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COFCO

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



2019 Interim Presentation

August 2019

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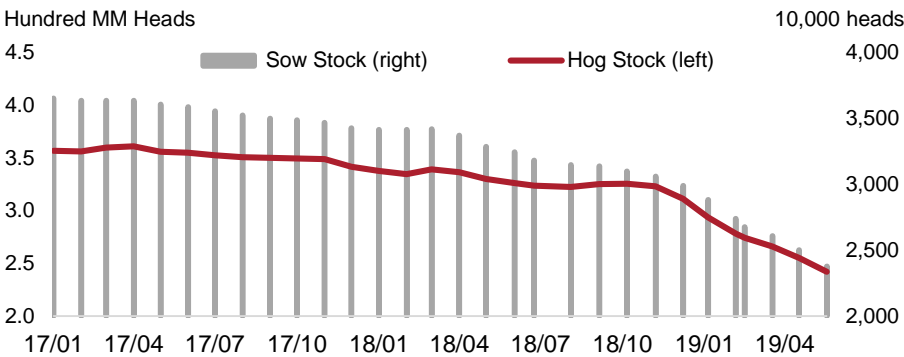
Section 1	Business Overview
Section 2	Financial Overview
Section 3	Strategy and Outlook

2019 1H Key Metrics

Key Operating Metrics	2019 1H	2018 1H	Change
Hog production volume ('000 heads)	1,451	1,259	15.2%
Hog production capacity ('000 heads)	4,638	4,089 (End of Year 2018)	13.4%
Fresh pork sales volume ('000 tons)	86	91	-6.0%
Branded fresh pork revenue (RMB MM)	451	389	15.8%
Branded fresh pork revenue as % of total fresh pork revenue	31.3%	30.1%	1.2ppt
Meat import sales volume ('000 tons)	59	42	42.5%
Key Financial Metrics	2019 1H	2018 1H	Change
Revenue from continuing operations (RMB MM)	4,403	3,264	34.9%
Profit for the year (before adj.) (RMB MM)	-276	11	-287
Profit for the year (after adj.) (RMB MM)	93	-248	+341
Including: Profit attributable to the owners of the Company (after adj.) (RMB MM)	142	-243	+385
Basic EPS (RMB)	0.0365	-0.0623	+0.0988

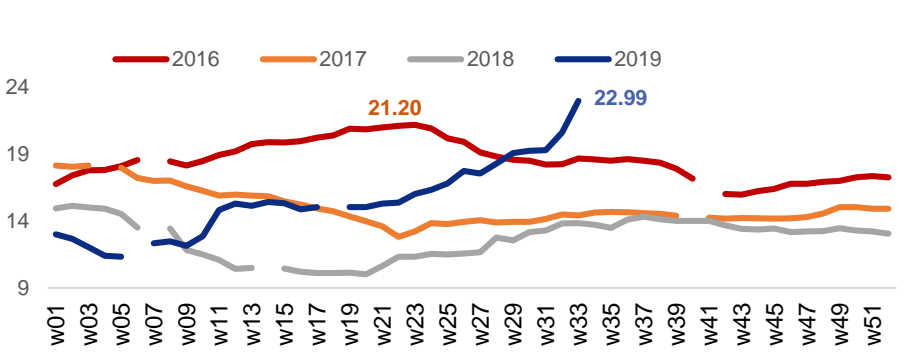
Industry Overview: As Inventory Continues to Decline, Hog Price Reached All-time High, and the Scale-up Process Accelerates

Monthly Inventory of Hog and Sow in China (2013/01–2019/07)



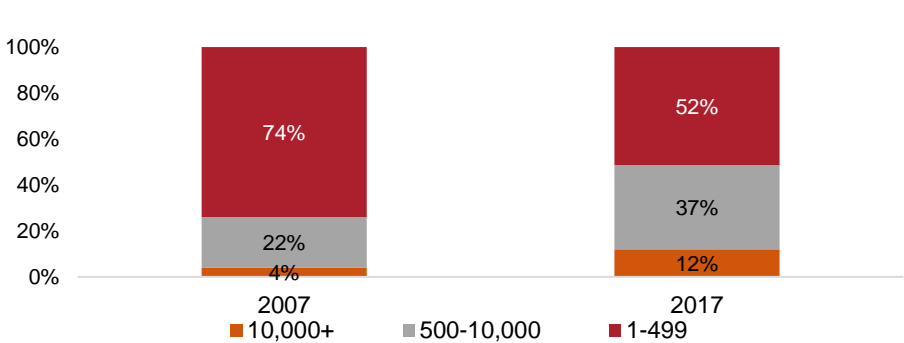
- At the end of July 2019, there was a stock of 21.65MM sows and 220MM hogs, both the lowest in the past decade, down by 31.9% and 32.2% year-on-year respectively

Hog Prices in China (RMB/kg)



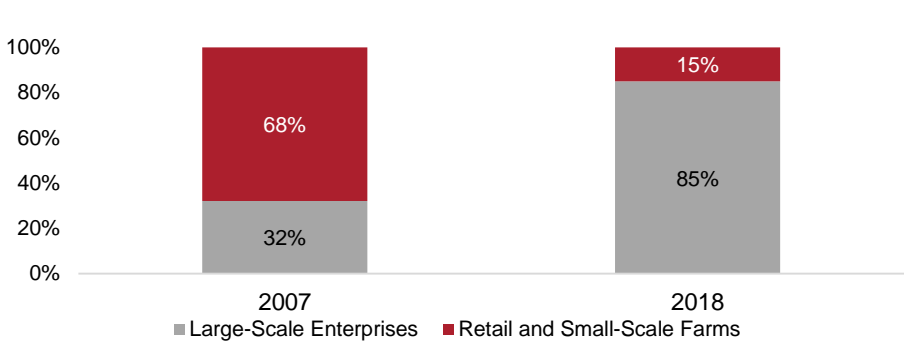
- As of Aug 16, 2019, the average hog price across 22 provinces and cities in China reached RMB 22.99/kg, exceeding the 2016 all-time high of RMB 21.20/kg

Ratio of Hog Production Volume by Farm Scale of China(2007/2017)



- Currently, only about 12% of hog production volume is from large-scale hog farms (with 10,000+ hogs) in China; this ratio is expected to increase drastically after the outbreak of African swine fever
- The Chinese government has issued a series of prevention and control requirements for the hog production, transportation, slaughtering, and processing, to encourage the development of large-scale enterprises

Ratio of Hog Production Volume before vs. after the African Swine Fever by Farm Scale of Russia (2007/2018)



- After the first outbreak of African swine fever in 2007, the Russian government implemented biosecurity approval requirements for hog farms, retail slaughter bans, and other measures
- During the decade after the outbreak, small hog farmers in Russia exited the market rapidly. Large-scale enterprises had expanded their production capacity dramatically, increasing their ratio of hog production volume from 32% in 2007 to 85% in 2018

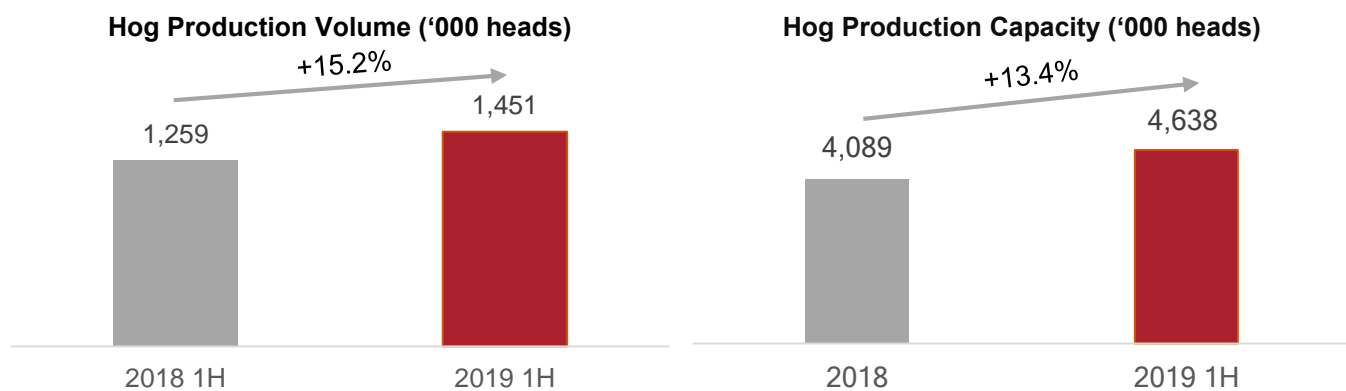
Source: Wind, National Bureau of Statistics of China, Russian Federal State Statistics Service, Founder Securities Research, Ministry of Agriculture and Rural Affairs

2019 1H Business Highlights

- 1 **Scaling up of core businesses and expanding of hog production capacity**
- 2 **Upgrade biosecurity system and ensure supply of safe and healthy pork**
- 3 **Explosive growth of small-packed fresh pork, with enhanced brand influence**
- 4 **Expanded import procurement and sales volume, with aggressive growth of beef business**

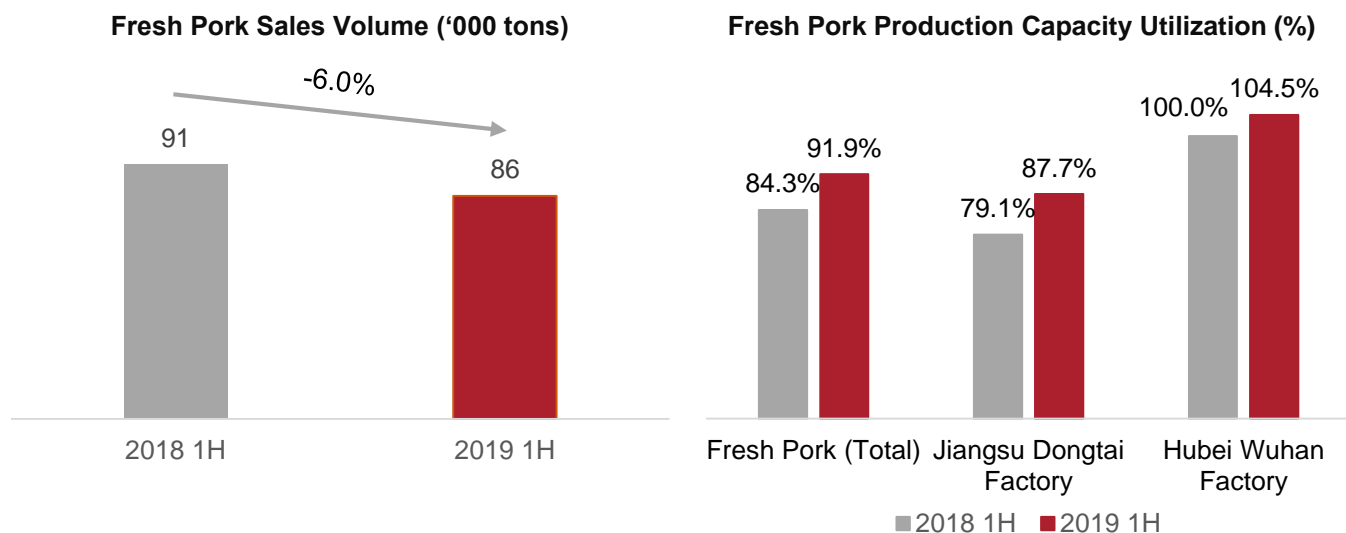
1 Scaling up of Core Businesses and Expanding of Hog Production Capacity

Hog Production: Continual growth of hog production volume and capacity



- Continued to expand hog production capacity, expedited commencement of new farms production, and introduced sows to all new farms
- Will continue to enlarge the sow stock in the second half of the year to ensure future production volume

Fresh Pork: Increased production capacity utilization and accelerated new plant construction



- Moderately increased frozen meat inventory, while sales volume dropped slightly
- Production capacity utilization rate continued to grow
- Propelled new hog plants construction: a plant with 1MM heads per annum capacity in Huanggang, Hubei, will be put into operation this year; another plant with 1MM heads per annum capacity in Northeast China is scheduled to commence construction in the second half of the year; further increased the compatibility of the upstream and downstream businesses

2 Upgrade Biosecurity System and Ensure Supply of Safe and Healthy Pork

Upgraded vehicle cleaning, disinfection and drying facilities

- Added new cleaning, disinfection and drying rooms at entrance of feed factories and hog farms; all feed and hog cars are required to go through absolute washing, disinfections, drying and inspections before access
- Strictly controlled transport routes



Strict implementation of personnel isolation measures

- All personnel entering production area must go through strict off-site isolation and a secondary isolation in the hog farm living area

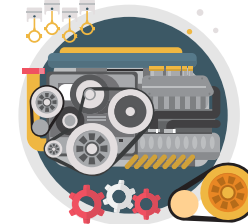


Hog Production Business



Improved management of feed mill

- All raw materials are required to be inspected by batches before entering the feed mill
- Vehicles delivering raw materials and finished feed shall enter and exit on separated routes
- Procured 100% dried corns as raw materials and prohibited use of pig-derived raw materials
- Granulation processing of feed at 85°C and ripening device is installed for finished product discharge



Constructed regional transit warehouse

- All materials are required to be received, unpacked and fumigated at the centralized warehouse before being delivered to hog farms by dedicated vehicles and would be fumigated twice before use



2 Upgrade Biosecurity System and Ensure Supply of Safe and Healthy Pork (cont'd)

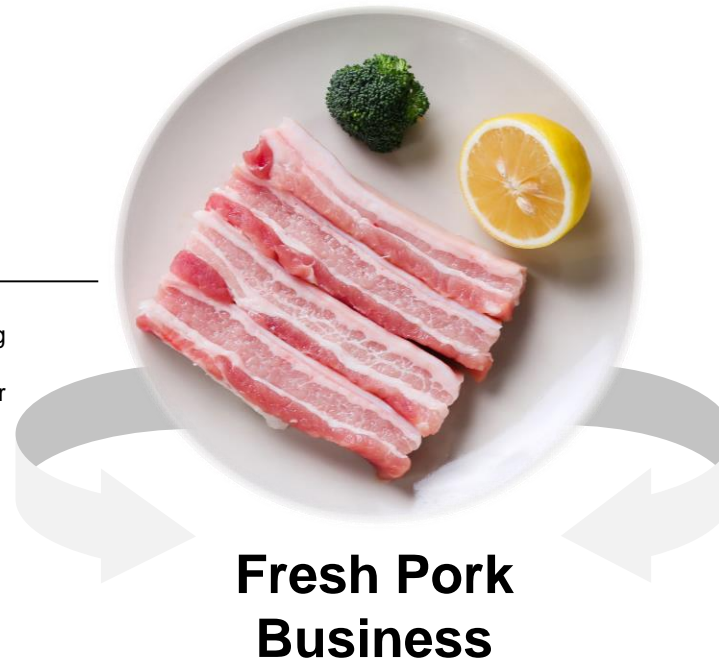
Improve quality and safety management system

- Conducted both internal and external supervision and review to improve existing quality and safety management system, focusing on preventing African swine fever



Prepared emergency measures for containing African swine fever

- Set strict policies regarding supplier screening, pre-evaluation of hog sources, disinfecting of production facilities and post-production verification

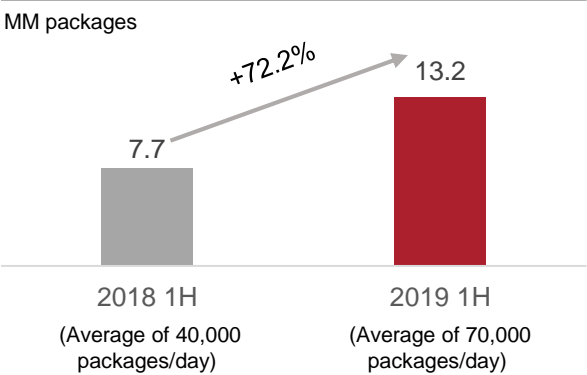


Ensure inspection of African swine fever on every hog

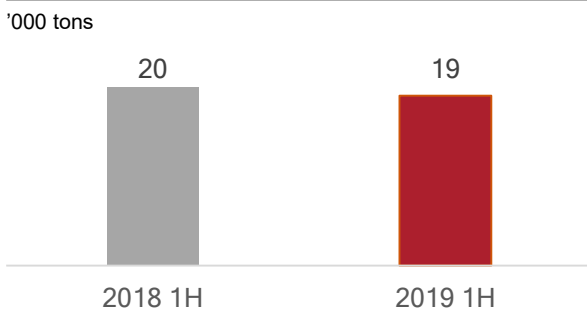
- The Company's fresh pork and processed meat products have passed all batches of inspection by the government in the first half of the year

3 Explosive Growth of Small-packed Fresh Pork, with Enhanced Brand Influence

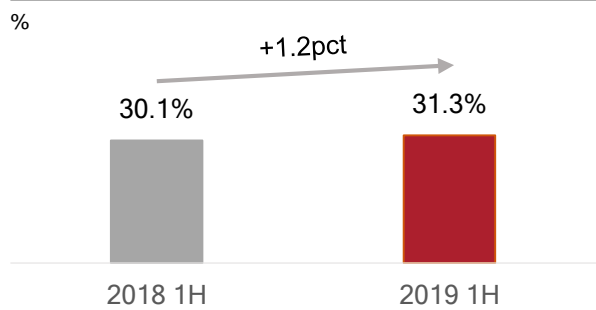
Sales Volume of Small-packed Fresh Pork



Sales Volume of Branded Fresh Pork



Ratio of Branded Business Revenue in Fresh Pork Segment



Engaged in educational science activity, strengthened IP marketing, and continued to increase brand influence

- Promoted the endorsement of Chinese Space Program by hosting “Five Checkpoints · Aerospace Quality” – a series of school-based activities to promote aerospace science knowledge, in order to publicize Joycome’s core brand positioning of safety and high quality
- Strengthened Joycome’s brand image by launching IP-based marketing campaign of “Captain Pig of COFCO Joycome”

Promoted cooperation with Hema, with small-packed products leading consumption upgrades

- Small-packed pork entered 69 Hema grocery stores nationwide
- Products hit the shelf within only one day to be delicious, convenient, fresh and safe



Aerospace Science Educational On-campus Events



“Captain Pig of COFCO Joycome” IP Character



“Daily Fresh” Products

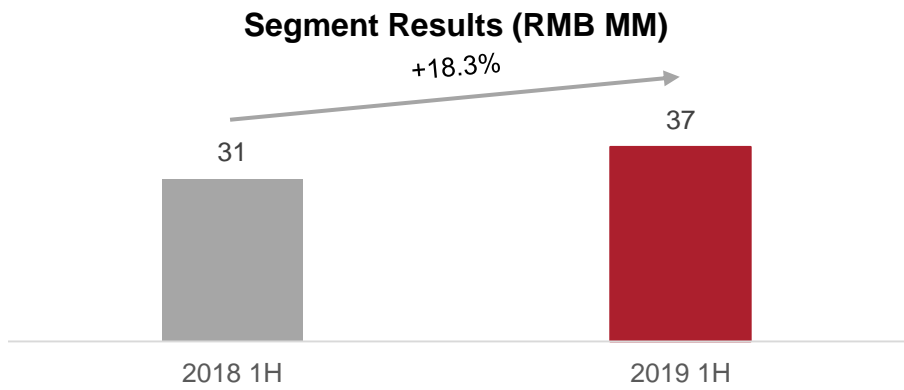
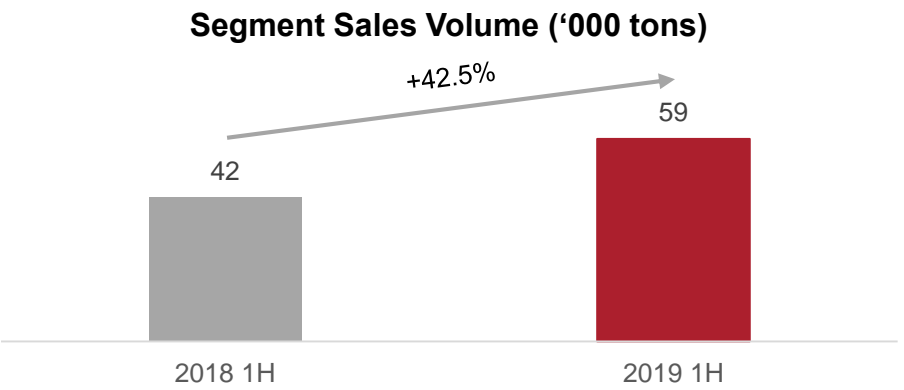


New “Flax Seed Pork” Product Line

4 Expanded Import Procurement and Sales Volume, with Aggressive Growth of Beef Business

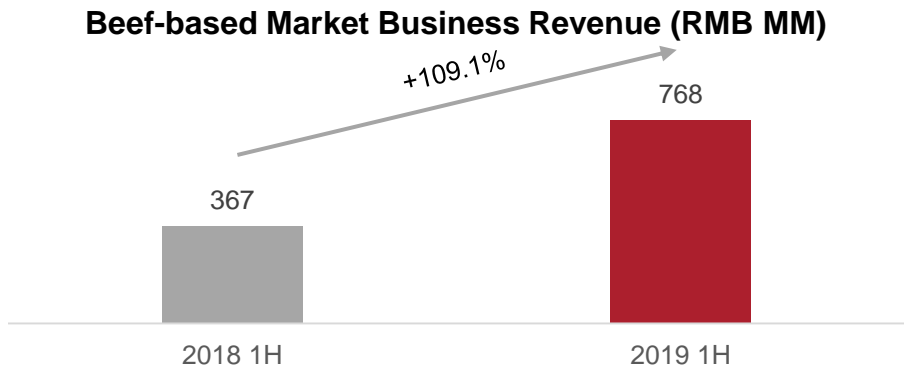
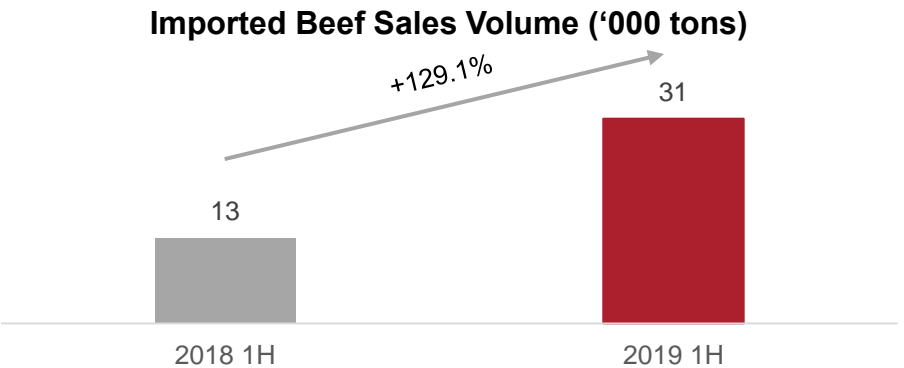
Increased import procurement and sales volume to deal with a relatively tight supply trend in China

- Procurement system covering all categories and multiple countries to expand sources of imports



Deep cultivation of channels and regional markets, leading to rapid growth in beef business

- Beef-based business (catering, retail, and enterprise customers) income increased by 109.1% year-on-year
- Sales volume of imported chilled beef and high-end grain-fed products increased rapidly, with further strengthened customer stickiness of high-end retails and restaurants customers



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- 1 Total operating income of RMB4,403MM, up 34.9% year-on-year**
- 2 Strict cost control leading to decreased SG&A expense ratios YoY**
- 3 Closely monitored asset turnover, maintaining a reasonable capital structure**

1 Total Operating Income of RMB4,403MM, up 34.9% Year-on-Year

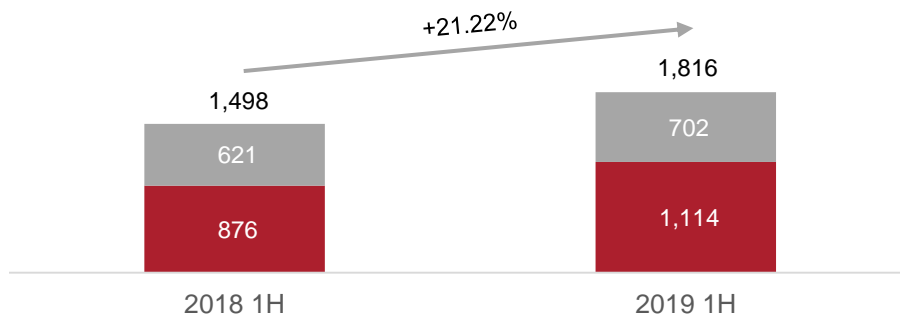


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Hog Production

RMB MM

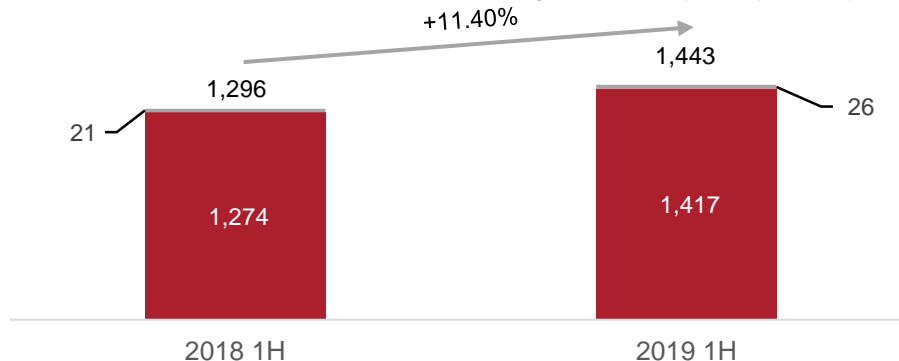
- 2019 1H hog production volume was 1.45MM, increased by 15.2% year-on-year
- Average sales price of finishing hogs was increased by 12% year-on-year



Fresh Pork

RMB MM

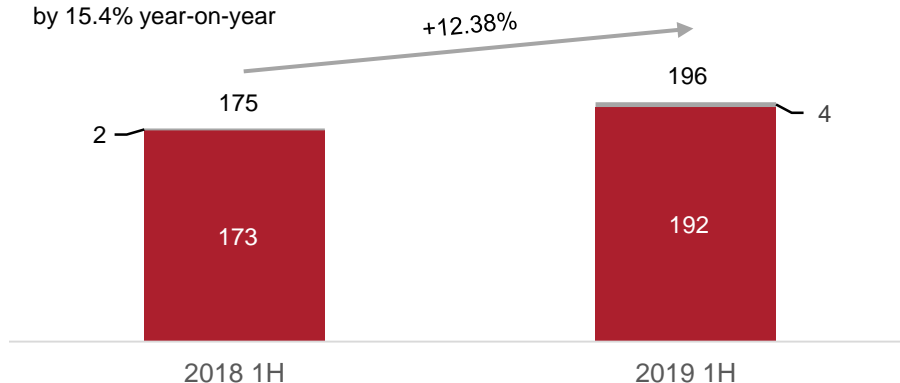
- 2019 1H fresh pork sales price was RMB16.7/kg, increased by 18% year-on-year



Processed Meat Products

RMB MM

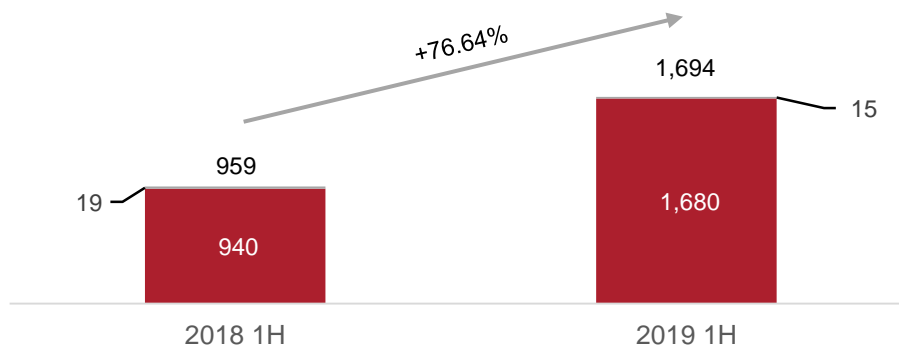
- 2019 1H processed meat products sales volume was 6 thousand tons, increased by 15.4% year-on-year



Meat Import

RMB MM

- 2019 1H import distribution volume was 59 thousand tons, increased by 42.5% year-on-year



■ Domestic Sales ■ Export Sales

2 Strict Cost Control Leading to Decreased SG&A Expense Ratios YoY

Sales and Distribution Expense

RMB MM % of Revenue

(4.1%)
(3.6%)

132.5

158.7

2018 1H

2019 1H

— Sales and Distribution
Expense Ratio

Administrative Expense

RMB MM % of Revenue

(2.8%)
(2.7%)

92.4

121.0

2018 1H

2019 1H

— Administrative
Expense Ratio

Interest Expense

RMB MM % of Revenue

(1.8%)
(1.9%)

58.6

84.3

2018 1H

2019 1H

— Interest Expense
Ratio

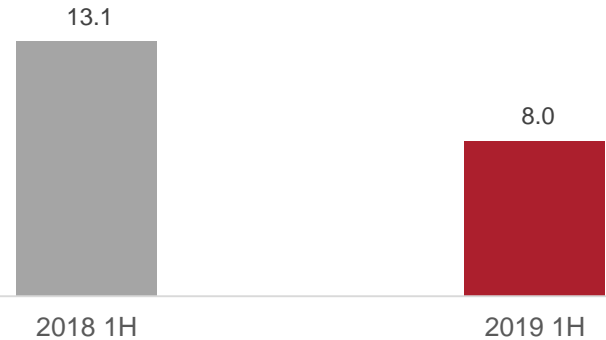
3 Closely Monitored Asset Turnover, Maintaining a Reasonable Capital Structure

Increased inventory according to market changes, with better accounts receivable management

Inventory Turnover Days



Accounts Receivable Turnover Days

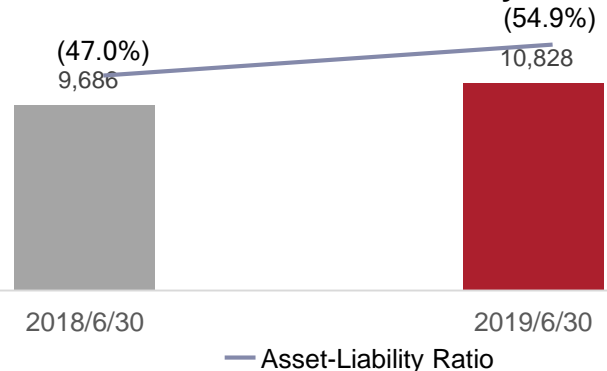


Note: Relevant data are calculated based on the average of beginning and ending balance of the period before biological assets fair value adjustments

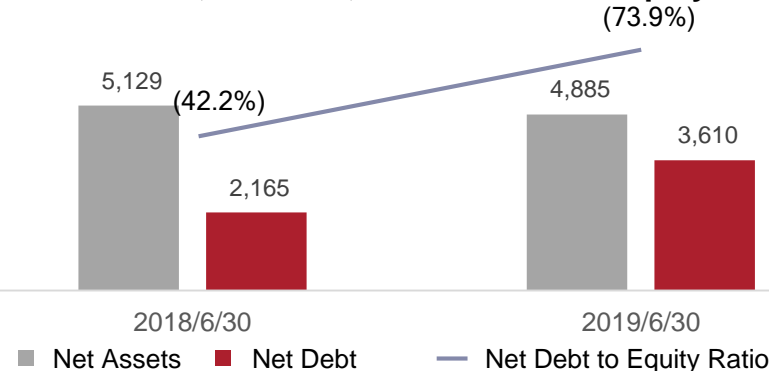
Maintained reasonable capital structure

RMB MM

Total Assets and Asset-Liability Ratio



Net Assets, Net Debt, and Net Debt to Equity Ratio



Note: Net debt to equity ratio: sum of total bank borrowings and total loans from related parties by period end minus cash and bank balance, divided by total equity

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1

Continue to speed up the development of hog production capacity on the basis of prevention and control of African swine fever, so as to seize the opportunities

- Remain vigilant against and cautiously prevent the African swine fever to preserve the lifeline of the production system
- Continue to speed up the hog production capacity, expand the sow inventory, so as to seize the opportunities brought by African swine fever

2

Accelerate construction of slaughtering facilities in Northern China, while vigorously carrying out fresh product differentiation and branded operations

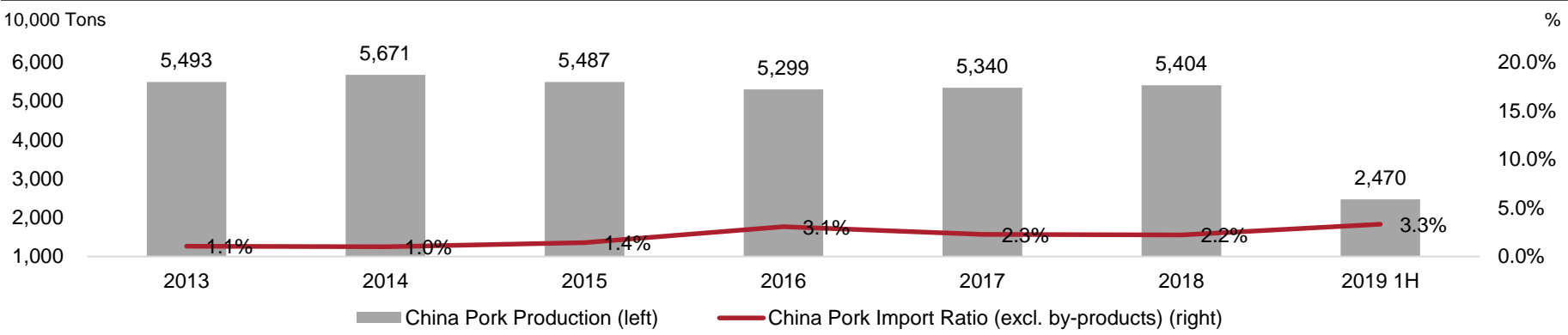
- Accelerate the expansion of slaughtering capacity in Northern China and respond to new changes in the industry after the appearance of African swine fever
- Vigorously carry out the differentiated and branded operations of fresh pork business, expand cooperation with new retail channels, and convert high-quality hogs into high-premium pork products

3

Strengthen the industrial link between domestic and foreign businesses, while actively expanding the volume of import procurement and sales

- Take full advantage of the industrial link between domestic and foreign businesses, increase the volume of import procurement and sales in order to fill the domestic supply gap, and enhance the profit contribution from import business

Ratio of Pork Production and Imports (excl. by-products) in China (2013-2019 1H)



• In 2019 1H, China’s pork production was 24.7MM tons, and the import volume (excl. by-products) was 0.82MM tons

DCE Corn Price (2013-2019 1H)



• In 2019 1H, the closing price of corn in the Dalian Commodity Exchanges was RMB1,865/ton, compared to RMB1,825/ton in 2018 1H, up 2.1% year-on-year

Spot Price of Soybean Meal (2013-2019 1H)



• In 2019 1H, the spot price of soybean meal was RMB2,784/ton, compared to RMB3,115/ton in 2018 1H, down 10.6% year-on-year

Source: WIND, National Bureau of Statistics of China, National Grain Center, Ministry of Agriculture and Rural Affairs