	323,013	270,113	52,425	162,739
Amounts due to the immediate holding company	29	640,432	802,809	19,164	403,828
Amounts due to shareholders . . .	29	—	—	—	523,521
Amounts due to the ultimate holding company	29	2,000	2,000	—	2,735
Amounts due to an intermediate holding company	29	13,670	—	—	—
Loans from the immediate holding company	36	—	—	904,970	900,145
Loans from the ultimate holding company	36	5,500	5,500	2,500	2,500
Loans from an intermediate holding company	36	808,600	—	—	—
Current tax liabilities		14,790	274	5,494	4,908
		<u>4,177,342</u>	<u>5,270,262</u>	<u>3,943,777</u>	<u>4,404,120</u>
Liability directly associated with disposal group classified as held for sale	12	—	—	418,626	—
		<u>4,177,342</u>	<u>5,270,262</u>	<u>4,362,403</u>	<u>4,404,120</u>
Net current liabilities		<u>(2,277,090)</u>	<u>(1,162,710)</u>	<u>(851,090)</u>	<u>(908,561)</u>
Total assets less current liabilities		<u>821,685</u>	<u>2,758,304</u>	<u>3,075,368</u>	<u>3,091,476</u>
Non-current liabilities					
Bank and other borrowings	34	266,270	283,160	370,411	628,068
Loans from the ultimate holding company	36	—	—	—	54,249
Deferred income	37	29,740	38,495	60,769	107,686
		<u>296,010</u>	<u>321,655</u>	<u>431,180</u>	<u>790,003</u>
Net assets		<u>525,675</u>	<u>2,436,649</u>	<u>2,644,188</u>	<u>2,301,473</u>
Capital and reserves					
Paid-up/share capital	38	829,242	2,323,266	2,568,360	1,668,971
Reserves		<u>(440,514)</u>	<u>2,208</u>	<u>75,828</u>	<u>632,502</u>
Equity attributable to the owners of the Company		388,728	2,325,474	2,644,188	2,301,473
Non-controlling interests		<u>136,947</u>	<u>111,175</u>	<u>—</u>	<u>—</u>
Total equity		<u>525,675</u>	<u>2,436,649</u>	<u>2,644,188</u>	<u>2,301,473</u>

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION

	NOTE	At 31 December		At 30 April
		2014	2015	2016
		RMB'000	RMB'000	RMB'000
Non-current assets				
Investment in subsidiaries	39	<u>1,866,899</u>	<u>2,053,171</u>	<u>2,053,171</u>
Current assets				
Due from subsidiaries	39	646,166	734,454	733,985
Other receivables		677	—	—
Cash and cash equivalents		<u>26,368</u>	<u>2,356</u>	<u>2,323</u>
		<u>673,211</u>	<u>736,810</u>	<u>736,308</u>
Current liabilities				
Other payables and accruals		555	1,206	951
Amounts due to the immediate holding company	29	241	—	<u>376,101</u>
Amounts due to shareholders	29	—	—	<u>523,521</u>
		<u>796</u>	<u>1,206</u>	<u>900,573</u>
Net current assets/(liabilities)		<u>672,415</u>	<u>735,604</u>	<u>(164,265)</u>
Net assets		<u><u>2,539,314</u></u>	<u><u>2,788,775</u></u>	<u><u>1,888,906</u></u>
Capital and reserves				
Share capital	38	2,323,266	2,568,360	1,668,971
Reserves	40	<u>216,048</u>	<u>220,415</u>	<u>219,935</u>
Total equity		<u><u>2,539,314</u></u>	<u><u>2,788,775</u></u>	<u><u>1,888,906</u></u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Paid-up/ share capital	Share premium	Special reserve	Capital reserve	Statutory reserve	Translation reserve	Accumulated losses	Total	Non- controlling interests	Total equity
	RMB'000 (Note 38)	RMB'000 (Note 38)	RMB'000 (Note (a))	RMB'000 (Note (b))	RMB'000 (Note (c))	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	829,242	—	29,217	30,000	6,899	37,127	(334,443)	598,042	4,049	602,091
Loss for the year	—	—	—	—	—	—	(241,774)	(241,774)	33	(241,741)
Other comprehensive income for the year	—	—	—	—	—	20,367	—	20,367	—	20,367
Total comprehensive income/ (expense) for the year	—	—	—	—	—	20,367	(241,774)	(221,407)	33	(221,374)
Statutory reserve appropriation	—	—	—	—	3,663	—	(3,663)	—	—	—
Capital injection by non-controlling interests (note (d))	—	—	—	10,998	—	—	—	10,998	138,009	149,007
Disposal of a non-wholly-owned subsidiary (Note 52(a))	—	—	—	—	—	—	1,095	1,095	(5,144)	(4,049)
At 31 December 2013	829,242	—	29,217	40,998	10,562	57,494	(578,785)	388,728	136,947	525,675
Loss for the year	—	—	—	—	—	—	(385,195)	(385,195)	(25,772)	(410,967)
Other comprehensive expense for the year	—	—	—	—	—	(1,325)	—	(1,325)	—	(1,325)
Total comprehensive expense for the year	—	—	—	—	—	(1,325)	(385,195)	(386,520)	(25,772)	(412,292)
Statutory reserve appropriation	—	—	—	—	189	—	(189)	—	—	—
Transfer as part of the 2014 Reorganisation	(829,242)	—	829,242	—	—	—	—	—	—	—
(Note (a))	903,157	1,420,109	—	—	—	—	—	2,323,266	—	2,323,266
Issue of new shares	1,420,109	(1,420,109)	—	—	—	—	—	—	—	—
Transfer upon the Share Reorganisation	2,323,266	—	858,459	40,998	10,751	56,169	(964,169)	2,325,474	111,175	2,436,649
At 31 December 2014	—	—	—	—	—	(5,822)	150,904	150,904	—	150,904
Profit for the year	—	—	—	—	—	—	—	(5,822)	—	(5,822)
Other comprehensive expense for the year	—	—	—	—	—	—	—	—	—	—
Total comprehensive (expense)/ income for the year	—	—	—	—	—	(5,822)	150,904	145,082	—	145,082
Statutory reserve appropriation	—	—	—	—	3,571	—	(3,571)	—	—	—
Recognition of equity-settled share based payments granted by shareholders (Note 41)	—	—	—	3,635	—	—	—	3,635	—	3,635

APPENDIX I

ACCOUNTANTS’ REPORT

	Attributable to owners of the Company									
	Paid-up/ share capital	Share premium	Special reserve	Capital reserve	Statutory reserve	Translation reserve	Accumulated losses	Total	Non- controlling interests	Total equity
	RMB'000 (Note 38)	RMB'000 (Note 38)	RMB'000 (Note (a))	RMB'000 (Note (b))	RMB'000 (Note (c))	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Acquisition of non-controlling interest (Note (e))	186,272	—	—	(75,097)	—	—	—	111,175	(111,175)	—
Issue of new shares	58,822	—	—	—	—	—	—	58,822	—	58,822
At 31 December 2015	2,568,360	—	858,459	(30,464)	14,322	50,347	(816,836)	2,644,188	—	2,644,188
Profit for the period	—	—	—	—	—	—	464,551	464,551	—	464,551
Other comprehensive expense for the period	—	—	—	—	—	48	—	48	—	48
Total comprehensive income for the period	—	—	—	—	—	48	464,551	464,599	—	464,599
Repurchase of shares	(899,389)	—	—	—	—	—	—	(899,389)	—	(899,389)
Recognition of equity-settled share based payments granted by shareholders (Note 41)	—	—	—	1,698	—	—	—	1,698	—	1,698
Reclassification upon disposal of subsidiaries (Note 52 (b))	—	—	—	—	(5,741)	—	5,741	—	—	—
Deemed contribution upon disposal of subsidiaries (Note 52(b))	—	—	—	90,377	—	—	—	90,377	—	90,377
At 30 April 2016.	1,668,971	—	858,459	61,611	8,581	50,395	(346,544)	2,301,473	—	2,301,473
At 1 January 2015	2,323,266	—	858,459	40,998	10,751	56,169	(964,169)	2,325,474	111,175	2,436,649
Loss for the period (unaudited)	—	—	—	—	—	—	(165,712)	(165,712)	—	(165,712)
Other comprehensive expense for the period (unaudited)	—	—	—	—	—	7,509	—	7,509	—	7,509
Total comprehensive expense for the period (unaudited)	—	—	—	—	—	7,509	(165,712)	(158,203)	—	(158,203)
Acquisition of non-controlling interest (Note (e)).	186,272	—	—	(75,097)	—	—	—	111,175	(111,175)	—
Issue of new shares	58,822	—	—	—	—	—	—	58,822	—	58,822
At 30 April 2015 (unaudited).	2,568,360	—	858,459	(34,099)	10,751	63,678	(1,129,881)	2,337,268	—	2,337,268

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Note:

(a) The amounts of special reserve include:

- (i) Prior to 1 January 2013, 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 the Company, 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 has been recorded in special reserve.
- (ii) Pursuant to the 2014 Reorganisation as detailed in Note 1, on 22 April 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 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 has been recorded in special reserve.
- (b) Capital reserve as at 1 January 2013 represented capital contribution from COFCO Corporation in prior years.
- (c) The amount mainly represents statutory reserve of the companies registered in 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.
- (d) During the year ended 31 December 2013, COFCO Corporation and a non-controlling shareholder of a subsidiary of COFCO Corporation (collectively the “Other Shareholders”) injected an aggregate amount of RMB149,007,000 to COFCO Meat (Jiangsu), a then wholly-owned subsidiary of the Company. Upon completion of this capital injection, COFCO Meat (Jiangsu) was owned as to 76.58% and 23.42% by the Group and the Other Shareholders, respectively. The excess of the consideration received over the increase in the carrying value in non-controlling interests has been recorded in capital reserve.
- (e) During the year ended 31 December 2015, the Group acquired the non-controlling interests in COFCO Meat (Jiangsu) by the allotment and issue of 186,271,860 ordinary shares of the Company at the issue price of RMB186,271,860. The excess of the fair value of consideration paid over the decrease in the carrying amount of non-controlling interest has been recorded in capital reserve.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Four months ended 30 April	
	2013	2014	2015	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Cash flows from operating activities					
(Loss)/profit for the year/period. . .	(241,741)	(410,967)	150,904	(165,712)	464,551
Adjustments for:					
Income tax expense	19,089	5,283	11,467	—	626
Gain arising from changes in fair value less cost to sell of					
biological assets	(147,949)	(111,483)	(454,317)	(66,649)	(415,498)
Interest income	(5,765)	(8,336)	(14,670)	(11,788)	(863)
Finance costs	124,288	153,833	140,885	54,309	41,960
Loss on disposal of a subsidiary.	5,747	—	—	—	—
Rental income from investment properties	—	(10,105)	(14,969)	(5,105)	(5,621)
Dividend income from available-for-sale investments .	(2,753)	(2,754)	(5,851)	—	(63)
Gain from changes in fair value of financial assets designated at fair value through profit or loss	—	—	(11,397)	—	(4,904)
Loss on fair value changes in respect of currency forward contracts	—	—	—	—	878
Equity-settled share based payments	—	—	3,635	—	1,698
Share of loss of a joint venture .	—	—	—	—	213
Depreciation	132,546	156,019	174,609	59,646	64,267
Amortisation of prepaid lease payments	5,207	6,061	6,568	1,835	2,113
Amortisation of intangible assets	1,053	1,203	1,405	452	484
Government grants	(919)	(3,613)	(3,485)	(1,257)	(2,714)
Loss/(gain) on disposal of property, plant and equipment, net	1,789	1,040	2,498	242	(120)
Write-down of inventories	19,311	7,481	16,076	6	199
(Reversal of impairment)/impairment on accounts receivable, net	(318)	546	213	137	7,832

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ACCOUNTANTS’ REPORT

	Year ended 31 December			Four months ended 30 April	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Impairment/(reversal of impairment) on other receivables, net.	193	114	(13)	—	(1)
Operating cash flows before movements in working capital . .	(90,222)	(215,678)	3,558	(133,884)	155,037
(Increase)/decrease in accounts receivable.	(19,450)	(37,822)	(23,446)	7,924	(29,001)
Decrease/(increase) in prepayments, deposits and other receivables	8,859	(17,119)	(33,270)	(23,898)	45,805
(Increase)/decrease in inventories .	(346,737)	(230,596)	278,581	42,464	211,441
Decrease in biological assets	102,801	47,367	4,395	102,126	197,520
(Decrease)/increase in accounts and bills payables.	(131,487)	102,939	69,794	21,365	3,857
Increase/(decrease) in other payables, accruals and deposits received	24,913	(1,701)	39,185	(19,748)	43,001
(Increase)/decrease in amounts due from fellow subsidiaries	(1,128)	4,283	(143)	(240)	(335)
(Decrease)/increase in amounts due to fellow subsidiaries	(20,010)	(2,033)	53,190	(98,249)	3,269
(Increase)/decrease in amounts due from the ultimate holding company	—	—	(1,789)	16,845	(1,250)
(Decrease)/increase in amounts due to the immediate holding company	(953)	241	—	—	—
Increase/(decrease) in amounts due from a related company	(265)	(438)	(857)	77	976
Decrease in amounts due to the ultimate holding company	—	—	(2,000)	—	—
Cash (used in)/generated from operations	(473,679)	(350,557)	387,198	(85,218)	630,320
Income tax paid	(4,929)	(19,827)	(5,912)	1,133	(1,795)
Net cash (used in)/generated from operating activities	(478,608)	(370,384)	381,286	(84,085)	628,525
Cash flows from investing activities					
Interest received	5,765	8,336	14,670	11,788	863
Rental income received	—	10,105	14,969	5,105	5,621

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	Year ended 31 December			Four months ended 30 April	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Dividend received from					
available-for-sale investments . .	2,753	2,754	5,851	—	63
Purchase of financial assets at fair					
value through profit or loss . . .	—	—	(1,751,142)	—	(617,901)
Proceeds from disposal of					
financial assets at fair value					
through profit or loss	—	—	1,262,984	—	667,809
Payments for property, plant and					
equipment	(419,429)	(683,766)	(782,094)	(130,736)	(191,352)
Payments for investment					
properties	—	—	(550)	—	—
Payments for prepaid lease					
payments	(4,445)	(15,501)	(15,383)	(1,364)	(9,805)
Payments for intangible assets . . .	(723)	(2,254)	(854)	(531)	(110)
Proceeds from disposal of					
property, plant and equipment . .	7,198	7,295	1,328	74	5,093
Proceeds from disposal of					
intangible assets	965	—	—	—	—
Disposal of subsidiaries (Note 52). .	(2,197)	—	—	—	(17,193)
Placement of pledged and					
restricted bank deposits	(4,281)	(37,768)	(67,417)	—	(9,298)
Withdrawal of pledged and					
restricted bank deposits	—	9,543	60,045	13,378	11,502
Investment in a joint venture	—	—	—	—	(15,708)
Advance to the immediate holding					
company	(100)	—	—	—	—
Repayment from the immediate					
holding company	—	100	—	—	—
Advance to fellow subsidiaries . . .	—	(252)	(189)	—	—
Repayment from fellow					
subsidiaries	13	—	—	—	—
Government grants received	24,238	2,537	5,400	400	2,649
Net cash used in investing					
activities	<u>(390,243)</u>	<u>(698,871)</u>	<u>(1,252,382)</u>	<u>(101,886)</u>	<u>(167,768)</u>
Cash flows from financing					
activities					
Interest paid	(127,816)	(160,624)	(131,710)	(57,407)	(36,967)
New bank and other borrowings . .	3,132,518	5,658,053	5,152,720	1,272,087	1,024,836
Repayment of bank and other					
borrowings	(2,372,857)	(4,195,600)	(6,086,157)	(2,139,587)	(1,283,360)
Issue of new shares (Note 38) . . .	—	1,671,423	58,822	58,822	—

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ACCOUNTANTS’ REPORT

	Year ended 31 December			Four months ended 30 April	
	2013	2014	2015	2015	2016
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				<i>(unaudited)</i>	
Contribution from non-controlling shareholders	149,007	—	—	—	—
Repayment of loan from an intermediate holding company . .	—	(808,600)	—	—	—
Repayment to an intermediate holding company	—	(13,670)	—	—	—
Advance from the immediate holding company	—	802,568	87,664	48,910	—
Advance from fellow subsidiaries .	10,193	—	—	—	—
Repayment to fellow subsidiaries . .	(6,883)	(50,867)	(179,522)	—	(64,985)
Advance from the ultimate holding company	—	—	—	—	2,735
Loan from the ultimate holding company	—	—	5,500	—	100,000
Net cash generated from/(used in) financing activities	789,662	2,902,683	(1,098,183)	(814,175)	(257,741)
Net (decrease)/increase in cash and cash equivalents	(79,189)	1,833,428	(1,969,279)	(1,000,146)	203,016
Cash and cash equivalents at beginning of the year/period . . .	384,136	298,855	2,142,369	2,142,369	182,006
Effect of foreign exchange rate changes, net	(6,092)	10,086	8,916	10,465	(4,777)
Cash and cash equivalents at end of the year/period	<u>298,855</u>	<u>2,142,369</u>	<u>182,006</u>	<u>1,152,688</u>	<u>380,245</u>
Represented by:					
Cash and cash equivalents attributable to continuing operations (Note 31)	298,855	2,142,369	175,735	1,152,688	380,245
Cash and cash equivalents attributable to discontinued operations (Note 12)	—	—	6,271	—	—
	<u>298,855</u>	<u>2,142,369</u>	<u>182,006</u>	<u>1,152,688</u>	<u>380,245</u>

APPENDIX I

ACCOUNTANTS’ REPORT

NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION, GROUP RESTRUCTURING AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated on 11 March 2014 and acts as an investment holding company. On incorporation, the address of the Company’s registered office is Offshore Incorporations Limited, P.O Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands. Upon the re-domiciliation as an exempted company registered by way of continuation in the Cayman Islands with limited liability with effect from 4 May 2016, the registered office of the Company has been changed to Floor 4, Willow Hose, Cricket Square, PO Box 2804, Grand Cayman KY1-1112, Cayman Islands. The address of its principal place of business is COFCO Fortune Plaza, No. 8, Chao Yang Men South St., Chao Yang District, Beijing, the PRC.

The principal activities of its principal subsidiaries are investment holding, hog production, livestock slaughtering, poultry husbandry, sales of fresh and frozen meats, manufacture and sales of meat products, and trading of meat products.

The immediate holding company of the Company is Mainfield International Limited (“Mainfield”), a company incorporated in the British Virgin Islands. In the opinion of the Directors, the ultimate holding company of the Company is COFCO Corporation, which is a state-owned enterprise registered in the PRC.

The business of the Group is conducted by COFCO Meat Products (HK) and its subsidiaries, which was previously directly owned by Mainfield, a subsidiary of COFCO Corporation. Pursuant to a group reorganisation to rationalise the structure of the Group in the preparation for the [REDACTED] (the “2014 Reorganisation”) as set out in section headed “History, Development and Reorganization” to the Document, the Company was interspersed between Mainfield and COFCO Meat Products (HK) and became the holding company of the companies now comprising the Group on 22 April 2014. The Group comprising the Company and its subsidiaries resulting from the 2014 Reorganisation is regarded as a continuing entity.

As a result, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended 31 December 2013 and 2014 including the results, changes in equity and cash flows of the Group have been prepared as if the Company had always been the holding company of the Group and the current group structure had existed throughout the Track Record Period, or since their respective dates of incorporation/establishment, where those is a shorter period. The consolidated statement of financial position as at 31 December 2013 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at 31 December 2013.

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

At 31 December 2013, 2014 and 2015 and 30 April 2016, the Group’s net current liabilities amounted to RMB2,277,090,000, RMB1,162,710,000, RMB851,090,000 and RMB908,561,000, respectively. The Group finances its operations primarily through funding obtained from financial institutions and the immediate holding company and shareholders. As further detailed in Note 50, the Directors closely monitor the Group’s financial performance and liquidity requirements to safeguard the Group’s ability to continue as a going concern, and after taking into account the reasonably possible changes in the operational performance and the availability of borrowings at the date of this report and upon the expected renewal of the short term bank loans, are of the opinion that, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next 12 months from 30 April 2016.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”)

For the purposes of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently applied Hong Kong Accounting Standards (“HKASs”), HKFRSs and Interpretations issued by the HKICPA, which are effective for the accounting period beginning on 1 January 2016 throughout the Track Record Period.

At the date of this report, the Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 9	<i>Financial Instruments¹</i>
HKFRS 15	<i>Revenue from Contracts with Customers¹</i>
HKFRS 16	<i>Leases²</i>
Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions¹</i>
Amendments to HKAS 7	<i>Disclosure Initiative³</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses³</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers¹</i>

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after a date to be determined

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Except as described below, the Directors anticipate that the application of the above new and revised HKFRSs will have no material impact on the Financial Information.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Except for the potential early recognition of credit losses based on the expected loss model in relation to the Group’s financial assets measured at amortised costs, the management of the Group anticipates that the adoption of HKFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group’s financial assets and financial liabilities based on an analysis of the Group’s financial instruments as at 30 April 2016.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Group has performed a review of the existing contractual arrangement with its customers and the Directors do not expect the adoption of HKFRS 15 would result in significant impact on the revenue recognition of its sales activities and the financial statements.

HKFRS 16 Leases

HKFRS 16 sets out the principles for the recognition, measurement, presentation and disclosures of leases. HKFRS 16 supersedes (a) HKAS 17 *Leases*; (b) HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*; (c) HK(SIC)-Int 15 *Operating Leases-Incentives*; and (d) HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

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HKFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise and option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operation leases under HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in Note 42, total operating lease commitments of the Group in respect of leased premises as at 30 April 2016 amounted to RMB98,096,000, the Directors do not expect the adoption of HKFRS 16 would result in significant impact on the Group’s financial performance but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

The Financial Information has been prepared on the historical cost basis, except for biological assets, financial assets at fair value through profit or loss (“FVTPL”) and derivative financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into accounts the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at

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the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information 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 within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the assets or liability, either directly or indirectly, and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below:

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period 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.

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

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

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

Changes in the Group’s ownership interests in existing subsidiaries

Changes in the Group’s ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. 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, 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 previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

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Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognised amounts of the acquiree’s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the “measurement period” (which cannot exceed the next twelve months from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which

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the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on the acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit 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 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 allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in the Financial Information using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group’s

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share of the profit or loss and other comprehensive income of the joint venture. When the Group’s share of losses of a joint venture exceeds the Group’s interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group’s net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group’s share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group’s share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group’s investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the joint venture are recognised in the Financial Information only to the extent of interests in the joint venture that are not related to the Group.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within the next twelve months from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

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Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs of disposal. The assets and liabilities included within a disposal group classified as held for sale are presented separately in the consolidated statements of financial position.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend income from investments is recognised when the shareholders’ rights to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

The Group’s policy for recognition of revenue from operating leases is described in the accounting policy below.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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The Group as lessor

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals under operating leases are recognised as an expense in the period in which they are incurred.

Leasehold land and building for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognised at the rates of exchange 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 on monetary items are recognised in profit or loss in the period in which they arise.

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For the purposes of presenting the Financial Information, the assets and liabilities of the Group’s foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group’s entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

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.

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

Retirement benefit costs and termination benefits

Payment to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

The employees of the Group in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The Group’s PRC companies are required to contribute certain percentage of their payroll to the retirement benefit scheme 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

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from ‘profit/loss before tax’ as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information 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

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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 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.

Current and deferred tax for the year/period

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.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance lease) 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.

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Depreciation is recognised so as to write off the cost of items of property, plant and equipment 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.

Construction in progress, which represents assets in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss, if any. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the basis as other assets, commences when the assets are ready for their intended use in accordance with the policy as set out above.

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.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

Intangible assets

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

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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.

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell 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 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. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years/periods. 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) and live chickens. Biological assets are measured on initial recognition and at the end of each reporting period at their fair value less costs to sell. A gain or loss arising on initial recognition of biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset is included in profit or loss for the period in which it arises.

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The agricultural produce harvested from the biological assets are measured at their fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying HKAS 2 *Inventories*. A gain or loss arising from agricultural produce at the point of harvest at fair value less costs to sell is included in profit or loss for the period in which it arises.

Inventories

Inventories are stated at the lower of cost or the deemed cost for agricultural produce harvested from biological assets and net realisable value. Costs of inventories are determined on the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss (“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.

Financial assets

The Group’s financial assets are classified into the following specified categories: Financial assets at FVTPL, available-for-sale (“AFS”) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in other gains and losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the ‘other gains and losses’ line item. Fair value is determined in the manner described above.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables.

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Dividends on AFS equity investments are recognised in profit or loss when the Group’s right to receive the dividends is established.

Equity securities held by the Group that are classified as AFS equity investments do not have a quoted market price in an active market, and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts receivable, deposits and other receivables, pledged and restricted bank deposits, cash and cash equivalents, and amounts due from fellow subsidiaries, the ultimate holding company, an intermediate holding company and a related company, and loans to fellow subsidiaries) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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For certain categories of financial assets, such as accounts receivable, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the financial asset’s original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an accounts receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of available-for-sale investment revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

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Equity instruments

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

Repurchase of the Company’s own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

A financial liability is classified as held for trading if:

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

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities. Fair value is determined in the manner described in Note 51.

Other financial liabilities

Financial liabilities (including accounts and bills payable, other payables, bank and other borrowings, loans from and amounts due to fellow subsidiaries, an intermediate holding company, the immediate holding company, the ultimate holding company, shareholders and non-controlling interests) are subsequently measured at amortised cost using the effective interest method.

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Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment arrangements

Equity-settled share-based payment transactions

Equity-settled share-based payments to directors, employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

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The fair value determined at the grant date of the equity-settled share-based payments 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. For share options that vest immediately at the date of grant, the fair value of the share option granted is expensed immediately to profit or loss. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. 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 reserve.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

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Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. 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, a material impairment loss may arise. As at 31 December 2013, 2014 and 2015 and 30 April 2016, the carrying amount of goodwill was RMB100,609,000, RMB100,609,000, RMB100,609,000 and RMB100,609,000, respectively. Details of the recoverable amount calculation are disclosed in Note 17.

Estimated impairment of property, plant and equipment

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

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the fair value less costs of disposal or the value in use, i.e. the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs.

Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

The net carrying amount of property, plant and equipment as at 31 December 2013, 2014 and 2015 and 30 April 2016 was RMB2,709,551,000, RMB3,391,305,000, RMB4,033,540,000 (including the balance reclassified as held for sale of RMB615,483,000) and RMB3,490,985,000, respectively.

Unrecognised tax losses and deductible temporary differences

The amount of unrecognised tax losses as at 31 December 2013, 2014 and 2015 and 30 April 2016 was RMB454,679,000, RMB597,307,000, RMB633,499,000 and RMB633,781,000, respectively, and the amount of unrecognised deductible temporary differences as at 31 December 2013, 2014 and

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2015 and 30 April 2016 was RMB10,157,000, RMB7,774,000, RMB14,434,000 and RMB7,935,000, respectively. Further details are contained in Note 25. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. The Directors determine the deferred tax assets based on the enacted or substantially enacted tax rates and the best knowledge of profit projections of the subsidiaries for coming years during which the deferred tax assets are expected to be utilised.

Fair value measurement of biological assets

The Group’s management determine the fair values less costs to sell of biological assets at the end of each reporting period with reference to the market-determined prices, species, growing conditions, cost incurred and the professional valuation. The Directors work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The determination involved the use of significant judgment. If actual results differ with the original estimates made by management, such differences from the original estimates will impact the fair value changes recognised in profit or loss in the period in which the estimates change and in future periods. The carrying amount of the Group’s biological assets as at 31 December 2013, 2014 and 2015 and 30 April 2016 was RMB697,015,000, RMB761,131,000, RMB1,211,053,000 (including balance reclassified as held for sale of RMB18,487,000) and RMB1,408,925,000, respectively. Details of the fair value measurement of biological assets are set out in Note 24.

Estimated impairment of accounts receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2013, 2014 and 2015 and 30 April 2016, the carrying amount of accounts receivable was RMB153,098,000, RMB190,374,000, RMB213,607,000 (including the balance reclassified as held for sale of RMB48,169,000) and RMB169,162,000, respectively, net of allowance for doubtful debts of RMB938,000, RMB1,484,000, RMB1,697,000 (including the balance reclassified as held for sale of RMB762,000) and RMB8,767,000, respectively. Details of the impairment allowance recognised during the Track Record Period are set out in Note 27.

Inventories

Inventories are stated at the lower of cost or the deemed cost for agricultural produce harvested from biological assets and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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Management of the Group periodically reviews inventories for slow moving, obsolescence or declines in market value. This review requires them to estimate the net realisable value based upon assumptions about future demand and market conditions. If the estimate of net realisable value is below the cost of inventories, the Group will record a write-down of inventories for the difference between cost and net realisable value, which will result in a corresponding increase in cost of sales. If the net realisable value is less than the carrying amount, write-down on inventories may be required.

The carrying amount of inventories as at 31 December 2013, 2014 and 2015 and 30 April 2016 was RMB710,162,000, RMB933,277,000, RMB638,620,000 (including the balance reclassified as held for sale of RMB119,968,000) and RMB302,464,000, respectively. The write-down of inventories recorded in profit or loss from continuing operations for the years ended 31 December 2013, 2014 and 2015 and for the four months ended 30 April 2015 and 2016 amounted to RMB10,308,000, RMB7,404,000, RMB14,154,000, nil (unaudited) and RMB211,000, respectively, and the write-down of inventories recorded in loss from discontinued operations for the years ended 31 December 2013, 2014 and 2015 and for the four months ended 30 April 2015 and 2016 amounted to RMB9,003,000, RMB77,000, RMB1,922,000, RMB6,000 (unaudited) and RMB9,003 write-back of RMB12,000, respectively.

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Adjustment to depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at the end of each reporting period based on changes in circumstances.

Fair value measurement of financial assets at FVTPL

The Group’s financial assets at FVTPL represent bank wealth management products which are carried at fair value. Estimating the value of these financial instruments requires the Group to make certain estimates and assumptions, and hence the values are judgmental. The Group uses market-observable data to the extent it is available. Detailed information about the valuation technique, and inputs used in the determination of the fair value of such bank wealth management products are set out in Note 51.

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5. REVENUE

An analysis of the Group’s revenue, which is also turnover of the Group, from continuing operations is as follows:

	Year ended 31 December			Four months ended 30 April	
	2013	2014	2015	2015	2016
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				<i>(unaudited)</i>	
Hog production	385,175	410,588	755,868	205,221	487,754
Sales of fresh pork	1,425,877	1,442,518	2,027,363	497,532	783,876
Sales of processed meat products	270,763	290,426	329,784	102,122	103,520
Sales of imported meat products .	<u>1,651,784</u>	<u>1,602,507</u>	<u>1,942,690</u>	<u>570,709</u>	<u>592,480</u>
	<u>3,733,599</u>	<u>3,746,039</u>	<u>5,055,705</u>	<u>1,375,584</u>	<u>1,967,630</u>

6. SEGMENT INFORMATION

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

Hog production segment	represents hog breeding
Fresh pork segment	represents slaughtering, wholesale and retail sales of fresh and frozen meats
Processed meat products segment	represents manufacture, wholesale and retail sales of processed meat products under brands of “Maverick” and “Joycome”
International trading segment	represents sales of imported meat products

An operating segment regarding the poultry production business, which represents chicken breeding and processing, was discontinued in April 2016. The segment information reported below does not include any amounts for the discontinued operations, which are described in more details in Note 12.

Each reportable segment derives its revenue from the sales of products based on the location of operations. They are managed separately because each segment requires different production and marketing strategies.

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Segment revenues and results

The following is an analysis of the Group’s revenue and segment results from continuing operations by reportable and operating segment.

	Hog production	Fresh pork	Processed meat products	Inter- national trading	Segment total	Inter- segment elimination	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
For the year ended 31 December 2013							
Segment revenue							
External customers	385,175	1,425,877	270,763	1,651,784	3,733,599	—	3,733,599
Inter-segment sales	899,684	57,897	956	7,465	966,002	(966,002)	
Segment revenue	<u>1,284,859</u>	<u>1,483,774</u>	<u>271,719</u>	<u>1,659,249</u>	<u>4,699,601</u>	<u>(966,002)</u>	<u>3,733,599</u>
Segment results	<u>60,149</u>	<u>(9,633)</u>	<u>(11,066)</u>	<u>39,944</u>	<u>79,394</u>	<u>—</u>	<u>79,394</u>
Unallocated corporate income							15,985
Unallocated corporate expenses . . .							(52,989)
Fair value adjustments on biological assets							(2,299)
Finance costs							<u>(104,702)</u>
Loss before tax from continuing operations							<u>(64,611)</u>
For the year ended 31 December 2014							
Segment revenue							
External customers	410,588	1,442,518	290,426	1,602,507	3,746,039	—	3,746,039
Inter-segment sales	826,708	63,967	471	1,643	892,789	(892,789)	—
Segment revenue	<u>1,237,296</u>	<u>1,506,485</u>	<u>290,897</u>	<u>1,604,150</u>	<u>4,638,828</u>	<u>(892,789)</u>	<u>3,746,039</u>
Segment results	<u>(119,919)</u>	<u>(7,322)</u>	<u>(456)</u>	<u>2,077</u>	<u>(125,620)</u>	<u>—</u>	<u>(125,620)</u>
Unallocated corporate income							12,960
Unallocated corporate expenses . . .							(48,017)
Fair value adjustments on biological assets							(47,547)
Finance costs							<u>(137,568)</u>
Loss before tax from continuing operations							<u>(345,792)</u>
For the year ended 31 December 2015							
Segment revenue							
External customers	755,868	2,027,363	329,784	1,942,690	5,055,705	—	5,055,705
Inter-segment sales	993,737	79,505	7	7,435	1,080,684	(1,080,684)	—
Segment revenue	<u>1,749,605</u>	<u>2,106,868</u>	<u>329,791</u>	<u>1,950,125</u>	<u>6,136,389</u>	<u>(1,080,684)</u>	<u>5,055,705</u>
Segment results	<u>138,378</u>	<u>(1,469)</u>	<u>4,015</u>	<u>(73,763)</u>	<u>67,161</u>	<u>—</u>	<u>67,161</u>

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	Hog production	Fresh pork	Processed meat products	Inter- national trading	Segment total	Inter- segment elimination	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Unallocated corporate income							29,412
Unallocated corporate expenses . . .							(95,240)
Fair value adjustments on biological assets							351,682
Finance costs							<u>(133,365)</u>
Profit before tax from continuing operations							<u>219,650</u>
For four months ended 30 April 2015 (unaudited)							
Segment revenue							
External customers	205,221	497,532	102,122	570,709	1,375,584	—	1,375,584
Inter-segment sales	<u>291,625</u>	<u>15,664</u>	<u>209</u>	<u>2,487</u>	<u>309,985</u>	<u>(309,985)</u>	<u>—</u>
Segment revenue	<u>496,846</u>	<u>513,196</u>	<u>102,331</u>	<u>573,196</u>	<u>1,685,569</u>	<u>(309,985)</u>	<u>1,375,584</u>
Segment results	<u>(78,017)</u>	<u>7,383</u>	<u>(1,065)</u>	<u>(152)</u>	<u>(71,851)</u>	<u>—</u>	<u>(71,851)</u>
Unallocated corporate income							7,289
Unallocated corporate expenses . . .							(16,311)
Fair value adjustments on biological assets							(5,616)
Finance costs							<u>(52,145)</u>
Profit before tax from continuing operations.							<u>(138,634)</u>
For four months ended 30 April 2016							
Segment revenue							
External customers	487,754	783,876	103,520	592,480	1,967,630	—	1,967,630
Inter-segment sales	<u>492,332</u>	<u>4,865</u>	<u>256</u>	<u>14,669</u>	<u>512,122</u>	<u>(512,122)</u>	<u>—</u>
Segment revenue	<u>980,086</u>	<u>788,741</u>	<u>103,776</u>	<u>607,149</u>	<u>2,479,752</u>	<u>(512,122)</u>	<u>1,967,630</u>
Segment results	<u>336,120</u>	<u>(1,512)</u>	<u>(2,574)</u>	<u>37,327</u>	<u>369,361</u>	<u>—</u>	<u>369,361</u>
Unallocated corporate income							10,167
Unallocated corporate expenses . . .							(34,474)
Fair value adjustments on biological assets							156,230
Finance costs							<u>(40,028)</u>
Profit before tax from continuing operations.							<u>461,256</u>

Segment profit/(loss) represents the profit earned by/(loss from) each segment without allocation of central administration costs, directors’ emoluments, fair value adjustments on biological assets, certain other gains and losses, and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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Inter-segment sales are charged at prices agreed between group entities.

Segment assets and segment liabilities

Segment assets and liabilities are not disclosed in the Financial Information as they are not regularly provided to the CODM for the purposes of resource allocation and performance assessment.

Other segment information

	Hog production	Fresh pork	Processed meat products	Inter- national trading	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Year ended 31 December 2013</i>					
<i>Amounts included in the measure of segment profit or loss:</i>					
Depreciation and amortisation*	63,810	17,273	10,106	69	91,258
Reversal of impairment of accounts receivable, net	—	—	(153)	(165)	(318)
Impairment of other receivables, net . . .	—	122	5	41	168
Write-down of inventories	—	1,211	—	9,097	10,308
<i>Amounts regularly provided to CODM but not included in the measure of segment profit or loss or segment assets:</i>					
Finance costs	44,914	19,996	9,477	30,315	104,702
Income tax expenses	<u>—</u>	<u>—</u>	<u>—</u>	<u>15,006</u>	<u>15,006</u>
<i>Year ended 31 December 2014</i>					
<i>Amounts included in the measure of segment profit or loss:</i>					
Depreciation and amortisation*	79,457	20,608	10,113	75	110,253
(Reversal of impairment)/impairment of accounts receivable, net	—	—	(178)	458	280
Impairment of other receivables, net . . .	—	27	37	25	89
Write-down of inventories	—	5,237	—	2,167	7,404
<i>Amounts regularly provided to CODM but not included in the measure of segment profit or loss or segment assets:</i>					
Finance costs	61,192	25,392	10,858	40,126	137,568
Income tax expenses	<u>—</u>	<u>2,458</u>	<u>—</u>	<u>1,112</u>	<u>3,570</u>

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	Hog production	Fresh pork	Processed meat products	Inter- national trading	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<i>Year ended 31 December 2015</i>					
<i>Amounts included in the measure of segment profit or loss:</i>					
Depreciation and amortisation*	83,981	26,398	10,258	78	120,715
Impairment loss on accounts receivable, net	35	—	107	151	293
(Reversal of impairment)/impairment of other receivables, net	(10)	—	4	(7)	(13)
Write-down of inventories	—	7,466	—	6,688	14,154
<i>Amounts regularly provided to CODM but not included in the measure of segment profit or loss or segment assets:</i>					
Finance costs	58,915	20,794	25,850	27,807	133,365
Income tax expenses	<u>—</u>	<u>8,556</u>	<u>—</u>	<u>1,438</u>	<u>9,994</u>
<i>Four months ended 30 April 2015 (unaudited)</i>					
<i>Amounts included in the measure of segment profit or loss:</i>					
Depreciation and amortisation*	32,428	7,795	3,381	25	43,629
Impairment loss on accounts receivable, net	—	—	137	—	137
<i>Amounts regularly provided to CODM but not included in the measure of segment profit or loss or segment assets:</i>					
Finance costs	28,708	7,309	2,322	3,446	41,785
Income tax expenses	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

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	Hog production	Fresh pork	Processed meat products	Inter- national trading	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Four months ended 30 April 2016					
<i>Amounts included in the measure of segment profit or loss:</i>					
Depreciation and amortisation*	39,145	7,992	3,801	26	50,964
(Reversal of impairment)/impairment loss on accounts receivable, net	—	—	(16)	7,848	7,832
Reversal of impairment of other receivables, net.	—	—	(1)	—	(1)
Write-back of inventories.	—	(1,986)	—	—	(1,986)
<i>Amounts regularly provided to CODM but not included in the measure of segment profit or loss or segment assets:</i>					
Finance costs	27,638	5,205	2,936	4,249	40,028
Income tax expenses	—	—	—	—	—

* Depreciation and amortisation not included in the measure of segment profit or loss for the years ended 31 December 2013, 2014 and 2015 and for the four months ended 30 April 2015 and 2016 amounted to RMB288,000, RMB346,000, RMB353,000, RMB107,000 (unaudited) and RMB106,000, respectively.

Geographical information

Over 90% of the revenue and operating results of the Group is derived from the PRC based on location of the operations over the Track Record Period.

All the Group’s non-current assets, excluded those relating to discontinued operations at 31 December 2015, goodwill, available-for-sale investments, investment in a joint venture and deferred tax assets, amounting to RMB2,974,280,000, RMB3,796,491,000, RMB3,802,333,000 and RMB3,860,417,000 at 31 December 2013, 2014 and 2015 and 30 April 2016, respectively, are located in the PRC based on geographical location of the assets.

Information about major customers

No revenue from transaction with single external customer is amounted to 10% or more of the Group’s revenue in each of the reporting periods over the Track Record Period.

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7. OTHER INCOME

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

	Year ended 31 December			Four months ended 30 April	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Interest income from bank	5,316	7,970	14,495	11,741	825
Dividend income from					
available-for-sale investments .	2,753	2,754	5,851	—	63
Government grants*	21,162	28,092	38,125	5,361	1,961
	<u>29,231</u>	<u>38,816</u>	<u>58,471</u>	<u>17,102</u>	<u>2,849</u>

* Various government grants have been received for investments in certain provinces in the PRC, which are available for industries or locations in which the Company’s subsidiaries operate. Certain government grants are related to innocuous treatment of died hogs. There are no unfulfilled conditions or contingencies relating to these grants.

Government grants for which related to acquisition of lands and property, plant and equipment 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 37. Included in the above balances are government grants released from deferred income of RMB919,000, RMB2,860,000, RMB2,733,000, RMB505,000 (unaudited) and RMB912,000 for the years ended 31 December 2013, 2014 and 2015 and for the four months ended 30 April 2015 and 2016, respectively.

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8. OTHER GAINS AND LOSSES

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

	Year ended 31 December			Four months ended 30 April	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Exchange gain/(loss), net	6,597	(16,147)	(69,794)	(6,436)	3,385
Loss on disposal of property, plant and equipment, net	(996)	(491)	(2,331)	(204)	(32)
Write-down of inventories**	(10,308)	(7,404)	(14,154)	—	(211)
Reversal of impairment/ (impairment) on accounts receivable, net	318	(280)	(293)	(137)	(7,832)
(Impairment)/Reversal of impairment on other receivables, net	(168)	(89)	13	—	1
Gain from changes in fair value of financial assets designated as FVTPL	—	—	11,397	—	4,904
Loss on fair value changes in respect of foreign currency forward contracts	—	—	—	—	(878)
Inventories fully damaged in an explosion accident*	—	—	(99,912)	—	—
Insurance compensation*	—	—	50,000	—	36,783
Others	2,395	500	(2,548)	(238)	3,627
	<u>(2,162)</u>	<u>(23,911)</u>	<u>(127,622)</u>	<u>(7,015)</u>	<u>39,747</u>

* During the year ended 31 December 2015, inventories with an aggregate carrying value of RMB99,912,000 kept in a warehouse located in Tianjin, the PRC, were fully damaged in an explosion accident. The compensation received from the insurance claim up to 30 April 2016 amounted to RMB86,783,000.

** Write-down of inventories is mainly attributable to the decrease in net realisable value of certain finished goods. The finished goods are written down to net realisable value when the costs of the finished goods are expected to exceed their net realisable value. The net realisable value is estimated by reference to the market price of the corresponding inventories less costs necessary to make the sale.

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9. FINANCE COSTS

An analysis of the Group’s finance costs from continuing operations is as follows:

	Year ended 31 December			Four months ended 30 April	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Interest on:					
Bank borrowings.	82,883	109,014	99,988	40,134	27,439
Loans from a fellow subsidiary*	3,841	25,018	24,202	12,685	6,719
Loans from an intermediate holding company.	21,506	10,327	—	—	—
Loans from the immediate holding company.	—	—	18,923	2,424	8,795
Loans from the ultimate holding company.	—	—	—	—	878
Total borrowing costs.	108,230	144,359	143,113	55,243	43,831
Less: Borrowing costs capitalised in the cost of qualifying assets	(3,528)	(6,791)	(9,748)	(3,098)	(3,803)
	<u>104,702</u>	<u>137,568</u>	<u>133,365</u>	<u>52,145</u>	<u>40,028</u>

* The amount represents interest expense for loans from a non-banking financial institution, COFCO Finance Corporation Limited (“COFCO Finance”), which is a fellow subsidiary of the Group. Details of other borrowings are set out in Note 34.

Borrowing costs capitalised to qualifying assets during the years ended 31 December 2013, 2014 and 2015 and four months ended 30 April 2015 and 2016 were based on actual borrowing costs incurred for specific borrowings.

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10. (LOSS)/PROFIT BEFORE TAX

The Group’s (loss)/profit before tax from continuing operations is arrived at after charging:

	Year ended 31 December			Four months ended 30 April	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Cost of sales (represented the cost of inventories recognised as expenses during the Track Record Period)	3,548,616	3,626,183	4,937,701	1,334,160	1,945,955
Employee benefits expense (including directors’ remuneration as disclosed in Note 13):					
Salaries and other allowances . .	273,320	291,707	333,526	101,380	115,526
Retirement benefit schemes contributions	14,617	17,431	27,626	8,635	10,071
Equity-settled share option expense	—	—	3,635	—	1,698
	<u>287,937</u>	<u>309,138</u>	<u>364,787</u>	<u>110,015</u>	<u>127,295</u>
Auditors’ remuneration	583	618	805	270	270
Depreciation	86,013	104,260	114,044	41,759	48,843
Amortisation of prepaid lease payments	4,780	5,649	6,168	1,703	1,926
Amortisation of intangible assets .	753	690	856	274	301
Minimum lease payments under operating leases in respect of land and buildings	<u>3,207</u>	<u>3,039</u>	<u>3,445</u>	<u>3,258</u>	<u>3,860</u>

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11. INCOME TAX EXPENSE

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

	Year ended 31 December			Four months ended 30 April	
	2013	2014	2015	2015	2016
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				<i>(unaudited)</i>	
Current tax:					
PRC Enterprise Income Tax . . .	<u>15,006</u>	<u>3,570</u>	<u>9,994</u>	<u>—</u>	<u>626</u>

Under the Law of the People’s Republic of China on Enterprise Income Tax (the “EIT Law”) and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the Track Record Period.

Certain of the Group’s subsidiaries operating in the PRC are eligible for certain tax concessions and certain of their operations were exempted from PRC income taxes during the Track Record Period. According to the Implementation Regulation of the EIT Law and the EIT exemptions regulation set out in the Circular of the Ministry of Finance and the State Administration on Releasing the Primary Processing Ranges of Agricultural Products Entitled to Preferential Policies on Enterprise Income Tax (Trial Implementation) (Cai Shui [2008] No. 149), and the requirements of Article 86 of the Implementation Regulation of the EIT Law, the income from primary processing for agriculture products are exempted from EIT. In addition, pursuant to related regulations in respect of the Implementation Regulation of the EIT Law, the income from projects of animal-husbandry and poultry feeding, is also entitled to exemption from EIT during the Track Record Period.

No provision for Hong Kong profits tax during the Track Record Period have been made as the Group had no assessable profit generated in Hong Kong for the Track Record Period.

Taxation arising from other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. During the Track Record Period, no provision for income tax have been made in other jurisdictions as the Group had no assessable profit generated from other jurisdictions.

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The tax charge for the year can be reconciled to the (loss)/profit before tax from continuing operations per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Four months ended 30 April	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
(Loss)/profit before tax from continuing operations	<u>(64,611)</u>	<u>(345,792)</u>	<u>219,650</u>	<u>(138,634)</u>	<u>461,256</u>
Tax at the statutory income tax rate of 25%*.	(16,153)	(86,448)	54,913	(34,659)	115,314
Effect of different tax rates for entities of the Group operating in other jurisdictions	(1,125)	(138)	2,361	(249)	(872)
Tax effect of expenses not deductible for tax purpose	10,968	24,708	25,563	3,902	1,450
Tax effect of income not taxable for tax purpose**.	(114)	(981)	(89,550)	—	(39,058)
Effect of tax exemptions granted to certain operations of certain PRC subsidiaries***	(6,745)	22,379	(13,192)	(175)	(78,197)
Tax losses utilised from previous periods	(2,680)	(643)	(1,596)	—	(7,916)
Tax effect of tax losses not recognised	28,316	42,750	29,484	31,147	7,920
Tax effect of deductible temporary differences not recognised	<u>2,539</u>	<u>1,943</u>	<u>2,011</u>	<u>34</u>	<u>1,985</u>
Tax charge at the Group’s effective rate	<u>15,006</u>	<u>3,570</u>	<u>9,994</u>	<u>—</u>	<u>626</u>

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

** The adjustment for the year ended 31 December 2015 mainly represents the tax effect of the fair value gains on biological assets at 31 December 2015.

*** This adjustment represented the net effect of the tax exemptions granted to certain operations of certain PRC subsidiaries as mentioned above.

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12. DISCONTINUED OPERATIONS

On 20 November 2015, the Directors resolved to dispose of certain subsidiaries, which carried out all of the Group’s poultry production business. The disposal plan is consistent with the Group’s strategy to focus on its hog production and related businesses. The assets and liabilities attributable to the business, which were expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position at 31 December 2015. The net proceeds of disposal were expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised. On 22 April 2016, the poultry production business was disposed of to a company beneficially owned by the shareholders of the Company at a consideration of RMB1. The difference between this consideration and the net liabilities of the disposal group at the disposal date is recorded to capital reserve (Note 52(b)).

The loss for the Track Record Period from the discontinued poultry production business is set out below. The consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2013 and 2014 have presented the poultry production business as discontinued operations.

	Year ended 31 December			For months ended 30 April	
	2013	2014	2015	2015	2016
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				<i>(unaudited)</i>	
Revenue	1,330,661	1,248,186	1,257,023	431,349	339,500
Cost of sales	(1,314,581)	(1,244,743)	(1,223,454)	(450,974)	(342,973)
Gross profit	16,080	3,443	33,569	(19,625)	(3,473)
Other income	5,127	19,478	20,607	7,615	7,582
Other gains and losses	(18,214)	(1,356)	1,787	2,763	2,201
Selling and distribution expenses	(22,917)	(21,326)	(32,184)	(9,284)	(10,640)
Administrative expenses	(38,397)	(46,107)	(38,373)	(13,266)	(7,812)
(Loss)/gain arising from agricultural produce at fair value less costs to sell at the point of harvest	(75,876)	(4,582)	(33,140)	3,366	15,227
(Loss)/gain arising from changes in fair value less costs to sell of biological assets	(4,258)	6,823	(2,025)	4,906	3,738
Finance costs	(19,586)	(16,265)	(7,520)	(2,164)	(1,932)
(Loss)/profit before tax	(158,041)	(59,892)	(57,279)	(25,689)	4,891
Income tax expense	(4,083)	(1,713)	(1,473)	(1,389)	(970)
(Loss)/profit for the year	<u>(162,124)</u>	<u>(61,605)</u>	<u>(58,752)</u>	<u>(27,078)</u>	<u>3,921</u>

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The Group’s (loss)/profit before tax from discontinued operations is arrived at after charging/(crediting):

	Year ended 31 December			Four months ended 30 April	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Interest income from bank	(449)	(366)	(175)	(48)	(38)
Gross rental income from investment properties	—	(10,105)	(14,969)	(5,105)	(5,621)
Employee benefits expense:					
Salaries and other allowances . .	165,743	178,177	193,646	53,657	62,546
Retirement benefit schemes contributions	8,615	7,699	8,509	3,647	3,822
	<u>174,358</u>	<u>185,876</u>	<u>202,155</u>	<u>57,304</u>	<u>66,368</u>
Depreciation	46,533	51,759	60,565	17,887	15,424
Amortisation of prepaid lease payments	427	412	400	132	187
Amortisation of intangible assets .	300	513	549	178	183
Impairment/(reversal of impairment) of accounts receivable, net	—	266	(80)	—	—
Impairment of other receivables, net	25	25	—	—	—
Write-down/(write-back) of inventories	9,003	77	1,922	6	(12)
Loss/(gain) on disposal of property, plant and equipment. .	793	549	167	38	(152)
Loss on disposal of a subsidiary (Note 52(a))	<u>5,747</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

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

	Year ended 31 December			Four months ended 30 April	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Net cash (used in)/generated from:					
Operating activities	(114,539)	(27,879)	44,777	52,650	(62,701)
Investing activities	(68,218)	(78,679)	(48,739)	(20,339)	6,011
Financing activities	172,506	72,692	(405)	(29,929)	67,612
Net cash (outflow)/inflow	<u>(10,251)</u>	<u>(33,866)</u>	<u>(4,367)</u>	<u>2,382</u>	<u>10,922</u>

The major classes of assets and liabilities of poultry production business as at 31 December 2015, which have been presented separately in the consolidated statement of financial position, are as follows:

	At 31 December 2015
	RMB'000
Property, plant and equipment	615,483
Investment properties	110,780
Prepaid lease payments	12,905
Intangible assets	910
Biological assets	18,487
Inventories	119,968
Accounts receivable	48,169
Prepayments, deposits and other receivables	58,431
Cash and cash equivalents	6,271
Deferred tax assets	646
Amounts due from a related company	987
Total assets classified as held for sale	<u>993,037</u>
Accounts and bills payables	105,207
Other payables, accruals and deposits received	79,247
Amounts due to fellow subsidiaries	91,356
Bank and other borrowings	125,500
Loans from the ultimate holding company	3,000
Current tax liabilities	583
Deferred income	<u>13,733</u>
Total liabilities directly associated with disposal group classified as held for sale	<u>418,626</u>

The above assets/liabilities classified as held for sale excluded the net amounts due to and loans from entities under continuing operations as at 31 December 2015 totalling RMB549,215,000.

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13. DIRECTORS’ EMOLUMENTS

Directors’ remuneration for the Track Record Period, disclosed pursuant to the applicable Listing Rules and the Companies Ordinance, is as follows:

		Other emoluments				
		Salaries and other allowances	Retirement benefit scheme contributions	Bonus	Equity-settled share option expense	Total
Directors’ fees						
RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<i>Year ended 31 December 2013</i>						
Executive director:						
XU Jianong (Note (a))	—	141	10	—	—	151
Non-executive directors:						
MA Jianping (Note (a))	—	—	—	—	—	—
WANG Zhiying (Note (b)).	—	—	—	—	—	—
XU Yang (Note (g)).	—	—	—	—	—	—
WOLHARDT Julian Juul (Note (b))	—	—	—	—	—	—
CUI Guiyong (Note (b))	—	—	—	—	—	—
WU Hai (Note (e))	—	—	—	—	—	—
ZHOU Qi (Note (b))	—	—	—	—	—	—
YU Xubo (Note (b) and (h))	—	—	—	—	—	—
SUN Yanmin (Note (b) and (h))	—	—	—	—	—	—
JIANG Guojin (Note (b) and (h))	—	636	26	587	—	1,249
WANG Hao (Note (b) and (h))	—	—	—	—	—	—
WAKAKI Takamasa (Notes (b) and (d)). .	—	596	26	219	—	841
JIANG Xingquan (Notes (b) and (c)) . . .	—	—	—	—	—	—
KYOKA Yutaka (Notes (b) and (d))	—	—	—	—	—	—
KIKUCHI Kiyotaka (Note (f))	—	—	—	—	—	—
Total	—	1,373	62	806	—	2,241
<i>Year ended 31 December 2014</i>						
Executive director:						
XU Jianong (Note (a))	—	828	40	455	—	1,323
Non-executive directors:						
MA Jianping (Note (a))	—	—	—	—	—	—
WANG Zhiying (Note (b)).	—	—	—	—	—	—
XU Yang (Note (g)).	—	—	—	—	—	—
WOLHARDT Julian Juul (Note (b))	—	—	—	—	—	—
CUI Guiyong (Note (b))	—	—	—	—	—	—
WU Hai (Note (e))	—	—	—	—	—	—
ZHOU Qi (Note (b))	—	—	—	—	—	—
YU Xubo (Note (b) and (h))	—	—	—	—	—	—
SUN Yanmin (Note (b) and (h))	—	—	—	—	—	—
JIANG Guojin (Note (b) and (h))	—	—	—	—	—	—
WANG Hao (Note (b) and (h))	—	—	—	—	—	—
WAKAKI Takamasa (Notes (b) and (d)). .	—	588	40	274	—	902
JIANG Xingquan (Notes (b) and (c)) . . .	—	—	—	—	—	—
KYOKA Yutaka (Notes (b) and (d))	—	—	—	—	—	—
KIKUCHI Kiyotaka (Note (f))	—	—	—	—	—	—
Total	—	1,416	80	729	—	2,225

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	Directors' fees	Other emoluments				Total
		Salaries and other allowances	Retirement benefit scheme contributions	Equity-settled		
				share option expense	Bonus	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2015						
Executive director:						
XU Jianong (Note (a))	—	1,028	44	380	473	1,925
Non-executive directors:						
MA Jianping (Note (a))	—	—	—	—	—	—
WANG Zhiying (Note (b)).	—	—	—	—	—	—
XU Yang (Note (g)).	—	—	—	—	—	—
WOLHARDT Julian Juul (Note (b))	—	—	—	—	—	—
CUI Guiyong (Note (b))	—	—	—	—	—	—
WU Hai (Note (e))	—	—	—	—	—	—
ZHOU Qi (Note (b))	—	—	—	—	—	—
YU Xubo (Note (b) and (h))	—	—	—	—	—	—
SUN Yanmin (Note (b) and (h))	—	—	—	—	—	—
JIANG Guojin (Note (b) and (h))	—	—	—	—	—	—
WANG Hao (Note (b) and (h))	—	—	—	—	—	—
WAKAKI Takamasa (Notes (b) and (d)). .	—	171	14	241	—	426
JIANG Xingquan (Notes (b) and (c)) . . .	—	—	—	—	—	—
KYOYA Yutaka (Notes (b) and (d))	—	—	—	—	—	—
KIKUCHI Kiyotaka (Note (f))	—	—	—	—	—	—
Total	—	1,199	58	621	473	2,351

For four months ended 30 April 2015

(unaudited)

Executive director:						
XU Jianong (Note (a))	—	327	16	—	—	343
Non-executive directors:						
MA Jianping (Note (a))	—	—	—	—	—	—
WANG Zhiying (Note (b)).	—	—	—	—	—	—
XU Yang (Note (g)).	—	—	—	—	—	—
WOLHARDT Julian Juul (Note (b))	—	—	—	—	—	—
CUI Guiyong (Note (b))	—	—	—	—	—	—
WU Hai (Note (e))	—	—	—	—	—	—
ZHOU Qi (Note (b))	—	—	—	—	—	—
YU Xubo (Note (b) and (h))	—	—	—	—	—	—
SUN Yanmin (Note (b) and (h))	—	—	—	—	—	—
JIANG Guojin (Note (b) and (h))	—	—	—	—	—	—
WANG Hao (Note (b) and (h))	—	—	—	—	—	—
WAKAKI Takamasa (Notes (b) and (d)). .	—	127	16	—	—	143
JIANG Xingquan (Notes (b) and (c)) . . .	—	—	—	—	—	—
KYOYA Yutaka (Notes (b) and (d))	—	—	—	—	—	—
KIKUCHI Kiyotaka (Note (f))	—	—	—	—	—	—
Total	—	454	32	—	—	486

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	Directors' fees	Other emoluments				Total
		Salaries and other allowances	Retirement benefit scheme contributions	Equity-settled		
				share option expense	Bonus	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For four months ended 30 April 2016						
Executive director:						
XU Jianong (Note (a))	—	348	16	1,435	183	1,982
Non-executive directors:						
MA Jianping (Note (a))	—	—	—	—	—	—
WANG Zhiying (Note (b)).	—	—	—	—	—	—
XU Yang (Note (g)).	—	—	—	—	—	—
WOLHARDT Julian Juul (Note (b))	—	—	—	—	—	—
CUI Guiyong (Note (b))	—	—	—	—	—	—
WU Hai (Note (e))	—	—	—	—	—	—
ZHOU Qi (Note (b))	—	—	—	—	—	—
YU Xubo (Note (b) and (h))	—	—	—	—	—	—
SUN Yanmin (Note (b) and (h))	—	—	—	—	—	—
JIANG Guojin (Note (b) and (h))	—	—	—	—	—	—
WANG Hao (Note (b) and (h))	—	—	—	—	—	—
WAKAKI Takamasa (Notes (b) and (d)). .	—	—	—	—	—	—
JIANG Xingquan (Notes (b) and (c)) . . .	—	—	—	—	—	—
KYOYA Yutaka (Notes (b) and (d))	—	—	—	—	—	—
KIKUCHI Kiyotaka (Note (f))	—	—	—	—	—	—
Total	—	348	16	1,435	183	1,982

Notes:

- (a) These directors were appointed as directors of the Company on 17 April 2014.
- (b) These directors were appointed as directors of the Company on 28 May 2014.
- (c) This director resigned as director of the Company on 30 September 2015.
- (d) These directors resigned as directors of the Company on 24 February 2016.
- (e) This director was appointed as director of the Company on 30 September 2015.
- (f) This director was appointed as director of the Company on 24 February 2016 and resigned on 23 May 2016.
- (g) This director was appointed as director of the Company on 22 February 2016.
- (h) These directors resigned as directors of the Company on 23 May 2016.

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

During the year ended 31 December 2015, a director was granted share options, in respect of his service to the Group under the share option scheme of the Company. Details of the share option scheme are set out in Note 41. The amount of the benefits in relation to share options is determined by reference to the fair value of the share options at grant date.

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The executive directors’ emoluments shown above were mainly for their services in connection with the management of affairs of the Company and the Group.

During the Track Record Period, no Directors waived or agreed to waive any emoluments, and no emoluments were paid to Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

14. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the years ended 31 December 2013, 2014 and 2015 and for the four months ended 30 April 2015 and 2016, included one, one, one, nil (unaudited) and one Director, respectively. Details of the emoluments for the years ended 31 December 2013, 2014 and 2015 and for the four months ended 30 April 2015 and 2016 of the remaining four, four, four, five (unaudited) and four respectively, highest paid employees who are not a director of the Company are as follows:

	Year ended 31 December			Four months ended 30 April	
	2013	2014	2015	2015	2016
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Salaries, allowances and benefits in kind	4,360	4,333	4,322	4,146	3,312
Retirement benefit schemes contributions.	142	159	176	70	62
Equity-settled share option expense	—	—	474	—	183
	<u>4,502</u>	<u>4,492</u>	<u>4,972</u>	<u>4,216</u>	<u>3,557</u>

The number of the highest paid employees who are not the Directors whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Four months ended 30 April	
	2013	2014	2015	2015	2016
				(unaudited)	
Nil to HK\$1,000,000	—	—	1	3	3
HK\$1,000,001 to HK\$1,500,000.	2	3	1	2	—
HK\$1,500,001 to HK\$2,000,000.	<u>2</u>	<u>1</u>	<u>2</u>	<u>—</u>	<u>1</u>
	<u>4</u>	<u>4</u>	<u>4</u>	<u>5</u>	<u>4</u>

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During the Track Record Period, no emoluments were paid by the Group to any of the above highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the Track Record Period, nor has any dividend been proposed since the end of the reporting period.

16. (LOSS)/EARNINGS PER SHARE

For continuing and discontinued operations

The calculation of basic earnings per share from continuing and discontinued operations during the Track Record Period are based on the assumption that the 2014 Reorganisation had been in effective on 1 January 2013.

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

Earnings

	Year ended 31 December			Four months ended 30 April	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Earnings for the purpose of basic earnings per share ((Loss)/profit for the year/period attributable to owners of the Company).	<u>(241,774)</u>	<u>(385,195)</u>	<u>150,904</u>	<u>(165,712)</u>	<u>464,551</u>

Number of shares

	Year ended 31 December			Four months ended 30 April	
	2013	2014	2015	2015	2016
	'000	'000	'000	'000	'000
				<i>(unaudited)</i>	
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	<u>1,143,999</u>	<u>2,740,978</u>	<u>3,980,717</u>	<u>3,924,508</u>	<u>3,990,366</u>

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Note: The number of ordinary shares is arrived at on the assumption that the 2014 Reorganisation has been completed on 1 January 2013 and with retrospective adjustment for the Share Reorganisation as described in Note 38.

For continuing operations

The calculation of the basic earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

Earnings figures are calculated as follows:

	Year ended 31 December			Four months ended	
	2013	2014	2015	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
(Loss)/profit for the year attributable to owners of the Company	(241,774)	(385,195)	150,904	(165,712)	464,551
Less: (Loss)/profit for the year/period from discontinued operations	<u>(162,124)</u>	<u>(61,605)</u>	<u>(58,752)</u>	<u>(27,078)</u>	<u>3,921</u>
Earnings for the purpose of basic (loss)/earnings per share from continuing operations	<u><u>(79,650)</u></u>	<u><u>(323,590)</u></u>	<u><u>209,656</u></u>	<u><u>(138,634)</u></u>	<u><u>460,630</u></u>

The denominators used are the same as those detailed above for basic earnings per share.

For discontinued operations

For the years ended 31 December 2013, 2014 and 2015 and for the four months ended 30 April 2015, basic loss per share for the discontinued operations is RMB14.17 cents per share, RMB2.25 cents per share, RMB1.48 cents per share and RMB0.69 cents per share (unaudited), respectively, based on the loss for the respective year/period from the discontinued operations of RMB162,124,000, RMB61,605,000, RMB58,752,000 and RMB27,078,000 (unaudited), respectively, and the denominators detailed above for basic loss per share. For the four months ended 30 April 2016, basic earnings per share for the discontinued operations is RMB0.1 cents per share based on the earnings for the period from the discontinued operations of RMB3,921,000 and the denominators detailed above for basic earnings per share.

No diluted earnings per share is presented for the Track Record Period as the Company did not have any dilutive potential shares in issue. The grant of share options is not considered in the calculation of diluted earnings per share as there is no issuable new share under the related share option scheme as detailed in Note 41.

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17. GOODWILL

The amounts of goodwill capitalised as an asset and recognised in the consolidated statement of financial position, arising from the acquisition of subsidiaries, are as follows:

	At 31 December			At 30 April
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Cost and carrying amount:				
At beginning and end of the reporting period.	100,609	100,609	100,609	100,609

For the purposes of impairment testing, goodwill with indefinite useful lives have been allocated to the processed meat cash generating unit which manufactures and sells processed meat products with brand name “Maverick”.

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using a cash flow projection based on financial budgets covering a five-year period approved by the Directors.

Assumptions were used in the value in use calculation of the cash-generating units at the end of each reporting period. The following describes each key assumption which management has adopted in its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins

The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the past or in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

Raw materials price inflation

The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year for the PRC or countries from where the raw materials are sourced.

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Discount rates

The discount rates used reflect specific risks relating to the relevant units. The discount rate applied to each cash flow projection and the growth rate used to extrapolate the cash flows beyond the five-year period are as follows:

Maverick

	Year ended 31 December			Four month ended 30 April
	2013	2014	2015	2016
Discount rate	15%	15%	14%	14%
Growth rate beyond five-year period	0%	0%	0%	0%

The values assigned to the key assumptions on discount rates and raw materials price inflation are consistent with external information sources. Management determined budgeted gross margin based on past performance and its expectations for market development.

In the opinion of the Directors, any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the cash generating unit’s carrying amount to exceed its recoverable amount.

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18. PROPERTY, PLANT AND EQUIPMENT

Cost:

	Buildings	Leasehold improvements	Equipment	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	1,424,176	9,237	748,324	49,389	29,900	389,659	2,650,685
Additions	12,832	2,232	48,684	14,855	5,254	391,398	475,255
Reclassification	297,463	—	267,299	—	—	(564,762)	—
Disposals	(1,568)	—	(8,507)	(1,946)	(1,720)	(2,994)	(16,735)
At 31 December 2013	1,732,903	11,469	1,055,800	62,298	33,434	213,301	3,109,205
Additions	16,259	5,214	9,338	19,044	4,492	907,120	961,467
Reclassification	334,673	—	144,575	—	—	(479,248)	—
Transfer to investment properties (Note 19)	(130,535)	—	—	—	—	—	(130,535)
Disposals	(4,698)	—	(6,040)	(1,208)	(1,824)	(638)	(14,408)
At 31 December 2014	1,948,602	16,683	1,203,673	80,134	36,102	640,535	3,925,729
Additions	44,442	2,888	13,676	13,433	7,808	733,294	815,541
Reclassification	300,841	—	209,982	40,032	—	(550,855)	—
Reclassified as held for sale (Note 12)	(587,351)	(6,516)	(323,635)	(41,560)	(9,892)	(11,919)	(980,873)
Disposals	(1,241)	—	(5,341)	(1,586)	(894)	—	(9,062)
At 31 December 2015	1,705,293	13,055	1,098,355	90,453	33,124	811,055	3,751,335
Additions	2,172	467	3,859	3,231	6,693	109,722	126,144
Reclassification	209,051	—	58,496	—	—	(267,547)	—
Disposals	—	—	(98)	(151)	(1,068)	(4,668)	(5,985)
At 30 April 2016	1,916,516	13,522	1,160,612	93,533	38,749	648,562	3,871,494

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	Buildings	Leasehold improvements	Equipment	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accumulated depreciation:							
At 1 January 2013	(121,412)	(2,709)	(132,589)	(10,931)	(7,215)	—	(274,856)
Charge for the year	(55,822)	(5,328)	(57,369)	(9,562)	(4,465)	—	(132,546)
Eliminated on disposals	1,117	—	4,467	1,500	664	—	7,748
At 31 December 2013	(176,117)	(8,037)	(185,491)	(18,993)	(11,016)	—	(399,654)
Charge for the year	(61,700)	(2,940)	(70,483)	(13,765)	(5,849)	—	(154,737)
Transfer to investment properties (Note 19)	13,894	—	—	—	—	—	13,894
Eliminated on disposals	50	—	3,185	1,129	1,709	—	6,073
At 31 December 2014	(223,873)	(10,977)	(252,789)	(31,629)	(15,156)	—	(534,424)
Charge for the year	(70,523)	—	(77,434)	(15,733)	(5,790)	—	(169,480)
Reclassified as held for sale (Note 12)	80,189	2,301	258,591	21,693	2,616	—	365,390
Eliminated on disposals	316	—	3,633	793	494	—	5,236
At 31 December 2015	(213,891)	(8,676)	(67,999)	(24,876)	(17,836)	—	(333,278)
Charge for the period	(23,567)	(854)	(18,807)	(3,367)	(2,248)	—	(48,843)
Eliminated on disposals	—	—	85	135	992	—	1,212
At 30 April 2016	(237,458)	(9,530)	(86,721)	(28,108)	(19,092)	—	(380,909)
Net carrying values:							
At 31 December 2013	1,556,786	3,432	870,309	43,305	22,418	213,301	2,709,551
At 31 December 2014	1,724,729	5,706	950,884	48,505	20,946	640,535	3,391,305
At 31 December 2015	1,491,402	4,379	1,030,356	65,577	15,288	811,055	3,418,057
At 30 April 2016	1,679,058	3,992	1,073,891	65,425	19,657	648,562	3,490,585

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The above items of property, plant and equipment, less their estimated residual value, if any, and except for construction in progress which is stated at cost less accumulated impairment, are depreciated on a straight-line basis at the following rates per annum:

Buildings	2.25% to 4.5%
Leasehold improvements	Over the shorter of the term of the lease, and 10% to 25%
Equipment	4.5% to 30%
Furniture and fixtures	18% to 45%
Motor vehicles	9% to 18%

During the year ended 31 December 2014, buildings with an aggregate net carrying value of RMB116,641,000 were transferred to investment properties.

Certain of the Group’s property, plant and equipment with a net carrying value of approximately RMB22,844,000, nil, nil and nil as at 31 December 2013, 2014 and 2015 and 30 April 2016, respectively were pledged to secure banking facilities granted to the Group (Note 45).

Buildings ownership certificates in respect of certain leasehold properties of the Group in the PRC with an aggregate net carrying amount of approximately RMB39,899,000, RMB36,212,000, RMB34,963,000 and RMB34,547,000 as at 31 December 2013, 2014 and 2015 and 30 April 2016, respectively, had not been issued by the relevant PRC authorities.

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19. INVESTMENT PROPERTIES

	<i>RMB’000</i>
Cost	
At 1 January 2013 and 31 December 2013	—
Transfer from property, plant and equipment (Note 18)	<u>130,535</u>
At 31 December 2014	130,535
Additions	550
Reclassified as held for sale (Note 12).	<u>(131,085)</u>
At 31 December 2015 and 30 April 2016	<u>—</u>
Accumulated depreciation	
At 1 January 2013 and 31 December 2013	—
Transfer from property, plant and equipment (Note 18)	(13,894)
Provided for the year	<u>(1,282)</u>
At 31 December 2014	(15,176)
Provided for the year	(5,129)
Reclassified as held for sale (Note 12).	<u>20,305</u>
At 31 December 2015 and 30 April 2016	<u>—</u>
Net carrying values	
At 31 December 2013	<u>—</u>
At 31 December 2014	<u><u>115,359</u></u>
At 31 December 2015	<u>—</u>
At 30 April 2016	<u><u>—</u></u>

All of the Group’s property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties.

The Group’s investment properties located in the PRC.

The Group’s investment properties are depreciated on a straight-line basis at a rate of 4.5% to 6% per annum.

The fair value of the Group’s investment properties at 31 December 2014 and 31 December 2015 was RMB123,400,000 and RMB123,100,000, respectively. The fair value has been arrived at on the basis of a valuation carried out on the respective dates by Savills Valuation and Professional Services Limited (“Savills”), a firm of independent qualified professional valuers. The address of Savills is 23rd Floor, Two Exchange Square, Central, Hong Kong.

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In estimating the fair value of the investment properties, the Group uses market observable data to the extent it is available. The management of the Group works closely with the valuer to establish the appropriate valuation techniques and inputs to the model. The valuations were arrived at by valuing the properties on the basis of capitalisation of the rental income derived from the existing tenancy agreements with due allowance for the reversionary income potential of the properties.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

There has been no change in the valuation technique during the Track Record Period.

The fair values of the Group’s investment properties are grouped into Level 3 of fair value measurement.

20. PREPAID LEASE PAYMENTS

	At 31 December			At 30 April
	2013	2014	2015	2016
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Analysed for reporting purposes as:				
Current assets (included in				
prepayments, deposits				
and other receivables)	6,061	6,568	6,212	6,487
Non-current assets	103,025	111,958	108,224	115,828
	<u>109,086</u>	<u>118,526</u>	<u>114,436</u>	<u>122,315</u>

All prepaid lease payments are related to land use rights in the PRC, with remaining lease terms ranging from 2 years to 66 years.

As at 31 December 2013, 2014 and 2015 and 30 April 2016, the Group is in the process of obtaining title deeds from relevant government authorities for its prepaid lease payments amounting to, nil, nil, RMB4,811,000 and RMB5,977,000, respectively.

As at 31 December 2013, 2014 and 2015 and 30 April 2016, prepaid lease payments with an aggregate carrying value of RMB3,946,000, nil, nil and nil, respectively, were pledged to secure certain banking facilities granted to the Group (Note 45).

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21. INTANGIBLE ASSETS

The Group’s intangible assets comprise purchased computer software.

	At 31 December			At 30 April
	2013	2014	2015	2016
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cost:				
At beginning of the reporting period	5,208	4,966	7,220	5,607
Additions	723	2,254	854	110
Disposals	(965)	—	(96)	—
Reclassified as held for sale (Note 12). . .	—	—	(2,371)	—
At end of the reporting period	<u>4,966</u>	<u>7,220</u>	<u>5,607</u>	<u>5,717</u>
Accumulated amortisation:				
At beginning of the reporting period	1,125	2,178	3,381	3,229
Amortisation provided during the reporting period	1,053	1,203	1,405	301
Eliminated on disposals during the reporting period	—	—	(96)	—
Reclassified as held for sale (Note 12). . .	—	—	(1,461)	—
At end of the reporting period	<u>2,178</u>	<u>3,381</u>	<u>3,229</u>	<u>3,530</u>
Net carrying values:				
At end of the reporting period	<u><u>2,788</u></u>	<u><u>3,839</u></u>	<u><u>2,378</u></u>	<u><u>2,187</u></u>

Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 3 to 10 years.

22. INVESTMENT IN A JOINT VENTURE

Details of the Group’s investment in a joint venture are as follows:

	At 31 December			At 30 April
	2013	2014	2015	2016
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cost of investment in a joint venture, unlisted	—	—	—	15,708
Share of post-acquisition loss	—	—	—	(213)
	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>15,495</u></u>

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Details of the Group’s joint venture as at 30 April 2016 are as follow:

<u>Name of joint venture</u>	<u>Place of establishment/ principal place of operations</u>	<u>Class of shares held</u>	<u>Proportion of ownership interest held by the Group</u>	<u>Proportion of voting rights held by the Group</u>	<u>Principal activity</u>
CM/Merit Agriculture development Co., Ltd (“CM/Merit”)	PRC	Ordinary	40%	40%	Dormant (planned to be involved in hog production)

Summarised financial information in respect of the above joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture’s financial statements prepared in accordance with HKFRSs. The joint venture is accounted for using the equity method in the Financial Information.

	<u>At 30 April 2016</u>
	<i>RMB’000</i>
Current assets	33,358
Non-current assets	5,547
Current liabilities	(167)
Net assets	<u>38,738</u>

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	<u>33,115</u>
Other current financial liabilities (excluding tax payables).	<u>159</u>

	<u>Four months ended 30 April 2016</u>
	<i>RMB’000</i>
Loss and total comprehensive expense for the period	<u>(533)</u>
Dividend received from the joint venture	<u>—</u>
The above loss for the period including the following:	
Depreciation and amortisation	—
Interest income	43
Income tax expense	<u>—</u>

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Reconciliation of the above summarised financial information to the carrying amount of the investment in the joint venture recognised in the Financial Information:

	<u>At 30 April 2016</u>
	<i>RMB’000</i>
Net assets	38,738
Proportion of the Group’s ownership interest	40%
Carrying amount of the Group’s interest	<u>15,495</u>
Share of loss of the joint venture	<u>(213)</u>

23. AVAILABLE-FOR-SALE INVESTMENTS

	<u>At 31 December</u>			<u>At 30 April</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Classified under non-current assets				
Unlisted equity investment, at cost	<u>23,516</u>	<u>23,516</u>	<u>23,516</u>	<u>23,516</u>

The above unlisted equity investment represents investment in unlisted equity shares issued by a private entity incorporated in the PRC. It is measured at cost less impairment at the end of the reporting period because the Directors are of the opinion that insufficient information is available to measure its fair value. The Group does not intend to dispose of it in the near future.

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24. 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, and chicken, 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 each reporting period are as follows:

	At 31 December			At 30 April
	2013	2014	2015	2016
	Head’000	Head’000	Head’000	Head’000
Live hogs:				
- piglets	67	77	116	149
- nursery hogs	148	164	252	286
- medium and large finishing hogs	283	362	394	424
- replacement studs and gilts	27	25	47	39
	525	628	809	898
Breeding stock	56	57	80	89
	581	685	889	987
Live chickens	1,443	2,033	2,192	—

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

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

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

Replacement studs and gilts just complete “nursery” stage and ready to transfer to the “medium and large finishing hogs” farm and maybe selected to be future breeding stock.

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Live chickens mainly represented broilers. As at the 31 December 2013, the Group also had chicken breeders. The immature breeders are primarily bred for further growth into mature breeders. The mature breeders are primarily held to produce agriculture produce.

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 and chickens. 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

	<u>Live hogs</u>	<u>Live chickens</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2013	603,752	48,115	651,867
Additions: Breeding costs	1,239,249	446,534	1,685,783
Gain/(loss) arising from changes in fair value less costs to sell of biological assets	175,609	(80,134)	95,475
Transfer to cost at the point of harvest	(1,284,393)	(346,376)	(1,630,769)
Decrease due to culling	<u>(61,329)</u>	<u>(44,012)</u>	<u>(105,341)</u>
At 31 December 2013	672,888	24,127	697,015
Additions: Breeding costs	1,419,653	337,668	1,757,321
Gain arising from changes in fair value less costs to sell of biological assets	26,336	2,241	28,577
Transfer to cost at the point of harvest	(1,236,783)	(338,907)	(1,575,690)
Decrease due to culling	<u>(142,235)</u>	<u>(3,857)</u>	<u>(146,092)</u>
At 31 December 2014	739,859	21,272	761,131
Additions: Breeding costs	1,651,249	394,396	2,045,645
Gain/(loss) arising from changes in fair value less costs to sell of biological assets	706,030	(35,165)	670,865
Transfer to cost at the point of harvest	<u>(1,725,519)</u>	<u>(362,016)</u>	<u>(2,087,535)</u>

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	Live hogs	Live chickens	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Decrease due to culling	(179,053)	—	(179,053)
Reclassified as held for sale (Note 12).	—	(18,487)	(18,487)
At 31 December 2015	1,192,566	—	1,192,566
Additions: Breeding costs	690,274	—	690,274
Gain arising from changes in fair value less costs to sell of biological assets	577,273	—	577,273
Transfer to cost at the point of harvest	(980,086)	—	(980,086)
Decrease due to culling	(71,102)	—	(71,102)
At 30 April 2016	<u>1,408,925</u>	<u>—</u>	<u>1,408,925</u>

Analysed for reporting purpose

	At 31 December			At 30 April
	2013	2014	2015	2016
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Live hogs.	672,888	739,859	1,192,566	1,408,925
Live chickens.	<u>24,127</u>	<u>21,272</u>	<u>—</u>	<u>—</u>
	697,015	761,131	1,192,566	1,408,925
Less: current portion	<u>541,440</u>	<u>602,791</u>	<u>936,296</u>	<u>1,171,838</u>
Non-current portion	<u>155,575</u>	<u>158,340</u>	<u>256,270</u>	<u>237,087</u>

Fair value measurement

The Group’s biological assets were valued by Savills, independent qualified professional valuers not connected with the Group. The address of Savills is 23rd Floor, Two Exchange Square, Central, Hong Kong. The fair value less costs to sell of biological assets are determined with reference to the market-determined prices of items with similar age, breed and genetic merit.

Changes in fair value less costs to sell of biological assets include changes in the fair value of the hogs at the end of each reporting period.

Key assumptions and inputs

The major significant unobservable inputs to the valuation of the biological assets include estimated market price, rearing costs, survival rate and risk in price uncertainty upon completion.

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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 31 December 2013, 2014 and 2015 and 30 April 2016.

	At 31 December			At 30 April
	2013	2014	2015	2016
	RMB	RMB	RMB	RMB
Live hogs:				
Piglets (Note (a))				
<i>Per head replacement cost</i>	221 to 249	250 to 343	209 to 332	83 to 268
Nursery hogs (Note (b))				
<i>Per head market price</i>	480 to 596	305 to 531	730 to 1,110	845 to 1,431
Medium and large finishing hogs (Note (c))				
<i>Per head market price</i>	892 to 2,181	737 to 1,387	965 to 1,741	1,231 to 2,293
Replacement studs and gilts (Note (d))				
<i>Per head cost</i>	1,618 to 14,786	1,379 to 25,776	1,227 to 24,983	1,198 to 4,894
Breeding stock (Note (e))				
<i>Per head replacement cost</i>	1,103 to 21,510	1,278 to 24,890	1,444 to 24,164	1,594 to 23,336
Live chickens:				
Chicken breeders (Note (f))				
<i>Per head replacement cost</i>	49 to 76	—	—	—
Broilers (Note (g))				
<i>Per head weighted average price</i>	10 to 11	10 to 11	8	11

Notes:

- (a) As there was no active market for piglets, replacement cost approach have been adopted to reflect the depreciation of value due to use of breeding stock and other associated costs.
- (b) As there were active markets for the nursery hogs in certain locations, the market prices of nursery hogs have been adopted. For the location that did not have an active market, similar approach as those for medium finishing hogs discussed below has been adopted as there is no alternative actively traded market accessible for nursery hogs within the region.
- (c) Market prices have been adopted for large finishing hogs as there were active markets for the large finishing hogs as at respective valuation dates.

As there was no active market for the medium finishing hogs, the market price of medium finishing hogs has been estimated based on the market prices of large finishing hogs, less cost of completion, and adjusted with survival rate and risk in price uncertainty upon completion.

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The unit cost to complete is estimated based on the unit cost of medium finishing hogs to the unit cost of large finishing hogs as at the respective valuation dates, under the assumption that the future cost in completing the remaining rearing cycle can be approximated by the historical cost. It is further adjusted by the number of pigs expected to be dead during this stage as no additional cost is necessary to feed those dead pigs.

The survival rate is estimated based on the historical statistic for respective location and category of pigs as at the respective valuation dates.

- (d) As replacement studs and gilts are yet to generate income to the Group due to their immature physical condition and in the absence of a market price from an actively traded market for the replacement studs and gilts, cost approach has been adopted. The fair value of the replacement studs and gilts is determined based on the original cost plus the rearing costs (e.g. cost of vaccine, feeding, labour) subsequent to purchase or transfer.
- (e) Since there was no active market for breeding stock at specific age, the replacement cost approach has been adopted. Market prices for different species of boar and gilt have been obtained as a basis for the replacement cost, and adjusted for the reduction/consumption of economic useful life by applying the respective metrics to estimate the fair value of breeding stock in different species.
- (f) There were no active market for chicken breeders that were already producing. Market prices for chicken breeders have been adopted as the replacement cost for a new chicken breeder. This replacement cost was then adjusted for the reduction/consumption of economic useful life by the number of days since the first egg laying to estimate the fair value of the chicken breeders.
- (g) Market prices for the broiler and chick are obtained from actively traded market. Given the relatively short finishing cycle, the weighted average price of mature broiler and chick serve as a good proxy of the average price of the whole broiler population.

A significant increase/decrease in the estimated market price and the estimated production volume 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 31 December 2013, 2014 and 2015 and 30 April 2016 are grouped into Level 3 of fair value measurement. There were no transfers into or out of Level 3 during the Track Record Period.

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25. DEFERRED TAX ASSETS

The Group’s deferred tax assets recognised are related to write-down of inventories and their movements during the Track Record Period are as follows:

	At 31 December			At 30 April
	2013	2014	2015	2016
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January	223	370	398	—
Deferred tax credited during the year				
relating to discontinued operations . . .	147	28	248	—
Reclassified as held for sale (Note 12) . . .	—	—	(646)	—
At 31 December	<u>370</u>	<u>398</u>	<u>—</u>	<u>—</u>

As at 31 December 2013, 2014 and 2015 and 30 April 2016, the Group has unrecognised tax losses of RMB454,679,000, RMB597,307,000, RMB633,499,000 and RMB633,781,000, respectively, and deductible temporary differences in relation to impairment of accounts receivable, other receivables and prepayments and write-down of inventories not recognised of RMB10,157,000, RMB7,774,000, RMB14,434,000. and RMB7,935,000, respectively, available for offset against future taxable income. As at 31 December 2013, 2014 and 2015 and 30 April 2016, no deferred tax asset have been recognised in respect of the tax losses and deductible temporary differences, as they have arisen in subsidiaries that it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The unrecognised tax losses will expire in the following years:

	At 31 December			At 30 April
	2013	2014	2015	2016
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
To be expired on:				
31 December 2014	29,602	—	—	—
31 December 2015	53,726	53,726	—	—
31 December 2016	140,293	140,293	140,293	108,630
31 December 2017	117,790	116,227	116,227	116,227
31 December 2018	113,268	112,257	112,257	112,257
31 December 2019	—	174,804	174,804	174,804
31 December 2020	—	—	89,918	89,918
31 December 2021	—	—	—	31,945
Total unused tax losses not recognised as deferred tax assets	<u>454,679</u>	<u>597,307</u>	<u>633,499</u>	<u>633,781</u>

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26. INVENTORIES

	At 31 December			At 30 April
	2013	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and consumables	127,090	132,528	102,325	94,440
Work in progress	7,931	7,307	6,354	6,724
Finished goods	<u>575,141</u>	<u>793,442</u>	<u>409,973</u>	<u>201,300</u>
	<u>710,162</u>	<u>933,277</u>	<u>518,652</u>	<u>302,464</u>

27. ACCOUNTS RECEIVABLE

	At 31 December			At 30 April
	2013	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accounts receivable	154,036	191,858	166,373	177,929
Impairment loss	<u>(938)</u>	<u>(1,484)</u>	<u>(935)</u>	<u>(8,767)</u>
	<u>153,098</u>	<u>190,374</u>	<u>165,438</u>	<u>169,162</u>

The Group’s trading terms with its customers are mainly not on credit where payment in advance is normally required, except for renowned and/or reputable customers. The credit period is normally for 4 to 180 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group’s accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk by industry or geographical location. Accounts receivable are non-interest-bearing.

The Group does not hold any collateral or other credit enhancements over its accounts receivable. The Group’s accounts receivable from related parties are repayable on similar credit terms to those offered to the major customers of the Group.

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An aged analysis of the accounts receivable as at the end of the reporting period, based on the delivery date and net of impairment loss, is as follows:

	At 31 December			At 30 April
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	139,896	175,547	151,551	154,978
3 to 6 months	11,125	12,366	2,854	8,394
6 months to 1 year	1,327	139	10,322	3,128
Over 1 year	750	2,322	711	2,662
	<u>153,098</u>	<u>190,374</u>	<u>165,438</u>	<u>169,162</u>

Under the terms of a banking facility granted to a subsidiary of the Group, of which bank borrowing amounted to RMB15,000,000, RMB140,660,000, RMB304,355,000 and RMB300,000,000, as at 31 December 2013, 2014 and 2015 and 30 April 2016, respectively, accounts receivable of that subsidiary is pledged to the bank (Note 45). As at 31 December 2013, 2014 and 2015 and 30 April 2016, the related accounts receivable amounting to approximately RMB20,000,000, RMB27,691,000, RMB7,519,000 and nil, respectively.

The Group has policies for allowance of bad and doubtful debts which are based on the valuation of collectability and age analysis of accounts and on the management’s judgment including the credit creditworthiness and the past collection history of each customer.

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

	Year ended 31 December			Four months ended	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
At beginning of the reporting period . . .	1,256	938	1,484	1,484	935
Impairment loss (reversed)/recognised, net	(318)	280	293	137	7,832
Impairment loss recognised/(reversed) relating to discontinued operations, net	—	266	(80)	—	—
Reclassified as held for sale (Note 12). .	—	—	(762)	—	—
At end of the reporting period	<u>938</u>	<u>1,484</u>	<u>935</u>	<u>1,621</u>	<u>8,767</u>

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

	At 31 December			At 30 April
	2013	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months past due	1,675	84	1,123	3,128
More than 3 months but less than 1 year past due	620	206	7,699	2,874
Over 1 year past due	225	2,297	401	115
	<u>2,520</u>	<u>2,587</u>	<u>9,223</u>	<u>6,117</u>

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

	At 31 December			At 30 April
	2013	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Value added tax recoverable.	136,265	152,784	119,213	96,246
Prepayments.	25,223	27,560	27,631	10,589
Current portion of prepaid lease payments (Note 20)	6,061	6,568	6,212	6,487
Other receivables.	17,014	12,093	19,427	11,322
Deposits.	2,325	5,490	6,445	6,270
	186,888	204,495	178,928	130,914
Impairment loss on prepayments and other receivables.	<u>(456)</u>	<u>(551)</u>	<u>(488)</u>	<u>(487)</u>
	<u>186,432</u>	<u>203,944</u>	<u>178,440</u>	<u>130,427</u>

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

	Year ended 31 December			Four months ended 30 April	
	2013	2014	2015	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
At beginning of the reporting period . . .	265	456	551	551	488
Impairment loss recognised/(reversed)					
(Note 8)	168	89	(13)	—	(1)
Impairment loss recognised relating to					
discontinued operations, net	25	25	—	—	—
Amount written off as uncollectible	(2)	(19)	—	—	—
Reclassified as held for sale (Note 12). .	—	—	(50)	—	—
At end of the reporting period	<u>456</u>	<u>551</u>	<u>488</u>	<u>551</u>	<u>487</u>

29. BALANCES WITH FELLOW SUBSIDIARIES, THE IMMEDIATE HOLDING COMPANY, AN INTERMEDIATE HOLDING COMPANY, THE ULTIMATE HOLDING COMPANY, A RELATED COMPANY AND SHAREHOLDERS

Balance with fellow subsidiaries

Included in amounts due from fellow subsidiaries are receivables in trade nature of RMB185,000, RMB416,000, RMB298,000 and RMB44,711,000 as at 31 December 2013, 2014 and 2015 and 30 April 2016, respectively. 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 date and net of impairment loss, is as follows:

	At 31 December			At 30 April
	2013	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	142	337	259	44,672
3 months to 1 year.	43	40	—	—
Over 1 year	—	39	39	39
	<u>185</u>	<u>416</u>	<u>298</u>	<u>44,711</u>

Included in amounts due from fellow subsidiaries are also prepayments to fellow subsidiaries in connection with the purchases of goods of RMB4,546,000, RMB32,000, RMB293,000 and RMBnil as at 31 December 2013, 2014 and 2015 and 30 April 2016, respectively.

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Included in amounts due to fellow subsidiaries are payables in trade nature of RMB27,639,000, RMB25,606,000, RMB52,425,000 and RMB64,486,000 as at 31 December 2013, 2014 and 2015 and 30 April 2016, respectively, which are unsecured, interest-free, repayable according to the relevant purchase contracts, and aged less than 3 months as at the end of each reporting period.

The remaining amounts due from/to fellow subsidiaries are unsecured, interest-free and repayable on demand.

Amounts due from a related company

The amounts due from a related company are in trade nature, which are unsecured, interest-free, repayable according to the relevant sales contracts and aged less than 3 months as at the end of each reporting period. The related company is a joint venture of the ultimate holding company.

Balances with the ultimate holding company

The amounts due from the ultimate holding company are prepayments of trade nature, which are unsecured, interest-free and being settled within one year according to the relevant agreements. The amounts due to the ultimate holding company are in trade nature, which are unsecured, interest-free, repayable within one year and aged less than 3 months as at the end of each reporting period.

Balances with the immediate holding company, an intermediate holding company and shareholders

The amounts due from/to the immediate holding company, an intermediate holding company and shareholders are unsecured, interest-free and repayable on demand.

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December			At 30 April
	2013	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Classified under current assets				
Bank wealth management products, at				
fair value	<u>—</u>	<u>—</u>	<u>499,555</u>	<u>454,551</u>

Bank wealth management products were issued by reputable banks in the PRC and designated as financial assets at FVTPL. The unrealised gains and losses in fair value changes are charged to profit or loss. There are no fixed or determinable returns of these bank wealth management products and their maturity dates are ranging from 2 to 3 months when acquired.

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31. CASH AND CASH EQUIVALENTS

	At 31 December			At 30 April
	2013	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances	96,247	993,323	59,918	237,372
Time deposits with an original maturity of three months or less when acquired .	—	277,070	53,537	37,675
Deposits with a non-bank financial institution*	56,889	245,868	92,158	132,873
Time deposits with a non-bank financial institution*	<u>150,000</u>	<u>658,614</u>	<u>10,000</u>	<u>10,000</u>
	<u>303,136</u>	<u>2,174,875</u>	<u>215,613</u>	<u>417,920</u>
Less:				
Pledged and restricted bank deposits (Note 45):				
- for banking facilities granted to the Group	4,281	—	18,184	—
- for bills payable	—	26,566	21,194	37,675
- for letters of credit	<u>—</u>	<u>5,940</u>	<u>500</u>	<u>—</u>
	<u>4,281</u>	<u>32,506</u>	<u>39,878</u>	<u>37,675</u>
	<u>298,855</u>	<u>2,142,369</u>	<u>175,735</u>	<u>380,245</u>

* The amount represents deposits placed with COFCO Finance, which have an original maturity of three months or less when acquired.

Cash at banks earns interest at rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates ranging from 0.35% to 1.8% per annum, 0.35% to 1.8% per annum, 0.35% to 1.8% per annum and 0.35% to 1.8% per annum as at 31 December 2013, 2014 and 2015 and 30 April 2016, respectively. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

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32. ACCOUNTS AND BILLS PAYABLES

An analysis of accounts and bills payables is as follows:

	At 31 December			At 30 April
	2013	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accounts payable	176,668	276,797	219,396	174,177
Bills payable	190	3,000	24,988	80,489
	<u>176,858</u>	<u>279,797</u>	<u>244,384</u>	<u>254,666</u>

The accounts payables are non-interest-bearing and are normally with credit periods ranging from 15 to 60 days. Bill payables are interest-bearing and are normally with credit periods ranging from 90 to 180 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

An aged analysis of the accounts payable as at the end of the reporting period, based on the invoice date is as follows:

	At 31 December			At 30 April
	2013	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	167,986	265,596	211,370	169,433
1 to 2 years	7,187	4,757	5,434	2,756
Above 2 years	1,495	6,444	2,592	1,988
	<u>176,668</u>	<u>276,797</u>	<u>219,396</u>	<u>174,177</u>

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33. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

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

	At 31 December			At 30 April
	2013	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bills payable for construction work	4,091	157,049	191,792	140,367
Construction costs payable	171,479	291,949	248,527	227,789
Receipt in advance from customers	121,728	71,081	78,571	105,095
Deposits received	27,513	58,536	32,345	30,539
Salaries and wages payable	46,625	59,054	53,291	33,536
Accruals	42,548	38,239	34,960	40,228
Other payables	24,493	34,296	21,977	26,700
	<u>438,477</u>	<u>710,204</u>	<u>661,463</u>	<u>604,254</u>

34. BANK AND OTHER BORROWINGS

	At 31 December			At 30 April
	2013	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unsecured bank loans	1,759,463	2,603,527	1,838,703	1,806,792
Secured bank loans	42,500	97,260	85,085	25,222
	1,801,963	2,700,787	1,923,788	1,832,014
Unsecured loans from a non-bank financial institution*	218,309	781,938	500,000	340,000
	<u>2,020,272</u>	<u>3,482,725</u>	<u>2,423,788</u>	<u>2,172,014</u>
Carrying amount of the above borrowings repayable**:				
Within one year	1,754,002	3,199,565	2,053,377	1,543,946
In the second year	55,000	60,000	99,339	160,933
In the third to fifth year, inclusive . . .	211,270	218,160	253,822	448,655
Beyond five years	—	5,000	17,250	18,480
	2,020,272	3,482,725	2,423,788	2,172,014
Less: Amounts due within one year shown under current liabilities	(1,754,002)	(3,199,565)	(2,053,377)	(1,543,946)
Amounts shown under non-current liabilities	<u>266,270</u>	<u>283,160</u>	<u>370,411</u>	<u>628,068</u>

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* The non-bank financial institution is COFCO Finance. The unsecured loans from COFCO Finance are repayable within one year.

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

	At 31 December			At 30 April
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Fixed-rate borrowings	927,502	766,770	1,091,458	833,502
Variable-rate borrowings	1,092,770	2,715,955	1,332,330	1,338,512
	<u>2,020,272</u>	<u>3,482,725</u>	<u>2,423,788</u>	<u>2,172,014</u>

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

	2013	2014	2015	2016
Effective interest rate per annum:				
Bank borrowing	1.90% to 6.30%	2.10% to 6.18%	1.69% to 6.00%	3.92% to 5.15%
Other borrowings	1.34% to 5.40%	1.92% to 6.00%	3.92% to 4.37%	3.92% to 4.13%

Details of securities for the secured bank loans are set out in Note 45.

35. DERIVATIVE FINANCIAL INSTRUMENTS

	At 31 December			At 30 April
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Classified under current liabilities:				
Foreign currency forward contracts.	<u>—</u>	<u>—</u>	<u>—</u>	<u>878</u>

The Group entered into foreign currency forward contracts with certain banks to manage its exposure to the foreign currency risk arising from certain of its accounts payable denominated in United States Dollar (“USD”).

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

As at 30 April 2016

Nominal amount	Exchange rates	Maturity Date
Buy USD93,224,000	USD1: RMB6.5100 to RMB6.5686	1 May 2016 to 28 October 2016

36. LOANS FROM/TO THE IMMEDIATE HOLDING COMPANY, AN INTERMEDIATE HOLDING COMPANY, THE ULTIMATE HOLDING COMPANY AND FELLOW SUBSIDIARIES

The loans from the immediate holding company at 31 December 2015 and 30 April 2016 are unsecured, bear interest at LIBOR plus 2% per annum and repayable within one year.

The loans from an intermediate holding company at 31 December 2013 were unsecured, bore interest at 3.4% per annum and fully repaid in 2014.

The loans from the ultimate holding company classified under current liabilities are unsecured, interest-free and repayable within one year.

The loans from the ultimate holding company classified under non-current liabilities as at 30 April 2016 are unsecured, bear interest at 1.2% per annum and repayable in November 2035. See Note 37 for further details.

The loans to fellow subsidiaries as at 30 April 2016 classified under current assets are unsecured, interest-free and repayable within one year.

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37. DEFERRED INCOME

Deferred income represents PRC government subsidies obtained in relation to acquisition of lands and property, plant and equipment and certain logistic and technology improvement projects, which is included in the consolidated statements 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.

	At 31 December			At 30 April
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the reporting period	6,421	29,740	38,495	60,769
Subsidies obtained during the year*	24,238	12,368	39,492	1,600
Government low-interest loan**	—	—	—	46,229
Credited to profit or loss during the year/period:				
- attributable to continuing operations .	(919)	(2,860)	(2,733)	(912)
- attributable to discontinued operations	—	(753)	(752)	—
Reclassified as held for sale (Note 12) . . .	—	—	(13,733)	—
At end of the reporting period	<u>29,740</u>	<u>38,495</u>	<u>60,769</u>	<u>107,686</u>

* The subsidies obtained during the years ended 31 December 2014 and 2015 amounted to RMB9,831,000 and RMB34,092,000, respectively, were related to land lease payments paid by the PRC government on behalf of the Group.

** During the four months ended 30 April 2016, the PRC government provided, through a state-owned policy bank, a low-interest loan of RMB100 million (the “Government Loans”) to COFCO Corporation, the ultimate holding company of the Company, for the benefit of a logistic project of the Group in Jiangsu Province, the PRC, and a technology improvement project of the Group’s facilities in Wuhan, the PRC, respectively. COFCO Corporation has advanced the Government Loans to the Group and recorded as loans from the ultimate holding company under non-current liabilities (the “Loans”) (Note 36).

The Loans are unsecured, bear interest at 1.2% per annum and repayable in November 2035. The Group recorded the Loans by its present value of RMB53,771,000 at a discount rate of 4.9% which is determined by reference to the borrowing rate of loans over 5 years quoted by The People’s Bank of China. The difference of RMB46,229,000 between the principal amount of the Loans of RMB100,000,000 and the present value of the Loans of RMB53,771,000 as mentioned above was recognised as deferred income.

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38. PAID-UP/SHARE CAPITAL

The Group

For the purpose of the presentation of the Financial Information, the paid-up capital of the Company at 1 January 2013 and 31 December 2013 represented the paid-up capital and share premium of COFCO Meat Products (HK).

The Company

	<u>Number of shares</u>	<u>Amount USD</u>	<u>Equivalent to RMB’000</u>
Authorised:			
On 11 March 2014 (date of incorporation of the Company)	50,000	50,000	320
At 31 December 2015 and 2014 (Note (a)).	50,000,000	N/A	N/A
At 30 April 2016 (Note (b))	<u>50,000,000,000</u>	<u>50,000</u>	<u>323</u>

On incorporation, the authorised share capital of the Company was US\$50,000 divided into 50,000 shares of US\$1 each.

Notes

- (a) Pursuant to a shareholder’s resolution on 26 May 2014, the authorised share capital of the Company was changed from 50,000 shares of US\$1 par value each to 50,000,000 shares of no par value, and the 5 issued ordinary shares of US\$1 par value up to 26 May 2014 were re-designated into 5 ordinary shares of no par value and the 5 ordinary shares of no par value were divided into 2,859,996,797 ordinary shares of no par value (the “Share Reorganisation”).
- (b) Pursuant to a shareholders’ resolution of the Company on 25 April 2016, the authorised share capital of the Company was changed from 50,000,000 shares of no par value to 50,000,000,000 shares of US\$0.000001 par value each with effect from 25 April 2016.

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A summary of the transactions during the Track Record Period in the Company’s ordinary share capital is as follows:

	Number of shares			
	in issue	Issued capital	Share premium	Total
		RMB’000	RMB’000	RMB’000
Upon incorporation (Note (i)).	1	—	—	—
Issue of new share (Note (ii))	1	—	—	—
Issue of new shares (Note (iii))	2	—	768,266	768,266
Issue of new share (Note (iv))	1	—	651,843	651,843
Transfer upon the Share				
Reorganisation	—	1,420,109	(1,420,109)	—
Upon completion of the Share				
Reorganisation	2,859,996,797	1,420,109	—	1,420,109
Issue of new shares (Note (v))	903,156,883	903,157	—	903,157
At 31 December 2014	3,763,153,680	2,323,266	—	2,323,266
Issue of new shares (Note (vi))	186,271,860	186,272	—	186,272
Issue of new shares (Note (vii))	58,822,693	58,822	—	58,822
At 31 December 2015	4,008,248,233	2,568,360	—	2,568,360
Repurchase of shares (Note (viii))	(1,081,849,910)	(899,389)	—	(899,389)
At 30 April 2016	2,926,398,323	1,668,971	—	1,668,971

Notes:

- (i) On incorporation, the Company issued one ordinary share to the then sole shareholder for US\$1.
- (ii) On 22 April 2014, one ordinary share was allocated and issued to Mainfield, the immediate holding company to acquire two ordinary shares, being 100% equity interest, in the share capital of COFCO Meat Products (HK) (details of which are set out in Note (a) to the consolidated statements of changes in equity).
- (iii) In May 2014, two ordinary shares were allocated and issued to Mainfield for an aggregate cash consideration of approximately RMB768,266,000 for working capital purpose, resulting in credits to ordinary share capital of US\$2 and share premium of the Company of approximately RMB768,266,000.
- (iv) On 26 May 2014, one ordinary share was allocated and issued to Mainfield to acquire a receivable of RMB651,843,000 from COFCO Meat Products (HK), resulting in credits to ordinary share capital of US\$1 and share premium of the Company of approximately RMB651,843,000.
- (v) On 30 May 2014, 150,526,147 and 752,630,736 ordinary shares were issued to two strategic investors for cash consideration of approximately RMB150,526,000 and RMB752,631,000, respectively, for working capital purpose.
- (vi) On 11 February 2015, 186,271,860 ordinary shares were issued to the existing shareholders of the Company to acquire the 23.42% equity interest of a then non-wholly subsidiary, COFCO Meat (Jiangsu), which have a fair value of RMB186,271,860. This has resulted in a decrease in the carrying amount of non-controlling interest of RMB111,175,000.
- (vii) On 11 February 2015, 58,822,693 ordinary shares were allocated and issued to two existing shareholders of the Company for an aggregate cash consideration of approximately RMB58,822,000 for working capital purpose.
- (viii) On 29 April 2016, the Company repurchased 1,081,849,910 of its own shares from the shareholders at an aggregate consideration of US\$138,600,000 (equivalent to RMB899,389,000). The above shares were cancelled upon repurchase.

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39. INVESTMENT IN SUBSIDIARIES

	At 31 December		At 30 April
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Investment in subsidiaries, at cost	<u>1,866,899</u>	<u>2,053,171</u>	<u>2,053,171</u>

The amounts due from subsidiaries classified under current assets are unsecured, interest free and repayable on demand.

40. RESERVES OF THE COMPANY

	Share premium	Special reserve	Capital reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note)				
Loss and total comprehensive expense for the period	—	—	—	(4,303)	(4,303)
Issue of new share (Note)	—	220,351	—	—	220,351
Issue of new shares (Note 38(iii)) . . .	768,266	—	—	—	768,266
Issue of new share (Note 38(iv)) . . .	651,843	—	—	—	651,843
Transfer upon the Share					
Reorganisation (Note 38)	(1,420,109)	—	—	—	(1,420,109)
As at 31 December 2014	—	220,351	—	(4,303)	216,048
Profit and total comprehensive income for the year	—	—	—	3,894	3,894
Recognition of equity-settled share based payment granted by shareholders	—	—	473	—	473
As at 31 December 2015	—	220,351	473	(409)	220,415
Loss and total comprehensive expenses for the period	—	—	—	(663)	(663)
Recognition of equity-settled share based payment granted by shareholders	—	—	183	—	183
As at 30 April 2016	<u>—</u>	<u>220,351</u>	<u>656</u>	<u>(1,072)</u>	<u>219,935</u>

Note: As further detailed in Note (a)(ii) to the consolidated statements of changes in equity, on 22 April 2014, the Company allocated and issue one ordinary share of US\$1 to acquire 100% equity interests in COFCO Meat Products (HK) from Mainfield. The special reserve of the Company represented the difference between the nominal value of the share capital issued by the Company and the carrying value of the net assets of COFCO Meat Products (HK).

41. SHARE-BASED PAYMENT TRANSACTIONS

The Company’s share option scheme (the “Scheme”) was adopted pursuant to a resolution passed on 27 March 2015 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 27 March 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 subscribe for 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 (or any other structure of similar nature) (the “Trustee”) will be 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 the Scheme are set out in the section headed “[REDACTED] Share Incentive Scheme” in Appendix IV to the Document.

Details of options are as follows:

Date of grant: 28 March 2015

Vesting period: Consecutively in four years from the date of grant in equal shares, subject to adjustments based on the grantees’ performance during the relevant period:

1. if the department in which the Scheme participant is employed achieves less than 80% of the performance target during the relevant period, no option will be vested;
2. if the department in which the Scheme participant is employed achieves between 80% and 120% of the performance target during the relevant period, the same percentage of option will be vested; and
3. if the department in which the Scheme participant is employed achieves above 120% of the performance target during the relevant period, 120% of the option will be vested.

Exercise price: HK\$ equivalent of RMB1 per share

Fair value at grant date: RMB50.89 cents

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Lock-up period:

No vested options may be exercised until the first 12 months from the [REDACTED] of the Company (the “[REDACTED]”), after which a participant of the Scheme may exercise the vested options in accordance with the following schedule:

(I) Exercise date for options vested before the [REDACTED]

Maximum percentage of the vested options exercisable:

On the date of the first anniversary of the [REDACTED] 33.3% (one-third)
 On the second anniversary of the [REDACTED] 66.7% (two-third)
 On the third anniversary of the [REDACTED] 100%

(II) Exercise date for options vested after the [REDACTED]

Maximum percentage of the vested options exercisable:

On the date of the first anniversary of the [REDACTED] after the options
 are vested 33.3% (one-third)
 On the second anniversary of the [REDACTED] after the options are vested . . 66.7% (two-third)
 On the third anniversary of the [REDACTED] after the options are vested . .
 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.

At 31 December 2015 and 30 April 2016, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 43,984,858, representing 1.10% of the shares of the Company in issue at the respective date. No share option was exercised during the year ended 31 December 2015. The following table discloses movements of the share options held by a director and employees during the year ended 31 December 2015:

	Outstanding at 1 January 2015	Granted during the year	Adjustments based on performance	Outstanding 31 December 2015	Granted during the period	Outstanding at 30 April 2016
Director . . .	—	4,950,000	2,228	4,952,228	—	4,952,228
Employees .	—	40,950,000	(1,917,370)	39,032,630	—	39,032,630
Total	—	45,900,000	(1,915,142)	43,984,858	—	43,984,858

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Upon the share repurchase and cancellation in April 2016 as detailed in Note 38, the number of shares under the options granted and the exercise price were adjusted to 32,108,946 shares and RMB1.37 per share respectively in May 2016 as a modification on share option scheme.

The fair value of the share options were valued by Savills, independent qualified professional valuers not connected with the Group. The address of Savills is 23rd Floor, Two Exchange square, Central, Hong Kong.

The fair value of the share options is determined using binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management’s best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility. To allow for the effects of early exercise, it was assumed that executives and senior employees would exercise the options after vesting date when the share price was two and a half times the exercise price.

The variables and assumptions used in computing the fair value of the share options are based on the Directors’ best estimate. The value of an option varies with different variables of certain subjective assumptions.

Inputs into the model were as follows:

Share price	RMB1.00
Exercise price	RMB1.00
Expected volatility	49.94%
Option life	10 years
Dividend yield	1.21%
Risk-free interest rate	4.08%

42. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land use rights, office premises, and warehouses, which fall due as follows:

	At 31 December			At 30 April
	2013	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	3,207	3,039	3,445	8,752
In the second to fifth year inclusive.	8,781	9,105	11,732	12,095
After five years	71,023	69,561	82,322	77,249
	<u>83,011</u>	<u>81,705</u>	<u>97,499</u>	<u>98,096</u>

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The Group as lessor

At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of chicken farms which fall due as follows:

	At 31 December			At 30 April
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	—	15,360	15,610	—
In the second to fifth year inclusive.	—	63,190	55,790	—
After five years	—	9,050	840	—
	—	87,600	72,240	—

Leases are negotiated for an average term of 6 to 8 years with fixed rentals. The leasing activities of the Group are conducted by the discontinued operations and after the disposal of the discontinued operations in April 2016, the Group no longer has operating lease commitments.

43. CAPITAL COMMITMENTS

	At 31 December			At 30 April
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:				
Capital commitments in respect of:				
Purchase of property, plant and equipment	294,573	175,912	206,757	206,178
Investments in joint ventures.	—	—	82,310	66,602

44. NON-COMPLIANCES

The Group has some non-compliances which mainly relating to the failure to complete the environmental protection completion inspection procedures in relation to construction of certain buildings. Details of these non-compliances of the Group during the Track Record Period are set out in the section “Non Compliance Matters” in the Document. Based on the reasons and circumstances of these non-compliances and the PRC legal advice, the Directors consider that the risk of the Group being subject to the penalty is remote, and accordingly, no provision has been made in the Financial Information.

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45. PLEDGE OF ASSETS

The carrying amount of the non-current and current assets pledged to banks to secure loan facilities granted to the Group, bills payable and letters of credit is as follows:

	At 31 December			At 30 April
	2013	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	22,844	—	—	—
Prepaid lease payments	3,946	—	—	—
Bank deposits	4,281	32,506	39,878	37,675
Accounts receivable	20,000	27,691	7,519	—
	<u>51,071</u>	<u>60,197</u>	<u>47,397</u>	<u>37,675</u>

46. RETIREMENT BENEFIT SCHEME

The employees of the Group in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The Group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. The total expenses recognised in the consolidated statements of profit or loss and other comprehensive income amounted to approximately RMB23,232,000, RMB25,130,000, RMB36,135,000, RMB12,282,000 (unaudited) and RMB13,893,000 for the years ended 31 December 2013, 2014 and 2015, and the four months ended 30 April 2015 and 2016, respectively.

47. NON-CASH TRANSACTIONS

- (a) On 22 April 2014, the Company issued one ordinary share of US\$1 to acquire two ordinary shares in COFCO Meat Products (HK) from the immediate holding company of the Company. Details of which are set out in Note (a) to the consolidated statements of changes in equity and Note 38.
- (b) On 26 May 2014, one ordinary share was issued to the immediate holding company to acquire a receivable of RMB651,843,000 from COFCO Meat Products (HK) (Note 38(iv)).
- (c) During the year ended 31 December 2015, interest on loans from the immediate holding company of RMB18,923,000 was settled through the current account balances with the immediate holding company.
- (d) During the year ended 31 December 2015, amounts due to the immediate holding company of RMB802,568,000 was reclassified as loans to the immediate holding company.

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- (e) During the years ended 31 December 2014 and 2015, the PRC government has settled land lease payments totalling RMB9,831,000 and RMB34,092,000, respectively, on behalf of the Group in the form of government subsidies. The related land lease payments payable was reclassified as deferred income (Note 37).
- (f) During the four months ended 30 April 2016, the Company repurchased 1,081,849,910 of its own shares from the shareholders, the aggregate consideration of RMB899,389,000 was settled through the current account balances with the immediate holding company and shareholders.

48. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes bank and other borrowings, and loans from holding companies disclosed in Notes 34 and 36, respectively, net of pledged and restricted bank deposits, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves as disclosed in consolidated statements 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 debt.

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49. CATEGORIES OF FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments of the Group and the Company at the end of each reporting period are as follows:

The Group

	At 31 December			At 30 April
	2013	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets:				
<i>Continuing operations</i>				
Loans and receivables (including cash and cash equivalents)	481,101	2,384,572	412,511	1,453,384
Available-for-sale investments	23,516	23,516	23,516	23,516
Financial assets at fair value through profit or loss	<u>—</u>	<u>—</u>	<u>499,555</u>	<u>454,551</u>
<i>Discontinued operations</i>				
Loans and receivables (including cash and cash equivalents)	<u>N/A</u>	<u>N/A</u>	<u>58,381</u>	<u>N/A</u>
Financial liabilities:				
<i>Continuing operations</i>				
Amortised cost.	<u>4,307,094</u>	<u>5,482,067</u>	<u>4,230,123</u>	<u>4,975,956</u>
Derivative financial instruments at fair value	<u>—</u>	<u>—</u>	<u>—</u>	<u>878</u>
<i>Discontinued operations</i>				
Amortised cost.	<u>N/A</u>	<u>N/A</u>	<u>404,310</u>	<u>N/A</u>

The Company

	At 31 December		At 30 April
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets:			
Loans and receivables (including cash and cash equivalents)	673,211	736,810	736,308
Financial liabilities:			
Amortised cost.	<u>796</u>	<u>1,206</u>	<u>900,573</u>

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s major financial instruments include available-for-sale investments, financial assets at fair value through profit or loss, derivative financial instruments, accounts receivable, other receivables, accounts and bills payable, other payables, bank and other borrowings, loans and/or current account balances with holding companies, fellow subsidiaries, a related company and shareholders, pledged and restricted bank deposits, and cash and cash equivalents. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

The Group’s activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Currency risk

The Group collects most of its revenue in RMB and most of the expenditures including costs incurred in sales of goods as well as capital expenditure are also denominated in RMB. Above 90% of the Group’s sales and 60% of costs of sales are denominated in the group entity’s respective functional currency. Foreign exchange risk arises when commercial sales and purchases transactions or recognised assets or liabilities are denominated in a currency that is not the entities’ functional currency. The Group is exposed to foreign currency risk primarily with respect to USD and Hong Kong dollars (“HKD”), which is pegged with USD.

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The carrying amounts of the Group’s foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	At 31 December			At 30 April
	2013	2014	2015	2016
	RMB’000	RMB’000	RMB’000	RMB’000
Assets:				
Denominated in HKD:				
Cash and cash equivalents	104	4,215	39	12
Denominated in USD:				
Cash and cash equivalents	5,862	922,595	7,811	19,527
	<u>5,966</u>	<u>926,810</u>	<u>7,850</u>	<u>19,539</u>
Liabilities:				
Denominated in HKD:				
Bank borrowings.	—	93,886	—	—
Denominated in USD:				
Bank and other borrowings.	310,502	645,679	66,702	—
Loans from the immediate holding company	—	—	904,970	900,145
Amounts due to the immediate holding company	<u>609,690</u>	<u>802,568</u>	<u>—</u>	<u>—</u>
	<u>920,192</u>	<u>1,542,133</u>	<u>971,672</u>	<u>900,145</u>

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 four months ended 30 April 2016, certain currency forward contracts had been entered by the Group.

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The following table demonstrates the sensitivity at the end of the reporting period to reasonably possible changes in RMB to USD/HKD exchange rates (“RMB - USD/HKD”), with all other variables held constant, of the Group’s profit/loss after tax due to changes in the carrying value of monetary assets and liabilities.

	Year ended 31 December			Four months ended 30 April
	2013	2014	2015	2016
	Increase/ (decrease) in profit after tax	Decrease/ (increase) in loss after tax	Decrease/ (increase) in loss after tax	Increase/ (decrease) in profit after tax
	RMB’000	RMB’000	RMB’000	RMB’000
RMB - USD/HKD				
Appreciation of RMB by 5%	34,283	23,075	36,143	33,023
Depreciation of RMB by 5%.	(34,283)	(23,075)	(36,143)	(33,023)

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/period end date for presentation purpose.

Interest rate risk

The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s interest-bearing bank and other borrowings with a floating interest rate, for example, LIBOR. The effective interest rates and terms of repayment of the interest-bearing bank and other borrowings of the Group are disclosed in Note 34.

The sensitivity analyses below have been determined based on the exposure to interest rates for bank and other 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 Track Record Period.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group’s post-tax profit for the year ended 31 December 2015 and for the four months ended 30 April 2016 would decrease/increase by RMB9,992,000 and RMB10,039,000, respectively, and the Group’s post-tax loss for the years ended 31 December 2013 and 2014 would increase/decrease by RMB8,196,000 and RMB20,370,000 respectively. Results of the analysis above represent the effects on outstanding bank and other borrowings with a floating interest rate at the end of each reporting period.

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Credit risk

At the end of each of the reporting period, the Group’s maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties or debtors provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

At the end of each of the reporting period, the Group’s credit risk is primarily attributable to its accounts receivable, other receivables, amounts due from fellow subsidiaries, an intermediate holding company, the ultimate holding company and a related company, loans to fellow subsidiaries, pledged and restricted bank deposits, and cash and cash equivalents. The Group monitors the exposure to credit risk on an ongoing basis and credit evaluations are performed on customers requiring credit over a certain amount. In addition, receivable balances are monitored on an ongoing basis with the result that the Group’s exposure to bad debts is not significant.

In order to minimise the credit risk of accounts receivable management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group’s credit risk is significantly reduced.

The Group does not have any significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

For amounts due from fellow subsidiaries, an intermediate holding company, the ultimate holding company and a related company, and loans to fellow subsidiaries, the Directors are in the opinion that the failure of these entities to make required payments is unlikely after considering their past settlement records, and/or financial position of these entities.

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

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents 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.

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At 31 December 2013, 2014 and 2015 and 30 April 2016, the Group’s net current liabilities amounted to RMB2,277,090,000, RMB1,162,710,000, RMB851,090,000 and RMB908,561,000, respectively. The Group’s net current liabilities position as at 30 April 2016 was mainly attributable to short-term bank and other borrowings of RMB1,543,946,000, loans from the immediate holding company of RMB900,145,000 and amounts due to shareholders of RMB523,521,000.

The Group finances its operations primarily through funding obtained from financial institutions and the immediate holding company and shareholders. The Directors closely monitor the Group’s financial performance and liquidity requirements to safeguard the Group’s ability to continue as a going concern. As at 30 April 2016, total bank and other borrowings of the Group amounted to RMB2,172,014,000 , of which RMB1,543,946,000 were due within one year as at 30 April 2016. As at 30 April 2016, the Group’s cash and cash equivalents amounted to RMB380,245,000. Meanwhile, the Group’s net operating cash inflows amounted to RMB556,773,000 (including net operating cash outflows from discontinued operations of RMB62,701,000) for the four months ended 30 April 2016.

As at 31 August 2016, the Group has an aggregate unutilised banking facilities of approximately RMB[●] million.

The Directors have reviewed the working capital forecast of the Group covering a period of not less than 12 months from 30 April 2016. Based on the forecast, the sufficiency of the Group’s working capital for the next 12 months depends on the Group’s ability to obtain the anticipated cash flows from the Group’s operating activities and the successful renewal of majority existing bank loans upon maturity. The Directors, after taking into account the reasonably possible changes in the operational performance and the availability of borrowings at the date of this report and upon the expected renewal of the short term bank loans, are of the opinion that, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next 12 months from 30 April 2016.

Liquidity risk tables

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

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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.

The Group

	Weighted average effective interest rate	On demand or within 1 year	1 - 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2013						
<i>Non-derivative financial liabilities</i>						
Bank and other borrowings	1.34% to 6.30%	1,797,852	292,897	—	2,090,749	2,020,272
Accounts and bills payables.	—	176,858	—	—	176,858	176,858
Other payables and deposits received	—	316,749	—	—	316,749	316,749
Amounts due to fellow subsidiaries .	—	323,013	—	—	323,013	323,013
Amounts due to the immediate holding company.	—	640,432	—	—	640,432	640,432
Amounts due to the ultimate holding company	—	2,000	—	—	2,000	2,000
Loans from the ultimate holding company.	—	5,500	—	—	5,500	5,500
Loans from an intermediate holding company.	3.40%	818,927	—	—	818,927	808,600
Amounts due to an intermediate holding company	—	13,670	—	—	13,670	13,670
		<u>4,095,001</u>	<u>292,897</u>	<u>—</u>	<u>4,387,898</u>	<u>4,307,094</u>
At 31 December 2014						
<i>Non-derivative financial liabilities</i>						
Bank and other borrowings	1.92%-6.18%	3,279,554	305,976	5,750	3,591,280	3,482,725
Accounts and bills payables.	—	279,797	—	—	279,797	279,797
Other payables and deposits received	—	639,123	—	—	639,123	639,123
Amounts due to fellow subsidiaries .	—	270,113	—	—	270,113	270,113
Amounts due to the immediate holding company	—	802,809	—	—	802,809	802,809
Amounts due to the ultimate holding company	—	2,000	—	—	2,000	2,000
Loans from the ultimate holding company.	—	5,500	—	—	5,500	5,500
		<u>5,278,896</u>	<u>305,976</u>	<u>5,750</u>	<u>5,590,622</u>	<u>5,482,067</u>

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	Weighted average effective interest rate	On demand or within 1 year	1 - 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2015						
(excluding balances directly associated with disposal group classified as held for sale)						
<i>Non-derivative financial liabilities</i>						
Bank and other borrowings	1.69% to 6.00%	2,104,711	388,477	19,838	2,513,026	2,423,788
Accounts and bills payables.	—	244,384	—	—	244,384	244,384
Other payables and deposits received	—	582,892	—	—	582,892	582,892
Amounts due to fellow subsidiaries .	—	52,425	—	—	52,425	52,425
Amounts due to the immediate holding company	—	19,164	—	—	19,164	19,164
Loans from the immediate holding company	Libor plus 2%	923,069	—	—	923,069	904,970
Loans from the ultimate holding company	—	2,500	—	—	2,500	2,500
		<u>3,929,145</u>	<u>388,477</u>	<u>19,838</u>	<u>4,337,460</u>	<u>4,230,123</u>
At 30 April 2016						
<i>Non-derivative financial liabilities.</i> .						
Bank and other borrowings	2.8% to 5.15%	1,582,545	670,547	21,252	2,274,343	2,172,014
Accounts and bills payables.	—	254,666	—	—	254,666	254,666
Other payables and deposits received	—	499,159	—	—	499,159	499,159
Amounts due to fellow subsidiaries .	—	162,739	—	—	162,739	162,739
Amounts due to the ultimate holding company.	—	2,735	—	—	2,735	2,735
Amounts due to the immediate holding company.	—	403,828	—	—	403,828	403,828
Amounts due to shareholders	—	523,521	—	—	523,521	523,521
Loans from the immediate holding company	Libor plus 2%	928,950	—	—	928,950	900,145
Loans from the ultimate holding company.	0% to 1.2%	3,700	4,800	117,600	126,100	56,749
		<u>4,361,842</u>	<u>675,347</u>	<u>138,852</u>	<u>5,176,040</u>	<u>4,975,556</u>

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The Company

	Weighted average effective interest rate	On demand or within 1 year	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000
At 31 December 2014				
<i>Non-derivative financial liabilities</i>				
Other payables and accruals . . .	—	555	555	555
Amounts due to the immediate holding company	—	241	241	241
		<u>796</u>	<u>796</u>	<u>796</u>
At 31 December 2015				
<i>Non-derivative financial liabilities</i>				
Other payables and accruals . .	—	<u>1,206</u>	<u>1,206</u>	<u>1,206</u>
At 30 April 2016				
<i>Non-derivative financial liabilities</i>				
Other payables and accruals . .	—	951	951	951
Amounts due to the immediate holding company	—	376,101	376,101	376,101
Amounts due to shareholders . .	—	523,521	523,521	523,521
		<u>900,573</u>	<u>900,573</u>	<u>900,573</u>

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

The following table details the Group’s liquidity analysis for its gross-settled derivative financial instruments. The table has been drawn up based on the undiscounted contractual gross inflows and outflows on those derivatives.

The Group

	On demand or within 1 year	Total amount undiscounted cash flows	Carrying amount as liabilities
	RMB'000	RMB'000	RMB'000
At 30 April 2016			
Foreign currency forward contracts:			
Outflow	<u>878</u>	<u>878</u>	<u>878</u>

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51. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Except for financial assets at FVTPL and derivative financial instruments as set out below, there is no financial instrument measured at fair value on a recurring basis. The fair values of financial assets and financial liabilities measured at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flows analysis.

The Group

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 31 December 2015				
<i>Financial assets</i>				
Financial assets at FVTPL	—	499,555	—	499,555
At 30 April 2016				
<i>Financial assets</i>				
Financial assets at FVTPL	—	454,551	—	454,551
<i>Financial liabilities</i>				
Derivative financial instruments	<u>—</u>	<u>878</u>	<u>—</u>	<u>878</u>

There were no transfers between Level 1 and 2 during the Track Record Period.

The financial assets at FVTPL represent bank wealth management products (Note 30) and are classified under Level 2 in the fair value hierarchy. The fair value of the Group’s financial assets at FVTPL is determined and calculated by reference to the expected return rate quoted by the relevant banks.

The derivative financial instruments represent foreign currency forward contracts (Note 35). The fair value of these contracts is determined and calculated by discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counter parties.

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

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

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52. DISPOSAL OF SUBSIDIARIES

- (a) On 31 March 2013, the Group disposed of its 55% equity interests in a subsidiary, whose operating business is chicken slaughtering and processing, to an independent third party. The carrying amounts of the assets and liabilities of the subsidiary disposed of are summarised as follows:

	At 31 March 2013
	<i>RMB'000</i>
Property, plants and equipment	3,506
Cash and cash equivalents	2,738
Accounts receivable	1,219
Prepayments, deposits and other receivables	12,936
Inventories	16,101
Accounts payable	(19,414)
Other payables, accruals and deposits received	(5,522)
Current tax liabilities	(132)
Net assets disposed of	<u>11,432</u>
Loss on disposal of a subsidiary:	
Net assets disposed of	11,432
Non-controlling interests	(5,144)
Consideration received	<u>(541)</u>
Loss on disposal	<u>5,747</u>
Net cash outflows on disposal of a subsidiary:	
Cash consideration received	541
Cash and cash equivalents disposed of	<u>(2,738)</u>
Net outflows of cash and cash equivalents	<u>(2,197)</u>

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- (b) As referred in Note 12, on 22 April 2016, the Group discontinued its poultry production business at the time of disposal of its subsidiaries, COFCO Poultry Co., Ltd., COFCO Meat Farming (Shandong), COFCO Meat (Suqian), and COFCO Meat (Shandong), to a company beneficially owned by the shareholders of the Company at a consideration of RMB1. The carrying amounts of the assets and liabilities of the subsidiaries disposed of are summarised as follows:

	At 22 April 2016
	<i>RMB'000</i>
Property, plant and equipment	601,569
Investment properties	109,070
Intangible assets	727
Prepaid lease payments	12,718
Biological assets	20,106
Inventories	124,516
Accounts receivable	65,614
Prepayments, deposits and other receivables	60,915
Amounts due from fellow subsidiaries	98,253
Cash and cash equivalents	17,193
Deferred tax assets	646
Accounts and bills payables	(98,782)
Other payables, accruals and deposits received	(107,294)
Amounts due to fellow subsidiaries	(274,898)
Bank and other borrowings	(118,750)
Loans from fellow subsidiary	(586,000)
Loans from the ultimate holding company	(3,000)
Deferred income	(12,980)
Net liabilities disposed of	<u>(90,377)</u>
Reclassification upon disposal of subsidiaries:	
Consideration receivable	—
Net liabilities disposed of	<u>(90,377)</u>
Deemed contribution upon disposal of subsidiaries	<u>(90,377)</u>
Net cash outflows on disposal of a subsidiary:	
Cash and cash equivalents disposed of	<u><u>(17,193)</u></u>

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

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53. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the Financial Information, the Group had the following material transactions with related parties during the Track Record Period:

	Year ended 31 December			Four months ended 30 April	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Transactions with fellow subsidiaries:					
Sales of goods	2,593	5,547	7,102	3,334	13,874
Purchases of goods	745,091	568,811	563,018	164,690	205,237
Property management fee	—	519	780	260	429
Feeding materials processing fee	—	—	4,408	—	1,769
Interest expense	3,841	25,018	24,202	12,685	6,719
Transactions with a related company:					
Sales of goods	894	2,048	3,517	1,306	1,795
Transactions with the immediate holding company:					
Interest expense	—	—	18,923	2,424	8,795
Transactions with an intermediate holding company:					
Interest expense	21,506	10,327	—	—	—
Transactions with the ultimate holding company:					
Purchases of goods	—	—	180,010	25,081	—
Administrative fee	721	1,275	1,671	557	621
Rental expenses	3,336	4,371	5,514	1,838	2,490
Interest expense	—	—	—	—	878

The interest expense to fellow subsidiaries arose from loans from COFCO Finance as set out in Note 34. The interest expense to the immediate holding company and an intermediate holding company arose from the loans advanced therefrom. Details of the terms of these loans are set out in Note 36. The above sale and purchase transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

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In addition, certain deposits included in cash and cash equivalents are placed with COFCO Finance, which is a fellow subsidiary of the Group and a non-bank financial institution regulated by the People’s Bank of China (the “PBOC”) and the China Banking Regulatory Commission. In the PRC, deposit rates are set by the PBOC which is applicable to all financial institutions. The interest rates offered by COFCO Finance are the same as the rates promulgated by the PBOC. The deposits placed with COFCO Finance by the Group at 31 December 2013, 2014 and 2015 and 30 April 2016 amounted to RMB206,889,000, RMB904,482,000, RMB102,158,000 and RMB142,873,000 respectively. In addition, at 30 April 2016, the Group provided guarantees for bank loans of RMB121.8 million and bills payables of RMB14.2 million for a fellow subsidiary. The Directors expect that these guarantees will be released before [REDACTED].

Transactions with other government-related entities in the PRC

The Group itself is part of a larger group of companies under COFCO Corporation which is controlled by the PRC government. Thus, the Directors consider that the Group is ultimately controlled by the PRC government. In addition, the Group operates in an economic environment currently pre-denominated by entities controlled, jointly controlled or significantly influenced by the PRC government (“PRC government-related entities”). Apart from the transactions with the ultimate holding company, an intermediate holding company, the immediate holding company, a related company, shareholders and fellow subsidiaries set out above and balances with them as disclosed in respective notes, the Group also conducts businesses with other PRC government-related entities in the ordinary course of business. Certain of the Group’s bank deposits and bank borrowings are entered into with certain banks which are PRC government-related entities in its ordinary course of business. In view of the nature of those banking transactions, the Directors are of the opinion that separate disclosures would not be meaningful. In addition, the Group entered into various transactions, including purchases of land use rights, construction of properties and other operating expenses with other PRC government-related entities in the ordinary course of business. The pricing and the selection of suppliers and service providers are not dependent on whether the counterparties are PRC government-related entities or not. In the opinion of the management of the Group, the above transactions are collectively significant transactions of the Group with PRC government-related entities.

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Compensation of key management personnel of the Group

	Year ended 31 December			Four months ended 30 April	
	2013	2014	2015	2015	2016
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				<i>(unaudited)</i>	
Salaries and other allowances . . .	8,117	8,350	7,088	1,494	3,718
Retirement benefit scheme contributions	299	317	292	83	93
Equity-settled share option expense	—	—	947	—	342
	<u>8,416</u>	<u>8,667</u>	<u>8,327</u>	<u>1,577</u>	<u>4,153</u>

The key management personnel of the Group includes the Directors and top executives of the Company. Further details of Directors’ emoluments are included in Note 13.

B. DIRECTORS’ REMUNERATION

Same as disclosed herein, no remuneration has been paid or is payable to the Directors by the Company or any of its subsidiaries during the Track Record Period.

C. EVENTS AFTER THE REPORTING PERIOD

[●]

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of the companies now comprising the Group have been prepared in respect of any period subsequent to 30 April 2016 and up to the date of this report.

Yours faithfully

[Deloitte Touche Tohmatsu]
Certified Public Accountants
 Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following information set out in this Appendix does not form part of the accountants’ report on the financial information of the Group for the years ended 31 December 2013, 2014 and 2015 and the four months ended 30 April 2016 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company (the “Accountants’ Report”), as set out in Appendix I, to this document, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with information set out elsewhere to this document the section entitled “Financial Information” in this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company which has been prepared in accordance with paragraph 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the [REDACTED] on the consolidated net tangible assets of the Group attributable to owners of the Company as at 30 April 2016 as if the [REDACTED] had taken place on 30 April 2016.

The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the [REDACTED] been completed as at 30 April 2016 or at any future dates. It is prepared based on the consolidated net tangible assets of the Group as at 30 April 2016 as set out in the consolidated financial information contained in Appendix I to this document, and adjusted as described below.

Consolidated net tangible assets of the Group attributable to owners of the Company as of 30 April 2016	Estimated net proceeds from the [REDACTED]	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company		
		Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share		
<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB</i>	<i>HK\$</i>
<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>	<i>(Note 3)</i>

Based on the [REDACTED] of

[REDACTED] per

[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

Based on the [REDACTED] of

[REDACTED] per

[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

1. The consolidated net tangible assets of the Group attributable to owners of the Company as at 30 April 2016 is based on the consolidated net assets of the Group attributable to owners of the Company of RMB2,301,473,000 as at 30 April 2016 less goodwill and intangible assets of the Group of RMB100,609,000 and RMB2,187,000, respectively as at 30 April 2016, as extracted from the Accountants’ Report as set out in Appendix I to this document.
2. The estimated net proceeds from the [REDACTED] are based on [REDACTED] Shares to be issued at an [REDACTED] of [REDACTED] and [REDACTED] per Share respectively, after deduction of the estimated [REDACTED] and related expenses expected to be incurred by the Group subsequent to 30 April 2016 does not take into account of the exercise of the [REDACTED]. The estimated net proceeds from the [REDACTED] are converted from Hong Kong dollars into Renminbi at an exchange rate of RMB0.84799 to HK\$1. No representation is made that Hong Kong dollar amounts have been, could have been or could be converted to Renminbi amounts, or vice versa, at that rate or at any other rates or at all.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share is arrived at after making the adjustments referred to in note 2 above and on the basis of [REDACTED] Shares in total, taking into account that [REDACTED] Shares in issue as at 30 April 2016 and assuming that [REDACTED] Shares to be issued pursuant to the [REDACTED] had been completed on 30 April 2016. It does not take into account of any Shares which may be issued upon the exercise of the [REDACTED]. The Company’s share option scheme has had no impact on the pro forma financial information as the share options are granted by certain shareholders of the Company and no new Shares will be issued upon the exercise of the share options.

The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is converted to Hong Kong dollars at the rate of RMB0.84799 to HK\$1. No representation is made that the Renminbi amounts have been, could have been or could be converted into Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group as at 30 April 2016 to reflect any operating result or other transactions of the Group entered into subsequent to 30 April 2016.

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX III

**SUMMARY OF THE CONSTITUTION OF THE
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SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on [●] 2016 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Cayman Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed “Documents Delivered to the Registrar of Companies and Available for inspection”.

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on [●] 2016 and include provisions to the following effect:

2.1 *Classes of Shares*

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is [REDACTED] divided into [REDACTED] shares of [REDACTED] each.

2.2 *Directors*

(a) *Power to allot and issue Shares*

Subject to the provisions of the Cayman Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors

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may determine. Subject to the Cayman Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Cayman Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Cayman Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

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(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

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- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees’ share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

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The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

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There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

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(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 *Alteration to constitutional documents*

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 *Variation of rights of existing shares or classes of shares*

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 *Alteration of capital*

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

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The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Cayman Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Cayman Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Cayman Companies Law.

2.6 *Special resolution — majority required*

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Cayman Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special

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resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 *Voting rights*

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

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At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 *Annual general meetings*

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the [REDACTED] may authorise). The annual general meeting shall be specified as such in the notices calling it.

2.9 *Accounts and audit*

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Cayman Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Cayman Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit

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or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

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2.11 *Transfer of shares*

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the [REDACTED].

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the [REDACTED] may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the [REDACTED] website, or, subject to the Listing Rules, by electronic communication in the manner in which

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notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Cayman Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the [REDACTED] and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Cayman Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

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The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

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Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting,

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not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 *Calls on shares and forfeiture of shares*

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

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If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the [REDACTED] website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

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Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Cayman Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets

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in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Cayman Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 *Untraceable members*

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the [REDACTED] has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Cayman Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Cayman Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Cayman Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was registered by way of continuation into the Cayman Islands as an exempted company with limited liability on May 4, 2016 under the Cayman Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

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3 Share Capital

The Cayman Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

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Subject to the detailed provisions of the Cayman Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

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6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company’s memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Cayman Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Cayman Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company’s affairs and to explain its transactions.

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9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Cayman Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company’s articles of association.

11 Special Resolutions

The Cayman Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Cayman Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Cayman Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the

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vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

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16 Indemnification

Cayman Islands law does not limit the extent to which a company’s articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator’s duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company’s liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Governor in Cabinet:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government

APPENDIX III

**SUMMARY OF THE CONSTITUTION OF THE
COMPANY AND CAYMAN COMPANIES LAW**

of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder, the Company’s legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

We were incorporated in the BVI as a limited liability company on March 11, 2014 under the BVI Business Companies Act, 2004. On May 4, 2016, we re-domiciled to the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law. We have established a principal place of business in Hong Kong at 33/F., COFCO Tower, 262 Gloucester Road, Hong Kong and we have applied to be registered as a non-Hong Kong company under Part 16 of the Companies Ordinance under the same address. Mr. Xu Jianong and Ms. Chau Hing Ling were appointed as our authorized representatives for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As we were re-domiciled to the Cayman Islands, our corporate structure and Memorandum of Association and Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and the Memorandum of Association and Articles of Association is set out in the section headed “Summary of the Constitution of the Company and Cayman Companies Law” in Appendix III to this document.

2. Change in Share Capital

As of the date of incorporation of our Company in the BVI, our Company was authorized to issue a maximum of 50,000 shares with a par value of US\$1.00. The following sets out the changes in our Company’s share capital within the two years immediately preceding the issue of this document.

On May 26, 2014, the maximum number of shares our Company is authorized to issue was increased to 50,000,000,000 shares of no par value.

On February 11, 2015, as part of the Jiangsu Restructuring, we allotted and issued 134,802,004 Shares, 49,018,911 Shares, 22,058,510 Shares, 20,097,753 Shares and 19,117,375 Shares to Mainfield, KKR, Baring, HOPU and Boyu, respectively.

Pursuant to the resolutions in writing of all our Shareholders passed on April 25, 2016, the shares of no par value in our Company were changed into shares with a par value of US\$0.000001 each, such that our Company is authorized to issue maximum of 50,000,000,000 Shares of US\$0.000001 par value each.

On April 29, 2016, our Board approved the repurchase by our Company of 595,017,450 Shares, 216,369,982 Shares, 97,366,492 Shares, 88,711,693 Shares and 84,384,293 Shares from Mainfield, KKR, Baring, Temasek and Boyu, respectively.

Immediately following the completion of the [REDACTED], the issued share capital of our Company will be approximately [REDACTED] divided into [REDACTED] Shares of US\$0.000001 each, all fully paid or credited as fully paid and [REDACTED] Shares of US\$0.000001 each will remain unissued.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Save as disclosed herein, there has been no alteration in our share capital and no redemption, repurchase or sale of any of our share capital since our incorporation.

3. Resolutions of our Shareholders

Pursuant to a written shareholders’ resolution of the Company dated [●].

- (a) the Memorandum and Articles of Association were approved and adopted conditional upon [REDACTED];
- (b) conditional upon all the conditions set out in “Structure of the [REDACTED]—[REDACTED]—Conditions of the [REDACTED]” in this document being fulfilled:
 - (i) the [REDACTED] and the [REDACTED] were approved and the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to make or effect such modifications as it thinks fit;
 - (ii) the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to allot, issue and approve the transfer of such number of Shares in connection with the [REDACTED]; and
 - (iii) the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to agree to the [REDACTED] per [REDACTED] with the [REDACTED]; and
- (c) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and [REDACTED] with Shares or securities convertible into Shares and to make or grant offers or agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted, issued or [REDACTED] with, otherwise than pursuant to a right issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by our Company from time to time on a specific authority granted by the Shareholders in general meeting or, pursuant to the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, Shares not exceed 20% of the aggregate nominal value of the Shares in issue immediately following completion of the [REDACTED], such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws, or until revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever is the earliest;

APPENDIX IV

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- (d) a general unconditional mandate was given to the Directors authorizing them to exercise all the powers of our Company to repurchase its own Shares on the [REDACTED] or on any other approved [REDACTED] on which the securities of our Company may be [REDACTED] and which is recognized by the SFC and the [REDACTED] for this purpose, such number of Shares will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the [REDACTED], such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws, or until revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever occurs first; and
- (e) the general mandate mentioned in paragraph (c) above be extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted, or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by the Company pursuant to the mandate to purchase shares referred to in paragraph (d) above.

4. Corporation Reorganization

The companies comprising our Group underwent the Reorganization in preparation for the [REDACTED] of our Shares on the [REDACTED]. See the section headed “History, Development and Reorganization” in this document for information relating to the Reorganization.

5. Changes in the Share Capital of Subsidiaries

Our subsidiaries during the Track Record Period are referred to in the Accountant’s Report set out in Appendix I to this document. The following alterations in the share or registered capital of our subsidiaries have taken place within two years immediately preceding the date of this document.

(1) *Zhuo Mao*

On October 22, 2015, Zhuo Mao was incorporated under the laws of BVI an authorized to issue a maximum of 50,000 shares of one class of US\$1.00 par value.

(2) *COFCO Joycome (Chifeng)*

On October 16, 2014, pursuant to a shareholder’s resolution of COFCO Joycome (Chifeng) passed on July 22, 2014, the registered capital of COFCO Joycome (Chifeng) was increased from US\$15.00 million to US\$21.12 million, as a result of capital injection by COFCO Meat Investments.

On May 15, 2015, pursuant to a shareholder’s resolution of COFCO Joycome (Chifeng) passed on April 10, 2015, the registered capital of COFCO Joycome (Chifeng) was increased from US\$21.12 million to US\$66.72 million, as a result of capital injection by COFCO Meat Investments.

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(3) *COFCO Joycome (Jilin)*

On June 25, 2015, pursuant to a shareholder’s resolution of COFCO Joycome (Jilin) passed on April 30, 2015, the registered capital of COFCO Joycome (Jilin) was increased from US\$58.92 million to US\$63.42 million, as a result of capital injection by COFCO Meat Investments.

6. Repurchase of our own securities

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary [REDACTED] on the [REDACTED] to repurchase their securities on the [REDACTED] subject to certain restrictions, the more important of which are summarized below:

(i) *Shareholders’ approval*

All proposed repurchases of shares (which must be fully paid up) by a company with a primary [REDACTED] on the [REDACTED] must be approved in advance by an ordinary resolution of its shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a written shareholder’s resolution of the Company dated [●], a general unconditional mandate (the “Repurchase Mandate”) was given to the Directors authorizing any repurchase by our Company of Shares on the [REDACTED] or on any other [REDACTED] on which the securities may be [REDACTED] and which is recognized by the SFC and the [REDACTED] for this purpose, of not more than 10% of the aggregate nominal value of our Company’s share capital in issue immediately following the completion of the [REDACTED] until at the conclusion of our next annual general meeting, or the expiration of the period within which our Company’s next annual general meeting is required to be held under any applicable laws or the Articles, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first, whichever is earliest.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the applicable laws and regulations of the Cayman Islands. A [REDACTED] company may not repurchase its own securities on the [REDACTED] for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the [REDACTED].

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(iii) *Trading restrictions*

The total number of Shares which our Company may repurchase is up to 10% of the total number of our Shares in issue immediately after the completion of the [REDACTED]. Our Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares without the prior approval of the [REDACTED]. Our Company is also prohibited from repurchasing Shares on the [REDACTED] if the repurchase would result in the number of [REDACTED] Shares which are in the hands of the [REDACTED] falling below the relevant prescribed minimum percentage as required by the [REDACTED]. Our Company is required to procure that the broker appointed by our Company to effect a repurchase of Shares discloses to the [REDACTED] such information with respect to the repurchase as the [REDACTED] may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the [REDACTED] if the purchase price is higher by 5% or more than the [REDACTED] for the five preceding trading days on which its shares were traded on the [REDACTED].

(iv) *Status of repurchased Shares*

All repurchased Shares (whether effected on the [REDACTED] or otherwise) will be automatically [REDACTED] and the certificates for those Shares must be cancelled and destroyed. Under Cayman Companies Law, a company’s repurchased shares shall be treated as cancelled and the amount of the company’s issued share capital shall be reduced by the aggregate par value of the repurchased shares accordingly although the authorized share capital of the company will not be reduced.

(v) *Suspension of repurchase*

Pursuant to the [REDACTED], our Company may not make any repurchases of Shares after inside information has come to its knowledge until the information is made publicly available. In particular, under the requirements of the [REDACTED] in force as of the date hereof, during the period of one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the [REDACTED] in accordance with the Listing Rules) for the approval of our Company’s results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of our Company’s results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, our Company may not repurchase Shares on the [REDACTED] unless the circumstances are exceptional.

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(vi) *Procedural and reporting requirements*

As required by the Listing Rules, repurchases of Shares on the [REDACTED] or otherwise must be reported to the [REDACTED] not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the [REDACTED] business day following any day on which our Company may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our Company is required to disclose in our annual report the details regarding repurchases of Shares made during the year, including a monthly analysis of the number of Shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) *Connected parties*

A company is prohibited from knowingly repurchasing securities on the [REDACTED] from a core connected person (as defined in the Listing Rules) and a core connected person shall not knowingly sell its securities to the company on the [REDACTED].

(b) *Reasons for repurchases*

The Directors believe that it is in the best interests of our Company and Shareholders for the Directors to have general authority from the Shareholders to enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position as disclosed in this document and taking into account the current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this document. The Directors, however, do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Company which in the opinion of the Directors are from time to time appropriate for our Company.

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The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately following the completion of the [REDACTED], could accordingly result in [REDACTED] Shares being repurchased by our Company during the period until at the conclusion of our next annual general meeting, or the expiration of the period within which our next Company’s annual general meeting is required to be held under any applicable laws of the Articles, or the revocation or variation of the purchase mandate by an ordinary resolution of the Shareholders in general meeting, whichever is earliest (the “**Relevant Period**”).

(d) ***General***

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

The Directors have undertaken to the [REDACTED] that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder’s proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the “Takeovers Code”). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. Any repurchase of Shares which results in the number of Shares held by the [REDACTED] being reduced to less than 25% of our Shares then in issue could only be implemented with the approval of the [REDACTED] to waive the Listing Rules requirements regarding the [REDACTED] shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

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STATUTORY AND GENERAL INFORMATION

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this document that are or may be material:

- (a) the Side Letter dated February 5, 2015 entered into among our Company, COFCO (HK), Mainfield, KKR, Baring, HOPU and Boyu, pursuant to which our Company agreed to (i) allot and issue to each of Mainfield, Baring, HOPU and Boyu 134,802,004 Shares, 12,254,728 Shares, 20,097,753 Shares and 19,117,375 Shares respectively, in consideration for which Mainfield, HOPU, Baring and Boyu transferred 723,684 shares, 65,789 shares, 107,895 shares and 102,632 shares in Yuxi to our Company respectively; and (ii) upon completion of the said transfers, allot and issue to each of KKR and Baring 49,018,911 Shares and 9,803,782 Shares, at a subscription price of the US\$ equivalent of RMB49,018,911 and the US\$ equivalent of RMB9,803,782, respectively;
- (b) the All-party Deed dated September 25, 2015 entered into among our Company, COFCO (HK), Mainfield, KKR, Baring, HOPU, Boyu and Temasek pursuant to which Temasek replaced HOPU as a party to the Sale and Purchase Agreement and the Shareholders' Agreement;
- (c) the supplemental agreement to the Shareholders' Agreement dated May 4, 2016 entered into among our Company, COFCO (HK), Mainfield, KKR, Baring, Temasek and Boyu pursuant to which certain clause of the Shareholders' Agreement was terminated;
- (d) the Deed of Non-Competition dated [●] entered into among Mainfield, China Foods (Holdings), COFCO (HK) and COFCO and our Company regarding non-competition undertakings given by Mainfield, China Foods (Holdings), COFCO (HK) and COFCO in favor of our Company, details of which are set out in the section headed “Relationship with Controlling Shareholders— Non-competition Undertaking” in this document;
- (e) the Deed of Indemnity dated [●] entered into among Mainfield, China Foods (Holdings), COFCO (HK) and COFCO and our Company pursuant to which each of Mainfield, China Foods (Holdings), COFCO (HK) and COFCO agreed to give certain indemnities in our favor, the details of which are set out in “—E. Other Information—1. Indemnities” in this section; and
- (f) [REDACTED].

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2. Intellectual Property Rights of Our Group

Trademarks

As of the Latest Practicable Date, our Group had registered the following trademarks which are material to our Group’s business:

Trademark	Place of registration	Registered Owner	Class	Expiry Date	Registration No.
	PRC	COFCO Meat Investments	29	November 27, 2019	1339047
	PRC	COFCO Meat Investments	30	May 6, 2021	8265805
JOYCOME	PRC	COFCO Meat Investments	30	January 6, 2023	8208938
万威客	PRC	COFCO Meat Investments	29	July 6, 2019	1291532
	PRC	COFCO Meat Investments	29	March 6, 2021	7380852
	PRC	COFCO Meat Investments	29	September 13, 2021	8265806
	PRC	COFCO Meat Investments	30	September 6, 2021	8265804
	PRC	COFCO Meat Investments	29	February 13, 2023	10284317

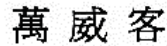
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As of the Latest Practicable Date, our Group had obtained a licence to use the following trademarks which are material to our Group’s business. Please see the section headed “Connected Transactions—Continuing Connected Transactions—Exempt Continuing Connected Transactions with COFCO Group—Trademark Licenses” for further details of the licensing arrangement for our Group to use trademark(s) whose proprietor(s)/applicant(s) is not a member of our Group:

Trademark	Place of registration	Registered Owner	Class	Expiry Date	Registration No.
	PRC	COFCO	29	June 13, 2019	5669057
	PRC	COFCO	30	August 6, 2019	5669058
COFCO	PRC	COFCO	29	June 13, 2019	5669069
COFCO	PRC	COFCO	30	August 6, 2019	5669073
	PRC	COFCO	29	June 6, 2019	5623679
	PRC	COFCO	30	July 20, 2019	5623686
	Hong Kong	COFCO	36, 37, 39 and 43	December 1, 2023	302822445
	Hong Kong	COFCO	36, 37, 39 and 43	December 1, 2023	302822463
COFCO	Hong Kong	COFCO	36, 37, 39 and 43	December 1, 2023	302822472
	Hong Kong	COFCO	29, 32, 33 and 35	December 4, 2016	300773442
	Hong Kong	COFCO	29, 30, 31, 32, 33 and 35	December 4, 2016	300773460
COFCO	Hong Kong	COFCO	6 and 20	October 5, 2018	301214874
	Hong Kong	COFCO	6 and 20	October 5, 2018	301214883

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Trademark	Place of registration	Registered Owner	Class	Expiry Date	Registration No.
	Hong Kong	COFCO	6 and 20	October 5, 2018	301214892
	Hong Kong	COFCO	30	October 22, 2023	300099351
	Hong Kong	COFCO Meat Investments	29	March 7, 2020	200500061
MAVERICK	Hong Kong	COFCO Meat Investments	29	March 7, 2020	200500425
	Hong Kong	COFCO Meat Investments	29	March 11, 2020	200500426
	Hong Kong	COFCO Meat Investments	29 and 30	April 22, 2022	302231135

As of the Latest Practicable Date, our Group had obtained a licence to use the following trademarks which are the subject of pending applications for registration and which are or may be material in relation to the Group’s business:

Trademark	Place of Registration	Applicant	Class	Date of Application	Application No.
	PRC	COFCO Meat Investments	29	November 9, 2015	18285047
	PRC	COFCO Meat Investments	30	November 9, 2015	18285250
中糧	Hong Kong	COFCO	16 and 29	May 20, 2016	303783376
COFCO	Hong Kong	COFCO	16 and 29	May 20, 2016	303783358
	Hong Kong	COFCO	16 and 29	May 20, 2016	303783349

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Domain Name

As of the Latest Practicable Date, our Group had registered the following domain names which are material to our Group’s business:

Domain Name	Registered Owner	Expiry Date
cofco-joycome.net	COFCO Meat Investments	December 19, 2018
cofco-joycome.com.cn	COFCO Meat Investments	December 19, 2018
cofco-joycome.cn	COFCO Meat Investments	December 19, 2018
cofco-joycome.com	COFCO Meat Investments	December 19, 2018
chinapork.com	Wuhan COFCO Meat	July 5, 2020

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) *Interests and short positions of the Directors and the chief executive of our Company in the Shares, underlying shares and debentures of our Company and its associated corporations*

Immediately following the completion of the [REDACTED], the interests or short positions of Directors or chief executives of our Company in the Shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the [REDACTED] pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required under Section 352 of the SFO to be entered in the register referred to in that section, or which will be required under the Model Code for Securities Transactions by Directors of [REDACTED] Issuers as set out in Appendix 10 to the Listing Rules (“Model Code”) to be notified to our Company and the [REDACTED], once the Shares are [REDACTED], will be as follows:

Interest in Shares or Underlying shares of our Company

Name of Director	Nature of Interest	Number of Shares upon [REDACTED]	Approximate percentage of shareholding interest upon [REDACTED]
Mr. Xu Jianong	Personal Interest	[REDACTED]	[REDACTED]

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(b) *Interests and short positions of the Substantial Shareholders in the Shares and underlying shares of our Company*

Save as disclosed in the section headed “Substantial Shareholders” in this document, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has any an interest or short position in the Shares and underlying shares of our Company which, once the Shares are [REDACTED], would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

(c) *Interests of the substantial shareholder of any member of our Group (other than our Company)*

So far as is known to our Directors, the following person, not being a Director or chief executive of our Company, is interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of our Group:

Name of shareholder of other members of our Group	Name of other members of our Group	Number of securities interested/Registered share capital⁽¹⁾	Approximate percentage of shareholding
Genesis	Genesis JV	[REDACTED]	[REDACTED]

Note:

(1) Registered share capital represents the registered share capital contributed by the relevant shareholder.

2. Particulars of Service Contracts

(a) *Executive Director*

The executive Director [has entered] into a service contract with our Company under which he agreed to act as executive Director for an initial term of three years commencing from the [REDACTED], which may be terminated by not less than three months’ notice in writing served by either the executive Director or our Company.

The appointment of the executive Director is subject to the provisions of retirement and rotation of Directors under the Articles.

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(b) *Non-executive Directors and Independent Non-executive Directors*

Each of the non-executive Directors [has signed] an engagement letter with our Company for a term of one year with effect from the [REDACTED] and each of the independent non-executive Directors has signed a letter of appointment with our Company for a term of three years with effect from their respective date of appointment. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

(c) *Others*

- (i) Save as disclosed above, none of the Directors has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).
- (ii) During the year ended December 31, 2015, the aggregate of the remuneration and benefits in kind payable to the Directors was approximately RMB2,351,000. Details of the Directors' remuneration are also set out in note 13 of the Accountant's Report set out in Appendix I to this document. Save as disclosed in this document, no other emoluments have been paid or are payable in respect of the year ended December 31, 2015 by our Company to the Directors.
- (iii) Under the arrangements currently in force, the aggregate of the remuneration and benefits in kind payable to the Directors for the year ending December 31, 2016 is estimated to be approximately RMB2,986,600.
- (iv) None of the Directors or any past directors of any members of our Group has been paid any sum of money for the three years ended December 31, 2015 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (v) There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind for the three years ended December 31, 2015.
- (vi) None of the Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, our Company, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

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3. Fees or commissions received

Save as disclosed in this document, none of the Directors or any of the persons whose names are listed under the section headed “—E. Other Information—10. Consents of Experts” below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this document.

4. Miscellaneous

Save as disclosed in this document:

- (a) none of the Directors or chief executive of our Company has any interest or short positions in the Shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the [REDACTED] pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to in that section, or which will be required to be notified to us and the [REDACTED] pursuant to the Model Code, in each case once our Shares are [REDACTED];
- (b) none of our Directors nor any of the parties listed in the section headed “—E. Other Information—10. Consents of Experts” below has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors nor any of the parties listed in the section headed “—E. Other Information—10. Consents of Experts” below is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;
- (d) other than pursuant to the [REDACTED], none of the parties listed in the section headed “—E. Other Information—10. Consents of Experts” below:
 - (i) is interested legally or beneficially in any of our Shares or any shares of any of our subsidiaries; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe securities in any member of our Group.

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D. [REDACTED] SHARE INCENTIVE SCHEME

1. Background

In recognition of the contributions of the employees of our Group, on March 27, 2015, the board of COFCO Meat Investments after discussing with the then Shareholders resolved to implemented a [REDACTED] Share Incentive Scheme. Pursuant to the [REDACTED] Share Incentive Scheme, each of the Shareholders shall contribute Shares representing 3% of their respective shareholding in our Company to incentivize the core management team of the Group. On March 28, 2015, the Company, on behalf of the Shareholders, granted options to 40 employees (“**Scheme Participants**”) to acquire, 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 aggregate of 102,000,000 Shares (the “**Option Shares**”), representing approximately 2.5% of the then total issued Shares, from the Shareholders at an exercise price of the HK\$ equivalent of RMB1.00 per Share (subsequently adjusted to RMB1.37 per Share after the disposal of the Disposal Group).

However, since Mainfield is ultimately controlled by COFCO, a wholly-state-owned enterprise incorporated in the PRC, the grant of the above options by Mainfield is subject to the approval of the relevant PRC authority. Notwithstanding its efforts, Mainfield has not been able to obtain such approval and to avoid any uncertainties in the implementation of the [REDACTED] Share Incentive Scheme, the Company entered into a supplemental letter with each of the Scheme Participants on March 1, 2016 pursuant to which the total Option Shares were reduced from 102,000,000 Shares to 45,900,000 Shares, representing a reduction of 55% of the total Option Shares, which equals to Mainfield’s proposed contribution. Each Scheme Participants’ entitlement was reduced on a pro-rata basis.

Following the repurchase of 1,081,849,910 Shares by the Company on April 29, 2016, the Company entered into a second supplemental letter with each of the Scheme Participants on May 3, 2016 pursuant to which the total Option Shares were further reduced from 45,900,000 Shares to 33,511,318 Shares, proportionate to the share capital reduction. Each Scheme Participants’ entitlement was further reduced on a pro-rata basis.

To realize the above options, the Company, KKR, Baring, Temasek and Boyu entered into an undertaking on June 24, 2016 (the “**Undertaking**”) pursuant to which each of the Company and KKR, Baring, Temasek and Boyu (the “**Covenantors**”, and each a “**Covenantor**”) agreed to negotiate in good faith and use reasonable endeavors to reach an agreement in relation to the structure of the employee benefit trust (or any other structure of similar nature) (the “**Trustee**”) proposed to be set up to administer the options granted within 5 months immediately following the [REDACTED]. Upon reaching an agreement, our Company shall establish the Trustee and obtain all necessary approvals and complete all necessary filings. Conditional upon (i) the reaching of an agreement in relation to the structure of the Trustee; (ii) the establishment of the Trustee and (iii) having obtained all necessary approvals and completed all necessary filings, each Covenantor undertook that they shall transfer 3%

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of the Shares held by it as of the date of the Undertaking to the Trustee as soon as possible and in any event no later than 8 months after the [REDACTED]. Conditional upon the completion of the transfer of Shares, the Company undertook to procure the Trustee to grant an option (the “**Option**”) to each of the Scheme Participants on the terms and conditions as set out below as soon as possible and in any event no later than 9 months after the [REDACTED].

The [REDACTED] Share Incentive Scheme does not involve the grant of options to subscribe for any new Shares of the Company. Therefore, it is not required to be subject to the provisions in Chapter 17 of the Listing Rules. It does not cause any effect to the total number of Shares outstanding and will not result in any dilution effect to the Shares of the Company.

2. Terms of the Option Agreement

The following is a summary of the principal terms of the [REDACTED] Share Incentive Scheme:

(a) *Consideration for the grant of the Options, exercise period and Exercise Price*

The Scheme Participants are not required to pay for the grant of the Options. Each Option granted has an exercise period up to ten years after the date of grant. The price on the exercise of an Option is the Hong Kong dollar equivalent of RMB1.37 per Share (the “**Exercise Price**”).

(b) *Time of vesting of the Option*

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

1. if the department in which the Scheme Participant is employed achieves less than 80% of the performance target during the relevant period, no Options will be vested;
2. if department in which the Scheme Participant is employed achieves between 80% and 120% of the performance target during the relevant period, the same percentage of Options will be vested; and
3. if department in which the Scheme Participant is employed achieves above 120% of the performance target during the relevant period, 120% of the Options will be vested.

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(c) *Lock-up Period*

No vested Options may be exercised until the first 12 months from the [REDACTED], after which a Scheme Participant may exercise the vested Options in accordance with the following schedule:

	Maximum percentage of the vested Options exercisable
(I) Exercise date for Options vested before the [REDACTED]	
On the first anniversary of the [REDACTED]	33.3% (one-third)
On the second anniversary of the [REDACTED]	66.7% (two-thirds)
On the third anniversary of the [REDACTED]	100%
	Maximum percentage of the vested Options exercisable
(II) Exercise date for Options vested after the [REDACTED]	
On the first anniversary of the [REDACTED] after the Options are vested	33.3% (one-third)
On the second anniversary of the [REDACTED] after the Options are vested	66.7% (two-thirds)
On the third anniversary of the [REDACTED] after the Options are vested .	100%

(d) *Exercise of the Option*

A Scheme Participant shall exercise the vested Option by sending a written notice (the “Exercise 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 Scheme Participant.

(e) *Rights are personal to the Scheme Participant*

An Option shall not be transferable or assignable and shall only be exercised by the holder of the relevant Scheme Participant or his nominee, unless the Trustee determines otherwise.

(f) *Rights on cessation of employment by reason of resignation*

If a Scheme Participant ceases to be an eligible person by reason of resignation, he is not entitled to exercise the Options to the extent vested but not already exercised by the date of his cessation of employment. The Options that have not been vested will immediately lapse on the date of his cessation of employment.

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(g) Rights on cessation of employment with cause

If a Scheme Participant ceases to be an eligible person by reason of cessation of employment on the grounds that (i) he has been convicted of any criminal offence; (ii) he has intentionally breached any applicable laws and regulations in relation to the business of our Group or the provisions set out in his contract of employment; (iii) he has been found guilty of certain serious misconduct that adversely affects the interests of our Group; (iv) he has breached our by-laws or our internal policies; or (v) he has breached any contracts he has entered into with our Group or any of our affiliates, his Options (to the extent not already exercised and irrespective of whether they are vested or not) will lapse immediately on the date of his cessation of employment.

(h) Rights on retirement or cessation of employment as a result of serious illness, physical disability, etc.

If a Scheme Participant retires or ceases to be an eligible person by reason of serious illness and none of the grounds for dismissal as set out in sub-paragraph (g) above has occurred, the such Scheme Participant is entitled to exercise the granted Options to the extent vested but not already exercised on the date of his cessation of the employment. The Options that have not been vested will immediately lapse on the date of his cessation of employment.

(i) Rights on death

If a Scheme Participant dies and none of the grounds for dismissal as set out in sub-paragraph (g) above has occurred, his personal representative(s) may exercise the Options to the extent vested but not already exercised on the date of death of such Scheme Participant. The Options that have not been vested will immediately lapse on the date of his death.

3. Details of the Scheme Participant

All of the Scheme Participants are employees of our Group. Except for Mr. Xu Jianong, being the executive Director of our Company, none of the Scheme Participant holds directorship in our Company. Names of the Scheme Participants are set out below:

Name of Scheme Participant (Note 1)	Number of Option Shares
Shen Yunxiang (沈雲祥)	2,874,745
Miao Wen (繆文)	1,314,169
Li Danbing (李丹兵)	1,314,169
Liao Xiaoyan (廖曉妍)	328,542
Jiang Zengyan (蔣增艷)	492,814
Ni Suzhen (倪素珍)	1,314,169
Liu Youmao (柳友茂)	722,793

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Name of Scheme Participant (Note 1)	Number of Option Shares
Wang Qiaozhen (王巧珍)	821,356
Long Jinxue (龍進學).	328,542
Ji Yingming (吉英明).	893,635
Niu Ruguang (牛如廣).	722,793
He Yang (何洋)	328,542
Zou Shifu(鄒士福).	328,542
Yang Yuanrong (楊遠榮)	985,627
Liu Tong (劉通).	657,085
Chu Desheng (褚德勝).	519,097
Kong Weiju (孔維菊).	328,542
Tong Jinghan (童京漢).	262,834
Liu Jieyou (劉結友).	361,397
Zhang Changxin (張昌新)	1,314,169
Yang Jun (楊軍).	985,627
Zhou Yu (周宇)	657,085
Qin Nan (秦楠)	985,627
Lv Weilin (呂維林)	394,251
Li Zhengfang (李正芳).	821,356
Li Fangfang (李芳芳).	985,627
Cong Liansheng (叢連升).	361,397
Guo Junyong (郭軍勇).	164,271
Zhang Jinglei (張京雷).	821,356
Zheng Gang (鄭剛)	328,542
He Zhike (賀志科).	328,542
Yin Rui (殷睿).	328,542
Li Zhili (李志利).	1,889,118
Lin Qiang (林強).	164,271
Zhang Nan (張楠)	985,627
Xu Yi (徐怡)	328,542
Chen Qianzheng (陳前政)	985,627
Xu Jianong (徐稼農)	3,613,966
Li Lei (李雷).	1,379,878
Wang Zongfang (王宗房).	788,502
Total	33,511,318

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E. OTHER INFORMATION

1. Indemnities

Each of Mainfield, China Foods (Holdings), COFCO (HK) and COFCO (the “**Indemnifiers**”) has entered into the Deed of Indemnity with the Company in favor of each member of our Group (being the contract referred to in paragraph (e) of the sub-paragraph headed “B. Further Information About Our Business—1. Summary of Material Contracts” above) to provide the following indemnities:

Under the deed of indemnity, among others, the Indemnifiers will indemnify each of the Company and our subsidiaries against, among others, (a) any depletion or diminution in the value of the assets of the Company and our subsidiaries as a direct or indirect consequence of, and in respect of any amount which the Company and our subsidiaries may hereafter become liable to pay, resulting from any taxation under sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) (“**Estate Duty Ordinance**”); or (b) taxation falling on the Company and our subsidiaries resulting from, or by reference to, any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the [REDACTED]; (c) property losses and property claims (as defined therein) suffered or incurred by Company and our subsidiaries; (d) any actions, claims, losses, damages, costs, charges or expenses which may be made, suffered or incurred by any of the Company or our subsidiaries in respect of or arising directly or indirectly arising from any taxation or taxation claim or property loss or property claim (as defined therein); and (e) all the costs, expenses, losses and/or other liabilities incurred by the Company and its subsidiaries in relation with those outstanding or unsettled legal and arbitration proceedings, investigations and/or claims as disclosed in this document.

The Indemnifiers will, however, not be liable under the deed of indemnity for taxation where, among others, (a) provision has been made for such taxation in the audited accounts of the Company and our subsidiaries; (b) the taxation falling on the Company and our subsidiaries in respect of any accounting period commencing on or after May 1, 2016 unless liability for such taxation would not have arisen but for some event entered into by the Indemnifiers, the Company, our subsidiaries or any of them otherwise than in the course of normal day to day trading operations on or before the [REDACTED]; and (c) the taxation arises or is incurred as a consequence of any change in law or the interpretation thereof or practice by the relevant tax authority having retrospective effect coming into force after the [REDACTED] or to the extent that the taxation arises or is increased by an increase in rates of taxation after the [REDACTED] with retrospective effect.

2. Litigation

As of the Latest Practicable Date, we are not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

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3. Application for [REDACTED]

The Joint Sponsors have made an application on behalf of our Company to the [REDACTED] for the [REDACTED] of, and permission to [REDACTED] in, the Shares in issue and to be issued as mentioned in this document. All necessary arrangements have been made to enable such Shares into [REDACTED].

4. No Material Adverse Change

The Directors confirm that there has been no material change in the financial or trading position or prospects of the Group since April 30, 2016 (being the dated to which the latest audited consolidated financial statements of the Group were prepared).

5. Agency Fees and Commissions Received

The [REDACTED] will receive an [REDACTED] as referred to in the section headed “[REDACTED]—[REDACTED] Arrangements and Expenses—Commissions and Expenses”.

6. The Joint Sponsors and Joint Sponsors’ fees

The Joint Sponsors are independent from our Company pursuant to Rule 3A.07 of the Listing Rules. The fee payable by the Company to each of the Joint Sponsors to act as sponsors to the Company in connection with the [REDACTED] is US\$250,000.

7. Preliminary expenses

The preliminary expenses incurred by our Company in relation to our incorporation were approximately US\$800.0 and were paid by us.

8. Promoter

The Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document.

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9. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Morgan Stanley Asia Limited	Licensed corporation under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on future contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO
J.P. Morgan Securities (Far East) Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Maples and Calder	Legal advisers to the Company as to the laws of the Cayman Islands
Commerce & Finance	PRC Legal Advisers to the Company
Deloitte Touche Tohmatsu	Certified Public Accountants, Hong Kong
Savills Valuation and Professional Services Limited	Biological assets valuer
Frost & Sullivan	Industry consultant

10. Consents of Experts

Each of Morgan Stanley Asia Limited, J.P. Morgan Securities (Far East) Limited, Maples and Calder, Commerce & Finance, Deloitte Touche Tohmatsu, Savills Valuation and Professional Services Limited and Frost & Sullivan has given and has not withdrawn document in the form and context in which it is respectively included.

11. Binding Effect

This document shall have the effect, if an application is made in pursuance of this document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

12. Reserves available for distribution

As at April 30, 2016, our Company has RMB219,935,000 in reserves available for distribution to our Shareholders.

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13. Bilingual document

The English and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

14. Particulars of the [REDACTED]

Particulars of the [REDACTED] as at the Latest Practicable Date are set out as follows:

- (a) MIY is a limited liability company incorporated under the laws of Japan on January 18, 2011 whose registered office is situated at 6-1 Marunouchi 2-Chome, Chiyoda-ku, Tokyo, 100-8086, Japan;
- (b) KKR is an exempted company with limited liability incorporated in the Cayman Islands on March 18, 2014 whose registered office is situated at Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands;
- (c) Baring is a limited liability company incorporated in the BVI on February 20, 2014 whose registered office is situated at Columbus Centre, Suite 210, P.O. Box 4714, Road Town, Tortola, British Virgin Islands; and
- (d) Boyu is an exempted company with limited liability incorporated in the Cayman Islands on February 10, 2014 whose registered office is situated at PO Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands KY1-1104.

F. MISCELLANEOUS

- (a) Save as disclosed in this document, within the two years immediately preceding the date of this document:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders or management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;

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- (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
- (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.
- (b) Save as disclosed in this document, our Company had not issued any debentures nor did it have any outstanding debentures nor any convertible debt securities.
- (c) Our Directors confirm that:
 - (i) there has been no material adverse change in the financial or trading position or prospects of the Group since April 30, 2016 (being the date to which the latest audited consolidated financial statements of the Group were prepared);
 - (ii) there is no arrangement under which future dividends are waived or agreed to be waived; and
 - (iii) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this document.
- (d) The principal register of members of our Company will be maintained in the Cayman Islands by [REDACTED] and a branch register of members of our Company will be maintained in Hong Kong by [REDACTED]. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by [REDACTED] and may not be lodged in the Cayman Islands.
- (e) All necessary arrangements have been made to enable our Shares to be admitted into [REDACTED] for clearing and settlement.
- (f) Save for the proposed [REDACTED] of our Shares on the [REDACTED], our Company does not have any equity or debt securities presently [REDACTED] or dealt in, or for which [REDACTED] or permission to deal is being or is proposed to be sought, on any [REDACTED].

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other things, (i) copies of the [REDACTED], (ii) the written consents referred to in “Appendix IV—Statutory and General Information—E. Other Information—10. Consents of Experts” to this document, (iii) copies of the material contracts referred to in “Appendix IV—Statutory and General Information—B. Further Information about our Business—1. Summary of material contracts” to this document; and (iv) statement of particulars of the [REDACTED].

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Cleary Gottlieb Steen & Hamilton (Hong Kong), 37th Floor, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Accountants’ Report for the years ended December 31, 2013, 2014 and 2015 and for the four months ended April 30, 2016 issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this document;
- (c) the audited consolidated financial statements of our Group for the years ended December 31, 2013, 2014 and 2015 and for the four months ended April 30, 2016;
- (d) the report on the unaudited pro forma financial information from Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this document;
- (e) the material contracts referred to in “Appendix IV—Statutory and General Information—B. Further Information about our Business—1. Summary of material contracts” to this document;
- (f) the written consents referred to in “Appendix IV—Statutory and General Information—E. Other Information—10. Consents of Experts” to this document;
- (g) the letter of advice prepared by Maples and Calder, our legal advisers as to Cayman Islands law, summarising certain aspects of the Cayman Islands company law referred to in Appendix III;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE FOR INSPECTION**

- (h) the service contract, engagement letters and letters of appointment referred to in “Appendix IV—Statutory and General Information—C. Further Information About our Directors and Substantial Shareholders—2. Particulars of Service Contracts” to this document;
- (i) the PRC legal opinions dated [●], 2016 issued by Commerce & Finance, our PRC Legal Advisers in respect of certain aspects of our Group and our property interests;
- (j) the valuation report considering the fair values of biological assets belonging to our Group as at January 1, 2013, December 31, 2013, December 31, 2014, December 31, 2015 and April 30, 2016 prepared by Savills Valuation and Professional Services Limited;
- (k) the market research report prepared by Frost & Sullivan; and
- (l) the Cayman Companies Law.