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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2017

The board of directors (the "**Board**") of COFCO Meat Holdings Limited (the "**Company**", "**we**", "**our**" or "**us**") is pleased to announce the unaudited condensed consolidated results and financial position of the Company and its subsidiaries (the "**Group**") for the six months ended June 30, 2017, together with the comparative figures for the corresponding period in 2016 as follows:

HIGHLIGHTS

Key operating data	For the six months ended June 30,		
	2017	2016	Change
Hog production volume (thousand heads) [1]	**1,009**	743	35.7%
Sales volume of fresh pork (thousand tons) [1]	**80**	61	29.5%
Ratio of revenue from branded business [2]	**14.9%**	12.6%	2.3 percentage points

Key financial data	For the six months ended June 30,			
	2017		2016	
	Before biological assets fair value adjustments	**After biological assets fair value adjustments**	Before biological assets fair value adjustments	After biological assets fair value adjustments
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
	(Unless Otherwise Stated)			
Revenue from continuing operations [3]	**3,298,803**	**3,298,803**	2,989,358	2,989,358
Profit for the period [4]	**289,437**	**226,150**	468,333	721,625
Profit attributable to the owners of the Company [5]		**226,417**		721,625
Basic earnings per share [6]		**RMB0.0580**		RMB0.1986

The Board does not recommend the declaration of an interim dividend for the six months ended June 30, 2017.

Notes:

1. The Group's core businesses maintained a high growth rate. The hog production volume and sales volume of fresh pork increased by 35.7% and 29.5% year-on-year, respectively.

2. The ratio of revenue from branded business means the revenue of branded fresh pork and processed meat products business divided by the revenue of the Company. The revenue of branded business increased by 29.9% and the ratio of revenue increased by 2.3 percentage points year-on-year, benefiting from brand promotion and channel development.

3. Revenue from continuing operations amounted to RMB3,299 million, representing a year-on-year increase of 10.4%. The rapid growth of sales volume has completely offset the impact of hog price on the revenue.

4. Profit for the period, before biological assets fair value adjustments amounted to RMB289 million, representing a year-on-year decrease of 38.2%. The decline was mainly caused by the hog price, which decreased by 21.2% year-on-year. However, the Group focused on capacity expansion, cost management and control, customer development and brand promotion, and successfully expanded the sales volume and gained higher profit margin from branded business. The abovementioned operation improving measures significantly offset the effect brought by the decrease of hog price.

5. Profit attributable to the owners of the Company amounted to RMB226 million. The biological assets fair value was adjusted based on the price of live hogs at the end of June 2017. The number of our live hogs increased by 14.9% as compared with that as at December 31, 2016. The price of live hogs decreased as compared with that as at December 31, 2016 but has rebounded from June to August 2017.

6. 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.

FINANCIAL INFORMATION

The following financial information is a summary of the unaudited condensed consolidated financial statements for the six months ended June 30, 2017 of the Group, which have been reviewed by Deloitte Touche Tohmatsu, the independent auditor of the Company, and the audit committee of the Board (the "**Audit Committee**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2017

		Six months ended June 30,					
		2017			2016		
	NOTES	**Results before biological assets fair value adjustments** *RMB'000* **(Unaudited)**	**Biological assets fair value adjustments** *RMB'000* **(Unaudited)**	**Total** *RMB'000* **(Unaudited)**	Results before biological assets fair value adjustments *RMB'000* (Unaudited)	Biological assets fair value adjustments *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Continuing operations							
Revenue	*3*	**3,298,803**	**–**	**3,298,803**	2,989,358	–	2,989,358
Cost of sales		**(2,739,183)**	**(553,202)**	**(3,292,385)**	(2,287,280)	(670,391)	(2,957,671)
Gross profit		**559,620**	**(553,202)**	**6,418**	702,078	(670,391)	31,687
Other income	*5*	**30,586**	**–**	**30,586**	15,186	–	15,186
Other gains and losses, net	*6*	**(40,274)**	**–**	**(40,274)**	29,359	–	29,359
Distribution and selling costs		**(123,999)**	**–**	**(123,999)**	(115,497)	–	(115,497)
Administrative expenses		**(94,090)**	**–**	**(94,090)**	(101,518)	–	(101,518)
Share of loss of joint ventures		**(847)**	**–**	**(847)**	(158)	–	(158)
Gain arising from agricultural produce at fair value less costs to sell at the point of harvest		**–**	**40,971**	**40,971**	–	284,167	284,167
Gain arising from changes in fair value less costs to sell of biological assets		**–**	**448,944**	**448,944**	–	633,752	633,752
Finance costs	*7*	**(40,640)**	**–**	**(40,640)**	(58,344)	–	(58,344)
Profit before tax	*8*	**290,356**	**(63,287)**	**227,069**	471,106	247,528	718,634
Income tax expense	*9*	**(919)**	**–**	**(919)**	(930)	–	(930)
Profit for the period from continuing operations		**289,437**	**(63,287)**	**226,150**	470,176	247,528	717,704
Discontinued operations							
(Loss) /profit for the period from discontinued operations		**–**	**–**	**–**	(1,843)	5,764	3,921
Profit for the period		**289,437**	**(63,287)**	**226,150**	468,333	253,292	721,625

	NOTES	2017 Results before biological assets fair value adjustments RMB'000 (Unaudited)	2017 Biological assets fair value adjustments RMB'000 (Unaudited)	2017 Total RMB'000 (Unaudited)	2016 Results before biological assets fair value adjustments RMB'000 (Unaudited)	2016 Biological assets fair value adjustments RMB'000 (Unaudited)	2016 Total RMB'000 (Unaudited)
		Six months ended June 30,					
Other comprehensive (expense)/income, net of income tax:							
Items that may be reclassified subsequently to profit or loss:							
Exchange differences arising on translation				**2,294**			6,052
Fair value loss on hedging instruments in cash flow hedges				**(4,307)**			–
Other comprehensive (expense)/income for the period, net of income tax				**(2,013)**			6,052
Total comprehensive income for the period attributable to the owners of the Company				**224,137**			727,677
Profit for the period attributable to the owners of the Company:							
– from continuing operations				**226,417**			717,704
– from discontinued operations				**–**			3,921
				226,417			721,625
Loss for the period attributable to non-controlling interests from continuing operations				**(267)**			–
Profit for the period				**226,150**			721,625
Total comprehensive income/(expense) attributable to:							
Owners of the Company				**224,404**			727,677
Non-controlling interests				**(267)**			–
				224,137			727,677
Basic earnings per share:							
From continuing and discontinued operations	*10*			**RMB5.80 cents**			RMB19.86 cents
From continuing operations				**RMB5.80 cents**			RMB19.75 cents
Diluted earnings per share:							
From continuing and discontinued operations	*10*			**RMB5.80 cents**			N/A
From continuing operations				**RMB5.80 cents**			N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2017

	NOTES	June 30, 2017 RMB'000 (Unaudited)	December 31, 2016 RMB'000 (Audited)
Non-current assets			
Goodwill		**100,609**	100,609
Property, plant and equipment		**4,390,309**	4,130,624
Prepaid lease payments		**129,605**	119,465
Intangible assets		**1,922**	2,362
Investments in joint ventures		**21,751**	36,071
Available-for-sale investments		**23,516**	23,516
Biological assets		**431,768**	359,721
Deposits paid for purchase of property, plant and equipment		**1,643**	8,708
Deposits paid for purchase of biological assets		**2,468**	12,028
		5,103,591	4,793,104
Current assets			
Inventories		**468,956**	408,477
Biological assets		**1,085,147**	1,108,437
Derivative financial instruments		**–**	3,418
Accounts receivable	12	**136,139**	159,471
Prepayments, deposits and other receivables		**193,781**	177,342
Amounts due from related companies	13	**34,816**	18,172
Pledged and restricted bank deposits		**24,565**	50,093
Cash and cash equivalents		**1,279,417**	1,588,163
		3,222,821	3,513,573
Current liabilities			
Accounts and bills payables	14	**352,903**	394,073
Bank borrowings		**1,281,791**	1,737,080
Other payables, accruals and deposits received		**487,603**	602,588
Derivative financial instruments		**17,912**	–
Amounts due to related companies	13	**89,670**	64,973
Loans from related companies		**342,500**	2,500
Current tax liabilities		**43**	59
		2,572,422	2,801,273
Net current assets		**650,399**	712,300
Total assets less current liabilities		**5,753,990**	5,505,404

	NOTES	June 30, 2017 RMB'000 (Unaudited)	December 31, 2016 RMB'000 (Audited)
Non-current liabilities			
Bank borrowings		**820,684**	848,759
Loans from a related company		**85,769**	84,629
Deferred income		**134,385**	133,757
		1,040,838	1,067,145
Net assets		**4,713,152**	4,438,259
Capital and reserves			
Share capital		**1,668,978**	1,668,978
Reserves		**2,993,679**	2,765,969
Equity attributable to the owners of the Company		**4,662,657**	4,434,947
Non-controlling interests		**50,495**	3,312
Total equity		**4,713,152**	4,438,259

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2017

1. BASIS OF PREPARATION AND PRESENTATION

The unaudited condensed consolidated financial statements of COFCO Meat Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the six months ended June 30, 2017 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2016.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for biological assets, financial assets designated at fair value through profit or loss ("**FVTPL**") and derivative financial instruments which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2017 are consistent with those followed in the Group's annual financial statements for the year ended December 31, 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*

The application of these amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to HKAS will be provided in the Group's consolidated financial statements for the year ending December 31, 2017.

Hedge accounting

In the current interim period, the Group has designated certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and included in "other gains and losses" line item.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated statement of profit or loss and other comprehensive income as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

3. REVENUE

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

	Six months ended	
	June 30, 2017	June 30, 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Hog production	**934,706**	727,717
Sales of fresh pork	**1,344,818**	1,224,520
Sales of processed meat products	**164,068**	159,299
Sales of imported meat products	**855,211**	877,822
	3,298,803	2,989,358

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.

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 revenue and segment results

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

	Hog production	Fresh pork	Processed meat products	Meat import	Segment total	Inter-segment elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Six months ended June 30, 2017							
Segment revenue							
External customers	**934,706**	**1,344,818**	**164,068**	**855,211**	**3,298,803**	**–**	**3,298,803**
Inter-segment sales	**691,795**	**37,644**	**291**	**9,372**	**739,102**	**(739,102)**	**–**
Segment revenue	**1,626,501**	**1,382,462**	**164,359**	**864,583**	**4,037,905**	**(739,102)**	**3,298,803**
Segment results	**340,877**	**45,353**	**2,005**	**3,917**	**392,152**	**–**	**392,152**
Unallocated corporate income							**9,407**
Unallocated corporate expenses							**(69,716)**
Share of loss of joint ventures							**(847)**
Fair value adjustments on biological assets							**(63,287)**
Finance costs							**(40,640)**
Profit before tax from continuing operations							**227,069**
Six months ended June 30, 2016							
Segment revenue							
External customers	727,717	1,224,520	159,299	877,822	2,989,358	–	2,989,358
Inter-segment sales	759,841	8,003	379	26,266	794,489	(794,489)	–
Segment revenue	1,487,558	1,232,523	159,678	904,088	3,783,847	(794,489)	2,989,358
Segment results	532,284	(1,747)	(1,197)	47,095	576,435		576,435
Unallocated corporate income							7,881
Unallocated corporate expenses							(54,708)
Share of loss of joint ventures							(158)
Fair value adjustments on biological assets							247,528
Finance costs							(58,344)
Profit before tax from continuing operations							718,634

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.

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

Segment assets and liabilities

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

5. OTHER INCOME

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

	Six months ended	
	June 30, 2017	June 30, 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income from banks	**9,454**	1,359
Interest income from fellow subsidiaries	**–**	3,461
Interest income from a related company	**496**	–
Government grants	**20,636**	10,303
Dividend income from available-for-sale investments	**–**	63
	30,586	15,186

6. OTHER GAINS AND LOSSES, NET

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

	Six months ended	
	June 30, 2017	June 30, 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Exchange loss, net	**(18,516)**	(19,570)
Loss on disposal of property, plant and equipment	**(1,778)**	(44)
Write-down of inventories	**–**	(87)
Reversal of impairment/(impairment) on accounts receivable, net	**204**	(7,830)
Reversal of impairment on other receivables, net	**147**	–
Gain/(loss) from changes in fair value of:		
Financial assets designated at FVTPL	**–**	6,880
Foreign currency forward contracts	**(17,023)**	12,956
Insurance compensation	**–**	36,783
Others	**(3,308)**	271
	(40,274)	29,359

7. FINANCE COSTS

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

	Six months ended June 30, 2017 RMB'000 (Unaudited)	June 30, 2016 RMB'000 (Unaudited)
Interest on:		
Bank borrowings	**45,584**	40,646
Loans from a fellow subsidiary	**–**	8,421
Loans from the immediate holding company	**–**	13,837
Loans from the ultimate holding company	**–**	1,317
Loans from related companies	**5,520**	–
Total borrowing costs	**51,104**	64,221
Less: Borrowing costs capitalised in the cost of qualifying assets	**(10,464)**	(5,877)
	40,640	58,344

8. PROFIT BEFORE TAX

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

	Six months ended June 30, 2017 RMB'000 (Unaudited)	June 30, 2016 RMB'000 (Unaudited)
Cost of sales (represented the cost of inventories recognised as expenses during the period)	**3,292,385**	2,957,671
Depreciation	**91,588**	79,087
Amortisation of prepaid lease payments	**3,798**	3,301
Amortisation of intangible assets	**440**	436
Minimum lease payments under operating leases in respect of land and buildings	**6,601**	4,586

9. INCOME TAX EXPENSE

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

	Six months ended June 30, 2017 RMB'000 (Unaudited)	June 30, 2016 RMB'000 (Unaudited)
Current tax:		
PRC Enterprise Income Tax	**919**	930

10. EARNINGS PER SHARE

From continuing and discontinued operations

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

Earnings

	Six months ended June 30, 2017 RMB'000 (Unaudited)	June 30, 2016 RMB'000 (Unaudited)
Earnings for the purpose of basic earnings per share (Profit for the period attributable to the owners of the Company)	**226,417**	721,625

Number of shares

	Six months ended June 30, 2017 '000	June 30, 2016 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,901,998**	3,633,762

From 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 period attributable to the owners of the Company from continuing operations of RMB226,417,000 (unaudited) (six months ended June 30, 2016: RMB721,625,000 (unaudited)). The denominators used are the same as those detailed above for basic earnings per share.

From discontinued operations

For the six months ended June 30, 2016, basic earnings per share for the discontinued operations is RMB0.11 cents per share, based on the profit for the period from the discontinued operations of RMB3,921,000, and the denominators detailed above for basic earnings per share.

Diluted earnings per share

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 the prior period as the Company did not have any dilutive potential shares in issue.

11. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during both the current and prior interim periods, nor has any dividend been proposed since the end of the reporting period.

12. ACCOUNTS RECEIVABLE

	June 30, 2017 RMB'000 (Unaudited)	December 31, 2016 RMB'000 (Audited)
Accounts receivable	**136,339**	159,875
Impairment loss	**(200)**	(404)
	136,139	159,471

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 within 180 days. Each customer has a maximum credit limit. 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 as disclosed in Note 13 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:

	June 30, 2017 RMB'000 (Unaudited)	December 31, 2016 RMB'000 (Audited)
Within 3 months	**125,866**	149,606
3 to 6 months	**7,521**	5,160
6 months to 1 year	**2,255**	1,846
Over 1 year	**497**	2,859
	136,139	159,471

13. BALANCES WITH RELATED COMPANIES

Related companies include entities controlled by major shareholders and its affiliates.

Included in amounts due from related companies as at June 30, 2017 were receivables in trade nature of RMB32,957,000 (unaudited) (December 31, 2016: RMB11,778,000). These receivables are unsecured, interest-free and repayable according to relevant sales contracts. An aged analysis of these receivables as at the end of the reporting period, based on the delivery date and net of impairment loss, is as follows:

	June 30, 2017 RMB'000 (Unaudited)	December 31, 2016 RMB'000 (Audited)
Within 3 months	**31,636**	8,226
Over 3 months but less than 1 year	**1,280**	3,451
Over 1 year	**41**	101
	32,957	11,778

Included in amounts due to related companies as at June 30, 2017 were payables in trade nature of RMB68,125,000 (unaudited) (December 31, 2016: RMB56,809,000), which are unsecured, interest-free and repayable according to the relevant purchase contracts.

	June 30, 2017	December 31, 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**67,682**	56,466
Over 3 months but less than 1 year	**443**	317
Over 1 year	**–**	26
	68,125	56,809

14. ACCOUNTS AND BILLS PAYABLES

	June 30, 2017	December 31, 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Accounts payable	**328,915**	239,785
Bills payable	**23,988**	154,288
	352,903	394,073

The accounts payables are non-interest-bearing and are normally with credit periods ranging from 15 to 60 days. Bill payables are normally repayable within 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:

	June 30, 2017	December 31, 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**325,607**	236,573
1 to 2 years	**1,241**	2,111
Over 2 years	**2,067**	1,101
	328,915	239,785

MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review

1. Market Overview

In 2016, China's hog production industry recorded a historic high of profit. In the first half of 2017, domestic pork production slightly increased by 0.8% year-on-year to 25 million tons, while hog stock and hog production volume increased by 0.4% and 0.7% year-on-year, respectively; the hog price kept high at the beginning of 2017, decreased after the spring festival and then rebounded slightly. The fall of hog price as compared with last year produces no impediment to the transformation and upgrading of meat industry. The continuous exit of backyard farming and the rise of mid and high-end fresh food retail constitute a solid foundation for the healthy and stable growth of the Group.

Large-scale Farming Has Characteristics of High Technology and High Barrier. Backyard Farming Exits from the Industry Continuously Due to the Big Gaps in Technology and Cost as Compared with Large-Scale Enterprises

Hog production is China's traditional industry. Along with the expansion of large-scale farming in China in the recent years, large-scale enterprises have strived to improve efficiency from various aspects and established competitive advantages as compared with backyard farming, including but not limited to: (i) large-scale farming imports high performance breeding stocks and enhances female reproductive performance through further genetic improvement, as a result, the litter size is remarkably higher than the average level of the industry and production cost is reduced; (ii) large-scale farming generally has inhouse feed mills, and can reduce purchase cost by mass purchasing of feed ingredients and raw materials and improve feed conversion ratio through employing professional nutrition teams; (iii) the labor cost of large-scale farming is lower due to use of automatic facilities and high average labour productivity in barns; (iv) large-scale farming adopts enclosed pig raising and precisely controls temperature and humidity in barns, leading to stable production less affected by weather; and (v) large-scale farming has adequate capital to survive fluctuations.

Backyard farming continuously exits from the industry due to the increasing cost gap as compared with large-scale farming enterprises. It is expected that the proportion of national hog production volume of backyard farming will decrease to below 52% by the end of 2017 from 57% in 2015, representing a reduction of hog production capacity of 66.0 million heads in the recent three years. Moreover, the national hog stock has also been reduced due to the increasingly strict environmental protection requirements on backyard farms and scale enterprises. All of the abovementioned factors have generated huge development space for modern scale enterprises.

Transformation of Food Retail Pattern, and Rapid Development of Convenience Stores, Mid and High-end Fresh Food Stores and Fresh Food E-commerce Platforms

The consumption upgrading has led to the stagnant growth of traditional supermarkets and hypermarkets but robust growth of convenience stores, mid and high-end fresh food stores and e-commerce platforms. The information from China Chain Store & Franchise Association (CCFA) shows that in 2016 the industry of branded chain convenience stores increased by

13%, and the market scale amounted to over RMB130 billion. Specifically, rapid development has been seen in the chain convenience stores represented by 7-Eleven and LAWSON, and community convenience stores like NGS, JiaDeLi, DIA Tian Tian and Century Mart, which provide abundant fast food and beverage for customers and have gradually become people's backup kitchen. Mid and high-end fresh food stores represented by Yonghui Fresh Food and Hema Fresh Food also developed quickly, and so did fresh food e-commerce platforms represented by Benlai.com and Miss Fresh, the customers of which are increasing remarkably. Transformation of food retail pattern contributed to the growth of sales volume of suppliers of high quality meat products, putting forward higher requirements to upstream production enterprises on the product quality, food safety and supply chain system.

2. Results of Operation

Core Businesses Maintained at a High Growth Rate. Prior to Adjustments of Fair Value of the Group's Biological Assets, the Net Profit was RMB289 Million

In the first half of 2017, the Group's core businesses still maintained a high growth rate despite the price fall. The hog production volume and sales volume of fresh pork increased by 35.7% and 29.5% year-on-year, respectively. The Group recorded a revenue of RMB3,299 million, increasing by 10.4% year-on-year.

In the first half of 2017, the Group's net profit before the adjustments of fair value of biological assets was RMB289 million, decreasing by 38.2% year-on-year. Despite the uncontrollable fall of hog price, the segment results of fresh pork and processed meat products increased significantly year-on-year benefited from the Group's concentration on cost management and control, operation improvement as well as its enhanced brand promotion and channel expansion. The revenue of branded fresh pork business recorded a growth of 49.5% year-on-year.

Flattening Management Structure, Enjoying Financing Advantages, Leading to Decreasing Expenses

In the first half of 2017, the Group continued optimising its organisational structure and adopted flattening management structure. Meanwhile, the Group strictly controlled the size of staffing and formulated budget of total remuneration, contributing to the continuous decrease of administrative expenses. In the first half of 2017, the administrative expenses rate decreased by 0.5 percentage point year-on-year. Relying on COFCO Group and making use of the strengths on finance cost, the Group is granted with preferential terms like discount loans and lower benchmark interest rate, which have greatly facilitated the fast expansion of the Group.

Remarkable Strengths in Food Safety with a 100% Passing Rate for the Product Inspection

The Group has always focused on food safety and introduced advanced food safety management system in various aspects of supply chain. Currently, the Group's feed, breeding, slaughtering and meat products processing subsidiaries have been granted with certificates of quality and food safety management system like ISO9001, ISO22000 or HACCP (Hazard Analysis and Critical Control Points). Moreover, the fresh pork of Wuhan COFCO Meat Foods Co., Ltd. and COFCO Meat (Jiangsu) Co., Ltd. has been granted with certification of green food and pollution-free food, respectively.

In the first half of 2017, the Group further enlarged the volume of pigs supplied by own farms and improved its controlling capability on the source of supply chain. Meanwhile, the Group has formulated and implemented strict internal control standard of food safety, enhanced the management and control of production process and strictly controlled ex-factory inspection of products. In the first half of 2017, the Group achieved a 100% passing rate of more than 50 batches of inspections held by China Food and Drug Administration and other regulatory institutions.

Hog Production Business

In the first half of 2017, hog production business recorded a segment revenue of RMB1,627 million, increasing by 9.3% year-on-year. It also recorded a segment profit of RMB341 million, decreasing by 36.0% year-on-year. Significant increase of production volume and average finishing weight partly offset the adverse effects brought by the fall of hog price.

Fast growth of hog production volume and continuous increase of finishing weight

In the first half of 2017, the hog production volume of the Group reached 1,009 thousand heads, increasing by 35.7% year-on-year. The average finishing weight per head was 107.0 kg, increasing by 1.2 kg year-on-year. And the days to market (if calculated with the 100 kg standard) decreased to 168.3 days, decreasing by 2.4 days year-on-year.

Despite the increasingly strict requirements of environmental protection and land registration formalities in 2017, the Group launched hog production projects of Phase II of Guangshui in Hubei, Phase I of Zunhua in Hebei and Phase I of Yongcheng in Henan. And the hog production project of Jiangsu CM/Merit Agriculture Development Co., Ltd., a joint venture with Chainwin Agriculture and Animal Technology (Cayman Islands) LTD has been successfully put into operation, of which the shares held by the Group has been increased from 40% to 51% (being the Controlling Shareholder), and the production capacity of piglet increased by 350 thousand heads. As of June 30, 2017, our total hog production capacity amounted to 3,492 thousand heads.

Inhouse feed mills put into operation, and enable us to take full advantages of the raw materials procurement of COFCO Group, our substantial shareholder

In order to improve the feed self-sufficiency ratio and reduce the feed cost, the Group started to build feed mills around the production sites since 2015. The feed production capacity in Songyuan of Jilin, Chifeng of Inner Mongolia and Zhangbei of Hebei amounted to 540 thousand tons as of June 30, 2017, catering to the feed needs of annual output of 1,500 thousand hogs. And the feed mills in Jiangsu and Hubei are currently under construction. The feed self-sufficiency ratio of the Group keeps increasing in the first half of 2017.

Thanks to the advantages provided by COFCO Group for procurement of raw materials and the strategic cooperation of sharing the information and channels with fellow subsidiaries, the Group enjoyed preferential conditions like favourable fee quote, preferential supply and convenient logistics, which could reduce the purchase cost of feed ingredients and raw materials.

Fresh Pork Business

In the first half of 2017, fresh pork segment recorded a historic high of profit and scale growth. The sales volume increased by 29.5% year-on-year to 80 thousand tons, mainly contributed from the growth in sales volume of Eastern China; the segment revenue amounted to RMB1,382 million, increasing by 12.2% year-on-year; the segment profit amounted to RMB45 million, increasing by RMB47 million year-on-year; and the gross profit margin of the segment increased by 4.1 percentage points year-on-year, among which the gross profit margin of branded fresh pork business increased by 5.4 percentage points year-on-year.

Developing channels and customers leads to significant increase of sales volume and huge improvement of branded business

In the first half of 2017, thanks to vigorous development of channels and customers, the slaughtering capacity utilization rate of the Group increased by 7.4 percentage points year-on-year to 76.7% and the sales volume of fresh pork segment increased by 29.5% year-on-year, under which, the sales volume in Eastern China increased by 37.2% year-on-year. The increase in sales volume and slaughtering capacity utilization rate also led to the reduction of processing cost per head. In the first half of 2017, the processing cost per head of fresh pork segment decreased by 8.0% year-on-year; especially in the Eastern China factories, driven by the scale effect, the slaughtering capacity utilization rate increased to 69.3% from 58.9%, and the processing cost per head became lower than that in Central China factories.

In the first half of 2017, the revenue of branded fresh pork business amounted to RMB326 million, increasing by 49.5% year-on-year, under which, the revenue of branded fresh pork business in Eastern China increased by 89.7% year-on-year to RMB201 million. The revenue of branded fresh pork business accounted for 23.6% of the entire revenue of fresh pork business, increasing by 5.9 percentage points year-on-year.

Fine cutting maximizes the product premium

Based on the advanced factory equipments and diversified distribution channels, the Group spares no efforts in carrying out fine cutting and constantly optimizing product mix based on market feedbacks. We sell each type of product to its most profitable channel so as to maximize the value of each hog. Compared with traditional "butcher", factory based fine cutting has obvious superiority in order delivery speed and products standardization and order fulfill rate is relatively high, leading to a stable increase in market share.

With increased investment in on-line and off-line campaigns, the brand has been gaining higher awareness

In the first half of 2017, the Group made more efforts on on-line and off-line brand promotion activities. The brand awareness in Shanghai has increased to 23%, with purchase conversion rate increasing to 43%. The number of sales terminals (branded) in Eastern China increased by 13.0% year-on-year to 1,213, among which, the number of supermarkets and mid-to-high end fresh food stores increased from 166 for the same period in 2016 to 202, community convenience stores increased from 792 to 890, franchised stores and E-commerce platforms increased from 115 to 121. Sales volume of small-pack products in Eastern China increased by 53.7% to 1,948 thousand boxes.

The Company continually promoted the brand positioning of "five checkpoints for product safety and quality assurance from company owned farms" through on-line channels including TV news and the Orient CJ to deliver safety benefits to consumers, and further improved the brand awareness of Joycome by displaying the brand logo. By holding 74 community mini-shows in respect of the off-line channel, the brand information has been communicated to approximately 96,000 people. COFCO Meat (Jiangsu) Co., Ltd., the subsidiary of the Company, organized 54 on-site visits to hog farms and fresh pork processing plants in Dongtai of Jiangsu, which has attracted approximately 24,000 consumers to attend. The on-site visits fully demonstrated the Group's vertical integrated supply chain model winning consumers' recognition of the products' reliability and increasing consumer stickiness as a result.

Processed Meat Products Business

During the first half of 2017, the processed meat products business moved forward steadily and achieved a sales volume of 4.7 thousand tons, increasing by 2.1% year-on-year; segment revenue of RMB164 million, increasing by 2.9% year-on-year; and segment profit of RMB2.0 million, increasing by RMB3.2 million year-on-year.

Transforming channel structure with a focus on strategic channels including bakeries, food services and convenience stores

In recent years, new channels in first-tier cities of China including convenience stores and E-commerce thrived. The Group seized the development trend of the industries and stepped up the efforts in channel transformation. For supermarkets with poor performance, direct selling was shifted to distributor-based to improve profitability. We exploited the channels of convenience stores vigorously and have developed approximately 10,000 stores as of June 30, 2017. Meanwhile, we also focus on food service clients and medium to large scale bakeries, increasing the profit margin of food service channel by 5.6 percentage points year-on-year.

With the construction of new plant in Dongtai of Jiangsu, the capability to serve food service clients will be further improved

To better serve large Western food service clients, construction of the meat processing plant with a capacity of 10,000 tons in Dongtai, Jiangsu started successfully in 2017, and is expected to be officially committed to operation in early 2018. Upon operation, the new plant will focus on further processing of imported beef to offer products like seasoned steaks and patties to food service clients. So far the Company has developed various further processing new products with imported beef including seasoned steaks, which have been put into trial production in Wuhan plant and will be delivered to markets in the second half of 2017, as a preparation for the operation of the Dongtai new plant.

Intensive study of market demand, new products including cheese-filled sausage and chewy meat stick perform well

In the first half of 2017, processed meat products segment launched 38 stock keeping units (SKUs) to the market, achieving new products sales of 216 tons, or RMB5.8 million. "Cheese-filled sausage" is a new product launched by the team after researching in Japan market, and has high requirements on equipment, raw material quality and processing technology, making relatively high technical barrier. From its launch in March 2017, it has made a sales of over 215,000 packs in Southern China market and became top-10 best seller in many outlets. Chewy meat sticks series room temperature snack products have been further improved, reaching sales of over 150,000 packs in June 2017 and a sales growth of 159.7% for the first half of 2017, leading a new trend for snack products.

Meat Import Business

In the first half of 2017, considering the drop in domestic meat prices, the meat import segment continued its operation model transformation, combined trading with processing, strengthened risk control and stepped up beef products sales effort. For the first half of 2017, it has achieved sales volume of 40.3 thousand tons, decreasing by 16.3% year-on-year. It also achieved revenue of RMB865 million, decreasing by 4.4% year-on-year; and segment profit of RMB3.9 million, decreasing by 91.7% year-on-year.

Combining trading with processing and carrying out cooperation with key accounts on project basis

In the first half of 2017, the meat import segment continued to push forward trading-plus-processing business model, worked with our Wuhan plant on imported pork cutting business, and supplied products for COFCO's womai.com. The Group also worked with key accounts such as certain famous steak restaurant chain in China on project basis. By binding upstream suppliers, the Group introduced high value-added products such as premium beef and small original foreign packages for our clients, bringing more value to cooperation.

By working with the largest beef producer in the U.S., the Group successfully imported the first batch of U.S. beef

In April 2017, China and U.S. leaders jointly proffered "Hundred Days Plan" for China-U.S. economy cooperation during their meetings. The plan encompasses five parts including agricultural products trading, energy, financial services, investment and China-U.S. interactions as well as ten essential areas, in which importing U.S. beef is top on the agenda. As one of the largest meat importers and distributors in China, the Group has obtained the qualification for importing the first batch of U.S. beef due to its close business relationship with overseas well-known meat supplier and remarkable advantages in sourcing implementation, custom clearance efficiency and food safety.

In June 2017, the delegation of the Group arrived in the U.S. to verify the beef source information, and ensured that cattle farming standard, traceability system, manufacturing process and product quality are in line with China's requirements on imported products. On June 23, 2017, the Group successfully completed the import of the first batch of beef from the U.S. to China and the number of orders is currently increasing.

II. Financial Review

1. Overall Performance

During the first half of 2017, revenue of the Group from continuing operations was RMB3,299 million, representing a year-on-year increase of 10.4% as compared with RMB2,989 million for the same period in 2016. During the first half of 2017, the net profit of the Group was RMB226 million, representing a year-on-year decrease of 68.7% as compared with RMB722 million for the same period in 2016. Prior to the adjustments of fair value of biological assets, the net profit of the Group was RMB289 million, representing a year-on-year decrease of RMB179 million as compared with RMB468 million for the same period in 2016.

Revenue

During the first half of 2017, revenue of the Group from continuing operations was RMB3,299 million, representing a year-on-year increase of RMB310 million as compared with RMB2,989 million for the same period in 2016, mainly benefiting from the effective development of branded business channels and the rapid growth of overall sales volume. Meanwhile, hog production volume recorded a year-on-year increase of 35.7%, which jointly offset the effect from the year-on-year decrease of commodity pig price during the first half of 2017.

Gross Profit Margin

During the first half of 2017, the gross profit margin of continuing operations prior to adjustment of fair value decreased from 23.5% to 17.0%, mainly due to the effect of the year-on-year decrease of commodity pig price during the first half of 2017, which was offset in part by the increased space of overall gross profit of branded business including fresh pork and processed meat products.

Selling and Distribution Expenses and Administrative Expenses

During the first half of 2017, the total selling and distribution expenses and administrative expenses of the continuing operations amounted to RMB218 million, representing a slight increase year-on-year of 0.5% as compared with RMB217 million for the same period in 2016, mainly due to the increase of selling and distribution expenses resulting from energetically expanding of the market and deepening of the sales channels. Meanwhile, the strict control over daily costs resulted in a decrease of 7.3% in administrative expenses as compared with that for the same period in 2016.

Finance Costs

During the first half of 2017, the finance costs of continuing operations were RMB41 million, representing a year-on-year decrease of 30.3% as compared with RMB58 million for the same period in 2016, which was mainly because we raised funds (before deducting related listing expenses) of approximately RMB1,704 million in November 2016, and the Company was operating well with adequate operating cash flow during the first half of 2017, meanwhile, the Group implemented the centralised management of funds, promoted the efficiency of cash flow and repaid some bank loans in advance.

Other Income, Other Gains and Losses

During the first half of 2017, other income from continuing operations was RMB31 million, representing an increase of RMB15 million, mainly due to the increase of RMB10 million in government grants (including pig insurance indemnity).

Other gains and losses turned from gains of RMB29 million for the first half of 2016 to losses of RMB40 million for the same period in 2017, mainly because the volatility in the exchange rates caused exchange losses and losses of foreign exchange forward contract amounting to RMB36 million in total, while the insurance indemnity from the damaged inventory due to the explosion at Tianjin Port happening in August 2015 received and confirmed for the same period in 2016 amounted to RMB37 million.

Profit/Loss for the Period from Continuing Operations

For the reasons above, the Group recorded a profit of RMB289 million from the continuing operations of the Group prior to biological assets fair value adjustments during the first half of 2017, representing a decrease of RMB181 million as compared with RMB470 million for the same period in 2016.

Significant Investments, Acquisitions and Disposals of Subsidiaries

Save as disclosed in this results announcement, the Group has neither any other significant investments nor significant acquisitions and disposals of the relevant subsidiaries during the first half of 2017.

2. Analysis on Capital Resources

Liquidity and Financial Policy

By adhering to the steady financial policy, the Group was committed to expanding financing channels externally and strengthening financing capability construction, 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 Group regularly and closely examined the overall condition of cash and liabilities, and flexibly arranged financing plans based on finance costs and expiry conditions.

In order to allocate and utilise capitals more effectively, the Group entered into the financial services agreements and entrusted loans framework agreement through COFCO Finance Corporation Limited (the "**COFCO Finance**"). 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.

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

As at June 30, 2017, the cash and cash equivalents owned by the Group amounted to approximately RMB1,279 million (December 31, 2016: approximately RMB1,588 million). The decrease was primarily attributable to expenditures on construction of fixed assets, repayment of borrowings, etc.

As at June 30, 2017, the current ratio was 1.25 (December 31, 2016: 1.25), our unused bank credit facilities were RMB7,593 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.

For the six months ended June 30, 2017, the EBITDA (prior to biological assets fair value adjustments) of the Group's continuing operations was RMB484 million (corresponding period of 2016: RMB649 million). Net cash generated from our operating activities was RMB201 million (corresponding period of 2016: RMB651 million). The net cash used in our investment activities was RMB310 million (corresponding period of 2016: RMB264 million), including RMB395 million (corresponding period of 2016: RMB356 million) for (amongst others) the purchase of property, plant and equipment. The net cash used in our financing activities was RMB172 million (corresponding period of 2016: RMB89 million). In summary, our net losses in cash of RMB281 million during the first half of 2017 were mainly due to the purchase of property, plant and equipment, as well as the repayment of bank borrowings during the period.

Capital Structure

As at June 30, 2017, the total numbers of issued shares of the Company remained unchanged at 3,901,998,323 shares.

As at June 30, 2017, the Group had interest-bearing bank loans of approximately RMB2,102 million (December 31, 2016: approximately RMB2,586 million). The annual interest rate on bank loans ranged from 2.03% to 4.90% (December 31, 2016: from 1.33% to 5.15%). Most of the bank loans were based on floating interest rates.

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

Unit: RMB in million	**June 30, 2017**	December 31, 2016
Within one year	**1,282**	1,737
One to two years	**173**	195
Two to three years	**215**	0
Three to five years	**359**	593
More than five years	**73**	61
Total	**2,102**	2,586

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

Unit: RMB in million	**June 30, 2017**	December 31, 2016
Fixed-rate borrowings	**288**	300
Variable-rate borrowings	**1,814**	2,286
Total	**2,102**	2,586

As at June 30, 2017, the Group had approximately RMB428 million loans from related parties (December 31, 2016: approximately RMB87 million).

As at June 30, 2017, the Group had net assets of approximately RMB4,713 million (December 31, 2016: approximately RMB4,438 million). The net debts of the Group[1] amounted to approximately RMB1,251 million (December 31, 2016: approximately RMB1,085 million), while the net debt to equity ratio was approximately 26.5% (December 31, 2016: approximately 24.4%).

Contingent Liabilities and Pledge of Assets

As at June 30, 2017 and December 31, 2016, the Group had no significant contingent liabilities.

As at June 30, 2017 and December 31, 2016, the Group had no bank loans pledged with buildings, land use rights and time deposits of the Group as mortgages.

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.

1. The net debts of the Group referred to interest-bearing bank loans and loans from the related parties less cash and cash equivalents.

For the six months ended June 30, 2017, the Group's capital expenditure was RMB405 million (corresponding period of 2016: RMB364 million). The following table set forth the capital expenditure for the first half of 2017 indicated:

Unit: RMB in million	For the six months ended June 30, **2017**	2016
Payments for property, plant and equipment	**395**	356
Payment for prepayment for lease payments	**10**	8
Total	**405**	364

As of June 30, 2017, our demand for capital expenditure mainly came from the construction of hog farms in Hebei Province, Hubei Province and Jilin Province and feed mills in Hubei Province and Hebei Province.

Capital Commitment

The capital commitment of the Group is mainly related to the construction of hog farms and other production and ancillary facilities. For the six months ended June 30, 2017, the capital commitment of the Group is RMB452 million (December 31, 2016: RMB359 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. As at June 30, 2017, we owned 1,345 thousand live hogs, which included 1,209 thousand commodity pigs and 136 thousand breeding hogs in total, representing an increase of 14.9% as compared with 1,171 thousand heads as at December 31, 2016. The fair value of our biological assets was RMB1,517 million as at June 30, 2017 and RMB1,468 million as at December 31, 2016. 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 costs of sales, although the timing of these adjustments 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 in fair value of live hogs for that period less cost of sales; and (ii) changes in fair value less cost of sales of biological assets recognized in the previous period.

For the six months ended June 30, 2017 and the same period in 2016, such adjustments have increased our cost of sales by RMB553 million and RMB670 million, respectively. Additionally, during the first half of 2017, gains arising from fair value less costs to sell of agricultural products at the point of harvest and from changes in fair value less costs to sell of biological assets resulted in earnings of RMB41 million and RMB449 million, respectively (the same period of 2016: earnings of RMB284 million and RMB634 million, respectively). In general, net effect of biological assets fair value adjustment on profit was losses of RMB63 million during the six months ended June 30, 2017 and was gains of RMB248 million during the same period in 2016.

III. Human Resources

The continuing operations of the Group hired 5,682 employees as of June 30, 2017 (As of December 31, 2016: 5,161 employees). Remuneration for employees was determined according to job nature, personal performance and market trends. For the six months ended June 30, 2017, total remuneration of the Group amounted to approximately RMB261 million (corresponding period of 2016: RMB197 million).

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.

Share Incentive Scheme

To recognize and reward the contribution of certain employees to the Group, provide incentives to retain them to support the continued growth of the Group, and attract suitable personnel for further development, the Company adopted the former share incentive scheme on March 27, 2015 (the "**Former Share Incentive Scheme**") after the discussion between the board of COFCO Meat Investments Co., Ltd. and the then Shareholders.

The Company entered into an undertaking with Promise Meat Investment II Ltd, Baring Private Equity Asia V Holding (16) Limited, TLS Beta Pte. Ltd. and Shiny Joyful Limited (collectively referred to as the "**Former Covenantors**") on June 24, 2016 (the "**Former Undertaking**"), the content of which was related to the specific arrangements, such as the establishment of a trust to manage the options granted, completion of necessary approval and filings, and the transfer of shares.

In order to perform the agreement of the Former Undertaking and have MIY Corporation ("**MIY**") joined the New Share Incentive Scheme (as defined below), on March 27, 2017, upon unanimous negotiation with MIY and the Former Covenantors (collectively referred to as the "**New Covenantors**"), the Board convened a meeting, considered and approved the amendment of the Former Share Incentive Scheme and the related documents. After this amendment, MIY shall contribute shares representing 3% of its shareholding (that is, 0.4083% of the total shares issued by the Company) to the new share incentive scheme (the "**New Share Incentive Scheme**"), and the number of option shares granted to the employees under the New Share Incentive Scheme shall be adjusted accordingly. The exercise price shall be on the basis of RMB1.37 per share, after making the downward adjustment based on the assets arrangement by the New Covenantors for the poultry business already terminated by the Company, and subject to the amount per share decided by the Board from time to time according to the above-mentioned assets arrangement, however, on the premise that the exercise price after adjustment shall not be less than the Hong Kong dollar equivalent of RMB1.00 per share (the "**Exercise Price**").

On the same day, the Board has resolved to adjust Exercise Price from the Hong Kong dollars equivalent of RMB1.37 per share to the Hong Kong dollars equivalent of RMB1.18 per share. Such currency conversion shall be subject to the central parity of the benchmark exchange rate of Renminbi to Hong Kong dollars published by the People's Bank of China on the day (that is, March 27, 2017) when the Board determines the current effective Exercise Price. The Board also approved (i) the establishment of the trust for the New Share Incentive Scheme, with the Company as the settlor and Acheson Limited (a limited company incorporated in Hong Kong) as the trustee, and the entering into of a deed of trust with the trustee; (ii) the entering into of the Share Transfer Agreement on the Employees' Share Option Incentive Scheme (the "**Share Transfer Agreement**") and related appendixes with the New Covenantors; (iii) the entering into of the Revised Irrevocable Undertaking on the Employees' Share Option Incentive Scheme (the "**Irrevocable Undertaking**") and related appendixes with the New Covenantors; and (iv) other documents related to the New Share Incentive Scheme.

On March 27, 2017, the trust for the New Share Incentive Scheme has been officially set up pursuant to the deed of trust entered into between the Company and Acheson Limited.

On April 19, 2017, the Company entered into the Share Transfer Agreement, the Irrevocable Undertaking and other related documents with the New Covenantors. Pursuant to the Share Transfer Agreement and the Irrevocable Undertaking, the New Covenantors agreed to transfer 3% of their respective shareholdings in the Company to Acheson Limited for the New Share Incentive Scheme (the "**Share Transfer**"). The Share Transfer was formally completed on May 31, 2017.

The New Share Incentive Scheme does not involve the grant of the option to subscribe for any new shares and therefore is not required to be subject to the provisions in Chapter 17 of The Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited ("**Listing Rules**"). It does not cause any effect to the total number of shares outstanding and will not result in any dilution effect to the shares.

Save as disclosed above, there is no change in the information regarding the principal terms and details of participants of the New Share Incentive Scheme as compared with that disclosed in our 2016 annual report, please refer to "Share Incentive Scheme and its Amendments" under the section headed "Directors' Report" in the 2016 annual report of the Company for details.

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 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, in particular the prices of live hogs, have 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 value of our biological assets. Our biological assets include breeding hogs and commodity pigs. As of June 30, 2017, such changes added up to a decrease of RMB63 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, please refer to the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income under Financial Information of this announcement.

Currency Risks

The Group collects most of the revenue in RMB and pays 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 may expose us to exchange rate risks. A substantial portion of our cost of sales denominated in currencies other than RMB was related to our meat import business and was denominated in U.S. dollars. Exchange rate risks arise when commercial sales and purchases transactions or recognized assets or liabilities are denominated in currencies that are not our relevant subsidiaries' functional currencies. We are primarily exposed to exchange rate risks related to U.S. dollars and Hong Kong dollars, which is pegged with U.S. dollars.

The management of the Company paid attention to our prevention against exchange rate risks and have communicated timely on foreign exchange rates and forward prices with COFCO Finance and commercial banks with which we have business relationships. We entered into currency forward contracts to cover the majority of our exchange rate risks for our purchases in the meat import business, and reviewed the contracts and monitored risks on a monthly or semi-monthly basis according to the conditions of the foreign exchange market. In addition, we also fixed a foreign exchange rate in advance for the imported meat purchase price with our domestic customers according to market conditions. We also update our exchange rate risks 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 exchange rate risks), conduct a sensitivity analysis and stress test.

Credit Risks

Our credit risks arise from the carrying amount of our recognized financial assets in our consolidated statements of financial position. The Group's credit risks are 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 risks 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 risks.

V. The Outlook

In the first half of 2017, the Group's operations performed steadily. Looking forward, the Group will further improve vertical integration of the business to improve upstream and downstream matching, reinforce the stability of the Group's profitability, and create greater value for shareholders.

In the upstream business, the Group will expand hog production capacity and inhouse feed capacity in order, reinforce the investment in technology and continue to reduce the production cost. Meanwhile, the Group will also start contract farming with scaled farmers.

In the downstream business, the Group will continuously study the market demand, develop channels and customers, continue to enhance products premium, and promote the branded business to achieve a leapfrog growth.

As COFCO's 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 higher quality meat products to consumers.

China's pork industry currently witnesses opportunities and challenges. In the face of opportunities brought by industrial upgrading and challenges of environmental protection, land and talents, we firmly believe that through solid operation, the Group will create more impressive performance, establish a national renowned brand and become a role model in China's meat industry.

OTHER EVENTS

Interim Dividend

The Board did not recommend the declaration of an interim dividend for the six months ended June 30, 2017 (for the six months ended June 30, 2016: Nil).

Compliance with the Corporate Governance Code

The Board and the management of the Company are committed to achieving and maintaining high standards of corporate governance, which they consider to be essential to safeguard the integrity of the Group's operations and maintain investors' trust in the Company. The management of the Company also actively observes the latest corporate governance requirements in the PRC, Hong Kong and abroad. The Board considers that the Company has complied with the provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules for the six months ended June 30, 2017.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as a code of conduct regarding securities transactions by the directors of the Company (the "**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 for the six months ended June 30, 2017.

Purchase, Sell or Redeem the Listed Securities

The Company and any of its subsidiaries did not purchase, sell or redeem any of its listed securities for the six months ended June 30, 2017.

Subsequent Events

As of the date of this announcement, the Group has no significant subsequent events after June 30, 2017 which are required to be disclosed.

Review Interim Results

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended June 30, 2017. The Audit Committee is of the view that the interim report of the Group is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

The unaudited condensed consolidated interim financial statements of the Group for the six months ended June 30, 2017 have been reviewed by the auditors of the Company, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

Publication of Interim Report

The interim report of the Company will be published on the website of the Company (www.cofcomeat.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 Meat Holdings Limited
Zhang Nan
Joint Company Secretary

Hong Kong, August 28, 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.