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中糧家佳康食品有限公司
COFCO Joycome Foods Limited

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

**INTERIM RESULTS ANNOUNCEMENT FOR THE
SIX MONTHS ENDED JUNE 30, 2021**

The board of directors (the “**Board**”) of COFCO Joycome Foods Limited (the “**Company**”, “**we**”, “**our**” or “**us**”) is pleased to announce the unaudited condensed consolidated results and financial position of the Company and its subsidiaries (the “**Group**”) for the six months ended June 30, 2021, together with the comparative figures for the corresponding period in 2020 as follows:

HIGHLIGHTS

Key Operating Data

	Six months ended June 30,		
	2021	2020 year-on-year	
Hog production volume (unit: '000 heads) ⁽¹⁾	1,672	801	108.7%
Average selling price of finishing hogs (RMB/kg) ⁽¹⁾	23.44	32.63	-28.2%
Fresh pork sales volume (unit: '000 tons) ⁽²⁾	65	51	26.8%
Branded small-packed fresh pork sales volume (unit: '000 boxes) ⁽²⁾	21,477	15,654	37.2%
Ratio of revenue from branded business of total fresh pork business ⁽³⁾	35.0%	40.7%	-5.7ppt
Meat import sales volume (unit: '000 tons) ⁽⁴⁾	75	175	-57.1%

Key Financial Data

	Six months ended June 30,			
	2021		2020	
	Before biological assets fair value adjustments RMB'000	After biological assets fair value adjustments RMB'000	Before biological assets fair value adjustments RMB'000	After biological assets fair value adjustments RMB'000
Revenue ⁽⁵⁾	7,502,854	7,502,854	9,168,271	9,168,271
Profit/Loss for the Period ⁽⁶⁾	1,561,360	-439,149	1,383,821	2,053,272
Profit/Loss attributable to the owners of the Company ⁽⁷⁾	1,574,919	-425,590	1,385,437	2,054,888
Basic earnings/loss per share ⁽⁸⁾	RMB0.4036	RMB-0.1091	RMB0.3550	RMB0.5266

Notes:

1. As a result of the recovery of national hog supply, the industry hog price continued to decline, and the average selling price of the Group's finishing hogs also recorded a year-on-year decrease in the first half of the year. However, the Group made every effort to ensure hog production, and the production volume in the first half of the year significantly increased by 108.7% year-on-year.
2. The Group increased the production capacity utilisation rate of its fresh pork factories and continued its brand promotion and channel development. Sales volume of fresh pork increased by 26.8% year-on-year, of which branded small-packed fresh pork sales volume increased by 37.2% year-on-year.
3. "Ratio of revenue from branded business of total fresh pork business" means the revenue from branded fresh pork business divided by total fresh pork revenue.
4. The Group strengthened market forecasts and increased the proportion of back-to-back lock orders. In the first half of the year, the meat import sales volume recorded a year-on-year decrease.
5. Revenue amounted to RMB7,503 million, representing a year-on-year decrease of 18.2%, which was mainly due to the year-on-year decrease of 58.0% in the revenue from the meat import business. In addition, hog production volume increased by 108.7%, leading to a year-on-year increase of 53.1% in segment revenue, and fresh pork and processed meat products also recorded a year-on-year increase in revenue.
6. Profit for the period before biological assets fair value adjustments amounted to RMB1,561 million, representing a year-on-year increase of 12.8%. In particular, in the face of various challenges such as descending hog price and rising price of feed raw materials, hog production segment took different measures to control hog production costs, contributing profits for the Company.
7. Profit attributable to the owners of the Company before biological assets fair value adjustments amounted to RMB1,575 million. The biological assets fair value was adjusted based on the hog price at the end of June 2021. The number of our live hogs increased as compared to that as of December 31, 2020, while the hog price decreased.
8. 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 the declaration of an interim dividend for the six months ended June 30, 2021.

FINANCIAL INFORMATION

The following financial information is a summary of the unaudited condensed consolidated financial statements for the six months ended June 30, 2021 of the Group, which have been reviewed by Baker Tilly Hong Kong Limited, the independent auditor of the Company, and the audit committee of the Board (the “**Audit Committee**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2021

(Expressed in Renminbi)

		Six months ended June 30,					
		2021			2020		
NOTES		Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	3	7,502,854	–	7,502,854	9,168,271	–	9,168,271
Cost of sales		(5,548,556)	(1,838,454)	(7,387,010)	(7,059,542)	(1,876,102)	(8,935,644)
Gross profit		1,954,298	(1,838,454)	115,844	2,108,729	(1,876,102)	232,627
Other income	5	103,536	–	103,536	93,851	–	93,851
Other gains and losses, net	6	(30,093)	–	(30,093)	(360,455)	–	(360,455)
Distribution and selling costs		(180,784)	–	(180,784)	(244,472)	–	(244,472)
Administrative expenses		(141,183)	–	(141,183)	(120,881)	–	(120,881)
(Loss)/gain arising from agricultural produce at fair value less costs to sell at the point of harvest		–	(454,852)	(454,852)	–	696,954	696,954
Gain arising from changes in fair value less costs to sell of biological assets		–	292,797	292,797	–	1,848,599	1,848,599
Finance costs	7	(52,325)	–	(52,325)	(128,901)	–	(128,901)
(Loss)/profit before tax	8	1,653,449	(2,000,509)	(347,060)	1,347,871	669,451	2,017,322
Income tax (expense)/credit	9	(92,089)	–	(92,089)	35,950	–	35,950
(Loss)/profit for the period		1,561,360	(2,000,509)	(439,149)	1,383,821	669,451	2,053,272

Six months ended June 30,						
2021			2020			
NOTES	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Other comprehensive income/(expense), net of income tax:						
<i>Item that will not be reclassified to profit or loss:</i>						
Fair value gain/(loss) on equity instrument at fair value through other comprehensive income			103,466			(64,885)
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Exchange differences arising on translation of foreign operation			(5,114)			1,831
Other comprehensive income/(expense) for the period, net of income tax			98,352			(63,054)
Total comprehensive (expense)/income for the period			(340,797)			1,990,218
(Loss)/profit for the period attributable to:						
Owners of the Company			(425,590)			2,054,888
Non-controlling interests			(13,559)			(1,616)
			(439,149)			2,053,272
Total comprehensive (expense)/income attributable to:						
Owners of the Company			(327,238)			1,991,834
Non-controlling interests			(13,559)			(1,616)
			(340,797)			1,990,218
(Loss)/earnings per share:						
Basic	10		RMB(10.91) cents			RMB52.66 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2021

(Expressed in Renminbi)

		June 30, 2021 <i>RMB'000</i> (Unaudited)	December 31, 2020 <i>RMB'000</i> (Audited)
	<i>NOTES</i>		
Non-current assets			
Goodwill		100,609	100,609
Property, plant and equipment		8,295,059	7,908,173
Right-of-use assets		618,617	607,045
Intangible assets		7,847	8,727
Equity instrument at fair value through other comprehensive income (“FVTOCI”)		235,587	132,121
Biological assets		553,955	961,031
Prepayments for purchase of property, plant and equipment		94,108	66,418
Deferred tax assets		45,322	134,399
Other prepayments		30,003	3,021
		<u>9,981,107</u>	<u>9,921,544</u>
Current assets			
Inventories		1,622,887	2,324,522
Biological assets		1,792,629	3,164,491
Account receivables	12	296,846	658,644
Prepayments, deposits and other receivables		791,559	446,419
Other current assets		1,859,611	3,486,117
Financial assets at fair value through profit or loss		289,421	—
Amounts due from related companies	13	631,057	131,952
Pledged and restricted bank deposits		5,326	11,657
Cash and bank balances		707,273	416,650
		<u>7,996,609</u>	<u>10,640,452</u>

		June 30, 2021	December 31, 2020
	<i>NOTES</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
Current liabilities			
Account and bills payables	14	504,592	507,665
Other payables, accruals and deposits received		1,702,048	962,770
Lease liabilities		20,515	13,709
Contract liabilities		298,580	408,146
Bank borrowings		5,403,511	8,134,165
Amounts due to related companies	13	125,503	97,923
Loans from related companies		402,500	2,500
Financial liabilities at fair value through profit or loss		554	4,889
Current tax liabilities		190	994
		<u>8,457,993</u>	<u>10,132,761</u>
Net current (liabilities)/assets		<u>(461,384)</u>	<u>507,691</u>
Total assets less current liabilities		<u>9,519,723</u>	<u>10,429,235</u>
Non-current liabilities			
Bank borrowings		158,982	171,710
Loans from a related company		95,903	94,523
Deferred income		142,208	147,662
Deferred tax liabilities		31,232	31,446
Long-term payable		206,520	86,520
Lease liabilities		312,231	315,094
		<u>947,076</u>	<u>846,955</u>
Net assets		<u><u>8,572,647</u></u>	<u><u>9,582,280</u></u>
Capital and reserves			
Share capital		1,668,978	1,668,978
Reserves		<u>6,744,221</u>	<u>7,740,295</u>
Equity attributable to the owners of the Company		8,413,199	9,409,273
Non-controlling interests		<u>159,448</u>	<u>173,007</u>
Total equity		<u><u>8,572,647</u></u>	<u><u>9,582,280</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2021

(Expressed in Renminbi)

1 BASIS OF PREPARATION AND PRESENTATION

The unaudited condensed consolidated financial statements of COFCO Joycome Foods Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended June 30, 2021 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended December 31, 2020.

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.

(a) Going concern assessment

The directors of the Company have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

2 PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of 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, 2021 are the same as those presented in the Group’s annual financial statements for the year ended December 31, 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after January 1, 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform-Phase 2</i>

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

3 REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

Segments	For the six months ended June 30, 2021				
	Hog production and sales <i>RMB'000</i> (unaudited)	Sales of fresh pork <i>RMB'000</i> (unaudited)	Sales of processed meat products <i>RMB'000</i> (unaudited)	Sales of imported meat products <i>RMB'000</i> (unaudited)	Total <i>RMB'000</i> (unaudited)
Types of goods					
Hogs	3,374,257	–	–	–	3,374,257
Fresh pork	–	1,830,013	–	–	1,830,013
Processed meat products	–	–	377,580	–	377,580
Imported meat products	–	–	–	1,921,004	1,921,004
Total	3,374,257	1,830,013	377,580	1,921,004	7,502,854
Timing of revenue recognition					
A point in time	3,374,257	1,830,013	377,580	1,921,004	7,502,854

Segments	For the six months ended June 30, 2020				
	Hog production and sales <i>RMB'000</i> (unaudited)	Sales of fresh pork <i>RMB'000</i> (unaudited)	Sales of processed meat products <i>RMB'000</i> (unaudited)	Sales of imported meat products <i>RMB'000</i> (unaudited)	Total <i>RMB'000</i> (unaudited)
Types of goods					
Hogs	2,369,726	–	–	–	2,369,726
Fresh pork	–	1,737,896	–	–	1,737,896
Processed meat products	–	–	306,133	–	306,133
Imported meat products	–	–	–	4,754,516	4,754,516
Total	2,369,726	1,737,896	306,133	4,754,516	9,168,271
Timing of revenue recognition					
A point in time	2,369,726	1,737,896	306,133	4,754,516	9,168,271

4 SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. Specifically, the Group has four reportable operating segments under HKFRS 8 as follows:

4 SEGMENT INFORMATION (CONTINUED)

Hog production segment	represents hog breeding and sales of hogs
Fresh pork segment	represents slaughtering, wholesale and retail sales of fresh and frozen meats
Processed meat products segment	represents manufacture, wholesale and retail sales of processed meat products
Meat import segment	represents sales of imported meat products

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 <i>RMB'000</i> (unaudited)	Fresh pork <i>RMB'000</i> (unaudited)	Processed meat products <i>RMB'000</i> (unaudited)	Meat import <i>RMB'000</i> (unaudited)	Segment total <i>RMB'000</i> (unaudited)	Inter- segment elimination <i>RMB'000</i> (unaudited)	Total <i>RMB'000</i> (unaudited)
Six months ended June 30, 2021							
Segment revenue							
External customers	3,374,257	1,830,013	377,580	1,921,004	7,502,854	–	7,502,854
Inter-segment sales	851,809	10,916	1,647	117,584	981,956	(981,956)	–
Segment revenue	<u>4,226,066</u>	<u>1,840,929</u>	<u>379,227</u>	<u>2,038,588</u>	<u>8,484,810</u>	<u>(981,956)</u>	<u>7,502,854</u>
Segment results	<u>1,595,769</u>	<u>(9,268)</u>	<u>13,024</u>	<u>132,064</u>	<u>1,731,589</u>		1,731,589
Unallocated corporate income							9,531
Unallocated corporate expenses							(35,346)
Fair value adjustments on biological assets							(2,000,509)
Finance costs							<u>(52,325)</u>
Group's loss before tax							<u>(347,060)</u>
Six months ended June 30, 2020							
Segment revenue							
External customers	2,369,726	1,737,896	306,133	4,754,516	9,168,271	–	9,168,271
Inter-segment sales	390,520	21,506	476	95,919	508,421	(508,421)	–
Segment revenue	<u>2,760,246</u>	<u>1,759,402</u>	<u>306,609</u>	<u>4,850,435</u>	<u>9,676,692</u>	<u>(508,421)</u>	<u>9,168,271</u>
Segment results	<u>1,761,402</u>	<u>(63,783)</u>	<u>(44,134)</u>	<u>(100,378)</u>	<u>1,553,107</u>		1,553,107
Unallocated corporate income							19,755
Unallocated corporate expenses							(96,090)
Fair value adjustments on biological assets							669,451
Finance costs							<u>(128,901)</u>
Group's profit before tax							<u>2,017,322</u>

4 SEGMENT INFORMATION (CONTINUED)

Segment revenue and segment results (continued)

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

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

5 OTHER INCOME

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

	Six months ended June 30,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest income from banks	1,997	1,057
Interest income from a related company	4,224	3,147
	<hr/>	<hr/>
Interest income	6,221	4,204
	<hr/>	<hr/>
Promotion service income	–	5,803
Dividend income from equity instrument at FVTOCI	–	42,000
Government grants*	97,315	41,844
	<hr/>	<hr/>
	103,536	93,851
	<hr/>	<hr/>

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

Government grants related to acquisition of lands use rights and acquisition/construction of property, plant and equipment projects are included in deferred income and are credited to profit or loss on a systematic basis over the useful lives of the related assets. Included in the above balances are government grants released from deferred income of RMB5,454,000 for the six months ended June 30, 2021 (six months ended June 30, 2020: RMB1,361,000).

6 OTHER GAINS AND LOSSES, NET

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

	Six months ended June 30,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Exchange gain/(loss), net	5,197	(3,713)
Loss on disposal of property, plant and equipment	(4,038)	(578)
Write-down of inventories	(35,947)	(260,271)
Impairment on trade receivables, net	(213)	(144)
Reversal of impairment on other receivables, net	7	21
Realised and unrealised gain/(loss) on fair value changes in respect of commodity future, net	9,463	(98,579)
Realised and unrealised (loss)/gain on fair value changes in respect of foreign currency forward contracts, net	(4,192)	16,969
Others	(370)	(14,160)
	<u>(30,093)</u>	<u>(360,455)</u>

7 FINANCE COSTS

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

	Six months ended June 30,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on:		
– Bank borrowings	44,769	121,970
– Loans from related companies	3,867	8,250
– Lease liabilities from the third parties	7,538	7,608
– Long-term payable	2,716	–
	<u>58,890</u>	<u>137,828</u>
– Total borrowing costs		
	<u>(6,565)</u>	<u>(8,927)</u>
Less: borrowing costs capitalised in the cost of qualifying assets		
	<u>52,325</u>	<u>128,901</u>

8 (LOSS)/PROFIT BEFORE TAX

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

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories recognised as expenses	5,548,556	7,059,542
Gain on fair value changes in respect of biological assets	1,838,454	1,876,102
	<u>7,387,010</u>	<u>8,935,644</u>
Total cost of sales		
Depreciation of property, plant and equipment	200,866	164,622
Depreciation of right-of-use assets	19,107	17,322
Amortisation of intangible assets	880	525
	<u>220,853</u>	<u>182,469</u>
Total depreciation and amortisation		
Less: capitalised in biological assets	(156,228)	(151,967)
	<u>64,625</u>	<u>30,502</u>

9 INCOME TAX EXPENSE/(CREDIT)

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

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
People's Republic of China ("PRC")		
– Enterprise Income Tax	3,226	13,092
Deferred tax:		
– Current period	88,863	(49,042)
	<u>92,089</u>	<u>(35,950)</u>
Income tax expense/(credit)		

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, 2021 (six months ended June 30, 2020: 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 2021 and 2020. 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 (LOSS)/EARNINGS PER SHARE

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

(Loss)/earnings

	Six months ended June 30,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
(Loss)/earnings for the purpose of basic (loss)/earnings per share (loss)/profit for the period attributable to the owners of the Company	<u>(425,590)</u>	<u>2,054,888</u>

Number of shares

	Six months ended June 30,	
	2021	2020
	'000	'000
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<u>3,901,998</u>	<u>3,901,998</u>

Diluted (loss)/earnings per share

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

11 DIVIDEND

During the six months ended June 30, 2021, a final dividend of Hong Kong Dollar (“HKD”) 0.206 (equivalent to RMB0.1714) per share, totalling of HKD803,812,000 (equivalent to RMB668,836,000) was declared and approved to shareholders in respect of the year ended December 31, 2020, by the Company (During the six months ended June 30, 2020, a final dividend of HKD0.048 (equivalent to RMB0.044) per share, totalling of HKD187,296,000 (equivalent to RMB171,750,000) was declared and approved to shareholders in respect of the year ended December 31, 2019 by the Company). The dividend was subsequently paid in July 2021.

The board of directors of the Company does not recommend an interim dividend for the six months ended June 30, 2021 (six months ended June 30, 2020: an interim dividend HKD0.1180 per share).

12 ACCOUNT RECEIVABLES

	June 30, 2021	December 31, 2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Account receivables from contracts with customers	297,439	659,024
Less: Allowance for credit losses	<u>(593)</u>	<u>(380)</u>
	<u>296,846</u>	<u>658,644</u>

12 ACCOUNT RECEIVABLES (CONTINUED)

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

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Within 3 months	173,236	233,570
3 to 6 months	1,585	1,755
6 months to 1 year	53	423,051
Over 1 year	121,972	268
	296,846	658,644

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, 2021 were receivables in trade nature of RMB9,246,000 (December 31, 2020: RMB28,442,000). 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, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Within 3 months	1,552	18,207
Over 3 months but less than 1 year	7,595	10,235
Over 1 year	99	—
	9,246	28,442

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

Included in amounts due to related companies as at June 30, 2021 were payables in trade nature of RMB123,436,000 (December 31, 2020: RMB47,276,000), which are unsecured, interest-free and repayable according to the relevant purchase contracts. An aged analysis of these payables at the end of the reporting period, based on the invoice dates, is as follows:

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Within 1 year	123,427	45,258
Over 1 year but less than 2 years	9	2,018
	123,436	47,276

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

14 ACCOUNT AND BILLS PAYABLES

	June 30, 2021 <i>RMB'000</i> (Unaudited)	December 31, 2020 <i>RMB'000</i> (Audited)
Account payables	490,039	507,665
Bills payable	14,553	—
	<u>504,592</u>	<u>507,665</u>

The account 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.

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

	June 30, 2021 <i>RMB'000</i> (Unaudited)	December 31, 2020 <i>RMB'000</i> (Audited)
Within 1 year	474,654	484,278
1 to 2 years	5,912	18,901
Over 2 years	9,473	4,486
	<u>490,039</u>	<u>507,665</u>

MANAGEMENT DISCUSSION AND ANALYSIS

I. 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 on November 1, 2016 (stock code: 1610).

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

Segments Introduction

Hog Production

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

Fresh Pork

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

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

II. Market Overview

Hog production across the country continues to recover, and hog stocks were close to pre-epidemic levels

According to the data from the National Bureau of Statistics, in the first half of 2021, hog production in China amounted to 337 million heads, representing a year-on-year increase of 34.4%; pork output amounted to 27.15 million tons, representing a year-on-year increase of 35.9%. As of the end of June, hog stocks amounted to 439 million heads, representing a year-on-year increase of 29.2%, among which, sow stocks amounted to 45.64 million heads, representing a year-on-year increase of 25.7%, which were close to the pre-epidemic levels.

Due to the continuous recovery of hog production, hog price kept falling after the Spring Festival. As of the end of June 2021, hog price averaged RMB12.7/kg in 22 provinces in China, representing a decrease of 64.0% compared with the beginning of the year.

Normalization of the African swine fever facilitates industry transformation and upgrading, raising the threshold for hog production

In the first half of 2021, the African swine fever epidemic remained volatile in some regions across the country. In light of the prevailing epidemic situation, higher requirements have been placed on hog producers' competence in epidemic prevention and control, further raising the industry entry barrier.

New retail boosts consumption upgrading, with branded small-packed fresh pork products outstands the traditional markets

Against the background of normalization of the COVID-19 epidemic, food safety, quality and convenience have been increasingly emphasized. The rise of new retail channels and changes in post-epidemic demand of consumers have further led to the upgrading of household consumption. Branded small-packed fresh pork products featuring safety, freshness and convenience have gained higher brand premium and loyalty.

Meat imports recorded a year-on-year increase

In the first half of 2021, China's pork imports (excluding by-products) amounted to 2,300 thousand tons, representing a year-on-year increase of 8.5% and accounting for approximately 8.5% of domestic pork production, while beef imports (excluding by-products) amounted to 1,130 thousand tons, representing a year-on-year increase of 13.7% and accounting for approximately 38.8% of domestic beef production.

III. Results of Operation

In the first half of 2021, by virtue of strict prevention and control of two epidemics, all business segments of the Company remained stable. The hog production segment reached rising efficiency and higher hog production volume, contributing profits for the Company. The fresh pork segment improved overall production capacity utilization, and branded business continued to grow. The processed meat products segment further solidified its product positioning and expanded sales channels in catering industry. The meat import segment managed to strengthen risk control, reduce inventory and ensure customer service.

During the reporting period, the Company achieved a net profit of RMB1,561 million before biological assets fair value adjustments, representing a year-on-year increase of 12.8%.

Hog production business

Production volume rebounding year-on-year with segment performance of RMB1,596 million

In the first half of 2021, the Company's hog production volume was 1,672 thousand heads, representing a year-on-year increase of 108.7%, and the average finishing weight was 115.7 kg/head. The hog production segment recorded segment performance of RMB1,596 million for the first half of the year.

Adopting various measures to control production cost in response to changes in market conditions

The Company succeeded in maintaining satisfactory production volume and quality of hogs. The average price of finishing hogs in the first half of the year was RMB23.44/kg. In the face of various challenges such as descending hog price and rising price of feed raw materials, the Company took different measures to control production cost: in feeding practice, alternative raw materials and other solutions were adopted to counter rising costs; in breeding practice, inefficient sows were eliminated to optimize breeding sow structure and performance; in regards of hardware investment, hardware facilities were generally upgraded to prevent and control disease occurrence as well as improve production environment; with respect to production management, standardized operation procedures were implemented, refined batch production management were carried out and the sharing of hog production experience were facilitated; and with respect to performance assessment and incentives, the Company continued to offer precise incentives to production staffs to motivate their enthusiasms and responsibilities.

Capacity expansion and breeding stock introduction well in progress

By the end of June 2021, total hog production capacity reached 6,021 thousand heads, and the number of breeding and replacement hogs (including breeding boars) was 330 thousand heads, reaching the designed production capacity. The Company continued to expand the nucleus herds and newly imported over 1,500 heads of Danish nucleus herds in April 2021 to support capacity expansion with high-quality breeding stocks.

Fresh pork business

Speeding up the construction of production capacity in support of the branded fresh pork business layout

The Company accelerated the building of slaughtering capacity. The slaughter facilities each with a capacity of 1 million heads were under construction in Songyuan, Jilin and Chifeng, Inner Mongolia, and the meat processing center in South China is progressing in an orderly manner, and thus speeding up the layout of branded business in Northeast, North and South China.

Seizing the trend of consumption upgrading and optimizing small-packed fresh pork products to achieve breakthrough in sales volume

In the first half of 2021, the Company's sales volume of fresh pork was 65 thousand tons, representing a year-on-year increase of 26.8%; and the ratio of revenue from branded business of total fresh pork revenue was 35.0%.

The Company seized the trend of consumption upgrading and optimized the structure of small-packed fresh pork products by increasing the proportion of shredded pork, diced pork, sliced pork and chopped meat products with pre-made seasoning packs to enhance product convenience. During the reporting period, sales of small-packed fresh pork products increased 37.2% year on year to 21,477 thousand boxes, while average daily sales exceeded 118 thousand boxes.

Continuing to consolidate the brand positioning and focusing on the development and promotion of linseed fed pork products

COFCO Joycome was awarded the title of “guaranteed preparation product for competition by national team athletes of National Sports Training Center (NSTC)” by the Training Bureau of the General Administration of Sport, and has provided safe and high-quality pork products to the Training Center and several national teams, provincial sports units and sports teams for years. In the CCTV live broadcasts of the 2021 Asian Weightlifting Championships and the 2021 National Weightlifting Championships, COFCO Joycome obtained continuous brand exposure as the Exclusive Meat Products Supplier for the Chinese Weightlifting Team.

In March 2021, COFCO Joycome held a release conference themed “Healthy China with Life of Quality Fat Intake” to release the group standards for “α-linolenic acid-rich pork products, linseed fed pork products”, which not only provides the standards regarding linseed fed pork products but also promotes the concept of healthy pork. The Company conducted all field marketing for linseed fed pork products based on consumers' media habits. The Company carried out a series of brand promotion through Focus Media smart screen, WeChat advertisement and LED advertising screens in high-speed railway stations, and also launched series of #linseed fed pork 666# activities on TikTok, which created event marketing effects with the help from KOL engagement, thus significantly improving COFCO Joycome's brand awareness and influence.

Meat import business

Strengthening risk control and providing value-added customer service

In the first half of 2021, the meat import segment recorded sales volume of 75 thousand tons, representing a year-on-year decrease of 57.1%; the segment result achieved a turnaround from loss to profit.

The Company strengthened market analysis and increased the proportion of back-to-back lock orders in a bid to contain risks from market fluctuations. At the same time, the Company's meat import business achieved value addition in all aspects: regarding sales activities, by focusing key regions and channels, the income share of terminal business-customers (corporate, catering and retail customers) increased to 75%; as to product categories, the Company's imported chilled beef covered all grades from Wagyu right down to grass-fed, meeting the demands from different customer groups; and in terms of production, the meat import business closely cooperated with the processed meat products segment to provide our customers with value-added services covering the integrated industry chain.

IV. Financial Review

Overall Performance

In the first half of 2021, the revenue of the Group was RMB7,503 million, representing a decrease of RMB1,665 million as compared with RMB9,168 million for the same period in 2020. Prior to biological assets fair value adjustments, the net profit of the Group was RMB1,561 million, representing an increase of RMB178 million as compared with RMB1,384 million for the same period in 2020.

Revenue

In the first half of 2021, the revenue of the Group amounted to RMB7,503 million, representing a decrease of 18.2% as compared with RMB9,168 million for the same period in 2020, which was mainly due to the year-on-year decrease of 58.0% in the revenue from the meat import business. In addition, the production volume of hog production business increased by 108.7%, leading to a year-on-year increase of 53.1% in revenue, while fresh pork and processed meat products also recorded a year-on-year increase in revenue.

Gross Profit Margin

In the first half of 2021, the gross profit margin before biological assets fair value adjustments of the Group was 26.0%, representing a year-on-year increase of 3.0 percentage points, mainly because the Company took several measures to control production cost in response to various challenges faced by hog production business, such as descending hog price and rising price of feed raw materials.

Selling and Distribution Expenses/Administrative Expenses

In the first half of 2021, the total selling and distribution expenses and administrative expenses of the Group amounted to RMB322 million, representing a decrease of 11.9% as compared with RMB365 million for the same period last year, mainly due to the decrease in refrigeration charges and other fees corresponding to the decline in the scale of the meat import business.

Finance Costs

In the first half of 2021, the Group's finance costs amounted to RMB52 million, representing a decrease of RMB77 million as compared with RMB129 million in the same period last year, mainly due to the sound cash flow condition and repayment of a substantial amount of borrowings.

Other Income, Other Gains and Losses

In the first half of 2021, the Group's other income, other gains and losses amounted to a total gain of RMB73 million, representing an increase of RMB340 million as compared with that of the same period in 2020, which was mainly due to inventory impairment of RMB260 million provided for the same period last year.

Profit/Loss for the Period

For the reasons above, the Group recorded a profit of RMB1,561 million before biological assets fair value adjustments during the first half of 2021, representing an increase of RMB178 million as compared with RMB1,384 million for the same period in 2020.

Significant Investments and Significant Acquisitions and Disposals of Subsidiaries

Save as disclosed in this results announcement, the Group had neither any other significant investments nor significant acquisitions and disposals of the relevant subsidiaries during the first half of 2021.

Analysis on Capital Resources

Liquidity and Financial Policy

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

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

As at June 30, 2021, the cash and bank balances owned by the Group amounted to approximately RMB707 million (December 31, 2020: approximately RMB417 million). Such increase was due to the increase in hog production volume for the year as well as the accelerated inventory turnover, resulting in an increase in cash flow.

As at June 30, 2021, our current ratio was 0.95 (December 31, 2020: 1.05). As at June 30, 2021, our unused bank credit facilities were RMB18,782 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 first half of 2021, the EBITDA of the Group (before biological assets fair value adjustments) was RMB2,043 million (same period in 2020: RMB1,659 million). Cash generated from our operating activities was RMB1,584 million (used during the same period in 2020: RMB1,484 million). Cash used in our investment activities was RMB614 million (used during the same period in 2020: RMB462 million), including RMB588 million for the purchase of property, plant and equipment (same period in 2020: RMB357 million). Cash used in our financing activities was RMB679 million (generated during the same period in 2020: RMB2,068 million). In summary, for the first half of 2021, our net increase in cash and bank balances was RMB291 million.

Capital Structure

As at June 30, 2021, the total number of issued shares of the Company remained unchanged at 3,901,998,323 shares.

As at June 30, 2021, the Group had interest-bearing bank loans of approximately RMB5,562 million (December 31, 2020: approximately RMB8,306 million). The annual interest rate on bank loans ranged from 0.91% to 4.99% (December 31, 2020: from 0.91% to 4.36%). Most of the bank loans were based on fixed interest rates.

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

<i>Unit: RMB in million</i>	June 30, 2021	December 31, 2020
Within 1 year	5,404	8,134
1 to 2 years	19	10
3 to 5 years	46	24
Over 5 years	93	138
	<hr/>	<hr/>
Total	<u>5,562</u>	<u>8,306</u>

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

<i>Unit: RMB in million</i>	June 30, 2021	December 31, 2020
Fixed-rate borrowings	5,384	8,084
Variable-rate borrowings	178	222
Total	<u>5,562</u>	<u>8,306</u>

As at June 30, 2021, the Group had loans from related parties of approximately RMB498 million (December 31, 2020: approximately RMB97 million).

As at June 30, 2021, the Group had net assets of approximately RMB8,573 million (December 31, 2020: approximately RMB9,582 million). Net debts¹ of the Group amounted to approximately RMB5,354 million (December 31, 2020: approximately RMB7,986 million), while the net debt-to-equity ratio was approximately 62.5% (December 31, 2020: approximately 83.3%).

Note:

1. 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, 2021 and December 31, 2020, the Group had no significant contingent liabilities.

As at June 30, 2021 and December 31, 2020, the Group had no bank loans pledged by buildings, land use rights and time deposits of the Group.

Capital Expenditure

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

In the first half of 2021, the Group's capital expenditure was RMB593 million (same period in 2020: RMB370 million). The following table sets forth our capital expenditure for the years indicated:

<i>Unit: RMB in million</i>	Six months ended June 30, 2021	2020
Payments for property, plant and equipment	588	357
Payments for prepaid lease payments	5	11
Payments for other intangible assets	0	2
Total	<u>593</u>	<u>370</u>

As of the first half of 2021, our demand for capital expenditure mainly came from the construction of the hog farms and slaughterhouses in Inner Mongolia Autonomous Region, Jilin Province and 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, 2021, capital commitment of the Group was RMB778 million (December 31, 2020: RMB633 million).

Biological Assets

Biological assets of the Group primarily consist of commodity pigs at different growth stages and breeding hogs used to give birth to animals in the future. As at June 30, 2021, we owned 330 thousand heads of breeding and replacement hogs in total, representing an increase of 13.4% as compared with 291 thousand heads as at December 31, 2020. The fair value of our biological assets was RMB2,347 million as at June 30, 2021 and RMB4,126 million as at December 31, 2020. Our results have been and are expected to be affected by changes in fair value of biological assets.

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

During the first half of 2021 and the same period in 2020, such adjustments have increased our cost of sales by RMB1,838 million and RMB1,876 million, respectively. Additionally, losses arising from fair value less cost of sales of agricultural products at the point of harvest amounted to RMB455 million (the same period in 2020: gains of RMB697 million); gains arising from changes in fair value of biological assets less cost of sales amounted to RMB293 million (the same period in 2020: gains of RMB1,849 million). In general, the net effect of adjustment in fair value of biological assets on profit was losses of RMB2,001 million during the current period and gains of RMB669 million during the same period in 2020.

V. Human Resources

The continuing operations of the Group hired 8,131 employees as at June 30, 2021 (June 30, 2020: 6,673 employees). Remuneration for employees was determined according to their job nature, personal performance and the market trends. For the six months ended June 30, 2021, total remuneration of the Group amounted to approximately RMB467 million (2020: RMB384 million).

The Group provides basic social insurance and housing accumulation fund for company employees as required by the PRC law. Apart from the above, we encouraged all employees to become well-rounded and enhance their knowledge and abilities related to their career through continuous training, seminars and online learning in order to unearth their own potentials.

VI. Significant Risks and Uncertainties

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

Epidemic Risks

Epidemic risks are the major risks faced by 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. In the first half of 2021, there remained confirmed cases of African swine fever epidemic in some regions across the country. There are three categories of risks brought about by epidemics. First, the outbreak of epidemic diseases will lead to hog mortalities, which will directly cause a decrease in hog production and result in direct economic losses of the Company. Second, the 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 some consumers and thus lower the total demand for related products, which adversely affects the sales of hogs. To solve epidemic risks, the Group has formulated regulations such as The 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.

In addition, in the first half of 2021, the COVID-19 epidemic persisted across the globe. The major risks brought by the COVID-19 epidemic are: firstly, the disease is relatively contagious, and could pose threats to the health and safety of employees; secondly, various disease prevention and transportation control measures could affect work resumption of employees, transportation of all sorts of materials for production as well as interprovince (region) sales of products, thus decreasing the production and operation efficiency of the Company; thirdly, the disease may cause a decline in demand for meat in catering channels in the short term, which adversely affected the sales of meat products of the Company. To cope with the risks caused by the COVID-19 epidemic, the Group set up a team to lead disease-prevention work, formulated a comprehensive and stringent prevention and control plan according to the development trend of the epidemic and national policies, and strived to ensure employee safety, stable production and smooth sales.

Price Risks

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

Food Safety Risks

Food safety risks refer to risks of severe customer complaints, large-scale product recall and other negative effects resulted from unqualified product and food safety indicators due to deficient food safety management system, 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 continued to enhance its food safety management systems, and has stipulated standards for food safety management system, such as, Provisions for the Food Safety Management, Food Safety Responsibility System, and Prohibition on Food Safety, and has formulated specific early warning indicators and bottom line indicators. The Group organized and carried out food safety training and guidance, conducted regular supervision inspection and supervision examination of samples, and evaluated and reviewed the results. All grassroots enterprises strictly implement the food safety management requirements and actively prevent food safety risks.

Exchange Rate 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, some of our subsidiaries that are engaged in import of frozen meat products or that own 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 and foreign currency borrowings in the meat import business, and reviewed the contracts and monitored risks on a monthly basis according to the conditions of 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 control our exchange rate risks), conduct a sensitivity analysis and stress test.

Safe Production Risks

Safe production risks refer to risks of corporate property loss, temporary production suspensions or tarnished reputation due to production safety accidents caused by deficient safety management system or inadequate accident preventive measures. The Group has formulated Regulations on Safety Production Management, Measures for Administration of Production Safety Accidents and Comprehensive Emergency Plans for Production Safety Accidents to standardize safety risks management and prevent accidents. The Group has formulated the early warning indicators and bottom line indicators, and organized all grassroots enterprises to conduct all-round risk identification, evaluation and classification, 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; and to conduct regular supervision and inspection to evaluate the operation of management system and risk management and control and promote the improvement and development of grassroots enterprises.

VII. Outlook

In the first half of 2021, facing the complicated and changing industry environment, the Company maintained its strategic focus and achieved steady development. In the second half of the year, we will put efforts into advancing the following tasks:

Firstly, we will prevent and control African swine fever strictly, restrain cost and improve hog production efficiency in order to establish core competitive strengths;

Secondly, we will speed up the alignment between the upstream hog production and downstream fresh pork businesses to improve the intergrated industry chain layout;

Thirdly, we will continue to forge ahead with differentiated and branded operation of our fresh pork business with a focus on the promotion of linseed fed pork, and strengthen product influence;

Fourthly, we will strengthen risk control of import business and add value to our business in various aspects. Also, we will continue to promote the “trading plus processing” mode, optimize terminal customer channels and enhance customer loyalty; and

Fifthly, we will hedge with future contracts.

OTHER EVENTS

INTERIM DIVIDEND

The Board does not recommend the declaration of an interim dividend for the six months ended June 30, 2021 (for the six months ended June 30, 2020: HKD0.118 per share).

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, 2021.

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, 2021.

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, 2021.

SUBSEQUENT EVENTS

As at the date of this announcement, the Group has no material subsequent events after June 30, 2021 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, 2021. 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, 2021 have been reviewed by the auditor of the Company, Baker Tilly Hong Kong Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM REPORT

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

By order of the Board
COFCO Joycome Foods Limited
Jiang Guojin
Chairman and executive Director

Beijing, PRC, August 24, 2021

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, Mr. Ma Dewei and Dr. Zhao Wei as non-executive directors, and Mr. Fu Tingmei, Mr. Li Michael Hankin and Dr. Ju Jiandong as independent non-executive directors.