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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, 2023**

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, 2023 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2022 as follows:

HIGHLIGHTS

Key Operating Data	2023	2022	year-on-year	
Hog production volume (unit: '000 heads) ⁽¹⁾	5,200	4,103	26.7%	
Average selling price of finishing hogs (RMB/kg) ⁽¹⁾	14.55	17.86	-18.5%	
Fresh pork sales volume (unit: '000 tons) ⁽²⁾	245	231	6.1%	
Ratio of revenue from branded business of total fresh pork business	26.6%	30.4%	-3.8ppt	
Meat import sales volume (unit: '000 tons)	68	71	-4.3%	
Key Financial Data	2023		2022	
	Before	After	Before	After
	biological	biological	biological	biological
	assets	assets	assets	assets
	fair value	fair value	fair value	fair value
	adjustments	adjustments	adjustments	adjustments
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue ⁽³⁾	11,568,322	11,568,322	12,900,684	12,900,684
Profit/(loss) for the Year ⁽⁴⁾	15,806	(171,011)	(319,778)	356,934
Profit/(loss) attributable to the owners of the Company ⁽⁵⁾	51,138	(135,679)	(320,038)	356,674
Basic earnings/(loss) per share ⁽⁶⁾	RMB0.0115	RMB(0.0306)	RMB(0.0820)	RMB0.0914

Notes:

1. Hog price continued to decline in 2023 due to the sufficient domestic supply of hog and lower-than-expected demands, the Company focused on refined management and promoted the capacity utilization rate. The hog production volume grew by 26.7% year-on-year.
2. The Company greatly expanded the sales channels, through which the sales volume of fresh pork increased by 6.1% year-on-year.
3. Revenue amounted to RMB11,568 million, representing a year-on-year decrease of 10.3%. On one hand, revenue from hog production and fresh pork business decreased due to the lower domestic hog price. On the other hand, the Company took initiative to reduce pork imports due to the continuous inverted prices of imported frozen pork, combined with lower beef price, resulted in less revenue from the meat import business.
4. Profit for the year before biological assets fair value adjustments amounted to RMB16 million, representing a year-on-year increase of RMB336 million. It was mainly due to the Company's implementation on cost reduction and efficiency enhancement measures, and reasonable use of the combination of futures and spot commodities strategy to partially mitigate the adverse effects of spot market downturns.
5. Profit attributable to the owners of the Company before biological assets fair value adjustments amounted to RMB51 million. The biological assets fair value was adjusted based on the hog price at the end of December 2023.
6. The basic earnings/(loss) per share represent the profit/(loss) attributable to the owners of the Company divided by the weighted average number of ordinary shares for the year.

The Board has resolved not to declare any final dividend for the year ended December 31, 2023.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2023

	NOTES	2023			2022		
		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	11,568,322	-	11,568,322	12,900,684	-	12,900,684
Cost of sales		(11,042,275)	698,560	(10,343,715)	(12,425,016)	(1,235,731)	(13,660,747)
Gross profit/(loss)		526,047	698,560	1,224,607	475,668	(1,235,731)	(760,063)
Other income	5	315,806	-	315,806	261,894	-	261,894
Other gains and losses	6	160,448	-	160,448	(96,204)	-	(96,204)
Selling and distribution expenses		(435,416)	-	(435,416)	(455,810)	-	(455,810)
Administrative expenses		(425,286)	-	(425,286)	(208,305)	-	(208,305)
(Loss)/gain arising from agricultural produce at fair value less costs to sell at the point of harvest		-	(831,064)	(831,064)	-	1,779,940	1,779,940
(Loss)/gain arising from changes in fair value less costs to sell of biological assets		-	(54,313)	(54,313)	-	132,503	132,503
Finance costs	7	(132,236)	-	(132,236)	(176,855)	-	(176,855)
(Loss)/profit before tax	8	9,363	(186,817)	(177,454)	(199,612)	676,712	477,100
Income tax credit/(expense)	9	6,443	-	6,443	(120,166)	-	(120,166)
(Loss)/profit for the year		15,806	(186,817)	(171,011)	(319,778)	676,712	356,934
Other comprehensive expense, net of income tax:							
<i>Items that will not be reclassified to profit or loss</i>							
Fair value loss on equity instrument at fair value through other comprehensive income				(139,275)			(87,440)
Income tax relating to items that will not be reclassified to profit or loss				34,819			(50,649)
				(104,456)			(138,089)

		2023			2022		
		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)				(13,912)			8,687
Release of cumulative exchange differences to profit or loss associated with changes in net investment in a foreign operation				(79,603)			—
				<u>(93,515)</u>			<u>8,687</u>
Other comprehensive expense for the year, net of income tax				<u>(197,971)</u>			<u>(129,402)</u>
Total comprehensive (expense)/income for the year				<u><u>(368,982)</u></u>			<u><u>227,532</u></u>
(Loss)/profit for the year attributable to:							
Owners of the Company				(135,679)			356,674
Non-controlling interests				<u>(35,332)</u>			<u>260</u>
				<u><u>(171,011)</u></u>			<u><u>356,934</u></u>
Total comprehensive (expense)/income for the year attributable to:							
Owners of the Company				(333,650)			227,272
Non-controlling interests				<u>(35,332)</u>			<u>260</u>
				<u><u>(368,982)</u></u>			<u><u>227,532</u></u>
(Loss)/earnings per share:							
Basic	11			<u><u>RMB(0.0306)</u></u>			<u><u>RMB0.0914</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2023

		At December 31,	
	NOTES	2023	2022
		RMB'000	RMB'000
Non-current assets			
Goodwill		100,609	100,609
Property, plant and equipment		9,706,790	9,479,088
Right-of-use assets		638,024	651,533
Intangible assets		8,591	8,814
Equity instrument at fair value through other comprehensive income (“FVTOCI”)		86,836	226,111
Biological assets		567,344	538,403
Prepayments for purchase of property, plant and equipment		1,179	6,036
		<u>11,109,373</u>	<u>11,010,594</u>
Current assets			
Inventories		899,828	1,448,885
Biological assets		1,635,066	2,525,033
Account receivables	12	201,646	318,140
Prepayments, deposits and other receivables		329,127	634,273
Other current assets		475,570	596,958
Financial assets at fair value through profit or loss		177,277	300,145
Amounts due from related companies		233,150	520,308
Cash and bank balances		1,169,295	1,040,032
		<u>5,120,959</u>	<u>7,383,774</u>

	<i>NOTES</i>	At December 31,	
		2023	2022
		RMB'000	RMB'000
Current liabilities			
Account and bills payables	13	499,671	735,269
Other payables, accruals and deposits received		803,742	881,212
Lease liabilities		38,521	47,644
Contract liabilities		269,387	352,535
Bank borrowings		3,990,977	5,851,943
Amounts due to related companies		139,049	246,835
Loans from related companies		502,500	1,002,500
Financial liabilities at fair value through profit or loss		12,491	8,445
Current tax liabilities		43	139,659
		<u>6,256,381</u>	<u>9,266,042</u>
Net current liabilities		<u>(1,135,422)</u>	<u>(1,882,268)</u>
Total assets less current liabilities		<u>9,973,951</u>	<u>9,128,326</u>
Non-current liabilities			
Bank borrowings		50,000	145,766
Loans from a related company		103,289	100,226
Deferred income		121,153	128,124
Deferred tax liabilities		46,523	82,015
Long-term payable		79,265	81,867
Lease liabilities		327,538	327,620
		<u>727,768</u>	<u>865,618</u>
Net assets		<u>9,246,183</u>	<u>8,262,708</u>
Capital and reserves			
Share capital		1,668,983	1,668,978
Reserves		7,463,369	6,444,567
		<u>9,132,352</u>	<u>8,113,545</u>
Equity attributable to the owners of the Company		9,132,352	8,113,545
Non-controlling interests		113,831	149,163
		<u>9,246,183</u>	<u>8,262,708</u>
Total equity		<u>9,246,183</u>	<u>8,262,708</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

1. GENERAL INFORMATION

The Company was incorporated on March 11, 2014 and acts as an investment holding company. As at December 31, 2023, the Company's parent is COFCO (Hong Kong) Limited (incorporated in Hong Kong) and ultimate parent is COFCO Corporation (a state-owned enterprise registered in The People's Republic of China (the "PRC")). 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, and that 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 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 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 NEW AND AMENDMENTS TO HKFRSs

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on January 1, 2023 for the preparation of the 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
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

The application of the new and 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, 2023, the Group's current liabilities exceeded its current assets by RMB1,135,422,000. 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, 2023				
	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	4,443,555	–	–	–	4,443,555
Fresh pork	–	4,141,252	–	–	4,141,252
Processed meat products	–	–	776,505	–	776,505
Imported meat products	–	–	–	2,207,010	2,207,010
Total	4,443,555	4,141,252	776,505	2,207,010	11,568,322
Geographical market					
Mainland China	4,443,555	4,141,252	776,505	2,207,010	11,568,322
Timing of revenue recognition					
A point in time	4,443,555	4,141,252	776,505	2,207,010	11,568,322

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, 2023		
	Segment revenue RMB'000	Eliminations RMB'000	Consolidated RMB'000
Hog production and sales	7,312,910	(2,869,355)	4,443,555
Sales of fresh pork	4,210,481	(69,229)	4,141,252
Sales of processed meat products	782,198	(5,693)	776,505
Sales of imported meat products	2,458,248	(251,238)	2,207,010
Revenue from contracts with customers	14,763,837	(3,195,515)	11,568,322
Total revenue	14,763,837	(3,195,515)	11,568,322

	For the year ended December 31, 2022				
Segments	Hog production and sales RMB'000	Sales of fresh pork RMB'000	Sales of processed meat products RMB'000	Sales of imported meat products RMB'000	Total RMB'000
Types of goods or services					
Hogs	4,525,875	–	–	–	4,525,875
Fresh pork	–	4,743,128	–	–	4,743,128
Processed meat products	–	–	756,433	–	756,433
Imported meat products	–	–	–	2,875,248	2,875,248
Total	4,525,875	4,743,128	756,433	2,875,248	12,900,684
Geographical market					
Mainland China	4,525,875	4,743,128	756,433	2,875,248	12,900,684
Timing of revenue recognition					
A point in time	4,525,875	4,743,128	756,433	2,875,248	12,900,684

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

	For the year ended December 31, 2022		
	Segment revenue <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Hog production and sales	7,711,083	(3,185,208)	4,525,875
Sales of fresh pork	4,811,170	(68,042)	4,743,128
Sales of processed meat products	761,742	(5,309)	756,433
Sales of imported meat products	3,025,665	(150,417)	2,875,248
Revenue from contracts with customers	<u>16,309,660</u>	<u>(3,408,976)</u>	<u>12,900,684</u>
Total revenue	<u><u>16,309,660</u></u>	<u><u>(3,408,976)</u></u>	<u><u>12,900,684</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 performance obligations 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 results by reportable operating segments.

	Hog production <i>RMB'000</i>	Fresh pork <i>RMB'000</i>	Processed meat products <i>RMB'000</i>	Meat import <i>RMB'000</i>	Segment total <i>RMB'000</i>	Inter- segment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
<i>For the year ended December 31, 2023</i>							
Segment revenue							
External customers	4,443,555	4,141,252	776,505	2,207,010	11,568,322	-	11,568,322
Inter-segment sales	<u>2,869,355</u>	<u>69,229</u>	<u>5,693</u>	<u>251,238</u>	<u>3,195,515</u>	<u>(3,195,515)</u>	<u>-</u>
Segment revenue	<u>7,312,910</u>	<u>4,210,481</u>	<u>782,198</u>	<u>2,458,248</u>	<u>14,763,837</u>	<u>(3,195,515)</u>	<u>11,568,322</u>
Segment results	<u>108,952</u>	<u>(126,815)</u>	<u>58,257</u>	<u>41,555</u>	<u>81,949</u>	<u>-</u>	<u>81,949</u>
Unallocated corporate income							169,663
Unallocated corporate expenses							(110,013)
Fair value adjustments on biological assets and agricultural produce							(186,817)
Finance costs							<u>(132,236)</u>
Loss before tax							<u>(177,454)</u>
	Hog production <i>RMB'000</i>	Fresh pork <i>RMB'000</i>	Processed meat products <i>RMB'000</i>	Meat import <i>RMB'000</i>	Segment total <i>RMB'000</i>	Inter- segment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
<i>For the year ended December 31, 2022</i>							
Segment revenue							
External customers	4,525,875	4,743,128	756,433	2,875,248	12,900,684	-	12,900,684
Inter-segment sales	<u>3,185,208</u>	<u>68,042</u>	<u>5,309</u>	<u>150,417</u>	<u>3,408,976</u>	<u>(3,408,976)</u>	<u>-</u>
Segment revenue	<u>7,711,083</u>	<u>4,811,170</u>	<u>761,742</u>	<u>3,025,665</u>	<u>16,309,660</u>	<u>(3,408,976)</u>	<u>12,900,684</u>
Segment results	<u>174,880</u>	<u>(90,017)</u>	<u>22,360</u>	<u>(53,048)</u>	<u>54,175</u>	<u>-</u>	<u>54,175</u>
Unallocated corporate income							96,826
Unallocated corporate expenses							(173,758)
Fair value adjustments on biological assets and agricultural produce							676,712
Finance costs							<u>(176,855)</u>
Profit before tax							<u>477,100</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	Processed meat products RMB'000	Meat import RMB'000	Total RMB'000
<i>Year ended December 31, 2023</i>					
<i>Amounts included in the measure of segment results:</i>					
Depreciation and amortisation*	(65,786)	(82,569)	(20,371)	(104)	(168,830)
Reversal of/(provision of) impairment on account receivables, net	41	(307)	30	-	(236)
Reversal of/(provision of) impairment on other receivables, net	-	55	(10)	-	45
Provision of impairment on amount due from related companies	-	(632)	-	-	(632)
Gain on disposal of property, plant and equipment, net**	23,310	17,695	25,771	-	66,776
Gain on disposal of right-of-use assets	2,457	31,698	17,155	-	51,310
Gain/(loss) on lease modification	56	73	(53)	-	76
Write-down of inventories	-	(48,134)	-	-	(48,134)

Year ended December 31, 2022

<i>Amounts included in the measure of segment results:</i>					
Depreciation and amortisation*	(66,747)	(68,962)	(19,945)	(87)	(155,741)
Reversal of/(provision of) impairment on account receivables, net	139	(278)	(152)	-	(291)
Provision of impairment on other receivables, net	-	(55)	-	-	(55)
Loss on disposal of property, plant and equipment, net**	(7,748)	(117)	(224)	-	(8,089)
Write-back/(write-down) of inventories	-	509	-	(5,120)	(4,611)

* Depreciation and amortisation not included in the measure of segment results for the year ended December 31, 2023 amounted to RMB245,000 (2022: RMB8,293,000).

** Loss on disposal of property, plant and equipment not included in the measure of segment results for the year ended December 31, 2023 amounted to RMB2,000 (2022: nil).

Geographical information

All of the revenue of the Group is derived from the Mainland China based on location of the operations for both 2023 and 2022.

All the Group's non-current assets (excluding deferred tax assets and equity instrument at FVTOCI) as at December 31, 2023 and 2022 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, 2023 and 2022.

5. OTHER INCOME

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

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Interest income from banks	478	1,194
Interest income from a related company	9,574	10,406
	<u>10,052</u>	<u>11,600</u>
Dividend income from equity instrument at FVTOCI	63,750	40,050
Government grants	242,004	210,244
	<u>315,806</u>	<u>261,894</u>

6. OTHER GAINS AND LOSSES

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

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Exchange gain/(loss), net (<i>Note</i>)	129,519	(115,332)
Gain/(loss) on disposal of property, plant and equipment, net	66,774	(8,385)
Gain on disposal of right-of-use assets	51,310	–
Gain on lease modification	76	198
Write-down of inventories to net realisable value	(48,134)	(4,611)
Provision of impairment on account receivables, net	(236)	(291)
Reversal of/(provision of) impairment on other receivables, net	45	(55)
Provision of impairment on amount due from related companies	(632)	–
Realised and unrealised (loss)/gain on fair value changes in respect of foreign currency forward contracts, net	(23,231)	39,937
Others	(15,043)	(7,665)
	<u>160,448</u>	<u>(96,204)</u>

Note: For the year ended December 31, 2023, 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 (2022: nil).

7. FINANCE COSTS

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

	<u>Year ended December 31,</u>	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest on:		
Bank borrowings	98,889	134,907
Long-term payable	5,654	5,843
Loans from related companies	12,354	24,981
Lease liabilities from related companies	–	241
Lease liabilities from third parties	16,197	16,645
	<hr/>	<hr/>
Total borrowing costs	133,094	182,617
Less: Borrowing costs capitalised in the cost of qualifying assets	(858)	(5,762)
	<hr/>	<hr/>
	132,236	176,855
	<hr/> <hr/>	<hr/> <hr/>

Borrowing costs capitalised during the year arose on the specific borrowings and are calculated by applying a capitalisation rate of 3.95% (2022: 3.80%) per annum to expenditure on qualifying assets.

8. (LOSS)/PROFIT BEFORE TAX

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

	<u>Year ended December 31,</u>	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Cost of inventories recognised as expenses	12,519,085	11,788,029
Realised and unrealised (gain)/loss on fair value changes in respect of commodity future contracts, net	(1,476,810)	636,987
(Loss)/gain on fair value changes in respect of biological assets	(698,560)	1,235,731
	<hr/>	<hr/>
Total cost of sales	10,343,715	13,660,747
	<hr/>	<hr/>
Employee benefits expenses (including directors' emoluments):		
Salaries and other allowances	1,297,369	976,606
Retirement benefit schemes contributions	126,302	102,592
Less: Capitalised in biological assets and construction in progress	(754,313)	(687,466)
	<hr/>	<hr/>
	669,358	391,732
	<hr/>	<hr/>
Depreciation of property, plant and equipment	581,250	527,397
Depreciation of right-of-use assets	53,806	57,279
Amortisation of intangible assets	1,958	1,830
	<hr/>	<hr/>
Total depreciation and amortisation	637,014	586,506
Less: Capitalised in biological assets	(467,939)	(422,472)
	<hr/>	<hr/>
	169,075	164,034
	<hr/>	<hr/>
Auditors' remuneration	1,420	1,420
	<hr/> <hr/>	<hr/> <hr/>

9. INCOME TAX (CREDIT)/EXPENSE

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

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Current tax:		
PRC Enterprise Income Tax (the "EIT")	63	144,041
PRC Withholding Tax	—	30,107
	<u>63</u>	<u>174,148</u>
Over provision in prior years:		
PRC Enterprise Income Tax	<u>(5,833)</u>	<u>(514)</u>
Deferred tax:		
Current year	<u>(673)</u>	<u>(53,468)</u>
	<u><u>(6,443)</u></u>	<u><u>120,166</u></u>

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit generated in Hong Kong for the year (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 year (2022: 25%).

Certain operations of the Company's certain subsidiaries 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 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, 2023 and 2022.

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

10. DIVIDENDS

	Year ended December 31,	
	2023 RMB'000	2022 RMB'000
Dividends recognised as distributions during the year:		
Final dividend of HKD0.180 (equivalent to RMB0.147) per share for the year ended December 31, 2021	<u>—</u>	<u>573,594</u>

No dividend was paid or proposed for ordinary shareholders of the Company during 2023, nor has any dividend been proposed since the end of the reporting period (2022: nil).

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,	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
(Loss)/profit for the year attributable to owners of the Company for the purpose of basic (loss)/earnings per share	<u>(135,679)</u>	<u>356,674</u>

Number of shares

	Year ended December 31,	
	2023 '000	2022 '000
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<u>4,429,231</u>	<u>3,901,998</u>

No diluted (loss)/earnings per share is presented as there were no potential ordinary shares in issue for both 2023 and 2022.

12. ACCOUNT RECEIVABLES

	At December 31,	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Account receivables from contracts with customers	202,396	318,654
Less: Allowance for credit losses	<u>(750)</u>	<u>(514)</u>
Total account receivables	<u>201,646</u>	<u>318,140</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,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	200,659	313,857
90 to 180 days	758	3,993
180 days to 1 year	34	189
Over 1 year	195	101
	<u>201,646</u>	<u>318,140</u>

As at December 31, 2023, included in the Group's account receivables are debtors with aggregate carrying amount of RMB6,889,000 (2022: RMB4,587,000) which are past due as at the reporting date. Out of the past due balances, RMB315,000 (2022: RMB638,000) 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,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Account payables	471,243	605,709
Bills payables	28,428	129,560
	<u>499,671</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 date, is as follows:

	At December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	457,632	595,685
1 to 2 years	11,366	8,546
Above 2 years	2,245	1,478
	<u>471,243</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 processed meat products continue to rise in popularity in major domestic 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 provinces, 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 two modern processed meat product processing bases in Jiangsu 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 supply with lower-than-expected demands, hog price remained low

According to the data from the National Bureau of Statistics, hog production volume in China amounted to 727 million heads in 2023, representing a year-on-year increase of 3.8%; pork output was 57.94 million tons, representing a year-on-year increase of 4.6%.

Due to the sufficient supply of hog and lower-than-expected demands, hog price remained low in 2023, the average hog price of 22 provinces and cities in China was RMB15.24/kg, representing a year-on-year decrease of 19.4%. The industry endured significant losses.

Under the situation of low hog price, production capacity reduction sped up, the stock of breeding sows in China amounted to 41.42 million heads by the end of 2023, representing a decrease of 2.48 million heads as compared to the beginning of this year, however, still exceeded the control target for normal production capacity of 39 million heads.

Enhanced awareness of food safety leading to the highlighted advantages of the branded small-packed fresh pork products

Public awareness of food safety and convenience has increased significantly after the COVID-19 pandemic. With its strengths in quality, standardization, hygiene and convenience, in response to the market demand and channel development, branded small-packed fresh pork products of the Company thereby gained higher brand recognition and consumer loyalty.

Constant reduction in pork imports and continuous growth in beef imports

In 2023, China's pork imports (excluding by-products) amounted to 1.55 million tons, representing a year-on-year decrease of 11.7%, with the value of pork imports (excluding by-products, in US dollars) recording a year-on-year decrease of 9.3%. Beef imports (excluding by-products) amounted to 2.74 million tons, representing a year-on-year increase of 1.8% with the value of beef imports (excluding by-products, in US dollars) decreasing by 19.9% as compared to the same period last year.

III. Results of Operation

In 2023, in view of significant losses of the industry, the Company implemented cost reduction and efficiency enhancement measures, and made reasonable use of the combination of futures and spot commodities business strategy to partially mitigate the adverse effects of spot market downturns. During the Reporting Period, the Company's profit before biological assets fair value adjustment amounted to RMB16 million, which increased by RMB336 million on a year-on-year basis.

The hog production segment focused on refined management, increased production capacity utilization and accelerated rotation of the breeding herd. The fresh pork segment optimized its team and made efforts into brand construction, leading to a year-on-year increase of 6.1% in sales volume of fresh pork, among which the sales volume of linseed-fed pork tremendously increased by 47.0%. Processed meat products segment and meat import segment deepened internal synergy, strengthened trading plus processing to enhance service capabilities for catering customers.

Hog production business

Actively responded to the market downturns, and strengthened internal benchmarking

In 2023, the Company's hog production volume reached 5,200 thousand heads, representing an increase of 26.7% year-on-year. In the face of the market downturn, the Company focused on refined management. Specifically, the Company further strengthened on-site management and conducted internal benchmarking to narrow the cost gaps among regions, and optimized feed formula, improved raw material utilization efficiency to reduce feed costs. The Company also actively built back-up management team and implemented precise incentive to fully boost the enthusiasm and sense of responsibility of front-line employees.

Comprehensive upgrade of breeding system and faster rotation of breeding herd

In March 2023, the Company's genome breeding platform officially commenced operation, which formed a closed-loop system of genotyping data collection, analysis, selection and breeding for faster optimization of herd performance.

During the Reporting Period, the Company continued to promote the rotation of the breeding herd and increased the share of high-performing breeding hogs.

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

On top of the traditional biogas engineering and wastewater treatment skills, the Company has pioneered the development of recycling treatment technology that further treat biogas slurry and reduce the nitrogen and phosphorus content in the slurry, thus effectively alleviate land capability. The treated biogas residue and irrigation water can be used for rice, corn, alfalfa and other crop planting, forming an ecological cycle model that combines planting and breeding. At the same time, biogas power generation and heat supply are used to reduce the use of natural gas and electricity in the farms for low-carbon farming.

Fresh pork business

Steady growth in sales volume of fresh pork driven by diversifying product categories and optimizing brand channel

In 2023, the Company optimized its fresh pork operation team, actively developed high-quality end customers, and promoted the upgrade of franchised stores. During the Reporting Period, the Company's sales volume of fresh pork reached 245 thousand tons, representing an increase of 6.1% year-on-year.

The Company continued to enrich the product portfolio and newly launched ready-to-cook products such as handmade Chinese sausages, dumplings, meatballs and meat buns in stores to further enhance product convenience.

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

As 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, and the proportion of internal procurement of hogs continued to increase. The commencement of operation of the cutting and processing center in Guangdong allowed the Company to respond faster to the regional market demand and the sales volume of small-packed fresh pork products in South China has grown rapidly.

Expanding brand influence of “Joycome” through innovative marketing campaigns

In 2023, the Company integrated online and offline marketing campaigns, conducted close interactions with consumers, empowered “Joycome Brings Love at First Bite” and focused on the philosophy of “Healthier Life and Good Fat”. As a guaranteed preparation product for competition by national team athletes of National Sports Training Center (NSTC), the Company focused on the marketing campaigns in the sports field, from competitive sports to nationwide fitness campaign across various media platforms. The Company was the title sponsor of “Beijing Half Marathon 2023” and “Beijing Marathon 2023”, organized the “Beauty Running” women’s 10km store-visit event and youth golf events for parent-child families, connecting closer to the sports market. Moreover, the Company held “COFCO Joycome Linseed-fed Pork Dumplings Competition” among nine communities in Wuhan, emphasized the marketing principle of “from the consumers, to the consumers” and promoted innovation of products through activities. Furthermore, through collaboration with renowned brands such as Tong Ren Tang and Fissler, the Company precisely identified target customers, promoted its high-end brand image, delivered the healthy brand profile so as to build a reputation among the target group and further expand the brand influence.

Meat Import Business

Strengthening market analysis and promoting internal synergy to generate profit despite market challenges

In 2023, the Company strengthened market analysis, increased the proportion of order locking and accelerated inventory turnover. The Company took initiative to reduce pork imports and fully implemented order locking due to the continuous inverted prices of imported frozen pork. As the synergy between the beef import and the processed meat product business enhanced, the loyalty of catering clients increased, therefore, the sales volume under the “trading plus processing” business model recorded a year-on-year growth of 70%.

During the Reporting Period, meat import segment results reached RMB41.56 million, the ratio of revenue from end customers (including catering, retail, processing type) was 73%.

IV. Financial Review

Overall Performance

In 2023, the revenue of the Group was RMB11,568 million, representing a decrease of RMB1,333 million as compared with RMB12,901 million for the same period in 2022. Prior to biological assets fair value adjustments, the net profit of the Group was RMB16 million, while the net profit for the same period in 2022 was a loss of RMB320 million.

Revenue

In 2023, the revenue of the Group was RMB11,568 million, representing a decrease of 10.3% as compared with RMB12,901 million for the same period in 2022. On one hand, revenue from hog production and fresh pork business decreased due to the lower domestic hog price. On the other hand, the Company took initiative to reduce pork imports due to the continuous inverted prices of imported frozen pork, combined with lower beef price, resulted in less revenue from the meat import business.

Gross Profit Margin

In 2023, the gross profit margin before biological assets fair value adjustments of the Group was 4.5%, representing a year-on-year increase of 0.8 percentage point. It was mainly due to the Company's implementation on cost reduction and efficiency enhancement measures, and reasonable use of the combination of futures and spot commodities business strategy to partially mitigate the adverse effects of spot market downturns. Also, in terms of meat import business, it continued to conduct order locking and strengthened market analysis, increasing the proportion of order locking to generate profit despite market challenges.

Selling and Distribution Expenses/Administrative Expenses

In 2023, the total selling and distribution expenses and administrative expenses of the Group amounted to RMB861 million, representing an increase of 29.6% as compared with RMB664 million for the same period last year.

Finance Costs

In 2023, the Group's finance costs amounted to RMB132 million, representing a decrease of RMB45 million as compared with RMB177 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 2023, the Group's other income, other gains and losses amounted to a total gains of RMB476 million, representing an increase of RMB310 million as compared with that of the same period in 2022. It was mainly attributable to an exchange gain of RMB130 million for the current period as compared with an exchange loss for the same period last year.

Profit/Loss for the Year

For the reasons above, the Group recorded a profit of RMB16 million before biological assets fair value adjustments during 2023, as compared with the loss of RMB320 million before biological assets fair value adjustments in the same period in 2022.

Significant Investments and Material 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 in 2023.

Major Financial Ratios

The financial ratios of the Group as at December 31, 2023 and December 31, 2022 are set forth below:

	December 31, 2023	December 31, 2022
Return on equity ⁽¹⁾	-2.0%	4.2%
Return on assets ⁽²⁾	-1.0%	2.0%
EBIT interest coverage ratio ⁽³⁾	-0.34 times	3.58 times
EBITDA interest coverage ratio ⁽⁴⁾	4.45 times	6.79 times
Current ratio ⁽⁵⁾	0.82	0.80
Net debt-to-equity ratio ⁽⁶⁾	37.6%	73.3%

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.

(4) Equals profit/loss before finance costs, income tax expense and depreciation and amortisation for the year divided by finance costs (with capitalised interest added back) for that year.

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

(6) Equals interest-bearing bank loans and loans from the related parties less cash and bank balances, divided by total equity as at the balance sheet date and multiplied by 100%.

Analysis on Capital Resources

Liquidity and Financial Policy

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

In order to allocate and utilise capitals more effectively, the Group entered into the financial services agreements and entrusted loans framework agreement through COFCO Finance Corporation Limited (“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. dollars and Hong Kong dollars. We paid close attention to exchange rate fluctuations and adopted currency forward contracts in due course to hedge the majority of exchange rate risks.

As at December 31, 2023, the cash and bank balances owned by the Group amounted to approximately RMB1,169 million (December 31, 2022: approximately RMB1,040 million). The cash and bank balances remained basically stable.

As at December 31, 2023, our current ratio was 0.82 (December 31, 2022: 0.80). As at December 31, 2023, our unused bank credit facilities were RMB12,220 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 2023, the EBITDA of the Group (before biological assets fair value adjustments)¹ was RMB1,035 million (same period in 2022: RMB786 million). The EBITDA of the Group (after biological assets fair value adjustments)² was RMB592 million (same period in 2022: RMB1,240 million).

Notes:

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

In 2023, cash generated from our operating activities was RMB2,025 million (used during the same period in 2022: RMB6.13 million). Cash used in our investment activities was RMB742 million (used during the same period in 2022: RMB924 million), including RMB969 million for the purchase of property, plant and equipment (same period in 2022: RMB979 million). Cash used in our financing activities was RMB1,184 million (generated during the same period in 2022: RMB944 million). The changes in our foreign exchange rates resulted in gains of RMB22 million. Our time deposits with maturity of over three months increased by RMB8 million as compared with the beginning of 2023. In summary, in 2023, our net increase in cash and bank balances was RMB129 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 December 31, 2023, the total number of issued shares of the Company was 4,581,998,323 shares.

As at December 31, 2023, the Group had interest-bearing bank loans of approximately RMB4,041 million (December 31, 2022: approximately RMB5,998 million). The annual interest rate on bank loans ranged from 1.90% to 3.65% (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>	December 31, 2023	December 31, 2022
Within 1 year	3,991	5,852
1 to 2 years	50	58
3 to 5 years	–	88
Total	<u>4,041</u>	<u>5,998</u>

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

<i>Unit: RMB in million</i>	December 31, 2023	December 31, 2022
Fixed-rate borrowings	4,024	4,408
Variable-rate borrowings	17	1,590
Total	<u>4,041</u>	<u>5,998</u>

As at December 31, 2023, the Group had loans from related parties of approximately RMB606 million (December 31, 2022: approximately RMB1,103 million).

As at December 31, 2023, the Group had net assets of approximately RMB9,246 million (December 31, 2022: approximately RMB8,263 million). Net debts^{Note} of the Group amounted to approximately RMB3,477 million (December 31, 2022: approximately RMB6,060 million), while the net debt-to-equity ratio was approximately 37.6% (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 December 31, 2023 and December 31, 2022, the Group had no significant contingent liabilities.

As at December 31, 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 2023, the Group's capital expenditure was RMB983 million (same period in 2022: RMB993 million). The following table sets forth our capital expenditure for the years indicated:

<i>Unit: RMB in million</i>	2023	2022
Payments for property, plant and equipment	969	979
Payments for right-of-use assets	12	10
Payments for intangible assets	2	4
Total	<u>983</u>	<u>993</u>

In 2023, our demand for capital expenditure mainly came from the construction of the hog farms in the Inner Mongolia Autonomous Region, Jilin Province and Henan Province.

Capital Commitment

Capital commitment of the Group is mainly related to the construction of hog farms and other production and ancillary facilities. As at December 31, 2023, capital commitment of the Group was RMB346 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. The fair value of our biological assets was RMB2,202 million as at December 31, 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 periods.

In 2023 and 2022, such adjustments have resulted in a decrease of RMB699 million and an increase of RMB1,236 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 RMB831 million (the same period in 2022: gains of RMB1,780 million); losses arising from changes in fair value of biological assets less cost of sales amounted to RMB54 million (the same period in 2022: gains of RMB133 million). In general, the net effect of adjustment in fair value of biological assets on profit was losses of RMB187 million during the reporting period and gains of RMB677 million during the same period in 2022.

V. Human Resources

The continuing operations of the Group hired 9,707 employees as at December 31, 2023 (2022: 9,980 employees). Remuneration for employees was determined based on their job nature, personal performance and the market trends. For the year ended December 31, 2023, total remuneration of the Group amounted to approximately RMB1,423 million (2022: RMB1,079 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 African swine fever, blue ear disease, classical swine fever, porcine epidemic diarrhea, porcine pseudorabies, FMD, etc. 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 may cause a significant impact on consumption, since it may inhibit hogs' growth, reduce the production efficiency, and increase feed and veterinary drug consumption, all of which will result in higher operating costs. Third, the epidemic will bring phased reduction to production in hog farms because the purification process reduces the production efficiency of the farms in stages and increases the operating costs, resulting in reduced effectiveness. Fourth, the large-scale outbreak and spread of epidemic diseases may cause a panic among some consumers and thus lower the total demand for related products, which adversely affects the sales of hogs.

To solve epidemic risks, the Group has formulated regulations such as the Procedure for Biosecurity Control (《生物安全控制程序》), the Contingency Plan for Major Animal Disease Prevention and Control (《重大動物疫情應急預案》), the Operation Manual of Farm Swine Diseases Prevention and Control (《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》) and the Disease Prevention, Control and Monitoring and Specimen Collection for Virus Testing Plan (《疾病防控監測及病料採樣檢測計劃》), and constantly improved the level and capacity of biosecurity control, so as to comprehensively prevent and curb major animal diseases such as African swine fever. Meanwhile, in order to improve our professional competence in handling the epidemics, we have enhanced the testing ability of vet labs, optimized the epidemic prevention and control measures, and established a dedicated group for the prevention and control of African swine fever.

Price Risks

Price risks refer to the losses arising from increased costs or reduced profits due to the fluctuation of purchase price and 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 soybean meals (which are our primary feed ingredients), live hogs and pork in China. In our meat import business, we are exposed to the risk of fluctuations in the price differentials between the Chinese and overseas markets of frozen meat products such as pork, beef, poultry, mutton and lamb. Fluctuations in these commodity prices, especially the prices of live hogs, have had and are expected to continue to have an effect on our profitability. Commodity prices generally fluctuate with market conditions, including supply and demand, diseases, government policies and weather conditions in major agricultural and farming regions.

Safe Production Risks

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

Food Safety Risks

Food safety risks refer to risks of severe customer complaints, large-scale product recall and substantial adverse 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》), Standards for Quality and Safety of Industry Chain (《產業鏈質量安全標準》) and Emergency Plan for Food Safety Accidents (《食品安全事故應急預案》). The Group identified food safety risks timely and improved food safety management system, reinforced whole-process management and key point control. The headquarters conducted regular supervision over the inspection and sampling inspection of subordinate enterprises, and evaluated and reviewed in time. All subordinate enterprises strictly implement the food safety management requirements and actively prevent food safety risks.

Environmental Protection Risks

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

VII. Outlook

For 2024, as the external environment remains complicated and challenging, the Company will continue to stick to its strategic focus through carrying out the following tasks:

Firstly, we will expedite expansion of core business.

Secondly, we will regularize prevention and control of African swine fever, further improve the level of precise management, narrow the efficiency gaps between farms, and consolidate the core competitive advantages.

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

Fourthly, we will continue to promote the branded and differentiated operation of the fresh pork business segment, speed up R&D pace of new products, focus on developing valuable customers, improve channel operation efficiency, and enrich marketing models, so as to expand the influence of our brand.

Fifthly, we will further consummate the risk control system of import business, dive deep into terminal channels, firm and steadily boost the transformation towards a terminal distributor that integrates trading and processing business, aiming to realize value addition to our businesses.

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 Group's operations and maintain investors' trust in the Company. The Company's management also actively observes the latest corporate governance requirements in the PRC, Hong Kong and abroad.

The Company has adopted the principles and code provisions contained in the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Save and except for the deviation from code provision C.2.1 disclosed below, in the opinion of the Board, the Company has complied with the code provisions set out in the Corporate Governance Code for the year ended December 31, 2023.

Code provision C.2.1 of the Corporate Governance Code states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. From June 10, 2022 to March 7, 2024, Mr. Jiang Guojin, the chairman of the Board at the time being acted as the general manager of the Company and has taken up the roles and functions of the managing director including but not limited to implementation of decisions of the Board, formulation of corporate and business strategies of the Company, supervision of ordinary operation of the Company and making decisions and providing advice relating to the appointment of senior management. The Board believes that Mr. Jiang Guojin's extensive experience and knowledge, together with the support of the management, shall strengthen the solid and consistent leadership of the Group and would allow for efficient business planning and decision, which the Board believes is in the best interest of the overall development of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced individuals. Dr. Gao Xiang was appointed as the chairman of the Board since March 7, 2024. As at the date of this announcement, the Board comprises one executive Director, two non-executive Directors and three independent non-executive Directors and therefore power and authority are sufficiently maintained 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 C3 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, 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 year ended December 31, 2023.

Subsequent Events

As at the date of this announcement, the Group has no material subsequent events after December 31, 2023 which are required to be disclosed.

Final Dividend

The Board has resolved not to declare any final dividend for the year ended December 31, 2023.

Review of Annual Results

The consolidated financial statements of the Group for the year ended December 31, 2023 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, 2023.

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, 2023 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 (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
Gao Xiang
Chairman and executive director

Beijing, PRC, March 19, 2024

As at the date of this announcement, the Board comprises Dr. Gao Xiang as the chairman of the Board and executive director, 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.