

[For Immediate Release]



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

Annual Net Profit of COFCO Meat Increases by 530.8% to RMB952 Million
Net Profit before Biological Fair Value Adjustments Amounts to RMB890 Million

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Overall Results Reach New Heights and Segment Profits Increase Generally

Financial Data Highlights (Audited)

(RMB million)	For the Year Ended 31 December		Change
	2016	2015	
Revenue from Continuing Operations	6,616	5,056	+30.9%
Profit Attributable to the owners of the Company	952	151	+530.8%
Basic Earnings per Share (RMB)	0.2767	0.0379	+630.1%
Net Assets per Share (RMB)	1.14	0.66	+72.4%

(27 March 2017 - Hong Kong) **COFCO Meat Holdings Limited** (“COFCO Meat” or “the Company”, together with its subsidiaries “the Group”; stock code: 01610), a renowned meat producer and operator in China covering the entire industry value chain, has announced its annual results for the year ended 31 December 2016.

The decline in China’s sow stock and rising hog price has created a favorable external factor for the Group. Meanwhile, the Group’s steady adherence to its highly effective operating strategies has also boosted the overall operational efficiency of its various business segments. Improvement in hog production efficiency has helped lower production costs and the production volume rose by 540,000 heads year-on-year. The Group has also succeeded in optimizing the sales structure of its fresh pork, processed meat products and meat import businesses.

In 2016, revenue from continuing operations strongly increased 30.9% year-on-year to RMB6.62 billion. Profit attributable to the owners of the Company increased by 530.8% year-on-year to RMB952 million. Basic earnings per share were RMB0.2767 and net assets per share of the Company amounted to RMB1.14.

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Mr. Ma Jianping, Chairman of the Board and Non-Executive Director of COFCO Meat, said, “China’s pork industry has an output value of more than RMB1 trillion, which makes it the largest meat related industry in the world. Currently, the industry is undergoing a structural upgrade as the trend towards increasing the scale of operation in the upstream hog production industry is accelerating amid rising public concern about quality and food safety of downstream pork products. As a renowned meat operator in China covering the entire industry value chain, we boast a distinctive advantage in implementing highest safety and quality standards of food. As part of our efforts to actively optimize our own businesses, we managed to become publicly listed on the Main Board of the Hong Kong Stock Exchange at the end of last year. Our IPO has enhanced our investment and financing capabilities and enabled us to capture the immense opportunities generated from industry transformation and unleashed the value of our businesses. Among the Group’s outstanding achievements after listing has been its inclusion in the Shenzhen-Hong Kong Stock Connect list within just six months, an endorsement of our strategic direction and capital value.”

Hog production business

The Group’s hog production division includes feed production, hog breeding and farming operations. In 2016, segment profit from the hog production business reached RMB1.01 billion, a substantial growth of 629.8% year-on-year. Through improving feed formulas and the production model as well as implementing standardized production and resources management procedures, the Group was able to enhance production efficiency and piglets weaned per sow per year (PSY) was 23.5, a year-on-year growth of 0.9, while the average finishing weight per head increased by 2.6 kg year-on-year to 104.4 kg. The increase in the Group’s self-sufficiency rate for feed also helped reduce procurement costs. Due to this improvement in efficiency, production cost per kg decreased by 9.6% when compared with the same period last year.

In late 2016, China’s sow stock remained at its lowest level in the last eight years while hog stock also remained at a low level, which should provide support to the hog price in 2017.

Fresh pork business

The Group’s fresh pork business division owns the renowned brand “Joycome” and focuses on promoting small-packaged fresh pork products in Central, Eastern and Northern China. The Group develops its products by enhancing the standardization, branding and packaging capabilities. The number of Stock Keeping Unit (SKU) has approached 500.

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Driven by downstream sales, the Group's fresh pork business grew amid adverse market conditions in 2016. Its revenue rose by 30.0% year-on-year to RMB2.74 billion and its sales volume increased by 11.9% year-on-year to 143,000 tons. As the procurement price of hogs remained high, the Group has continued to actively control processing costs, which saw a year-on-year reduction of 10.1%.

Processed meat business

The Group's processed meat products division includes the production, distribution and sale of a wide range of processed meat products, most of which are premium quality low-temperature processed meats. The Group has improved its profitability through optimization, cost control measures and adjustments in product and channel structure. As a result, gross profit margin reached 35.9% and segment profit increased by 109.0% when compared with 2015 to RMB8.4 million. The Company also stepped up channel transformation efforts and the proportion of food service channels has increased by 4.6 percentage points year-on-year.

Meat import business

The Group's imported meat products include pork, beef, poultry, mutton and lamb, and by-products. In 2016, the sales volume of the Group's meat import business remained stable and achieved a turnaround, with segment profit amounting to RMB79.2 million. As for the upstream business, the Group has expanded the procurement channels in different countries to satisfy market demand and balance procurement costs, while conducting in-depth market analysis downstream to better assess consumption trends and demand, enabling the formulation of specific sales plans. The Group has also increased the proportion of back-to-back contracts for the beef business to effectively lower operational risk.

Mr. Xu Jianong, Managing Director of COFCO Meat, concluded, "The year 2016 has been truly a landmark year for the Group. Looking at 2017, we continue to be guided by our mission of "leading the safety standard in the industry and assuring the safety of meat for the consumers" in order to further enhance hog production capacity and efficiency and control production costs. At the same time we are increasing our investment in the downstream branded business so as to offer safer meat products with higher quality to consumers and reward our shareholders with better results."

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About COFCO Meat Holdings Limited (1610.HK)

COFCO Meat is the key platform of COFCO, a Fortune Global 500 company to engage in the meat business and is one of China's famous meat companies operating across the entire value chain of the industry. The Company has grown rapidly in scale. Its two major brands, "Joycome" and "Maverick", are respected across China. The Group had 47 hog farms, two slaughtering plants and two processed meat plants strategically located across China as at the end of 2015. In 2015 it ranked fourth in China's hog production market by production volume of finishing hogs, and among the top 10 producer in China's fresh pork and processed meat market in terms of sales revenue, and ranked second in China's meat import market by import volume.

With a vertically-integrated pork product industry chain, its businesses include feed production, hog production, slaughtering, the production, distribution and sale of fresh pork and processed meat products, and the import and sale of frozen meat products comprising pork, beef, poultry, mutton and lamb. It is uniquely positioned to benefit from the current trend of the pork industry in China, including gradual industry consolidation toward large-scale hog farms, increasing consumer demand for safe and high-quality products and the need to comply with increasingly stringent environmental regulations. The Group implements strict quality control procedures and has obtained internationally-certified accreditations including ISO9001, ISO22000, HACCP, etc. It also focuses on technological advancement, and has worked with experts from Denmark, the US, Canada and Japan in technological research and development to increase production efficiency. Since the Group's establishment, it has gained widespread support and recognition in China and overseas. On top of being selected as the exclusive meat product supplier of Chinese Olympic Sports Delegation from 2012-2015, Mitsubishi, an industrial leader in Japan, has become a strategic investor, while international leading investors including KKR, Baring, Boyu and Temasek also support it, enabling the Group to consolidate its industry-leading position.

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