中粮
COFCO

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

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

Annual Results Announcement for the Year Ended December 31, 2016

The board of directors (the "**Board**") of COFCO Meat Holdings Limited (the "**Company**" or "**we**") 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, 2016, together with the comparative figures for the corresponding period in 2015 as follows:

FINANCIAL HIGHLIGHTS

	2016	2015	Change
	(RMB'000, unless otherwise stated)		(%)
Revenue from continuing operations(1)	**6,616,068**	5,055,705	30.9
Profit attributable to the owners of the Company(2)	**951,912**	150,904	530.8
Basic earnings per share(3)	**RMB0.2767**	RMB0.0379	630.1
Net assets per share(4)	**RMB1.14**	RMB0.66	72.4

Notes:

1. Revenue from continuing operations is RMB6,616 million, representing a year-on-year increase of 30.9%, which is mainly benefited from the increase of hog prices due to the decrease in sow stock in China, and the year-on-year growth of hog production volume and sales volume of major products including fresh pork and processed meat products.

2. Profit attributable to the owners of the Company amounts to RMB952 million, representing a year-on-year increase of 530.8%, which is mainly benefited from the increase of hog prices, the improvement of operating efficiency, the decrease of hog production costs and the optimisation of sale structure for fresh pork, processed meat and meat import business.

3. The basic earnings per share means the profit attributable to the owners of the Company divided by the weighted average number of ordinary shares for the year.

4. Net assets per share means the total equity at the end of the period divided by the number of shares at the end of the period.

The Board does not recommend the declaration of final dividend for the year ended December 31, 2016.

FINANCIAL INFORMATION

The following financial information is a summary of the consolidated financial statements for the year ended December 31, 2016 of the Group, which have been audited by Deloitte Touche Tohmatsu, the independent auditors of the Company, and reviewed by the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		2016			2015		
	NOTES	**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*
Continuing operations							
Revenue	*3*	**6,616,068**	**–**	**6,616,068**	5,055,705	–	5,055,705
Cost of sales		**(5,229,349)**	**(1,338,572)**	**(6,567,921)**	(4,583,353)	(354,348)	(4,937,701)
Gross profit		**1,386,719**	**(1,338,572)**	**48,147**	472,352	(354,348)	118,004
Other income	*5*	**56,418**	**–**	**56,418**	58,471	–	58,471
Other gains and losses	*6*	**41,531**	**–**	**41,531**	(127,622)	–	(127,622)
Selling and distribution expenses		**(264,138)**	**–**	**(264,138)**	(223,366)	–	(223,366)
Administrative expenses		**(183,914)**	**–**	**(183,914)**	(178,502)	–	(178,502)
Other expenses		**(32,632)**	**–**	**(32,632)**	–	–	–
Share of loss of a joint venture		**(231)**	**–**	**(231)**	–	–	–
Gain arising from agricultural produce at fair value less costs to sell at the point of harvest		**–**	**882,230**	**882,230**	–	249,688	249,688
Gain arising from changes in fair value less costs to sell of biological assets		**–**	**512,231**	**512,231**	–	456,342	456,342
Finance costs	*7*	**(110,361)**	**–**	**(110,361)**	(133,365)	–	(133,365)
Profit/(loss) before tax	*8*	**893,392**	**55,889**	**949,281**	(132,032)	351,682	219,650
Income tax expense	*9*	**(1,346)**	**–**	**(1,346)**	(9,994)	–	(9,994)
Profit/(loss) for the year from continuing operations		**892,046**	**55,889**	**947,935**	(142,026)	351,682	209,656
Discontinued operations							
(Loss)/profit for the year from discontinued operations	*10*	**(1,843)**	**5,764**	**3,921**	(49,904)	(8,848)	(58,752)
Profit/(loss) for the year		**890,203**	**61,653**	**951,856**	(191,930)	342,834	150,904
Other comprehensive expense, net of income tax:							
Items that may be reclassified subsequently to profit or loss							
Exchange differences arising on translation				**(4,070)**			(5,822)
Other comprehensive expense for the year, net of income tax				**(4,070)**			(5,822)
Total comprehensive income for the year				**947,786**			145,082

	NOTES	2016			2015		
		Results before biological assets fair value adjustments	**Biological assets fair value adjustments**	**Total**	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total
		RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Profit/(loss) for the year attributable to the owners of the Company:							
– from continuing operations				**947,991**			209,656
– from discontinued operations				**3,921**			(58,752)
				951,912			150,904
Profit/(loss) for the year attributable to non-controlling interests:							
– from continuing operations				**(56)**			–
Profit for the year				**951,856**			150,904
Total comprehensive income/(expense) attributable to:							
Owners of the Company				**947,842**			145,082
Non-controlling interests				**(56)**			–
				947,786			145,082
Basic earnings per share:	*12*						
From continuing and discontinued operations				**RMB27.67 cents**			RMB3.79 cents
From continuing operations				**RMB27.55 cents**			RMB5.27 cents
Diluted earnings per share:	*12*						
From continuing and discontinued operations				**RMB27.67 cents**			N/A
From continuing operations				**RMB27.55 cents**			N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
	NOTES	**2016**	2015
		RMB'000	*RMB'000*
Non-current assets			
Goodwill		**100,609**	100,609
Property, plant and equipment		**4,130,624**	3,418,057
Investment properties		**–**	–
Prepaid lease payments		**119,465**	108,224
Intangible assets		**2,362**	2,378
Interest in joint ventures		**36,071**	–
Available-for-sale investments		**23,516**	23,516
Biological assets		**359,721**	256,270
Deposits paid for purchase of property, plant and equipment		**8,708**	17,404
Deposits paid for purchase of biological assets		**12,028**	–
		4,793,104	3,926,458
Current assets			
Inventories		**408,477**	518,652
Biological assets		**1,108,437**	936,296
Accounts receivable	*13*	**159,471**	165,438
Prepayments, deposits and other receivables		**177,342**	178,440
Amounts due from fellow subsidiaries		**–**	1,920
Amounts due from the ultimate holding company		**–**	1,789
Amounts due from related companies		**18,172**	573
Financial assets at fair value through profit or loss		**–**	499,555
Derivative financial instruments		**3,418**	–
Pledged and restricted bank deposits		**50,093**	39,878
Cash and cash equivalents		**1,588,163**	175,735
		3,513,573	2,518,276
Assets of disposal group classified as held for sale		**–**	993,037
		3,513,573	3,511,313

	NOTES	At 31 December **2016** ***RMB'000***	 2015 *RMB'000*
Current liabilities			
Accounts and bills payables	*14*	**394,073**	244,384
Other payables, accruals and deposits received		**602,588**	661,463
Bank and other borrowings		**1,737,080**	2,053,377
Amounts due to fellow subsidiaries		**–**	52,425
Amounts due to the immediate holding company		**–**	19,164
Amounts due to related companies		**64,973**	–
Loans from the immediate holding company		**–**	904,970
Loans from the ultimate holding company		**–**	2,500
Loans from a related company		**2,500**	–
Current tax liabilities		**59**	5,494
		2,801,273	3,943,777
Liabilities directly associated with disposal group classified as held for sale		**–**	418,626
		2,801,273	4,362,403
Net current assets/(liabilities)		**712,300**	(851,090)
Total assets less current liabilities		**5,505,404**	3,075,368
Non-current liabilities			
Bank and other borrowings		**848,759**	370,411
Loans from a related company		**84,629**	–
Deferred income		**133,757**	60,769
		1,067,145	431,180
Net assets		**4,438,259**	2,644,188
Capital and reserves			
Share capital	*15*	**1,668,978**	2,568,360
Reserves		**2,765,969**	75,828
Equity attributable to the owners of the Company		**4,434,947**	2,644,188
Non-controlling interests		**3,312**	–
Total equity		**4,438,259**	2,644,188

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

COFCO Meat Holdings Limited (the "Company") was incorporated on 11 March 2014 and acts as an investment holding company. On incorporation, the address of the Company's registered office is Offshore Incorporations Limited P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands. Upon the re-domiciliation as an exempted company registered by way of continuation in the Cayman Islands with limited liability with effect from 4 May 2016, the registered office of the Company has been changed to P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands. The address of its principal place of business is COFCO Fortune Plaza, No. 8, Chao Yang Men South St., Chao Yang District, Beijing, the People's Republic of China ("PRC").

Pursuant to a special resolution of the Company dated 25 April 2016, the name of the Company was changed from Charm Thrive Investments Limited to COFCO Meat Holdings Limited and the change was certified by the Registrar of Companies of Cayman Islands on 12 May 2016.

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

The principal activities of the Group are investment holding, hog production, livestock slaughtering, poultry husbandry, sales of fresh and frozen meats, manufacture and sales of meat products, and import of meat products. The Group was also engaged in poultry production business which was discontinued in the current year (see Note 10).

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has consistently applied all HKFRSs which are effective for the Group's financial year beginning on 1 January 2016 for both current and prior years.

3. REVENUE

An analysis of the Group's revenue, which is also turnover of the Group, from continuing operations is as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Hog production	**1,657,236**	755,868
Sales of fresh pork	**2,711,262**	2,027,363
Sales of processed meat products	**332,995**	329,784
Sales of imported meat products	**1,914,575**	1,942,690
	6,616,068	5,055,705

4. SEGMENT INFORMATION

Information reported to the 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
Fresh pork segment	represents slaughtering, wholesale and retail sales of fresh and frozen meats
Processed meat products segment	represents manufacture, wholesale and retail sales of processed meat products under brands of "Maverick" and "Joycome"
Meat import segment	represents sales of imported meat products

An operating segment regarding the poultry production business, which represents chicken breeding and processing, was discontinued in April 2016. The segment information reported below does not include any amounts for the discontinued operations, which are described in more details in Note 10.

Each reportable segment derives its revenue from the sales of products based on the location of operations. They are managed separately because each segment requires different production and marketing strategies.

Segment revenues and results

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

	Hog production *RMB'000*	Fresh pork *RMB'000*	Processed meat products *RMB'000*	Meat import *RMB'000*	Segment total *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
For the year ended 31 December 2016							
Segment revenue							
External customers	**1,657,236**	**2,711,262**	**332,995**	**1,914,575**	**6,616,068**	**–**	**6,616,068**
Inter-segment sales	**1,493,031**	**26,716**	**2,914**	**118,997**	**1,641,658**	**(1,641,658)**	**–**
Segment revenue	**3,150,267**	**2,737,978**	**335,909**	**2,033,572**	**8,257,726**	**(1,641,658)**	**6,616,068**
Segment results	**1,009,933**	**12,251**	**8,390**	**79,185**	**1,109,759**	**–**	**1,109,759**
Unallocated corporate income							**13,240**
Unallocated corporate expenses							**(119,015)**
Fair value adjustments on biological assets							**55,889**
Share of loss of joint ventures							**(231)**
Finance costs							**(110,361)**
Profit before tax from continuing operations							**949,281**

	Hog production RMB'000	Fresh pork RMB'000	Processed meat products RMB'000	Meat import RMB'000	Segment total RMB'000	Inter-segment elimination RMB'000	Total RMB'000
For the year ended 31 December 2015							
Segment revenue							
External customers	755,868	2,027,363	329,784	1,942,690	5,055,705	–	5,055,705
Inter-segment sales	993,737	79,505	7	7,435	1,080,684	(1,080,684)	–
Segment revenue	1,749,605	2,106,868	329,791	1,950,125	6,136,389	(1,080,684)	5,055,705
Segment results	138,378	(1,469)	4,015	(73,763)	67,161	–	67,161
Unallocated corporate income							29,412
Unallocated corporate expenses							(95,240)
Fair value adjustments on biological assets							351,682
Finance costs							(133,365)
Profit before tax from continuing operations							219,650

Segment profit/(loss) represents the profit earned by/(loss from) each segment without allocation of central administration costs, directors' emoluments, fair value adjustments on biological assets, share of loss of joint ventures, certain other gains and losses, and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and segment liabilities

Segment assets and liabilities are not disclosed in the consolidated financial statements as they are not regularly provided to the CODM for the purposes of resource allocation and performance assessment.

Other segment information – continuing operations

	Hog production RMB'000	Fresh pork RMB'000	Processed meat products RMB'000	Meat import RMB'000	Total RMB'000
Year ended 31 December 2016					
Amounts included in the measure of segment profit or loss:					
Depreciation and amortisation*	129,860	24,094	11,142	70	165,166
Impairment/(reversal of impairment) of accounts receivables, net	–	38	(176)	(393)	(531)
Reversal of impairment of other receivables, net**	–	(37)	(58)	–	(95)
Loss on disposal of property, plant and equipment, net	257	16	79	1	353
Write-down of inventories	–	1,080	–	452	1,532
Insurance compensation	–	–	–	36,783	36,783
Amounts regularly provided to CODM but not included in the measure of segment profit or loss or segment assets:					
Finance costs***	46,168	12,140	8,109	11,635	78,052

	Hog production RMB'000	Fresh pork RMB'000	Processed meat products RMB'000	Meat import RMB'000	Total RMB'000
Year ended 31 December 2015					
Amounts included in the measure of segment profit or loss:					
Depreciation and amortisation*	83,981	26,398	10,258	78	120,715
Impairment loss on accounts receivable, net	35	–	107	151	293
(Reversal of impairment)/impairment of other receivables, net	(10)	–	4	(7)	(13)
Loss on disposal of property, plant and equipment, net	1,423	75	824	9	2,331
Write-down of inventories	–	7,466	–	6,688	14,154
Inventories fully damaged in an explosion accident	–	–	–	(99,912)	(99,912)
Insurance compensation	–	–	–	50,000	50,000
Amounts regularly provided to CODM but not included in the measure of segment profit or loss or segment assets:					
Finance costs	58,915	20,794	25,850	27,806	133,365

* Depreciation and amortisation not included in the measure of segment profit or loss for the year ended 31 December 2016 amounted to RMB370,000 (2015: RMB353,000).

** Impairment of other receivables not included in the measure of segment profit or loss for the year ended 31 December 2016 amounted to RMB25,000 (2015: nil).

*** Unallocated finance costs for the year ended 31 December 2016 amounted to RMB32,309,000.

Geographical information

Over 90% of the revenue and operating results of the Group is derived from the PRC based on location of the operations for both 2016 and 2015.

All the Group's non-current assets, excluded those relating to discontinued operations, goodwill and available-for-sale investments, amounting to RMB4,668,979,000 at 31 December 2016 (2015: RMB3,802,333,000) are located in the PRC based on geographical location of the assets.

Information about major customers

No revenue from transaction with single external customer is amounted to 10% or more of the Group's revenue in each of the reporting periods for both 2016 and 2015.

5. OTHER INCOME

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

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Interest income from banks	**2,220**	6,118
Interest income from a fellow subsidiary	**1,081**	8,377
Interest income from loans to related companies	**5,758**	–
Dividend income from available-for-sale investments	**10,060**	5,851
Government grants	**37,299**	38,125
	56,418	58,471

6. OTHER GAINS AND LOSSES

An analysis of the Group's other gains/(losses) from continuing operations is as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Exchange loss, net	**(19,818)**	(69,794)
Loss on disposal of property, plant and equipment, net	**(353)**	(2,331)
Write-down of inventories	**(1,532)**	(14,154)
Reversal of impairment/(impairment) on accounts receivable, net	**531**	(293)
Reversal of impairment on other receivables, net	**70**	13
Gain from changes in fair value of financial assets designated as fair value through profit or loss	**9,830**	11,397
Gain on fair value changes in respect of foreign currency forward contracts	**23,650**	–
Inventories fully damaged in an explosion accident	**–**	(99,912)
Insurance compensation	**36,783**	50,000
Others	**(7,630)**	(2,548)
	41,531	(127,622)

7. FINANCE COSTS

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

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Interest on:		
Bank borrowings	**91,036**	99,988
Loans from a fellow subsidiary	**8,784**	24,202
Loans from the immediate holding company	**23,896**	18,923
Loans from the ultimate holding company	**1,245**	–
Loans from a related company	**577**	–
Total borrowing costs	**125,538**	143,113
Less: Borrowing costs capitalised in the cost of qualifying assets	**(15,177)**	(9,748)
	110,361	133,365

8. PROFIT/(LOSS) BEFORE TAX

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

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Cost of sales (represented the cost of inventories recognised as expenses during the year)	**6,567,921**	4,937,701
Employee benefits expense (including directors' remuneration):		
Salaries and other allowances	**401,412**	333,526
Retirement benefit schemes contributions	**35,624**	27,626
Equity-settled share option expense	**5,962**	3,635
	442,998	364,787
Auditors' remuneration	**1,360**	805
Depreciation	**157,893**	114,044
Amortisation of prepaid lease payments	**6,789**	6,168
Amortisation of intangible assets	**854**	856
Minimum lease payments under operating leases in respect of land and buildings	**9,635**	3,445

9. INCOME TAX EXPENSE

An analysis of the Group's income tax expense from continuing operations is as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax	**1,346**	9,994

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the year (2015: 25%).

Certain of the Group's subsidiaries operating in the PRC are eligible for certain tax concessions and certain of their operations were exempted from PRC income taxes during both 2016 and 2015. According to the Implementation Regulation of the EIT Law and the EIT exemptions regulation set out in the Circular of the Ministry of Finance and the State Administration on Releasing the Primary Processing Ranges of Agricultural Products Entitled to Preferential Policies on Enterprise Income Tax (Trial Implementation) (Cai Shui [2008] No. 149), and the requirements of Article 86 of the Implementation Regulation of the EIT Law, the income from primary processing for agriculture products are exempted from EIT. In addition, pursuant to related regulations in respect of the Implementation Regulation of the EIT Law, the income from projects of animal-husbandry and poultry feeding, is also entitled to exemption from EIT during the current and prior years.

No provision for Hong Kong profits tax during the year have been made as the Group had no assessable profit generated in Hong Kong for the year (2015: nil).

Taxation arising from other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. During the year, no provision for income tax have been made in other jurisdictions as the Group had no assessable profit generated from other jurisdictions (2015: nil).

10. DISCONTINUED OPERATIONS

On 20 November 2015, the directors of the Company resolved to dispose of certain subsidiaries, which carried out all of the Group's poultry production business. The disposal plan is consistent with the Group's strategy to focus on its hog production and related businesses. The assets and liabilities attributable to the business, which were expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position at 31 December 2015. On 22 April 2016, the poultry production business was disposed of to a company beneficially owned by the shareholders of the Company at a consideration of RMB1. The difference between this consideration and the net liabilities of the disposal group at the disposal date is recorded to capital reserve.

The consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2016 and 2015 have presented the poultry production business as discontinued operations. The profit/(loss) for the years from the discontinued poultry production business attributable to the Group is set out below.

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Revenue	**339,500**	1,257,023
Cost of sales	**(342,973)**	(1,223,454)
Gross (loss)/profit	**(3,473)**	33,569
Other income	**7,582**	20,607
Other gains and losses	**2,201**	1,787
Selling and distribution expenses	**(10,640)**	(32,184)
Administrative expenses	**(7,812)**	(38,373)
Gain/(loss) arising from agricultural produce at fair value less costs to sell at the point of harvest	**15,227**	(33,140)
Gain/(loss) arising from changes in fair value less costs to sell of biological assets	**3,738**	(2,025)
Finance costs	**(1,932)**	(7,520)
Profit/(loss) before tax	**4,891**	(57,279)
Income tax expense	**(970)**	(1,473)
Profit/(loss) for the year	**3,921**	(58,752)

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

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Interest income from banks	**(38)**	(175)
Gross rental income from investment properties	**(5,621)**	(14,969)
Employee benefits expense:		
Salaries and other allowances	**62,546**	193,646
Retirement benefit schemes contributions	**3,822**	8,509
	66,368	202,155
Depreciation	**15,424**	60,565
Amortisation of prepaid lease payments	**187**	400
Amortisation of intangible assets	**183**	549
Reversal of impairment of accounts receivable, net	**–**	(80)
(Write-back)/write-down of inventories	**(12)**	1,922
(Gain)/loss on disposal of property, plant and equipment	**(152)**	167
Recognition of deferred government grants	**(753)**	(752)

11. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2016 and 2015, nor has any dividend been proposed since the end of the reporting period.

12 EARNINGS PER SHARE

For continuing and discontinued operations

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

Earnings

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**951,912**	150,904

Number of shares

	Year ended 31 December	
	2016	2015
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,440,747**	3,980,717

For continuing operations

The calculation of the basic earnings per share from continuing operations attributable to the owners of the Company is based on profit for the year attributable to owners of the Company from continuing operations of RMB947,991,000 (2015: RMB209,656,000). The denominators used are the same as those detailed above for basic earnings per share.

For discontinued operations

For the year ended 31 December 2016, basic earnings per share for the discontinued operations is RMB0.11 cents (2015: basic loss per share of RMB1.48 cents) per share, based on the profit for the year from the discontinued operations of RMB3,921,000 (2015: loss for the year of RMB58,752,000), and the denominators detailed above for basic earnings per share.

The calculation of diluted earnings per share for the current year does not assume the exercise of the over-allotment option granted upon the Listing as the exercise price of this option was higher than the average market price per share during the exercisable period of this option. Besides, the grant of share options is not considered in the calculation of diluted earnings per share as there is no issuable new share under the related share option scheme. No diluted earnings per share is presented for prior year as the Company did not have any dilutive potential shares in issue.

13. ACCOUNTS RECEIVABLE

	At 31 December	
	2016	2015
	RMB'000	*RMB'000*
Accounts receivable	**159,875**	166,373
Impairment loss	**(404)**	(935)
	159,471	165,438

The Group's trading terms with its customers are mainly not on credit where payment in advance is normally required, except for renowned and/or reputable customers. The credit period is normally for 4 to 180 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk by industry or geographical location. Accounts receivable are non-interest-bearing.

The Group does not hold any collateral or other credit enhancements over its accounts receivable. The Group's accounts receivable from related parties are repayable on similar credit terms to those offered to the major customers of the Group.

An aged analysis of the accounts receivable as at the end of the reporting period, based on the delivery date and net of impairment loss, is as follows:

	At 31 December	
	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**149,606**	151,551
3 to 6 months	**5,160**	2,854
6 months to 1 year	**1,846**	10,322
Over 1 year	**2,859**	711
	159,471	165,438

Under the terms of a banking facility granted to a subsidiary of the Group, of which bank borrowing amounted to RMB304,355,000 as at 31 December 2015, accounts receivable of that subsidiary is pledged to the bank. As at 31 December 2015, the related accounts receivable amounting to approximately RMB7,519,000. The above bank borrowing was fully repaid during the year.

The Group has policies for allowance of bad and doubtful debts which are based on the valuation of collectability and age analysis of accounts and on the management's judgment including the credit creditworthiness and the past collection history of each customer.

14. ACCOUNTS AND BILLS PAYABLES

An analysis of accounts and bills payables is as follows:

	At 31 December	
	2016	2015
	RMB'000	*RMB'000*
Accounts payable	**239,785**	219,396
Bills payable	**154,288**	24,988
	394,073	244,384

The accounts payables are non-interest-bearing and are normally with credit periods ranging from 15 to 60 days. Bill payables are interest-bearing and are normally with credit periods ranging from 90 to 180 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

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

	At 31 December	
	2016	2015
	RMB'000	*RMB'000*
Within 1 year	**236,573**	211,370
1 to 2 years	**2,111**	5,434
Above 2 years	**1,101**	2,592
	239,785	219,396

15. SHARE CAPITAL

	Number of shares	Amount	Equivalent to
		USD	*RMB'000*
Authorised:			
At 1 January 2016	50,000,000	N/A	N/A
At 31 December 2016*	50,000,000,000	50,000	323

* Pursuant to a shareholders' resolution of the Company on 25 April 2016, the authorised share capital of the Company was changed from 50,000,000 shares of no par value to 50,000,000,000 shares of US$0.000001 par value each with effect from 25 April 2016.

A summary of the transactions during the year in the Company's ordinary share capital is as follows:

	Number of shares in issue	**Issued capital** *RMB'000*	**Share premium** *RMB'000*	**Total** *RMB'000*
At 1 January 2016	4,008,248,233	2,568,360	–	2,568,360
Repurchase of shares *(Note (i))*	(1,081,849,910)	(899,389)	–	(899,389)
Issue of new shares *(Note (ii))*	975,600,000	7	1,704,230	1,704,237
Share issue expenses *(Note (ii))*	–	–	(58,270)	(58,270)
At 31 December 2016	3,901,998,323	1,668,978	1,645,960	3,314,938

Notes:

(i) On 29 April 2016, the Company repurchased 1,081,849,910 of its own shares from the shareholders at an aggregate consideration of US$138,600,000 (equivalent to RMB899,389,000). The above shares were cancelled upon repurchase.

(ii) On 1 November 2016, the Company issued 975,600,000 ordinary shares at offer price of HK$2 per share upon the Listing, resulting in credit to ordinary share capital of the Company of approximately RMB7,000 and share premium of RMB1,704,230,000. The related share issue expenses amounting to RMB90,902,000, of which RMB58,270,000 were capitalised and debited to share premium account. The new shares rank *pari passu* with the existing shares. The net proceeds will be used to construct new hog farms and feed mills, repayment of borrowings, expand the Group's sales network and promote the Group's brands, and to provide additional working capital for the Group.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

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 31 December 2016 as set out in the preliminary announcement have been audited by the independent auditor of the Group, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review

1. Market Overview

Having an output value of more than RMB 1 trillion, the pork industry in China is a huge industry with stable growth. Currently, the pork industry value chain is undergoing a structural upgrade with an accelerated trend towards large-scale farming in the upstream hog production, and increasing concerns on food safety due to the upgrade of downstream pork products. As a national famous meat operator covering the entire value chain, we saw important development opportunities from the industry transformation and upgrading.

With accelerating exit of backyard farming from hog production, the trend towards large-scale farming is irreversible

Compared with the large-scale enterprises, the backyard farming has lower production efficiency and higher cost. With the promotion of urbanization, the income received from raising hogs is comparatively lower than that from migrant work, resulting in the continuing exit of the backyard farming as an outdated production capacity. According to the statistics of the Ministry of Agriculture, from 2011 to 2015, the market share of farms with annual output less than 500 heads decreased from 63.4% to 57.3%, while the market share of the farms with over 10,000 heads increased from 7.3% to 9.7%.

With continuously stringent requirements on environmental protection, non-compliant producers were further eliminated and irregular capacity expansion was restricted

Since 2015, the state successively promulgated and implemented Amendments to Environmental Protection Law, the Action Plan to Control Water Pollution and Technical Guideline of Regional Assignment about Prohibited Breeding Areas of Livestock and Poultry (Exposure Draft), which required to make great efforts in preventing and controlling the pollution caused by breeding of livestock and poultry. Affected by the tightening environmental protection policies, hog stock in the southern-water-network areas was reduced in 2016, prohibited areas for hog production were delimited in 20 provinces with demolition of hog farms. As a result, the hog stock decreased by 52 million heads, representing 14% of hog stock at the beginning of 2016. At the end of November 2016, the State Council further issued the Notice on Protection Planning on Ecological Environmental during the "13th Five Year Plan" Period, which requires that the livestock and poultry farms (farming region) and specialized producers in prohibited areas must be closed or relocated according to the laws by end of 2017, which will further reduce the hog stock in 2017.

The shortage of sow stock is expected to provide continuous support to hog price

The hog production industry has been entering into a profitable cycle from the second half of 2015, however, due to the influence of the above industry reform, the national sow stock recorded a year-on-year decrease of 3.6% and a month-on-month decrease of 0.5% in December 2016, which still remained at an all-time low over the past eight years. The hog stock was also at a low level. Correspondingly, the average hog price recorded at a high level of approximately RMB18 per kg through the year of 2016. The low level of sow stock and hog stock at the end of 2016 is expected to provide continuous support to the hog price in 2017.

Imported pork has limited impacts on the production and consumption of domestic pork industry

In 2016, China imported 1.62 million tons of pork and 1.35 million tons of by-products, which represented 5.6% of domestic pork consumption in total. Imported pork brings limited impacts on the hog production and consumption of domestic pork; firstly, 45% of the total imported volume were pork by-products, which were catering for Chinese consumers due to national consumption habits. Secondly, there were only 25 tons of fresh pork in the 1.62 million tons of imported pork, and the rest were all frozen meat, of which front legs and hind legs accounted for 31%. As there are considerable differences between frozen meat and fresh meat in appearance and taste, the imported pork was mainly for further processing instead of household consumption which differentiates it from domestic fresh pork in terms of consumption channels.

The consumption upgrade of pork products drives increasing concerns on food safety

While the structure of domestic hog production was changing, the consumption of fresh pork was upgrading at the same time, and more and more attention was paid to food safety. There is still a severe situation of food safety in the industry as some serious problems, such as meat containing clenbuterol and expired meat, emerge one after another. According to National Food Safety Survey Report issued by China Consumers Association, "residue of pesticide or veterinary drug, excessive pollutants of heavy metal or pathogenic microorganism" were severely troubling consumers.

Food safety has drawn great attention of the Party and State leaders. On the eve of 2016 State Council Food Safety Committee Conference, the General Secretary, Xi Jinping, made an important speech, emphasizing that "supervision mechanism and system should be improved to ensure food safety". The Premier, Li Keqiang, also made specialised instruction that "No food safety problem could be tolerated and the people's health and life safety shall be effectively protected".

The change of domestic population structure also forced food enterprises to pay attention to food safety. At the end of 2015, the state implemented the "universal two-child policy", and the number of live births in hospital increased by 11.5% in 2016 as compared to that in 2015, among which households with two or more children accounted for more than 45% of the total childbirth number in 2016. For the healthy grow-up of children, Chinese families generally would like to pay more premium to purchase safe foods, and enterprises focusing on food safety will be benefited therefrom.

In general, China's pork industry is experiencing structural upgrade, bringing great potential for future development of large-scale companies focusing on food safety. The Company's directors and management teams will firmly grasp industrial opportunities with a determination to forge ahead, and create more value for shareholders.

2. *Results of Operation*

The overall performance reached a new record high and all segments achieved increased profit, resulting in the Group's net profit of RMB952 million

In 2016, the Group firmly grasped the market opportunity brought by structural upgrade of domestic pork industry, further improved operation and reduced costs while the business scale expanding rapidly, resulting in a new record high of the Group's performance. The revenue and net profit of the Group amounted to RMB6,616 million and RMB952 million, respectively, with a year-on-year growth of 30.9% and 530.8%, respectively. The rate of Return on Equity ("ROE") with disposal businesses[1] was 26.9%. Prior to biological assets fair value adjustments, the net profit was RMB890 million.

The Group has clear development strategies and explicit positioning at all aspects of the industry chain. For upstream hog production business, the Group firmly grasped the opportunity brought by industry restructuring, further expanded capacity and continuously reduced production costs through improving operating efficiency. For fresh pork business, the Group enhanced the rate of fresh sales, expanded the sales volume of branded products and continuously increased investment on brands so as to increase the premium of products. For processed meat business, the Group controlled the costs of raw materials, increased gross profit of products and optimised sales channel structure. For meat import business, the Group fully researched and estimated market conditions to improve the ability to control operating risks and exchange rate risks, and adjust and optimize customer base.

Hog Production Business

In 2016, our segment revenue from hog production business reached RMB3,150 million and the segment profit was RMB1,010 million. The hog production volume increased to 1,712 thousand heads, representing a year-on-year growth of 46.4%.

Improvement of Production Efficiency Resulting in Continuous Decrease of Costs

The Group continuously decreased procurement cost of raw material and improved nutrient feed formulas, enhanced breeding technique, strengthened standardized production and management, focused on talents training and team building. As a result, the operating efficiency has been improved continually. In 2016, piglets weaned per sow per year reached 23.5 heads, with a year-on-year growth of 0.9 head and the average finishing weight reached 104.4 kg, with a year-on-year increase of 2.6 kg per head. The production cost of finishing hog per kg decreased by 9.6% year on year.

Note:

1. "Disposal Businesses" referred to the businesses conducted by COFCO Poultry Co., Ltd. which was disposed by the Group.

Acceleration of Capacity Expansion

Despite the impact of factors including the highly stringent requirements regarding formalities of land registration, our hog production capacity expanded rapidly with certain projects gradually commenced operation, including Jilin Phase II, Zhangbei Phase II and Guangshui Phase I hog production projects, resulting in the increase of production capacity by 850 thousand heads to 3,140 thousand heads at the end of the year, representing a year-on-year growth of approximately 37.1%. The development of inhouse feed mills was carried out on schedule, among others, feed mills in Jilin, Chifeng, and Zhangbei with the capacity of 180 thousand tons each were successfully completed, and the advanced preparatory works for feed mills in Guangshui with the capacity of 180 thousand tons had been carried out. Hence, the self-sufficiency rate for feed will be further increased in 2017, which will create more space for cost saving.

Fresh Pork Business

In 2016, with the optimised channel and product mix, both the sales volume and profits of our fresh pork business increased, recording the segment revenue of RMB2,738 million, representing a year-on-year increase of 30.0%. And segment profit reached RMB12 million.

The Sales Volume of Fresh Pork Increased Amid Adverse Market Conditions

Under the circumstance of pork production from licensed slaughtering houses in China decreased by 2.4%, the Group made great efforts in expanding the market of our fresh pork products, especially in Shanghai and its surrounding areas. The sales of fresh meat increased amid adverse market conditions with the sales volume reaching 143 thousand tons, representing a year-on-year increase of 11.9%.

Lower Production Costs and Steadily Increased Gross Profit Margin

Against the increased purchase price of hog, the Group vigorously reduced its processing costs. The capacity utilisation rate increased by 6.5 percentage points on a year-on-year basis to 69.5% in 2016, the average labor processing efficiency increased by 3.8% on a year-on-year basis, which resulted in the production costs per kg decreased by 10.1% on a year-on-year basis. The Group also focused on optimising fine-meat-cutting model, reaching a rate up to 84% of fresh sales, which effectively mitigated the impact brought by the rising raw material costs and imported frozen meat in 2016. As a result, the average gross profit per ton of fresh pork business increased by 19.8% year-on-year to RMB933 from RMB779.

Branded Business Grew with the Development of Standardization, Packaging and Branding in Products

The Group continuously optimised the products structure, strictly monitored its productivity, boosted the standardization of the products and effectively increased the gross margin. The branded business grew significantly with the quantities of Stock Keeping Unit increased from 393 in 2015 to 482 in 2016. The Group focused on promoting the sale of functionalised small-pack products, such as shredded pork, diced pork, sliced pork, to increase product premium and provide convenience for customers. The number of sales terminals reached 4,885, representing a year-on-year growth of 13.9%, and the Group increased its sales and brand awareness by actively carrying out offline brand promotion activities at stores and in communities, and by developing e-commerce platform. Revenue from the branded business amounted to RMB524 million in 2016, representing a year-on-year growth of 68.0%.

Precision of Brand Positioning and Enhancement of Brand Awareness

The Group had an accurate brand positioning, it conducted the brand promotion of fresh meat brand “Joycome” according to “five checkpoints for product safety”. By virtue of the opportunity brought by the Olympic Games in 2016, our brand formed solid grounds for the safety positioning and earned the consumer awareness of “Direct Meat Supply for Olympics” and “Very Safe”. Our brand awareness in Shanghai reached 19% in 2016 from 3% in 2014.

In 2016, the Group’s subsidiary COFCO Meat (Jiangsu) Co., Ltd. has organized onsite visit for 74 times, accumulatively leading 3,700 consumers to visit the hog farms and fresh pork processing plant of the Group located at Dongtai, Jiangsu Province, through which the Group’s food safety was highly recognized by consumers.

Processed Meat Products Business

In 2016, our segment revenue from processed meat products business reached RMB336 million. At the same time our segment profit reached RMB8.4 million, representing a year-on-year increase of 109.0%. The sales volume reached 9.7 thousand tons.

Controlling Costs of Raw Materials and Processing

Despite the cost pressure brought by the increased raw material prices in the domestic markets, the processed meat business realised an efficient improvement in profitability and recorded a gross profit margin of 35.9% by optimising and controlling our costs, adjusting product mix and channel structure. The Group accurately estimated the trend of raw material prices and reasonably reserved the raw materials when the prices of meat (being the main material) were low, which effectively controlled the raw material costs. For the production management, the Group succeeded in improving the overall product yield by optimising products formula and processing techniques, strengthening the delicacy management, introducing advanced equipment and improving the accuracy of equipment processing, which reduced the loss rate, defective rate and overweight rate of processing.

Optimising Our Product Mix and Channel Structure

The Group continually assessed the product performance and squeezed out products with low gross profit. Meanwhile, the Group put efforts on promoting products with higher value such as sliced hams and high-end sausages as well as new diced meat products under differentiation strategy. The Group constantly researched and developed new products which met customers' needs. The number of new products reached 134 for the whole year, of which 51 had passed pilot-scale experiments by customers.

Meanwhile, the Group enhanced the development of food service clients with high profit margin and the revenue proportion of food service channel represented a year-on-year increase of 4.6 percentage points.

Meat Import Business

In 2016, the segment revenue and sales volume for meat import business reached RMB2,034 million and 107 thousand tons, respectively, which remained stable on a year-on-year basis. The segment profit reached RMB79 million and achieved a significant turnaround, mainly benefiting from the transformation of business model and the enhancement of risk control ability.

Transforming Business Model to Combine Processing and Trading

The Group integrated the imported raw materials with key account services and its processing capacity, successively provided certain food service clients with customised processed products made from imported raw materials and provided Womai.com of COFCO with imported steak in small packages, which achieved a good response. In 2017, the plants in Dongtai and Wuhan will conduct imported meat cutting and processing business.

Optimising the Channel Structure

In terms of the upstream procurement, the Group balanced the procurement allocation in different countries to satisfy the diversified needs of customers and control procurement costs. At the same time, the Group reached out for a deep analysis and understanding on consumption trends and the needs of terminal clients in its downstream. Also, we formulated annual sale plans for key customers as well as communicated with them monthly and routinely to grow together with our customers. The proportion of revenue in food service and retail channel in beef business was 25%, 32%, 40% and 41% in 2013, 2014, 2015 and 2016, respectively, showing a year-on-year increasing trend.

Improving Capability in Market Research and Risk Control

By fully researching and analysing the market situation, our procurement team enlarged the proportion of back-to-back contracts to over 70% for beef business in 2016, which achieved a stable and considerable gross profit margin during market downturns and efficiently reduced operation risk. The Group closely traced exchange rate trend and used the long term locking exchange rate to lock foreign exchange exposure, and the amount of locking exchange was about 48% of the total payment in 2016, which further increased our risk control capability.

Food Safety and Environmental Protection

Strict Control of the Residue of Pesticide and Veterinary Drugs, reaching a 100% Passing Rate for the Inspection of Meat Products

In 2016, the Group further expanded the scale of internal hog supply, improved test capability and strictly controlled the food ex-factory examination, thus achieving a 100% passing rate for over 160 batches of inspections conducted by China Food and Drug Administration and other regulatory institutions. In June 2016, COFCO Meat (Jiangsu) Co., Ltd., a subsidiary of the Company, passed the inspection and acceptance test of "The Typical Demonstration of Quality and Safety Control System for Animal-Sourced Food Processing in the Whole Industry Chain" held by Ministry of Science and Technology of the People's Republic of China (the "PRC").

Actively Developing the Pattern of Ecological Recycling with Prominent Economic and Social Benefits

The Group continuously increased the investment in environmental protection, adhere to the development of the pattern of ecological recycling, which integrates biogas electricity generation, bioslurry-to-field and harmless disposal of dead hogs.

In 2016, Jiangsu Dongtai Base adopted a variety of methods to promote the treatment of bioslurry, not only realising the "zero emission" of farming waste, but also bringing considerable economic benefits in planting to the farmers near our farms, which has gained unanimous recognization from the farmers near our hog farms, the local government and departments. The Hubei Wuhan Base accepted investigations from the Ministry of Agriculture of the PRC, the National Animal Husbandry System, the Agriculture Department of Hubei Province and government departments at all levels for 42 times. Also, it was interviewed and reported by national and local television stations, newspapers and other media for 7 times. The Company had been invited to attend the accreditation meeting of main technology of livestock and poultry breeding held by the Ministry of Agriculture of the PRC, and to participate in drafting relevant teaching materials. It is determined that the mode of combination of farming and planting of the Group, is the main approach of livestock excreta disposal, which provides a successful model for environmental protection and utilization of animal waste of large-scale farming.

II. Financial Review

Overall Performance

Revenue of the Group for continuing operations in 2016 was RMB6,616 million, representing a year-on-year increase of 30.9% (2015: RMB5,056 million). The net profit of the Group increased by 530.8% to RMB952 million from RMB151 million in 2015, of which the net profit from continuing operations increased by 352.1% to RMB948 million in 2016 from RMB210 million in 2015.

In 2016, the Group incurred listing expenses of RMB91 million, of which RMB58 million was capitalised and RMB33 million was recognised as expenses. Upon excluding the listing expenses that recognised as expense, the net profit of the Group for the year 2016 was RMB985 million, representing an increase of 552.4% as compared to that in 2015. Prior to biological assets fair value adjustments for those two years, the net profit of the Group for the year of 2016 was RMB890 million, representing a reverse of RMB1,082 million as compared with the loss of RMB192 million in 2015.

Revenue

In 2016, revenue from continuing operations increased from RMB5,056 million to RMB6,616 million, mainly benefiting from the rise of hog prices due to the decline in sow stock in China and the year-on-year increase of 540 thousand heads of hog production operations output, as well as the sales of major products such as fresh pork and processed meat products increased year on year due to the vigorously opening up of the market and channel optimisation.

Gross Profit Margin

The gross profit margin of continuing operations prior to adjustment of fair value increased from 9.3% to 21.0%, mainly due to the rises of hog prices and improvement of operating efficiency of various businesses. The improvement of hog production efficiency led to the continuous decline of breeding costs, and the optimisation of sales channel structure for fresh pork, processed meat products and meat import business.

Selling and Distribution Expenses and Administrative Expenses

The total selling and distribution expenses and administrative expenses of the continuing operations amounted to RMB448 million, representing an increase of 11.5% from RMB402 million in 2015, mainly due to the energetically expanding of the market and deepening of the sales channels.

Finance Costs

The finance costs of continuing operations were RMB110 million, representing a decrease of 17.2% as compared with that of 2015, mainly due to the strengthening of centralised management of funds, promotion of efficiency of cash flow, maintenance of lower capital positions, effective control of borrowing balances, as well as strengthening of the management of receivables and inventory to reduce the capital pressure, while at the same time, negotiating with financial institutions for favorable lending rates.

Other Income, Other Gains and Losses

In 2016, other income from continuing operations of the Group were RMB56 million, representing a decrease of 3.5%, mainly due to a decrease of approximately RMB4 million from interest income of banks.

Other losses reversed from a loss of RMB128 million in 2015 to other gains of RMB42 million in 2016, mainly due to a decrease of RMB50 million in exchange losses and a gain of RMB24 million for currency forward contracts. Meanwhile, insurance proceeds of RMB37 million were received and recognized in 2016 for the damage of inventory caused by the explosion in Tianjin Port in August 2015.

Profit/(Loss) for the Period from Continuing Operations

For the above reasons, the Group recorded a profit of RMB892 million from the continuing operations of the Group prior to biological assets fair value adjustments during the year, representing a reverse of RMB1,034 million compared with the loss of RMB142 million in 2015.

Significant Investments, Acquisitions and Sales of Subsidiaries

Save as disclosed in this announcement, the Group has neither any significant investments nor significant acquisitions and disposals of the relevant subsidiaries during the year.

Major Financial Ratios

The financial ratios of the Group as at December 31, 2016 and December 31, 2015 are set forth below:

	December 31, 2016	December 31, 2015
ROE[(1)]	**26.9%**	5.9%
Return on assets[(2)]	**12.1%**	2.0%
Interest coverage ratio[(3)]	**8.37 times**	2.01 times
Current ratio[(4)]	**1.25**	0.80
Net debt-to-equity ratio[(5)]	**24.4%**	119.3%

Notes:

(1) Equals profit (inclusive of the Discontinued Operation) for the period divided by the average of the beginning and ending total equity for that period and multiplied by 100%.

(2) Equals profit (inclusive of the Discontinued Operation) for the period divided by the average of the beginning and ending total assets for that period and multiplied by 100%.

(3) Equals profit before finance costs and income tax expense for the period divided by finance costs (with capitalised interest added back) for that period, in all cases inclusive of the Discontinued Operation, and multiplied by 100%.

(4) Equals current assets divided by current liabilities as at the respective financial period-end date.

(5) Equals total interest-bearing bank and other borrowings and loans from the "Related Parties" less cash and cash equivalents, divided by total equity as at the respective period-end date and multiplied by 100%

Analysis on Capital Resources

Liquidity

In 2016, by adhering to the steady financial policy, the Group was committed to expanding financing channels externally and strengthening financing capability establishment, as well as strengthening the cooperation with banks, obtaining adequate credit facilities, so as to ensure the capital liquidity. Internally, the Group reduced the occupancy of liquid capitals such as inventories and receivables and implemented intensive management on surplus capital to improve the turnover efficiency and generation capability for cash flow. The finance department of the Company 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 our fellow subsidiary COFCO Finance Company Limited. At the same time, the Group also used the capital pool in mainland China, so as to be more effective in utilising the cash, reducing average borrowing costs of the Group, and accelerating clearing services between companies under the Group.

As at December 31, 2016, the cash and cash equivalents owned by the Group amounted to RMB1,588 million (December 31, 2015: approximately RMB176 million). The increase in amount was attributable to the raised funds (before deducting related listing expenses) of approximately RMB1,704 million in this year, meanwhile the operating cash flow was strong.

As at December 31, 2016, the current ratio was 1.25 (2015: 0.8). As at December 31, 2016, our unused bank credit facilities were RMB6,225 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 capital needs as well.

In 2016, the EBITDA (prior to biological assets fair value adjustments) of the Group's continuing operations was RMB1,263 million (2015: RMB205 million). Net cash generated from our operating activities remained strong at RMB1,352 million (2015: RMB381 million). The net cash generated from our investment activities due to (amongst others) the disposal of our poultry business in 2016 was RMB21 million (net cash used in 2015: RMB1,252 million), including RMB1,044 million (2015: RMB782 million) for (amongst others) the purchase of property, plant and equipment. The net cash generated from our financing activities in 2016 was RMB33 million (net cash used in 2015: RMB1,098 million). In summary, our net increase in cash in 2016 was RMB1,406 million, compared with net losses in cash of RMB1,969 million in 2015.

Capital Structure

As at December 31, 2016, the total number of issued shares of the Group remained unchanged at 3,901,998,323 shares.

As at December 31, 2016, the Group had interest-bearing bank loans of approximately RMB2,586 million (December 31, 2015: approximately RMB1,924 million). The annual interest rate on bank loans ranged from 1.33% to 5.15% (December 31, 2015: from 1.69% to 6.00%). Most of the bank loans were based on floating interest rates. As at December 31, 2016, the Group had no loans from other financial institutions (December 31, 2015: the loan balance from COFCO Finance Company Limited was approximately RMB500 million, with loan interest rate ranging from 3.92% to 4.37%).

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

Unit: RMB in million	**December 31, 2016**	December 31, 2015
Within one year	**1,737**	2,053
One to two years	**195**	100
Three to five years	**593**	254
More than five years	**61**	17
Total	**2,586**	2,424

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

Unit: RMB in million	**At 31 December 2016**	2015
Fixed-rate borrowings	**300**	1,092
Variable-rate borrowings	**2,286**	1,332
Total	**2,586**	2,424

As at December 31, 2016, the Group had approximately RMB87 million loans from related parties (December 31, 2015: approximately RMB907 million).

As at December 31, 2016, the Group had net assets of approximately RMB4,438 million (December 31, 2015: approximately RMB2,644 million). The net debts of the Group[1] amounted to approximately RMB1,085 million (December 31, 2015: approximately RMB3,156 million), while the net debt to equity ratio was approximately 24.4% (December 31, 2015: approximately 119.3%).

Note:

1. The net debts of the Group referred to interest-bearing bank and other borrowings and loans from the "Related Parties" less cash and cash equivalents.

Contingent Liabilities and Pledge of Assets

As at December 31, 2016, the Group had no significant contingent liabilities.

As at December 31, 2016, the Group had no bank loans pledged with buildings, land use rights and time deposits of the Group as mortgages (December 31, 2015: receivables of approximately RMB8 million).

Capital Expenditure

The capital expenditure of the Group was mainly expenditures for 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.

Capital expenditure in 2016 was RMB1,064 million (2015: RMB798 million). The following table set forth the capital expenditure for the year indicated:

Unit: RMB in million	**December 31, 2016**	December 31, 2015
Payments for property, plant and equipment	**1,044**	782
Payment for prepayment for lease payments	**19**	15
Payments for other intangible assets	**1**	1
Total	**1,064**	798

Our capital expenditure increased RMB266 million from 2015 to 2016, mainly due to the construction of new hog farms in Hubei Province, Jilin Province and Hebei Province. As of December 31, 2016, our demand for capital expenditure mainly came from the construction of hog farms and feed mills in the in such provinces Inner Mongolia Autoowners Region, Jilin Province, Hebei Province and Hubei Province.

Capital Commitment

The capital commitment of the Group is mainly related to the construction of hog farms and other production and ancillary facilities. The capital commitment in 2016 is RMB359 million (2015: RMB289 million).

Biological Assets (Continuing Operations)

Biological assets of the Group consist primarily of commodity pigs at various stages of development and breeding hogs used to create future animals, and broilers and chicken breeders before we completed the disposal of our poultry business or the Discontinued Operation on April 22, 2016. As of December 31, 2016, we owned 1,171 thousand live hogs, which included 1,058 thousand commodity pigs and 113 thousand breeding hogs, while we did not own any live chicken. It represented an increase of 31.7% as compared to 889 thousand heads as of December 31, 2015. The fair value of our biological assets as of December 31, 2016 was RMB1,468 million and RMB1,193 million, respectively. Our results have been and are expected to be affected by changes in fair value of biological assets.

The fair value of our biological assets is determined with reference to market prices, breeds, growth status, cost incurred and professional valuation. Our management have engaged Savills Valuation and Professional Services Limited, an independent valuer, to determine the relevant fair value of the Group every year.

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

In 2016 and 2015, such adjustments have increased our cost of sales by RMB1,339 million and RMB354 million respectively. Additionally, in 2016 gains arising from agricultural products at fair value less costs to sell at the point of harvest and from changes in fair value less costs to sell of biological assets resulted in earnings of RMB882 million and RMB512 million respectively (2015: RMB250 million and RMB456 million respectively). In general, net effect of biological assets fair value adjustment on profit was gains of RMB56 million in 2016 and gains of RMB352 million in 2015 respectively.

III. Human Resources

The continuing operations of the Group hired 5,161 employees as of December 31, 2016 (As of December 31, 2015: 4,413 employees). Remuneration for employees were determined according to job nature, personal performance and market trends. For the year ended December 31, 2016, total remuneration amounted to approximately RMB443 million (2015: RMB365 million).

The Group adopted a Pre-IPO Share Incentive Scheme (as defined in the prospectus). on March 27, 2015 to provide incentives for its directors and eligible employees, aiming to stimulate them to work for the cause of increasing the value of the Company and its shares. On March 27, 2017, the Board approved to revise the scheme under the consensus reached by MIY Corporation, Promise Meat Investment II Ltd., Baring Private Equity Asia V Holding (16) Limited, TLS Beta Pte. Ltd. and Shiny Joyful Limited after negotiation. For details, please refer to the prospectus of the Company dated 19 October 2016 and the announcement dated 27 March 2017.

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.

IV. 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:

Fluctuations in Commodity Prices

We operate in a highly fragmented and competitive industry, where the primary raw materials and finished products are commodities, all of which have been subject to significant price fluctuations. In our pork business, we are exposed to fluctuations of commodity prices, including prices of corn and soybean meals (which are our primary feed ingredients), live hogs and pork in China. In our meat import business, we are exposed to fluctuations in the price differentials between the Chinese and overseas markets of frozen meat products such as pork, beef, poultry, mutton and lamb. Fluctuations in these commodity prices, in particular the prices of live hogs, has had and is expected to continue to have a significant effect on our profitability. Commodity prices generally fluctuate with market conditions, including supply and demand, outbreaks of diseases, government policies and weather conditions in major farming regions.

Changes in Fair Value of Biological Assets

The results of operations of the Group are significantly affected by changes in fair values of our biological assets. Our biological assets include breeding hogs, commodity pigs and (before we completed the disposal of the Discontinued Operation on April 22, 2016) chicken breeders and broilers. As of 2016, such changes added up to an increase of RMB56 million in profit for the period of our continuing operations. For a presentation of our full results of operations both before and after biological assets fair value adjustments and showing the amounts of these three types of adjustments, see the Consolidated Statements of Profit or Loss and Other Comprehensive Income under Financial Information.

Currency Risk

The Group collect most of the revenue in RMB and pay most of our expenditures, including costs incurred for sales of goods and capital expenditures, in RMB. However, several of our subsidiaries that are engaged in import of frozen meat products or that have foreign currency borrowings expose us to foreign currency risk. In 2016, more than 90% of our sales and more than 60% of the cost of sales were denominated in RMB, our functional currency. A substantial portion of our cost of sales denominated in currencies other than RMB were related to our meat import business and were denominated in U.S. dollars. Foreign currency risk arises when commercial sales and purchases transactions or recognized assets or liabilities are denominated in a currency that is not our relevant subsidiaries' functional currency. We are exposed to foreign currency risk primarily with respect to the U.S. dollar and the Hong Kong dollar, which is pegged with the U.S. dollar.

The Group had assets of RMB1,995 million and liabilities of RMB565 million denominated in foreign currencies (including the U.S. dollar and the Hong Kong dollar) as of 2016. The management of the Company has paid closer attention to our foreign currency risk after the RMB experienced significant fluctuations against the U.S. dollar in August 2015, and we have communicated timely on foreign exchange rates and forward prices with COFCO Finance and with those commercial banks that we have business relationships with. We entered into currency forward contracts to cover the majority of our foreign exchange exposures for our purchases in the meat import business, and we review the contracts and monitored our foreign exchange exposures on a monthly or semi-monthly basis according to the conditions of the foreign exchange market. In addition, we also fix an exchange rate in advance for the imported meat purchase price with our domestic customer according to market conditions. We update our foreign exchange exposures and internal records on a weekly basis and, before making a major foreign exchange decision (including whether to use currency forward contracts to manage our foreign currency risk), we conduct a sensitivity analysis and stress test.

Interest Rate Risk

The Group's exposure to the risk of changes in interest rates relates primarily to our interest-bearing bank and other borrowings that have a floating interest rate. Our borrowings are primarily interest-bearing at a floating interest rate. The management regularly and closely examined the overall condition of cash and liabilities, flexibly arranged financing plans based on financing costs and expiry, and also attached importance to the cooperation with banks to obtain adequate credit facilities and to create favorable financing conditions.

Credit Risk

Our credit risk arises from the carrying amount of our recognized financial assets in our consolidated statements of financial position. The Group's credit risk is primarily attributable to our accounts receivable; other receivables; amounts due from fellow subsidiaries, ultimate holding companies, intermediate holding companies and related companies and loans to fellow subsidiaries; pledged and restricted bank deposits; and cash and cash equivalents.

We monitor our exposure to credit risk on an ongoing basis and perform credit evaluations on customers who require credit in excess of a certain amount. We monitor receivable balances on an ongoing basis to ensure that our exposure to bad debts is not significant. We have monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. We review the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group does not have any significant concentration of credit risk.

V. The Outlook

Seize the industry opportunity to further expand hog production capacity, reinforce the investment in technology and continue to reduce the production cost

Looking forward to 2017, the structural upgrade of the domestic pork industry will be further deepened. With the strict execution of environmental protection regulations, non-compliant hog production capacity will continue to be eliminated and substandard capacity expansion will be restricted, and the hog price is expected to be supported by the low level of sow stock and hog stock, which will create a new round of opportunities for large-scale farming enterprises. The Group will firmly seize the opportunities to expand hog production capacity, reinforce the investment in technology and continue to reduce the production cost.

Promote branded fresh pork business and drive it to achieve a leapfrog growth

With the excellent momentum obtained in the branded business, the Group will continue to vigorously promote the standardization, packaging and branding of fresh pork products, constantly optimise product mix, improve product premium and profitability, cater more to customers' requirements and drive the branded business to achieve a leapfrog growth.

Further improve vertical integration of the business, to reinforce the stability of the company's profitability

After years of exploration and devolpment, we have established a mature business model in the upstream business. In 2017 and coming years, the Group will improve vertical integration of the business, devote more resources to the downstream business, including the fresh pork and the processed meat products businesses, increase the downstream capacity, revenue and profit level, to strengthen the ability to resist market fluctuations and improve the stability of the Group's profitability.

Strengthen talent training and optimise the incentive mechanism

The Group will further improve and optimise the incentive system, combine the training of internal backbone talents and the recruitment of external excellent persons to build an excellent team of sophisticated technology and to provide a sustainable talent base for our future development.

As COFCO's major meat production platform, the Group will continue to take "Leading the Safety Standards in the Industry and Assuring the Safety of Meat for the Consumers" as its responsibility, and provide safer and high quality meat products to consumers. Looking forward to the future, the Group is confident to continue to create impressive performance, establish a national renowned brand and become a role model in China's meat industry.

OTHER EVENTS

Compliance with the corporate governance code

As the shares of the Company were listed on the Stock Exchange on November 1, 2016 (the "**Listing Date**"), the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") did not apply to the Company during the period before the Listing Date. The Board and the management of the Group 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 Group's management also actively observes the latest corporate governance requirements in the PRC, Hong Kong and abroad. The Board considers that the Company has complied with the provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules from the Listing Date to December 31, 2016.

Directors' securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as a code of conduct regarding securities transactions by the Directors. 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 during the period from the Listing Date to December 31, 2016.

Purchase, sell or redeem the listed securities of the Company

The Company and any of its subsidiaries did not purchase, sell or redeem any listed securities of the Company during the period from the Listing Date to December 31, 2016.

Subsequent events

Under the consensus reached by MIY Corporation, Promise Meat Investment II Ltd., Baring Private Equity Asia V Holding (16) Limited, TLS Beta Pte. Ltd. and Shiny Joyful Limited after negotiation, the Board convened a meeting on 27 March 2017, considered and approved the amendments to documents in relation to the Pre-IPO Share Incentive Scheme of the Company. For details, please refer to the prospectus of the Company dated 19 October 2016 and the announcement dated 27 March 2017.

Final dividend

The Board did not recommend the declaration of final dividends for the year ended December 31, 2016.

Review annual results

The consolidated financial statements for the year ended 31 December 2016 of the Group were audited by Deloitte Touche Tohmatsu 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, 2016.

Publication of annual report

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

By order of the Board
COFCO Meat Holdings Limited
Zhang Nan
Joint Company Secretary

Hong Kong, March 27, 2017

As at the date of this announcement, the chairman of the Board and non-executive Director is Mr. Ma Jianping, the executive Director is Mr. Xu Jianong, the non-executive Directors are Ms. Yang Hong, Mr. Xu Yang, Mr. WOLHARDT Julian Juul, Dr. Cui Guiyong, Dr. Wu Hai and Mr. Zhou Qi, the independent non-executive Directors are Dr. Chen Huanchun, Mr. Fu Tingmei, Mr. Li Michael Hankin and Mr. Wu Chi Keung.