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中糧家佳康食品有限公司
COFCO Joycome Foods Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01610)

**ANNUAL RESULTS ANNOUNCEMENT FOR
THE YEAR ENDED DECEMBER 31, 2021**

The board of directors (the “**Board**”) of COFCO Joycome Foods Limited (the “**Company**” or “**we**”, “**our**” or “**us**”) is pleased to announce the audited consolidated results and financial position of the Company and its subsidiaries (the “**Group**”) for the year ended December 31, 2021, together with the comparative figures for the corresponding period in 2020 as follows:

HIGHLIGHTS

Key Operating Data	2021	2020	year-on-year	
Hog production volume (unit: '000 heads) ⁽¹⁾	3,437	2,046	68.0%	
Average selling price of finishing hogs (RMB/kg) ⁽¹⁾	18.26	32.33	-43.5%	
Fresh pork sales volume (unit: '000 tons) ⁽²⁾	166	109	52.3%	
Branded small-packed fresh pork sales volume (unit: '000 boxes) ⁽²⁾	50,167	34,942	43.6%	
Ratio of revenue from branded business of total fresh pork business ⁽³⁾	34.6%	38.9%	-4.3ppt	
Meat import sales volume (unit: '000 tons) ⁽⁴⁾	124	356	-65.2%	
Key Financial Data	2021		2020	
	Before biological assets fair value adjustments RMB'000	After biological assets fair value adjustments RMB'000	Before biological assets fair value adjustments RMB'000	After biological assets fair value adjustments RMB'000
Revenue ⁽⁵⁾	13,227,606	13,227,606	18,922,112	18,922,112
Profit/(loss) for the Year ⁽⁶⁾	2,353,715	(483,801)	2,910,475	4,024,634
Profit/(loss) attributable to the owners of the Company ⁽⁷⁾	2,377,819	(459,697)	2,880,965	3,995,124
Basic earnings/(loss) per share ⁽⁸⁾	RMB 0.6094	RMB (0.1178)	RMB 0.7383	RMB 1.0239

Notes:

1. Due to the sufficient hog supply and plunging hog price in China this year, the average selling price of finishing hogs of the Group decreased by 43.5% year-on-year. Benefiting from the improvement in production efficiency and stringent prevention and control of the epidemic, the Group's hog production volume increased by 68.0% year-on-year.
2. Given a downward trend in the hog market, the Group capitalized on the opportunity to increase the utilization of slaughtering capacity, and fresh pork sales volume increased by 52.3% year-on-year. Meanwhile seizing the opportunities of rapid growth in household consumption during the COVID-19 pandemic, the Group vigorously promoted its branded small-packed fresh pork, the sales volume of which increased by 43.6% year-on-year.
3. "Ratio of revenue from branded business of total fresh pork business" refers to revenue from branded fresh pork divided by total fresh pork revenue. As a result of the surging slaughter volume, ratio of revenue from branded business of total fresh pork revenue decreased by 4.3 percentage points year on year.
4. The Group precisely predicted the market trend, strengthened risk control and strategically reduced pork imports. The meat import sales volume amounted to 124 thousand tons, representing a year-on-year decrease of 65.2%.
5. Revenue amounted to RMB13,228 million, representing a year-on-year decrease of 30.1%, mainly attributable to the year-on-year decrease of revenue due to the strategic reduction of pork imports. Benefiting from a significant increase in production volume, the revenue from the hog production business amounted to RMB6,696 million, representing a year-on-year increase of 5.6%.
6. During the year, profit before biological assets fair value adjustments amounted to RMB2,354 million, mainly attributable to the hog production business and meat import business. The hog production business benefited from the effective cost control and reasonable use of futures hedging instruments, while the meat import business benefited from precise forecast of market trend and steadfast commitment to the import strategy.
7. During the year, profit attributable to the owners of the Company before biological assets fair value adjustments amounted to RMB2,378 million. The biological assets fair value was adjusted based on the hog price at the end of December 2021. Compared to that as of December 31, 2020, the price of our live hogs decreased while the number of our live hogs increased.
8. The basic loss/earnings per share represent the loss/profit attributable to the owners of the Company divided by the weighted average number of ordinary shares for the year.

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

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2021

	NOTES	2021			2020		
		Results before biological assets fair value adjustments RMB'000	Biological assets fair value adjustments RMB'000	Total RMB'000	Results before biological assets fair value adjustments RMB'000	Biological assets fair value adjustments RMB'000	Total RMB'000
Revenue	3	13,227,606	-	13,227,606	18,922,112	-	18,922,112
Cost of sales		(9,708,769)	(1,803,284)	(11,512,053)	(14,411,025)	(4,420,273)	(18,831,298)
Gross profit		3,518,837	(1,803,284)	1,715,553	4,511,087	(4,420,273)	90,814
Other income	5	226,873	-	226,873	172,195	-	172,195
Other gains and losses	6	(14,838)	-	(14,838)	(770,055)	-	(770,055)
Selling and distribution expenses		(400,474)	-	(400,474)	(399,291)	-	(399,291)
Administrative expenses		(370,872)	-	(370,872)	(534,252)	-	(534,252)
(Loss)/gain arising from agricultural produce at fair value less costs to sell at the point of harvest		-	(490,023)	(490,023)	-	3,241,125	3,241,125
(Loss)/gain arising from changes in fair value less costs to sell of biological assets		-	(544,209)	(544,209)	-	2,293,307	2,293,307
Finance costs	7	(123,366)	-	(123,366)	(156,269)	-	(156,269)
Profit/(loss) before tax	8	2,836,160	(2,837,516)	(1,356)	2,823,415	1,114,159	3,937,574
Income tax (expense)/credit	9	(482,445)	-	(482,445)	87,060	-	87,060
Profit/(loss) for the year		2,353,715	(2,837,516)	(483,801)	2,910,475	1,114,159	4,024,634
Other comprehensive income/(expense), net of income tax:							
<i>Items that will not be reclassified to profit or loss</i>							
Fair value gain/(loss) on equity instrument at fair value through other comprehensive income (with nil tax effect)				181,430			(73,848)

		2021			2020		
		Results before biological assets fair value adjustments RMB'000	Biological assets fair value adjustments RMB'000	Total RMB'000	Results before biological assets fair value adjustments RMB'000	Biological assets fair value adjustments RMB'000	Total RMB'000
<i>Items that may be reclassified subsequently to profit or loss</i>							
Exchange differences arising on translation of foreign operations (with nil tax effect)				(2,303)			4,798
Other comprehensive income/(expense) for the year, net of income tax				179,127			(69,050)
Total comprehensive (expense)/income for the year				(304,674)			3,955,584
Profit/(loss) for the year attributable to:							
Owners of the Company				(459,697)			3,995,124
Non-controlling interests				(24,104)			29,510
				(483,801)			4,024,634
Total comprehensive (expense)/income for the year attributable to:							
Owners of the Company				(280,570)			3,926,074
Non-controlling interests				(24,104)			29,510
				(304,674)			3,955,584
(Loss)/earnings per share:							
Basic	11			RMB(0.1178)			RMB1.0239

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

		At December 31	
	NOTES	2021	2020
		RMB'000	RMB'000
Non-current assets			
Goodwill		100,609	100,609
Property, plant and equipment		8,983,145	7,908,173
Right-of-use assets		691,494	607,045
Intangible assets		7,093	8,727
Equity instrument at fair value through other comprehensive income ("FVTOCI")		313,551	132,121
Biological assets		296,979	961,031
Prepayments for purchase of property, plant and equipment		30,007	66,418
Deferred tax assets		264	134,399
Other prepayments		930	3,021
		10,424,072	9,921,544
		10,424,072	9,921,544
Current assets			
Inventories		1,287,060	2,324,522
Biological assets		1,556,140	3,164,491
Account receivables	12	225,491	658,644
Prepayments, deposits and other receivables		782,038	446,419
Other current assets		1,556,760	3,486,117
Financial assets at fair value through profit or loss		230,874	–
Amounts due from related companies		925,314	131,952
Pledged and restricted bank deposits		698	11,657
Cash and bank balances		1,040,980	416,650
		7,605,355	10,640,452
		7,605,355	10,640,452

		At December 31	
	<i>NOTES</i>	2021	2020
		RMB'000	RMB'000
Current liabilities			
Account and bills payables	13	573,173	507,665
Other payables, accruals and deposits received		1,077,546	962,770
Lease liabilities		27,651	13,709
Contract liabilities		424,338	408,146
Bank borrowings		5,963,713	8,134,165
Amounts due to related companies		120,840	97,923
Loans from a related company		2,500	2,500
Financial liabilities at fair value through profit or loss		29,551	4,889
Current tax liabilities		289,308	994
		<u>8,508,620</u>	<u>10,132,761</u>
Net current (liabilities)/assets		<u>(903,265)</u>	<u>507,691</u>
Total assets less current liabilities		<u>9,520,807</u>	<u>10,429,235</u>
Non-current liabilities			
Bank borrowings		145,361	171,710
Loans from a related company		97,306	94,523
Deferred income		133,860	147,662
Deferred tax liabilities		85,098	31,446
Long-term payable		84,281	86,520
Lease liabilities		366,131	315,094
		<u>912,037</u>	<u>846,955</u>
Net assets		<u><u>8,608,770</u></u>	<u><u>9,582,280</u></u>
Capital and reserves			
Share capital		1,668,978	1,668,978
Reserves		6,790,889	7,740,295
		<u>8,459,867</u>	<u>9,409,273</u>
Equity attributable to the owners of the Company		8,459,867	9,409,273
Non-controlling interests		148,903	173,007
		<u>8,608,770</u>	<u>9,582,280</u>
Total equity		<u><u>8,608,770</u></u>	<u><u>9,582,280</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

1. GENERAL INFORMATION

The Company was incorporated on March 11, 2014 and acts as an investment holding company. The address of the Company's registered office is Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands. The address of its principal place of business is COFCO Fortune Plaza, No.8, Chao Yang Men South Street, Chao Yang District, Beijing, The People's Republic of China (the "PRC").

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

The principal activities of the Group are production and sales of hogs, sales of fresh and frozen meats, manufacture and sales of processed meat products, and import and trade of meat products.

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

2.1 BASIS OF PREPARATION

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

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

2.2 APPLICATION OF AMENDMENTS TO HKFRSs

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

2.3 GOING CONCERN

As at December 31, 2021, the Group's current liabilities exceeded its current assets by RMB903,265,000. Taking into account the banking facilities available to the Group, the directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to meet its liabilities as and when they fall due and to continue in operational existence for the foreseeable future. Thus the Group continues to adopt the going concern basis of accounting in preparing its consolidated financial statements.

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

Segments	For the year ended December 31, 2021				
	Hog production and sales <i>RMB'000</i>	Sales of fresh pork <i>RMB'000</i>	Sales of processed meat products <i>RMB'000</i>	Sales of imported meat products <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or services					
Hogs	5,165,538	–	–	–	5,165,538
Fresh pork	–	3,632,697	–	–	3,632,697
Processed meat products	–	–	779,639	–	779,639
Imported meat products	–	–	–	3,649,732	3,649,732
Total	5,165,538	3,632,697	779,639	3,649,732	13,227,606
Geographical market					
Mainland China	5,165,538	3,632,697	779,639	3,649,732	13,227,606
Timing of revenue recognition					
A point in time	5,165,538	3,632,697	779,639	3,649,732	13,227,606

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

	For the year ended December 31, 2021		
	Segment revenue RMB'000	Eliminations RMB'000	Consolidated RMB'000
Hog production and sales	6,695,622	(1,530,084)	5,165,538
Sales of fresh pork	3,679,183	(46,486)	3,632,697
Sales of processed meat products	786,187	(6,548)	779,639
Sales of imported meat products	3,889,839	(240,107)	3,649,732
Revenue from contracts with customers	15,050,831	(1,823,225)	13,227,606
Total revenue	15,050,831	(1,823,225)	13,227,606

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

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

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

(ii) **Performance obligations for contracts with customers**

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

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

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

4. SEGMENT INFORMATION

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

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

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

Segment revenues and results

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

	Hog production RMB'000	Fresh pork RMB'000	Processed meat products RMB'000	Meat import RMB'000	Segment total RMB'000	Inter- segment elimination RMB'000	Total RMB'000
<i>For the year ended December 31, 2021</i>							
Segment revenue							
External customers	5,165,538	3,632,697	779,639	3,649,732	13,227,606	-	13,227,606
Inter-segment sales	<u>1,530,084</u>	<u>46,486</u>	<u>6,548</u>	<u>240,107</u>	<u>1,823,225</u>	<u>(1,823,225)</u>	<u>-</u>
Segment revenue	<u>6,695,622</u>	<u>3,679,183</u>	<u>786,187</u>	<u>3,889,839</u>	<u>15,050,831</u>	<u>(1,823,225)</u>	<u>13,227,606</u>
Segment results	<u>2,679,598</u>	<u>(16,275)</u>	<u>19,187</u>	<u>369,947</u>	<u>3,052,457</u>	<u>-</u>	<u>3,052,457</u>
Unallocated corporate income							29,979
Unallocated corporate expenses							(122,910)
Fair value adjustments on biological assets and agricultural produce							(2,837,516)
Finance costs							<u>(123,366)</u>
Loss before tax							<u>(1,356)</u>
	Hog production RMB'000	Fresh pork RMB'000	Processed meat products RMB'000	Meat import RMB'000	Segment total RMB'000	Inter- segment elimination RMB'000	Total RMB'000
<i>For the year ended December 31, 2020</i>							
Segment revenue							
External customers	5,464,723	3,653,584	691,806	9,111,999	18,922,112	-	18,922,112
Inter-segment sales	<u>874,235</u>	<u>50,391</u>	<u>1,172</u>	<u>139,707</u>	<u>1,065,505</u>	<u>(1,065,505)</u>	<u>-</u>
Segment revenue	<u>6,338,958</u>	<u>3,703,975</u>	<u>692,978</u>	<u>9,251,706</u>	<u>19,987,617</u>	<u>(1,065,505)</u>	<u>18,922,112</u>
Segment results	<u>3,876,606</u>	<u>(118,419)</u>	<u>(71,460)</u>	<u>(535,711)</u>	<u>3,151,016</u>	<u>-</u>	<u>3,151,016</u>
Unallocated corporate income							21,083
Unallocated corporate expenses							(192,415)
Fair value adjustments on biological assets and agricultural produce							1,114,159
Finance costs							<u>(156,269)</u>
Profit before tax							<u>3,937,574</u>

Segment profit/(loss) represents the profit earned by/(loss from) each segment without allocation of corporate income and expenses including central administration costs and directors' emoluments, fair value adjustments on biological assets and agricultural produce, and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prices agreed between group entities.

Segment assets and segment liabilities

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

Other segment information

	Hog production RMB'000	Fresh pork RMB'000	Meat products RMB'000	Meat import RMB'000	Total RMB'000
<i>Year ended December 31, 2021</i>					
<i>Amounts included in the measure of segment profit:</i>					
Depreciation and amortisation*	28,834	41,285	21,379	84	91,582
Provision of/(reversal of) impairment on account receivables, net	61	(210)	(8)	-	(157)
Provision of impairment on other receivables, net	-	-	31	-	31
Loss on disposal of property, plant and equipment, net	4,969	249	698	-	5,916
(Write-back)/write-down of inventories	(151)	29,538	1,443	9,236	40,066
Impairment of property, plant and equipment	472	-	-	-	472

Year ended December 31, 2020

<i>Amounts included in the measure of segment profit:</i>					
Depreciation and amortisation*	26,294	26,569	21,793	140	74,796
Provision of/(reversal of) impairment on account receivables, net	99	(151)	(20)	-	(72)
Reversal of impairment on other receivables, net	-	(104)	-	-	(104)
Loss on disposal of property, plant and equipment, net	38,125	236	36	-	38,397
(Write-back)/write-down of inventories	(143)	40,141	59,196	603,695	702,889
Impairment of property, plant and equipment	111	-	-	-	111

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

Geographical information

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

All the Group's non-current assets (excluding goodwill, deferred tax assets and equity instrument at FVTOCI) at December 31, 2021 and 2020 are located in the Mainland China based on geographical location of the assets.

Information about major customers

No revenue from transactions with any single external customer amounted to 10% or more of the Group's revenue for the years ended December 31, 2021 and 2020.

5. OTHER INCOME

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

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

6. OTHER GAINS AND LOSSES

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

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

7. FINANCE COSTS

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

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

Borrowing costs capitalised to qualifying assets during the years ended December 31, 2021 and 2020 were based on actual borrowing costs incurred for specific borrowings.

8. PROFIT/(LOSS) BEFORE TAX

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

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

9. INCOME TAX EXPENSE/(CREDIT)

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

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

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the year (2020: 25%).

Certain operations of the Company's certain subsidiaries were exempted from PRC income taxes during both 2021 and 2020. According to the Implementation Regulation of the EIT Law and the EIT exemptions regulation set out in the Circular of the Ministry of Finance and the State Administration on Releasing the Primary Processing Ranges of Agricultural Products Entitled to Preferential Policies on Enterprise Income Tax (Trial Implementation) (Cai Shui [2008] No. 149), and the requirements of Article 86 of the Implementation Regulation of the EIT Law, the income from primary processing for agriculture products are exempted from EIT. In addition, pursuant to related regulations in respect of the Implementation Regulation of the EIT Law, the income from projects of animal-husbandry and poultry feeding, is also entitled to exemption from EIT. Accordingly, the income from the above-mentioned operations of certain subsidiaries of the Group were exempted from EIT in the years ended December 31, 2021 and 2020.

10. DIVIDENDS

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

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

11. (LOSS)/EARNINGS PER SHARE

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

(Loss)/earnings

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

Number of shares

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

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

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

12. ACCOUNT RECEIVABLES

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

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

	At December 31	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	224,482	233,570
90 to 180 days	802	1,755
180 days to 1 year	22	423,051
Over 1 year	185	268
	225,491	658,644

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

13. ACCOUNT AND BILLS PAYABLES

An analysis of account and bills payables is as follows:

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

The account payables are non-interest-bearing and are normally with credit periods ranging from 15 to 60 days. Bills payables are normally repayable within 180 days.

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

	At December 31	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	557,824	484,278
1 to 2 years	8,257	18,901
Above 2 years	790	4,486
	566,871	507,665

14. COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

I. Company Profile

Company Introduction

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

The main businesses of the Company include feed production, hog production, slaughtering and cutting, production, distribution and sale of fresh pork and processed meat products, import and distribution of meat products (including pork, beef, poultry and mutton). As a leading meat enterprise with operations covering the integrated industry chain in China, the Company seized the opportunity of industrial transformation and upgrading and formed a strategic layout throughout the country, so that the scale of hog production and fresh pork business has been growing rapidly. We adhere to the operation principle of “leading the safety standards in the industry and assuring meat safety for citizens”, and provide consumers with high-quality meat products. “Joycome” chilled pork and “Maverick” low-temperature meat products continue to rise in popularity in major first-tier cities.

Segments Introduction

Hog Production

The hog production segment includes businesses such as feed production, hog breeding and hog farming. The Company has established modern hog production bases and in-house feed mills in provinces and cities including Jilin, Inner Mongolia, Tianjin, Hebei, Henan, Jiangsu and Hubei and planned to further expand its hog production capacity.

Fresh Pork

The fresh pork segment includes hog slaughtering and cutting, distribution and sale of fresh pork, and the main products are chilled pork. The Company owns three modern slaughtering and processing bases in Jiangsu, Hubei and Jilin. It is also constructing a slaughtering and processing base in Inner Mongolia and a cutting and processing center in Guangdong, which is expected to go into production in 2022. The Company vigorously develops branded business through the “Joycome” brand, which covers the pork consumption market in major provinces, cities and areas such as Shanghai and the Yangtze River Delta, Beijing, Wuhan and Jilin.

Processed Meat Products

The processed meat products segment includes the production, distribution and sale of various types of processed meat products (mainly western-style low-temperature processed meat products). The Company owns three modern processed meat product processing bases in Jiangsu, Hubei and Guangdong. Our two brands, namely “Maverick” and “Joycome”, cover the processed meat products consumption market in major domestic first-tier cities.

Meat Import

The meat import segment includes import of meat products (including pork, beef, poultry and mutton) and by-products and distribution in the PRC. The Company combines imported raw materials with domestic processing capacity and key account service, and provides high value-added products to well-known domestic food processors, large chain catering enterprises, etc.

II. Market Overview

Sufficient hog supply and plunging hog price in China causing shrink of profit margin or even loss to the industry

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

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

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

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

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

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

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

Significant reduction in pork imports and steady growth in beef imports

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

III. Results of Operation

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

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

Hog production business

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

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

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

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

Rising hog production capacity and full upgrading of the breeding system

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

Fresh pork business

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

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

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

In 2021, the Company's sales volume of fresh pork products was 166 thousand tons, representing a significant year-on-year increase of 52.3%. With greater efforts in building the terminal customer base, the Company expanded its brand network and the Joycome brand achieved strong business growth. During the reporting period, sales of small-packed pork products amounted to 50,167 thousand boxes, representing a year-on-year increase of 43.6% and a daily average sales of 137 thousand boxes. Despite the soaring in total sales, the share of branded fresh pork business revenue still reached 34.6%.

Pressing ahead with the “differentiation” brand strategy to double the sales of linseed-fed pork

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

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

Meat import business

Precise analysis and assessment of market condition driving solid profit growth

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

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

IV. Financial Review

Overall Performance

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

Revenue

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

Gross Profit Margin

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

Selling and Distribution/Administrative Expenses

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

Finance Costs

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

Other Income, Other Gains and Losses

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

Profit/Loss for the Period

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

Significant Investments and Significant Acquisitions and Disposals of Subsidiaries

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

Major Financial Ratios

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

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

Notes:

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

Analysis on Capital Resources

Liquidity and Financial Policy

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

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

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

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

As at December 31, 2021, our current ratio was 0.89 (December 31, 2020: 1.05). As at December 31, 2021, our unused bank credit facilities were RMB17,585 million.

EBITDA and Cash Flow

Our operation capital mainly came from cash generated from operation activities, bank borrowings and shareholders' capital contributions. Our cash demand was mainly borne on production and operation activities, capital expenditure, repayment of matured liabilities, interest payment and unexpected cash needs as well.

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

Capital Structure

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

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

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

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

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

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

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

As at December 31, 2021, the Group had net assets of approximately RMB8,609 million (December 31, 2020: approximately RMB9,582 million). Net debts¹ of the Group amounted to approximately RMB5,168 million (December 31, 2020: approximately RMB7,986 million), while the net debt-to-equity ratio was approximately 60.0% (December 31, 2020: approximately 83.3%).

Note:

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

Contingent Liabilities and Pledge of Assets

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

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

Capital Expenditure

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

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

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

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

Capital Commitment

Capital commitment of the Group is mainly related to the construction of hog farms, slaughterhouses and other production and ancillary facilities. As at December 31, 2021, capital commitment of the Group was RMB596 million (December 31, 2020: RMB633 million).

Biological Assets

Biological assets of the Group primarily consist of commodity pigs at different growth stages and breeding hogs used to give birth to animals in the future. As at December 31, 2021, we owned 2,573 thousand heads of hogs in total, representing an increase of 37.3% as compared with 1,874 thousand heads as at December 31, 2020. The fair value of our biological assets was RMB1,853 million as at December 31, 2021 and RMB4,126 million as at December 31, 2020. Our results have been and are expected to be affected by changes in fair value of biological assets.

Our cost of sales is adjusted for changes in fair value of biological assets, with fair value gains increasing our costs of sales and fair value losses decreasing our cost of sales, although the timing of these adjustments is not necessarily the same as that of the related gains or losses. We have adjusted the cost of sales for each period based on (i) changes in fair value of live hogs for that period less cost of sales; and (ii) changes in fair value less cost of sales of biological assets recognised in the previous period.

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

V. Human Resources

The continuing operations of the Group hired 8,965 employees as at December 31, 2021 (2020: 7,253 employees). Remuneration for employees was determined based on their job nature, personal performance and the market trends. For the year ended December 31, 2021, total remuneration amounted to approximately RMB1,151 million (2020: RMB1,047 million).

The Group provides basic social insurance and housing accumulation fund for company employees as required by the PRC law. Apart from the above, we encouraged all employees to become well-rounded and enhance their knowledge and abilities related to their career through continuous training, seminars and online learning in order to unearth their own potentials.

VI. Significant Risks and Uncertainties

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

Epidemic Risks

The major threat to the development of animal husbandry is epidemic risks. The epidemic spreading in hog production mainly includes blue ear disease, classical swine fever, porcine respiratory disease, porcine epidemic diarrhea, porcine pseudorabies, porcine circovirus, etc.. In 2021, African swine fever epidemic continued all across the country. There are four categories of risks brought about by epidemics. First, the outbreak of epidemic diseases will lead to hog mortalities, which will directly cause a decrease in hog production and result in direct economic losses of the Company. Second, the outbreak of epidemic will increase daily consumption expenditures in the long run, since it may inhibit hogs growth, reduce the production efficiency, and increase feed and veterinary drug consumption, all of which will result in higher operating costs. Third, the epidemic will bring phrased reduction to production in hog farms because the purification process reduces the production efficiency of the farms in stages and increases the operating costs, resulting in reduced effectiveness. Fourth, the large-scale outbreak and spread of epidemic diseases may cause a panic among some consumers and thus lower the total demand for related products, which adversely affects the sales of hogs.

To solve epidemic risks, the Group has formulated regulations such as the Procedure For Biosecurity Control (《生物安全控制程序》), the Contingency Plan for Major Animal Disease Prevention and Control (《重大動物疫情應急預案》) and the Operation Manual of Swine Diseases Prevention and Control (《豬病防控操作手冊》), and constantly improved the level and capacity of biosecurity control, so as to comprehensively prevent and curb major animal diseases such as African swine fever.

In addition, in 2021, the COVID-19 epidemic continued to spread across the globe. The major risks brought by the COVID-19 epidemic are: firstly, the disease is relatively contagious, and could pose threats to the health and safety of employees; secondly, various disease prevention and transportation control measures could affect work resumption of employees, transportation of all sorts of materials for production as well as interprovince (region) sales of products, thus decreasing the production and operation efficiency of the Company; thirdly, the disease may cause a decline in demand for meat in catering channels in the short term, which adversely affected the sales of meat products of the Company. To cope with the risks caused by the COVID-19 epidemic, the Group set up a team to lead disease-prevention work, formulated a comprehensive and stringent prevention and control plan according to the development trend of the epidemic and national policies, and strived to ensure employee safety, stable production and smooth sales.

Price Risks

Price risks refer to the losses of costs increase or profits decrease due to the fluctuation of the purchase price and the sales price. We operate in a highly fragmented and competitive industry, where the primary raw materials and finished products are commodities, all of which have been subject to significant price fluctuations. In our pork business, we are exposed to the risk of fluctuations of commodity prices, including prices of corn and soy bean meals (which are our primary feed ingredients), live hogs and pork in China. In our meat import business, we are exposed to the risk of fluctuations in the price differentials between the Chinese and overseas markets of frozen meat products such as pork, beef, poultry, mutton and lamb. Fluctuations in these commodity prices, especially the prices of live hogs, have had and are expected to continue to have an effect on our profitability. Commodity prices generally fluctuate with market conditions, including supply and demand, diseases, government policies and weather conditions in major agricultural and farming regions.

Safe Production Risks

Safe production risks refer to risks of corporate property loss, temporary production suspensions or tarnished reputation due to production safety accidents caused by deficient safety management system or inadequate accident preventive measures. The Group has formulated Regulations on Safety Production Management, Measures for Administration of Production Safety Accidents and Comprehensive Emergency Plans for Production Safety Accidents to standardize safety risks management and prevent accidents. The Group has formulated the early warning indicators and bottom line indicators, and organized all subordinate enterprises to conduct all-round risk identification, evaluation and classification, and formulated corresponding management and control measures; to formulate special risk prevention and control measures for major risks; to organize all subordinate enterprises to perfect inspection system, organize regular safety inspection and confirm the effectiveness of risk management and control measures; and to conduct regular supervision and inspection to evaluate the operation of management system and risk management and control and promote the improvement and development of subordinate enterprises.

Food Safety Risks

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

Environmental Protection Risks

Environmental protection risks refer to risks of corporate property loss and bad influence on social image due to excessive emission of pollutants and environmental pollution resulted from deficient environmental protection facilities and unstable operation. The Group has formulated standards, such as Regulations of Administration on Energy Conservation and Environmental Protection, Measures for Supervision and Administration of "Three Simultaneities" for Construction Projects and Emergency Plans for Environmental Pollution Accidents, which defined the requirements of environmental protection compliance and standardized the management of environmental pollution accidents to effectively carry out environmental protection risk prevention. The Group has established environmental risk warning and monitoring system, formulated specific early warning indicators and bottom line indicators, and regularly carried out environmental inspection, systematically checked the environmental protection problems of its subsidiaries, and followed up the implementation of rectifications, so as to effectively implement the responsibility of environmental protection.

VII. Outlook

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

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

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

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

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

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

OTHER EVENTS

Compliance with the Corporate Governance Code

The Board and the management of the Company are committed to achieving and maintaining high standards of corporate governance, which they consider to be essential to safeguard the integrity of the Company’s operations and maintain investors’ trust in the Company. The management of the Company also actively observes the latest corporate governance requirements in the PRC, Hong Kong and abroad. The Board considers that the Company has complied with the provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules for the year ended December 31, 2021.

Directors’ Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as a code of conduct regarding securities transactions by the directors of the Company. The Company has made specific enquiries with each director and each of them confirmed that he or she had complied with all required standards under the Model Code for the year ended December 31, 2021.

Purchase, Sale or Redemption of the Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities for the year ended December 31, 2021.

Subsequent Events

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

Final Dividend

The Board recommended the payment of a final dividend for 2021 out of the share premium account under reserves of the Company in the amount of HK\$0.180 per share (the final dividend for 2020 was HK\$0.206 per share) with an aggregate amount of approximately HK\$702 million (the aggregate amount of the final dividend for 2020 was approximately HK\$804 million) to Shareholders. Subject to the Shareholders’ approval at the Annual General Meeting to be held on May 25, 2022 and compliance with the Companies Law of the Cayman Islands, the final dividend is expected to be paid on or around June 20, 2022 to the Shareholders whose names appear on the registers of members of the Company on June 2, 2022.

Closure of Register of Members

The register of members of the Company will be closed from May 20, 2022 to May 25, 2022 (both days inclusive), in order to determine the identity of the Shareholders who are entitled to attend the Annual General Meeting, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all properly completed transfer forms for shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before 4:30 p.m. on May 19, 2022.

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

Review of Annual Results

The consolidated financial statements of the Group for the year ended December 31, 2021 were audited by Baker Tilly Hong Kong Limited and this results announcement is based on such financial statements which have been agreed by the Company and the auditor. The audit committee of the Company has reviewed the audited annual results of the Company for the year ended December 31, 2021.

Scope of work of Baker Tilly Hong Kong Limited

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2021 as set out in the preliminary announcement have been agreed by the Group's auditors, Baker Tilly Hong Kong Limited to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Baker Tilly Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Baker Tilly Hong Kong Limited on the preliminary announcement.

Publication of Annual Report

The annual report of the Company will be published on the website of the Company and the website of Hong Kong Exchanges and Clearing Limited, and dispatched to the shareholders of the Company in due course.

By order of the Board
COFCO Joycome Foods Limited
Jiang Guojin
Chairman and executive director

Beijing, PRC, March 18, 2022

As at the date of this announcement, the Board comprises Mr. Jiang Guojin as the chairman of the Board and the executive director, Mr. Xu Jianong as the executive director, Mr. Ma Dewei and Dr. Zhao Wei as non-executive directors, and Mr. Fu Tingmei, Mr. Li Michael Hankin and Dr. Ju Jiandong as independent non-executive directors.