

[For Immediate Release]



COFCO Meat Seizes Industrial Transformation and Upgrading Opportunity Fresh Pork Records Strong Growth Beating the Market Low Tide in 1H2018

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Meat Import Segment Result Soars by 688% Branded Fresh Pork Sales Volume up 42.5%

| Key Operating Data | For the six months ended 30 June | | YoY Growth |
|--|----------------------------------|-------|------------------------------|
| | 2018 | 2017 | |
| Hog Production Volume (unit: 1,000 heads) | 1,259 | 1,009 | +24.8% |
| Fresh Pork Sales Volume (unit: 1,000 heads) | 91 | 80 | +14.6% |
| Ratio of Revenue from Branded Business ⁽¹⁾ | 17.3% | 14.9% | +2.4 percentage points |

(22 August 2018 - Hong Kong) **COFCO Meat Holdings Limited** (“**COFCO Meat**” or “**the Company**”, together with its subsidiaries “**the Group**”; stock code: **01610**), a renowned full-industrial-chain meat producer and operator in China, announced today its unaudited interim results for the six months ended 30 June 2018.

In the first half of 2018, the industry at large and the market environment were full of uncertainties. As a result of excessive supply in the hog market in China, average industry price trended down in the first half year. And, with the Sino-US trade war escalating, affecting the price of soybean and imported pork, operation was difficult for the industry. As a result of the abovementioned factors, consolidation of the industry has speeded up in favor of high quality and mature large-scale meat enterprises. Alongside the consumption upgrade ongoing in China, meat consumption has become more brand-driven. The prices of pork of high-end brands stand firm and are well-supported by consumers who crave higher quality pork and better consumption experience.

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A leading large-scale meat producer and operator in China owning and supported by a complete industrial chain, **COFCO Meat** has differentiated resources advantage enabling it to counter the impact of decrease in hog price beyond its control and focus on improving its operations and brand building. As a result, the Group's core businesses are able to maintain fast growth especially its branded business. In the first half year, **COFCO Meat** boosted hog production volume and breeding and rearing capacity, as such, was able to offset partly the negative impact of the sharp drop in hog price. Its profit for the first half of the year amounted to RMB11 million. Profit of the fresh pork segment hit record high, up by 43% year-on-year, and sales volume of the segment increased by 15% as compared with the same period last year. **COFCO Meat's** two brands "Joycome" and "Maverick" popular in the market helped push up the sales volume of branded fresh pork by a notable 42%, enabling the segment to achieve growth in both scale and profit.

Hog Production Business: Speeded up Strategic Capacity Layout Improved Proportion of Self-supplied Feed

COFCO Meat hastened strategic deployment of production capacity and worked hard on improving economy of scale and hog production efficiency to counter the effect of hog price fluctuation and enhance its core competitiveness and differentiated advantage. In the first half of 2018, the Group's hog production volume increased by 24.8% year-on-year to 1,259 thousand heads. As at 30 June 2018, the Group had a feed capacity of 900 thousand tons and feed self-sufficiency rate increased to 45.3% from 20.9% in the same period last year.

With its new feed mill in Dongtai to start mass production in the second half year, the feed self-sufficiency rate of the Group will increase. The Group will also fully study the domestic and foreign feedstuff markets and establish positions for corns and soybean meals at an appropriate time, so as to continuously reduce production cost

Fresh Pork business: Brand Business Led Consumption Upgrade Won Consumer Trust with Interactive Industry Chain Experience

The Group's two star brands "Joycome" and "Maverick" continued to play critical strategic role in helping **COFCO Meat** lead consumption upgrade. In the first half of 2018, sales volume of fresh pork increased by 15% relative to the same period last year, and of the total, the sales volume of branded fresh pork surged by a significant 42.5%, pushing up the proportion of revenue from branded fresh pork by 6.5 percentage points. Results of the segment amounted to RMB65 million, a marked increase of 43% against the same period last year, and with branded business driving, gross profit margin of the segment increased by 2.9 percentage points year-on-year.

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The Group sought to innovate and launched small-packed fresh pork products and, by cooperating closely with FreshHeMa and other new retail channels, the products hit store shelves within one day. They have been well recognized by the market for their delicacy, convenience, freshness and safety. In May 2018, to further enhance brand image and price premium, the Group launched in Wuhan and the Yangtze River Delta the “linseed” high-end small-packed product series featuring “high quality fat for healthy new life” and the products have won strong customer support. **COFCO Meat** has also established China’s first integrated pork chain demonstration base in Dongtai, Jiangsu, allowing the public to appreciate in person its brand value underpinned by “five checkpoints for product safety and quality assurance from company own farms” in a highly transparent and interactive environment.

Processed Meat Products Business: Optimized Channel Structure and Production Capacity Layout Developed Best Sellers

In the first half of 2018, the processed meat segment managed to sell 5,500 tons of products, up by 16.5% year-on-year, and made revenue of RMB175 million, up steadily by 6.2% year-on-year. During the period, Guangdong Heshan Plant completed relocation and received RMB88 million from the government as compensation. The new plant in Dongtai, Jiangsu Province was put into official operation, focusing on deep processing of imported beef and food client service. With production capacity well-deployed, a good foundation is there to support pursuit of channel transformation by the processed meat products segment. In the first half of the year, products sold through the food service channel increased by 107% year-on-year. **COFCO Meat** will continue 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: Proper Risk Control Both Sales Volume and Revenue Increased Result Rocketed by 688%

COFCO Meat actively responded to such conditions as the increased tariff on pork imported from the US, the “anti-dumping and countervailing” ruling against Brazilian chicken and depreciation of RMB, as such it achieved year-on-year growth in sales volume, revenue and result of the business segment. Revenue of the segment increased by 10.9% to RMB 959 million in the first half of 2018 from RMB865 million in the first half of 2017. Segmental result for the period was RMB31 million, a 688% spike from RMB4 million in the first half of 2017.

COFCO Meat also made greater effort on expanding channels. The revenue of beef in terminal-type (food service chains, food processors, and retailers) business increased by 96% year-on-year. Of the total segmental sales, those of beef also climbed fast by 57.1% to 13,000 tons in the first half of 2018. The “trading plus processing” business model continuously implemented in the meat import segment started to bear fruit, as reflected in the 76% year-on-year increase in revenue from beef business.

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Outlook

COFCO Meat will accelerate the layout of hog production capacity, expand integrated farming capacity and promote contract farming. The group will continue to improve production efficiency, reduce production costs and establish core competitive strengths to resist cyclical fluctuations in hog prices. Furthermore, the Group will accelerate downstream business development, facilitate the commencement of Hubei fresh pork plant, 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.

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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 leading 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.

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, several international leading investors also support it, enabling the Group to consolidate its industry-leading position.

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