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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)

**INTERIM RESULTS ANNOUNCEMENT FOR THE
SIX MONTHS ENDED JUNE 30, 2023**

The board of directors (the “**Board**”) of COFCO Joycome Foods Limited (the “**Company**”, “**we**”, “**our**” or “**us**”) is pleased to announce the unaudited condensed consolidated results and financial position of the Company and its subsidiaries (the “**Group**”) for the six months ended June 30, 2023, together with the comparative figures for the corresponding period in 2022 as follows:

HIGHLIGHTS

Key Operating Data	Six months ended June 30,			
	2023	2022	year-on-year	
Hog production volume (unit: '000 heads) ⁽¹⁾	2,447	2,268	7.9%	
Average selling price of finishing hogs (RMB/kg) ⁽¹⁾	14.61	13.55	7.8%	
Fresh pork sales volume (unit: '000 tons) ⁽²⁾	123	109	13.0%	
Branded small-packed fresh pork sales volume (unit: '000 boxes)	20,942	27,228	-23.1%	
Ratio of revenue from branded business of total fresh pork business ⁽³⁾	26.2%	32.8%	- 6.7ppt	
Meat import sales volume (unit: '000 tons) ⁽⁴⁾	36	29	25.8%	
Key Financial Data	Six months ended June 30,			
	2023		2022	
	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⁾	5,818,410	5,818,410	5,344,506	5,344,506
Profit/(loss) for the period ⁽⁶⁾	168,426	(485,232)	(1,399,113)	(468,948)
Profit/(loss) attributable to the owners of the Company ⁽⁷⁾	184,012	(469,646)	(1,392,195)	(462,030)
Basic earnings/(loss) per share ⁽⁸⁾	RMB 0.0431	RMB (0.1099)	RMB (0.3568)	RMB (0.1184)

Notes:

1. Due to abundant domestic production capacity and sufficient supply of pork, coupled with the off-season of consumption after the Chinese New Year, hog price continued its downward trend during the current period. The Group focused on production management and enhanced operational efficiency, which led to a year-on-year increase of 7.9% in hog production volume during the current period.
2. With the improvement of the pandemic, the Group put great efforts into brand promotion and promoted the development of new production capacity in its surrounding markets, as a result of which the fresh pork sales volume increased by 13.0% year-on-year during the current period.
3. Ratio of revenue from branded business of total fresh pork business refers to revenue from branded fresh pork divided by total fresh pork revenue.
4. Due to the recovery of domestic catering consumption, the Group deepened its internal synergy to better serve customers and increase the stickiness of catering clients, which resulted in a year-on-year growth of 25.8% in meat import sales volume.
5. Revenue amounted to RMB5,818 million, representing a year-on-year increase of 8.9%, mainly attributable to a year-on-year increase of 14.3% in revenue from the hog production business which benefited from the year-on-year growth in the hog production volume and the selling price of hogs, and a year-on-year increase of 15.6% in revenue from the fresh pork business as a result of the optimization of its operating team and the efforts in brand promotion.
6. Profit for the period before biological assets fair value adjustments amounted to RMB168 million, representing a year-on-year increase of RMB1,568 million, mainly due to the further enhancement in the capacity utilization rate of the hog production business as well as the adoption of a reasonable operational strategy that combined futures and spot trading to mitigate the adverse effects of the downturn in the spot market.
7. Profit attributable to the owners of the Company before biological assets fair value adjustments amounted to RMB184 million. The biological assets fair value was adjusted based on the hog price at the end of June 2023. Compared to that as of December 31, 2022, the hog price declined.
8. The basic earnings/(loss) per share represent the profit/(loss) attributable to the owners of the Company divided by the weighted average number of ordinary shares for the year.

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2023.

FINANCIAL INFORMATION

The following financial information is a summary of the unaudited condensed consolidated financial statements for the six months ended June 30, 2023 of the Group, which have been reviewed by Baker Tilly Hong Kong Limited, the independent auditor of the Company, and the audit committee of the Board (the “**Audit Committee**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2023

(Expressed in Renminbi)

	NOTES	Six months ended June 30,					
		2023			2022		
		Results before biological assets fair value adjustments <i>RMB'000</i> (Unaudited)	Biological assets fair value adjustments <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)	Results before biological assets fair value adjustments <i>RMB'000</i> (Unaudited)	Biological assets fair value adjustments <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Revenue	3	5,818,410	–	5,818,410	5,344,506	–	5,344,506
Cost of sales		(5,442,033)	226,792	(5,215,241)	(6,247,613)	316,718	(5,930,895)
Gross profit/(loss)		376,377	226,792	603,169	(903,107)	316,718	(586,389)
Other income	5	115,431	–	115,431	86,888	–	86,888
Other gains and losses	6	154,435	–	154,435	(54,629)	–	(54,629)
Selling and distribution costs		(224,208)	–	(224,208)	(211,107)	–	(211,107)
Administrative expenses		(184,925)	–	(184,925)	(151,457)	–	(151,457)
(Loss)/gain arising from agricultural produce at fair value less costs to sell at the point of harvest		–	(359,296)	(359,296)	–	227,491	227,491
(Loss)/gain arising from changes in fair value less costs to sell of biological assets		–	(521,154)	(521,154)	–	385,956	385,956
Finance costs	7	(71,044)	–	(71,044)	(77,641)	–	(77,641)
Profit/(loss) before tax	8	166,066	(653,658)	(487,592)	(1,311,053)	930,165	(380,888)
Income tax credit/(expense)	9	2,360	–	2,360	(88,060)	–	(88,060)
Profit/(loss) for the period		168,426	(653,658)	(485,232)	(1,399,113)	930,165	(468,948)

Six months ended June 30,

		2023		2022		
		Results before biological assets fair value adjustments	Biological assets fair value adjustments	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total
NOTES		RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Other comprehensive (expense)/income, net of income tax:						
<i>Items that will not be reclassified to profit or loss:</i>						
	Fair value (loss)/gain on equity instrument at fair value through other comprehensive income			(74,771)		60,859
	Income tax relating to item that will not be reclassified to profit or loss			18,693		—
				(56,078)		60,859
<i>Items that may be reclassified subsequently to profit or loss:</i>						
	Exchange differences arising on translation of foreign operation (with nil tax effect)			(21,383)		887
	Release of cumulative exchange differences to profit or loss associated with changes in net investment in a foreign operation			(79,603)		—
				(100,986)		887
	Other comprehensive (expense)/income for the period, net of income tax			(157,064)		61,746
	Total comprehensive expense for the period			(642,296)		(407,202)
Loss for the period attributable to:						
	Owners of the Company			(469,646)		(462,030)
	Non-controlling interests			(15,586)		(6,918)
				(485,232)		(468,948)
Total comprehensive expense for the period attributable to:						
	Owners of the Company			(626,710)		(400,284)
	Non-controlling interests			(15,586)		(6,918)
				(642,296)		(407,202)
Loss per share:						
	Basic	10		RMB(0.1099)		RMB(0.1184)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*AS AT JUNE 30, 2023*

(Expressed in Renminbi)

		June 30, 2023	December 31, 2022
	<i>NOTES</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
Non-current assets			
Goodwill		100,609	100,609
Property, plant and equipment		9,416,542	9,479,088
Right-of-use assets		634,774	651,533
Intangible assets		8,535	8,814
Equity instrument at fair value through other comprehensive income (“FVTOCI”)		151,340	226,111
Biological assets		431,793	538,403
Prepayments for purchase of property, plant and equipment		2,191	6,036
		10,745,784	11,010,594
Current assets			
Inventories		868,820	1,448,885
Biological assets		1,928,774	2,525,033
Account receivables	<i>12</i>	184,192	318,140
Prepayments, deposits and other receivables		535,992	634,273
Other current assets		604,594	596,958
Amounts due from related companies	<i>13</i>	671,293	520,308
Financial assets at fair value through profit or loss		331,154	300,145
Cash and bank balances		510,877	1,040,032
		5,635,696	7,383,774

	<i>NOTES</i>	June 30, 2023 <i>RMB'000</i> (Unaudited)	December 31, 2022 <i>RMB'000</i> (Audited)
Current liabilities			
Account and bills payables	<i>14</i>	935,147	735,269
Other payables, accruals and deposits received		764,417	881,212
Lease liabilities		40,213	47,644
Contract liabilities		265,060	352,535
Bank borrowings		4,445,725	5,851,943
Amounts due to related companies	<i>13</i>	114,065	246,835
Loans from related companies		2,500	1,002,500
Financial liabilities at fair value through profit or loss		30,613	8,445
Current tax liabilities		3,917	139,659
		<u>6,601,657</u>	<u>9,266,042</u>
Net current liabilities		<u>(965,961)</u>	<u>(1,882,268)</u>
Total assets less current liabilities		<u>9,779,823</u>	<u>9,128,326</u>
Non-current liabilities			
Bank borrowings		93,376	145,766
Loans from a related company		101,698	100,226
Deferred income		124,521	128,124
Deferred tax liabilities		62,921	82,015
Long-term payable		84,694	81,867
Lease liabilities		338,990	327,620
		<u>806,200</u>	<u>865,618</u>
Net assets		<u>8,973,623</u>	<u>8,262,708</u>
Capital and reserves			
Share capital		1,668,983	1,668,978
Reserves		7,171,063	6,444,567
Equity attributable to the owners of the Company		8,840,046	8,113,545
Non-controlling interests		133,577	149,163
Total equity		<u>8,973,623</u>	<u>8,262,708</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2023
(Expressed in Renminbi)

1 BASIS OF PREPARATION AND PRESENTATION

The unaudited condensed consolidated financial statements of COFCO Joycome Foods Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended June 30, 2023 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended December 31, 2022.

These condensed 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.

As at June 30, 2023, the Group’s current liabilities exceeded its current assets by RMB965,961,000. Taking into account the banking facilities available to the Group, the directors of the Company have, at the time of approving the condensed 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 condensed consolidated financial statements.

2 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except that biological assets and certain financial instruments are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2023 are the same as those presented in the Group’s annual financial statements for the year ended December 31, 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the Group’s annual period beginning on January 1, 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3 REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

	For the six months ended June 30, 2023				
	Hog production and sales <i>RMB'000</i> (unaudited)	Sales of fresh pork <i>RMB'000</i> (unaudited)	Sales of processed meat products <i>RMB'000</i> (unaudited)	Sales of imported meat products <i>RMB'000</i> (unaudited)	Total <i>RMB'000</i> (unaudited)
Types of goods					
Hogs	2,071,204	—	—	—	2,071,204
Fresh pork	—	2,086,701	—	—	2,086,701
Processed meat products	—	—	387,853	—	387,853
Imported meat products	—	—	—	1,272,652	1,272,652
Total	2,071,204	2,086,701	387,853	1,272,652	5,818,410
Timing of revenue recognition					
A point in time	2,071,204	2,086,701	387,853	1,272,652	5,818,410
	For the six months ended June 30, 2022				
	Hog production and sales <i>RMB'000</i> (unaudited)	Sales of fresh pork <i>RMB'000</i> (unaudited)	Sales of processed meat products <i>RMB'000</i> (unaudited)	Sales of imported meat products <i>RMB'000</i> (unaudited)	Total <i>RMB'000</i> (unaudited)
Types of goods					
Hogs	1,907,492	—	—	—	1,907,492
Fresh pork	—	1,804,592	—	—	1,804,592
Processed meat products	—	—	373,579	—	373,579
Imported meat products	—	—	—	1,258,843	1,258,843
Total	1,907,492	1,804,592	373,579	1,258,843	5,344,506
Timing of revenue recognition					
A point in time	1,907,492	1,804,592	373,579	1,258,843	5,344,506

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:

4 SEGMENT INFORMATION (CONTINUED)

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 revenue and segment results

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

	Hog production RMB'000 (unaudited)	Fresh pork RMB'000 (unaudited)	Processed meat products RMB'000 (unaudited)	Meat import RMB'000 (unaudited)	Segment total RMB'000 (unaudited)	Inter- segment elimination RMB'000 (unaudited)	Total RMB'000 (unaudited)
Six months ended June 30, 2023							
Segment revenue							
External customers	2,071,204	2,086,701	387,853	1,272,652	5,818,410	–	5,818,410
Inter-segment sales	1,489,835	40,538	2,291	133,672	1,666,336	(1,666,336)	–
Segment revenue	<u>3,561,039</u>	<u>2,127,239</u>	<u>390,144</u>	<u>1,406,324</u>	<u>7,484,746</u>	<u>(1,666,336)</u>	<u>5,818,410</u>
Segment results	<u>183,885</u>	<u>(43,697)</u>	<u>7,294</u>	<u>23,519</u>	<u>171,001</u>		171,001
Unallocated corporate income							117,587
Unallocated corporate expenses							(51,478)
Fair value adjustments on biological assets							(653,658)
Finance costs							(71,044)
Loss before tax							<u>(487,592)</u>
Six months ended June 30, 2022							
Segment revenue							
External customers	1,907,492	1,804,592	373,579	1,258,843	5,344,506	–	5,344,506
Inter-segment sales	1,208,609	35,776	997	55,862	1,301,244	(1,301,244)	–
Segment revenue	<u>3,116,101</u>	<u>1,840,368</u>	<u>374,576</u>	<u>1,314,705</u>	<u>6,645,750</u>	<u>(1,301,244)</u>	<u>5,344,506</u>
Segment results	<u>(1,286,319)</u>	<u>16,449</u>	<u>19,949</u>	<u>92,195</u>	<u>(1,157,726)</u>		(1,157,726)
Unallocated corporate income							23,847
Unallocated corporate expenses							(99,533)
Fair value adjustments on biological assets							930,165
Finance costs							(77,641)
Loss before tax							<u>(380,888)</u>

4 SEGMENT INFORMATION (CONTINUED)

Segment revenue and segment results (continued)

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 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 liabilities

The CODM makes decisions according to operating results of each segment. No analysis of segment assets and segment liabilities 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.

5 OTHER INCOME

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

	Six months ended June 30,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest income from banks	331	895
Interest income from a related company	5,830	4,273
	<u>6,161</u>	<u>5,168</u>
Government grants*	109,270	81,720
	<u>115,431</u>	<u>86,888</u>

* Government grants are mainly related to innocuous treatment of died hogs and construction of hog farms. There are no unfulfilled conditions or contingencies relating to these grants.

Government grants related to acquisition of lands use rights and acquisition/construction of property, plant and equipment projects are included in deferred income and are credited to profit or loss on a systematic basis over the useful lives of the related assets. Included in the above balances are government grants released from deferred income of RMB3,664,000 for the six months ended June 30, 2023 (six months ended June 30, 2022: RMB3,857,000).

6 OTHER GAINS AND LOSSES

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

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Exchange gain/(loss), net (Note)	136,392	(64,618)
Gain/(loss) on disposal of property, plant and equipment	25,003	(7,272)
Gain on disposal of right-of-use assets	35,789	–
Write-down of inventories	(38,125)	(5,123)
Impairment on account receivables, net	(50)	(673)
Impairment on other receivables, net	(142)	(32)
Impairment on amounts due from related companies	(191)	–
Realised and unrealised (loss)/gain on fair value changes in respect of foreign currency forward contracts, net	(4,488)	23,033
Others	247	56
	<u>154,435</u>	<u>(54,629)</u>

Note: During the current interim period, the exchange gain included the amount of release of cumulative exchange differences to profit or loss associated with changes in net investment in a foreign operation of RMB79,603,000.

7 FINANCE COSTS

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

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest on:		
– Bank borrowings	51,488	62,038
– Loans from related companies	9,526	7,631
– Lease liabilities from the third parties	7,719	8,096
– Lease liabilities from related companies	–	162
– Long-term payable	3,169	3,137
	<u>71,902</u>	<u>81,064</u>
Total borrowing costs		
	<u>71,902</u>	<u>81,064</u>
Less: borrowing costs capitalised in the cost of qualifying assets	(858)	(3,423)
	<u>71,044</u>	<u>77,641</u>

8 LOSS BEFORE TAX

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

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories recognised as expenses	6,149,146	5,622,494
Realised and unrealised (gain)/loss on fair value changes in respect of commodity future contracts, net	(707,113)	625,119
Fair value changes in respect of biological assets	(226,792)	(316,718)
	<hr/>	<hr/>
Total cost of sales	5,215,241	5,930,895
	<hr/>	<hr/>
Depreciation of property, plant and equipment	288,385	254,540
Depreciation of right-of-use assets	26,568	26,825
Amortisation of intangible assets	971	895
	<hr/>	<hr/>
Total depreciation and amortisation	315,924	282,260
Less: Capitalised in biological assets	(226,725)	(225,759)
	<hr/>	<hr/>
	89,199	56,501
	<hr/> <hr/>	<hr/> <hr/>

9 INCOME TAX (CREDIT)/EXPENSE

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

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
The People's Republic of China (the "PRC")		
– Enterprise Income Tax	79	143,387
Over provision in prior years:		
– PRC Enterprise Income Tax	(2,038)	–
	<hr/>	<hr/>
	(1,959)	143,387
Deferred tax:		
– Current period	(401)	(55,327)
	<hr/>	<hr/>
Income tax (credit)/expense	(2,360)	88,060
	<hr/> <hr/>	<hr/> <hr/>

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit generated in Hong Kong for the six months ended June 30, 2023 (six months ended June 30, 2022: 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 six months ended June 30, 2023 (six months ended June 30, 2022: 25%).

Certain subsidiaries operating in the PRC were exempted from PRC income taxes during both 2023 and 2022. 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 agricultural 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.

10 LOSS PER SHARE

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

Loss

	Six months ended June 30,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Loss for the purpose of basic loss per share		
Loss for the period attributable to the owners of the Company	<u>(469,646)</u>	<u>(462,030)</u>

Number of shares

	Six months ended June 30,	
	2023	2022
	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>4,273,932</u>	<u>3,901,998</u>

No diluted loss per share is presented as there were no potential ordinary shares in issue for both periods.

11 DIVIDEND

No dividends were paid, declared or proposed during the six months ended June 30, 2023. The board of directors of the Company has resolved not to declare any interim dividend for the six months ended June 30, 2023 (six months ended June 30, 2022: nil).

During the six months ended June 30, 2022, a final dividend of Hong Kong Dollar (“HKD”) 0.180 (equivalent to RMB0.147) per share, totalling HKD702,360,000 (equivalent to RMB573,594,000), in respect of the year ended December 31, 2021 was declared and approved. The dividend was paid in June 2022.

12 ACCOUNT RECEIVABLES

	June 30,	December 31,
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Account receivables from contracts with customers	184,756	318,654
Less: Allowance for credit losses	<u>(564)</u>	<u>(514)</u>
	<u>184,192</u>	<u>318,140</u>

12 ACCOUNT RECEIVABLES (CONTINUED)

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

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Within 90 days	181,004	313,857
90 to 180 days	2,598	3,993
180 days to 1 year	414	189
Over 1 year	176	101
	<u>184,192</u>	<u>318,140</u>

13 BALANCES WITH RELATED COMPANIES

Related companies with which the Group had transactions and/or outstanding balances are COFCO Corporation and its subsidiaries. Prior to March 24, 2023, COFCO Corporation had significant influence over the Company and, on March 24, 2023, has obtained control over the Company.

Included in amounts due from related companies as at June 30, 2023 are receivables in trade nature of RMB8,628,000 (December 31, 2022: RMB8,949,000), which are unsecured, interest-free and repayable according to relevant sales contracts. An aged analysis of these receivables as at the end of the reporting period, based on delivery dates and net of allowance for credit losses, is as follows:

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Within 90 days	497	626
Over 1 year	8,131	8,323
	<u>8,628</u>	<u>8,949</u>

The remaining balance of amounts due from related companies included prepayments in connection with the purchases of goods and current account balances, which are unsecured, interest-free and repayable on demand.

Included in amounts due to related companies as at June 30, 2023 were payables in trade nature of RMB107,350,000 (December 31, 2022: RMB30,519,000), which are unsecured, interest-free and repayable according to the relevant purchase contracts. An aged analysis of these payables at the end of the reporting period, based on the invoice dates, is as follows:

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Within 90 days	107,343	26,873
Over 90 days but less than 1 year	7	3,646
	<u>107,350</u>	<u>30,519</u>

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

14 ACCOUNT AND BILLS PAYABLES

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Account payables	561,009	605,709
Bills payables	<u>374,138</u>	<u>129,560</u>
	<u>935,147</u>	<u>735,269</u>

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 dates, is as follows:

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Within 1 year	545,819	595,685
1 to 2 years	13,068	8,546
Over 2 years	<u>2,122</u>	<u>1,478</u>
	<u>561,009</u>	<u>605,709</u>

MANAGEMENT DISCUSSION AND ANALYSIS

I. COMPANY PROFILE

Company Introduction

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

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

Segments Introduction

Hog Production

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

Fresh Pork

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

Processed Meat Products

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

Meat Import

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

II. Market Overview

Sufficient hog supply with lower-than-expected demands in China causing hog price to remain low

According to the data from the National Bureau of Statistics, hog production volume in China amounted to 380 million heads in the first half of 2023, representing a year-on-year growth of 2.6%; pork output was 30.32 million tons, representing a year-on-year increase of 3.2%.

Given the abundant supply of pork backed by high production capacity in China, coupled with the effects of the traditional low season for pork consumption after the Chinese New Year, hog price continued its downward trend during the first half of 2023. The average hog price in 22 provinces in China dropped to RMB13.95/kg at the end of June, representing a decrease of 24% as compared to the end of last year. Overall, losses were incurred across the industry.

As hog price remained low, the stock of breeding sows recorded a month-on-month decrease for four consecutive months since the beginning of 2023. According to the National Bureau of Statistics, the stock of breeding sows in China amounted to 42.96 million heads at the end of June, increased by 0.5% year-on-year and reached 105% of the control target for normal production capacity.

Relaxation of pandemic control policies boosting the recovery of domestic catering consumption

With the relaxation of pandemic restrictions and the boosting effects of holiday weekends, dine-out consumption increased significantly in China. In the first half of 2023, total retail sales of consumer goods in China grew by 8.2% year-on-year, of which catering revenue rose by 21.4% year-on-year.

Food safety gaining more attention

The COVID-19 pandemic raised public awareness of food safety and convenience. With its strengths in quality, standardization, hygiene and convenience, responding to the channel development and meeting the market demand, the branded small-packed fresh pork products of the Company thereby gained higher brand recognition and consumer loyalty.

Year-on-year rally in meat imports

Driven by the gradual recovery of market demand, the import volume of meat registered a year-on-year rebound in 2023. In the first half of 2023, China's pork imports (excluding by-products) amounted to 0.94 million tons, representing a year-on-year increase of 16.5% and accounting for 3.1% of domestic pork production. Meanwhile, beef imports (excluding by-products) amounted to 1.23 million tons, representing a year-on-year growth of 6.8% and accounting for 39.0% of domestic beef production.

III. Results of Operation

In view of the sustained low hog price in the first half of 2023, the Company focused on production management, strengthened internal synergy, enhanced operating efficiency and promoted the steady development of all businesses. As the capacity utilization rate of the hog production business further increased, the Company adopted a reasonable operational strategy that combined futures and spot commodities to mitigate the adverse effects of the downturn in the spot market. The Company optimized the fresh pork business team internally and put efforts into brand promotion externally, which led to a year-on-year growth of 13.0% in segment sales during the reporting period. Meanwhile, the processed meat product business and the meat import business created stronger internal synergy. On the basis of stringent risk prevention and control, the Company leveraged its advantage in imported raw materials, intensified the "integration of trading and processing", and enriched the product portfolio, thereby promoting customer stickiness in the catering industry. In addition, benefitting from the fresh product channels, it actively expanded the retail business of the processed meat products.

During the reporting period, the Company reported a total net profit of RMB168 million before biological assets fair value adjustments, which grew by RMB1,568 million as compared with the same period last year.

Hog production business

Actively responded to market downturns by combining futures and spot commodities of the hog production business

In the first half of 2023, the Company's hog production volume grew by 7.9% year-on-year to 2,447 thousand heads, which reflected the continuous increase in capacity utilization rate. In the face of the market downturn, the Company remained committing to refined management for spot commodities. It strengthened the benchmarking among farms and narrowed the gap between internal breeding results. It also optimized the management team and implemented precise incentive to fully boost the enthusiasm and sense of responsibility of employees. Furthermore, it continued to improve the feed formula and explored feeding restriction and compensatory growth technology, while expanding the trial gradually. In respect of futures, the Company reasonably applied strategies to hedge price fluctuation through futures contracts, so as to minimize risks.

Comprehensive upgrade of breeding system and faster rotation of breeding herd

In March 2023, the Company preliminarily established the standard genome-based breeding process, which formed a closed-loop system of genotyping data collection, analysis, selection and breeding for faster optimization of herd performance. It also expedited the rotation of the breeding herd and increased the share of high-performing breeding hogs gradually. As of the end of June, the Company's stock of breeding and replacement hogs amounted to 326 thousand heads, which helped to safeguard subsequent production.

Fulfilling the responsibilities as a state-owned enterprise and supporting green agriculture

On top of the existed technology for biogas projects and wastewater treatment, the Company developed the recycling technology to "reduce burden and return to farm". It has been stepping up the promotion of the ecological cycle that combines farming and breeding. It actively explored diversified ways to build a green recycling agricultural industry chain, such as growing alfalfa crops in farmlands.

Fresh pork business

Better upstream-downstream alignment and rapid market expansion in South China

After the two slaughtering and processing bases in Jilin and Inner Mongolia were put into production, the upstream-downstream alignment improved significantly in North and Northeast China. During the reporting period, the proportion of internal procurement of hogs continued to increase for the fresh pork segment. The commencement of operation of the cutting center in Guangdong allowed the Company to respond faster to the local market and supported its business expansion in South China. The sales of small-packed fresh pork products reached 1.985 million boxes in South China during the reporting period.

Steady growth in sales of fresh pork driven by operating team optimization and brand channel streamlining

During the reporting period, the Company put substantial efforts into optimizing the business operating team and streamlining channel operation models. It adopted a systematic approach to enhance service support ability and continued to explore high-quality end customers. In the first half of 2023, the Company's sales volume of fresh pork reached 123 thousand tons, representing an increase of 13.0% year-on-year.

Due to the improving pandemic situation, the rapid recovery of the catering channels had a certain impact on household pork consumption. During the reporting period, the sales of branded small-packed fresh pork of the Company amounted to 20.942 million boxes.

Expanding brand influence of “Joycome” through optimizing product position

In 2023, the Company continued to respond to the consumption trend with more convenient small-packed products, diversified product offerings and a wider range of sales channels. It integrated online and offline marketing campaigns to reinforce the brand image that customers would “love at first bite”, while focusing on building a high-end brand that was associated with a “healthier life and good fat”. As a “Sports-Training Bureau National Team Preparation Protection Product” authorized by the General Administration of Sport of China Training Bureau, the Company became the official meat supplier of the “2023 Beijing Half Marathon” during the reporting period, which connected “Joycome” closer to the sports market. The Company also promoted its high-end brand image through collaborations with renowned brands such as Tong Ren Tang and Fissler. With a focus on the family market, the Company sponsored and titled a youth golf tournament, and precisely delivered the healthy brand image to mothers, so as to achieve more accurate marketing reach and build a reputation among the target group. Meanwhile, the Company upgraded some of its stores to linseed-fed pork exclusive stores and increased the market share of linseed-fed pork products, which helped further expanded the brand influence.

Meat import business

Strengthening market analysis and promoting internal synergy to generate segment profit

In the first half of 2023, domestic catering consumption rebounded and beef demand recovered. The Company accurately predicted the procurement trend and accelerated inventory turnover. In the meantime, it enhanced the synergy with the processed meat product business to better serve customers and increase the stickiness of catering clients, which resulted in a year-on-year growth in sales volume of imported beef. As the prices of imported frozen pork products remained inverted, the Company took the initiative to reduce the pork import volume, while focused on pork by-products and fully implemented order locking.

During the reporting period, the segment profit of the import business reached RMB23.52 million.

IV. Financial Review

Overall Performance

In the first half of 2023, the revenue of the Group was RMB5,818 million, representing an increase of RMB474 million as compared with RMB5,345 million for the same period in 2022. Prior to biological assets fair value adjustments, the net profit of the Group was a profit of RMB168 million, while the net loss for the same period in 2022 was RMB1,399 million.

Revenue

In the first half of 2023, the revenue of the Group was RMB5,818 million, representing an increase of 8.9% as compared with RMB5,345 million for the same period in 2022, mainly attributable to a year-on-year increase of 14.3% in revenue from the hog production business which benefited from the year-on-year growth in the hog production volume and the selling price of hogs, and a year-on-year increase of 15.6% in revenue from the fresh pork business as a result of the optimization of its operating team and the efforts in brand promotion.

Gross Profit Margin

In the first half of 2023, the gross profit margin before biological assets fair value adjustments of the Group was 6.5%, representing a year-on-year increase of 23.4 percentage points, mainly attributable to the year-on-year increase in average selling price of finishing hogs of 7.8%. At the same time, the improvement of production efficiency to control costs through refined management and the adoption of a reasonable operational strategy that combined futures and spot commodities resulted in a better performance of gross profit margin as compared with the corresponding period.

Selling and Distribution Expenses/Administrative Expenses

In the first half of 2023, the total selling and distribution expenses and administrative expenses of the Group amounted to RMB409 million, representing an increase of RMB46.57 million as compared with RMB363 million for the same period last year, mainly due to the rise in selling expenses as a result of the year-on-year increase in fresh pork sales volume.

Finance Costs

In the first half of 2023, the Group's finance costs amounted to RMB71 million, representing a decrease of RMB6.60 million as compared with RMB78 million in the same period of 2022, mainly due to the accelerated cash turnover and reduction of borrowing balances, hence resulting in a decrease in finance costs.

Other Income, Other Gains and Losses

In the first half of 2023, the Group's other income, other gains and losses amounted to a total gain of RMB270 million, representing an increase of RMB238 million as compared with that of the same period in 2022. It was mainly attributable to an exchange gain of RMB136 million for the current period as compared with an exchange loss for the same period last year.

Profit/(Loss) for the Period

For the reasons above, the Group recorded a profit of RMB168 million before biological assets fair value adjustments during the first half of 2023, as compared with the loss of RMB1,399 million before biological assets fair value adjustments in the same period in 2022.

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 the relevant subsidiaries during the first half of 2023.

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 accounts receivables as well as the capability of generating cash flow. The finance department of the Group regularly and closely examined the overall condition of cash and liabilities, and flexibly arranged financing plans based on finance costs and 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. At the same time, the Group also used the capital pool in Mainland China, so as to be more effective in utilising cash, reducing average borrowing costs of the Group, and accelerating clearing services among the companies under the Group.

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

As at June 30, 2023, the cash and bank balances owned by the Group amounted to approximately RMB511 million (December 31, 2022: approximately RMB1,040 million). The decrease in cash and bank balances was mainly attributable to the Company's accelerated cash turnover efficiency and appropriate reduction in cash position.

As at June 30, 2023, our current ratio was 0.85 (December 31, 2022: 0.80). As at June 30, 2023, our unused bank credit facilities were RMB14,232 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 the first half of 2023, the EBITDA of the Group (before biological assets fair value adjustments)¹ was RMB677 million (same period in 2022: RMB-843 million). The EBITDA of the Group (after biological assets fair value adjustments)² was RMB-101 million (same period in 2022: RMB-21 million).

Notes:

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

In the first half of 2023, cash generated from our operating activities was RMB977 million (used during the same period in 2022: RMB1,145 million). Cash used in our investment activities was RMB335 million (used during the same period in 2022: RMB403 million), including RMB418 million for the purchase of property, plant and equipment (same period in 2022: RMB411 million). Cash used in our financing activities was RMB1,193 million (generated during the same period in 2022: RMB1,503 million). The effect of foreign exchange rate changes was a gain of RMB22 million. In summary, in the first half of 2023, our net decrease in cash and bank balances was RMB529 million.

Capital Structure

As at March 24, 2023, the Company allotted and issued 680,000,000 subscription shares to COFCO (Hong Kong) Limited. As at June 30, 2023, the total number of issued shares of the Company was 4,581,998,323 shares.

As at June 30, 2023, the Group had interest-bearing bank loans of approximately RMB4,539 million (December 31, 2022: approximately RMB5,998 million). The annual interest rate on bank loans ranged from 1.90% to 4.00% (December 31, 2022: from 0.91% to 5.14%). Most of the bank loans were based on fixed interest rates.

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

<i>Unit: RMB in million</i>	June 30, 2023	December 31, 2022
Within 1 year	4,446	5,852
1 to 2 years	30	58
3 to 5 years	63	88
	<hr/>	<hr/>
Total	<u>4,539</u>	<u>5,998</u>

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

<i>Unit: RMB in million</i>	June 30, 2023	December 31, 2022
Fixed-rate borrowings	3,870	4,408
Variable-rate borrowings	669	1,590
Total	<u>4,539</u>	<u>5,998</u>

As at June 30, 2023, the Group had loans from related parties of approximately RMB104 million (December 31, 2022: approximately RMB1,103 million).

As at June 30, 2023, the Group had net assets of approximately RMB8,974 million (December 31, 2022: approximately RMB8,263 million). Net debts³ of the Group amounted to approximately RMB4,132 million (December 31, 2022: approximately RMB6,060 million), while the net debt-to-equity ratio was approximately 46.1% (December 31, 2022: approximately 73.3%).

Note:

- 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 June 30, 2023 and December 31, 2022, the Group had no significant contingent liabilities.

As at June 30, 2023 and December 31, 2022, the Group had no bank loans pledged by buildings, land use rights and time deposits of the Group.

Capital Expenditure

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

In the first half of 2023, the Group's capital expenditure was RMB419 million (same period in 2022: RMB411 million). The following table sets forth our capital expenditure for the years indicated:

<i>Unit: RMB in million</i>	Six months ended June 30,	
	2023	2022
Payments for property, plant and equipment	418	411
Payments for intangible assets	1	–
Total	<u>419</u>	<u>411</u>

As of the first half of 2023, our capital expenditure was mainly used for the construction of hog farms in the Inner Mongolia Autonomous Region, Henan Province and Jilin Province.

Capital Commitment

Capital commitment of the Group is mainly related to the construction of hog farms and other production and ancillary facilities. As at June 30, 2023, capital commitment of the Group was RMB219 million (December 31, 2022: RMB525 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 June 30, 2023, we owned 326 thousand heads of breeding and replacement hogs in total, representing a decrease of 1.1% as compared with 330 thousand heads as at December 31, 2022. The fair value of our biological assets was RMB2,361 million as at June 30, 2023 and RMB3,063 million as at December 31, 2022. Our results have been and are expected to be affected by changes in fair value of biological assets.

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

During the first half of 2023 and the same period in 2022, such adjustments have resulted in a decrease of RMB227 million and a decrease of RMB317 million in cost of sales, respectively. Additionally, losses arising from fair value less cost of sales of agricultural products at the point of harvest amounted to RMB359 million (the same period in 2022: gains of RMB227 million); losses arising from changes in fair value of biological assets less cost of sales amounted to RMB521 million (the same period in 2022: gains of RMB386 million). In general, the net effect of adjustment in fair value of biological assets on profit was losses of RMB654 million during the current period and gains of RMB930 million during the same period in 2022.

V. Human Resources

The continuing operations of the Group hired 10,029 employees as at June 30, 2023 (June 30, 2022: 9,490 employees). Remuneration for employees was determined according to their job nature, personal performance and the market trends. For the six months ended June 30, 2023, total remuneration of the Group amounted to approximately RMB671 million (the same period in 2022: RMB621 million).

The Group provides basic social insurance and housing accumulation fund for the Company's 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 common epidemic with significant impact in hog production mainly includes African swine fever, blue ear disease, classical swine fever, porcine epidemic diarrhea, porcine pseudorabies, porcine circovirus, etc. The impacts brought by epidemic risks include: First, the outbreak of epidemic diseases may lead to hog mortalities, resulting in a decrease in the stock of hogs and hog production volume and causing direct economic losses. Second, the outbreak of epidemic 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 may lead to phased reduction of production in hog farms, resulting in lower efficiency, higher operating costs, reduced salary of employees and increased workload, which may cause high turnover rate of employees and affect the subsequent production efficiency. Fourth, the large-scale outbreak and spread of epidemic diseases may lead to the spread of the pathogen and thus may affect the water and soil and threaten the safety of animals in the surrounding areas, causing a panic among some consumers and thus lowering 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 Procedure for Hogs Introduction Control (《引種控制程序》), the Quality Standard of Breeding Hogs (《種豬質量標準》), the Contingency Plan for Major Animal Disease (《重大動物疫情應急預案》), the Operation Manual of Swine Diseases Prevention and Control in Hog Farms (《養殖場豬病防控操作手冊》), the Prevention and Emergency Response Plan for African Swine Fever (《非洲豬瘟預防及應急處置方案》), the Disease Prevention, Control and Monitoring and Specimen Collection for Virus Testing Plan (《疾病防控監測及病料採樣檢測計劃》), the Standard Operating Procedure for Immunization in Hog Farms (《養殖場免疫接種標準操作程序》), Standards of Hogs Being Sold (《出欄豬標準》), Inspection and Management System for Hog Production (《生豬出欄檢驗管理制度》), Management System for Innocuous Treatment of Sick and Dead Hogs and Medical Waste (《病死豬及醫療廢物無害化處理管理制度》) and Water Sanitation Management System for Hog Farms (《養殖場用水衛生管理制度》), which are optimized and updated annually. The Group has strengthened the management and control over various key aspects such as introduction of breeding hogs as well as hog farming and production to reinforce the prevention and control measures regarding imports, processes and exports, at the same time constantly optimizing the biosecurity control measures, so as to enhance its capability in preventing and curbing major animal diseases such as African swine fever.

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.

Food Safety Risks

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

Safe Production Risks

Safe production risks refer to risks of corporate property loss, temporary production suspensions or tarnished reputation due to production safety accidents caused by deficient safety management system or inadequate accident preventive measures. The Group has formulated systems such as Regulations on Safety Production Management (《安全生產管理規定》), Measures for Administration of Production Safety Accidents (《生產安全事故管理辦法》) and Comprehensive Emergency Plans for Production Safety Accidents (《生產安全事故綜合應急預案》) to standardize safety risks management and prevent accidents. The Group has formulated the early warning indicators and bottom line indicators, organized all subordinate enterprises to conduct all-round risk identification, evaluation and classification, and formulated corresponding management and control measures. The Group has also formulated special risk prevention and control measures for major risks, and organized all subordinate enterprises to perfect inspection system, organize regular safety inspection and confirm the effectiveness of risk management and control measures. The headquarters has conducted 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.

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 systems, such as Regulations of Administration on Energy Conservation and Environmental Protection (《節能環保管理規定》), Measures for Supervision and Administration of “Three Simultaneities” for Construction Projects (《建設項目“三同時”監督管理辦法》) and Emergency Plans for Environmental Pollution Accidents (《環境污染事故應急預案》), which defined the requirements of environmental protection compliance and standardized the emergency 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 the first half of 2023, the domestic economy gradually emerged and recovered from the pandemic. However, there are still uncertainties in the external environment and it still needs time for consumption to fully improve. In the second half of the year, the Company will maintain strategic stability and put efforts into the following tasks:

Firstly, we will seek to attain the production capacity goal for the “14th Five-Year Plan” and accelerate the expansion of core businesses.

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

Thirdly, we will optimize the futures hedging strategies in a dynamic manner and achieve the organic combination of futures and spot commodities.

Fourthly, we will continue to promote branding and differentiation of the fresh products, gain high-value customers, enhance channel operating efficiency, strengthen brand promotion and product development, and expand brand influence.

Fifthly, we will further optimize the risk control system for the import business, vigorously explore the terminal channels, and enhance customer stickiness. We will also deepen the integration of trading and processing, steadily promote the transformation towards a terminal distributor that integrates trading and processing business, and add value to our business.

OTHER EVENTS

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2023 (six months ended June 30, 2022: Nil).

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 Group'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.

Save as disclosed below, in the opinion of the Board, the Company has complied with the code provisions set out in part 2 of the Corporate Governance Code (the "**CG Code**") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the six months ended June 30, 2023.

Code provision C.2.1 of the CG Code states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Jiang Guojin acted as the chairman of the Board and the general manager of the Company and has taken up the roles and functions of the managing director including but not limited to implementation of decisions of the Board, formulation of corporate and business strategies of the Company, supervision of ordinary operation of the Company and making decisions and providing advice relating to the appointment of senior management. The Board believes that Mr. Jiang Guojin's extensive experience and knowledge, together with the support of the management, shall strengthen the solid and consistent leadership of the Group and would allow for efficient business planning and decision, which the Board believes is in the best interest of the overall development of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced individuals. The Board currently comprises one executive director (Mr. Jiang Guojin), three non-executive directors and three independent non-executive directors and therefore has a fairly strong independence element in its composition. The Company will keep reviewing the current structure of the Board from time to time.

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 for 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 six months ended June 30, 2023.

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 six months ended June 30, 2023.

SUBSEQUENT EVENTS

As at the date of this announcement, the Group has no material subsequent events after June 30, 2023 which are required to be disclosed.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended June 30, 2023. The Audit Committee is of the view that the interim report of the Group is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

The unaudited condensed consolidated interim financial statements of the Group for the six months ended June 30, 2023 have been reviewed by the auditor of the Company, Baker Tilly Hong Kong Limited, 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 Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM REPORT

The interim report of the Company will be published on the website of the Company (www.cofcojoycome.com) and the HKExnews website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and dispatched to the shareholders of the Company in due course.

By order of the Board
COFCO Joycome Foods Limited
Jiang Guojin

Chairman, executive director and general manager

Beijing, PRC, August 24, 2023

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