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

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

**ANNUAL RESULTS ANNOUNCEMENT FOR  
THE YEAR ENDED DECEMBER 31, 2022**

The board of directors (the “**Board**”) of COFCO Joycome Foods Limited (the “**Company**” or “**we**”, “**our**” or “**us**”) is pleased to announce the audited consolidated results and financial position of the Company and its subsidiaries (the “**Group**”) for the year ended December 31, 2022, together with the comparative figures for the corresponding period in 2021 as follows:

**HIGHLIGHTS**

<b>Key Operating Data</b>	<b>2022</b>	2021	year-on-year	
Hog production volume (unit: '000 heads) <sup>(1)</sup>	<b>4,103</b>	3,437	19.4%	
Average selling price of finishing hogs (RMB/kg) <sup>(1)</sup>	<b>17.86</b>	18.26	-2.2%	
Fresh pork sales volume (unit: '000 tons) <sup>(2)</sup>	<b>231</b>	166	39.1%	
Branded small-packed fresh pork sales volume (unit: '000 boxes)	<b>55,833</b>	50,167	11.3%	
Ratio of revenue from branded business of total fresh pork business <sup>(3)</sup>	<b>30.4%</b>	34.6%	-4.2ppt	
Meat import sales volume (unit: '000 tons)	<b>71</b>	124	-42.7%	
<b>Key Financial Data</b>	<b>2022</b>		<b>2021</b>	
	<b>Before biological assets fair value adjustments RMB'000</b>	<b>After biological assets fair value adjustments RMB'000</b>	<b>Before biological assets fair value adjustments RMB'000</b>	<b>After biological assets fair value adjustments RMB'000</b>
Revenue <sup>(4)</sup>	<b>12,900,684</b>	<b>12,900,684</b>	13,227,606	13,227,606
Profit/(loss) for the Year <sup>(5)</sup>	<b>(319,778)</b>	<b>356,934</b>	2,353,715	(483,801)
Profit/(loss) attributable to the owners of the Company <sup>(6)</sup>	<b>(320,038)</b>	<b>356,674</b>	2,377,819	(459,697)
Basic earnings/(loss) per share <sup>(7)</sup>	<b>RMB(0.0820)</b>	<b>RMB0.0914</b>	RMB0.6094	RMB(0.1178)

*Notes:*

1. Due to the relatively sufficient hog supply across the country, hog price in the industry fell slightly, and the average selling price of finishing hogs of the Group decreased by 2.2% year-on-year during the current period. Benefiting from the improvement in production management and prevention and control of the epidemic, the Group's hog production volume increased by 19.4% year-on-year.
2. The Group actively promoted the commissioning of new production capacity, leading to an increase in fresh pork sales volume of 39.1% year-on-year. Meanwhile, the Group vigorously developed the community group purchase channels to promote its small-packed fresh pork products, as a result of which the sales volume of branded small-packed fresh pork products increased by 11.3% year-on-year.
3. Ratio of revenue from branded business of total fresh pork business refers to revenue from branded fresh pork divided by total fresh pork revenue.
4. Revenue amounted to RMB12,901 million, representing a year-on-year decrease of 2.47%. On one hand, prices of imported frozen pork products were inverted, and the Company took initiative to reduce the volume of import business. On the other hand, there was a substantial growth in sales volume of fresh pork, hence resulting in a significant increase in segment revenue.
5. Loss for the period before biological assets fair value adjustments amounted to RMB320 million, representing a year-on-year drop of 113.6%. It was mainly due to the higher feed cost as a result of the rising global feed ingredients prices, and the adverse impact arising from the Company's participation in futures hedging during the period. In addition, as affected by the market conditions in the second half of the year, the import business incurred a loss.
6. Loss attributable to the owners of the Company before biological assets fair value adjustments amounted to RMB320 million. The biological assets fair value was adjusted based on the hog price at the end of December 2022. Compared to that as of December 31, 2021, the price of our live hogs increased and the number of our live hogs increased.
7. The basic earnings/(loss) per share represent the profit/(loss) attributable to the owners of the Company divided by the weighted average number of ordinary shares for the year.

The Board has resolved not to declare any final dividend for the year ended December 31, 2022.

## FINANCIAL INFORMATION

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2022

	NOTES	2022			2021		
		Results before biological assets fair value adjustments RMB'000	Biological assets fair value adjustments RMB'000	Total RMB'000	Results before biological assets fair value adjustments RMB'000	Biological assets fair value adjustments RMB'000	Total RMB'000
Revenue	3	12,900,684	-	12,900,684	13,227,606	-	13,227,606
Cost of sales		(12,425,016)	(1,235,731)	(13,660,747)	(9,708,769)	(1,803,284)	(11,512,053)
Gross (loss)/profit		475,668	(1,235,731)	(760,063)	3,518,837	(1,803,284)	1,715,553
Other income	5	261,894	-	261,894	226,873	-	226,873
Other gains and losses	6	(96,204)	-	(96,204)	(14,838)	-	(14,838)
Selling and distribution expenses		(455,810)	-	(455,810)	(400,474)	-	(400,474)
Administrative expenses		(208,305)	-	(208,305)	(370,872)	-	(370,872)
Gain/(loss) arising from agricultural produce at fair value less costs to sell at the point of harvest		-	1,779,940	1,779,940	-	(490,023)	(490,023)
Gain/(loss) arising from changes in fair value less costs to sell of biological assets		-	132,503	132,503	-	(544,209)	(544,209)
Finance costs	7	(176,855)	-	(176,855)	(123,366)	-	(123,366)
Profit/(loss) before tax	8	(199,612)	676,712	477,100	2,836,160	(2,837,516)	(1,356)
Income tax expense	9	(120,166)	-	(120,166)	(482,445)	-	(482,445)
<b>Profit/(loss) for the year</b>		<b>(319,778)</b>	<b>676,712</b>	<b>356,934</b>	<b>2,353,715</b>	<b>(2,837,516)</b>	<b>(483,801)</b>
<b>Other comprehensive (expense)/income, net of income tax:</b>							
<i>Items that will not be reclassified to profit or loss</i>							
Fair value (loss)/gain on equity instrument at fair value through other comprehensive income				(87,440)			181,430
Income tax relating to items that will not be reclassified to profit or loss				(50,649)			-
				<b>(138,089)</b>			<b>181,430</b>

		2022			2021		
		Results before biological assets fair value adjustments RMB'000	Biological assets fair value adjustments RMB'000	Total RMB'000	Results before biological assets fair value adjustments RMB'000	Biological assets fair value adjustments RMB'000	Total RMB'000
	NOTES						
<i>Items that may be reclassified subsequently to profit or loss</i>							
Exchange differences arising on translation of foreign operations (with nil tax effect)				8,687			(2,303)
Other comprehensive (expense)/income for the year, net of income tax				(129,402)			179,127
<b>Total comprehensive income/(expense) for the year</b>				<b>227,532</b>			<b>(304,674)</b>
Profit/(loss) for the year attributable to:							
Owners of the Company				356,674			(459,697)
Non-controlling interests				260			(24,104)
				<b>356,934</b>			<b>(483,801)</b>
Total comprehensive income/(expense) for the year attributable to:							
Owners of the Company				227,272			(280,570)
Non-controlling interests				260			(24,104)
				<b>227,532</b>			<b>(304,674)</b>
Earnings/(loss) per share:							
Basic	11			<b>RMB0.0914</b>			<b>RMB(0.1178)</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT DECEMBER 31, 2022*

	<i>NOTES</i>	<b>At December 31,</b>	
		<b>2022</b>	2021
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Non-current assets</b>			
Goodwill		<b>100,609</b>	100,609
Property, plant and equipment		<b>9,479,088</b>	8,983,145
Right-of-use assets		<b>651,533</b>	691,494
Intangible assets		<b>8,814</b>	7,093
Equity instrument at fair value through other comprehensive income (“FVTOCI”)		<b>226,111</b>	313,551
Biological assets		<b>538,403</b>	296,979
Prepayments for purchase of property, plant and equipment		<b>6,036</b>	30,007
Deferred tax assets		–	264
Other prepayments		–	930
		<b><u>11,010,594</u></b>	<b><u>10,424,072</u></b>
<b>Current assets</b>			
Inventories		<b>1,448,885</b>	1,287,060
Biological assets		<b>2,525,033</b>	1,556,140
Account receivables	<i>12</i>	<b>318,140</b>	225,491
Prepayments, deposits and other receivables		<b>634,273</b>	782,038
Other current assets		<b>596,958</b>	1,556,760
Financial assets at fair value through profit or loss		<b>300,145</b>	230,874
Amounts due from related companies		<b>520,308</b>	925,314
Pledged and restricted bank deposits		–	698
Cash and bank balances		<b>1,040,032</b>	1,040,980
		<b><u>7,383,774</u></b>	<b><u>7,605,355</u></b>

	<i>NOTES</i>	<b>At December 31,</b>	
		<b>2022</b>	2021
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Current liabilities</b>			
Account and bills payables	13	735,269	573,173
Other payables, accruals and deposits received		881,212	1,077,546
Lease liabilities		47,644	27,651
Contract liabilities		352,535	424,338
Bank borrowings		5,851,943	5,963,713
Amounts due to related companies		246,835	120,840
Loans from related companies		1,002,500	2,500
Financial liabilities at fair value through profit or loss		8,445	29,551
Current tax liabilities		139,659	289,308
		<u>9,266,042</u>	<u>8,508,620</u>
<b>Net current liabilities</b>		<u>(1,882,268)</u>	<u>(903,265)</u>
<b>Total assets less current liabilities</b>		<u>9,128,326</u>	<u>9,520,807</u>
<b>Non-current liabilities</b>			
Bank borrowings		145,766	145,361
Loans from a related company		100,226	97,306
Deferred income		128,124	133,860
Deferred tax liabilities		82,015	85,098
Long-term payable		81,867	84,281
Lease liabilities		327,620	366,131
		<u>865,618</u>	<u>912,037</u>
<b>Net assets</b>		<u>8,262,708</u>	<u>8,608,770</u>
<b>Capital and reserves</b>			
Share capital		1,668,978	1,668,978
Reserves		6,444,567	6,790,889
		<u>8,113,545</u>	<u>8,459,867</u>
Equity attributable to the owners of the Company		8,113,545	8,459,867
Non-controlling interests		149,163	148,903
		<u>8,262,708</u>	<u>8,608,770</u>
<b>Total equity</b>		<u>8,262,708</u>	<u>8,608,770</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2022

### 1. GENERAL INFORMATION

The Company was incorporated on March 11, 2014 and acts as an investment holding company. The address of the Company's registered office is Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands. The address of its principal place of business is COFCO Fortune Plaza, No.8, Chao Yang Men South Street, Chao Yang District, Beijing, The People's Republic of China (the "PRC").

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

The principal activities of the Group are production and sales of hogs, sales of fresh and frozen meats, manufacture and sales of processed meat products, and import and trade of meat products.

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

### 2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for biological assets and certain financial instruments that are measured at fair values at the end of each reporting period.

### 2.2 APPLICATION OF AMENDMENTS TO HKFRSs

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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

## 2.3 GOING CONCERN

As at December 31, 2022, the Group's current liabilities exceeded its current assets by RMB1,882,268,000. Taking into account the banking facilities available to the Group, the directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to meet its liabilities as and when they fall due and to continue in operational existence for the foreseeable future. Thus the Group continues to adopt the going concern basis of accounting in preparing its consolidated financial statements.

## 3. REVENUE

### (i) Disaggregation of revenue from contracts with customers

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



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

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

	<b>For the year ended December 31, 2021</b>				
Segments	Hog production and sales RMB'000	Sales of fresh pork RMB'000	Sales of processed meat products RMB'000	Sales of imported meat products RMB'000	Total RMB'000
<b>Types of goods or services</b>					
Hogs	5,165,538	–	–	–	5,165,538
Fresh pork	–	3,632,697	–	–	3,632,697
Processed meat products	–	–	779,639	–	779,639
Imported meat products	–	–	–	3,649,732	3,649,732
<b>Total</b>	<b>5,165,538</b>	<b>3,632,697</b>	<b>779,639</b>	<b>3,649,732</b>	<b>13,227,606</b>
<b>Geographical market</b>					
Mainland China	5,165,538	3,632,697	779,639	3,649,732	13,227,606
<b>Timing of revenue recognition</b>					
A point in time	5,165,538	3,632,697	779,639	3,649,732	13,227,606

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

	For the year ended December 31, 2021		
	Segment revenue <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Hog production and sales	6,695,622	(1,530,084)	5,165,538
Sales of fresh pork	3,679,183	(46,486)	3,632,697
Sales of processed meat products	786,187	(6,548)	779,639
Sales of imported meat products	3,889,839	(240,107)	3,649,732
<b>Revenue from contracts with customers</b>	<u>15,050,831</u>	<u>(1,823,225)</u>	<u>13,227,606</u>
<b>Total revenue</b>	<u><u>15,050,831</u></u>	<u><u>(1,823,225)</u></u>	<u><u>13,227,606</u></u>

(ii) **Performance obligations for contracts with customers**

The Group sells hogs, fresh pork, processed meat products and imported meat products and provides meat procurement agency services in Mainland China. Revenue is recognised when control of the goods or services has transferred, being at the point when the goods have been delivered to the customers at the locations agreed between the Group and the customers or the services have been completed.

Except for certain reputable customers, the Group requires full prepayments from customers. For credit sales, the normal credit term is within 180 days upon delivery.

All contracts are for periods of one year or less. As permitted by HKFRS 15, the transaction price allocated to the unsatisfied performance obligations is not disclosed.

**4. SEGMENT INFORMATION**

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

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

No operating segments have been aggregated in arriving at the reportable segments of the Group.

## Segment revenues and results

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

	Hog production RMB'000	Fresh pork RMB'000	Processed meat products RMB'000	Meat import RMB'000	Segment total RMB'000	Inter- segment elimination RMB'000	Total RMB'000
<i>For the year ended December 31, 2022</i>							
<b>Segment revenue</b>							
External customers	4,525,875	4,743,128	756,433	2,875,248	12,900,684	–	12,900,684
Inter-segment sales	<u>3,185,208</u>	<u>68,042</u>	<u>5,309</u>	<u>150,417</u>	<u>3,408,976</u>	<u>(3,408,976)</u>	<u>–</u>
Segment revenue	<u>7,711,083</u>	<u>4,811,170</u>	<u>761,742</u>	<u>3,025,665</u>	<u>16,309,660</u>	<u>(3,408,976)</u>	<u>12,900,684</u>
<b>Segment results</b>	<u>174,880</u>	<u>(90,017)</u>	<u>22,360</u>	<u>(53,048)</u>	<u>54,175</u>	<u>–</u>	<u>54,175</u>
Unallocated corporate income							96,826
Unallocated corporate expenses							(173,758)
Fair value adjustments on biological assets and agricultural produce							676,712
Finance costs							<u>(176,855)</u>
Profit before tax							<u>477,100</u>
<i>For the year ended December 31, 2021</i>							
<b>Segment revenue</b>							
External customers	5,165,538	3,632,697	779,639	3,649,732	13,227,606	–	13,227,606
Inter-segment sales	<u>1,530,084</u>	<u>46,486</u>	<u>6,548</u>	<u>240,107</u>	<u>1,823,225</u>	<u>(1,823,225)</u>	<u>–</u>
Segment revenue	<u>6,695,622</u>	<u>3,679,183</u>	<u>786,187</u>	<u>3,889,839</u>	<u>15,050,831</u>	<u>(1,823,225)</u>	<u>13,227,606</u>
<b>Segment results</b>	<u>2,679,598</u>	<u>(16,275)</u>	<u>19,187</u>	<u>369,947</u>	<u>3,052,457</u>	<u>–</u>	<u>3,052,457</u>
Unallocated corporate income							29,979
Unallocated corporate expenses							(122,910)
Fair value adjustments on biological assets and agricultural produce							(2,837,516)
Finance costs							<u>(123,366)</u>
Loss before tax							<u>(1,356)</u>

Segment profit/(loss) represents the profit earned by/(loss from) each segment without allocation of corporate income and expenses including central administration costs and directors' emoluments, fair value adjustments on biological assets and agricultural produce, and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

## Segment assets and segment liabilities

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

## Other segment information

	Hog production RMB'000	Fresh pork RMB'000	Meat products RMB'000	Meat import RMB'000	Total RMB'000
<i>Year ended December 31, 2022</i>					
<i>Amounts included in the measure of segment results:</i>					
Depreciation and amortisation*	66,747	68,962	19,945	87	155,741
(Reversal of)/provision of impairment on account receivables, net	(139)	278	152	-	291
Provision of impairment on other receivables, net	-	55	-	-	55
Loss on disposal of property, plant and equipment, net	7,748	117	224	-	8,089
(Write-back)/write-down of inventories	-	(509)	-	5,120	4,611
	<u>-</u>	<u>(509)</u>	<u>-</u>	<u>5,120</u>	<u>4,611</u>

## *Year ended December 31, 2021*

<i>Amounts included in the measure of segment results:</i>					
Depreciation and amortisation*	28,834	41,285	21,379	84	91,582
Provision of/(reversal of) impairment on account receivables, net	61	(210)	(8)	-	(157)
Reversal of impairment on other receivables, net	-	-	31	-	31
Loss on disposal of property, plant and equipment, net	4,969	249	698	-	5,916
(Write-back)/write-down of inventories	(151)	29,538	1,443	9,236	40,066
Impairment of property, plant and equipment	472	-	-	-	472
	<u>472</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>472</u>

\* Depreciation and amortisation not included in the measure of segment results for the year ended December 31, 2022 amounted to RMB8,293,000 (2021: RMB7,232,000).

## Geographical information

All of the revenue of the Group is derived from the Mainland China based on location of the operations for both 2022 and 2021.

All the Group's non-current assets (excluding deferred tax assets and equity instrument at FVTOCI) as at December 31, 2022 and 2021 are located in the Mainland China based on geographical location of the assets.

## Information about major customers

No revenue from transactions with any single external customer amounted to 10% or more of the Group's revenue for the years ended December 31, 2022 and 2021.

## 5. OTHER INCOME

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

	Year ended December 31,	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest income from banks	1,194	3,486
Interest income from a related company	10,406	10,249
	<u>11,600</u>	<u>13,735</u>
Dividend income from equity instrument at FVTOCI	40,050	–
Government grants	210,244	213,138
	<u>261,894</u>	<u>226,873</u>

## 6. OTHER GAINS AND LOSSES

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

	Year ended December 31,	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Exchange (loss)/gain, net	(115,332)	14,708
Loss on disposal of property, plant and equipment, net	(8,385)	(5,923)
Gain on lease modification	198	–
Write-down of inventories to net realisable value	(4,611)	(40,066)
(Provision of)/reversal of impairment on account receivables, net	(291)	157
Provision of impairment on other receivables, net	(55)	(31)
Impairment of property, plant and equipment	–	(472)
Realised and unrealised gain/(loss) on fair value changes in respect of foreign currency forward contracts, net	39,937	(30,978)
Others	(7,665)	47,767
	<u>(96,204)</u>	<u>(14,838)</u>

## 7. FINANCE COSTS

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

	<u>Year ended December 31,</u>	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on:		
Bank borrowings	134,907	107,079
Long-term payable	5,843	6,439
Loans from related companies	24,981	11,829
Lease liabilities from related companies	241	1,081
Lease liabilities from third parties	16,645	18,054
	<u>182,617</u>	<u>144,482</u>
Total borrowing costs	182,617	144,482
Less: Borrowing costs capitalised in the cost of qualifying assets	(5,762)	(21,116)
	<u>176,855</u>	<u>123,366</u>

Borrowing costs capitalised to qualifying assets during the years ended December 31, 2022 and 2021 were based on actual borrowing costs incurred for specific borrowings.

## 8. PROFIT/(LOSS) BEFORE TAX

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

	<u>Year ended December 31,</u>	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of inventories recognised as expenses	11,788,029	11,131,280
Realised and unrealised loss/(gain) on fair value changes in respect of commodity future contracts, net	636,987	(1,422,511)
Gain on fair value changes in respect of biological assets	1,235,731	1,803,284
	<u>13,660,747</u>	<u>11,512,053</u>
Total cost of sales		
Employee benefits expenses (including directors' emoluments):		
Salaries and other allowances	976,606	1,076,765
Retirement benefit schemes contributions	102,592	74,646
Less: Capitalised in biological assets and construction in progress	(687,466)	(611,328)
	<u>391,732</u>	<u>540,083</u>
Depreciation of property, plant and equipment	527,397	422,489
Depreciation of right-of-use assets	57,279	50,830
Amortisation of intangible assets	1,830	1,718
	<u>586,506</u>	<u>475,037</u>
Total depreciation and amortisation	586,506	475,037
Less: Capitalised in biological assets	(422,472)	(376,223)
	<u>164,034</u>	<u>98,814</u>
Auditors' remuneration	1,420	1,420

## 9. INCOME TAX EXPENSE

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

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Current tax:		
PRC Enterprise Income Tax (the "EIT")	144,041	294,720
PRC Withholding Tax	30,107	–
	<u>174,148</u>	<u>294,720</u>
Over provision in prior years:		
PRC Enterprise Income Tax	(514)	(62)
Deferred tax:		
Current year	(53,468)	187,787
	<u>120,166</u>	<u>482,445</u>

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit generated in Hong Kong for the year (2021: nil).

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the year (2021: 25%).

Certain operations of the Company's certain subsidiaries were exempted from PRC income taxes during both 2022 and 2021. According to the Implementation Regulation of the EIT Law and the EIT exemptions regulation set out in the Circular of the Ministry of Finance and the State Administration on Releasing the Primary Processing Ranges of Agricultural Products Entitled to Preferential Policies on Enterprise Income Tax (Trial Implementation) (Cai Shui [2008] No. 149), and the requirements of Article 86 of the Implementation Regulation of the EIT Law, the income from primary processing for agriculture products are exempted from EIT. In addition, pursuant to related regulations in respect of the Implementation Regulation of the EIT Law, the income from projects of animal-husbandry and poultry feeding, is also entitled to exemption from EIT. Accordingly, the income from the above-mentioned operations of certain subsidiaries of the Group were exempted from EIT in the years ended December 31, 2022 and 2021.

Withholding tax is calculated at 10% (2021: 10%) of the dividend income received from a subsidiary in the PRC for the year ended December 31, 2022.

## 10. DIVIDENDS

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Dividends recognised as distributions during the year:		
Final dividend of HKD0.206 (equivalent to RMB0.1714) per share for the year ended December 31, 2020	–	668,836
Final dividend of HKD0.180 (equivalent to RMB0.147) per share for the year ended December 31, 2021	573,594	–
	<u>573,594</u>	<u>668,836</u>

No dividend was paid or proposed for ordinary shareholders of the Company during 2022, nor has any dividend been proposed since the end of the reporting period (2021: RMB573,594,000).

## 11. EARNINGS/(LOSS) PER SHARE

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

### Earnings/(loss)

	Year ended December 31,	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit/(loss) for the year attributable to owners of the Company for the purpose of basic earnings/(loss) per share	<u><b>356,674</b></u>	<u>(459,697)</u>

### Number of shares

	Year ended December 31,	
	2022 <i>'000</i>	2021 <i>'000</i>
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<u><b>3,901,998</b></u>	<u>3,901,998</u>

The calculation of the basic earnings/(loss) per share attributable to the owners of the Company is based on profit for the year attributable to owners of the Company of RMB356,674,000 (2021: loss of RMB459,697,000). The denominators used are the same as those detailed above for basic earnings/(loss) per share.

No diluted earnings/(loss) per share is presented as there were no potential ordinary shares in issue for both 2022 and 2021.

## 12. ACCOUNT RECEIVABLES

	At December 31,	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Account receivables from contracts with customers	<b>318,654</b>	225,714
Less: Allowance for credit losses	<u>(514)</u>	<u>(223)</u>
Total account receivables	<u><b>318,140</b></u>	<u>225,491</u>



An aged analysis of the account receivables as at the end of the reporting period, based on the delivery dates and net of allowance for credit losses, is as follows:

	<b>At December 31,</b>	
	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 90 days	<b>313,857</b>	224,482
90 to 180 days	<b>3,993</b>	802
180 days to 1 year	<b>189</b>	22
Over 1 year	<b>101</b>	185
	<b>318,140</b>	225,491

As at December 31, 2022, included in the Group's account receivables are debtors with aggregate carrying amount of RMB4,587,000 (2021: RMB917,000) which are past due as at the reporting date. Out of the past due balances, RMB638,000 (2021: RMB65,000) has been past due 90 days or more and is not considered as in default due to historical repayment history from the customer. The Group does not hold any collateral over these balances.

### 13. ACCOUNT AND BILLS PAYABLES

An analysis of account and bills payables is as follows:

	<b>At December 31,</b>	
	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Account payables	<b>605,709</b>	566,871
Bills payables	<b>129,560</b>	6,302
	<b>735,269</b>	573,173

The account payables are non-interest-bearing and are normally with credit periods ranging from 15 to 60 days. Bills payables are normally repayable within 180 days.

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

	<b>At December 31,</b>	
	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year	<b>595,685</b>	557,824
1 to 2 years	<b>8,546</b>	8,257
Above 2 years	<b>1,478</b>	790
	<b>605,709</b>	566,871

## 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 four modern slaughtering and processing bases in Jiangsu, Hubei, Jilin and Inner Mongolia (putting into operation in August 2022), and a cutting center in Guangdong (putting into operation in June 2022). 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, Wuhan, Jilin, Guangdong and Inner Mongolia.

##### *Processed Meat Products*

The processed meat products segment includes the production, distribution and sale of various types of processed meat products (mainly western-style low-temperature processed meat products). The Company owns 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**

### ***Sufficient hog supply with lower-than-expected demands causing hog price to fall again after rebounding from the bottom***

According to the data from the National Bureau of Statistics, hog production volume in China amounted to 700 million heads in 2022, representing a year-on-year increase of 4.3%; pork output was 55.41 million tons, representing a year-on-year increase of 4.6%.

In early 2022, with the effect of capacity reduction gradually manifested, hog price continued to rise since the end of March 2022. Three weeks into October 2022, the average hog price of 22 provinces in China hit a periodic peak of RMB28.32/kg, which rebounded by over 130% from the level at the end of March 2022. In the fourth quarter, the boost in demand from the traditional peak season of pork consumption fell short of expectations as the relatively sufficient supply of pork and under the influence of the COVID-19 Pandemic outbreaks in various regions, leading to a continuing fall in hog price by the end of the year. As a result, the average hog price of 22 provinces reached RMB18.41/kg by the end of December 2022, which declined by 35% from the peak in late October 2022.

As of the end of December 2022, the stock of breeding sows in China amounted to 43.90 million heads, which slightly exceeded the upper limit of the green and reasonable range.

### ***Normalization of the African Swine Fever Accelerating the Large-scale Operation***

Industry players have accumulated certain experience in response to the African swine fever and significantly enhanced their overall capabilities in disease prevention and control since it spread into China in 2018 and has lasted for four years. In particular, large-scale enterprises have better advantages in terms of hardware development and software optimization, which further raised the threshold of the industry and led to a continuous expansion of the operation scale thereof.

### ***The catering consumer market suffered a setback while household consumption drove the rapid growth of new channels under the COVID-19 Pandemic***

In 2022, as the catering consumer market was impacted by the outbreaks of the COVID-19 Pandemic in various regions, the domestic revenue from total retail sales in the catering segment witnessed year-on-year contractions for nine consecutive months throughout the year, representing a cumulative year-on-year drop of 6.3%.

Nonetheless, the demand for household consumption increased on the back of the pandemic, and food safety and convenience became more and more important. The fresh food e-commerce, community group purchase and other emerging channels maintained the rapid development momentum. With its advantages of high quality, standardization, hygiene and convenience, branded small-packed pork products of the Company responded to the channel development and met the market demand, thereby gaining higher brand recognition and consumer loyalty.

### ***Significant Reduction in Pork Imports and Continuous Growth in Beef Imports***

According to customs statistics, China's total meat imports amounted to 7.40 million tons in 2022, representing a year-on-year drop of 21% and demonstrating a downward trend for three consecutive years.

In 2022, China's pork imports (excluding by-products) were 1.76 million tons, representing a year-on-year decrease of 52.6%. It accounted for 3.2% of domestic pork production, down by approximately 4 percentage points year-on-year.

With the general enhancement of peoples' living standards, beef gradually becomes a regular type of household consumer goods, and hence beef imports have sustained an upward trend in recent years. In 2022, beef imports (excluding by-products) amounted to 2.69 million tons, representing a year-on-year increase of 15.3%. It accounted for 37.5% of domestic beef production, up by approximately 4 percentage points year-on-year.

## **III. Results of Operation**

In 2022, the Company's loss before fair value adjustment of biological assets amounted to RMB320 million, down by RMB2,673 million year-on-year, among which a year-on-year decrease of RMB2,505 million in the result of hog production segment was recorded. It was mainly attributable to the higher feed cost as a result of the rising global feed raw material prices, and the adverse impact arising from the Company's participation in futures hedging during the period. However, the Company stayed committed to focusing on production management, strictly implemented cost reduction and efficiency enhancement, and partially offset the adverse impact of surging feed cost by improving production efficiency and production capacity utilization. In terms of the fresh pork business, the Company took the initiative to shoulder its social responsibility as a state-owned enterprise and spared no efforts to safeguard market supply, albeit being challenged by the pandemic outbreaks in various regions. In the meantime, it accelerated the development of brand terminal and further improved its brand recognition and reputation, which led to a year-on-year growth of 39.1% in sales volume of the segment during the reporting period. In respect of the processed meat products segment, the Company actively leveraged its advantage in imported raw materials to attract catering customers and relied on the fresh product channel to expedite the expansion of retail business. Confronting the unfavorable situations such as the abrupt drop in catering consumption and the market downturn, the meat import segment performed stringent risk control, took proactive measures and pushed forward channel development in lower-tier markets. It also continued to promote the "trading plus processing" model so as to release the upstream and downstream synergies.

During the reporting period, the Company reported a total net profit of RMB357 million after biological assets fair value adjustments, which grew by RMB841 million as compared with the same period last year.

### ***Hog production business***

#### *Actively Respond to External Challenges, Focus on Strengthening Internal Benchmarking and Improve Production Efficiency*

In 2022, the Company's hog production volume reached 4,103 thousand heads, representing an increase of 19.4% year-on-year. In response to the multiple external challenges, the Company remained committed to building its internal strengths, and adhered to refined management: strengthening internal benchmarking and implementing resident management to narrow the gap between internal breeding results. To fully mobilize the enthusiasm and responsibility of front-line employees, the Company optimized its management team and implemented precise incentive measures. It also continued to step up its efforts in conducting market research and analysis for raw material procurement and optimized its feed formulation, with a view to minimizing the negative impact of the rising raw material prices on the cost.

#### *Comprehensive Upgrade of Breeding System*

As of the end of 2022, the Company's stock of breeding sows amounted to 263 thousand heads, which helped to safeguard production capacity for the subsequent production. With the preliminary establishment of the genome-based breeding process, the Company has continued to advance the development of the hog breeding system construction, which has contributed to accelerating realization of the optimization of herd performance.

### ***Fresh pork business***

#### *Substantial Growth in Sales Volume of Fresh Pork and Significant Improvement in Upstream-downstream Alignment*

In 2022, the Company's sales volume of fresh pork amounted to 231 thousand tons, which rose by 39.1% year-on-year. With a modern slaughtering and processing base in Inner Mongolia, completed in August 2022, and a cutting center in Guangdong, completed in June 2022, being put into production, the Company accelerated the improvement of upstream-downstream alignment. For the fresh pork segment, the proportion of internal procurement of hogs registered a significant year-on-year growth during the reporting period.

### *Brand Terminal Construction Accelerated, and Sales of Small-Packed Fresh Pork Increased Significantly*

During the reporting period, the Company further promoted brand terminal construction and increased the number of brand outlets, with 360 new franchised stores opened throughout the year. In June 2022, the Company completed the commissioning of Guangdong cutting center, supporting the accelerated expansion of the Company's brand business in South China market. During the reporting period, the sales volume of branded small-packed fresh pork amounted to 55.833 million boxes, representing a year-on-year increase of 11.3%, with an average daily sales volume of 153 thousand boxes, of which the sales volume of linseed-fed small-packed pork increased by 138.0% year-on-year.

### *The Brand Influence of "Joycome" Continues to Expand as We Optimize our Product Positioning*

In the first half of 2022, during the COVID-19 pandemic prevention and control in Jilin, Shanghai and Beijing, etc., the Company responded quickly and proactively, activated the emergency mechanism, and ensured "continuous supply, no drop in quality and stable price" during the pandemic while taking proper prevention and control measures, so as to use our best efforts to meet the needs of consumers' household consumption, at the same time truly securing the effective supply of products from the production and logistics ends.

In addition, as an authorized "Sports-Training Bureau National Team Preparation Protection Product" by the General Administration of Sport of China Training Bureau, the Company continued to consolidate the "safety" foundation for its brand. Meanwhile, responding to the consumption trend, the Company leveraged its linseed-fed pork products to meet the health demands of customers, and took advantage of a two-pronged approach of "safety + health" for precise product promotion. During the 2022 Beijing Winter Olympic Games, the Company became a meat supplier and partner of the "Cross-line and Cross-item Snowboarding National Training Team". Regarding parent-child families, the Company has launched high-spending sports events such as youth golf and yoga for baby mothers, which helped further expansion of its brand influence.

### ***Meat import business***

#### *Segment Results Suffered in the Second Half of the Year due to Sluggish Catering Consumption as a Result of the COVID-19 Pandemic*

Under the sufficient supply of domestic hogs, the prices of imported frozen pork products were inverted, and the Company took initiative to reduce the pork import volume. The significant decline in catering demand resulting from the impact of the COVID-19 pandemic in various regions in the second half of 2022, coupled with the gradual recovery of port transportation and the abundant supply of imported beef in the market, has led to a rapid decrease in the sales price of imported beef, which impacted the beef import segment. Facing the risk of market fluctuations, the Company actively explored end customers and strengthened its cooperation with downstream processed meat segment, thereby constantly enhancing its ability to combine downstream processing and trading.

## **IV. Financial Review**

### ***Overall Performance***

In 2022, the revenue of the Group was RMB12,901 million, representing a decrease of RMB327 million as compared with RMB13,228 million for the same period in 2021. Prior to biological assets fair value adjustments, the net profit of the Group was a loss of RMB320 million, while the net profit for the same period in 2021 was a profit of RMB2,354 million.

### ***Revenue***

In 2022, the revenue of the Group was RMB12,901 million, representing a decrease of 2.5% as compared with RMB13,228 million for the same period in 2021. On one hand, prices of imported frozen pork products were inverted, and the Company took initiative to reduce the volume of import business. On the other hand, there was a substantial growth in sales volume of fresh pork, hence resulting in a significant increase in segment revenue.

### ***Gross Profit Margin***

In 2022, the gross profit margin before biological assets fair value adjustments of the Group was 3.7%, representing a year-on-year decrease of 22.9 percentage points. It was mainly attributable to the higher feed cost as a result of the rising global feed raw material prices, and the adverse impact arising from the Company's participation in futures hedging during the reporting period. At the same time, the average selling price of finishing hogs amounted to RMB17.86/kg, representing a year-on-year decrease of 2.2%, which resulted in the unsatisfactory performance of gross profit margin.

### ***Selling and Distribution Expenses/Administrative Expenses***

In 2022, the total selling and distribution expenses and administrative expenses of the Group amounted to RMB664 million, representing a decrease of 13.9% as compared with RMB771 million for the same period last year.

### ***Finance Costs***

In 2022, the Group's finance costs amounted to RMB177 million, representing an increase of RMB53.49 million as compared with RMB123 million in the same period of 2021, mainly due to the increase in finance costs as a result of the expansion of the size of financing.

### ***Other Income, Other Gains and Losses***

In 2022, the Group's other income, other gains and losses amounted to a total gain of RMB166 million, representing a decrease of RMB46.35 million as compared with that of the same period in 2021. It was mainly attributable to the fluctuation in exchange rates during the year.

## ***Profit/(Loss) for the Year***

For the reasons above, the Group recorded a loss of RMB320 million before biological assets fair value adjustments during 2022, as compared with the profit of RMB2,354 million before biological assets fair value adjustments in the same period in 2021.

## ***Significant Investments and Material Acquisitions and Disposals of Subsidiaries***

Save as disclosed in this results announcement, the Group had neither any other significant investments nor significant acquisitions and disposals of the relevant subsidiaries in 2022.

## ***Major Financial Ratios***

The financial ratios of the Group as at December 31, 2022 and December 31, 2021 are set forth below:

	<b>December 31, 2022</b>	December 31, 2021
Return on equity <sup>(1)</sup>	<b>4.2%</b>	-5.3%
Return on assets <sup>(2)</sup>	<b>2.0%</b>	-2.5%
Interest coverage ratio <sup>(3)</sup>	<b>3.58 times</b>	0.84 times
Current ratio <sup>(4)</sup>	<b>0.80</b>	0.89
Net debt-to-equity ratio <sup>(5)</sup>	<b>73.3%</b>	60.0%

### *Notes:*

- (1) Equals profit/loss for the year divided by the average of the beginning and ending total equity for that year and multiplied by 100%.
- (2) Equals profit/loss for the year divided by the average of the beginning and ending total assets for that year, respectively, and multiplied by 100%.
- (3) Equals profit/loss before finance costs and income tax expense for the year divided by finance costs (with capitalised interest added back) for that year and multiplied by 100%.
- (4) Equals current assets divided by current liabilities as at the balance sheet date.
- (5) Equals interest-bearing bank loans and loans from the related parties less cash and bank balances, divided by total equity as at the balance sheet date and multiplied by 100%.

## ***Analysis on Capital Resources***

### ***Liquidity and Financial Policy***

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



In order to allocate and utilise capitals more effectively, the Group entered into the financial services agreements and entrusted loans framework agreement through COFCO Finance Corporation Limited. At the same time, the Group also used the capital pool in Mainland China, so as to be more effective in utilising cash, reducing average borrowing costs of the Group, and accelerating clearing services among the companies under the Group.

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

As at December 31, 2022, the cash and bank balances owned by the Group amounted to approximately RMB1,040 million (December 31, 2021: approximately RMB1,041 million). The cash and bank balances remained largely stable.

As at December 31, 2022, our current ratio was 0.80 (December 31, 2021: 0.89). As at December 31, 2022, our unused bank credit facilities were RMB10,237 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 2022, the EBITDA of the Group (before biological assets fair value adjustments)<sup>1</sup> was RMB786 million (same period in 2021: RMB3,662 million). The EBITDA of the Group (after biological assets fair value adjustments)<sup>2</sup> was RMB1,240 million (same period in 2021: RMB597 million).

#### *Notes:*

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

In 2022, cash used in our operating activities was RMB6.13 million (generated during the same period in 2021: RMB3,082 million). Cash used in our investment activities was RMB924 million (used during the same period in 2021: RMB1,471 million), including RMB979 million for the purchase of property, plant and equipment (same period in 2021: RMB1,461 million). Cash generated from our financing activities was RMB944 million (used during the same period in 2021: RMB984 million). In summary, in 2022, our net decrease in cash and bank balances was RMB0.95 million.

### *Capital Structure*

As at December 31, 2022, the total number of issued shares of the Company remained unchanged at 3,901,998,323 shares.

As at December 31, 2022, the Group had interest-bearing bank loans of approximately RMB5,998 million (December 31, 2021: approximately RMB6,109 million). The annual interest rate on bank loans ranged from 0.91% to 5.14% (December 31, 2021: from 0.91% to 4.26%). 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>	<b>December 31, 2022</b>	December 31, 2021
Within 1 year	<b>5,852</b>	5,964
1 to 2 years	<b>58</b>	12
3 to 5 years	<b>88</b>	124
Over 5 years	–	9
Total	<b><u>5,998</u></b>	<b><u>6,109</u></b>

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

<i>Unit: RMB in million</i>	<b>December 31, 2022</b>	December 31, 2021
Fixed-rate borrowings	<b>4,408</b>	5,608
Variable-rate borrowing	<b><u>1,590</u></b>	<u>501</u>
Total	<b><u>5,998</u></b>	<b><u>6,109</u></b>

As at December 31, 2022, the Group had loans from related parties of approximately RMB1,103 million (December 31, 2021: approximately RMB100 million).

As at December 31, 2022, the Group had net assets of approximately RMB8,263 million (December 31, 2021: approximately RMB8,609 million). Net debts<sup>3</sup> of the Group amounted to approximately RMB6,060 million (December 31, 2021: approximately RMB5,168 million), while the net debt-to-equity ratio was approximately 73.3% (December 31, 2021: approximately 60.0%).

*Note:*

3. Net debts of the Group refer to interest-bearing bank loans and loans from related parties less cash and bank balances.

### *Contingent Liabilities and Pledge of Assets*

As at December 31, 2022 and December 31, 2021, the Group had no significant contingent liabilities.

As at December 31, 2022 and December 31, 2021, 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 2022, the Group's capital expenditure was RMB993 million (same period in 2021: RMB1,473 million). The following table sets forth our capital expenditure for the years indicated:

<i>Unit: RMB in million</i>	<b>2022</b>	2021
Payments for property, plant and equipment	<b>979</b>	1,461
Payments for right-of-use assets	<b>10</b>	12
Payments for intangible assets	<b>4</b>	–
Total	<b><u>993</u></b>	<b><u>1,473</u></b>

In 2022, our demand for capital expenditure mainly came from the construction of the hog farms in the Inner Mongolia Autonomous Region, Jilin Province and Henan Province.

### *Capital Commitment*

Capital commitment of the Group is mainly related to the construction of hog farms and other production and ancillary facilities. As at December 31, 2022, capital commitment of the Group was RMB525 million (December 31, 2021: RMB596 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 December 31, 2022, we owned 330 thousand heads of breeding and replacement hogs in total, representing an increase of 35.3% as compared with 244 thousand heads as at December 31, 2021. The fair value of our biological assets was RMB3,063 million as at December 31, 2022 and RMB1,853 million as at December 31, 2021. Our results have been and are expected to be affected by changes in fair value of biological assets.

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

In 2022 and 2021, such adjustments have resulted in an increase of RMB1,236 million and an increase of RMB1,803 million in cost of sales, respectively. Additionally, in 2022 gains arising from fair value less cost of sales of agricultural products at the point of harvest amounted to RMB1,780 million (the same period in 2021: losses of RMB490 million); gains arising from changes in fair value of biological assets less cost of sales amounted to RMB133 million (the same period in 2021: losses of RMB544 million). In general, the net effect of adjustment in fair value of biological assets on profit was gains of RMB677 million during the reporting period and losses of RMB2,838 million during the same period in 2021.

## **V. Human Resources**

The continuing operations of the Group hired 9,980 employees as at December 31, 2022 (2021: 8,965 employees). Remuneration for employees was determined based on their job nature, personal performance and the market trends. In 2022, total remuneration of the Group amounted to approximately RMB1,079 million (2021: RMB1,151 million).

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

## VI. Significant Risks and Uncertainties

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

### *Epidemic Risks*

The major threat to the development of animal husbandry is epidemic risks. The epidemic spreading in hog production mainly includes blue ear disease, classical swine fever, porcine respiratory disease, porcine epidemic diarrhea, porcine pseudorabies, porcine circovirus, etc. In 2022, African swine fever epidemic continued all across the country. There are four categories of risks brought about by epidemics. First, the outbreak of epidemic diseases will lead to hog mortalities, which will directly cause a decrease in hog production and result in direct economic losses of the Company. Second, the outbreak of epidemic will increase daily consumption expenditures in the long run, since it may inhibit hogs' growth, reduce the production efficiency, and increase feed and veterinary drug consumption, all of which will result in higher operating costs. Third, the epidemic will bring phrased reduction to production in hog farms because the purification process reduces the production efficiency of the farms in stages and increases the operating costs, resulting in reduced effectiveness. Fourth, the large-scale outbreak and spread of epidemic diseases may cause a panic among some consumers and thus lower the total demand for related products, which adversely affects the sales of hogs.

To solve epidemic risks, the Group has formulated regulations such as the Procedure for Biosecurity Control (《生物安全控制程序》), the Contingency Plan for Major Animal Disease Prevention and Control (《重大動物疫情應急預案》), the Operation Manual of Swine Diseases Prevention and Control (《豬病防控操作手冊》), the Prevention and Emergency Response Plan for African Swine Fever (《非洲豬瘟預防及應急處置方案》) and the Disease Prevention, Control and Monitoring and Specimen Collection for Virus Testing Plan (《疾病防控監測及病料採樣檢測計劃》), and constantly improved the level and capacity of biosecurity control, so as to comprehensively prevent and curb major animal diseases such as African swine fever.

In addition, in 2022, the COVID-19 epidemic continued to spread 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.

### ***Safe Production Risks***

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

### ***Food Safety Risks***

Food safety risks refer to risks of severe customer complaints, large-scale product recall and other negative effects resulted from unqualified product and food safety indicators due to deficient food safety management system and unfulfilled management and control measures. To specify various food safety control measures and regulate food safety management, the Group has stipulated systems and standards, such as, Provisions for the Food Safety Management (《食品安全管理規定》), Food Safety Responsibility System (《食品安全責任制》), Standards for Quality and Safety of Industry Chain (《產業鏈質量安全標準》) and Prohibition on Food Safety (《食品安全禁令》). The Group organized and carried out food safety training and education and provided guidance for subordinate enterprises on food safety management, conducted regular supervision over the inspection and sampling inspection of subordinate enterprises, and evaluated and reviewed the results. All subordinate enterprises strictly implement the food safety management requirements and actively prevent food safety risks.

## ***Environmental Protection Risks***

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

## **VII. Outlook**

At present, with the continuous optimization of domestic pandemic prevention and control policies and the gradual release of consumer demand, the overall economy is expected to maintain a steady and positive trend. But at the same time, the international situation remains uncertain while the uncertainties of the external environment still exist. In 2023, the Company will maintain strategic stability, strictly control various risks and continue the following tasks:

Firstly, we will steadily expand the production capacity of our core businesses.

Secondly, we will incorporate the prevention and control of the African swine fever into routine practices, further improve the level of refined management, narrow the gap of the efficiency between internal farms, and consolidate our core competitive advantages.

Thirdly, we will optimize the futures hedging strategies in a dynamic manner, and strictly control the risk of market volatility, to achieve the organic combination of futures and in-stocks.

Fourthly, we will continue to move forward the differentiated and branded operation of the fresh meat business segment, focusing on the promotion of linseed-fed pork and the R&D of new products to further enhance the scale of the brand and expand its influence.

Fifthly, we will strengthen the risk control of import business, vigorously further explore the terminal channels, and enhance customer stickiness. Strengthening our internal synergy, we will also deepen the integration of trading and processing, continuously promote the transformation towards a terminal distributor, and add value to our business.

## OTHER EVENTS

### Compliance with the Corporate Governance Code

The Board and the management of the Company are committed to achieving and maintaining high standards of corporate governance, which they consider to be essential to safeguard the integrity of the Group's operations and maintain investors' trust in the Company. The Company's management also actively observes the latest corporate governance requirements in the PRC, Hong Kong and abroad.

The Company has adopted the principles and code provisions contained in the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Save and except for the deviation from code provision C.2.1 disclosed below, in the opinion of the Board, the Company has complied with the code provisions set out in the Corporate Governance Code for the year ended December 31, 2022.

Code provision C.2.1 of the Corporate Governance Code states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. On June 10, 2022, Mr. Xu Jianong resigned as the executive Director, managing director, general manager and the authorized representative of the Company. Following Mr. Xu's resignation, Mr. Jiang Guojin, the chairman of the Board has been appointed as the general manager of the Company and has taken up the roles and functions of the managing director including but not limited to implementation of decisions of the Board, formulation of corporate and business strategies of the Company, supervision of ordinary operation of the Company and making decisions and providing advice relating to the appointment of senior management. The Board believes that Mr. Jiang Guojin's extensive experience and knowledge, together with the support of the management, shall strengthen the solid and consistent leadership of the Group and would allow for efficient business planning and decision, which the Board believes is in the best interest of the overall development of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced individuals. As at the date of this announcement, the Board comprises one executive Director, three non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. The Company will keep reviewing the current structure of the Board from time to time.

### Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as a code of conduct regarding securities transactions by the directors of the Company. The Company has made specific enquiries with each director and each of them confirmed that he or she had complied with all required standards under the Model Code for the year ended December 31, 2022.



## **Purchase, Sale or Redemption of the Listed Securities**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities for the year ended December 31, 2022.

## **Subsequent Events**

On January 11, 2023, the Company and COFCO (Hong Kong) Limited entered into the share subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue, and COFCO (Hong Kong) Limited has conditionally agreed to subscribe for, 680,000,000 subscription shares at the subscription price of HK\$2.30 per subscription share for a total consideration of HK\$1,564,000,000 in cash (the “**Share Subscription**”). The Company intends to further expand the scale of hog industry chain, including the scale of hog stock, and to strengthen the distribution of downstream branded fresh meat. The Share Subscription will provide necessary funding to the Company for constructing more hog farms (including environmental protection facilities), introducing and breeding high-quality purebred hogs, and promoting the branded fresh pork products. These will be beneficial to the Company on improving its operation scale and industry ranking, realizing its growth potential and long-term competitiveness. The relevant resolution has been passed by way of poll by the independent shareholders at the extraordinary general meeting on March 10, 2023. The completion of the Share Subscription has taken place in accordance with the terms and conditions of the share subscription agreement on March 24, 2023. For details, please refer to the Company’s announcements dated January 11, 2023, March 10, 2023 and March 24, 2023 and the circular dated February 17, 2023.

## **Final Dividend**

The Board has resolved not to declare any final dividend for the year ended December 31, 2022.

## **Review of Annual Results**

The consolidated financial statements of the Group for the year ended December 31, 2022 were audited by Baker Tilly Hong Kong Limited and this results announcement is based on such financial statements which have been agreed by the Company and the auditor. The audit committee of the Company has reviewed the audited annual results of the Company for the year ended December 31, 2022.

## **Scope of work of Baker Tilly Hong Kong Limited**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2022 as set out in the preliminary announcement have been agreed by the Group's auditors, Baker Tilly Hong Kong Limited to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Baker Tilly Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Baker Tilly Hong Kong Limited on the preliminary announcement.

## **Publication of Annual Report**

The annual report of the Company will be published on the website of the Company ([www.cofcojoycome.com](http://www.cofcojoycome.com)) and the HKEXnews website of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://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, executive director and general manager*

Beijing, PRC, 28 March 2023

*As at the date of this announcement, the Board comprises Mr. Jiang Guojin as the chairman of the Board, executive director and general manager, Mr. Ma Dewei, Dr. Zhao Wei and Mr. Shi Bo as non-executive directors, and Mr. Fu Tingmei, Mr. Li Michael Hankin and Dr. Ju Jiandong as independent non-executive directors.*