

From Farming to Table, Tasty and Safe, COFCO Joycome



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

The background features a grayscale photograph of a large industrial facility, likely a meat processing plant, with various buildings and storage tanks. Overlaid on this are several decorative elements: a grid of blue and gray squares on the left, and thick, flowing, wavy lines in yellow, blue, and red that sweep across the bottom and right side of the slide.

Management Presentation by COFCO Meat Holdings Limited

March, 2017

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List of HSI and Shenzhen-Hong Kong Stock Connect



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Company's stock was selected into HSI series, and became one of the underlying securities of Shenzhen-Hong Kong Stock Connect on March 6th 2017

- ❖ Hang Seng Consumer Goods & Service Industry Index
- ❖ Hang Seng Stock Connect Hong Kong Index
- ❖ Hang Seng Stock Connect Hong Kong MidCap & SmallCap Index
- ❖ Hang Seng Stock Connect Hong Kong SmallCap Index
- ❖ Hang Seng Global Composite Index
- ❖ Hang Seng Composite Index Series (including: Hang Seng Composite Index, Hang Seng Composite Index-Consumer Goods, Hang Seng Composite SmallCap Index, Hang Seng Composite MidCap & SmallCap Index)





1 Performance Overview

2 Business Overview

3 Strategy and Outlook

Financial Highlights of 2016

- 1 A realized net profit of RMB952MM with remarkable growth in core business segments
- 2 Significant expansion in gross profit margin with properly controlled expense ratios
- 3 An all-round improvement in turnover ratio of assets
- 4 Significant increase of operating cash flow with a reasonable and healthy capital structure

1

A Realized Total Net Profit of RMB952MM



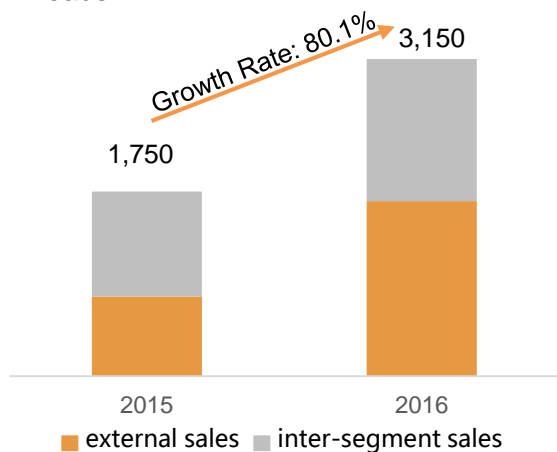
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Unit (RMB, MM)	2016	2015	YoY
Revenue from continuing operations	6,616	5,056	30.9%
EBITDA from continuing operations	1,263	205	516.1%
Profit (before biological fair value adjustments)	890	-192	An increase of 1082
Profit attributable to the owners of the Company (after biological fair value adjustments)	952	151	530.8%
Basic earnings per share (after biological fair value adjustments)	RMB 0.2767	RMB 0.0379	630.1%
Net assets per share (after biological fair value adjustments)	RMB 1.14	RMB 0.66	72.4%
Liabilities / Total Assets (%)	46.6%	64.4%	-17.8ppt

1 Remarkable Growth in Core Business Segments

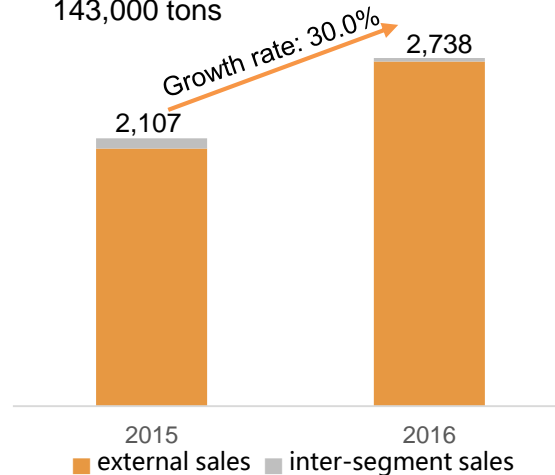
Revenue-Hog Production (RMB, MM)

- ❖ A capacity of 3.14MM heads by the end of 2016 with an annual volume of 1.71MM heads

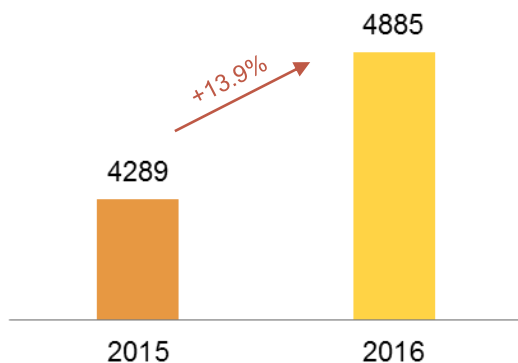


Revenue-Fresh Pork (RMB, MM)

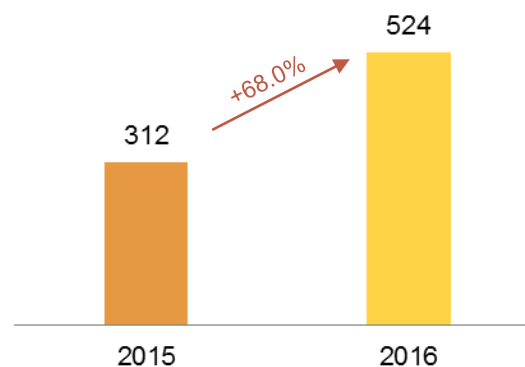
- ❖ A slaughtering capacity of 2MM heads by the end of 2016 with an annual sales volume of 143,000 tons



No. of Sales Terminals-Fresh Pork

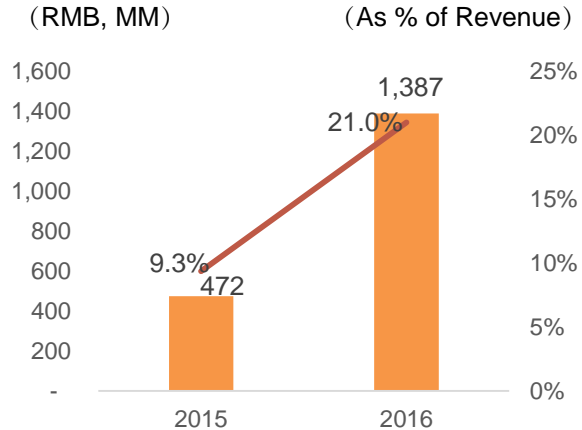


Revenue-Branded Fresh Pork (RMB, MM)

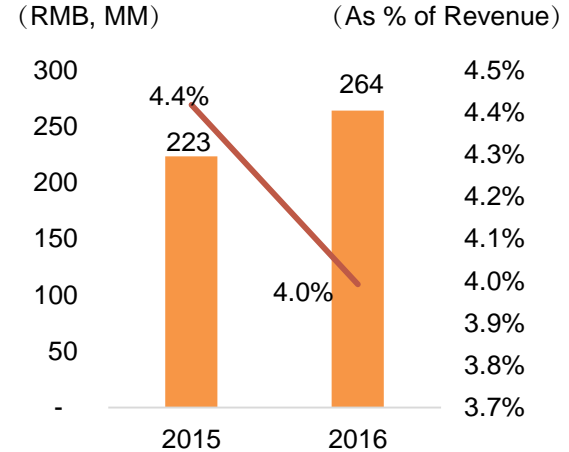


Significant Expansion in Gross Profit Margin with Properly Controlled Expense Ratios

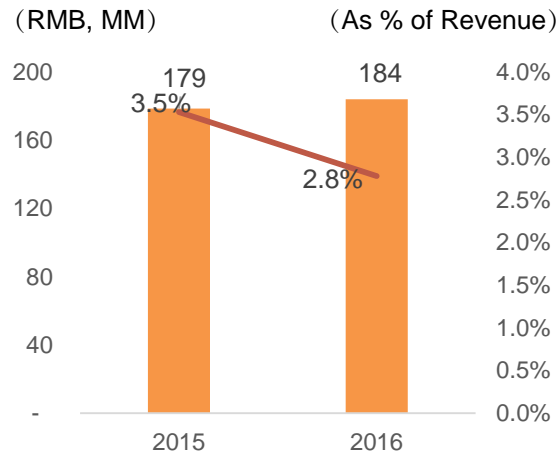
Gross Profit (Before Fair Value Adj.)



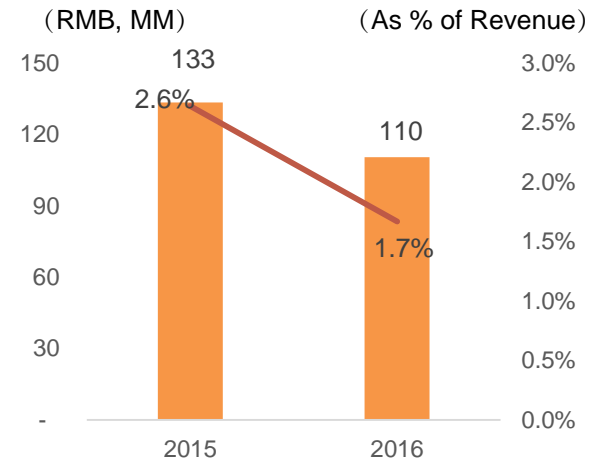
Selling and Distribution Expenses



Administrative Expenses

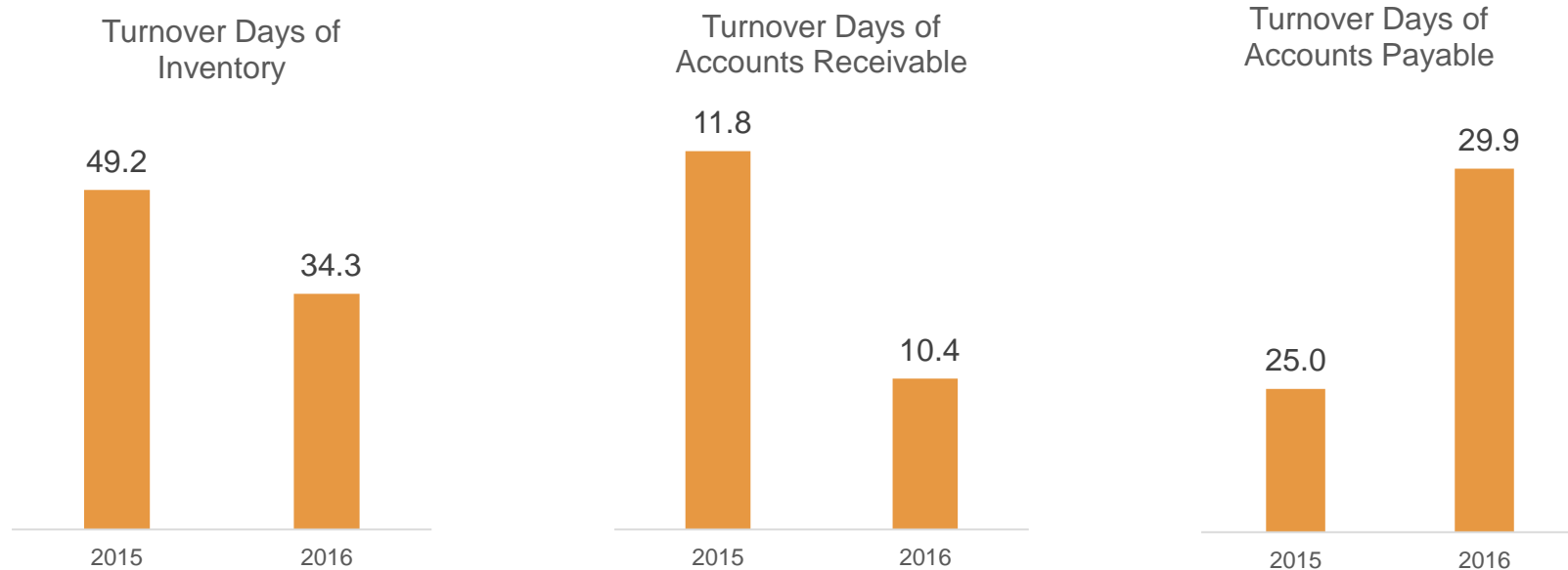


Finance Costs



All-round Improvement In Turnover Ratio of Assets

A significant improvement of turnover efficiency



Note: Calculated with the average of corresponding items of the beginning and ending balance of certain period, including terminated operations; All numbers are prior to biological assets fair value adjustments

Significant Increase of Operating Cash Flow with a Reasonable and Healthy Capital Structure



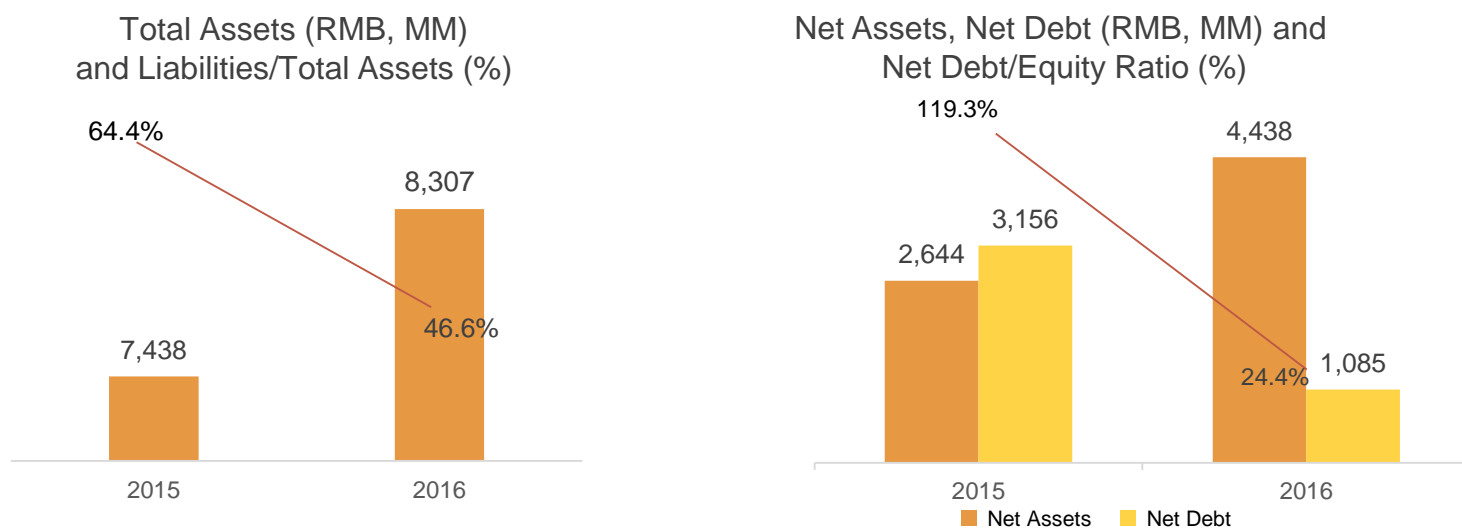
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Significant Growth in Operating Cash Flow



Reasonable and Healthy Capital Structure



Note: Net Debt / Equity Ratio: Equity divided by sum of ending balance of borrowing from banks, other borrowings, and loans from immediate controlled companies, intermediary controlled companies and ultimate controlled companies deducted by cash and cash equivalents



1 Performance Overview

2 Business Overview

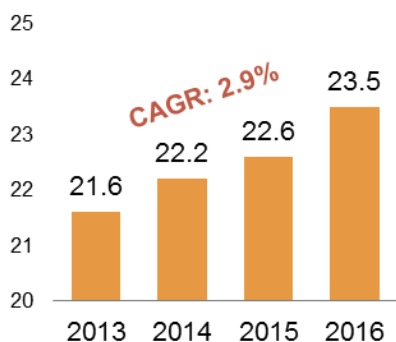
3 Strategy and Outlook

Business Highlights of 2016

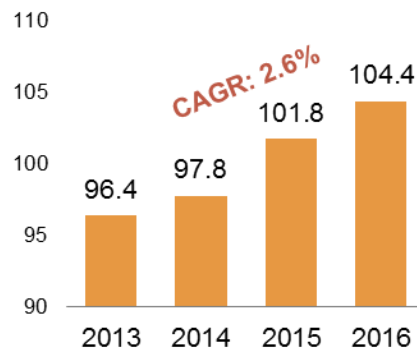
- 1 Significant improvement of operating efficiency and continuous decrease of production cost
- 2 Sales volume and profit of fresh pork business increased amid adverse market conditions
- 3 Strict control of food safety, reaching a 100% passing rate for the inspection of meat products
- 4 Multiple brand promotion and continuously increasing brand awareness
- 5 Sustainable development ensured by ecological recycling model
- 6 Smooth construction of production capacity with a considerable scale nationwide

1 Significant Improvement of Operating Efficiency and Continuous Decrease of Cost

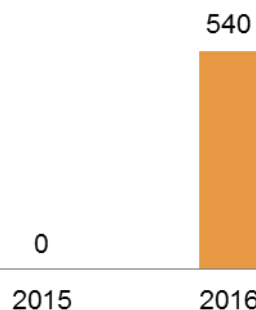
PSY (piglets weaned per sow per year)



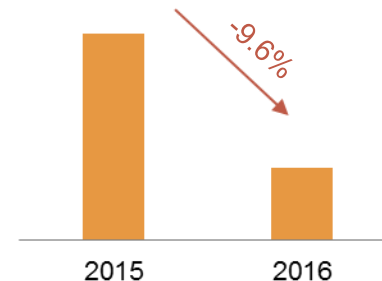
Average Finishing Weight (Kg/Head)



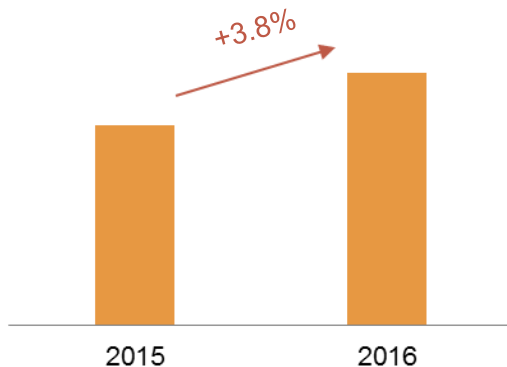
Feed Capacity ('000 Tons)



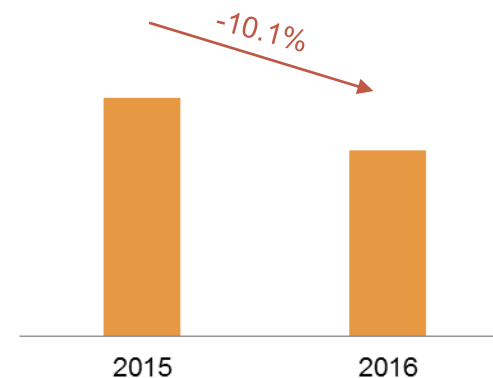
Hog Production Cost (RMB/Kg)



Work Force Efficiency of Fresh Pork (Kg/Day)



Fresh Pork Processing Cost (RMB/Kg)



2

Sales Volume and Profit of Fresh Pork Business Increased Amid Adverse Market Conditions

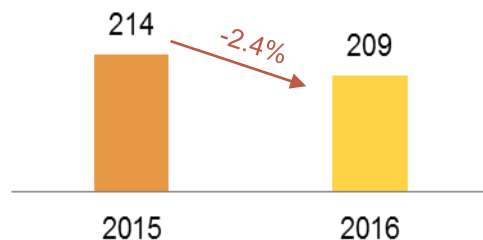


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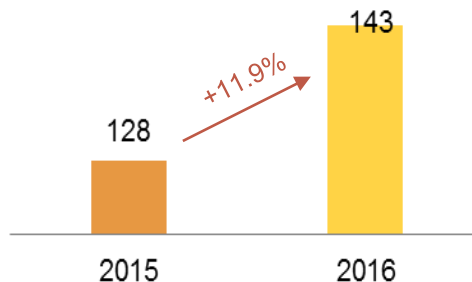
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Fresh pork business grew amid unfavorable market, with an increase in both sales volume and profit

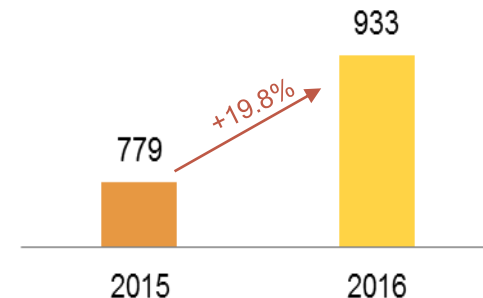
Production of Licensed Slaughtering Houses in China (MM heads)



Sales Volume of Fresh Pork (000' Tons)



Gross Profit per ton (RMB)

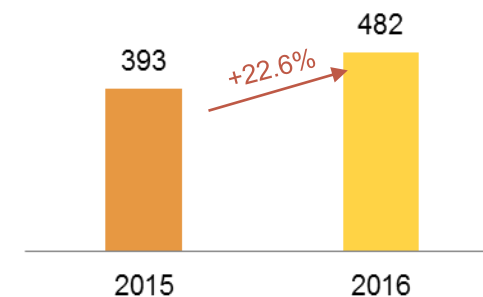


The standardization, packing and branding of fresh pork products

Joycome Small-pack Fresh Pork Products

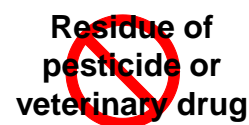


SKU



Strict control of food safety

- ❖ Severe situation of food safety in the industry as some serious problems like meat containing clenbuterol, expired meat were severely troubling consumers



- ❖ Obtained quality and safety management system certifications including ISO9001, ISO22000 and HACCP/GAP
- ❖ COFCO Meat (Jiangsu) Co., Ltd., passed the inspection and acceptance test of “The Typical Demonstration of Quality and Safety Control System for Animal-Sourced Food Processing in the Whole Industry Chain” held by MOST of PRC

Five Checkpoints



Environment-
Reject heavy metals



Hog Farming-
Reject hormones



Feed-
Reject growth
hormones



Inspection-
Reject clenbuterol



Transportation-
Reject contamination



Achieving a 100% passing rate for over 160 batches of inspections conducted by China Food and Drug Administration and other regulatory institutions

Multiple brand promotion

Consumer On-site visit, 74 times



Bus Advertisement



Franchised Store of Joycome



E-Commerce

Precise brand positioning with continuously increasing brand awareness

- Joycome Fresh Pork: "five checkpoints for product safety" gains consumers' recognition of "Direct Meat Supply for Olympic" and "Very Safe".

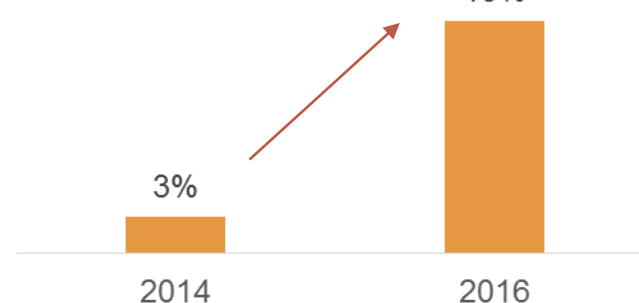


The interacting activities of "Five Checkpoints"



The vivid display of Olympics Theme

Brand awareness of Joycome Fresh pork in Shanghai



Dongtai Base in Jiangsu Province

- ❖ Promotion of various methods to utilize the bioslurry, like planting rice, vegetables and fruits.
- ❖ Realizing the zero emission of animal waste



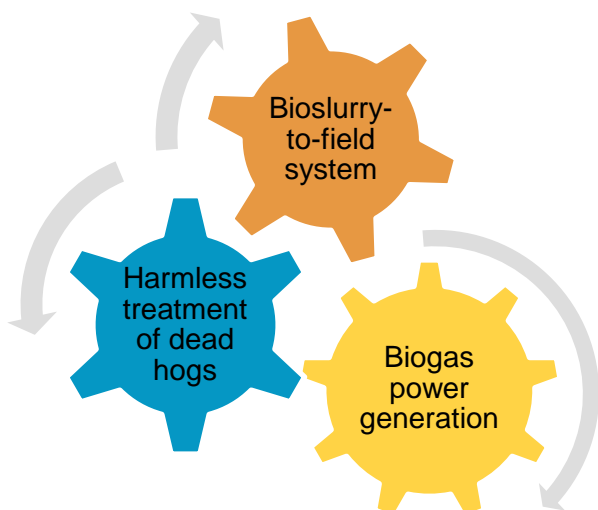
Planting Rice



Comparison of wheat seedling prior to and post applying the bioslurry



Comparison of saline-alkali soil prior to and post using bioslurry



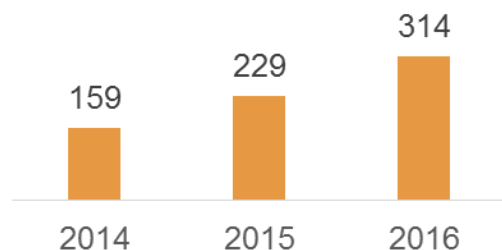
Wuhan Base in Hubei Province

- ❖ Accepted investigations from the MOA, National Animal Husbandry System and government departments at all levels for 42 times
- ❖ Interviewed and reported by national and local television stations, newspapers and other media for 7 times
- ❖ Invited to participate in the compilation of environmental protection related teaching materials

Smooth Construction of Production Capacity with a Considerable Scale Nationwide

37.1% YoY increase of hog production capacity with a CAGR of 40.5% in the past 3 years

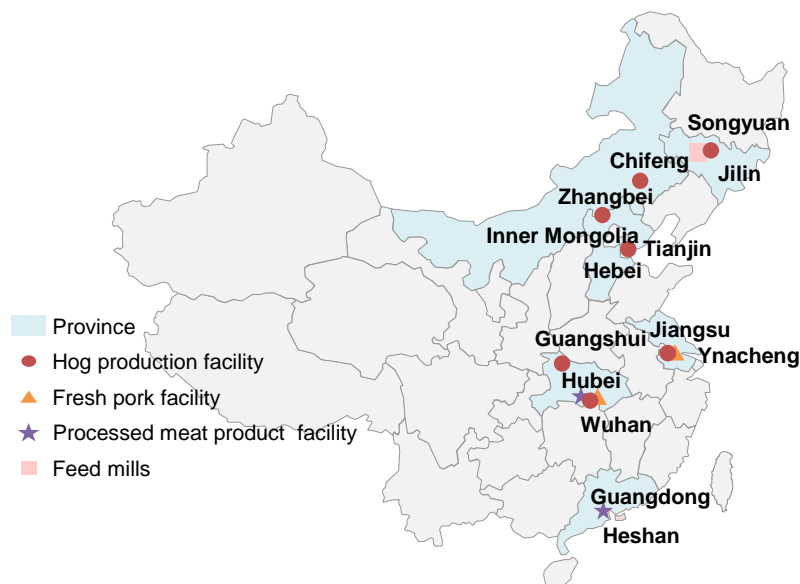
Hog Production Capacity
('0000' Head)



❖ 300,000 capacity for II phase of Jilin facility , 330,000 capacity of II phase of Zhangbei facility and 220,000 capacity of I phase of Guangshui facility were put into operation.

❖ Total hog production capacity by end of 2016 reached 3.14mm heads

Strategic layout across the whole value chain nationwide



Hog production capacity (‘000 heads)	3,140
Feed production capacity (‘000 tons)	540
Slaughtering capacity (‘000 heads)	2,000
Meat products processing capacity (‘000 tons)	17



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Development Strategy and Outlook

1

Seize the opportunity to further expand hog production capacity, reinforce the investment in technology and continue to decrease the production cost

2

Promote the branded fresh pork business, and drive it to achieve a leapfrog growth



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3

Optimize the sales channel structure of processed meat products business and expand its scale

4

Further improve vertical integration of the business, to reinforce the stability of the company's profitability

5

Strengthen talent training and incentive, and continue to deepen the mixed ownership reform

Thanks!

Question and Answer



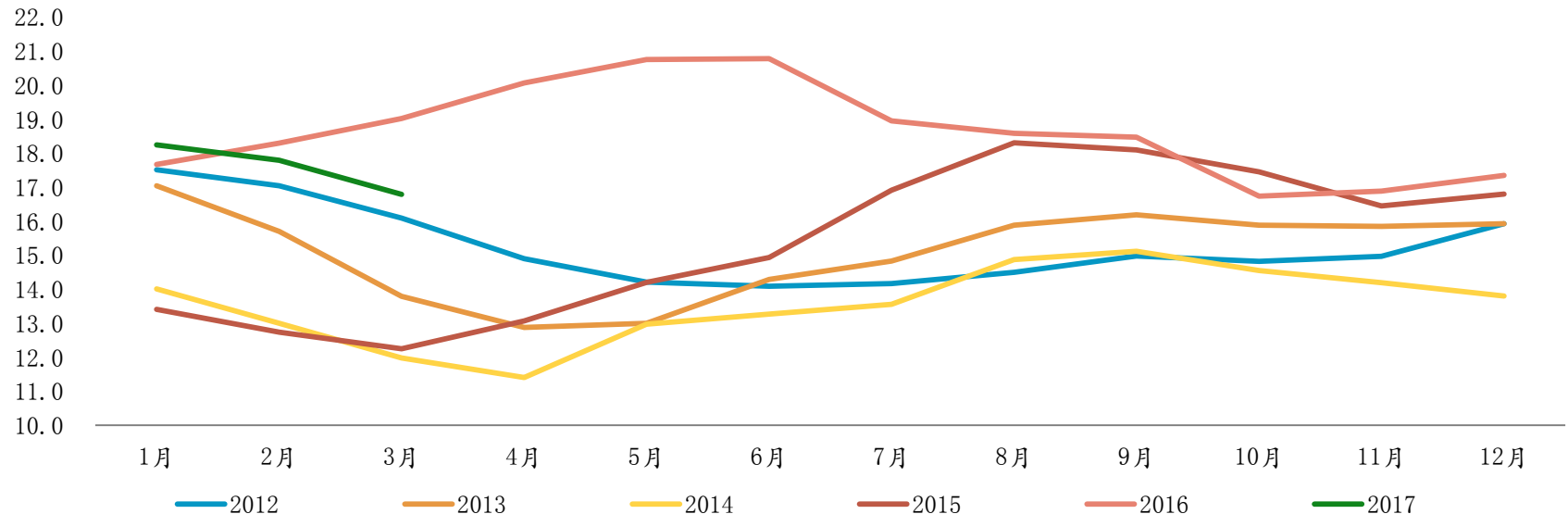
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A large decorative graphic consisting of several thick, wavy, overlapping lines in yellow, blue, and red that sweep across the page. In the background, there is a grayscale image of an industrial facility, possibly a meat processing plant, with various buildings and structures.

Appendix

Appendix 1. Review of Pork Price

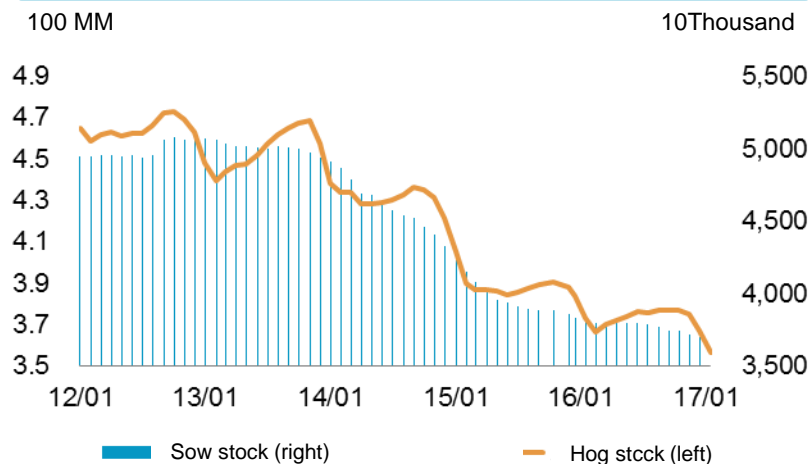
The average pork price from January of 2012 to March of 2017 (Yuan/Kg)



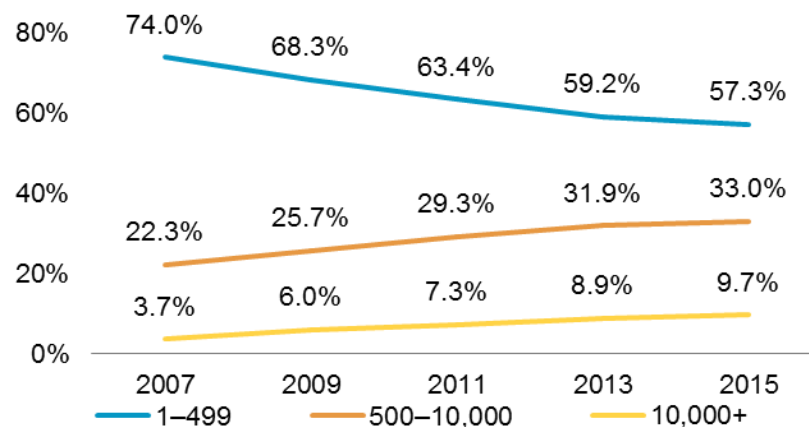
- ❖ Every year, the hog price would experience the similar fluctuation: the prosperous demand prior to festival -> the higher utilization of slaughtering plant -> the hog price increasing -> returning slack after festival
- ❖ The period after spring festival and the first half year is the traditional consumption slack season
- ❖ From the end of the second season to the third season, the factors favorable to hog price would appear continuously. On the side of supplying, due to the relatively lower survival rate of piglet due to the cold weather, and the average finishing weight during summer would be reduced slightly. What's more, the hot weather would cause the slow rate of gaining weight of live hogs, thus reducing the rate of slaughtering. On the side of demand, entering August to September, and the stocking of goods for mid-autumn and National Day starts, so the demand enters into the season of prosperity.

Appendix 2. Stock of Sow and Hog

Monthly Stock of Hog and Sow in China
(2012/01–2017/01)



Gradual increase in proportion of large-scale hog farms



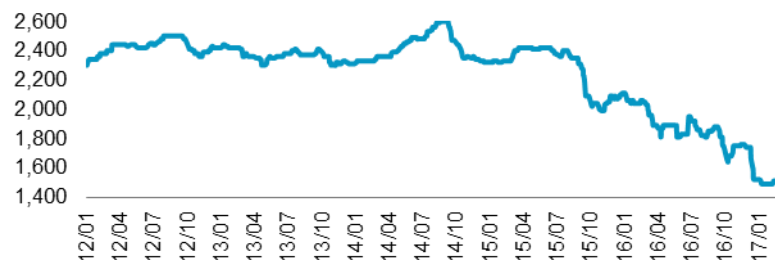
- ❖ Since 2015, our government has issued successively the Amendment of Environmental Protection Law, Action Plan for Treatment of Water Pollution, Technical Guidance for the Forbidden Area of Livestock Classification (Exposure Draft) and so on, requiring to treat the pollution of livestock breeding with great endeavor.
- ❖ Influenced by environmental protection policy, hog stock in the southern-water-network areas was reduced in 2016, prohibited areas for hog production was delimited in 20 provinces with demolition of farms. As a result, the hog stock decreased by 52 million heads, representing 14% of hog stock at the beginning of 2016.
- ❖ At the end of November 2016, the State Council further issued the Notice on Ecological Environment Protection Planning during “the 13th Five Year Plan” Period, which requires that livestock and poultry farms (sites) and specialized producers in prohibited areas must be closed or relocated by the end of 2017, which will accordingly reduce the hog stock in 2017.

Appendix 3. The Price Trend of Corn and Soybean Meal



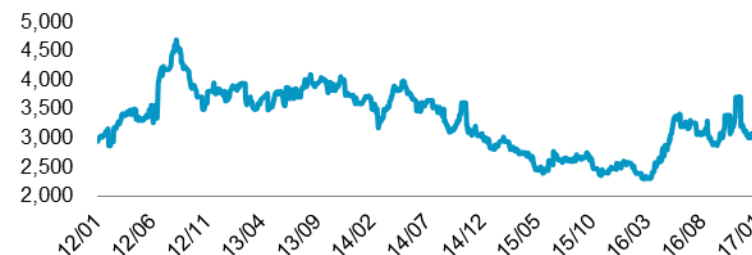
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Corn Price from January, 2012 to February, 2017 (RMB/Ton)



- ❖ The exit price of corn of DCE was decreased from 2110 yuan/ton at the beginning of 2016 to 1520 yuan/ton at the end of 2016, with a decreasing rate of 28%; the average price of corn was 1858 yuan/ton for the whole year, and the YoY decreasing rate was 18% compared to 2274 yuan of 2015.
- ❖ The exit price of corn of DCE was about 1500 yuan/ton at the beginning of 2017

Soybean Meal Price from January, 2012 to February, 2017 (RMB/Ton)



- ❖ In 2016, the average price of soybean meal is 2778 yuan/ton (settlement price of active contract of future goods), a 5% increase compared to 2015
- ❖ At the beginning of 2017, the settlement price of the contract for the active period of soybean meal of DCE was about 3000 yuan/ton.

Hog-to-corn ratio in the 5 recent years

