中粮
COFCO

中糧肉食控股有限公司
COFCO Meat Holdings Limited

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2018

The board of directors (the "**Board**") of COFCO Meat Holdings 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, 2018, together with the comparative figures for the corresponding period in 2017 as follows:

HIGHLIGHTS

KEY OPERATING DATA

	2018	2017	Change
Hog production volume (unit: '000 heads) [1]	**2,550**	2,226	14.5%
Fresh pork sales volume (unit: '000 tons) [1]	**190**	172	10.6%
including: branded fresh pork sales volume (unit: '000 tons) [1]	**43**	33	32.2%
Ratio of revenue from branded business [2]	**17.48%**	15.58%	1.9 percentage points

KEY FINANCIAL DATA

	2018		2017	
	Before biological assets fair value adjustments	**After biological assets fair value adjustments**	Before biological assets fair value adjustments	After biological assets fair value adjustments
	RMB'000 (unless otherwise stated)		*RMB'000 (unless otherwise stated)*	
Revenue [3]	**7,168,488**	**7,168,488**	6,960,567	6,960,567
Profit/loss for the period [4]	**-216,667**	**-646,649**	496,725	444,807
Profit/loss attributable to the owners of the Company [5]	**-204,052**	**-627,667**	503,547	451,629
Basic earnings/loss per share[6]	**RMB-0.0523**	**RMB-0.1609**	RMB0.1290	RMB0.1157

Notes:

1. The core businesses maintained a growth rate. The production volume of hog and sales volume of fresh pork increased by 14.5% and 10.6% year-on-year, respectively, among which sales volume of branded fresh pork increased significantly by 32.2% year-on-year.

2. The ratio of revenue from branded business means the revenue of branded fresh pork and processed meat products business divided by the revenue of the Company. The revenue of branded business increased by 15.5% and the ratio of revenue increased by 1.9 percentage points year-on-year, benefiting from brand promotion and channel development.

3. Revenue amounted to RMB7,168 million, representing a year-on-year increase of 3.0%. The rapid growth of sales volume has driven the increase in revenue.

4. Loss before biological assets fair value adjustments amounted to RMB217 million, representing a year-on-year decrease of 143.6%. The decline was mainly caused by the hog price, which decreased by 19.8% year-on-year. However, the Group focused on capacity expansion, cost management and control, customer development and brand promotion, and successfully expanded the sales volume and gained higher profit margin from branded business. The above-mentioned operation improving measures partially offset the effect brought by the decrease of hog price.

5. Loss attributable to the owners of the Company amounted to RMB628 million. The biological assets fair value was adjusted based on the hog price at the end of December 2018. The number of our live hogs increased by 21.9% as compared with that as at December 31, 2017, but the hog price decreased.

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

The Board did not recommend the declaration of final dividend for the year ended December 31, 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2018

		2018			2017		
	NOTES	**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	*2*	**7,168,488**	**–**	**7,168,488**	6,960,567	–	6,960,567
Cost of sales		**(6,830,957)**	**(326,441)**	**(7,157,398)**	(5,880,711)	(1,021,153)	(6,901,864)
Gross profit		**337,531**	**(326,441)**	**11,090**	1,079,856	(1,021,153)	58,703
Other income	*4*	**217,447**	**–**	**217,447**	84,306	–	84,306
Other gains and losses	*5*	**(23,793)**	**–**	**(23,793)**	(80,080)	–	(80,080)
Other expenses	*4*	**(98,500)**	**–**	**(98,500)**	–	–	–
Selling and distribution expenses		**(283,251)**	**–**	**(283,251)**	(271,864)	–	(271,864)
Administrative expenses		**(230,941)**	**–**	**(230,941)**	(230,243)	–	(230,243)
Share of loss of joint ventures		**(566)**	**–**	**(566)**	(1,229)	–	(1,229)
(Loss)/gain arising from agricultural produce at fair value less costs to sell at the point of harvest		**–**	**(133,872)**	**(133,872)**	–	508,922	508,922
Gain arising from changes in fair value less costs to sell of biological assets		**–**	**30,331**	**30,331**	–	460,313	460,313
Finance costs	*6*	**(124,168)**	**–**	**(124,168)**	(81,025)	–	(81,025)
(Loss)/profit before tax	*7*	**(206,241)**	**(429,982)**	**(636,223)**	499,721	(51,918)	447,803
Income tax expense	*8*	**(10,426)**	**–**	**(10,426)**	(2,996)	–	(2,996)
(Loss)/profit for the year		**(216,667)**	**(429,982)**	**(646,649)**	496,725	(51,918)	444,807
Other comprehensive income, net of income tax:							
Items that will not be reclassified subsequently to profit or loss							
Fair value gain on equity instrument at fair value through other comprehensive income				**6,715**			–

	NOTES	2018 Results before biological assets fair value adjustments RMB'000	2018 Biological assets fair value adjustments RMB'000	2018 Total RMB'000	2017 Results before biological assets fair value adjustments RMB'000	2017 Biological assets fair value adjustments RMB'000	2017 Total RMB'000
Items that may be reclassified subsequently to profit or loss							
Exchange differences arising on translation of foreign operations				**14,123**			3,769
Fair value loss on hedging instruments in cash flow hedges				**–**			(4,307)
Reclassification adjustments for fair value loss on hedging instruments in cash flow hedges				**–**			4,307
Other comprehensive income for the year, net of income tax				**20,838**			3,769
Total comprehensive (expense)/ income for the year				**(625,811)**			448,576
(Loss)/profit for the year attributable to:							
Owners of the Company				**(627,667)**			451,629
Non-controlling interests				**(18,982)**			(6,822)
(Loss)/profit for the year				**(646,649)**			444,807
Total comprehensive (expense)/income for the year attributable to:							
Owners of the Company				**(606,829)**			455,398
Non-controlling interests				**(18,982)**			(6,822)
				(625,811)			448,576
(Loss)/earnings per share:	*10*						
Basic and diluted				**RMB(16.09) cents**			RMB11.57 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

		At December 31	
	NOTES	**2018**	2017
		RMB'000	*RMB'000*
Non-current assets			
Goodwill		**100,609**	100,609
Property, plant and equipment		**5,970,933**	4,950,156
Prepaid lease payments		**207,562**	131,645
Intangible assets		**2,046**	2,225
Investments in joint ventures		**20,804**	21,370
Equity instrument at fair value through other comprehensive income		**399,222**	–
Available-for-sale investments		**–**	23,516
Biological assets		**468,294**	454,951
Deposits paid for purchase of property, plant and equipment		**6,052**	7,558
Deferred tax assets		**237**	–
Deposits paid for purchase of biological assets		**–**	3,178
		7,175,759	5,695,208
Current assets			
Inventories		**535,681**	481,253
Biological assets		**995,532**	1,111,305
Accounts receivables	*11*	**155,567**	145,018
Prepayments, deposits and other receivables		**209,964**	192,348
Amounts due from related companies		**23,938**	59,847
Pledged and restricted bank deposits		**23,281**	40,457
Cash and bank balances		**1,140,035**	1,185,261
		3,083,998	3,215,489

	NOTES	At December 31 2018 RMB'000	 2017 RMB'000
Current liabilities			
Accounts and bills payables	*12*	**500,687**	433,009
Other payables, accruals and deposits received		**563,268**	602,340
Contract liabilities		**137,092**	–
Bank borrowings		**2,057,045**	1,359,617
Amounts due to related companies		**61,480**	36,770
Loans from a non-controlling equity holder		**–**	39,205
Loans from related companies		**475,540**	315,200
Financial liabilities at fair value through profit or loss		**2,170**	8,099
Current tax liabilities		**200**	51
		3,797,482	2,794,291
Net current (liabilities)/assets		**(713,484)**	421,198
Total assets less current liabilities		**6,462,275**	6,116,406
Non-current liabilities			
Bank borrowings		**1,448,279**	940,498
Loans from a related company		**89,339**	86,928
Deferred income		**139,881**	143,662
Deferred tax liabilities		**10,536**	–
		1,688,035	1,171,088
Net assets		**4,774,240**	4,945,318
Capital and reserves			
Share capital		**1,668,978**	1,668,978
Reserves		**3,006,766**	3,232,400
Equity attributable to the owners of the Company		**4,675,744**	4,901,378
Non-controlling interests		**98,496**	43,940
Total equity		**4,774,240**	4,945,318

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. GENERAL

COFCO Meat Holdings Limited (the "Company") was incorporated on March 11, 2014 and acts as an investment holding company. The address of the Company's registered office is P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, 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").

Pursuant to a special resolution of the Company dated April 25, 2016, the name of the Company was changed from Charm Thrive Investments Limited to COFCO Meat Holdings Limited and the change was certified by the Registrar of Companies of Cayman Islands on May 12, 2016.

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

The Company is an investment holding company. The principal activities of the Company's subsidiaries (the Company and its subsidiaries are here in after collectively referred to as the "Group") are hog production and sales, sales of fresh and frozen meats, manufacture and sales of meat products, and import and trade of meat products.

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

2. REVENUE

A. For the year ended December 31, 2018

(i) Disaggregation of revenue from contracts with customers

	For the year ended December 31, 2018				
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*
Types of goods					
Hogs	**1,702,073**	**–**	**–**	**–**	**1,702,073**
Fresh pork	**–**	**2,808,095**	**–**	**–**	**2,808,095**
Processed meat products	**–**	**–**	**371,537**	**–**	**371,537**
Imported meat products	**–**	**–**	**–**	**2,286,783**	**2,286,783**
Total	**1,702,073**	**2,808,095**	**371,537**	**2,286,783**	**7,168,488**
Geographical markets					
Mainland China	**1,702,073**	**2,808,095**	**371,537**	**2,286,783**	**7,168,488**
Total	**1,702,073**	**2,808,095**	**371,537**	**2,286,783**	**7,168,488**
Timing of revenue recognition					
A point in time	**1,702,073**	**2,808,095**	**371,537**	**2,286,783**	**7,168,488**
Total	**1,702,073**	**2,808,095**	**371,537**	**2,286,783**	**7,168,488**

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, 2018		
	Segment revenue	Adjustments and eliminations	Consolidated
	RMB'000	*RMB'000*	*RMB'000*
Hog production and sales	**3,043,869**	**(1,341,796)**	**1,702,073**
Sales of fresh pork	**2,844,476**	**(36,381)**	**2,808,095**
Sales of processed meat products	**376,390**	**(4,853)**	**371,537**
Sales of imported meat products	**2,316,362**	**(29,579)**	**2,286,783**
Revenue from contracts with customers	**8,581,097**	**(1,412,609)**	**7,168,488**
Total revenue	**8,581,097**	**(1,412,609)**	**7,168,488**

(ii) Performance obligations for contracts with customers

The Group sells hogs, fresh pork, processed meat products and imported meat products in Mainland China. Revenue is recognised when control of the goods 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.

Except for certain reputable customers, the Group requires fully 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 these unsatisfied contracts is not disclosed.

B. For the year ended December 31, 2017

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

	Year ended 31/12/2017
	RMB'000
Hog production and sales	1,879,010
Sales of fresh pork	2,860,162
Sales of processed meat products	349,613
Sales of imported meat products	1,871,782
	6,960,567

3. SEGMENT INFORMATION

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

Hog production segment	represents hog breeding and sales 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 under brands of "Maverick" and "Joycome"
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 segment 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*
For the year ended December 31, 2018							
Segment revenue							
External customers	**1,702,073**	**2,808,095**	**371,537**	**2,286,783**	**7,168,488**	**–**	**7,168,488**
Inter-segment sales	**1,341,796**	**36,381**	**4,853**	**29,579**	**1,412,609**	**(1,412,609)**	**–**
Segment revenue	**3,043,869**	**2,844,476**	**376,390**	**2,316,362**	**8,581,097**	**(1,412,609)**	**7,168,488**
Segment results	**(279,099)**	**106,687**	**93,452**	**36,227**	**(42,733)**	**–**	**(42,733)**
Unallocated corporate income							**26,796**
Unallocated corporate expenses							**(65,570)**
Fair value adjustments on biological assets							**(429,982)**
Share of loss of joint ventures							**(566)**
Finance costs							**(124,168)**
Loss before tax							**(636,223)**

	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*
For the year ended December 31, 2017							
Segment revenue							
External customers	1,879,010	2,860,162	349,613	1,871,782	6,960,567	–	6,960,567
Inter-segment sales	1,414,459	53,553	545	44,659	1,513,216	(1,513,216)	–
Segment revenue	3,293,469	2,913,715	350,158	1,916,441	8,473,783	(1,513,216)	6,960,567
Segment results	554,136	89,804	5,511	37,050	686,501	–	686,501
Unallocated corporate income							25,333
Unallocated corporate expenses							(129,859)
Fair value adjustments on biological assets							(51,918)
Share of loss of joint ventures							(1,229)
Finance costs							(81,025)
Profit before tax							447,803

Segment profit/(loss) represents the profit earned by/(loss from) each segment without allocation of corporate income and expenses including central administration costs and directors' emoluments, fair value adjustments on biological assets, share of loss of joint ventures, 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*	**Processed meat products** *RMB'000*	**Meat import** *RMB'000*	**Total** *RMB'000*
Year ended December 31, 2018					
Amounts included in the measure of segment profit or loss:					
Depreciation and amortisation*	16,292	22,243	13,940	50	52,525
Impairment of accounts receivable, net	–	585	58	238	881
Impairment/(reversal of impairment) of other receivable, net	–	247	(8)	570	809
Loss/(gain) on disposal of property, plant and equipment, net	79,502	–	(67,005)	–	12,497
Gain on disposal of prepaid lease payment, net	–	–	(21,045)	–	(21,045)
Write-down/(write-back) of inventories	–	1,575	809	(27)	2,357
Impairment of property, plant and equipment	33,308	–	–	–	33,308
Year ended December 31, 2017					
Amounts included in the measure of segment profit:					
Depreciation and amortisation*	12,551	23,541	10,201	49	46,342
(Reversal of impairment)/impairment of accounts receivable, net	–	(139)	(53)	104	(88)
(Reversal of impairment)/impairment of other receivable, net	–	(152)	218	–	66
Loss on disposal of property, plant and equipment, net	2,908	622	2,094	–	5,624
(Write-back)/write-down of inventories	–	(78)	–	168	90

* Depreciation and amortisation not included in the measure of segment profit or loss for the year ended December 31 2018 amounted to RMB426,000 (2017: RMB378,000).

Geographical information

Over 90% of the revenue and operating results of the Group is derived from the PRC based on location of the operations for both 2018 and 2017.

All the Group's non-current assets at December 31, 2018 and 2017 are located in the PRC based on geographical location of the assets.

Information about major customers

No revenue from transaction with single external customer is amounted to 10% or more of the Group's revenue in each of the reporting periods for both 2018 and 2017.

4. OTHER INCOME AND OTHER EXPENSES

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

	Year ended December 31	
	2018	2017
	RMB'000	*RMB'000*
Interest income from banks	**25,717**	23,529
Interest income from a related company	**1,614**	1,179
	27,331	24,708
Dividend income from available-for-sale investments	**–**	9,917
Government grants	**88,415**	49,681
Income from sales of feed ingredients	**101,701**	–
	217,447	84,306

Other expenses in the current reporting period represent the cost of feed ingredients the Group sold to third parties.

5. OTHER GAINS AND LOSSES

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

	Year ended December 31	
	2018	2017
	RMB'000	*RMB'000*
Exchange gain/(loss), net	**5,984**	(31,079)
Loss on disposal of property, plant and equipment, net	**(12,497)**	(2,558)
Gain on disposal of prepaid lease payment	**21,045**	–
Write-down of inventories to net realisable value	**(2,357)**	(90)
(Impairment)/reversal of impairment on accounts receivable, net	**(881)**	88
Impairment on other receivables, net	**(809)**	(66)
Impairment of property, plant and equipment	**(33,308)**	(3,066)
Gain/(loss) on fair value changes in respect of foreign currency forward contracts	**6,491**	(35,351)
Others	**(7,461)**	(7,958)
	(23,793)	(80,080)

6. FINANCE COSTS

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

	Year ended December 31	
	2018	2017
	RMB'000	*RMB'000*
Interest on:		
Bank borrowings	**117,389**	80,234
Loans from a non-controlling equity holder	**77**	409
Loans from related companies	**21,758**	14,021
Total borrowing costs	**139,224**	94,664
Less: Borrowing costs capitalised in the cost of qualifying assets	**(15,056)**	(13,639)
	124,168	81,025

7. (LOSS)/PROFIT BEFORE TAX

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

	Year ended December 31	
	2018	2017
	RMB'000	*RMB'000*
Cost of sales (represented the cost of inventories recognised as expenses during the year)	**6,830,957**	5,880,711
Gain on fair value changes in respect of biological assets	**326,441**	1,021,153
Total cost of sales	**7,157,398**	6,901,864
Employee benefits expense:		
Salaries and other allowances	**547,681**	525,325
Retirement benefit schemes contributions	**50,888**	43,961
Equity-settled share option expense	**12,204**	11,033
	610,773	580,319
Depreciation of property, plant and equipment	**251,563**	199,099
Amortisation of prepaid lease payments	**13,471**	10,531
Amortisation of intangible assets	**903**	882
Total depreciation and amortisation	**265,937**	210,512
Less: Capitalised in biological assets	**(212,986)**	(163,792)
	52,951	46,720
Auditors' remuneration	**1,700**	1,700

8. INCOME TAX EXPENSE

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

	Year ended December 31	
	2018	2017
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax (the "EIT")	**156**	2,996
Over provision in prior years:		
PRC Enterprise Income Tax	**(29)**	–
Deferred tax:		
Current year	**10,299**	–
	10,426	2,996

No provision for Hong Kong profits tax during the year have been made as the Group had no assessable profit generated in Hong Kong for the year (2017: nil).

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the year (2017: 25%).

Certain operations of the Company's certain subsidiaries were exempted from PRC income taxes during both 2018 and 2017. 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, 2017 and 2018.

9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2018 and 2017, nor has any dividend been proposed since the end of the reporting period.

10. (LOSS)/EARNINGS PER SHARE

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

Earnings

	Year ended December 31	
	2018	2017
	RMB'000	*RMB'000*
(Loss)/earnings for the purpose of basic earnings per share ((Loss)/profit for the year attributable to owners of the Company)	**(627,667)**	451,629

Number of shares

	Year ended December 31	
	2018	2017
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**3,901,998**	3,901,998

The calculation of the basic (loss)/earnings per share attributable to the owners of the Company is based on loss for the year attributable to owners of the Company of RMB627,667,000 (2017: profit of RMB451,629,000). The denominators used are the same as those detailed above for basic earnings per share.

No diluted (loss)/earnings per share for both 2018 and 2017 were presented as there were no potential ordinary shares in issue for both 2018 and 2017.

11. ACCOUNTS RECEIVABLES

	At December 31,	
	2018	2017
	RMB'000	*RMB'000*
Accounts receivables		
– goods and services	**156,763**	145,334
Less: Allowance for credit losses	**(1,196)**	(316)
Total accounts receivables	**155,567**	145,018

As at December 31, 2018 and January 1, 2018, accounts receivables from contracts with customers amounted to RMB156,763,000 and RMB145,334,000 respectively.

An aged analysis of the accounts receivable as at the end of the reporting period, based on the delivery date and net of allowance for credit losses, is as follows:

	At December 31	
	2018	2017
	RMB'000	*RMB'000*
Within 90 days	**153,127**	142,126
90 to 180 days	**2,111**	1,991
180 days to 1 year	**317**	199
Over 1 year	**12**	702
	155,567	145,018

As at December 31, 2018, included in the Group's accounts receivables balance are debtors with aggregate carrying amount of RMB3,849,000 which are past due as at the reporting date. Out of the past due balances, RMB814,000 has been past due 90 days or more and is not considered as in default. The Group does not hold any collateral over these balances.

As at December 31, 2017, the aged analysis of the accounts receivable that are past due but not impaired is as follows:

	31/12/2017
	RMB'000
Within 90 days past due	11,921
More than 90 days but less than 1 year past due	1,423
Over 1 year past due	313
	13,657

Movements in the impairment loss on accounts receivable are as follows:

	31/12/2017
	RMB'000
At beginning of the reporting period	404
Impairment loss reversed, net	(88)
At end of the reporting period	316

12. ACCOUNTS AND BILLS PAYABLES

An analysis of accounts and bills payables is as follows:

	At December 31	
	2018	2017
	RMB'000	*RMB'000*
Accounts payables	**424,477**	349,499
Bills payables	**76,210**	83,510
	500,687	433,009

The accounts 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 accounts payables as at the end of the reporting period, based on the invoice date, is as follows:

	At December 31	
	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**415,474**	343,742
1 to 2 years	**4,735**	3,127
Above 2 years	**4,268**	2,630
	424,477	349,499

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 value chain in China, the Company seized the opportunity of industrial transformation and upgrading and formed a strategic layout throughout the country, so that the scale of hog production and fresh pork business has been rapidly growing. We adhere to the operation principle of "leading the safety standards in the industry and assuring meat safety for citizens" through providing consumers with high-quality meat products. "Joycome" chilled pork and "Maverick" low-temperature meat products continue to rise in popularity in major first-tier cities.

Business Segments Introduction

Hog Production

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

Fresh Pork

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

Processed Meat Products

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

Meat Import

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

II. Market Overview

African swine fever hit multiple provinces and cities in the PRC and had profound influence on the pork industry

In August 2018, the first case of African swine fever was reported in the country, and then the fever spread to more than twenty provinces. According to the reports of the Ministry of Agriculture and Rural Affairs, as of mid-January of 2019, 916 thousand hogs have been culled nationwide. To control the outbreaks of African swine fever, the government launched a series of policies.

The outbreak of African swine fever had a great impact on the pork industry, but it also accelerated the industry upgrading. Large-scale enterprises with higher efficiency covering integrated industry chain will be able to take greater advantage from the upgrading. First, it will be more difficult for backyard farms to survive, while development of large-scale farming will accelerate. Second, government policy direction has changed from "transporting hogs" to "transporting meat", and slaughtering enterprises are required to adjust their layouts by transfering their production capacity to the main hog production area. Third, single sector of the industry will be exposed to greater risks, while hog production and slaughtering industry will be extended to each other and thus become inter-connected.

Average hog price in 2018 reached a record low for the past eight years with hog production industry recording losses. Considering stricter environmental protection requirements and the impact of African swine fever, it is expected that hogs will be in short supply over the next two years

In 2018, domestic hog price showed a downward trend in the first half of the year, rebounded seasonally in the second half of the year and polarized between hog production and sales areas after the outbreak of African swine fever. Average hog price for the year dropped to the bottom of the cycle at RMB12.7/kg and hog production industry recorded losses. Due to the impact of stricter environmental protection requirements and African swine fever, hog and sow stocks decreased significantly. According to the Ministry of Agriculture and Rural Affairs, in February 2019, domestic hog and sow stocks both dropped to the lowest level for the past ten years, of which hog stock and sow stock decreased by 16.6% and 19.1%, respectively. Domestic hogs for 2019 and 2020 are expected to be in short supply.

Consumption upgrading led to brand-oriented pork consumption

With consumption upgrading and consumers' increasing request for food safety and quality, pork consumption tends to be brand-oriented. In 2018, hog price remained sluggish, but high-end branded pork price stayed strong. The pork industry is transforming from price competition to brand competition, and enterprises focusing on providing consumers with high quality and better consumer experience will benefit from the transformation and upgrading, and thus secure higher brand premium and consumer loyalty.

Adjustments of international trade policies led to a slight decrease in pork import volume in 2018

In 2018, the tariff rate for pork imported from the US to China was adjusted twice from 12% to 62%. China's pork import volume (excluding pork by-products) amounted to 1,193 thousand tons, representing a year-on-year decrease of 2.0%.

III. Operation Review

In 2018, though faced with complicated external environment, the Company focused on operation improvements and brand building. As a result, the Company's core businesses continued to grow and the branded businesses developed rapidly.

However, the decrease in hog price has greater impact on profits. The Group achieved a profit for the period before biological assets fair value adjustments of RMB-217 million for the year, representing a year-on-year decrease of RMB713 million, of which: (1) profits from the hog production business segment dropped by RMB833 million year-on-year, which was mainly caused by the year-on-year decrease of 19.8% in the average selling price of hogs; (2) profits from the fresh pork business segment hit a record high, amounting to RMB107 million, achieving growth in both total sales volume and profit; (3) profits from the processed meat products business segment amounted to RMB93 million as improved layout of production capacity and channel re-arrangement led to a year-on-year increase of 16.8% in segment sales; (4) profits from the meat import business segment amounted to RMB36 million and maintained stable despite of the operating environment with volatile market conditions and changing policies.

Hog Production Business

Strategically reserved production capacity and improved the level of production management

In 2018, hog production volume of the Company was 2,550 thousand heads, representing a year-on-year increase of 14.5%. The average finishing weight of commodity pig reached 108.4 kg per head, representing a year-on-year increase of 3.5 kg per head. But segment revenue and results dropped due to the influence of the decreased hog price.

Given a downward market trend, the Company strategically reserved production capacity. As of the end of 2018, economies of scale improved with hog production capacity of 4,089 thousand heads, representing a year-on-year increase of 17.1%. The Company focused on promoting batch production, enhancing disease prevention and control as well as improving the uniformity of hogs in average finishing weight. The Company also had a performance appraisal system which was cost reduction oriented and the rewards offered to frontline employees were strengthened.

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

As of the end of 2018, the Company had built up a feed production capacity of 900 thousand tons with its feed self-sufficiency rate increasing from 43.9% for the same period in 2017 to 55.9%, and the rate is expected to increase to over 65% in the coming years. In 2018, as the price of feed ingredients rose, the Company strengthened information sharing with COFCO Group's ingredients procurement team and established corn and soybean meal stock at low prices. In order to further reduce our operating risks and production costs, the Company plans to use futures contracts in 2019 to hedge feed ingredient prices.

Improved the level of epidemic prevention to ensure the smooth operation of our production system

The Company's farms have relatively high standards for construction and equipment, with a two-point layout of "sow area + nursery and finishing area" with adequate distance in between for epidemic prevention purpose. We have also set up hog transfer stations and vehicle cleaning and disinfection stations outside the farms for better epidemic prevention effect. Since the onset of the African swine fever in China, the Company has kept a close watch of the epidemic and comprehensively raised the bio-security level, setting up new disinfection facilities and disinfection procedures, with strict control over the personnel, vehicles and materials entering and exiting the hog farms. With improved support from upstream and downstream facilities, the movement of our feed and hogs was kept within our entire industry value chain system as far as possible, which is conducive to ensuring biosecurity.

Fresh Pork Business

Both the sales volume and profits of our fresh pork business increased, with the segment results and branded business performance hitting new high

In 2018, the sales volume of our fresh pork segment increased by 10.6% year-on-year to 190 thousand tons, of which the sales volume of branded fresh pork increased by 32.2% to 43 thousand tons, driving the ratio of revenue from branded fresh pork to the segment revenue up by 5.6 percentage points to 30.8%. The number of branded sales terminals increased by 15.2% year-on-year to 1,877 and the segment results amounted to RMB107 million, representing a year-on-year increase of 18.8%, hitting a record high.

The construction of a new factory with a slaughtering capacity of one million heads in Central China has commenced, and the expansion of our factory in the North continued to make progress

The capacity utilization rate of our fresh pork segment has reached 89.1%, increasing by 7.9 percentage points year-on-year. Specifically, our factory in Wuhan, Hubei Province with an annual slaughtering capacity of 500,000 heads has been operating at its full capacity for six consecutive years, among which the capacity utilization rate in 2017 and 2018 were 100.4% and 104.7%, respectively, laying a solid foundation in the market. The slaughtering capacity utilization rate of our factory in Dongtai, Jiangsu Province with an annual slaughtering capacity of 1.5 million heads also increased from 74.8% for the same period in 2017 to 84.0%. In 2018, the Company started construction of a new factory with an annual slaughtering capacity of one million heads in Huanggang, Hubei Province, which will commence trial production in the second half of 2019, aiming to fully cover the Central China market.

Since the outbreak of African swine fever in China, the Company has been closely monitoring the development of the situation, and has conducted an in-depth analysis of its impact on China's slaughtering industry, and based on which it is actively implementing its plan on capacity expansion in North China and Northeast China.

Worked closely with the new retail channels to craft a small-packed super pork product, aiming to lead consumption upgrades

The Company took advantage of the changes in consumption trends and started close cooperation with the new retail channels. Sales volume of small-packed pork has increased significantly by 76.9% year-on-year to 18 million packs, and the product has been on the market through 53 stores of a mid and high-end fresh food enterprise in China, and such a safe, fresh, convenient and finely cut product is well received by consumers.

In order to further enhance our brand image and premium, the Company has launched a new series of high-end small-packed "linseed pork" products, aiming to attract consumers with its distinct feature known as "a healthy new life with good fats". Since its launch on the market of Wuhan and the Yangtze River Delta in May 2018, the product has been well-received by consumers and sales were steadily increasing.

The quality of our product has won double endorsements from the Olympic and China Space, enjoying continuously increasing brand influence

In 2018, "Joycome" brand appeared on CCTV for 3 times, and served the Meeting held by the Minister of Energy on the "Belt and Road" Initiative, the First China International Import Expo, and the 2018 Boao Forum for Chinese Entrepreneurs, and won a number of awards and honors such as the "2018 Most Valuable Brand in China's Meat Product Industry". In August 2018, the Company officially became a partner of China Space. In view of this and together with the endorsements from its role as a supplier of the Chinese sports delegation, the Company launched a full range of online and offline activities under the theme of "five checkpoints for product safety and quality assurance from company owned farms". "Joycome" brand has achieved 42% "Unaided Brand Awareness" in the Company's major sales area, representing a year-on-year increase of 9 percentage points. 24% of the consumers consider "Joycome" as their top choice in terms of fresh pork products.

Processed Meat Products Business

Improved our production capacity layout and optimized our distribution channel structure

In 2018, our factory in Heshan, Guangdong Province completed the follow-up work of relocation and our new factory in Dongtai, Jiangsu Province was officially put into operation, which focused on the deep processing of imported beef and food catering services. The improvement of our production capacity layout has laid a good foundation for the channel transformation of the processed meat products business, resulting in a year-on-year increase of 119.8% in the sales volume of our catering channels, driving the segment sales volume up by 16.8% year-on-year to 12.5 thousand tons.

Developed best sellers with intensive study of market demand

Following the successful launch of our best-selling star products i.e. "cheese-filled sausage" and "chewy meat stick", the Company continued to delve into customers' needs and understand market demands, with a total of 53 new products launched on the market during the year of 2018, accomplishing a sales volume of new products over 1,000 tons, and further optimized product portfolios.

Meat Import Business

Actively coped with risks in relation to market conditions, policies, exchange rates, and achieved growth in a depressed market

In 2018, our meat import segment actively responded to the adverse factors such as the decline in domestic hog prices, the increase in the US pork and beef tariffs, the Brazilian government's survey on "anti-dumping", and the depreciation of the Renminbi, and achieved a segment sales volume of 93 thousand tons, representing a year-on-year increase of 8.6%. The segment recorded a revenue of RMB2,316 million, representing a year-on-year increase of 20.9%. The Company made a right judgment on the market trends, resulting in low-cost inventory building, while adopting back-to-back deal signing and high turnover to reduce risks. We continued to optimize our procurement system featuring purchase in all categories and from multiple countries, aiming to expand import sources and reduce procurement risks.

Continued to penetrate into the sales region and channel, resulting in a significant increase in beef sales

Expanding the sales of imported beef is the strategic focus of meat import business segment. In 2018, the sales volume of beef was 38 thousand tons, representing a substantial increase of 81.7% year-on-year. Our meat import segment continued its penetration into the region and channel, with its beef-based (catering, corporate customers and retail) business revenue increasing by 90.7% year-on-year to RMB980 million. Our effort to acquire high-end retail and catering customers also met with encouraging results, realizing the normalization of chilled beef imports, which is conducive to increasing product premiums and enhancing customer loyalty.

IV. Financial Review

Overall Performance

In 2018, revenue of the Group was RMB7,168 million, representing a year-on-year increase of 3.0% as compared with RMB6,961 million for the same period in 2017. Before the adjustments of fair value of biological assets, net profit of the Group was loss of RMB217 million, representing a decrease of RMB713 million as compared with gains of RMB497 million for the same period in 2017, representing a year-on-year decrease of 143.6%.

Revenue

In 2018, revenue of the Group was RMB7,168 million, representing an increase of RMB208 million as compared with RMB6,961 million for the same period in 2017, mainly benefiting from the rapid growth of beef import business. Meanwhile, hog production volume recorded a year-on-year increase of 14.5%, which jointly offset the effect from the year-on-year decrease of commodity pig price during the reporting period.

Gross Profit Margin

In 2018, gross profit margin of the Group before biological assets fair value adjustments decreased from 15.5% for the same period in 2017 to 4.7%, mainly due to the effect of the decrease of commodity pig price in 2018 as compared with that for the same period in 2017, which was offset in part by the increased space of overall gross profit of branded business including fresh pork.

Selling and Distribution/Administrative Expenses

In 2018, total selling and distribution expenses and administrative expenses of the Group amounted to RMB514 million, representing a year-on-year slight increase of 2.4% as compared with RMB502 million for the same period in 2017, mainly due to the increase in branded business investments.

Finance Costs

In 2018, finance costs of the Group were RMB124 million, representing an increase of RMB43 million as compared with RMB81 million for the same period in 2017, which was mainly because that the Company continued to advance project investment and properly increased capital reserve in 2018.

Other Income, Other Expenses, Other Gains and Losses

In 2018, other income of the Group were RMB217 million, representing an increase of RMB133 million as compared with that for the same period in 2017, which was mainly due to revenue from sales of feed ingredients of RMB102 million.

In 2018, other expenses of the Group were RMB99 million, which mainly included cost of sales of feed ingredients.

In 2018, other gains and losses of the Group were losses of RMB24 million, representing an increase of RMB56 million as compared with that for the same period in 2017, which was mainly due to stricter environmental protection requirements, relocation of the Maverick factory, asset disposals and impairment of certain farms with compensations and losses resulting in total losses of RMB23 million. Meanwhile, volatility in the exchange rates caused exchange losses and fair value losses of foreign exchange forward contract amounting to RMB66 million in total in 2017.

Profit/Loss for the Period

For the reasons above, the Group recorded losses before biological assets fair value adjustments of RMB217 million in 2018, representing a decrease of RMB713 million as compared with RMB497 million for the same period in 2017.

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

Save as disclosed in this results announcement, the Group has neither any other significant investments nor significant acquisitions and disposals of relevant subsidiaries, associates and joint ventures in 2018.

Major Financial Ratios

The financial ratios of the Group as at December 31, 2018 and December 31, 2017 are set forth below:

	December 31, 2018	December 31, 2017
Return on equity(1)	**-13.3%**	9.5%
Return on assets(2)	**-6.7%**	5.2%
Interest coverage ratio(3)	**-3.68 times**	5.59 times
Current ratio(4)	**0.81**	1.15
Net debt-to-equity ratio(5)	**61.4%**	31.5%

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 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 total 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 receivables and generation capability for cash flow. The finance department of the Group regularly and closely examined the overall condition of cash and liabilities, and flexibly arranged financing plans based on finance costs and expiry conditions.

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

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

As at December 31, 2018, cash and bank balances owned by the Group amounted to approximately RMB1,140 million (December 31, 2017: approximately RMB1,185 million). The decrease was primarily attributable to expenditures on construction of fixed assets.

As at December 31, 2018, our current ratio was 0.81 (December 31, 2017: 1.15). As at December 31, 2018, our unused bank credit facilities were RMB7,639 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 2018, the EBITDA of the Group (before biological assets fair value adjustments) was RMB322 million (same period in 2017: RMB911 million). Net cash generated from our operating activities was RMB42 million (same period in 2017: RMB586 million). Net cash used in our investment activities was RMB1,955 million (same period in 2017: RMB524 million), including RMB1,333 million for the purchase of property, plant and equipment (same period in 2017: RMB972 million). Net cash generated from our financing activities was RMB1,256 million (same period in 2017: RMB5 million). Our time deposits over three months increased by RMB634 million as compared with that in the beginning of 2018. In summary, in 2018, our net decrease in cash and bank balances was RMB45 million.

Capital Structure

As at December 31, 2018, the total number of issued shares of the Company remained unchanged at 3,901,998,323 shares.

As at December 31, 2018, the Group had interest-bearing bank loans of approximately RMB3,505 million (December 31, 2017: approximately RMB2,300 million). The annual interest rate on bank loans ranged from 2.14% to 4.99% (December 31, 2017: from 1.66% to 4.90%). Most of the bank loans were based on floating interest rates.

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

Unit: RMB in million	**December 31, 2018**	December 31, 2017
Within one year	**2,057**	1,360
One to two years	**335**	227
Three to five years	**921**	619
More than five years	**193**	94
Total	**3,505**	2,300

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

Unit: RMB in million	**December 31, 2018**	December 31, 2017
Fixed-rate borrowings	**756**	524
Variable-rate borrowings	**2,749**	1,776
Total	**3,505**	2,300

As at December 31, 2018, the Group had approximately RMB565 million loans from related parties (December 31, 2017: approximately RMB441 million).

As at December 31, 2018, the Group had net assets of approximately RMB4,774 million (December 31, 2017: approximately RMB4,945 million). Net debts of the Group[1] amounted to approximately RMB2,930 million (December 31, 2017: approximately RMB1,556 million), while the net debt to equity ratio was approximately 61.4% (December 31, 2017: approximately 31.5%).

Note:

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

Contingent Liabilities and Pledge of Assets

As at December 31, 2018 and December 31, 2017, the Group had no significant contingent liabilities.

As at December 31, 2018 and December 31, 2017, the Group had no bank loans secured 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 2018, the Group's capital expenditure was RMB1,422 million (same period in 2017: RMB995 million). The following table sets forth our capital expenditure for the years indicated:

Unit: RMB in million	**2018**	2017
Payments for property, plant and equipment	**1,333**	972
Payment for prepayment for lease payments	**88**	22
Payments for other intangible assets	**1**	1
Total	**1,422**	995

As of December 31, 2018, our demand for capital expenditure mainly came from the construction of hog farms in Jilin Province, the Inner Mongolia Autonomous Region, Hubei Province, Hebei 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, 2018, capital commitment of the Group was RMB522 million (December 31, 2017: RMB529 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, 2018, we owned 1,745 thousand live hogs in total, including 1,592 thousand commodity pigs and 153 thousand breeding hogs, representing an increase of 21.9% as compared with 1,431 thousand heads as at December 31, 2017. The fair value of our biological assets was RMB1,464 million as at December 31, 2018 and RMB1,566 million as at December 31, 2017. Our results have been and are expected to be affected by changes in fair value of biological assets.

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

During the same period in 2018 and 2017, such adjustments have increased our cost of sales by RMB326 million and RMB1,021 million, respectively. Additionally, losses arising from fair value less cost of sales of agricultural products at the point of harvest amounted to RMB134 million (same period in 2017: gains of RMB509 million); gains arising from changes in fair value less cost of sales of biological assets amounted to RMB30 million (same period in 2017: gains of RMB460 million). In general, the net effect of biological assets fair value adjustments on profit was losses of RMB430 million during the current period and was losses of RMB52 million during the same period in 2017.

V. Human Resources

The continuing operations of the Group hired 6,989 employees as of December 31, 2018 (December 31, 2017: 6,172 employees). Remuneration for employees was determined according to their job nature, personal performance and the market trends. For the year ended December 31, 2018, total remuneration amounted to approximately RMB611 million (2017: RMB580 million).

The Group adopted a share incentive scheme on March 27, 2015 to provide incentives for its directors and eligible employees, aiming to stimulate them to work for the cause of increasing the value of the Company and its shares. On March 27, 2017, the Board approved to revise the share incentive scheme under the consensus reached by MIY Corporation, Promise Meat Investment II Ltd., Baring Private Equity Asia V Holding (16) Limited, TLS Beta Pte. Ltd. and Shiny Joyful Limited after negotiation. For details, please refer to the prospectus of the Company and our announcement dated March 27, 2017.

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

Epidemic Risks

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

Food Safety Risks

Food safety risks refer to risks of customer complaints, product recalls and other negative effects resulted from unqualified food quality and safety indicators due to deficient food security system, unsound risk identification and assessment mechanism and unfulfilled food safety control measures and early warning mechanism. To solve possible food safety risks, the Group has formulated standards for quality and safety system, such as, Provisions for the Food Safety Management of COFCO Meat, Standards for Meat Industry Chain of COFCO

Group (Fascicule of Livestock Meat Chain Industry), Prohibition on Food Safety of COFCO Meat and Food Safety Responsibility System of COFCO Meat, established management mechanism, carried out quality and safety training and guidance, conducted regular supervision and inspection and evaluated and reviewed the results. All departments strictly comply with relevant standards and actively prevent food safety risks. To solve food safety risks, the Group has defined that the decisive department of risk management of food safety is the Quality and Safety Management Department, and has formulated the early warning indicators and bottom line indicators.

Safe Production Risks

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

Environmental Protection Risks

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

Procurement Risks

Procurement risks refer to factors such as unreasonably arranged procurement plan, inaccurate price forecast of raw materials, weak management of procurement contracts and orders, or imperfect systems of acceptance and return, which may lead to shortage of stock or overstock, or oversight and fraud in procurement business, resulting in the risk of infringement of the legitimate rights and interests of the Company. To solve procurement risks, the Group has formulated measures such as Tendering and Procurement Management Measures (《招標採購管理辦法》), Veterinary Drugs Procurement Management Measures (《獸藥採購管理辦法》), Feed Supplier Management System (《飼料供應商管理制度》) and Department of Trade Import Procurement Management System (《貿易部進口採購管理制度》). Each business department selects appropriate procurement methods in strict compliance with the Company's systems and regulations, and precisely implements various risk control measures in the procurement process. At the same time, the supervisory department regularly carries out special inspection or internal control evaluation of the procurement to identify possible internal control defects in the procurement business in a timely manner and urge the responsible parties to rectify the defects as soon as possible.

VII. The Outlook

2018 was a year of fluctuation, and unfavorable factors such as the downturn in hog prices, African swine fever, and trade friction between China and the United States cast a shadow over the meat industry. However, the crisis will reshape the industry and bring great development opportunities to the Company. In 2019, we will prepare ourselves in the following aspects:

Firstly, we will remain vigilant against and cautiously prevent the African swine fever, lifting the level of biosecurity, and defend the lifeline of our farming system. On this basis, we will continue to speed up capacity layout, improve production efficiency, and reduce costs, aiming at establishing core competitive advantages.

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

Thirdly, we will take advantage of the interaction between our domestic and foreign resources to foster synergies between our meat import segment and fresh pork segment so as to seize the opportunities brought about by the African swine fever.

After nearly ten years of exploration, the Company's business positioning has become increasingly clear, supported with a complete industrial value chain, and gradually improved market status. Difficulties always coexist with opportunities, and challenges arrive before developments, in light of which the Company will carefully study and make good use of the opportunities, striving to make a difference in this industry transformation and create greater value for its shareholders with brilliant performance.

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 Company's operations and maintain investors' trust in the Company. The management of the Company also actively observes the latest corporate governance requirements in the PRC, Hong Kong and abroad. The Board considers that the Company has complied with the provisions of the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the year ended December 31, 2018.

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, 2018.

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, 2018.

Subsequent Events

As at the date of this announcement, the Group had no material subsequent events happening after December 31, 2018 which need to be disclosed.

Final Dividend

The Board did not recommend the declaration of final dividends for the year ended December 31, 2018.

Review of Annual Results

The consolidated financial statements for the year ended December 31, 2018 of the Group were audited by Deloitte Touche Tohmatsu 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, 2018.

Scope of work of Messrs. Deloitte Touche Tohmatsu

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, 2018 as set out in the preliminary announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

Publication of Annual Report

The annual report of the Company will be published on the website of the Company and the website of Hong Kong Exchanges and Clearing Limited, and dispatched to the shareholders of the Company in due course.

By order of the Board
COFCO Meat Holdings Limited
Jiang Guojin
Chairman and executive Director

Hong Kong, March 26, 2019

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