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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, 2024**

The board (the “**Board**”) of directors (the “**Directors**”) 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, 2024 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2023 as follows:

HIGHLIGHTS

Key Operating Data	Six months ended June 30,			
	2024	2023	year-on-year	
Hog production volume (unit: ' 000 heads) ⁽¹⁾	1,584	2,447	-35.3%	
Average selling price of finishing hogs (RMB/kg)	15.28	14.61	4.6%	
Fresh pork sales volume (unit: ' 000 tons)	120	123	-2.2%	
Ratio of revenue from branded business of total fresh pork business ⁽²⁾	26.7%	26.2%	increase of 0.5 percentage point	
Meat import sales volume (unit: ' 000 tons) ⁽³⁾	33	36	-9.1%	
Key Financial Data	Six months ended June 30,			
	2024		2023	
	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 ⁽⁴⁾	4,570,820	4,570,820	5,818,410	5,818,410
Profit/(loss) for the period	(388,720)	249,296	168,426	(485,232)
Profit/(loss) attributable to the owners of the Company ⁽⁵⁾	(386,571)	251,445	184,012	(469,646)
Basic earnings/(loss) per share ⁽⁶⁾	RMB(0.0844)	RMB0.0549	RMB0.0431	RMB(0.1099)

Notes:

1. The Group's hog production volume decreased by 35.3% year-on-year due to the periodic effect such as the rotation of the superior breeding herd, the closure of certain negative marginal contribution farms in the north and the winter epidemic.
2. The Group continued to increase its brand communication and channel development, and the proportion of brand revenue in the current period increased by 0.5 percentage point year-on-year.
3. Due to the domestic beef market downturns, in order to control the risk, the Group has taken initiative to reduce meat import volume. Meat import sales volume in the current period decreased by 9.1% year-on-year.
4. Revenue of the Group was RMB4,571 million, representing a year-on-year decrease of 21.4%, mainly attributable to lower year-on-year hog production volume and initiative reduction of meat import business.
5. Loss attributable to the owners of the Company before biological assets fair value adjustments amounted to RMB387 million, representing a year-on-year loss, which was mainly due to the hog production business. Profit attributable to the owners of the Company after biological assets fair value adjustments amounted to RMB251 million. The biological assets fair value was adjusted based on the hog price at the end of June 2024.
6. 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 interim dividend for the six months ended June 30, 2024.

FINANCIAL INFORMATION

The following financial information is a summary of the unaudited condensed consolidated financial statements for the six months ended June 30, 2024 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, 2024

(Expressed in Renminbi)

	NOTES	Six months ended June 30,					Total RMB'000 (Unaudited)
		2024			2023		
		Results before biological assets fair value adjustments RMB'000 (Unaudited)	Biological assets fair value adjustments RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Results before biological assets fair value adjustments RMB'000 (Unaudited)	Biological assets fair value adjustments RMB'000 (Unaudited)	
Revenue	3	4,570,820	-	4,570,820	5,818,410	-	5,818,410
Cost of sales		(4,730,072)	102,501	(4,627,571)	(5,442,033)	226,792	(5,215,241)
Gross (loss)/profit		(159,252)	102,501	(56,751)	376,377	226,792	603,169
Other income	5	179,686	-	179,686	115,431	-	115,431
Other gains and losses	6	33,642	-	33,642	154,435	-	154,435
Selling and distribution costs		(183,852)	-	(183,852)	(224,208)	-	(224,208)
Administrative expenses		(196,495)	-	(196,495)	(184,925)	-	(184,925)
Loss arising from agricultural produce at fair value less costs to sell at the point of harvest		-	(48,188)	(48,188)	-	(359,296)	(359,296)
Gain/(loss) arising from changes in fair value less costs to sell of biological assets		-	583,703	583,703	-	(521,154)	(521,154)
Finance costs	7	(60,531)	-	(60,531)	(71,044)	-	(71,044)
Profit/(loss) before tax	8	(386,802)	638,016	251,214	166,066	(653,658)	(487,592)
Income tax (expense)/credit	9	(1,918)	-	(1,918)	2,360	-	2,360
Profit/(loss) for the period		(388,720)	638,016	249,296	168,426	(653,658)	(485,232)

Six months ended June 30,

		2024		2023			
		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
NOTES		RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Other comprehensive expense net of income tax:							
<i>Items that will not be reclassified to profit or loss:</i>							
	Fair value loss on equity instrument at fair value through other comprehensive income			(1,638)			(74,771)
	Income tax relating to item that will not be reclassified to profit or loss			409			18,693
				(1,229)			(56,078)
<i>Items that may be reclassified subsequently to profit or loss:</i>							
	Exchange differences arising on translation of foreign operation (with nil tax effect)			(3,659)			(21,383)
	Release of cumulative exchange differences to profit or loss associated with changes in net investment in a foreign operation			-			(79,603)
				(3,659)			(100,986)
	Other comprehensive expense for the period, net of income tax			(4,888)			(157,064)
	Total comprehensive income/(expense) for the period			244,408			(642,296)
	Profit/(loss) for the period attributable to:						
	Owners of the Company			251,445			(469,646)
	Non-controlling interests			(2,149)			(15,586)
				249,296			(485,232)
	Total comprehensive income/(expense) for the period attributable to:						
	Owners of the Company			246,557			(626,710)
	Non-controlling interests			(2,149)			(15,586)
				244,408			(642,296)
	Earnings/(loss) per share:						
	Basic	10		RMB0.0549			RMB(0.1099)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*AS AT JUNE 30, 2024*

(Expressed in Renminbi)

		June 30, 2024	December 31, 2023
	<i>NOTES</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
Non-current assets			
Goodwill		100,609	100,609
Property, plant and equipment		9,891,432	9,706,790
Right-of-use assets		701,202	638,024
Intangible assets		9,747	8,591
Equity instrument at fair value through other comprehensive income (“FVTOCI”)		85,198	86,836
Biological assets		784,663	567,344
Prepayments for purchase of property, plant and equipment		15,253	1,179
		11,588,104	11,109,373
Current assets			
Inventories		848,545	899,828
Biological assets		2,288,359	1,635,066
Account receivables	<i>12</i>	204,083	201,646
Prepayments, deposits and other receivables		427,796	329,127
Other current assets		480,929	475,570
Financial assets at fair value through profit or loss		13,994	177,277
Amounts due from related companies	<i>13</i>	680,377	233,150
Cash and bank balances		506,891	1,169,295
		5,450,974	5,120,959

	<i>NOTES</i>	June 30, 2024 RMB'000 (Unaudited)	December 31, 2023 RMB'000 (Audited)
Current liabilities			
Account and bills payables	<i>14</i>	364,613	499,671
Other payables, accruals and deposits received		828,671	803,742
Lease liabilities		34,223	38,521
Contract liabilities		268,765	269,387
Bank borrowings		2,107,020	3,990,977
Amounts due to related companies	<i>13</i>	106,651	139,049
Loans from related companies		2,222,500	502,500
Financial liabilities at fair value through profit or loss		81,545	12,491
Current tax liabilities		583	43
		6,014,571	6,256,381
Net current liabilities		(563,597)	(1,135,422)
Total assets less current liabilities		11,024,507	9,973,951
Non-current liabilities			
Bank borrowings		821,000	50,000
Loans from a related company		104,883	103,289
Deferred income		117,503	121,153
Deferred tax liabilities		45,390	46,523
Long-term payable		82,362	79,265
Lease liabilities		362,778	327,538
		1,533,916	727,768
Net assets		9,490,591	9,246,183
Capital and reserves			
Share capital		1,668,983	1,668,983
Reserves		7,709,926	7,463,369
Equity attributable to the owners of the Company		9,378,909	9,132,352
Non-controlling interests		111,682	113,831
Total equity		9,490,591	9,246,183

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2024
(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, 2024 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 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, 2023.

These condensed 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.

As at June 30, 2024, the Group’s current liabilities exceeded its current assets by RMB563,597,000. Taking into account the banking facilities available to the Group, 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 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 condensed consolidated financial statements.

2 PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2023, except as described below.

Application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are effective for the Group’s financial year beginning on January 1, 2024 for the preparation of the Group’s condensed consolidated financial statements.

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

3 REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

	For the six months ended June 30, 2024				
	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	1,226,591	—	—	—	1,226,591
Fresh pork	—	2,063,075	—	—	2,063,075
Processed meat products	—	—	376,803	—	376,803
Imported meat products	—	—	—	904,351	904,351
Total	1,226,591	2,063,075	376,803	904,351	4,570,820
Timing of revenue recognition					
A point in time	1,226,591	2,063,075	376,803	904,351	4,570,820
	For the six months ended June 30, 2023				
	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	2,071,204	—	—	—	2,071,204
Fresh pork	—	2,086,701	—	—	2,086,701
Processed meat products	—	—	387,853	—	387,853
Imported meat products	—	—	—	1,272,652	1,272,652
Total	2,071,204	2,086,701	387,853	1,272,652	5,818,410
Timing of revenue recognition					
A point in time	2,071,204	2,086,701	387,853	1,272,652	5,818,410

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

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

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable 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, 2024							
Segment revenue							
External customers	1,226,591	2,063,075	376,803	904,351	4,570,820	–	4,570,820
Inter-segment sales	<u>1,436,719</u>	<u>34,101</u>	<u>2,926</u>	<u>144,189</u>	<u>1,617,935</u>	<u>(1,617,935)</u>	<u>–</u>
Segment revenue	<u>2,663,310</u>	<u>2,097,176</u>	<u>379,729</u>	<u>1,048,540</u>	<u>6,188,755</u>	<u>(1,617,935)</u>	<u>4,570,820</u>
Segment results	<u>(375,158)</u>	<u>(27,633)</u>	<u>21,675</u>	<u>28,208</u>	<u>(352,908)</u>		<u>(352,908)</u>
Unallocated corporate income							74,651
Unallocated corporate expenses							(48,014)
Fair value adjustments on biological assets and agricultural produce							638,016
Finance costs							<u>(60,531)</u>
Profit before tax							<u>251,214</u>
	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, 2023							
Segment revenue							
External customers	2,071,204	2,086,701	387,853	1,272,652	5,818,410	–	5,818,410
Inter-segment sales	<u>1,489,835</u>	<u>40,538</u>	<u>2,291</u>	<u>133,672</u>	<u>1,666,336</u>	<u>(1,666,336)</u>	<u>–</u>
Segment revenue	<u>3,561,039</u>	<u>2,127,239</u>	<u>390,144</u>	<u>1,406,324</u>	<u>7,484,746</u>	<u>(1,666,336)</u>	<u>5,818,410</u>
Segment results	<u>183,885</u>	<u>(43,697)</u>	<u>7,294</u>	<u>23,519</u>	<u>171,001</u>		<u>171,001</u>
Unallocated corporate income							117,587
Unallocated corporate expenses							(51,478)
Fair value adjustments on biological assets and agricultural produce							(653,658)
Finance costs							<u>(71,044)</u>
Loss before tax							<u>(487,592)</u>

4 SEGMENT INFORMATION (CONTINUED)

Segment revenue and 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 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 liabilities

The CODM makes decisions according to operating results of each segment. No analysis of segment assets and liabilities 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,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income from banks	281	331
Interest income from a related company	3,572	5,830
	<u>3,853</u>	<u>6,161</u>
Dividend income from equity instruments at FVTOCI	75,000	–
Government grants*	100,833	109,270
	<u>179,686</u>	<u>115,431</u>

* 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 RMB3,650,000 for the six months ended June 30, 2024 (six months ended June 30, 2023: RMB3,664,000).

6 OTHER GAINS AND LOSSES

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

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Exchange gain, net (Note)	3,710	136,392
Gain on disposal of property, plant and equipment, net	17,817	25,003
Gain on disposal of right-of-use assets	11,130	35,789
Loss on lease modification	(330)	–
Write-down of inventories	(9,516)	(38,125)
Impairment on account receivables, net	(70)	(50)
Impairment on other receivables, net	–	(142)
Impairment on amounts due from related companies	–	(191)
Realised and unrealised gain/(loss) on fair value changes in respect of foreign currency forward contracts, net	9,243	(4,488)
Others	1,658	247
	<u>33,642</u>	<u>154,435</u>

Note: During the prior interim period, the exchange gain included the amount of release of cumulative exchange differences to profit or loss associated with changes in net investment in a foreign operation of RMB79,603,000.

7 FINANCE COSTS

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

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Interest on:		
– Bank borrowings	34,678	51,488
– Loans from related companies	14,803	9,526
– Lease liabilities from the third parties	9,171	7,719
– Long-term payable	3,097	3,169
	<u>61,749</u>	<u>71,902</u>
Total borrowing costs		
	<u>61,749</u>	<u>71,902</u>
Less: borrowing costs capitalised in the cost of qualifying assets	(1,218)	(858)
	<u>60,531</u>	<u>71,044</u>

8 PROFIT/(LOSS) BEFORE TAX

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

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories recognised as expenses	4,711,090	6,149,146
Realised and unrealised loss/(gain) on fair value changes in respect of commodity future contracts, net	18,982	(707,113)
Fair value changes in respect of biological assets	(102,501)	(226,792)
	<u>4,627,571</u>	<u>5,215,241</u>
Total cost of sales	<u>4,627,571</u>	<u>5,215,241</u>
Depreciation of property, plant and equipment	309,451	288,385
Depreciation of right-of-use assets	28,994	26,568
Amortisation of intangible assets	1,038	971
	<u>339,483</u>	<u>315,924</u>
Total depreciation and amortisation	<u>339,483</u>	<u>315,924</u>
Less: Capitalised in biological assets	(244,336)	(226,725)
	<u>95,147</u>	<u>89,199</u>

9 INCOME TAX EXPENSE/(CREDIT)

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

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
– The People's Republic of China (the "PRC") Enterprise Income Tax ("EIT")	2,641	79
Over provision in prior years:		
– PRC EIT	–	(2,038)
	<u>2,641</u>	<u>(1,959)</u>
Deferred tax:		
– Current period	(723)	(401)
	<u>(723)</u>	<u>(401)</u>
Income tax expense/(credit)	<u>1,918</u>	<u>(2,360)</u>

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit generated in Hong Kong for the six months ended June 30, 2024 (six months ended June 30, 2023: 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 six months ended June 30, 2024 (six months ended June 30, 2023: 25%).

Certain operations of the Company's certain subsidiaries were exempted from PRC income taxes during both 2024 and 2023. 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 agricultural 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 were exempted from EIT in the six months ended June 30, 2024 and 2023.

10 EARNINGS/(LOSS) PER SHARE

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

Profit/(loss)

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit/(loss) for the purpose of basic earnings/(loss) per share		
Profit/(loss) for the period attributable to the owners of the Company	<u>251,445</u>	<u>(469,646)</u>

Number of shares

	Six months ended June 30,	
	2024	2023
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<u>4,581,998</u>	<u>4,273,932</u>

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

11 DIVIDEND

No dividends were paid, declared or proposed during the six months ended June 30, 2024 and 2023. The board of directors of the Company has resolved not to declare any interim dividend for the six months ended June 30, 2024 (six months ended June 30, 2023: nil).

12 ACCOUNT RECEIVABLES

	June 30,	December 31,
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Account receivables from contracts with customers	204,903	202,396
Less: Allowance for credit losses	<u>(820)</u>	<u>(750)</u>
	<u>204,083</u>	<u>201,646</u>

12 ACCOUNT RECEIVABLES (CONTINUED)

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

	June 30, 2024	December 31, 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 90 days	201,951	200,659
90 to 180 days	1,537	758
180 days to 1 year	375	34
Over 1 year	220	195
	<u>204,083</u>	<u>201,646</u>

13 BALANCES WITH RELATED COMPANIES

Related companies with which the Group had transactions and/or outstanding balances are COFCO Corporation and its subsidiaries. Prior to March 24, 2023, COFCO Corporation had significant influence over the Company and, on March 24, 2023, obtained control over the Company and became the Company's ultimate holding company.

Included in amounts due from related companies as at June 30, 2024 are receivables in trade nature of RMB17,004,000 (December 31, 2023: RMB19,767,000), which 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 delivery dates and net of allowance for credit losses, is as follows:

	June 30, 2024	December 31, 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 90 days	17,004	12,134
Over 1 year	-	7,633
	<u>17,004</u>	<u>19,767</u>

The remaining balance 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, 2024 were payables in trade nature of RMB91,575,000 (December 31, 2023: RMB123,677,000), 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, 2024	December 31, 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 90 days	91,448	123,590
Over 90 days but less than 1 year	127	87
	<u>91,575</u>	<u>123,677</u>

The remaining balance 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, 2024 RMB'000 (Unaudited)	December 31, 2023 RMB'000 (Audited)
Account payables	364,613	471,243
Bills payables	–	28,428
	364,613	499,671

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 dates, is as follows:

	June 30, 2024 RMB'000 (Unaudited)	December 31, 2023 RMB'000 (Audited)
Within 1 year	363,389	457,632
1 to 2 years	335	11,366
Over 2 years	889	2,245
	364,613	471,243

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 of Hong Kong Limited on November 1, 2016 (stock code: 1610).

The main businesses of the Company include feed production, hog production, slaughtering and cutting, production, distribution and sale of fresh pork and processed meat products, import and distribution of meat products (including pork, beef, poultry and mutton). As a leading meat enterprise with operations covering the integrated 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, 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, and two cutting centers in Guangdong and Beijing (Beijing cutting center was put into production in August 2024). The Company vigorously develops branded business through the “**Joycome**” brand, which covers the pork consumption market in major provinces, cities and areas such as Beijing, Shanghai, the Yangtze River Delta, Guangdong, Hubei, Jilin 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 two modern processed meat product processing bases in Jiangsu 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 price embraced an upward fluctuation since May as the alleviated oversupply situation

According to the data from the National Bureau of Statistics, hog production volume in China was 364 million heads in the first half of 2024, representing a year-on-year decrease of 3.1%; pork output was 29.81 million tons, representing a year-on-year decrease of 1.7%. The stock of breeding sows in China was 40.38 million heads by the end of June 2024, representing a destocking rate of 8% as compared with the peak of 43.90 million heads in 2022. As a result, the oversupply situation in the hog market has been alleviated.

Amid the decline of supply, hog price saw a significant increase in the second quarter of 2024. As at the end of June, the hog price in China's large and medium-sized cities was RMB18.00/kg, representing an increase of 22.4% from the end of 2023.

Consumer market picked up with consumers demanding higher food safety and quality

According to the data from the National Bureau of Statistics, in the first half of 2024, the total retail sales of consumer goods amounted to RMB23.6 trillion, representing a year-on-year increase of 4%, of which revenue from catering amounted to RMB2,624.3 billion, representing a year-on-year increase of 7.9%, indicating a picked-up consumer market.

In the post-pandemic era, residents are more concerning about food safety and quality, thus branded small-packed fresh pork products with high quality, standardization, hygiene and convenience have become more popular among consumers.

Pork imports shrank significantly while beef imports kept increasing

According to the Customs statistics, China's total meat imports amounted to 3.30 million tons in the first half of 2024, representing a year-on-year decrease of 13.4%, the lowest over the five years. In particular, pork imports (excluding by-products) were 0.51 million tons, representing a year-on-year decrease of 45.3%, and accounted for 1.7% of China's pork output. Beef imports (excluding by-products) amounted to 1.44 million tons, representing a year-on-year increase of 17.0%, and accounted for 44.0% of China's beef output.

III. Results of Operation

In the first half of 2024, the market trend of hog price has changed significantly, the first quarter saw continuous sluggish hog price and significant losses of the entire industry; the second quarter witnessed an improvement of profit in the industry as hog price picked up. The Company focused on production management, vigorously explored channels and expedited to develop new quality productive forces, thereby ensuring steady development of each business: in terms of hog production segment, it worked on improving the level of genetic breeding, intelligence and epidemic prevention, empowered its production and operation with technology to reduce cost and increase efficiency; in terms of fresh pork segment, it continued to make efforts into branded business, expanded the sales volume of linseed-fed pork, realizing a substantial decline in losses year on year; and in terms of processed meat products and meat import segment, it deepened internal synergy and gave play to its market analysis and supply chain advantages, significantly enhancing its profitability.

During the Reporting Period, due to the loss of the hog production business as a whole, the Company's net loss before biological assets fair value adjustments was RMB389 million.

Hog production business

Actively promote construction of new projects for hog production

In the first half of 2024, the Company continued its construction of new capacities for hog production, which was mainly in the advantageous areas of Jilin.

Refined management improved with technology empowerment

In the first half of 2024, the Company followed industry trends and production needs to actively explore intelligent breeding by installing digital intelligence equipment in new projects on a pilot basis to further improve the level of refined management. Meanwhile, the Company improved the standardized epidemic prevention system and strengthened benchmarking between farms to narrow the gaps in internal production performance. It optimized the management team and implemented precise incentive to fully boost the enthusiasm and sense of responsibility of employees. As of the end of June, the Company had 337 thousand breeding and replacement hogs in stock, providing guarantee for subsequent productions.

Advanced genetic breeding to improve herd performance

Since the establishment of the genome breeding platform, the Company has increased the number of genetic chip tests, accelerated rotation of breeding herd, resulting in a substantial increase of the share of high-performing breeding hogs.

Open-up planting and breeding cycle to contribute to the sustainable development of agriculture

On top of the traditional biogas engineering and wastewater treatment process techniques, the Company has pioneered the development of the resource treatment technology of “**pollutants disposal before discharging** (減負還田)”, thus effectively alleviate land capability; actively explored diversified modes of discharging to the field, such as alfalfa planting, to create a green and recycling agricultural industry chain; and treated odorous gas across the whole process to ensure harmonious community relationship and contribute to carbon emission reduction and carbon neutrality.

Fresh pork business

Optimized production capacity layout

In August 2024, Pinggu cutting center in Beijing was officially put into operation, which, along with the modern slaughtering and processing base in Inner Mongolia, could respond more efficiently to the fresh market demands in North China.

Accelerated product research and development and enhanced channel promotion, continuously expanding the brand influence of “Joycome”

In the first half of 2024, the sales volume of fresh pork reached 120.1 thousand tons, among which, the sales volume of linseed-fed pork increased by over 100% year on year. During the Reporting Period, segment results recorded a year-on-year loss reduction of RMB16.06 million.

In terms of our products, in August 2024, COFCO Joycome linseed-fed pig and pork products have successfully passed the antibiotic-free product certification, the competitive advantage of product differentiation would be further enhanced. Meanwhile, with linseed-fed pork as the core, the Company enhanced the convenience and added value of its products by developing convenient and ready-to-cook products such as linseed-fed dumplings, sausage stuffing, meat dumplings and meat buns in stores, and developed new products based on regional characteristics to increase the packed rate. In terms of channels, it systematically enhanced its service guarantee capacity and vigorously explored high-quality end-customers with channel demonstration; and in terms of brand communication, it continued to focus on sports marketing, renew the contract with the General Administration of Sport of China Training Bureau, sponsor the “2024 Wuhan Marathon” and the “2024 Beijing Half Marathon” to strengthen the sports vibe in Joycome; meanwhile, it continued to roll out interactive branding activities such as “Visiting Production Bases” and “Community Dumpling Contests”, and sponsoring the World Fried Pork in Scoop Competition, thereby conveying the awareness of safety and health quality of linseed-fed pork.

Meat import business and processed meat product business

Strengthened market analysis and promoted internal synergy to strengthen profitability

In the first half of 2024, domestic beef prices fell under pressure. The Company accurately analyzed the procurement market, accelerated inventory turnover, deepened synergies with the processed meat product business, gave play to its market analysis and supply chain advantages and strengthened the adhesion of catering customers to achieve profitability against the market challenges. The “**Maverick**” brand in the meat products business has been refreshed and upgraded, with a focus on meeting the needs of young target consumers and boosting brand recognition. During the Reporting Period, the meat import business and the processed meat product business achieved a “Win-win” effect. The meat import segment recorded a profit of RMB28.21 million, representing a year-on-year increase of 19.9%; while the processed meat product segment recorded a profit of RMB21.68 million, representing a year-on-year increase of 197.2%.

IV. Financial Review

Overall Performance

In the first half of 2024, the revenue of the Group was RMB4,571 million, representing a decrease of RMB1,247 million as compared with RMB5,818 million for the same period in 2023. Prior to biological assets fair value adjustments, the net loss of the Group was RMB389 million, while the net profit for the same period in 2023 was RMB168 million.

Revenue

In the first half of 2024, the revenue of the Group was RMB4,571 million, representing a decrease of 21.4% as compared with RMB5,818 million for the same period in 2023, mainly attributable to lower year-on-year hog production volume and intentional reduction of meat import business.

Gross Profit Margin

In the first half of 2024, the gross profit margin before biological assets fair value adjustments of the Group was -3.5%, representing a year-on-year decrease of 10.0 percentage points. The decrease in gross profit margin was mainly attributable to the hog production business.

Selling and Distribution Expenses/Administrative Expenses

In the first half of 2024, the total selling and distribution expenses and administrative expenses of the Group amounted to RMB380 million, representing a decrease of RMB28.79 million as compared with RMB409 million for the same period last year, mainly attributable to the improved operating efficiency.

Finance Costs

In the first half of 2024, the Group's finance costs amounted to RMB61 million, representing a decrease of RMB10.51 million as compared with RMB71 million in the same period of 2023, which was mainly for accelerating capital turnover.

Other Income, Other Gains and Losses

In the first half of 2024, the Group's other income, other gains and losses amounted to a total gain of RMB213 million, representing a decrease of RMB57 million as compared with that of the same period in 2023. It was mainly attributable to an exchange gain of RMB3.71 million for the current period as compared with an exchange gain of RMB136 million for the same period last year.

Profit/(Loss) for the Period

For the reasons above, the Group recorded a net loss of RMB389 million before biological assets fair value adjustments in the first half of 2024, as compared with the net profit of RMB168 million before biological assets fair value adjustments in the same period in 2023.

Significant Investments and Material Acquisitions and Disposals of Subsidiaries

The Group had neither any significant investments nor any significant acquisitions and disposals of subsidiaries in the first half of 2024.

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 June 30, 2024, the cash and bank balances owned by the Group amounted to approximately RMB507 million (December 31, 2023: approximately RMB1,169 million). The decrease in cash and bank balances was mainly due to the moderate reduction of cash positions by the Company to accelerate the efficiency of cash flow.

As at June 30, 2024, our current ratio was 0.91 (December 31, 2023: 0.82). As at June 30, 2024, our unused bank credit facilities were RMB12,927 million.

EBITDA and Cash Flow

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

In the first half of 2024, the EBITDA of the Group (before biological assets fair value adjustments)¹ was RMB103 million (same period in 2023: RMB677 million). The EBITDA of the Group (after biological assets fair value adjustments)² was RMB651 million (same period in 2023: RMB-101 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 the first half of 2024, cash used in our operating activities was RMB650 million (generated during the same period in 2023: RMB977 million). Cash used in our investment activities was RMB520 million (used during the same period in 2023: RMB335 million), including RMB498 million for the purchase of property, plant and equipment (same period in 2023: RMB418 million). Cash generated from our financing activities was RMB507 million (used during the same period in 2023: RMB1,193 million). The changes in our foreign exchange rates resulted in gains of RMB0.14 million. In summary, in the first half of 2024, our net decrease in cash and bank balances was RMB662 million.

Capital Structure

As at June 30, 2024, the total number of issued shares of the Company was 4,581,998,323 shares.

As at June 30, 2024, the Group had interest-bearing bank loans of approximately RMB2,928 million (December 31, 2023: approximately RMB4,041 million). The annual interest rate on bank loans ranged from 2.00% to 3.65% (December 31, 2023: from 1.90% to 3.65%). 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, 2024	December 31, 2023
Within 1 year	2,107	3,991
1 to 2 years	821	50
Total	<u>2,928</u>	<u>4,041</u>

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

<i>Unit: RMB in million</i>	June 30, 2024	December 31, 2023
Fixed-rate borrowings	2,484	4,024
Variable-rate borrowings	444	17
Total	<u>2,928</u>	<u>4,041</u>

As at June 30, 2024, the Group had loans from related parties of approximately RMB2,327 million (December 31, 2023: approximately RMB606 million).

As at June 30, 2024, the Group had net assets of approximately RMB9,491 million (December 31, 2023: approximately RMB9,246 million). Net debts³ of the Group amounted to approximately RMB4,749 million (December 31, 2023: approximately RMB3,477 million), while the net debt-to-equity ratio⁴ was approximately 50.0% (December 31, 2023: approximately 37.6%).

Notes:

3. Net debts of the Group refer to interest-bearing bank loans and loans from related parties less cash and bank balances.
4. Net debt-to-equity ratio refers to interest-bearing bank loans and loans from the related parties less cash and bank balances, divided by total equity and multiplied by 100%.

Contingent Liabilities and Pledge of Assets

As at June 30, 2024 and December 31, 2023, the Group had no significant contingent liabilities.

As at June 30, 2024 and December 31, 2023, 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 2024, the Group's capital expenditure was RMB523 million (same period in 2023: RMB419 million). The following table sets forth our capital expenditure for the years indicated:

<i>Unit: RMB in million</i>	For the six months ended June 30	
	2024	2023
Payments for property, plant and equipment	498	418
Payments for right-of-use assets	23	–
Payments for intangible assets	2	1
Total	<u>523</u>	<u>419</u>

As of the first half of 2024, our capital expenditure was mainly used for the construction of the hog farms in Jilin Province, the Inner Mongolia Autonomous Region, Henan Province and the fresh pork cutting center in Beijing.

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, 2024, capital commitment of the Group was RMB1,095 million (December 31, 2023: RMB346 million).

Biological Assets

Biological assets of the Group primarily consist of commodity pigs at different growth stages and breeding hogs used for animal production in the future. The fair value of our biological assets was RMB3,073 million as at June 30, 2024 and RMB2,202 million as at December 31, 2023. 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 the first half of 2024 and the same period in 2023, such adjustments have resulted in a decrease of RMB103 million and RMB227 million in cost of sales, respectively. Additionally, losses arising from fair value less cost of sales of agricultural products at the point of harvest amounted to RMB48 million (the same period in 2023: losses of RMB359 million); gains arising from changes in fair value of biological assets less cost of sales amounted to RMB584 million (the same period in 2023: losses of RMB521 million). In general, the net effect of adjustment in fair value of biological assets on profit was gains of RMB638 million during the current period and losses of RMB654 million during the same period in 2023.

V. Human Resources

The continuing operations of the Group hired 9,800 employees as at June 30, 2024 (June 30, 2023: 10,029 employees). Remuneration for employees was determined based on their job nature, personal performance and the market trends. For the six months ended June 30, 2024, total remuneration of the Group amounted to approximately RMB659 million (corresponding period in 2023: approximately RMB671 million).

The Group provides basic social insurance and housing accumulation fund for the Company's 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:

Price Risks

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

Epidemic Risks

The major threat to the development of animal husbandry is epidemic risks. The epidemic spreading in hog production mainly includes African swine fever, blue ear disease, classical swine fever, porcine epidemic diarrhea, porcine pseudorabies, FMD, etc. 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 may cause a significant impact on consumption, 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 phased 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 Farm Swine Diseases Prevention and Control (《養殖場豬病防控操作手冊》), 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. Meanwhile, in order to improve our professional competence in handling the epidemics, we have enhanced the testing ability of vet labs, optimized the epidemic prevention and control measures, and established a dedicated group for the prevention and control of African swine fever.

Food Safety Risks

Food safety risks refer to risks of severe customer complaints, large-scale product recall and substantial adverse 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》), Outline on Quality Safety Risk Control over the Industry Chain (《產業鏈質量安全風險控制大綱》) and Emergency Plan for Food Safety Accidents (《食品安全事故應急預案》). The Group identified food safety risks timely and improved food safety management system, reinforced whole-process management and key point control. The headquarters conducted regular supervision over the inspection and sampling inspection of subordinate enterprises, and evaluated and reviewed in time. All subordinate enterprises strictly implement the food safety management requirements and actively prevent food safety risks.

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.

VII. Outlook

For the second half of 2024, the Company will continue to stick to its strategic focus through carrying out the following tasks:

Firstly, we will focus on operation to improve livestock output and production efficiency and reduce production cost from each link; and constantly optimize the futures hedging strategies to achieve organic combination of futures and spot commodities.

Secondly, we will strengthen management to systematically build an epidemic prevention system, further improve the level of refined management, narrow the performance gaps between farms, and consolidate the core competitive advantages.

Thirdly, we will optimize the layout to expedite expansion of core business; at the same time, we will improve the quality of layout, fully introduce intelligent breeding technology to new projects, solving the weakness points of hog farm management.

Fourth, we will prevent risks by establishing a safe production system, implementing food safety requirements and improving the green, low-carbon and sustainable development model.

Fifth, we will consolidate our team by improving talent training system and optimizing incentives to boost the team's vitality.

OTHER EVENTS

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2024 (six months ended June 30, 2023: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board and the management of the Company are committed to achieving and maintaining high standards of corporate governance, which they consider to be essential to safeguard the integrity of the Group's operations and maintain investors' trust in the Company. The 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 C1 to 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 six months ended June 30, 2024.

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. From June 10, 2022 to March 7, 2024, Mr. Jiang Guojin, the chairman of the Board at the time being acted 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. Dr. Gao Xiang was appointed as the chairman of the Board since March 7, 2024; since April 15, 2024, Dr. Zhang Nan was appointed as the general manager of the Company. The role of the chairman of the Board and the general manager performed by different individuals. The Board currently comprises two executive Directors, two non-executive Directors and three independent non-executive Directors. 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 C3 to 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, 2024.

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, 2024.

SUBSEQUENT EVENTS

As at the date of this announcement, the Group has no material subsequent events after June 30, 2024 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, 2024. The Audit Committee is of the view that the interim results 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, 2024 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) in due course.

By order of the Board
COFCO Joycome Foods Limited
Gao Xiang
Chairman and executive director

Beijing, PRC, August 28, 2024

As at the date of this announcement, the Board comprises Dr. Gao Xiang as the chairman of the Board and executive director, Dr. Zhang Nan as an executive director, Dr. Zhao Wei and Mr. Chen Zhigang as non-executive directors, and Mr. Fu Tingmei, Mr. Li Michael Hankin and Dr. Ju Jiandong as independent non-executive directors.