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, 2019

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, 2019, together with the comparative figures for the corresponding period in 2018 as follows:

HIGHLIGHTS

Key Operating Data	**For the six months ended June 30,**		
	2019	2018	Change (%)
Hog production volume (unit: '000 heads) [1]	**1,451**	1,259	15.2%
Fresh pork sales volume (unit: '000 tons) [1]	**86**	91	-6.0%
Branded fresh pork revenue as % of total fresh pork revenue [2]	**31.3%**	30.1%	1.2 percentage points

Key Financial Data	**For the six months ended June 30, 2019**		2018	
	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*
Revenue[3]	**4,402,821**	**4,402,821**	3,264,056	3,264,056
Profit/Loss for the Period[4]	**-276,325**	**93,264**	10,788	-248,292
Profit/Loss attributable to the owners of the Company[5]		**142,257**		-243,157
Basic earnings/Loss per share[6]		**RMB0.0365**		RMB-0.0623

Notes:

1. The hog production volume of the Group increased by 15.2% year on year. Fresh pork sales volume decreased slightly due to the appropriate increase of pork reserves.

2. The ratio of branded fresh pork revenue from total fresh pork revenue increased by 1.2 percentage points year on year, benefiting from brand promotion and channel development.

3. Revenue amounted to RMB4,403 million, representing a year-on-year increase of 34.9%. The increase was mainly due to the rapid growth in sales volume of the meat import business and year-on-year increase in hog production volume.

4. Loss for the period before biological assets fair value adjustments amounted to RMB276 million. The decline was mainly due to low hog prices and the Company's expanding investment in biosecurity.

5. Profit attributable to the owners of the Company amounted to RMB142 million. The fair value of biological assets was adjusted based on hog prices as at the end of June 2019.

6. The basic earnings/loss per share represents the profit/loss attributable to the owners of the Company divided by the weighted average number of ordinary shares for the period.

   The Board does not recommend to declare interim dividend for the first half of 2019.

FINANCIAL INFORMATION

The following financial information is a summary of the unaudited condensed consolidated financial statements for the six months ended June 30, 2019 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, 2019

		Six months ended June 30,					
		2019			2018		
	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)
Revenue	*3*	**4,402,821**	**–**	**4,402,821**	3,264,056	–	3,264,056
Cost of sales		**(4,532,806)**	**(22,805)**	**(4,555,611)**	(3,114,806)	(117,087)	(3,231,893)
Gross (loss)/profit		**(129,985)**	**(22,805)**	**(152,790)**	149,250	(117,087)	32,163
Other income	*5*	**78,217**	**–**	**78,217**	47,527	–	47,527
Other gains and losses, net	*6*	**142,629**	**–**	**142,629**	97,507	–	97,507
Distribution and selling costs		**(158,724)**	**–**	**(158,724)**	(132,539)	–	(132,539)
Administrative expenses		**(120,963)**	**–**	**(120,963)**	(92,380)	–	(92,380)
Share of profit of joint ventures		**366**	**–**	**366**	61	–	61
Loss arising from agricultural produce at fair value less costs to sell at the point of harvest		**–**	**(7,526)**	**(7,526)**	–	(343,226)	(343,226)
Gain arising from changes in fair value less costs to sell of biological assets		**–**	**399,920**	**399,920**	–	201,233	201,233
Finance costs	*7*	**(84,312)**	**–**	**(84,312)**	(58,634)	–	(58,634)
Profit/(loss) before tax	*8*	**(272,772)**	**369,589**	**96,817**	10,792	(259,080)	(248,288)
Income tax expense	*9*	**(3,553)**	**–**	**(3,553)**	(4)	–	(4)
Profit/(loss) for the period		**(276,325)**	**369,589**	**93,264**	10,788	(259,080)	(248,292)

	NOTES	2019 Results before biological assets fair value adjustments RMB'000 (Unaudited)	2019 Biological assets fair value adjustments RMB'000 (Unaudited)	2019 Total RMB'000 (Unaudited)	2018 Results before biological assets fair value adjustments RMB'000 (Unaudited)	2018 Biological assets fair value adjustments RMB'000 (Unaudited)	2018 Total RMB'000 (Unaudited)
		Six months ended June 30,					
Other comprehensive income (expense), net of income tax:							
Items that will not be reclassified to profit or loss:							
Fair value gain/(loss) on equity instrument at fair value through other comprehensive income				**13,885**			(25,001)
Items that may be reclassified subsequently to profit or loss:							
Exchange differences arising on translation of foreign operation				**3,565**			5,712
Other comprehensive income (expense) for the period, net of income tax				**17,450**			(19,289)
Total comprehensive income/expense for the period				**110,714**			(267,581)
Profit/(loss) for the period attributable to:							
Owners of the Company				**142,257**			(243,157)
Non-controlling interests				**(48,993)**			(5,135)
				93,264			(248,292)
Total comprehensive income/expense attributable to:							
Owners of the Company				**159,707**			(262,446)
Non-controlling interests				**(48,993)**			(5,135)
				110,714			(267,581)
Earnings/(loss) per share:							
Basic	*10*			**RMB3.65 cents**			RMB(6.23) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2019

	NOTES	June 30, 2019 RMB'000 (Unaudited)	December 31, 2018 RMB'000 (Audited)
Non-current assets			
Goodwill		**100,609**	100,609
Property, plant and equipment		**6,214,487**	5,970,933
Right-of-use assets		**394,616**	–
Prepaid lease payments		**–**	207,562
Intangible assets		**2,630**	2,046
Investments in joint ventures		**8,830**	20,804
Equity instrument at fair value through other comprehensive income		**413,107**	399,222
Biological assets		**268,374**	468,294
Deposits paid for purchase of property, plant and equipment		**12,507**	6,052
Deferred tax assets		**472**	237
		7,415,632	7,175,759
Current assets			
Inventories		**1,301,879**	535,681
Biological assets		**723,059**	995,532
Trade receivables	*12*	**193,452**	155,567
Prepayments, deposits and other receivables		**249,992**	209,964
Amounts due from related companies	*13*	**12,553**	23,938
Pledged and restricted bank deposits		**47,566**	23,281
Cash and bank balances		**884,121**	1,140,035
		3,412,622	3,083,998

	NOTES	June 30, 2019 RMB'000 (Unaudited)	December 31, 2018 RMB'000 (Audited)
Current liabilities			
Trade and bills payables	*14*	**316,476**	500,687
Contract liabilities		**126,384**	137,092
Bank borrowings		**2,650,605**	2,057,045
Lease liabilities		**21,371**	–
Other payables, accruals and deposits received		**539,949**	563,268
Amounts due to related companies	*13*	**128,782**	61,480
Loans from related companies		**510,540**	475,540
Financial liabilities at fair value through profit or loss		**4,258**	2,170
Current tax liabilities		**1,633**	200
		4,299,998	3,797,482
Net current liabilities		**(887,376)**	(713,484)
Total assets less current liabilities		**6,528,256**	6,462,275
Non-current liabilities			
Bank borrowings		**1,242,101**	1,448,279
Loans from a related company		**90,594**	89,339
Deferred income		**155,306**	139,881
Lease liabilities		**144,979**	–
Deferred tax liabilities		**10,322**	10,536
		1,643,302	1,688,035
Net assets		**4,884,954**	4,774,240
Capital and reserves			
Share capital		**1,668,978**	1,668,978
Reserves		**3,166,473**	3,006,766
Equity attributable to the owners of the Company		**4,835,451**	4,675,744
Non-controlling interests		**49,503**	98,496
Total equity		**4,884,954**	4,774,240

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2019

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, 2019 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 with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2018.

These condensed 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. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2019 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after January 1, 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	*Leases*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("**HKAS 17**"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("**HKFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease payments change due to changes in market rice price, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after January 1, 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, January 1, 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions*, *Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for leases of land use right in the People's Republic of China was determined on a portfolio basis.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at January 1, 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 4.75% to 4.90%.

	Note	**At January 1, 2019** ***RMB'000***
Operating lease commitments disclosed as at December 31, 2018		**285,852**
Lease liabilities discounted at relevant incremental borrowing rates		**170,802**
Less: Recognition exemption – short-term leases		**2,864**
Lease liabilities as at January 1, 2019		**167,938**
Analysed as		
Current		**24,546**
Non-current		**143,392**
		167,938

The carrying amount of right-of-use assets as at January 1, 2019 comprises the following:

	Notes	**Right-of-use assets** *RMB'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		**167,938**
Reclassified from prepaid lease payments	*(a)*	**233,714**
		401,652
By class:		
Leasehold lands		**380,338**
Properties		**21,314**
		401,652

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at December 31, 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB26,152,000 and RMB207,562,000 respectively were reclassified to right-of-use assets.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at January 1, 2019. Line items that were not affected by the changes have not been included.

	Notes	**Carrying amounts previously reported at December 31, 2018** *RMB'000*	**Adjustments** *RMB'000*	**Carrying amounts under HKFRS 16 at January 1, 2019** *RMB'000*
Non-current Assets				
Prepaid lease payments	*(a)*	207,562	(207,562)	–
Right-of-use assets		–	401,652	401,652
Current Assets				
Prepaid lease payments	*(a)*	26,152	(26,152)	–
Current Liabilities				
Lease liabilities		–	24,546	24,546
Non-current liabilities				
Lease liabilities		–	143,392	143,392

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended June 30, 2019, movements in working capital have been computed based on opening statement of financial position as at January 1, 2019 as disclosed above.

2.2 Significant changes in significant judgements and key sources of estimation uncertainty

- Determination on lease term of contracts with renewal options

  The Group applies judgement to determine the lease term for lease contracts in which it is a lessee that include renewal option. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

3. REVENUE

Disaggregation of revenue

Segments	Hog production and sales *RMB'000* (unaudited)	Sales of fresh pork *RMB'000* (unaudited)	Sales of processed meat products *RMB'000* (unaudited)	Sales of imported meat products *RMB'000* (unaudited)	Total *RMB'000* (unaudited)
	For the six months ended June 30, 2019				
Types of goods					
Hogs	**1,113,587**	**–**	**–**	**–**	**1,113,587**
Fresh pork	**–**	**1,417,378**	**–**	**–**	**1,417,378**
Processed meat products	**–**	**–**	**192,255**	**–**	**192,255**
Imported meat products	**–**	**–**	**–**	**1,679,601**	**1,679,601**
Total	**1,113,587**	**1,417,378**	**192,255**	**1,679,601**	**4,402,821**
Timing of revenue recognition					
A point in time	**1,113,587**	**1,417,378**	**192,255**	**1,679,601**	**4,402,821**
Total	**1,113,587**	**1,417,378**	**192,255**	**1,679,601**	**4,402,821**

Segments	Hog production and sales *RMB'000* (unaudited)	Sales of fresh pork *RMB'000* (unaudited)	Sales of processed meat products *RMB'000* (unaudited)	Sales of imported meat products *RMB'000* (unaudited)	Total *RMB'000* (unaudited)
	For the six months ended June 30, 2018				
Types of goods					
Hogs	876,496	–	–	–	876,496
Fresh pork	–	1,274,364	–	–	1,274,364
Processed meat products	–	–	172,926	–	172,926
Imported meat products	–	–	–	940,270	940,270
Total	876,496	1,274,364	172,926	940,270	3,264,056
Timing of revenue recognition					
A point in time	876,496	1,274,364	172,926	940,270	3,264,056
Total	876,496	1,274,364	172,926	940,270	3,264,056

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 and sales
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 wholesale and retail sales of imported meat products

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 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, 2019							
Segment revenue							
External customers	**1,113,587**	**1,417,378**	**192,255**	**1,679,601**	**4,402,821**	**–**	**4,402,821**
Inter-segment sales	**702,053**	**26,026**	**3,877**	**14,775**	**746,731**	**(746,731)**	**–**
Segment revenue	**1,815,640**	**1,443,404**	**196,132**	**1,694,376**	**5,149,552**	**(746,731)**	**4,402,821**
Segment results	**(435,658)**	**52,591**	**2,464**	**36,525**	**(344,078)**	**–**	**(344,078)**
Unallocated corporate income							**175,026**
Unallocated corporate expenses							**(23,491)**
Share of gain of joint ventures							**366**
Fair value adjustments on biological assets							**369,589**
Finance costs							**(80,595)**
Group's profit before tax							**96,817**
Six months ended June 30, 2018							
Segment revenue							
External customers	876,496	1,274,364	172,926	940,270	3,264,056	–	3,264,056
Inter-segment sales	621,289	21,353	1,596	18,960	663,198	(663,198)	–
Segment revenue	1,497,785	1,295,717	174,522	959,230	3,927,254	(663,198)	3,264,056
Segment results	(102,886)	64,631	89,317	30,867	81,929	–	81,929
Unallocated corporate income							11,715
Unallocated corporate expenses							(24,279)
Share of gain of joint ventures							61
Fair value adjustments on biological assets							(259,080)
Finance costs							(58,634)
Group's loss before tax							(248,288)

Segment profit/(loss) represents the profit earned by/(loss from) each segment without allocation of corporate income and expenses including central administration costs and directors' emoluments, fair value adjustments on biological assets, share of profit/(loss) of joint ventures and certain 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 is as follows:

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income	**16,281**	11,987
–bank	**15,504**	11,178
–related companies	**777**	809
Government grants*	**61,936**	35,540
	78,217	47,527

* Government grants are mainly related to bio-safety disposal of died hogs and construction of hog farms. There are no unfulfilled conditions or contingencies relating to these grants.

Included in the above balances are government grants released from deferred income of RMB1,792,000 for the six months ended June 30, 2019 (six months ended June 30, 2018: RMB1,791,000.

6. OTHER GAINS AND LOSSES, NET

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

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Exchange gain(loss), net	**1,288**	(458)
(Loss) gain on disposal of property, plant and equipment*	**(131)**	66,461
Gain on disposal of prepaid lease payments, net*	**–**	21,054
Loss on disposal of a joint venture	**(3,536)**	–
Impairment of inventories	**(2,456)**	(222)
Impairment on trade receivables, net	**(19)**	(106)
(Impairment on)/reversal of impairment on other receivables, net	**(39)**	189
Impairment of property, plant and equipment	**(400)**	–
Gain from commodity future contracts	**160,394**	–
(Loss) gain from changes in fair value of foreign currency forward contracts	**(5,802)**	11,929
Others	**(6,670)**	(1,340)
	142,629	97,507

* During 2018, COFCO Maverick Food Products ("**Maverick**"), a subsidiary of the Group, has an aggregate gain of RMB88,050,000 for disposal of properties and prepaid lease payments for land use right due to relocation of Maverick's properties and production plants as requested by the local government. The local government compensated Maverick cash of RMB50,000,000 and a land use right and properties at market value of RMB54,431,000 which, in the opinion of the management of the Company, approximate to the fair value of the properties and prepaid lease payments for land use rights disposed.

7. FINANCE COSTS

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

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on:		
Bank borrowings	**77,159**	53,722
Loans from related companies	**15,866**	9,761
Lease liabilities from the third parties	**3,717**	–
Total borrowing costs	**96,742**	63,483
Less: borrowing costs capitalized in the cost of qualifying assets	**(12,430)**	(4,849)
	84,312	58,634

8. PROFIT (LOSS) BEFORE TAX

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

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of sales (represented the cost of inventories recognised as expenses during the period)	**4,532,806**	3,114,806
Gain on fair value changes in respect of biological assets	**22,805**	117,087
Total cost of sales	**4,555,611**	3,231,893
Depreciation of property, plant and equipment	**134,605**	120,442
Depreciation of right-of-use assets	**16,366**	–
Amortisation of prepaid lease payments	**–**	5,587
Amortisation of intangible assets	**441**	457
Total depreciation and amortisation	**151,412**	126,486
Less: capitalized in biological assets	**(104,837)**	(115,214)
	46,575	11,272

9. INCOME TAX EXPENSE

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

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
People's Republic of China ("**PRC**")		
– Enterprise Income Tax	**3,553**	4

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 six months ended June 30, 2019 (six months ended June 30, 2018: 25%).

Certain of the Company'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 2019 and 2018. 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 periods.

10. EARNINGS/(LOSS) PER SHARE

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

Earnings/(loss)

	Six months ended June 30,	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings/(loss) for the purpose of basic earnings(loss) per share earnings/(loss) for the period attributable to the owners of the Company	**142,257**	(243,157)

Number of shares

	Six months ended June 30,	
	2019	2018
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**3,901,998**	3,901,998

The calculation of the basic earnings/(loss) per share attributable to the owners of the Company is based on gain for the period attributable to the owners of the Company of RMB142,257,000 (loss for the six months ended June 30, 2018: RMB243,157,000). The denominators used are the same as those detailed above for basic earnings/(loss) per share.

Diluted earnings(loss) per share

No diluted earnings(loss) per share were presented for both period as there were no potential ordinary shares in issue for both periods.

11. DIVIDENDS

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

12. TRADE RECEIVABLES

	June 30, 2019 ***RMB'000*** **(Unaudited)**	December 31, 2018 *RMB'000* (Audited)
Trade receivables	**194,661**	156,763
Impairment loss	**(1,209)**	(1,196)
	193,452	155,567

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's trade receivables 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 trade receivables as at the end of the reporting period, based on the delivery date and net of impairment loss, is as follows:

	June 30, 2019 ***RMB'000*** **(Unaudited)**	December 31, 2018 *RMB'000* (Audited)
Within 3 months	**185,969**	153,127
3 to 6 months	**3,944**	2,111
6 months to 1 year	**3,246**	317
Over 1 year	**293**	12
	193,452	155,567

13. BALANCES WITH RELATED COMPANIES

Related companies include entities controlled by COFCO Corporation, a major shareholder of the Company.

Included in amounts due from related companies as at June 30, 2019 were receivables in trade nature of RMB10,889,000 (unaudited) (December 31, 2018: RMB12,861,000). 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, 2019	December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**10,781**	12,548
Over 3 months but less than 1 year	**9**	207
Over 1 year	**99**	106
	10,889	12,861

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

Included in amounts due to related companies as at June 30, 2019 were payables in trade nature of RMB99,181,000 (unaudited) (December 31, 2018: RMB40,431,000), which are unsecured, interest-free and repayable according to the relevant purchase contracts.

	June 30, 2019	December 31, 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**99,181**	40,285
Over 1 year but less than 2 years	**–**	146
	99,181	40,431

The remaining balances of amounts due to related companies mainly included interest payable in respect of loans from related companies.

14. TRADE AND BILLS PAYABLES

	June 30, 2019 ***RMB'000*** **(Unaudited)**	December 31, 2018 *RMB'000* (Audited)
Trade payables	**258,327**	424,477
Bills payable	**58,149**	76,210
	316,476	500,687

The trade payables are non-interest-bearing and are normally with credit periods ranging from 15 to 60 days. Bills payable 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 trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	June 30, 2019 ***RMB'000*** **(Unaudited)**	December 31, 2018 *RMB'000* (Audited)
Within 1 year	**245,150**	415,474
1 to 2 years	**8,319**	4,735
Over 2 years	**4,858**	4,268
	258,327	424,477

MANAGEMENT DISCUSSION AND ANALYSIS

Company Profile

Company Introduction

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

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

Business Segments Introduction

Hog Production

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

Fresh Pork

Fresh pork segment includes hog slaughtering and cutting, distribution and sale of fresh pork, and the main products are chilled pork. The Company owns two modern slaughtering and processing bases in Jiangsu and Hubei, and is building a new slaughtering and processing base in Hubei. The Company vigorously develops branded business, the "Joycome" brand covers the pork consumption market in major cities and areas such as Shanghai and the Yangtze River Delta, Beijing and Wuhan.

Processed Meat Products

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

Meat Import

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

Business Review

Market overview

With the intensive and complicated situation that African swine fever prevention and control have faced, the upgrading of meat industry is imperative

According to the report from the Ministry of Agriculture and Rural Affairs, a total of 143 cases of African swine fever in 32 provinces and regions in the country were reported with 1,160 thousand hogs culled as of July 3, 2019. Currently, the epidemic has polluted a sizable portion of the country and due to incoming and spreading channels of epidemic, while the research on countermeasure vaccine is still at its infancy, the containment of African swine fever is expected to be a long campaign.

At present, large-scale hog farms with annual production of over 10,000 heads in China represent only around 12% of the total output domestically. It is expected that the proportion of large-scale hog farming will increase rapidly due to the outbreak of African swine fever. The Chinese government has launched a series of preventive control requirements in the hog production, transportation, slaughtering and processing to encourage the development of large-scale enterprises. Based on Russia's experience starting with the first case of African swine fever back in 2007, the government had formulated measures for hog farms' biosecurity approvals and for the prohibition of slaughtering by backyard farms. Over more than ten years during the outbreak, backyard farms in Russia had exited the market rapidly and the capacity of large-scale enterprises has expanded significantly, with the output proportion of large-scale farming enterprises increasing from 32% in 2007 to 85% in 2018.

Hog production in continuous fall across the country with tightening hog supply in the latter half of the year and next year

In the first half of 2019, the supply of hogs and pork in the country was in a tight balance: the volume of hog production was 313 million heads, which was decreased by 6.2% year on year; pork output was 24.7 million tons, which was decreased by 5.5% year on year; the price of hog and pork moved upward in reverse of earlier downward trends since mid-March 2019.

Affected by mixing factors of African swine fever and hog cycle, domestic hog and sow stocks were at accelerated reduction rates for consecutive months: in July 2019, the volume of hog and sow stocks dropped to its lowest point in the recent decade, down by 32.2% and 31.9% year on year, respectively. It is expected that tightened supply of hogs will persist in the second half of this year and next year, which will support higher hog price.

Upgraded consumption patterns led to brand-oriented pork consumption

Driven by both consumption upgrades and African swine fever, consumers are paying more emphasis on food safety and branding. Consumers' demand for "eat high-quality and healthy meat" is particularly urgent. High-quality branded fresh pork will gain higher customer loyalty and brand premium under the trend of consumption upgrading.

Pork imports increased year on year in the first half of the year

In the first half of 2019, China's pork import volume was increased by 26.4% year on year to 819 thousand tons. In 2018, the tariff rate for pork imported from the United States was increased from 12% to 62% through two rounds of adjustments.

Results of operation

In the first half of 2019, facing complex external environment, the Company focused on disease prevention and control, brand building, and hog production volume continued to grow, while the branded business was in steady development.

In the first half of 2019, loss before the adjustment of the fair value of biological assets was RMB276 million, representing a decrease of RMB287 million as compared with RMB11 million for the same period in 2018. This was mainly attributed to a decrease of RMB333 million year on year in profits of the hog production segment. In terms of business segments: (1) loss of the hog production segment amounted to RMB436 million. Factors such as the spread of African swine fever led to low hog prices and the Company's expanding investment in biosecurity also served to impact the segment performance; (2) profits for fresh pork segment amounted to RMB53 million, and the ratio of revenue from branded business further increased; (3) profits for processed meat product segment amounted to RMB2.5 million, and the transformation of channels continued to progress; (4) profits for meat import segment amounted to RMB37 million, and the scale of import business saw significant increase.

Hog production business

Upgrading of cleaning, disinfection and drying facilities to fully resist African swine fever

The Company attaches great importance to the prevention and control of African swine fever, for this purpose the Company comprehensively upgraded its facilities and equipment: in respect of vehicles, new cleaning, disinfection and drying rooms are installed in the entrance of feed factories and guard houses for hog farms on top of existing cleaning and disinfection stations and hog transfer stations. All feed and hog vehicles are required to go through absolute washing, disinfections, drying and inspections before access. In respect of personnel, all personnel must strictly undergo off-site isolation before entering the site, and then can only be granted access to the production area after passing a second isolation in the farm living area. In respect of materials, the Company constructed regional transfer warehouses, in which all materials are required to be received, unpacked, fumigated in one go, and then to be delivered to the hog farm by dedicated vehicles, after which the materials are to undergo fumigation processes twice. In respect of feed mill, all materials are required to be inspected by batches before entering the feed mill. Vehicles delivering raw materials and finished feed shall enter and exit on separated routes; only dried corns were purchased and the use of pig-derived raw materials was banned; feed processing and granulation shall be conducted at 85°C, and ripening device is installed for finished product discharge.

Expeditiously putting new farms into operations and actively expanding production capacity

In the first half of 2019, the Company's hog production volume was 1,451 thousand heads, representing an increase of 15.2% year on year, and the average finishing weight was at 105.4 kg/head.

The Company accelerated its constructions and operations of new sites. By the end of June 2019, a total hog production capacity of 4,638 thousand heads was reached, representing an increase of 549 thousand heads compared with the beginning of the year. Sows were already in place at new farms. In the second half of the year, the sow population will continue to be expanded as planned to guarantee subsequent production.

Continued to increase the proportion of self-supplied feed, while keeping close attention to the feed ingredients market

In the first half of 2019, the Company's self-sufficiency rate of feed was further improved. The Company strengthened information sharing with COFCO Group's ingredients procurement team and established corn and soybean meal stock at low prices and used futures contracts to hedge feed ingredient prices, thereby reducing operating risks and production costs.

Fresh pork business

Strengthen the prevention and control of African swine fever, and strictly observe food quality and safety

The Company's slaughtering plants place strict attention on the prevention and control of African swine fever. The Company conducted internal and external supervision and review to improve its quality and safety management system and prepared emergency measures for containing African swine fever. Strict relevant measures were developed on the selection criteria of suppliers and pre-evaluation of hog sources during the epidemic, as well as disinfection of production facilities and post-production verification to ensure inspection of African swine fever on every hog. The Company's fresh pork and processed meat products have passed all batches of inspection by the government in the first half of 2019.

Brand promotion was strengthened, and the proportion of revenue from branded fresh pork business was constantly growing

In the first half of 2019, the Company raised its pork inventory to an appropriate degree, while the sales volume of fresh pork was at 86 thousand tons, representing a slight decrease of 6.0 % year on year, among the sales volume, branded fresh pork accounted for 19 thousand tons, which was basically stable year on year. Revenue from branded fresh pork business grew by 15.8 % to reach RMB451 million, and the ratio of branded fresh pork revenue from total fresh pork revenue was increased by 1.2 percentage points year on year to 31.3%.

Focusing on the theme of "Five Checkpoints•Aerospace Quality", the Company launched a series of school-based activities to promote knowledge on aerospace science, through which the "Joycome" brand can highlight values emphasizing on safety and high-quality, with continuous enhancement on brand awareness and reputation. A "Captain Pig of COFCO Joycome" IP-based marketing campaign was also launched to further capture the minds of consumers.

To improve production capacity to further cater to upstream production capacity

In the first half of 2019, the capacity utilization rate of fresh pork segment reached 91.9%, representing an increase of 7.6 percentage points year on year.

In order to comply with the gradual switch from an emphasis on "transporting hogs" to "transporting meat", the company accelerated its slaughtering capacity layout. In addition to the completion of the Huanggang, Hubei plant with an annual slaughtering capacity of 1 million heads in the second half of the year, a new plant with an annual 1 million slaughtering capacity is also in the pipeline for the northeast region, so as to continuously expand its slaughtering capacity layout in North China.

Explosive growth in sales of small-packed fresh pork contributes to upgrade in consumption

The Company worked hard to innovate small-packed super pork products, with a sales volume of 13,200 thousand boxes in the first half of 2019, representing an increase of 72.2% year on year, while the average daily sales exceeded 73 thousand boxes. The Company maintained in-depth cooperation with new retail channels, and its small-packed fresh pork products had entered 69 stores of a mid-to-high end fresh food enterprise across the country. The product features such as safe, fresh, convenient and finely cut were well-received by consumers.

Meat import business

Expand import procurement and sales volume to deal with tightening domestic meat supply

In the first half of 2019 and facing tightening domestic meat supply, the Company further developed its procurement system that covered all product categories and multiple countries and expanded the source of imports. In the first half of the year, the sales volume of the segment was 59 thousand tons, representing an increase of 42.5% year on year, of which sales volume of beef was 31 thousand tons, representing an increase of 129.1% year on year; revenue from the segment amounted to RMB1,694 million, representing an increase of 76.6% year on year.

Penetrate into the sales region and channel, resulting in a significant increase in beef business scale

Expansion of the scale of imported beef sales is the strategic focus of meat import business segment. Our meat import segment continued its penetration into the region and channel, with its beef-based (catering, corporate customers, and retail) business revenue increasing by 109.1% year on year. The sales volume of imported chilled beef and high-end grain-fed beef increased rapidly, and the loyalty of high-end retail and catering customers was further strengthened.

Financial Review

Overall Performance

In the first half of 2019, the revenue of the Group was RMB4,403 million, representing a year-on-year increase of 34.9% as compared with RMB3,264 million for the same period in 2018. Before biological assets fair value adjustments, the loss for the period of the Group was RMB276 million, representing a year-on-year decrease of RMB287 million as compared with the profit of RMB11 million for the same period in 2018.

Revenue

In the first half of 2019, the revenue of the Group was RMB4,403 million, representing an increase of RMB1,139 million as compared with RMB3,264 million for the same period last year, mainly due to the year-on-year increase of 42.5% in sales volume of the meat import business. Meanwhile, hog production volume recorded a year-on-year increase of 15.2% during the reporting period.

Gross Profit Margin

In the first half of 2019, the Group's gross profit margin before biological assets fair value adjustments decreased from 4.6% to -3.0%. The loss for the period was mainly due to factors such as low hog prices and the Company's expanding investment in biosecurity that have served to impact production performance.

Selling and Distribution/Administrative Expenses

In the first half of 2019, the total selling and distribution expenses and administrative expenses of the Group amounted to RMB280 million, representing a year-on-year increase of 24.4% as compared with RMB225 million for the same period last year, mainly due to the increase in refrigeration charges and freight costs incurred by the expansion of scale of the meat import business.

Finance Costs

In the first half of 2019, the Group's finance costs amounted to RMB84 million, representing a year-on-year increase of RMB25 million as compared with RMB59 million for the same period last year, mainly due to the expansion in scale of the meat import business in the current period, which in turn resulted in increased borrowings.

Other Income, Other Gains and Losses

In the first half of 2019, the Group's other income, other gains and losses amounted to a total gain of RMB221 million, representing a year-on-year increase of RMB76 million as compared with that of the same period in 2018, which mainly included gains from commodity future contracts of RMB160 million for the current period.

Profit/Loss for the Period

For the reasons above, the Group recorded a loss of RMB276 million before biological assets fair value adjustments during the reporting period, representing a decrease of RMB287 million as compared with a profit of RMB11 million for the same period last year.

Significant Investments, Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save as disclosed in this results announcement, the Group had neither other significant investments nor significant acquisitions and disposals of relevant subsidiaries, associates and joint ventures in the first half of 2019.

Analysis on Capital Resources

Liquidity and Financial Policy

Adhering to the steady financial policy, externally, the Group was committed to expanding financing channels and strengthening financing capability construction, as well as strengthening the cooperation with banks to obtain adequate credit facilities and ensure the capital liquidity. Internally, the Group implemented intensive management for surplus capital to improve the turnover efficiency for inventories and accounts receivables as well as the 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 agreements through COFCO Finance Corporation Limited ("**COFCO Finance**"). At the same time, the Group also used the capital pool in Mainland China, so as to be more effective in utilising cash, reducing average borrowing costs of the Group, and accelerating clearing services among the companies under the Group.

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

As at June 30, 2019, the cash and bank balances owned by the Group amounted to approximately RMB884 million (December 31, 2018: approximately RMB1,140 million).

As at June 30, 2019, our current ratio was 0.79 (December 31, 2018: 0.81). As at June 30, 2019, our unused bank credit facilities were RMB8,931 million.

EBITDA and Cash Flow

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

In the first half of 2019, the loss of the Group's EBITDA (before biological assets fair value adjustments) was RMB8 million (profit for the same period in 2018: RMB262 million). Net cash used in our operating activities was RMB159 million (used during the same period in 2018: RMB269 million). Net cash generated in our investment activities was RMB348 million (used during the same period in 2018: RMB913 million), including RMB397 million for the purchase of property, plant and equipment (same period in 2018: RMB388 million). Net cash generated from our financing activities was RMB330 million (generated during the same period in 2018: RMB704 million). Our time deposits over three months decreased by RMB769 million as compared with that in the beginning of the year. In summary, during the reporting period, our net decrease in cash and bank balances was RMB256 million.

Capital Structure

As at June 30, 2019, the total number of issued shares of the Company remained unchanged at 3,901,998,323 shares.

As at June 30, 2019, the Group had interest-bearing bank loans of approximately RMB3,893 million (December 31, 2018: approximately RMB3,505 million). The interest rate on bank loans ranged from 3.30% to 4.99% (December 31, 2018: from 2.14% to 4.99%). 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, 2019**	December 31, 2018
Within 1 year	**2,651**	2,057
1 to 2 years	**468**	335
3 to 5 years	**589**	920
Over 5 years	**185**	193
Total	**3,893**	3,505

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

Unit: RMB in million	**June 30, 2019**	December 31, 2018
Fixed-rate borrowings	**1,764**	756
Variable-rate borrowings	**2,129**	2,749
Total	**3,893**	3,505

As at June 30, 2019, the Group had loans from related parties of approximately RMB601 million (December 31, 2018: approximately RMB565 million).

As at June 30, 2019, the Group had net assets of approximately RMB4,885 million (December 31, 2018: approximately RMB4,774 million). Net debts of the Group[1] amounted to approximately RMB3,610 million (December 31, 2018: approximately RMB2,930 million), while the net debt to equity ratio was approximately 73.9% (December 31, 2018: approximately 61.4%).

Note:

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

Contingent Liabilities and Pledge of Assets

As at June 30, 2019 and December 31, 2018, the Group had no significant contingent liabilities and pledge of assets.

Capital Expenditure

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

In the first half of 2019, the Group's capital expenditure was RMB427 million (same period in 2018: RMB409 million). The following table sets forth our capital expenditure for the periods indicated:

	For the six months ended June 30,	
Unit: RMB in million	**2019**	2018
Payments for property, plant and equipment	**397**	388
Payments for prepaid lease payments	**–**	21
Payments for right-of-use assets	**29**	–
Payments for other intangible assets	**1**	0.1
Total	**427**	409

As of June 30, 2019, our demand for capital expenditure mainly came from the construction of hog farms in Jilin Province, Henan Province and Inner Mongolia Autonomous Region, as well as facilities of hog farms and slaughterhouses in Hubei Province.

Capital Commitment

Capital commitment of the Group is mainly related to the construction of hog farms and other production and ancillary facilities. As at June 30, 2019, the capital commitment of the Group was RMB566 million (December 31, 2018: RMB522 million).

Biological assets

Biological assets of the Group primarily consist of commodity pigs at different growth stages and breeding hogs used to give birth to animals in the future. The fair value of our biological assets was RMB991 million as at June 30, 2019 and RMB1,464 million as at December 31, 2018. Our results have been and are expected to be affected by changes in fair value of biological assets.

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

During the first half of 2019 and the same period in 2018, such adjustments have increased our cost of sales by RMB23 million and RMB117 million, respectively. Additionally, losses arising from fair value less cost of sales of agricultural products at the point of harvest amounted to RMB8 million (same period in 2018: losses of RMB343 million); gains arising from changes in fair value of biological assets less cost of sales amounted to RMB400 million (same period in 2018: gains of RMB201 million). In general, the net effect of adjustment in fair value of biological assets on profit was gains of RMB370 million during the current period and losses of RMB259 million during the same period in 2018.

Human Resources

The continuing operations of the Group hired 6,168 employees as of June 30, 2019 (December 31, 2018: 6,989 employees). Remuneration for employees was determined according to their job nature, personal performance and the market trends. For the six months ended June 30, 2019, total remuneration of the Group amounted to approximately RMB336 million (same period in 2018: RMB295 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.

Significant Risks and Uncertainties

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

Epidemic Risks

Epidemic risks are the major risks faced in the development of animal husbandry. The epidemic spreading in hog production mainly includes blue-ear disease, classical swine fever, porcine respiratory disease, porcine epidemic diarrhea, porcine pseudorabies, porcine circovirus, etc. From 2018 to the first half of 2019, African swine fever broke out throughout the country on a large scale and is likely to continue to spread in the second half of 2019. There are three types of risks caused by epidemics. First, the outbreak of epidemic diseases will lead to hog mortalities, which will directly cause a decrease in hog production and result in direct economic losses of the Company. Second, the epidemic diseases will put hog farms under considerable pressure and increase the amount of resources used by the Company in epidemic prevention. In addition, the epidemic will continuously affect the production in hog farms because the purification process reduces the production efficiency of the farms and increases the operating costs, resulting in reduced effectiveness. Third, the large-scale outbreak and spread of epidemic diseases may cause a panic among consumers and thus lower the total demand for related products. To solve epidemic risks, the Group has formulated regulations such as The Incentive Measures for Prevention and Control of Major Outbreak of Epidemic Diseases (《重大疫情防控激勵辦法》) and refined the contingency plan for major animal disease prevention and control to improve the level and capacity of biosecurity control as well as to comprehensively prevent and curb major animal diseases such as African swine fever.

Price Risks

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

Food Safety Risks

Food safety risks refer to risks of customer complaints, product recalls and other negative effects resulted from unqualified food quality and safety indicators due to deficient food security system, unsound risk identification and assessment mechanism and unfulfilled food safety control measures as well as early warning mechanism. To solve possible food safety risks, the Group has formulated standards for quality and safety system, such as, Provisions for the Food Safety Management of COFCO Meat, Standards for Meat Industry Chain of COFCO Group (Fascicule of Livestock Meat Chain Industry), Prohibition on Food Safety of COFCO Meat and Food Safety Responsibility System of COFCO Meat, established management mechanism, carried out quality and safety training and guidance, conducted regular supervision and inspection and evaluated and reviewed the results. All departments strictly comply with relevant standards and actively prevent food safety risks. To solve food safety risks, the Group has defined that the decisive department of risk management of food safety is the Quality and Safety Management Department, and has formulated the early warning indicators and bottom line indicators.

Safe Production Risks

Safe production risks refer to risks of safety accidents, interrupted operation or tarnished corporate reputation due to the lack of sound safety management system and preventive measures. The Group has formulated Measures for Administration of Production Safety Accidents of COFCO Meat and Comprehensive Emergency Plans for Production Safety Accidents of COFCO Meat to standardize management and implement accidents prevention. The Group has defined that the decisive department of risk management of safe production is the Quality and Safety Management Department, and has formulated the early warning indicators and bottom line indicators. The Quality and Safety Management Department organizes all grassroots enterprises to conduct all-round risk identification and to identify the safety risks in the enterprise production and operation; to evaluate and classify the identified risks and formulate corresponding management and control measures; to formulate special risk prevention and control measures for major risks; to organize all grassroots enterprises to perfect inspection system, organize regular safety inspection and confirm the effectiveness of risk management and control measures. The Company also conducts regular supervision and inspection to evaluate the operation of management system and risk management and control and promote the improvement and development of grassroots enterprises.

Environmental Protection Risks

Environmental protection risks refer to risks of property loss and bad influence on enterprise image due to environmental pollution resulted from unstable production, deficient environmental protection facilities and excessive emission of pollutants. To solve environmental protection risks, the Group has formulated Regulations of Administration on Energy Conservation and Emission Reduction of COFCO Meat, Energy Conservation and Emission Reduction Responsibility System of COFCO Meat and Emergency Plans for Environmental Pollution Accidents of COFCO Meat, which defined the requirements of environmental protection compliance and standardized the management of environmental pollution accidents to effectively carry out environmental protection risk prevention. The Group has defined that the decisive department of risk management of environmental protection risks is the Quality and Safety Management Department, and has formulated the early warning indicators and bottom line indicators. The Quality and Safety Management Department regularly carried out environmental inspection, systematically checked the environmental protection problems of each unit, followed up the implementation of rectifications to sort environmental compliance issues of each unit, organized all units to carry out compliance rectifications, and established environmental risk warning and monitoring system to detect and provide early warnings on environmental protection risks in a timely manner and to effectively implement the responsibility of environmental protection.

The Outlook

The outbreak of the African swine fever has had a significant impact on the industry, but has also brought market opportunities. In the second half of 2019, we will prepare ourselves in the following aspects:

Firstly, we will remain vigilant against and cautiously prevent the African swine fever and protect the lifeline of our farming system. On this basis, we will continue to speed up the development of our hog production capacity and expand the sow inventory, so as to seize the opportunities brought by the African swine fever.

Secondly, we will accelerate the construction of slaughtering facilities in North China, while vigorously carrying out the differentiated and branded operation of our fresh pork business, expanding cooperation with new retail channels, and converting high-quality hogs into high-premium pork products.

Thirdly, we will take advantage of the industrial link between the domestic and foreign businesses, actively expand the volume of import procurement and sales, in order to meet the shortfall in domestic meat supply and enhance the profit contribution from our import business.

OTHER EVENTS

Interim Dividend

The Board did not recommend the declaration or payment of an interim dividend for the six months ended June 30, 2019 (for the six months ended June 30, 2018: 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. In the opinion of the Board, the Company has complied with the provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the six months ended June 30, 2019.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as a code of conduct for securities transactions by the directors of the Company. The Company has made specific enquiries with each Director and each of them confirmed that he or she had complied with all required standards under the Model Code for the six months ended June 30, 2019.

Purchase, Sale or Redemption of the Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities for the six months ended June 30, 2019.

Subsequent Events

As of the date of this announcement, the Group has no material subsequent events after June 30, 2019 which are required to be disclosed.

Review of Interim Results

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended June 30, 2019. 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, 2019 have been reviewed by the auditor 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 Hong Kong Institute of Certified Public Accountants.

Publication of Interim Report

The interim report of the Company will be published on the website of the Company (www.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
Jiang Guojin
Chairman and executive Director

Hong Kong, August 27, 2019

As at the date of this announcement, the Board comprises Mr. Jiang Guojin as the chairman of the Board and the executive director, Mr. Xu Jianong as the executive director, Ms. Yang Hong, Mr. WOLHARDT Julian Juul, Dr. Cui Guiyong, Mr. Zhou Qi, Mr. Zhang Lei and Dr. Huang Juhui as non-executive directors, and Mr. Fu Tingmei, Mr. Li Michael Hankin, Mr. Lee Ted Tak Tai and Dr. Ju Jiandong as independent non-executive directors.