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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01610)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2018

The board of directors (the "**Board**") of COFCO Meat Holdings Limited (the "**Company**", "**we**", "**our**" or "**us**") is pleased to announce the unaudited condensed consolidated results and financial position of the Company and its subsidiaries (the "**Group**") for the six months ended June 30, 2018, together with the comparative figures for the corresponding period in 2017 as follows:

HIGHLIGHTS

Key Financial Information	**For the six months ended June 30,**			
	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	***RMB'000***	*RMB'000*	*RMB'000*
Revenue[1]	**3,264,056**	**3,264,056**	3,298,803	3,298,803
Profit/loss for the period[2]	**10,788**	**-248,292**	289,437	226,150
Profit/loss attributable to the owners of the Company[3]		**-243,157**		226,417
Basic earnings/loss per share[4]		**RMB-0.0623**		RMB0.0580

Notes:

1. Revenue amounted to RMB3,264 million, representing a year-on-year decrease of 1.1%. The decrease was mainly due to the year-on-year decline of hog price, which was partly offset by the rapid growth of sales volume.

2. Profit for the period, before the adjustments in fair value of biological assets, amounted to RMB11 million, representing a year-on-year decrease of 96.3%. The decline was mainly caused by the year-on-year decrease of 26.0% in hog price. However, the Group focused on capacity expansion, cost management and control, customer development and brand promotion, and therefore successfully expanded the sales volume and gained higher profit margin from branded business. The abovementioned operation improving measures partly offset the effect brought by the decrease of hog price.

3. Loss attributable to the owners of the Company amounted to RMB243 million. The fair value of biological assets was adjusted based on the price of live hogs as at the end of June. The number of our live hogs increased by 12.8% as compared with that as at December 31, 2017, while the price of live hogs decreased.

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

The Board does not recommend the declaration of an interim dividend for the first half of 2018.

FINANCIAL INFORMATION

The following financial information is a summary of the unaudited condensed consolidated financial statements for the six months ended June 30, 2018 of the Group, which have been reviewed by Deloitte Touche Tohmatsu, the independent auditor of the Company, and the audit committee of the Board (the "**Audit Committee**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2018

		Six months ended 30 June					
		2018			2017		
	NOTES	**Results before biological assets fair value adjustments** *RMB'000* **(Unaudited)**	**Biological assets fair value adjustments** *RMB'000* **(Unaudited)**	**Total** *RMB'000* **(Unaudited)**	Results before biological assets fair value adjustments *RMB'000* (Unaudited)	Biological assets fair value adjustments *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Revenue	*3*	**3,264,056**	**–**	**3,264,056**	3,298,803	–	3,298,803
Cost of sales		**(3,114,806)**	**(117,087)**	**(3,231,893)**	(2,739,183)	(553,202)	(3,292,385)
Gross profit		**149,250**	**(117,087)**	**32,163**	559,620	(553,202)	6,418
Other income	*5*	**47,527**	**–**	**47,527**	30,586	–	30,586
Other gains and losses, net	*6*	**97,507**	**–**	**97,507**	(40,274)	–	(40,274)
Distribution and selling costs		**(132,539)**	**–**	**(132,539)**	(123,999)	–	(123,999)
Administrative expenses		**(92,380)**	**–**	**(92,380)**	(94,090)	–	(94,090)
Share of gain/(loss) of joint ventures		**61**	**–**	**61**	(847)	–	(847)
(Loss)/gain arising from agricultural produce at fair value less costs to sell at the point of harvest		**–**	**(343,226)**	**(343,226)**	–	40,971	40,971
Gain arising from changes in fair value less costs to sell of biological assets		**–**	**201,233**	**201,233**	–	448,944	448,944
Finance costs	*7*	**(58,634)**	**–**	**(58,634)**	(40,640)	–	(40,640)
Profit (loss) before tax	*8*	**10,792**	**(259,080)**	**(248,288)**	290,356	(63,287)	227,069
Income tax expense	*9*	**(4)**	**–**	**(4)**	(919)	–	(919)
Profit (loss) for the period		**10,788**	**(259,080)**	**(248,292)**	289,437	(63,287)	226,150

		Six months ended 30 June					
		2018			2017		
	NOTES	**Results before biological assets fair value adjustments** *RMB'000* **(Unaudited)**	**Biological assets fair value adjustments** *RMB'000* **(Unaudited)**	**Total** *RMB'000* **(Unaudited)**	Results before biological assets fair value adjustments *RMB'000* (Unaudited)	Biological assets fair value adjustments *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Other comprehensive income/(expense), net of income tax:							
Items that will not be reclassified to profit or loss:							
Fair value loss on equity instrument at fair value through other comprehensive income				**(25,001)**			–
Items that may be reclassified subsequently to profit or loss:							
Exchange differences arising on translation				**5,712**			2,294
Fair value loss on cash flow hedges included in other financial liabilities				**–**			(4,307)
Other comprehensive expense for the period, net of income tax				**(19,289)**			(2,013)
Total comprehensive (expense)/income for the period attributable to the owners of the Company				**(267,581)**			224,137
(Loss)/profit for the period attributable to:							
Owners of the Company				**(243,157)**			226,417
Non-controlling interests				**(5,135)**			(267)
(Loss)/profit for the period				**(248,292)**			226,150
Total comprehensive (expense)/income attributable to:							
Owners of the Company				**(262,446)**			224,404
Non-controlling interests				**(5,135)**			(267)
				(267,581)			224,137
(Loss)/earnings per share:							
Basic and diluted	*10*			**RMB(6.23) cents**			RMB5.80 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	NOTES	**30 June 2018 RMB'000 (Unaudited)**	31 December 2017 RMB'000 (Audited)
Non-current assets			
Goodwill		**100,609**	100,609
Property, plant and equipment		**5,246,649**	4,950,156
Prepaid lease payments		**172,828**	131,645
Intangible assets		**1,849**	2,225
Investments in joint ventures		**21,308**	21,370
Equity instrument at fair value through other comprehensive income		**367,506**	–
Available-for-sale investment		**–**	23,516
Biological assets		**476,293**	454,951
Deposits paid for purchase of property, plant and equipment		**9,481**	7,558
Deposits paid for purchase of biological assets		**–**	3,178
		6,396,523	5,695,208
Current assets			
Inventories		**525,143**	481,253
Biological assets		**963,650**	1,111,305
Financial assets at fair value through profit or loss		**3,707**	–
Accounts receivable	*12*	**139,339**	145,018
Prepayments, deposits and other receivables		**224,309**	192,348
Amounts due from related companies	*13*	**125,978**	59,847
Pledged and restricted bank deposits		**34,090**	40,457
Cash and bank balances		**1,273,233**	1,185,261
		3,289,449	3,215,489

	NOTES	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Current liabilities			
Accounts and bills payables	*14*	**382,809**	433,009
Contract liabilities		**103,943**	–
Bank borrowings		**1,583,966**	1,359,617
Other payables, accruals and deposits received		**447,320**	602,340
Other financial liabilities		**–**	8,099
Amounts due to related companies	*13*	**41,872**	36,770
Loans from a non-controlling equity holder		**–**	39,205
Loans from related companies		**505,540**	315,200
Current tax liabilities		**48**	51
		3,065,498	2,794,291
Net current assets		**223,951**	421,198
Total assets less current liabilities		**6,620,474**	6,116,406
Non-current liabilities			
Bank borrowings		**1,261,055**	940,498
Loans from a related company		**88,124**	86,928
Deferred income		**141,871**	143,662
		1,491,050	1,171,088
Net assets		**5,129,424**	4,945,318
Capital and reserves			
Share capital		**1,668,978**	1,668,978
Reserves		**3,345,145**	3,232,400
Equity attributable to the owners of the Company		**5,014,123**	4,901,378
Non-controlling interests		**115,301**	43,940
Total equity		**5,129,424**	4,945,318

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018

1. BASIS OF PREPARATION AND PRESENTATION

The unaudited condensed consolidated financial statements of COFCO Meat Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are consistent with those followed in the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers and the related Amendments*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
Amendments to HKAS 28	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*
Amendments to HKAS 40	*Transfers of Investment Property*

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which result in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources:

- wholesale of hogs
- wholesale and retail sales of fresh and frozen meats
- wholesale and retail sales of processed meat products
- wholesale and retail sales of imported meat products

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Company satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Company and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2.1.2 Summary of effects arising from initial application of HKFRS 15

The transition to HKFRS 15 does not have impact on the Group's retained earnings at 1 January 2018.

As at 1 January 2018, advances from customers of RMB120,104,000 in respect of sales contracts previously included in other payables, accruals and deposits received were reclassified to contract liabilities.

There is no impact of applying IFRS 15 on the Group's condensed consolidated statement of profit or loss and other comprehensive income for the current interim period.

The following table summarises the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported	Adjustments	Amounts without application of HKFRS 15
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
Contract liabilities	120,104	(120,104)	–
Other payables, accruals and deposits received	482,236	120,104	602,340
	602,340	–	602,340

2.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments*

In the current period, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

In addition, the Group applied the hedge accounting prospectively.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement.*

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("**FVTPL**"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("**OCI**") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

In addition, the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Equity instrument designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instrument as at FVTOCI.

Investments in equity instrument at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends on these investments in equity instrument are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of the reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including accounts receivable, deposits and other receivables and amounts due from related companies). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts receivable, deposits and other receivables and amounts due from related companies where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Company's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

Classification and measurement of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

2.2.2 *Summary of effects arising from initial application of HKFRS 9*

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Available-for-sale investments *RMB'000*	**Equity instrument at FVTOCI** *RMB'000*	**Amortised cost (previously classified as loans and receivables)** *RMB'000*	**FVTOCI reserve** *RMB'000*
Closing balance at 31 December 2017 – HKAS 39	23,516	–	–	–
Effect arising from initial application of HKFRS 9:				
Reclassification				
From available-for-sale investments (a)	(23,516)	23,516	–	–
From loans and receivables	–	–	1,622,931	–
Remeasurement				
From available-for-sale investments (a)	–	368,991	–	(368,991)
Opening balance at 1 January 2018	–	392,507	1,622,931	(368,991)

(a) Available-for-sale ("**AFS**") investments

From AFS equity investments to FVTOCI

The Group elected to present in OCI for the fair value changes of all its equity investment previously classified as AFS, all of which related to an unquoted equity investment previously measured at cost less impairment under HKAS 39. The investment is not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, RMB23,516,000 was reclassified from AFS investment to equity instrument at FVTOCI, all of which related to an unquoted equity investment previously measured at cost less impairment under HKAS 39 and the fair value gain of RMB368,991,000 was adjusted to equity instrument at FVTOCI and FVTOCI reserve as at 1 January 2018.

(b) Financial assets/liabilities at FVTPL

Derivatives are required to be classified as FVTPL under HKFRS 9. There was no impact on the amounts recognised in relation to the assets/liabilities from the application of HKFRS 9.

(c) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for accounts receivable. To measure the ECL, accounts receivable have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of deposits and other receivables, amounts due from related companies, pledged and restricted bank deposits and cash and bank balances, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

Based on the assessment by the Group, the accumulated amount of impairment loss to be recognised under the expected credit loss model of HKFRS 9 is immaterial to the Group and therefore no additional credit loss allowance is recognised against retained profits as at 1 January 2018.

Except as described above, the application of other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item.

	31 December 2017 (Audited)	**HKFRS 15**	**HKFRS 9**	**1 January 2018 (Restated)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Goodwill	100,609	–	–	100,609
Property, plant and equipment	4,950,156	–	–	4,950,156
Prepaid lease payments	131,645	–	–	131,645
Intangible assets	2,225	–	–	2,225
Investments in joint ventures	21,370	–	–	21,370
Equity instrument at fair value through other comprehensive income	–	–	392,507	392,507
Available-for-sale investment	23,516	–	(23,516)	–
Biological assets	454,951	–	–	454,951
Deposits paid for purchase of property, plant and equipment	7,558	–	–	7,558
Deposits paid for purchase of biological assets	3,178	–	–	3,178

	31 December 2017 (Audited) *RMB'000*	HKFRS 15 *RMB'000*	HKFRS 9 *RMB'000*	1 January 2018 (Restated) *RMB'000*
Current assets				
Inventories	481,253	–	–	481,253
Biological assets	1,111,305	–	–	1,111,305
Accounts receivable	145,018	–	–	145,018
Prepayments, deposits and other receivables	192,348	–	–	192,348
Amounts due from related companies	59,847	–	–	59,847
Pledged and restricted bank deposits	40,457	–	–	40,457
Cash and bank balances	1,185,261	–	–	1,185,261
Current liabilities				
Accounts and bills payables	433,009	–	–	433,009
Contract liabilities	–	102,104	–	102,104
Bank borrowings	1,359,617	–	–	1,359,617
Other payables, accruals and deposits received	602,340	(102,104)	–	500,236
Other financial liabilities	8,099	–	–	8,099
Amounts due to related companies	36,770	–	–	36,770
Loans from a non-controlling equity holder	39,205	–	–	39,205
Loans from related companies	315,200	–	–	315,200
Current tax liabilities	51	–	–	51
Net current assets	421,198	–	–	421,198
Total assets less current liabilities	6,116,406	–	368,991	6,485,397
Capital and reserves				
Share capital	1,668,978	–	–	1,668,978
Reserves	3,232,400	–	368,991	3,601,391
		–		
Equity attributable to the owners of the Company	4,901,378	–	368,991	5,270,369
Non-controlling interests	43,940	–	–	43,940
Total equity	4,945,318	–	368,991	5,314,309
Non-current liabilities				
Bank borrowings	940,498	–	–	940,498
Loans from a related company	86,928	–	–	86,928
Deferred income	143,662	–	–	143,662

3. REVENUE

Disaggregation of revenue

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

4. SEGMENT INFORMATION

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

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

Each reportable segment derives its revenue from the sales of products based on the location of operations. They are managed separately because each segment requires different production and marketing strategies.

Segment revenue and segment results

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

	Hog production *RMB'000* (unaudited)	Fresh pork *RMB'000* (unaudited)	Processed meat products *RMB'000* (unaudited)	Meat import *RMB'000* (unaudited)	Segment total *RMB'000* (unaudited)	Inter-segment elimination *RMB'000* (unaudited)	Total *RMB'000* (unaudited)
Six months ended 30 June 2018							
Segment revenue							
External customers	876,496	1,274,364	172,926	940,270	3,264,056	–	3,264,056
Inter-segment sales	621,289	21,353	1,596	18,960	663,198	(663,198)	–
Segment revenue	1,497,785	1,295,717	174,522	959,230	3,927,254	(663,198)	3,264,056
Segment results	(102,886)	64,631	89,317	30,867	81,929	–	81,929
Unallocated corporate income							11,715
Unallocated corporate expenses							(24,279)
Share of gain of joint ventures							61
Fair value adjustments on biological assets							(259,080)
Finance costs							(58,634)
Loss before tax							(248,288)
Six months ended 30 June 2017							
Segment revenue							
External customers	934,706	1,344,818	164,068	855,211	3,298,803	–	3,298,803
Inter-segment sales	691,795	37,644	291	9,372	739,102	(739,102)	–
Segment revenue	1,626,501	1,382,462	164,359	864,583	4,037,905	(739,102)	3,298,803
Segment results	340,877	45,353	2,005	3,917	392,152	–	392,152
Unallocated corporate income							9,407
Unallocated corporate expenses							(69,716)
Share of loss of joint ventures							(847)
Fair value adjustments on biological assets							(63,287)
Finance costs							(40,640)
Profit before tax							227,069

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

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

Segment assets and liabilities

Segment assets and liabilities are not disclosed in these condensed consolidated financial statements as they are not regularly provided to the CODM for the purposes of resource allocation and performance assessment.

5. OTHER INCOME

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

	Six months ended	
	30 June 2018	30 June 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank interest income	**11,178**	9,454
Interest income from a related company	**809**	496
Government grants*	**35,540**	20,636
	47,527	30,586

* 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.

Included in the above balances are government grants released from deferred income of RMB1,791,000 (unaudited) for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB2,064,000 (unaudited)).

6. OTHER GAINS AND LOSSES, NET

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

	Six months ended	
	30 June 2018	30 June 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Exchange loss, net	**(458)**	(18,516)
Gain/(loss) on disposal of property, plant and equipment*	**66,461**	(1,778)
Gain on disposal of prepaid lease payment, net*	**21,054**	–
Write-down of inventories	**(222)**	–
Impairment/(reversal of impairment) on accounts receivable, net	**(106)**	204
Reversal of impairment on other receivables, net	**189**	147
Gain/(loss) from changes in fair value of foreign currency forward contracts	**11,929**	(17,023)
Others	**(1,340)**	(3,308)
	97,507	(40,274)

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

7. FINANCE COSTS

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

	Six months ended	
	30 June 2018	30 June 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on:		
Bank borrowings	**53,722**	45,584
Loans from related companies	**9,761**	5,520
Total borrowing costs	**63,483**	51,104
Less: borrowing costs capitalised in the cost of qualifying assets	**(4,849)**	(10,464)
	58,634	40,640

8. PROFIT BEFORE TAX

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

	Six months ended	
	30 June 2018	30 June 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of sales (represented the cost of inventories recognised as expenses during the period)	**3,114,806**	2,739,183
Gain on fair value changes in respect of biological assets	**117,087**	553,202
Total cost of sales	**3,231,893**	3,292,385
Depreciation	**120,442**	91,588
Amortisation of prepaid lease payments	**5,587**	3,798
Amortisation of intangible assets	**457**	440
Total depreciation and amortisation	**126,486**	95,826
Less: capitalised in biological assets	**(115,214)**	(85,681)
	11,272	10,145

9. INCOME TAX EXPENSE

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

	Six months ended	
	30 June 2018	30 June 2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
People's Republic of China ("**PRC**")		
– Enterprise Income Tax	**4**	919

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the six months ended 30 June 2018 (six months ended 30 June 2017: 25%).

Certain of the Company's subsidiaries operating in the PRC are eligible for certain tax concessions and certain of their operations were exempted from PRC income taxes during both 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 during the current and prior periods.

10. (LOSS)/EARNINGS PER SHARE

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

(Loss)/Earnings

	Six months ended	
	30 June 2018	30 June 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Loss)/earnings for the purpose of basic (loss)/earnings per share ((Loss) profit for the period attributable to the owners of the Company)	**(243,157)**	226,417

Number of shares

	Six months ended	
	30 June 2018	30 June 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 period attributable to the owners of the Company of RMB243,157,000 (unaudited) (profit for the six months ended 30 June 2017: RMB226,417,000 (unaudited)). The denominators used are the same as those detailed above for basic (loss)/earnings per share.

Diluted (loss)/earnings per share

The grant of share options is not considered in the calculation of diluted earnings per share as there is no issuable new share under the related share option scheme.

11. DIVIDENDS

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

12. ACCOUNTS RECEIVABLE

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Accounts receivable	**139,761**	145,334
Impairment loss	**(422)**	(316)
	139,339	145,018

The Group's trading terms with its customers are mainly not on credit where payment in advance is normally required, except for renowned and/or reputable customers. The credit period is normally within 180 days. Each customer has a maximum credit limit. Accounts receivable are non interest-bearing.

The Group does not hold any collateral or other credit enhancements over its accounts receivable. The Group's accounts receivable from related parties as disclosed in Note 13 are repayable on similar credit terms to those offered to the major customers of the Group.

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

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**133,368**	142,126
3 to 6 months	**4,126**	1,991
6 months to 1 year	**946**	199
Over 1 year	**899**	702
	139,339	145,018

13. BALANCES WITH RELATED COMPANIES

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

Included in amounts due from related companies as at 30 June 2018 were receivables in trade nature of RMB10,096,000 (unaudited) (31 December 2017: RMB2,547,000). These receivables are unsecured, interest-free and repayable according to relevant sales contracts. An aged analysis of these receivables as at the end of the reporting period, based on the delivery date and net of impairment loss, is as follows:

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**9,845**	2,192
Over 3 months but less than 6 months	**122**	218
Over 6 months but less than 1 year	**–**	38
Over 1 year	**129**	99
	10,096	2,547

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

Included in amounts due to related companies as at 30 June 2018 were payables in trade nature of RMB23,126,000 (unaudited) (31 December 2017: RMB30,253,000), which are unsecured, interest-free and repayable according to the relevant purchase contracts.

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**22,894**	23,541
Over 1 year but less than 2 year	**–**	6,712
Over 2 year	**232**	–
	23,126	30,253

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

14. ACCOUNTS AND BILLS PAYABLES

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Accounts payable	**338,523**	349,499
Bills payable	**44,286**	83,510
	382,809	433,009

The accounts payables are non-interest-bearing and are normally with credit periods ranging from 15 to 60 days. Bill payables are normally repayable within 180 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

An aged analysis of the accounts and bills payable as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**376,105**	427,252
1 to 2 years	**3,777**	3,127
Over 2 years	**2,927**	2,630
	382,809	433,009

MANAGEMENT DISCUSSION AND ANALYSIS

Company Profile

Company introduction

COFCO Meat Holdings Limited is a meat business platform under COFCO Corporation 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.

Business Review

Market overview

In the first half of 2018, hog price hit an eight-year new low, and the hog production industry sustained losses

In the first half of 2018, the country's hog production volume was 334 million heads and the pork production was 26 million tons, representing a year-on-year increase of 1.2% and 1.4%, respectively. As the hog market was oversupplied, hog price underwent a rapid decline after the spring festival and started to generate losses, hitting an eight-year new low, with the average industry price in the first half of 2018 decreasing by 23.7% year-on-year. Faced with money losses, backyard farms exited from the industry at a faster pace, elimination of sows were enhanced, and hog production enterprises with relatively tight budget slowed down their capacity expansion, which coupled with the impact of stricter environmental protection policies and the epidemics in the last winter, resulted in a rebound in the hog price in May to July of 2018.

With consumption upgrading, pork consumption tends to be brand-oriented

With consumption upgrading, pork consumption tends to be brand-oriented. In the first half of 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 providing consumers with higher quality and better consumer experience will benefit from the transformation and upgrading, and thus secure higher consumer loyalty and brand premium.

International trade policy adjustment, and pork import volume decreased slightly in the first half of 2018

In April 2018, the Customs Tariff Commission of the State Council decided to suspend tariff concessions on 128 items of seven categories of imported goods (including pork and processed products) originating from the US. In June, it decided to impose additional tariffs of 25% on 659 items of imported goods (worth approximately USD50 billion) originating from the US. In particular, additional tariffs for 545 items of goods (worth approximately USD34 billion) including pork and soybean, were effective from July 6, 2018. After the two tariff hikes, pork and soybean exported to China from the US recorded tariff rates of 62% and 28%, respectively. In the first half of 2018, China logged a pork import volume of 648,000 tons, representing a year-on-year decrease of 2.2%; the average spot price of soybean meal for the same period was RMB3,115 per ton, representing a year-on-year increase of 1.2%.

Results of operation

The Company's results highlights in the first half of 2018 are as follows:

	First half of 2018	First half of 2017	Change
Hog production volume *(unit: '000 heads)*	**1,259**	1,009	24.8%
Fresh pork sales volume *(unit: '000 tons)*	**91**	80	14.6%
Branded pork sales volume *(unit: '000 tons)*	**20**	14	42.5%
Revenue *(RMB million)*	**3,264**	3,299	(1.1)%
Hog production	**1,498**	1,627	(7.9)%
Fresh pork	**1,296**	1,382	(6.3)%
Processed meat products	**175**	164	6.2%
Meat import	**959**	865	10.9%
Ratio of revenue from branded business *(%)*	**17.3%**	14.9%	2.4 percentage points
Profit for the period *(RMB million)* (before biological assets fair value adjustments)	**11**	289	(96.3)%
Profit attributable to owners of the Company *(RMB million)* (after biological assets fair value adjustments)	**(243)**	226	(207.4)%

In the first half of 2018, the Company overcame the uncontrollable factors of hog price decrease and focused on operation improvements and brand building. As a result, the Company's core businesses continued to maintain rapid growth and the branded businesses developed rapidly. In the first half of 2018, the Company achieved a profit for the period of RMB11 million, decreasing by RMB279 million year-on-year: (1) Mainly because the segment result from hog production business dropped by RMB444 million year-on-year, which was mainly caused by the year-on-year decrease of 26% in the average selling price of hogs of the Company. However, the hog production volume increased by 25% year-on-year, production efficiency was improved, and production cost decreased, which greatly offset the unfavourable impact of the decrease in hog price; (2) The result of the fresh pork segment hit a record high, increasing by 43% year-on-year. The sales volume of the segment increased by 15% year-on-year, and the sales volume of branded fresh pork significantly increased by 42%, resulting in the increase of both the scale and the profit.

Hog production business

The hog production segment's results highlights in the first half of 2018 are as follows:

	First half of 2018	First half of 2017	Change
Hog production volume *(unit: '000 heads)*	**1,259**	1,009	24.8%
Segment revenue *(RMB million)*	**1,498**	1,627	(7.9)%
Segment result *(RMB million)*	**(103)**	341	(130.2)%
Finishing weight *(kg)*	**109.5**	107.0	2.4%

Sped up capacity layout and strategically reserved capacity

Given a downward market trend, the Company not only sped up layout and strategically reserved capacity to improve the scale benefits, but also made great efforts to improve the production efficiency, reduce cost and enhance core competitiveness.

Accelerated establishment of supporting feed mills to further improve the proportion of self-supplied feed

As of June 30, 2018, the Company had a feed capacity of 900 thousand tons and the feed self-sufficiency rate increased from 20.9% for the same period in 2017 to 45.3% year-on-year. In the second half of 2018, the new feed mill in Dongtai will go into mass production, which will help further improve the feed self-sufficiency rate. The Company fully studied the domestic and foreign markets of feed ingredients and established positions for corns and soybean meals at an appropriate time, so as to continuously create space for production cost reduction.

Explored multiple production modes of contract farming for poverty alleviation in response to the government's poverty alleviation policy

To accelerate the production capacity expansion, the Company has carried out contract farming pilots in North China since 2016, and 84 thousand piglets have been launched as at the end of June 2018. With support of the hog production industry and in line with the government's poverty alleviation policy, the Company actively fulfilled its social responsibility as a central enterprise, deeply participated in poverty alleviation initiatives of local governments and developed multiple production modes of contracting farming, including "company + cooperative + destitute households", and "company + scaled farmers + destitute households". At present, the Company's efforts for poverty alleviation have covered nearly 5,000 impoverished people and have obtained good economic and social results.

Fresh pork business

The fresh pork segment's results highlights in the first half of 2018 are as follows:

	First half of 2018	First half of 2017	Change
Segment sales volume *(unit: '000 tons)*	**91**	80	14.6%
Branded fresh pork sales volume *(unit: '000 tons)*	**20**	14	42.5%
Segment revenue *(RMB million)*	**1,296**	1,382	(6.3)%
Ratio of revenue from branded fresh pork	**30.1%**	23.6%	6.5 percentage points
Capacity utilization *(%)*	**84.3%**	76.7%	7.6 percentage points
Segment result *(RMB million)*	**65**	45	42.5%

With simultaneous rise of sales volume and profit, segment performance and branded business hit new high

In the first half of 2018, the sales volume of fresh pork increased by 15% year-on-year, among which, the sales volume of branded fresh pork significantly increased by 42%, leading to a year-on-year increase of 6.5 percentage points in ratio of revenue from branded fresh pork; Segment results amounted to RMB65 million, significantly increasing by 43% year-on-year; Driven by the branded business, segment gross profit margin increased by 2.9 percentage points year-on-year.

Expanded production capacity and finished site selection for a new factory in Hubei Province

The Company's factory in Wuhan, Hubei Province, with a capacity of 500,000 heads, has been producing in full capacity for six consecutive years laying a solid foundation in the market. In the first half of 2018, the Company selected a site in Huanggang, Hubei Province and signed an agreement with the government, planning to commence the construction of a new factory with an annual slaughtering capacity of 1,000,000 heads in the second half of 2018 to fully meet the needs in the Central China market. The Company is also preparing for production capacity expansion in North China.

Established the first domestic base for integrated pork value chain demonstration and promoted interactive-experience marketing

The Company has built the first domestic base for integrated pork chain demonstration in Dongtai, Jiangsu Province, which comprises feed mills, breeding exhibition halls (including small hog farms with visiting passages), biogas stations, biogas slurry planting bases, fresh pork plants and processed meat products plants. In the first half of 2018, the Company organized 28 visits to the integrated value chain base in Dongtai. Through interactive experience sessions, such as presentations, visits and taste tests, the Company impressed consumers with Joycome's brand positioning of "five checkpoints for product safety and quality assurance from company owned farms".

Took the lead in consumption upgrading by making innovation in small-packed products

Seizing the opportunities of consumption upgrading, the Company kept making innovation in small-packed fresh pork products and deepened its cooperation with FreshHeMa and other new retail channels. By reaching the goods shelf for sale within one day after cutting, the products were well recognized for their delicacy, convenience, freshness and safety. In order to further improve the brand image and premium, the Company launched "linseed" series of high-end small-packed products featuring "high quality fat for healthy new life". Since May 2018, the products have been sold in Wuhan and the Yangtze River Delta, which were well recognized by the consumers.

Processed meat products business

The processed meat products segment's results highlights in the first half of 2018 are as follows:

	First half of 2018	First half of 2017	Change
Segment sales volume *(unit: '000 tons)*	**5.5**	4.7	16.5%
Segment revenue *(RMB million)*	**175**	164	6.2%
Segment result *(RMB million)*	**89***	2.0	4,354.7%

** Note: The compensation granted by the government for the relocation of Guangdong Heshan Plant and the asset replacement premiums totalled to RMB88 million.*

Improved layout of production capacity, and optimized channel structure

In the first half of 2018, Guangdong Heshan Plant completed the succeeding relocation work, and the new plant in Dongtai, Jiangsu Province was officially put into operation, focusing on deep processing of imported beef and catering services. The improvement of production capacity layout laid a good foundation for the transformation of channels for processed meat products business. In the first half of 2018, products sold through the catering services channel increased by 107% year-on-year.

Developed best sellers with intensive study of market demand

Following the success of "cheese-filled sausage", "chewy meat stick" and other best sellers, the Company continued to delve into market demand and intended to develop Chinese pot-stewed food according to regional tastes to further optimize product portfolios.

Meat import business

The meat import segment's results highlights in the first half of 2018 are as follows:

	First half of 2018	First half of 2017	Change
Segment sales volume *(unit: '000 tons)*	**42**	40	3.4%
Sales volume of beef *(unit: '000 tons)*	**13**	9	57.1%
Segment revenue *(RMB million)*	**959**	865	10.9%
Segment result *(RMB million)*	**31**	4	688.0%

Achieved segmental growth against the backdrop of great changes in policies and exchange rates with proper risk control

In the first half of 2018, the meat import segment recorded a year-on-year growth in sales volume, revenue and result by actively responding to factors such as the tariff increase of the US pork, "anti-dumping and countervailing" adjudication against Brazilian chicken, and depreciation of RMB. The Company reduced risks through accurate judgments on the market, back-to-back contract and high turnover. In the meantime, it also actively expanded sourcing countries and began importing chicken from Thailand.

Increased the sales of beef sharply, and made preliminary achievement in the "trading plus processing" model

Expanding the sales scale of imported beef is a strategic focus of this segment's business. The meat import segment continued to promote the "trading plus processing" business model and the revenue of beef under this business model increased by 76% year-on-year. The Company also made greater efforts to expand channels. The sales revenue of beef in terminal-type (catering, corporate customers and retailers) business increased by 96% year-on-year.

Financial Review

Overall Performance

During the first half of 2018, the revenue of the Group was RMB3,264 million, representing a year-on-year decrease of 1.1% as compared with RMB3,299 million for the same period in 2017. Prior to the adjustments of fair value of biological assets, the net profit of the Group was RMB11 million, representing a year-on-year decrease of RMB279 million and of 96.3%, as compared with RMB289 million for the same period in 2017.

Revenue

During the first half of 2018, the revenue of the Group was RMB3,264 million, representing a year-on-year decrease of RMB35 million as compared with RMB3,299 million for the same period in 2017. The decrease was mainly affected by the year-on-year decrease of commodity pig price, which was significantly offset by a year-on-year increase of 25% in hog production volume and the rapid development of branded businesses.

Gross Profit Margin

During the first half of 2018, the gross profit margin of the Group before the adjustments in fair value of biological assets decreased from 17.0 % to 4.6%, mainly due to the effect of the year-on-year decrease of commodity pig price during the first half of 2018, which was partly offset by the expanded space of overall gross profit of branded business such as fresh pork.

Selling and Distribution Expenses/Administrative Expenses

During the first half of 2018, the total selling and distribution expenses and administrative expenses of the Group amounted to RMB225 million, representing a slight increase of 3.1% as compared with RMB218 million for the same period in 2017, mainly due to the increase of investment in branded businesses.

Finance Costs

During the first half of 2018, the finance costs of the Group were RMB59 million, representing an increase of RMB18 million as compared with RMB41 million for the same period in 2017, mainly because that during the first half of 2018, the Company continued to advance project investment and properly increased capital reserve.

Other Income, Other Gains and Losses

During the first half of 2018, other income of the Group was RMB48 million, representing a year-on-year increase of RMB17 million, mainly due to increase of RMB15 million in government grants(including pig insurance indemnity).

Other gains and losses turned from losses of RMB40 million for the same period in 2017 to gains of RMB98 million for the first half of 2018, mainly attributable to the compensation granted by the government for the relocation of Guangdong Heshan Plant and the asset replacement premiums of RMB88 million in total.

Profit/Loss for the Period

For the reasons above, the Group recorded a profit of RMB11 million prior to the adjustments in fair value of biological assets during the first half of 2018, representing a decrease of RMB279 million as compared with RMB289 million for the same period in 2017.

Significant Investments and Significant Acquisitions and Disposals of Subsidiaries

Save as disclosed in this results announcement, the Group had neither any other significant investments nor significant acquisitions and disposals of the relevant subsidiaries during the first half of 2018.

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; and internally, the Group reduced the occupancy of liquid capitals such as inventories and accounts receivable and implemented intensive management for surplus capital to improve the turnover efficiency 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 June 30, 2018, the cash and bank balances owned by the Group amounted to approximately RMB1,273 million (December 31, 2017: approximately RMB1,185 million).

As at June 30, 2018, our current ratio was 1.07 (December 31, 2017: 1.15). As at June 30, 2018, our unused bank credit facilities were RMB7,618 million.

EBITDA and Cash Flow

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

For the first half of 2018, the EBITDA of the Group (prior to the adjustments in fair value of biological assets) was RMB262 million (corresponding period of 2017: RMB484 million). Net cash used in our operating activities was RMB269 million (generated during the corresponding period of 2017: RMB201 million). The net cash used in our investment activities was RMB913 million (corresponding period of 2017: RMB391 million), including RMB388 million for the purchase of property, plant and equipment (corresponding period of 2017: RMB395 million). The net cash generated from our financing activities was RMB704 million (used during the corresponding period of 2017: RMB169 million). Our time deposits over three months increased by RMB573 million as compared with that in the beginning of 2018. In summary, for the first half of 2018, our net gain in cash and bank balances was RMB94 million.

Capital Structure

As at June 30, 2018, the total number of issued shares of the Company remained unchanged at 3,901,998,323 shares.

As at June 30, 2018, the Group had interest-bearing bank loans of approximately RMB2,845 million (December 31, 2017: approximately RMB2,300 million). The annual interest rate on bank loans ranged from 2.08% to 4.99% (December 31, 2017: from 1.66% to 4.90%). Most of our bank loans were based on floating interest rates.

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

Unit: RMB in million	**June 30, 2018**	December 31, 2017
Within one year	**1,584**	1,360
One to two years	**277**	227
Three to five years	**879**	619
More than five years	**105**	94
Total	**2,845**	2,300

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

Unit: RMB in million	**June 30, 2018**	December 31, 2017
Fixed-rate borrowings	**663**	524
Variable-rate borrowings	**2,182**	1,776
Total	**2,845**	2,300

As at June 30, 2018, the Group had approximately RMB594 million loans from related parties (December 31, 2017: approximately RMB441 million).

As at June 30, 2018, the Group had net assets of approximately RMB5,129 million (December 31, 2017: approximately RMB4,945 million). The net debts of the Group[1] amounted to approximately RMB2,165 million (December 31,2017: approximately RMB1,556 million), while the net debts to equity ratio was approximately 42.2% (December 31, 2017: approximately 31.5%).

Note:

1. The 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 June 30, 2018 and December 31, 2017, the Group had no significant contingent liabilities.

As at June 30, 2018 and December 31, 2017, the Group had no bank borrowings pledged by the buildings, land use rights or time deposits of the Group.

Capital Expenditure

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

During the first half of 2018, the Group's capital expenditure was RMB409 million (corresponding period of 2017: RMB405 million). The following table sets forth our capital expenditures for the first half of the years indicated:

	For the six months ended June 30,	
Unit: RMB in million	**2018**	2017
Payments for property, plant and equipment	**388**	395
Payment for prepayment for lease payments	**21**	10
Payments for other intangible assets	**0.1**	
Total	**409**	405

As of June 30, 2018, our demand for capital expenditure mainly came from the construction of hog farms and ancillary facilities in Hebei Province, Jiangsu Province, Hubei Province and Inner Mongolia Autonomous Region.

Capital Commitment

The capital commitment of the Group is mainly related to the construction of hog farms and other production and ancillary facilities. As at June 30, 2018, the capital commitment of the Group was RMB391 million (December 31, 2017: RMB529 million).

Biological Assets (Continuing Operations)

Biological assets of the Group consist primarily of commodity pigs at different growth stages and breeding hogs used to give birth to animals in the future. As at June 30, 2018, we owned 1,614 thousand live hogs in total, including 1,463 thousand commodity pigs and 151 thousand breeding hogs, representing an increase of 12.8% as compared with 1,431 thousand heads as at December 31, 2017. The fair value of our biological assets was RMB1,440 million as at June 30, 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 costs 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 costs of sales, although the timing of such adjustments is not necessarily the same as the related gains or losses. We adjust the cost of sales for each period based on (i) changes in fair value of live hogs for that period less cost of sales; and (ii) changes in fair value less cost of sales of biological assets recognized in the previous period.

During the first half of 2018 and the same period in 2017, such adjustments have increased our cost of sales by RMB117 million and RMB553 million, respectively. Additionally, losses arising from fair value less costs of sales of agricultural products at the point of harvest amounted to RMB343 million (the same period of 2017: earnings of RMB41 million); gains arising from changes in fair value of biological assets less costs of sales amounted to RMB201 million (the same period of 2017: earnings of RMB449 million). In general, the net effect of adjustment in fair value of biological assets on profit was losses of RMB259 million during current period and was losses of RMB63 million during the same period in 2017.

Human Resources

The Group hired 6,221 employees for its continuing operations as at June 30, 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 six months ended June 30, 2018, total remuneration of the Group amounted to approximately RMB295 million (same period of 2017: RMB261 million).

Apart from the above, we also encouraged employees to become well-rounded and enhance their knowledge and skills related to their career through continuous training courses, seminars and online learning in order to unearth their own potentials.

Significant Risks and Uncertainties

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

Fluctuations in Commodity Prices

We operate in a highly fragmented and competitive industry, where the primary raw materials and finished products are all 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 Chinese and overseas markets of frozen meat products such as pork, beef, poultry, mutton and lamb. Besides, the trade war between China and the United States is continuing to escalate in 2018, and the Government has imposed tariffs on imported pork from the United States, which has significantly increased the cost of imported pork from the United States. Such fluctuations in commodity prices, in particular the price 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. In response to price risks, each business department fully investigated market conditions and balanced the supply and demand. Regarding the impact of the Sino-US trade war on the meat import business, the trading division adopted an imported country balance strategy and actively developed customers from other countries, such as choosing the EU and Chile as alternative countries for pork import.

Changes in Fair Value of Biological Assets

The results of operations of the Group are significantly affected by changes in fair value of our biological assets. Our biological assets include breeding hogs and commodity pigs. As of June 30, 2018, such changes added up to a decrease of RMB259 million in profits for the period of our continuing operations. For a presentation of our full results of operations both before and after adjustments in fair value of biological assets and showing the amounts of the three types of adjustments, please refer to the Consolidated Statement of Profit or Loss and Other Comprehensive Income under Financial Information.

Currency Risks

The Group collects most of the revenue in RMB and pays most of our expenditures, including costs incurred for sales of goods and capital expenditures, in RMB. However, some of our subsidiaries that are engaged in import of frozen meat products or that own foreign currency borrowings may expose us to exchange rate risks. A substantial portion of our cost of sales denominated in currencies other than RMB was related to our meat import business and was denominated in U.S. dollars. Exchange rate risks arise when commercial sales and purchases transactions or recognized assets or liabilities are denominated in currencies that are not our relevant subsidiaries' functional currencies. We are primarily exposed to exchange rate risks related to U.S. dollars and Hong Kong dollars, which is pegged with U.S. dollars.

The management of the Company paid attention to our prevention against exchange rate risks and have communicated timely on foreign exchange rates and forward prices with COFCO Finance and commercial banks with which we have business relationships. We entered into currency forward contracts to cover the majority of our exchange rate risks for our purchases in the meat import business, and reviewed the contracts and monitored risks on a monthly or semi-monthly basis according to the conditions of foreign exchange market. In addition, we also fixed a foreign exchange rate in advance for the imported meat purchase price with our domestic customers according to market conditions. We also update our exchange rate risks and internal records on a weekly basis and, before making a major foreign exchange decision (including whether to use currency forward contracts to control our exchange rate risks), conduct a sensitivity analysis and stress test.

Credit Risks

Our credit risks arise from the carrying amount of our recognized financial assets in our consolidated statements of financial position. The Group's credit risks are primarily attributable to our accounts receivable; other receivables; amounts due from fellow subsidiaries, ultimate holding companies, intermediate holding companies and related companies and loans to fellow subsidiaries; pledged and restricted bank deposits; and cash and cash equivalents.

We monitor our exposure to credit risks on an ongoing basis and perform credit evaluations on customers who require credit period in excess of a certain amount. We monitor receivable balances on an ongoing basis to ensure that our exposure to bad debts is not significant. We have monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. We review the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group does not have any significant concentration of credit risks.

The Outlook

At present, opportunities and challenges coexist in China's pork industry, creating brilliant future for leading enterprises in the industry. In the second half of 2018, the Company will continue to unswervingly focus on the following tasks:

First, accelerate the layout of hog production capacity, expand the construction of integrated farming capacity and continue the promotion of contract farming.

Second, continue to improve production efficiency, reduce production costs and establish core competitive strengths to resist cyclical fluctuations in hog prices.

Third, accelerate downstream business development. Facilitate the smooth commencement of Hubei fresh pork factory, and implement the plan for expanding fresh pork production in North China; vigorously develop branded business, increase the proportion of terminal-type channels, expand cooperation with new retail channels, and transform high-quality hogs into high-premium pork products.

OTHER EVENTS

Interim Dividend

The Board did not recommend the declaration or payment of an interim dividend for the six months ended June 30, 2018 (for the six months ended June 30, 2017: Nil).

Compliance with the Corporate Governance Code

The Board and the management of the Company are committed to achieving and maintaining high standards of corporate governance, which they consider to be essential to safeguard the integrity of the Group's operations and maintain investors' trust in the Company. The management of the Company also actively observes the latest corporate governance requirements in the PRC, Hong Kong and abroad. In the opinions of the Board, the Company has complied with the provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the six months ended June 30, 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 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, 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 six months ended June 30, 2018.

Subsequent Events

As of the date of this announcement, the Group has no material subsequent events after June 30, 2018 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, 2018. The Audit Committee is of the view that the interim report of the Group is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

The unaudited condensed consolidated interim financial statements of the Group for the six months ended June 30, 2018 have been reviewed by the auditor of the Company, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Publication of Interim Report

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

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

Hong Kong, August 22, 2018

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