



**China Yurun Food Group Limited**  
中國雨潤食品集團有限公司

# Corporate Presentation



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## I. 2005 Overall Performance

## II. 2005 Financial Results Review & Analysis

## III. 2006 Priorities and Outlook



## 2005 Overall Performance



# Financial Results Highlights



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RMB in Millions (except for EPS)	2004	2005	Change %
<b>Revenue</b>	<b>2,593</b>	<b>4,454</b>	<b>72%</b>
<b>Gross Profit</b>	<b>378</b>	<b>639</b>	<b>69%</b>
<b>Operating Profit</b>	<b>265</b>	<b>398</b>	<b>50%</b>
<b>Net Profit</b>	<b>169</b>	<b>359</b>	<b>112%</b>
<b>EPS (diluted)*</b>	<b>0.184</b>	<b>0.344</b>	<b>87%</b>

\* Note: Earnings per share in RMB.



■ **HK\$ 0.065 dividend per share proposed for year 2005**

■ **Implied dividend payout ratio of more than 27%**

# Major Product Lines

## Raw Pork (Upstream)

### Chilled Pork



### Frozen Pork



## Processed Meat (Downstream)

### LTMP



### HTMP



## Varieties

■ 77<sup>1</sup> different cuts of pork

■ 58<sup>1</sup> different cuts of pork

■ 545<sup>1</sup> varieties

■ 226<sup>1</sup> varieties

■ Grilled sausage, Taiwan sausage, smoked ham, roast ham and Chinese bacon

■ Various ham sausages

## Sales Channel

■ Sold to hyper markets, supermarkets in most regions of China

■ Sold to wholesalers, big enterprises and downstream business

■ Sold to modern retailers, wholesalers and hotels across China

■ Sold to modern retailers and wholesalers across China

■ Marketed under the Furun and Popular Meat-Packing brands

■ Marketed under the Furun and Popular Meat-Packing brands

■ Marketed under the Yurun and Popular Meat-Packing brands

■ Marketed under the Wangrun and Popular Meat-Packing brands

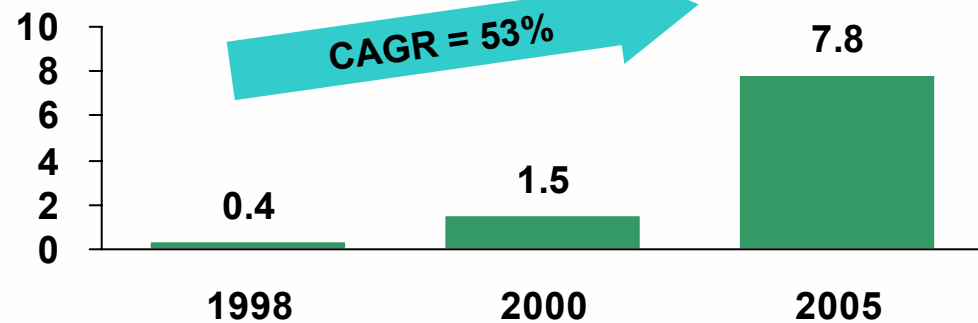
<sup>1</sup> As of December 31, 2005

# Leader in China Pork Market

## Yurun is a Leader in China Pork Processing Industry

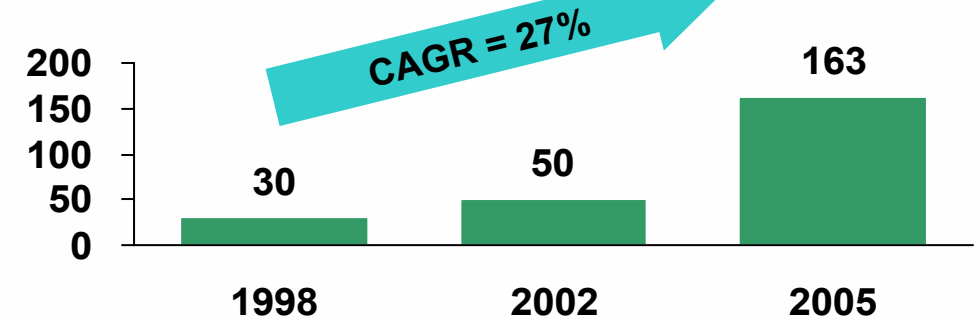
### Slaughtering Capacity

(Million heads)



### Processed Meat Capacity

(000 tons)



### Third-Party Ranking

LTMP



**#1 national market share among large-scale retail enterprises from 2002-2004**

- CGCC and CNCIC

Chilled & Frozen Pork



**#3 mechanized pork slaughtering enterprise in 2003**

- MOFCOM

HTMP



**Top 3 producer of HTMP from 2002 to 2004**

- CGCC and CNCIC

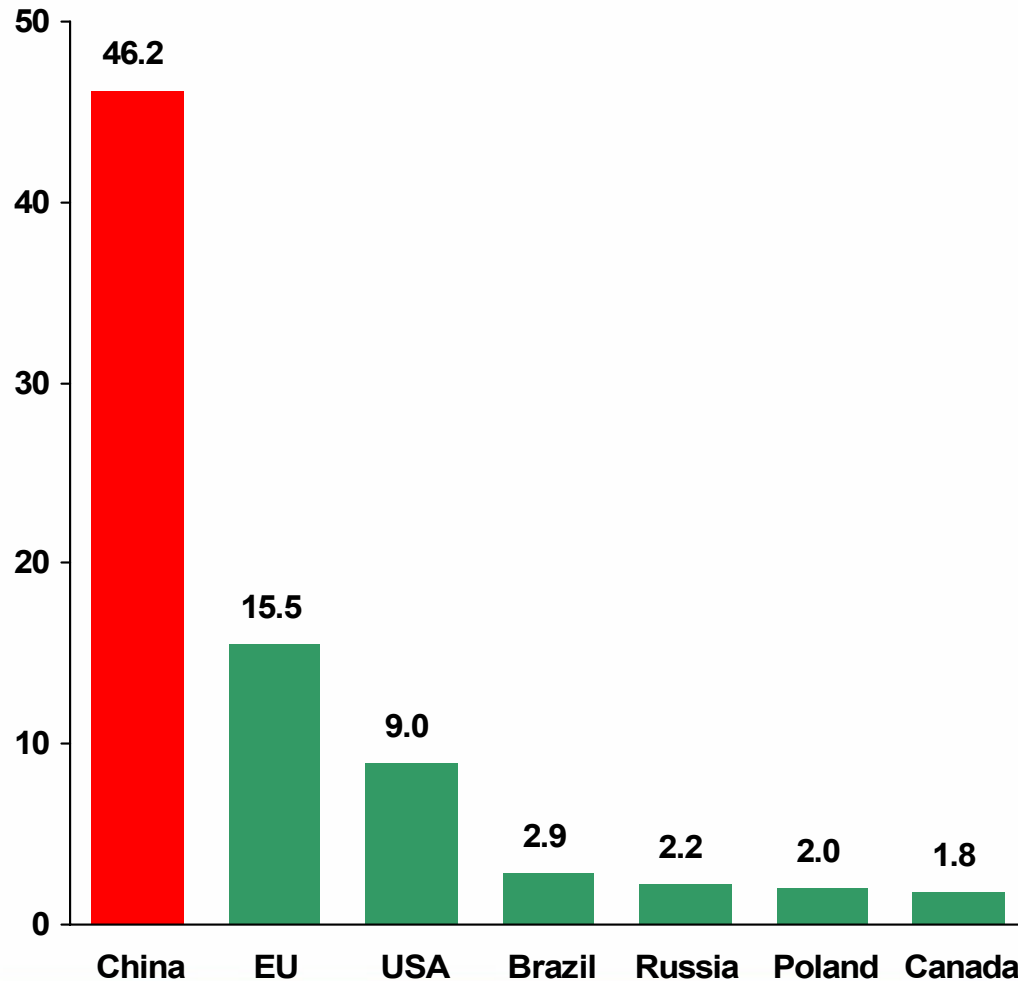
# Huge Potential of China Pork Industry



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## China is the Largest Pork Consumer in the World

Annual Consumption (Million tons, 2003)

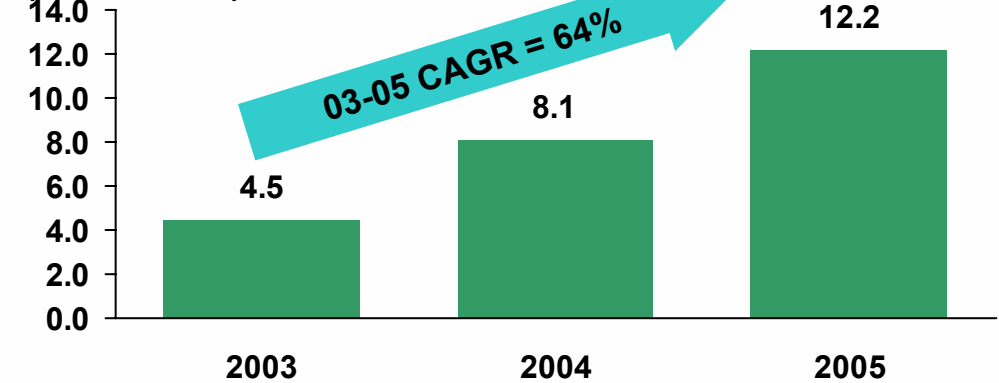


Source: FAO

<sup>1</sup> Include two other top players in the industry

## Chilled and Frozen Pork Revenue by Selected Chinese Pork Processors <sup>(1)</sup>

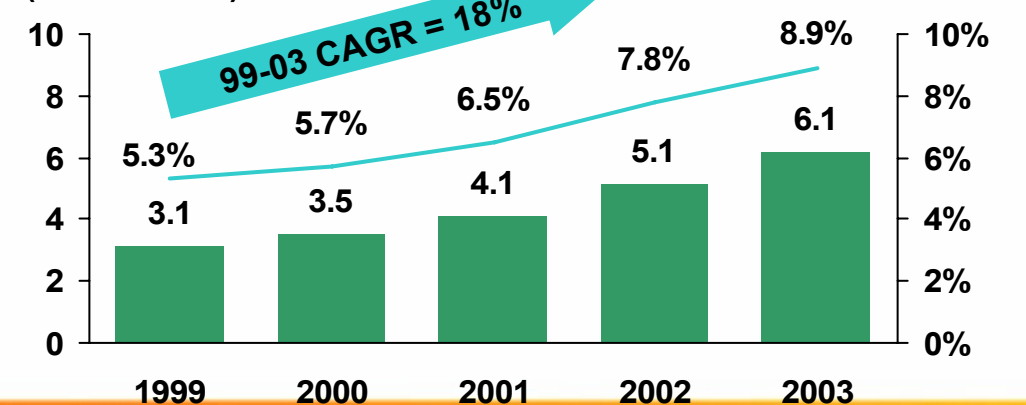
(Billion RMB)



Source: Annual reports

## Increasing Sales of Processed Meat Products

(Million tons)



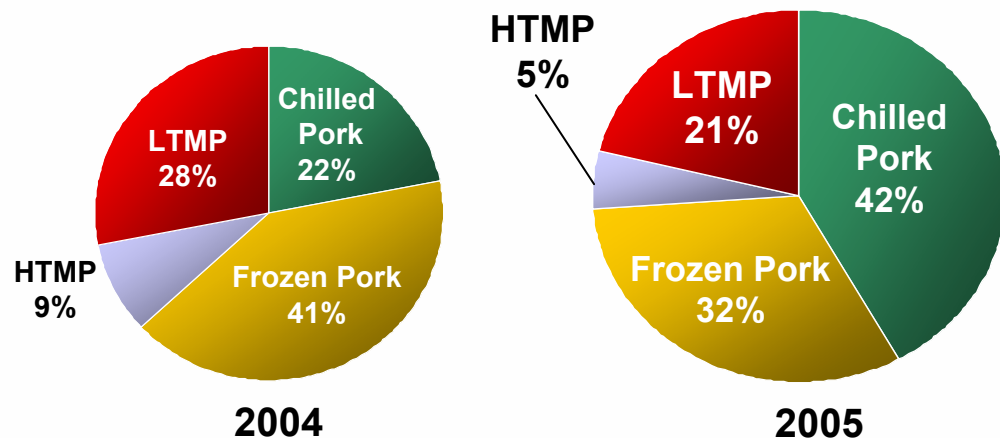
Source: China Meat Association, China Statistical Yearbook 2004

# Continued Focus on High-End Markets

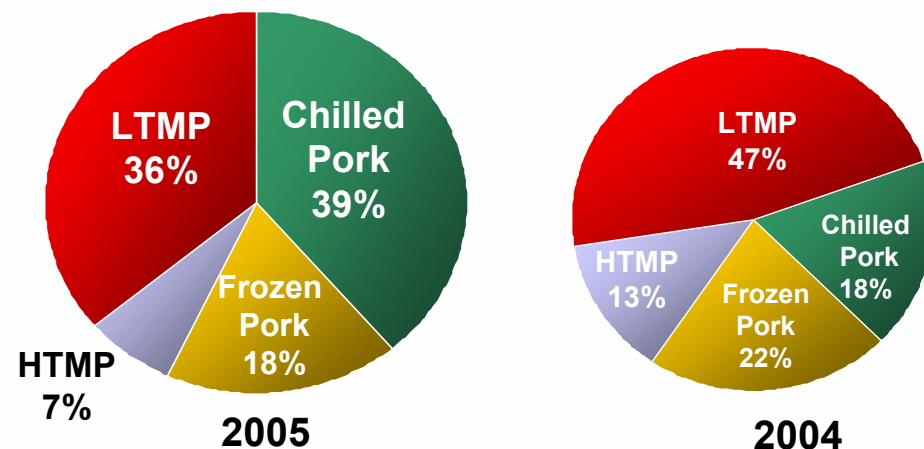


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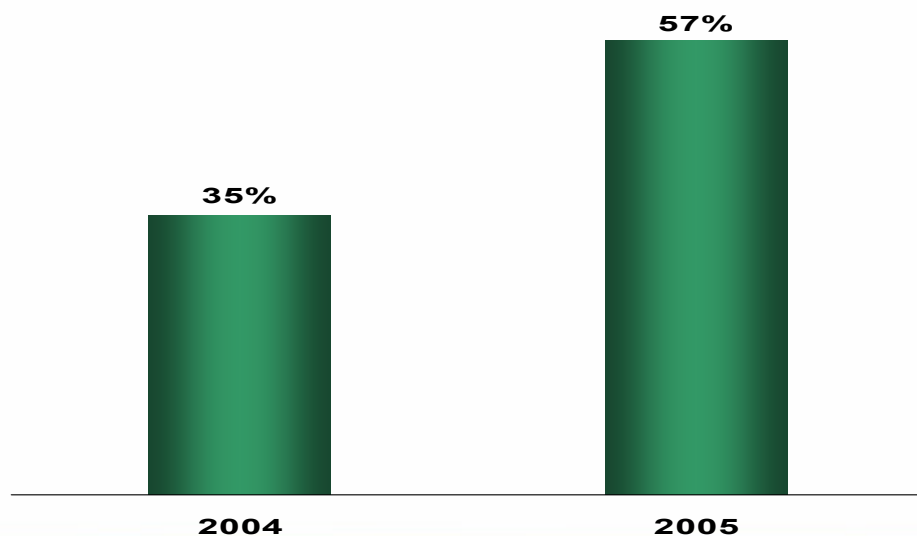
## Contribution to Turnover (2005)<sup>1</sup>



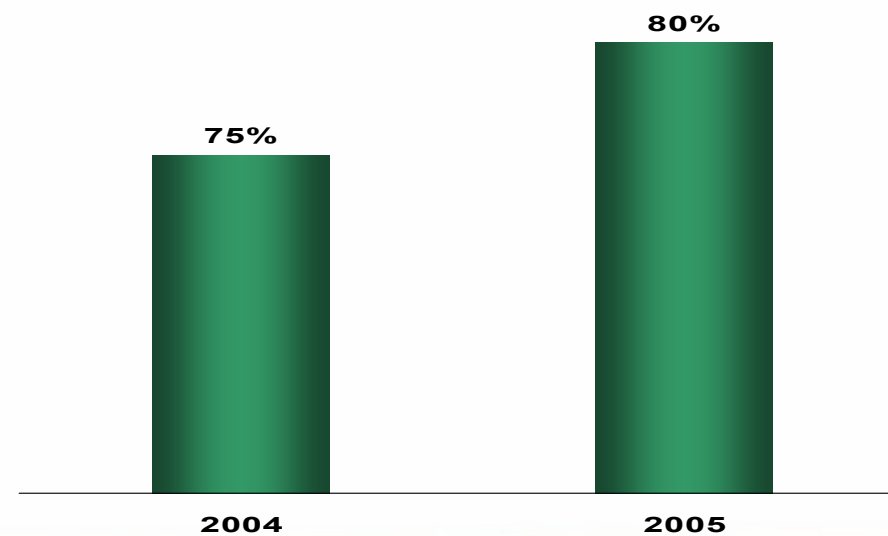
## Contribution to Gross Profit (2005)<sup>1</sup>



## Chilled Pork as % of Total Upstream Revenue



## LTMP as % of Total Downstream Revenue



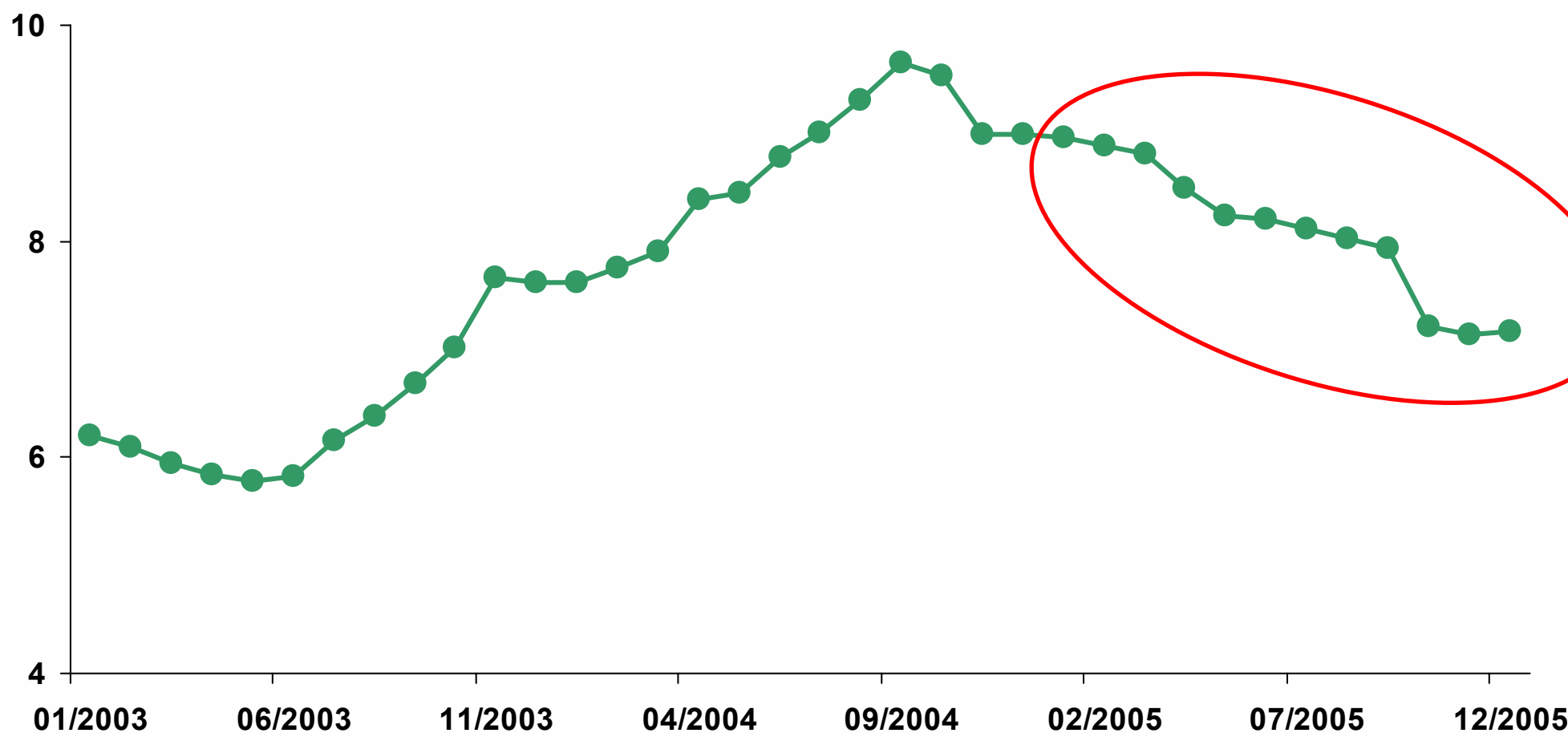
# Adjustment in Live Hog Prices in 2005



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## National Average Live Hog Prices<sup>1</sup>

(RMB/kg)



<sup>1</sup> National average prices based on simple average of monthly live hog prices for 31 provinces, autonomous regions and municipalities across China.

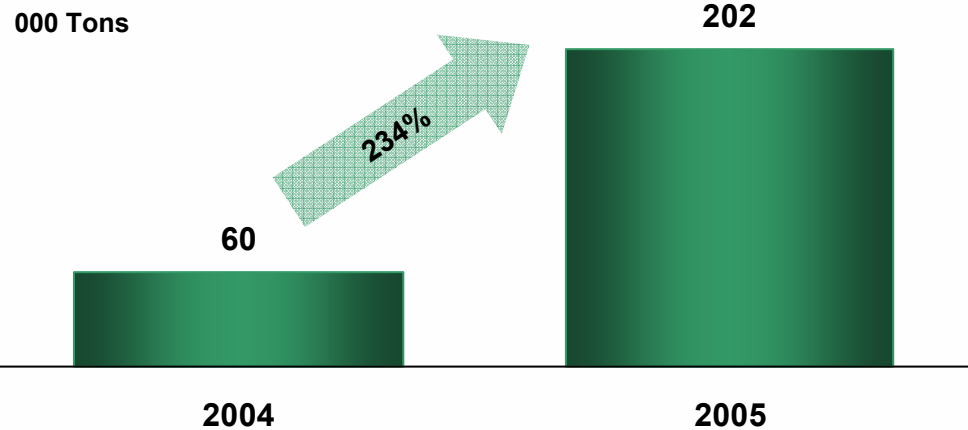
Source: Ministry of Agriculture.

# Rapidly Growing Chilled and Frozen Pork Business

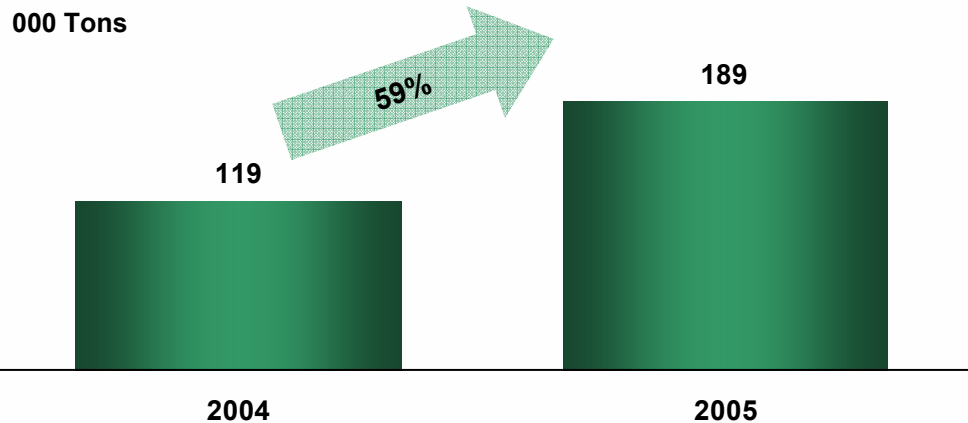


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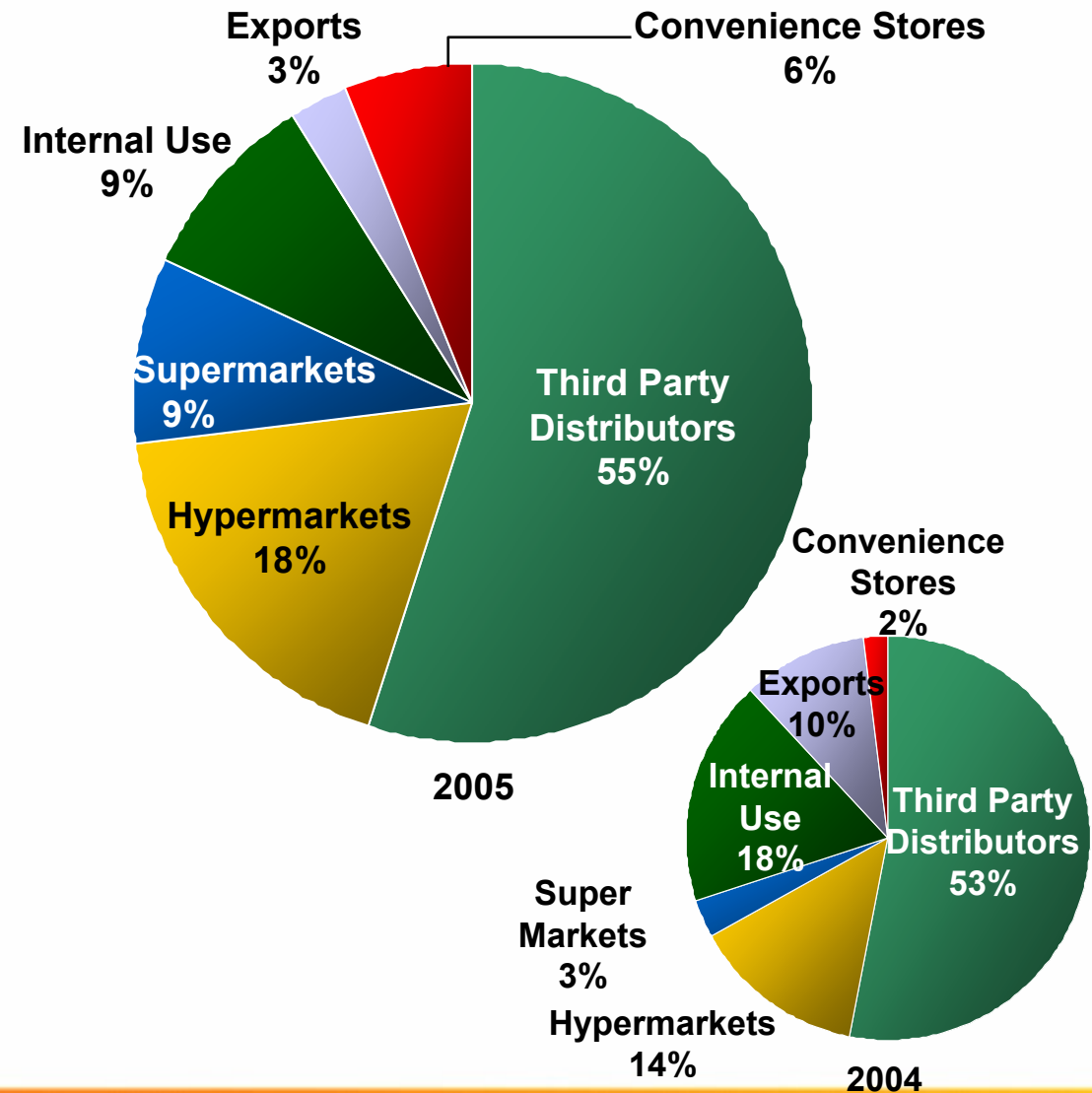
## Chilled Pork Sales



## Frozen Pork Sales



## Product Distribution Channels



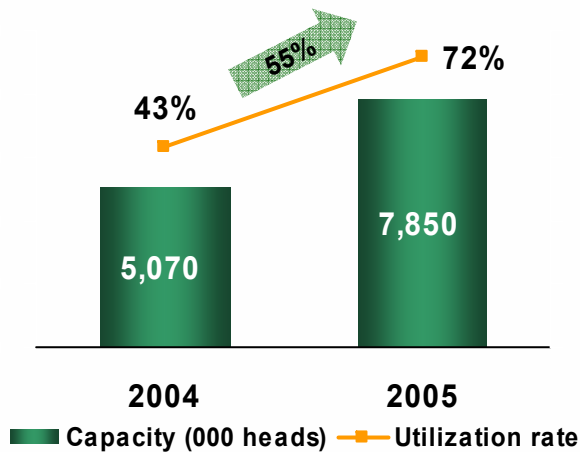
# Increasing Capacity and Utilization Rate



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## Upstream Capacity Expansion On Track

### Upstream Capacity & Utilization Rate<sup>1</sup>



### Top 5 Facilities (2005)

(000 heads)	2004	2005	Change %
Lianyungang	800	1,250	56%
Fuyang	800	1,200	50%
Neijiang	800	1,200	50%
Suzhou	670	1,000	49%
Kaifeng	300	800	167%

● Pig Slaughtering bases



<sup>1</sup> Based on weighted average processing capacity.

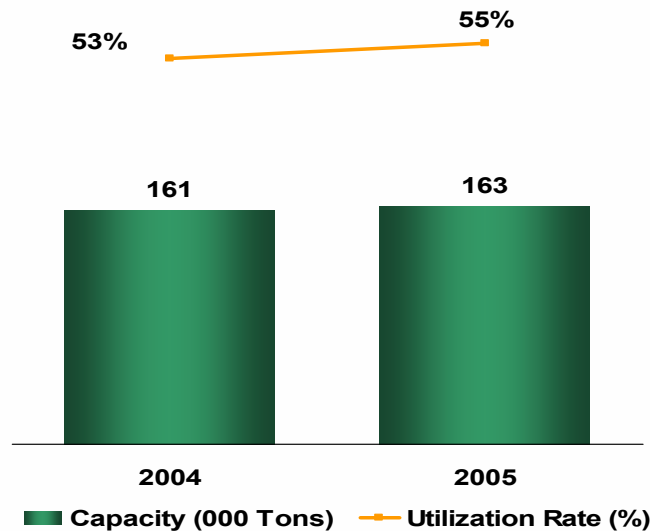
Note: Size of circle drawn to the scale of Yurun's 2004 year-end production capacity.

# Continued Leadership in Processed Meat Market

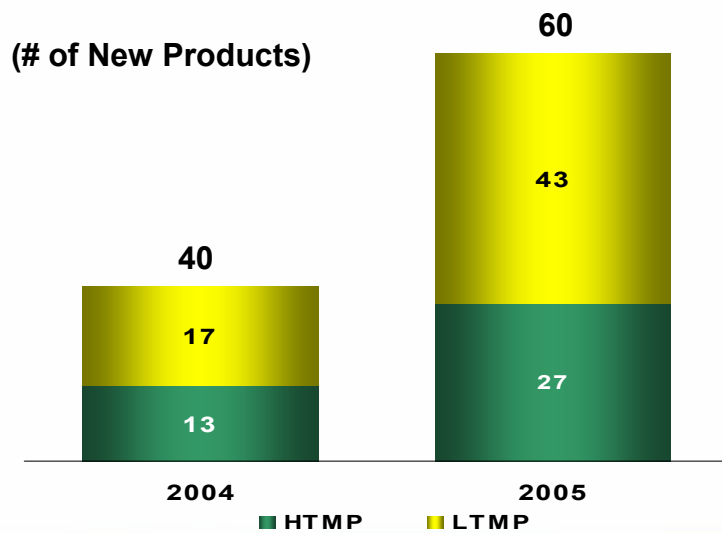


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## Downstream Capacity & Utilization Rate<sup>1</sup>



## Continuous Product Innovation



Processed Meat Production Facilities

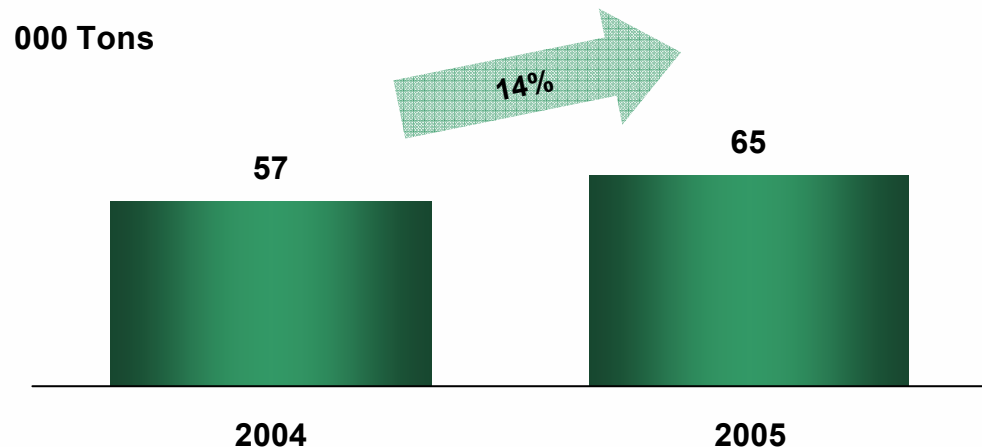
<sup>1</sup> Based on weighted average processing capacity.

# Processed Meat Business Overview

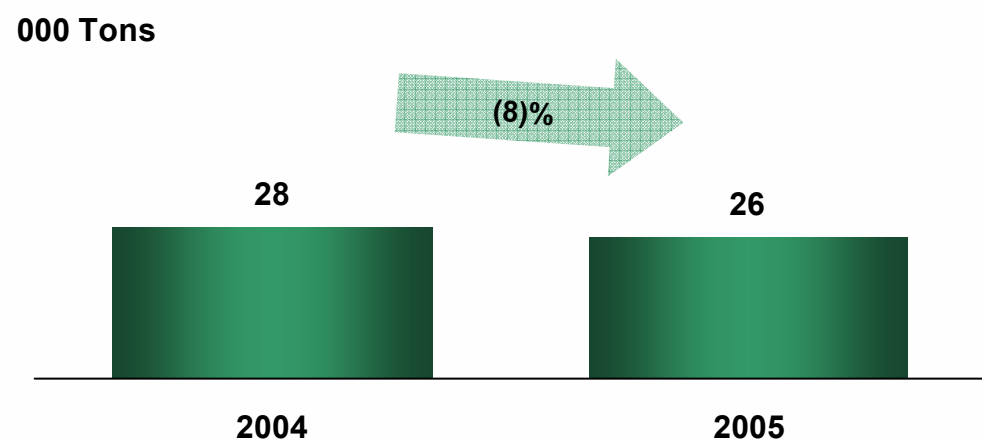


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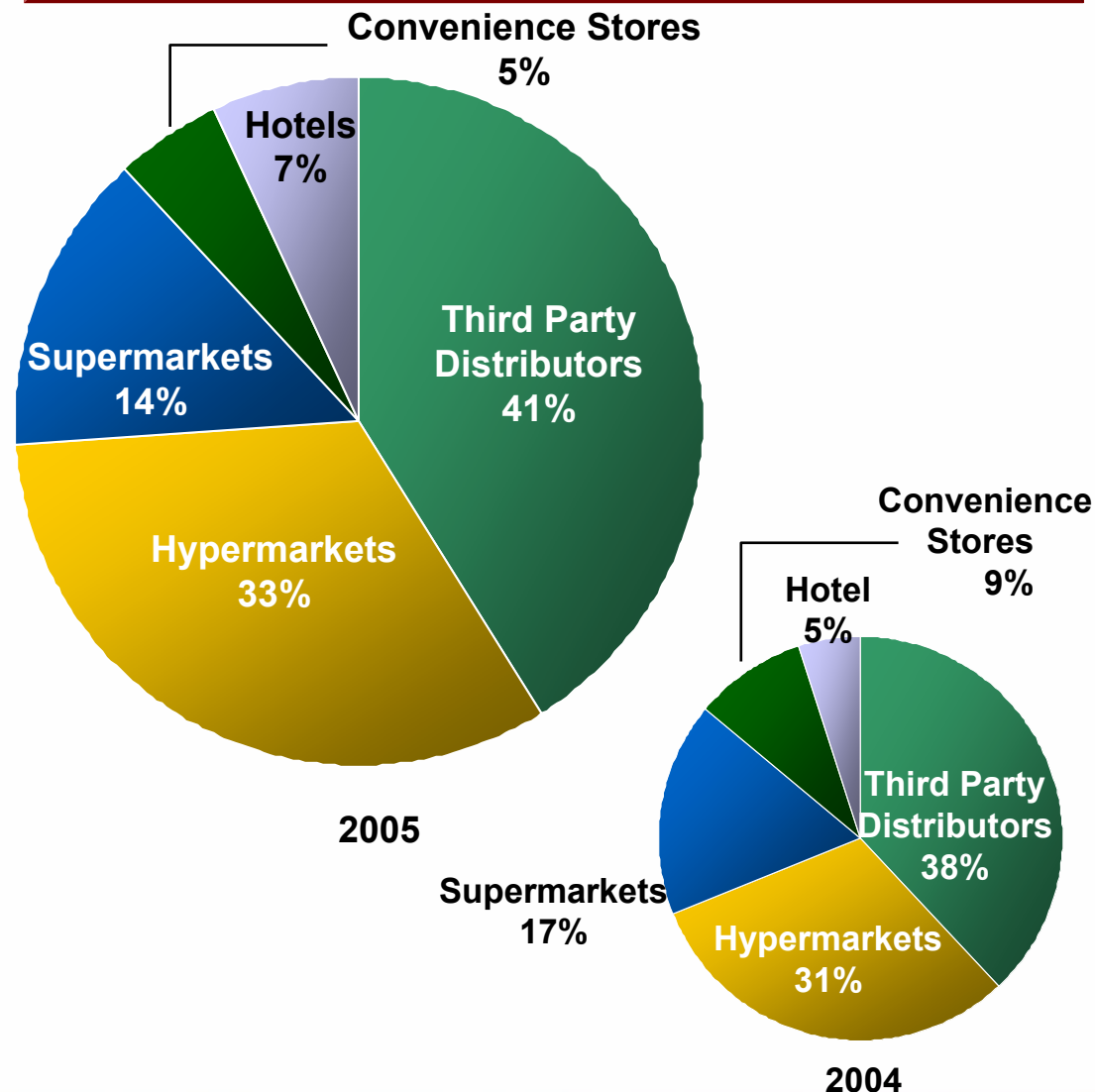
## LTMP Sales



## HTMP Sales



## Product Distribution Channels



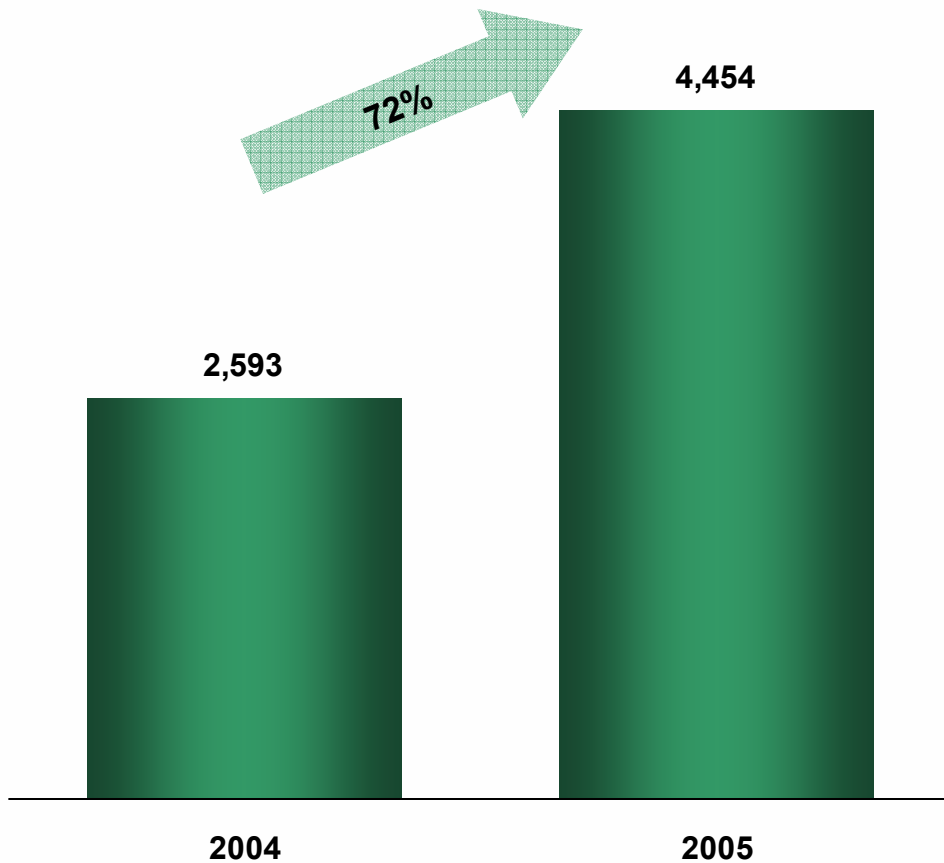


## 2005 Financial Results Review & Analysis

## Chilled Pork and LTMP Continue to Drive Upstream and Downstream Growth

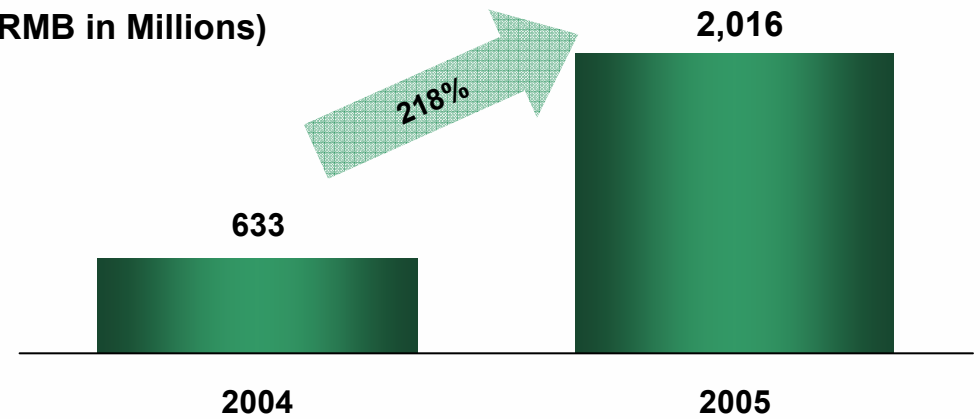
### Strong Growth Momentum

(RMB in Millions)



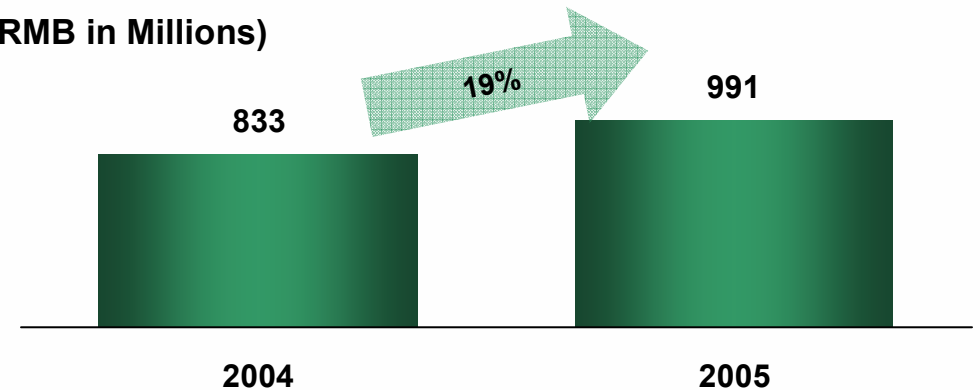
### Chilled Pork<sup>1</sup>

(RMB in Millions)



### LTMP<sup>1</sup>

(RMB in Millions)



<sup>1</sup> Including inter-segment sales.

# Gross Profit and Gross Margin

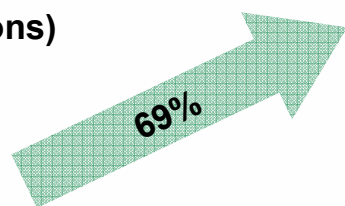


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Strong Gross Profit Growth and Stable Gross Margin

## Gross Profit

(RMB in Millions)



378

639

2004

2005

## Gross Margin

14.6%

14.4%

2004

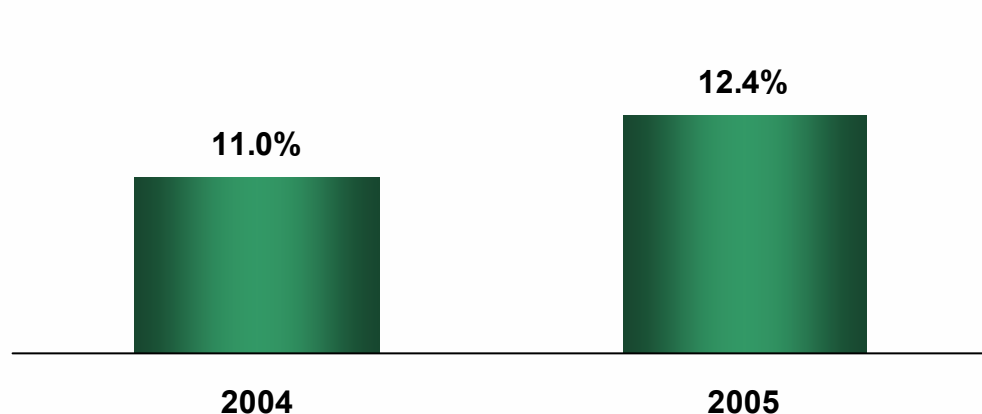
2005

# Gross Margin by Product Lines

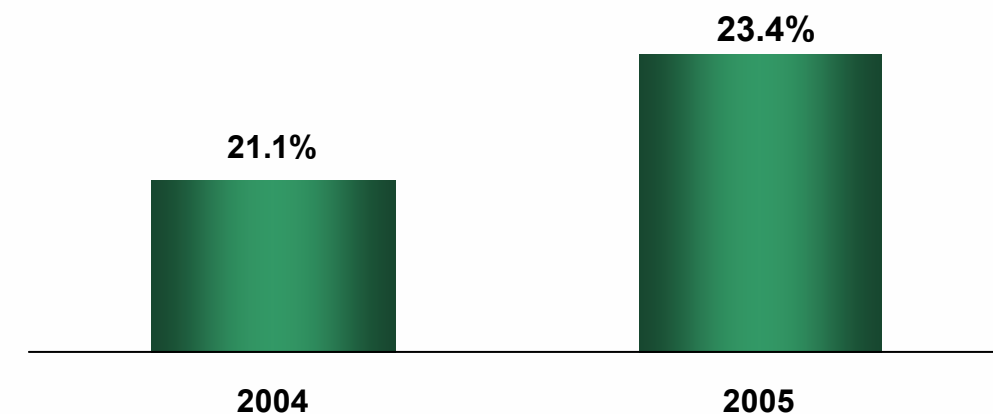


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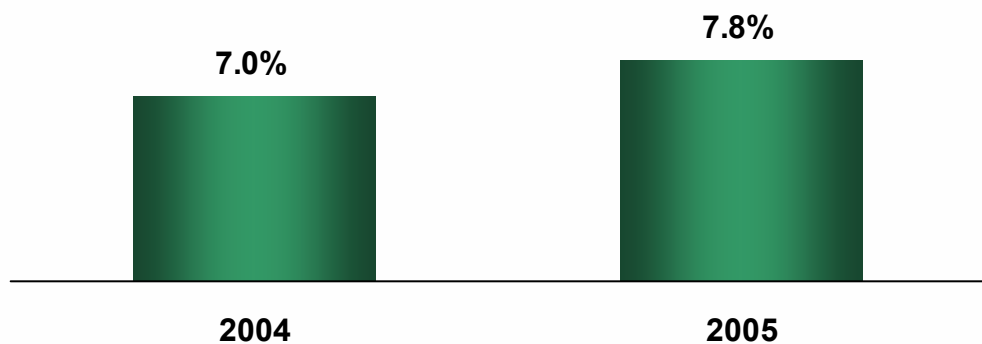
## Chilled Pork



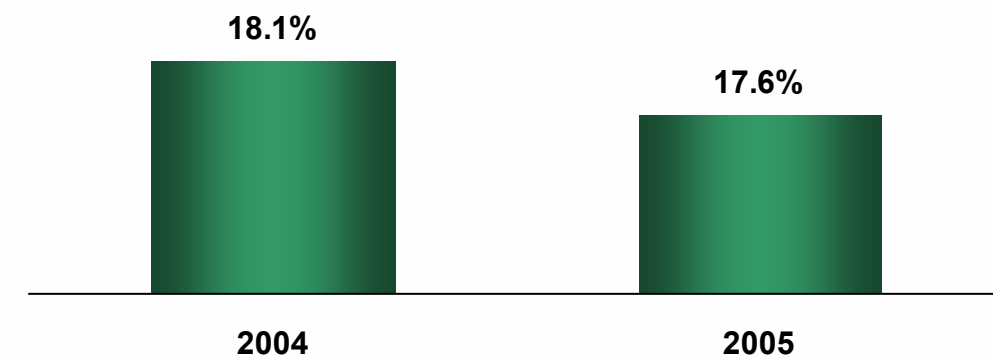
## LTMP



## Frozen Pork



## HTMP

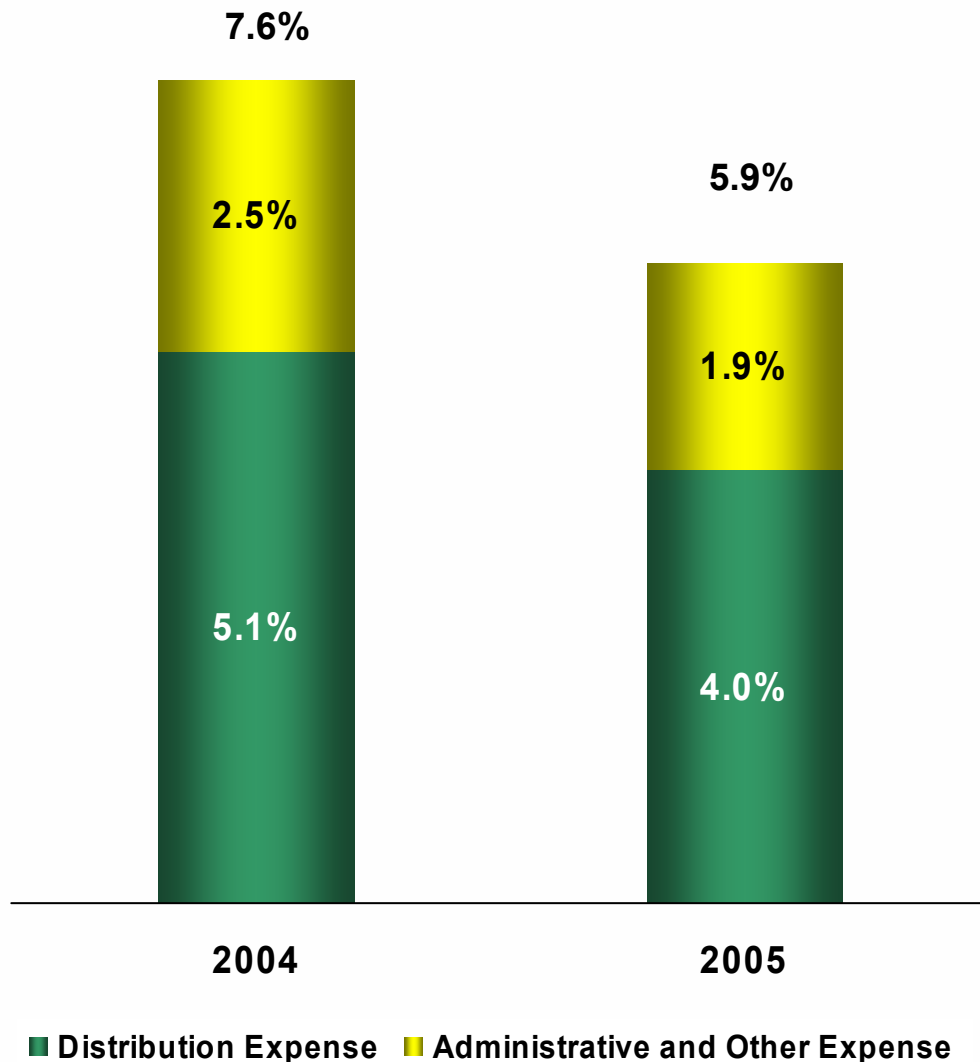


# Operating Expense and Net Profit

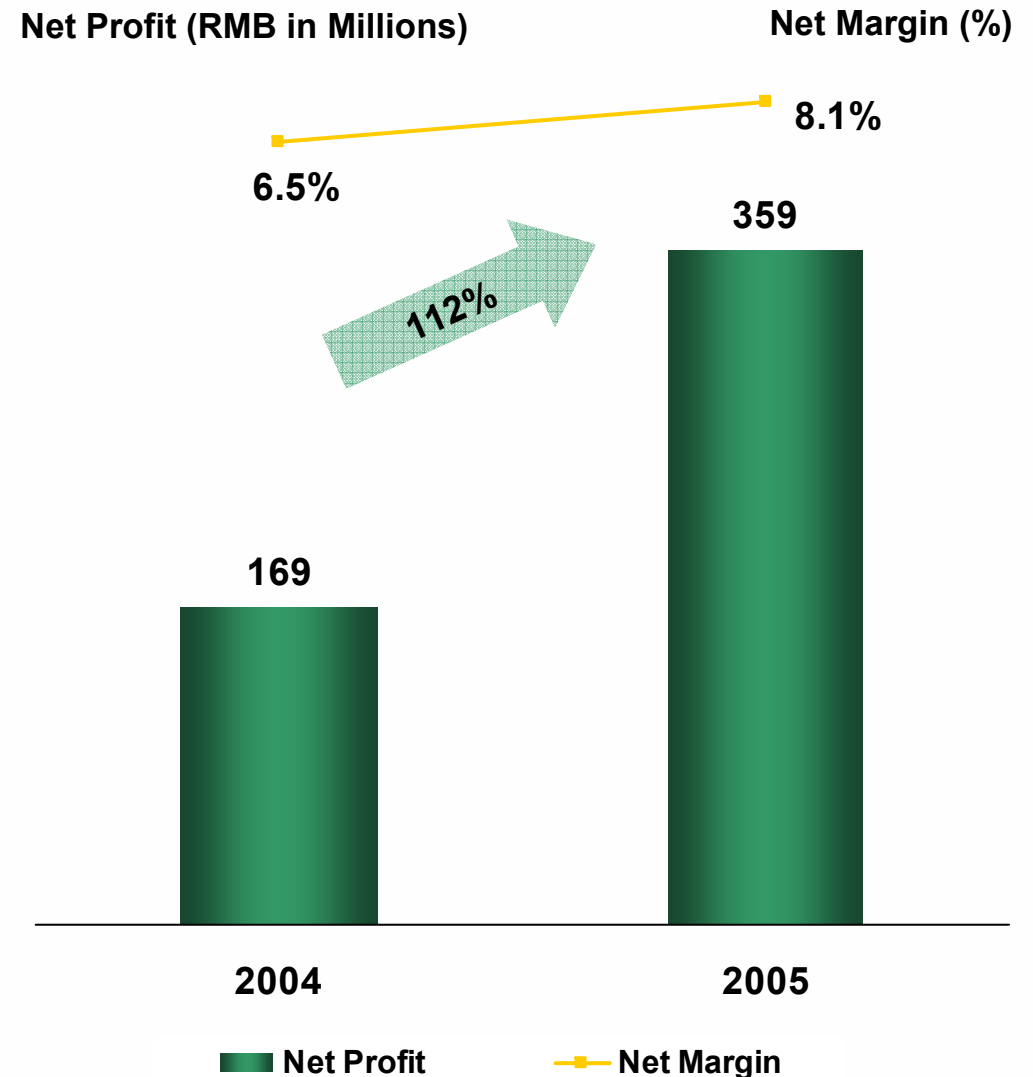


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## Decreasing Operating Expenses as % of Revenue



## Increasing Net Profit & Net Margin

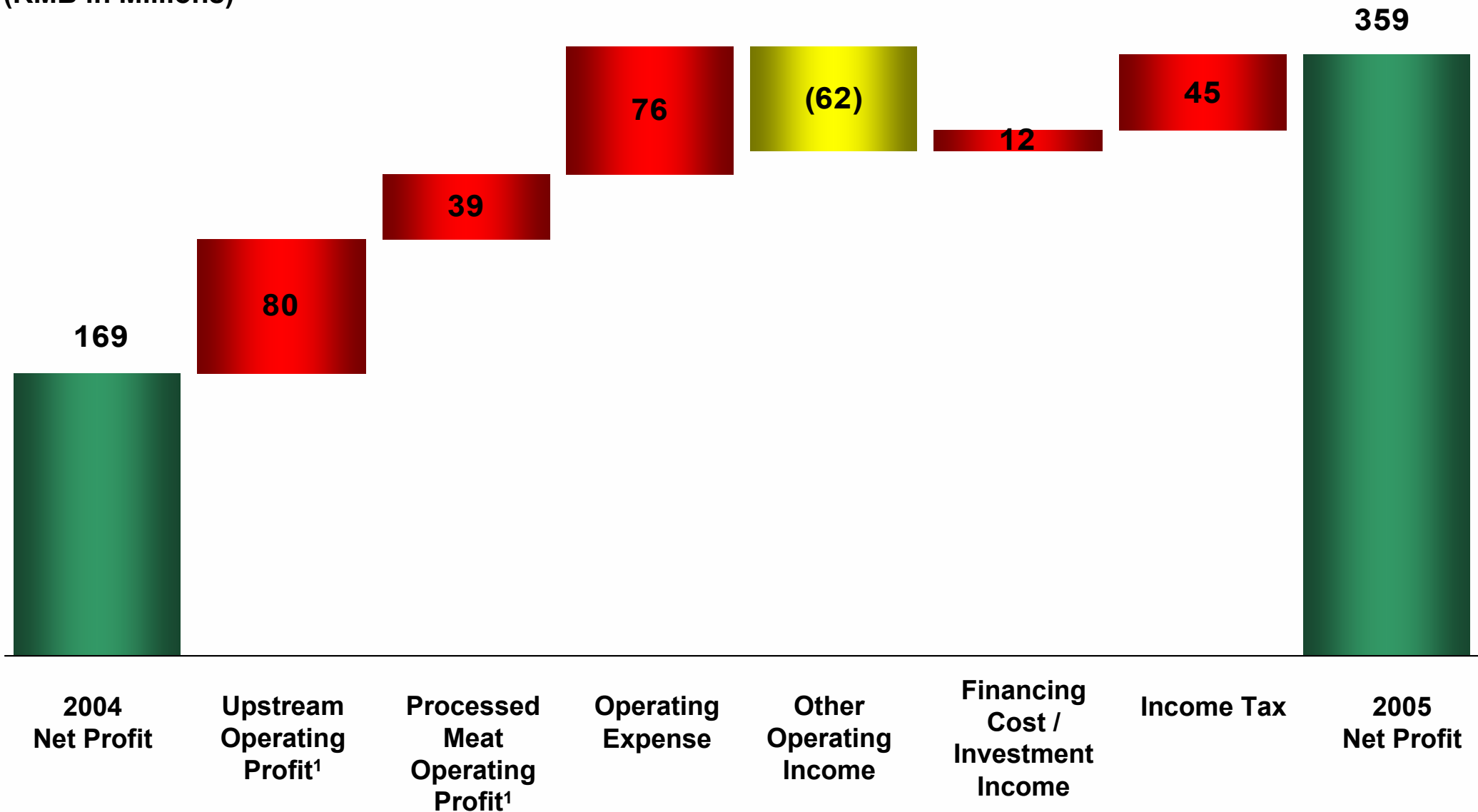


# Net Profit Analysis



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(RMB in Millions)



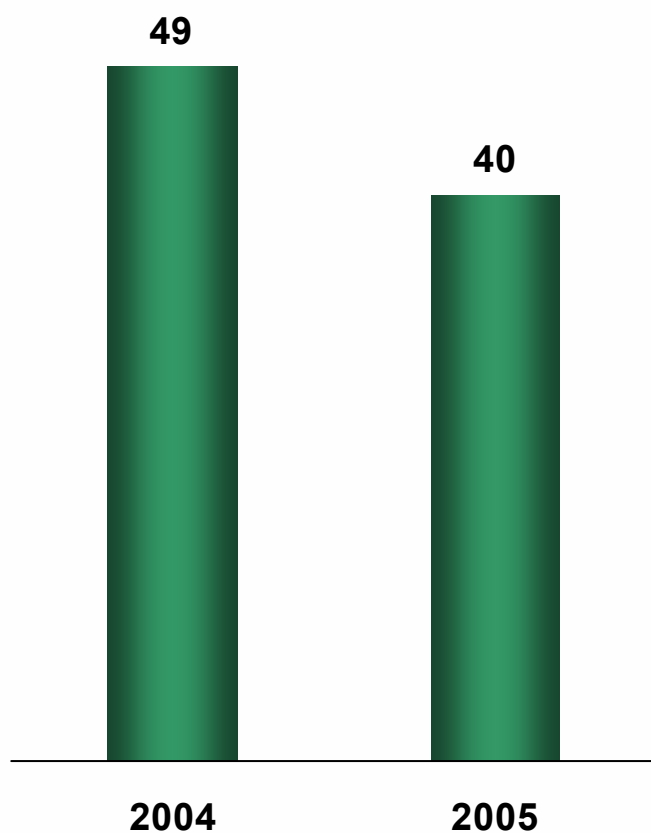
<sup>1</sup> Excluding other operating income.

# Increasing Working Capital Turnover

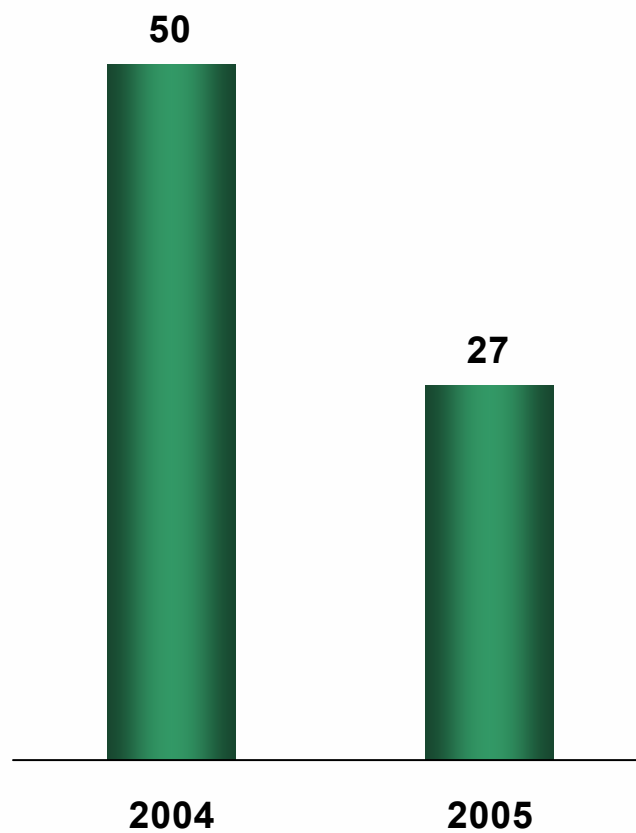


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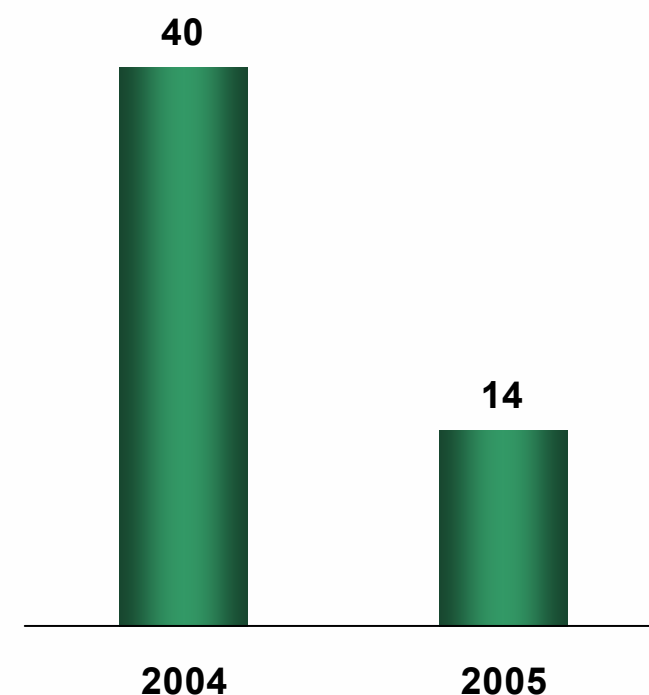
Inventory Turnover Days



Trade Receivable Turnover Days



Trade Payable Turnover Days



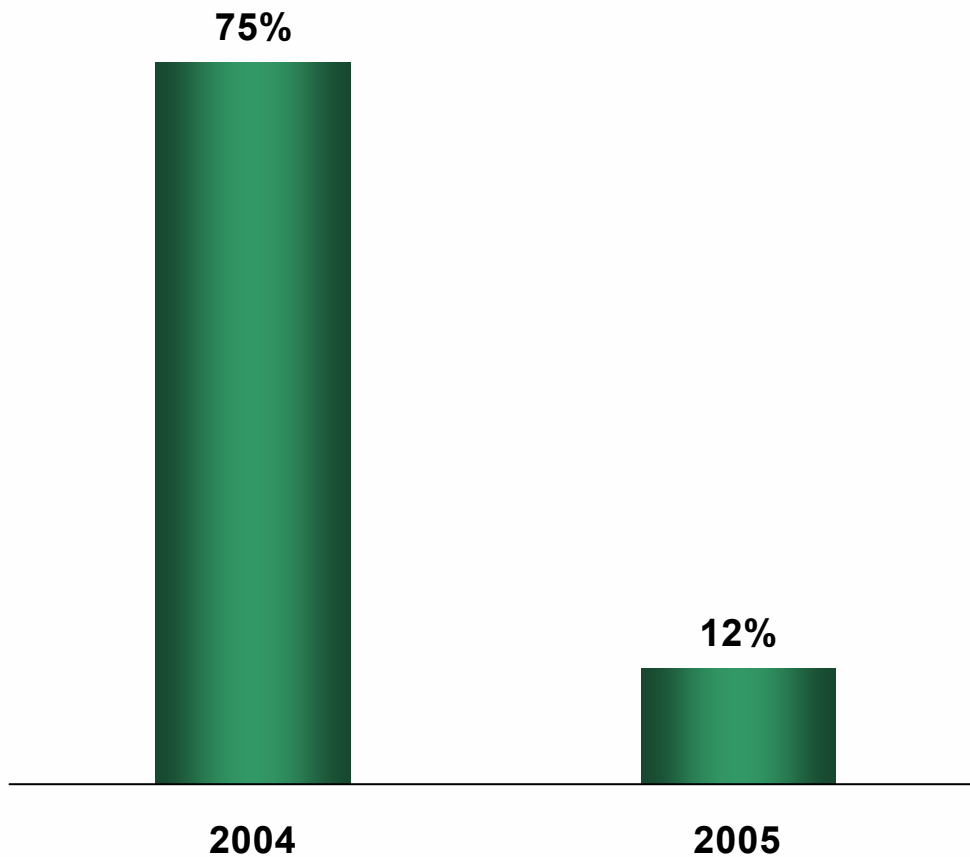
Note: Based on year-end balance sheet figures.

# Improving Financial Position and Return

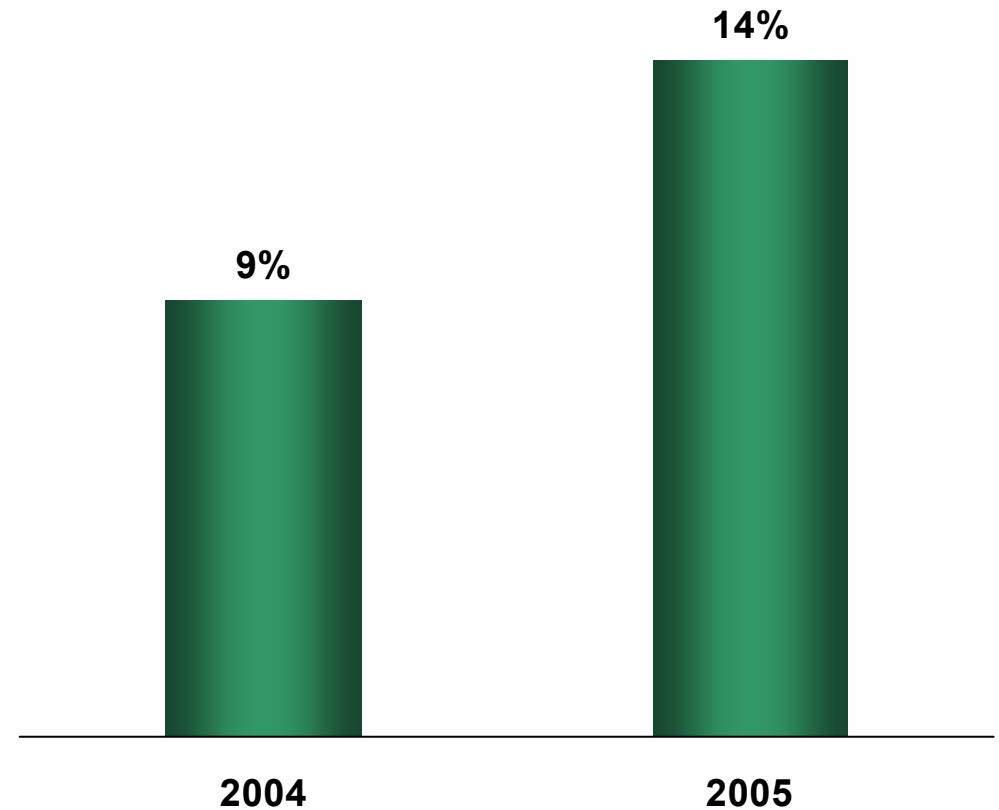


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Total Debt / Total Capitalization <sup>1</sup>



ROACE <sup>2</sup>



<sup>1</sup> Total Debt (including long-term debt, short-term debt, debt portion of convertible instruments, finance lease liabilities) / (Total Debt + Shareholders' Equity).

<sup>2</sup> Return on Average Capital Employed = Net Income / Average (Total Debt + Shareholders' Equity).



## 2006 Priorities and Outlook



- **Optimize product portfolio to take advantage of greater economies of scale**
- **Strengthen branding strategy and consolidate chilled pork and LTMP under our flagship Yurun brand**
- **Further expand processing capacity**
- **Selectively enter into key markets of strategic importance to our national production and distribution network**
- **Implement performance based incentive programs and enhance employee training programs**
- **Continue to pursue highly disciplined opportunistic acquisition opportunities**



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**Thank You!**

