

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



中糧家佳康食品有限公司
COFCO Joycome Foods Limited

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 01610)

- (1)NON-EXEMPT CONTINUING CONNECTED TRANSACTION:
MUTUAL SUPPLY AGREEMENT**
- (2)NON-EXEMPT CONTINUING CONNECTED TRANSACTION:
FINANCIAL SERVICES AGREEMENT**
- (3)PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTION:
PROPERTY LEASING
AND PROPERTY MANAGEMENT CONTRACT; AND
ADMINISTRATIVE SERVICES AGREEMENT**

ENTERING INTO NEW AGREEMENTS

Reference is made to the Company's announcement dated 23 November 2018, circular dated 4 February 2019, announcement dated 9 September 2019, circular dated 29 October 2019, announcement dated 9 July 2021, and circular dated 25 August 2021, in relation to, inter alia, the continuing connected transactions regarding the Existing Agreements.

As the Existing Agreements will be expired on 31 December 2021, the Company intends to enter into New Agreements to carry out relevant transactions for a term of three years. Accordingly, the Board announces that the Company entered into the New Agreements with COFCO and COFCO Finance on 16 November 2021 (after trading hours).

LISTING RULES IMPLICATIONS

As at the date of this announcement, COFCO is a substantial shareholder of the Company interested in approximately 29.10% of the total issued share capital of the Company, therefore COFCO together with COFCO Finance which is a subsidiary of COFCO are connected persons of the Company pursuant to Chapter 14A of the Listing Rules. The transactions between the Group and such parties constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the proposed annual caps of the transactions contemplated under the 2021 Partially-Exempt Agreements are less than 5%, the 2021 Partially-Exempt Agreements (including their respective annual caps) are subject to reporting and announcement requirements, but are exempt from the Independent Shareholders' approval requirements, under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the proposed annual caps of the transactions contemplated under the 2021 Mutual Supply Agreement and the Deposit Services (including Proposed Deposit Cap) contemplated under the 2021 Financial Services Agreement exceed(s) 5%, the 2021 Mutual Supply Agreement (including their respective annual caps) and the Deposit Services (including Proposed Deposit Cap) contemplated under the 2021 Financial Services Agreement will be subject to, among other things, the Independent Shareholders' approval, reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios for the Deposit Services (including Proposed Deposit Cap) contemplated under the 2021 Financial Services Agreement are higher than 5% but lower than 25%, the Deposit Services (including Proposed Deposit Cap) contemplated under the 2021 Financial Services Agreement also constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules. Notwithstanding that the applicable percentage ratios for the proposed annual caps of the transactions contemplated under the 2021 Mutual Supply Agreement exceed 5%, pursuant to Rule 14.04(1)(g) of the Listing Rules, the transactions contemplated under the 2021 Mutual Supply Agreement do not constitute notifiable transactions of the Company since these are transactions of revenue nature in the ordinary and usual course of business of the Company.

Since the Loan Services are on normal commercial terms (or better commercial terms to the Group) where no security over the assets of the Group will be granted in respect of the financial assistance given by COFCO Finance, the Loan Services are exempt from the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules pursuant to Rule 14A.90 of the Listing Rules.

As each of the applicable percentage ratios in respect of the handling fees and other services fees in connection with the Entrustment Loan Services and the Other Financial Services is on an annual basis less than 0.1%, the Entrustment Loan Services and the Other Financial Services are exempt from the reporting, announcement, annual review and the Independent Shareholders' approval requirements under the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all independent non-executive Directors has been established by the Company to advise the Independent Shareholders as to the fairness and reasonableness in respect of the 2021 Mutual Supply Agreement (including the proposed annual caps) and the conditional Deposit Services (including the Proposed Deposit Cap) to be provided by COFCO Finance pursuant to the 2021 Financial Services Agreement.

The Company has appointed Oriental Patron as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of 2021 Mutual Supply Agreement (including the proposed annual caps) and the conditional Deposit Services (including the Proposed Deposit Cap) to be provided by COFCO Finance pursuant to the 2021 Financial Services Agreement.

A circular containing, among other things, details of 2021 Mutual Supply Agreement (including the proposed annual caps) and the conditional Deposit Services (including the Proposed Deposit Cap) to be provided by COFCO Finance pursuant to the 2021 Financial Services Agreement, a letter from the Independent Board Committee to the Independent Shareholders, a letter from the Independent Financial Adviser, such other information as required under the Listing Rules and a notice of the EGM is expected to be despatched to the Shareholders on or before 31 December 2021, which is more than 15 business days after the publication of this announcement, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

Reference is made to the Company's announcement dated 23 November 2018, circular dated 4 February 2019, announcement dated 9 September 2019, circular dated 29 October 2019, announcement dated 9 July 2021, and circular dated 25 August 2021, in relation to, inter alia, the continuing connected transactions regarding the Existing Agreements.

As the Existing Agreements will be expired on 31 December 2021, the Company intends to enter into New Agreements to carry out relevant transactions for a term of three years. Accordingly, the Board announces that the Company entered into the New Agreements with COFCO and COFCO Finance on 16 November 2021 (after trading hours).

NON-EXEMPT CONTINUING CONNECTED TRANSACTION: 2021 MUTUAL SUPPLY AGREEMENT

1. Introduction

As the 2018 Mutual Supply Agreement (together with the 2019 Supplemental Mutual Supply Agreement and the 2021 Supplemental Mutual Supply Agreement) will expire on 31 December 2021, on 16 November 2021 (after trading hours), the Company and COFCO entered into the 2021 Mutual Supply Agreement, details of which are set out below.

2. Principal Terms

Date

16 November 2021 (after trading hours)

Parties

- (i) The Company; and
- (ii) COFCO

Details of the Transactions

Under the 2021 Mutual Supply Agreement:

- 1. COFCO Group provides the Group with the following products and services, including:
 - (1) COFCO Group provides the Group with feed ingredients, including but not limited to corn, soybean meal, soybean oil, wheat, gunk, grain by-products (such as rice bran meal, ground rice, bran, etc.), feed additives (such as amino acids, vitamins, calcium hydrophosphate, etc.) and other materials and/or products used as feed; and
 - (2) COFCO Group provides the Group with feed products, meat products, warehousing and other products and services.
- 2. The Group provides COFCO Group with the following products and services, including:

The Group provides COFCO Group with meat products, agent service and other products and services.

Duration

The validity period of the 2021 Mutual Supply Agreement is from 1 January 2022 to 31 December 2024, subject to Independent Shareholders' approval at the EGM.

Pricing Policy

The prices for the provision of the products and services between the Group and the COFCO Group were determined with reference to the prevailing market prices of identical or similar products and services by the relevant parties on a fair and reasonable basis after arm's length negotiation.

Pricing Policy for the Purchase of Products and Services by the Group from COFCO Group

When determining the prevailing market prices of products and services provided by COFCO Group to the Group, the Group will obtain the prevailing market prices through various channels, if applicable, including (a) recent comparable transactions involving Independent Third Parties; (b) obtaining quotations on products or parts or processes composing products from suppliers (including COFCO Group and its associates) by making enquiries via telephone, e-mail, etc.; and (c) the Group will obtain market data through channels such as Dalian Commodity Exchange (www.dce.com.cn), Sublime China Information (www.sci99.com), www.boyar.cn, Wind Data, National Grain Trade Center (www.grainmarket.com.cn), and China National Grain & Oil Information Center (www.grainoil.com.cn). The Group will compare the quotations, product quality, service quality, technical skill level, delivery speed, qualifications and related experience of the product and service suppliers and conduct negotiation on the contract clauses with them. After comprehensive assessment, the Group will contract with the product and service suppliers who provide the best commercial terms.

In respect of the provision of central reserved meat by COFCO Group to the Group, the price is determined upon price bidding by the participating enterprises, including the Group, through the electronic system of Beijing China Merchandise Reserve Exchange and is generally not higher than the price of identical or similar products purchased from Independent Third Parties by the Group during the same period. During the price bidding process of central reserved meat, Huashang, a subsidiary of COFCO, will issue an offer in relation to the main attributes of the central reserved pork and the participating enterprises, including the Group, will enter the bidding price and quantity information etc. into the bidding system. The bid winner, transaction quantity and transaction price will then be determined based on the principle of priority being first given to the price and then to the time under the same conditions.

Pricing Policy for the Provision of Products and Services by the Group to COFCO Group

The Group will sell to COFCO Group various meat products and other related products, including but not limited to fresh pork, frozen pork, processed meat products such as ham, sausages and bacon and frozen poultry, beef and mutton at prevailing market prices. Specifically, the Group will adopt following pricing mechanism to determine the prices for the supply of meat products and other products to all customers including COFCO Group: Relevant departments of the Group will determine the pricing based on consideration of different factors including but not limited to the cost of raw materials, manufacturing costs, packing materials, exchange rates, taxes and sales expense of different kinds of customers such as the e-commerce platform and food processors. The Group also adjusts the prices based on the current market supply and the prices of identical or similar products provided by other Independent Third Parties. For example, the Group will take into consideration the daily hog price to decide whether to adjust the price for supply of fresh pork by the Group. The Group will also research and consider the pricing of identical or similar products from major competitors in the sales area to decide the price adjustment.

In respect of the provision of central reserved pork by the Group to COFCO Group, there are generally two ways to purchase and store central reserved pork based on past experience: one is price bidding through the electronic system of Beijing China Merchandise Reserve Exchange; the other is through arm's length negotiation to designate specific enterprises to purchase the pork on its behalf either by direct purchasing or agency purchasing. Pursuant to the 2021 Mutual Supply Agreement, the Group will sell central reserved pork to COFCO Group at prices determined in the following two ways: (a) price bidding. The supply price of the central reserved pork provided by the Group to COFCO Group through price bidding is determined upon price bidding by the participating enterprises, including the Group, through the electronic system of Beijing China Merchandise Reserve Exchange and is generally not less than the price of identical or similar products supplied to Independent Third Parties by the Group during the same period. During the bidding process of central reserved meat, Huashang will issue an offer in relation to the main attributes of the central reserved meat and the participating enterprises, including the Group, will enter the bidding price and quantity information etc. into the bidding system. The bid winner, transaction quantity and transaction price will then be determined based on the principle of priority being first given to the price and then to the time under the same conditions; (b) arm's length negotiation. In a tight market for meat supply, COFCO Group is expected to negotiate with the Group for the Group to supply COFCO Group with central reserved pork after arm's length negotiation. The Group is of the view that it is fair and reasonable and in the interests of the Company and Shareholders as a whole.

In respect of the provision of agent services for purchase of meat products by the Group to COFCO Group, the agency fee payable by COFCO Group to the Group is determined based on a certain percentage of the agency purchasing amount. Such agency rate is determined by COFCO Group and the Group after arm's length negotiation with reference to the known information (especially gross profit margin) of the trading business of agricultural product companies.

As the Group primarily engages in direct-sale of meat products, while rarely engages in agent business for meat products, the Group adopted the following price determination mechanism in conducting its agent business:

If the Group conducts similar business with Independent Third Parties within three months prior to conducting business with COFCO Group, the agency rate for COFCO Group will not be lower than that for Independent Third Parties. If the Group does not conduct similar business with Independent Third Parties within such three months, the Company will review whether there are listed companies engaged in the same business in the market. If there are such companies, the agency rate for COFCO Group will not be lower than the average rate received by such listed companies in the three months prior to the transaction between the Group and COFCO Group. If there are no such listed companies, in negotiating with COFCO Group, the Group will refer to the gross profit margins of the trading business segments of agricultural product companies meeting the following criteria:

- (i) Such companies shall be listed on the Stock Exchange, the Shenzhen Stock Exchange or the Shanghai Stock Exchange;
- (ii) Such companies engage only in agricultural products trading business or have a reportable business segment engaged in agricultural product trading business in the PRC;
- (iii) If the agricultural product trading business is the sole business of such companies, the financial information on their agricultural product trading business is available in the latest audited financial statements; and
- (iv) If the agricultural product trading business is a reportable business segment of such companies, the segment financial information on their agricultural product trading business is available in the latest audited financial statements.

The Group will ensure that the relevant agency rate is within the market range of the gross profit margin of trading business segments of such companies that meet the above criteria.

3. Proposed Annual Caps and Basis of Determination

Historical Amounts

Set out below is a summary of the historical transaction amounts for the transactions carried out for the following periods:

	Historical amounts for the following periods		
	Year ended 31 December 2019 <i>(RMB'00,000,000)</i> <i>(approx.)</i>	Year ended 31 December 2020 <i>(RMB'00,000,000)</i> <i>(approx.)</i>	Nine months ended 30 September 2021 <i>(RMB'00,000,000)</i> <i>(approx.)</i>
Provision of products and services by COFCO Group to the Group	2.43	4.02	10.54
Provision of products and services by the Group to COFCO Group	3.67	1.1	0.55

Proposed Annual Caps

Set out below is the proposed annual cap amounts for the transactions contemplated under the 2021 Mutual Supply Agreement for the following periods:

	Proposed annual caps for the following periods		
	Year ended 31 December 2022 <i>(RMB'00,000,000)</i>	Year ended 31 December 2023 <i>(RMB'00,000,000)</i>	Year ending 31 December 2024 <i>(RMB'00,000,000)</i>
Provision of products and services by COFCO Group to the Group	36.32	48.33	55.01
Provision of products and services by the Group to COFCO Group	9.89	25.66	32.27

Basis for Determining the Proposed Annual Caps

Provision of Products and Services by COFCO Group to the Group

In arriving at the above proposed annual cap amounts in respect of the provision of products and services by COFCO Group to the Group, the Directors have considered the following factors:

(a) historical transaction amounts for the period from 1 January 2019 to 30 September 2021; (b) as the Group's hog farming scale gradually expands, the demand for feed has significantly increased accordingly, and the purchase of feed ingredients required by its self-owned feed mills has also increased consequentially; (c) since the second half of 2020, the prices of bulk raw materials have risen sharply, and are expected to continue to fluctuate at a high level in the future. COFCO Group is China's largest grain and oil import and export company, with absolute advantages in market research and raw material supply. Procuring from COFCO Group can improve the Group's procurement capabilities; (d) due to the limited hog farming scale in Tianjin, Zunhua, Yongcheng and Wuhan, there are no self-built feed mills in these regions, so it is necessary to procure finished feed from outside. In other regions, although self-built feed mills have been built, it is estimated that the production capacity of self-owned feed mills will not be sufficient to meet the farming scale in 2023-2024 due to the further expansion of the Group's farming scale, and some finished feeds must be purchased from outside. Currently, the African swine fever epidemic broke out sporadically, and only the factories under the COFCO Group can renovate in accordance with the Group's African swine fever epidemic prevention and control requirements and strictly implement relevant epidemic prevention policies. From the biosafety perspective, the finished feed required to be purchased externally in the future will be purchased mainly from COFCO Group; (e) the Group will promote the sales of cooked poultry products based on the needs of existing and newly-developed customers to diversify the types of cooperation with the customers and increase our customer loyalty. Meanwhile, the Group will vigorously develop the retails of meat products on e-commerce systems and convenient store systems with self-produced ham, sausage and other products, with cooked poultry products as an important supplementary product type; (f) the Chinese government implements the central reserved pork policy to regulate the price volatility and maintain a stable market. If the market price of meat products rises sharply, the Chinese government will sell and release central reserved meat into the market through the subsidiaries of COFCO to stabilise the market price. With central reserved meat as one of its important sources of raw meat, the Group will participate in the bidding at an appropriate price, and increase the income through obtaining a better price than the market price; and (g) the demands for other products and services increased due to business development.

Provision of Products and Services by the Group to COFCO Group

In arriving at the above proposed annual cap amounts in respect of the provision of products and services by the Group to COFCO Group, the Directors have considered the following factors:

(a) the historical transaction amounts for the period from 1 January 2019 to 30 September 2021; (b) the expected operation of the newly built slaughterhouse of the Group in 2022 and vigorous acquisition of new customers in the region in future years; (c) the increase and steady growth in the demand for imported meat products in future years due to the expected business development of COFCO Group; (d) the Chinese government implements the central reserved meat policy to regulate the price volatility and maintain a stable market. If the market price of meat products slumps, the Chinese government will purchase and store the central reserved meat from the market through the subsidiaries of COFCO to stabilise the market price. The Group will participate in the bidding at an appropriate price, or directly sell meat products to COFCO Group or purchase meat products as an agent for COFCO Group based on its needs; and (e) the expected price hikes in raw materials taking into account historical price volatility in preparation for any unexpected price hikes.

4. Internal Control Procedures

The Company has established (1) reporting, approval and, if required, selected verification procedures in place to ensure that the agreed price and terms of continuing connected transactions are no less favorable to the relevant member(s) of the Group than those available to or from (as appropriate) Independent Third Parties and also in compliance with the pricing policy; and (2) procedures and policies for identifying connected persons and monitoring the annual caps of the continuing connected transactions.

The Legal Department of the Group is responsible for identifying the Group's connected persons from new customers or suppliers on a monthly basis and updating the list of connected persons in a timely manner. The Financial Department of the Group will then monitor the actual transaction amounts with connected persons to ensure that such amounts do not exceed the relevant annual caps. When the actual transaction amounts almost reach the allowable annual caps, the Legal Department and the Financial Department will notify all relevant departments and report to the Board when necessary for it to consider revising the annual caps, in order to comply with the relevant provisions of the Listing Rules and the Group's internal policies.

Pursuant to the 2021 Mutual Supply Agreement, at any time during the term thereof, if the cumulative total transaction amounts in the relevant accounting years under the 2021 Mutual Supply Agreement are likely to exceed the respective annual caps of each continuing connected transaction, both parties agree that the Group shall notify the Stock Exchange as soon as possible and fulfill all applicable and mandatory regulatory responsibilities under the Listing Rules. Prior to fulfilling all relevant regulatory requirements, the parties to the 2021 Mutual Supply Agreement agree to strive to control the total transaction amounts in the relevant years. If any such annual cap is exceeded, the 2021 Mutual Supply Agreement will be terminated.

5. Reasons for and Benefits of the Transactions

The provision of products and services by COFCO Group and/or its subsidiaries or the products and services by the Group to COFCO Group and/or its subsidiaries are conducted in the ordinary and usual course of business of the Group. The products and services that are provided by COFCO Group are used for the production and operation of the Group and the products and services that are provided by the Group are mainly final products.

The Group is expected to obtain a stable supply of raw materials and services required for the production and operation, which will benefit the Group's business development. The provision of products and services by the Group to COFCO Group are expected to add value to the sales and distribution of meat products of the Group.

The Directors (excluding independent non-executive Directors who will form their views after considering the advice of the Independent Financial Adviser) are of the view that the 2021 Mutual Supply Agreement is entered into in the ordinary and usual course of business of the Group and on normal commercial terms negotiated on arm's length basis, and the 2021 Mutual Supply Agreement and the transactions contemplated thereunder (including the related annual caps) are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

As Mr. Jiang Guojin, the chairman of the Board and an executive Director of the Company, is the senior industry executive of COFCO, and Mr. Ma Dewei and Dr. Zhao Wei, being non-executive Directors of the Company, both serve in COFCO Group, they are deemed to be materially interested in the 2021 Mutual Supply Agreement and the transactions contemplated thereunder. They have abstained from voting on the resolutions in relation to considering and approving the 2021 Mutual Supply Agreement and the transactions contemplated thereunder at the Board meeting.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION: 2021 FINANCIAL SERVICES AGREEMENT

1. Introduction

As the 2018 Financial Services Agreement (together with the 2021 Supplemental Financial Services Agreement) will expire on 31 December 2021, on 16 November 2021 (after trading hours), the Company and COFCO Finance entered into the 2021 Financial Services Agreement, details of which are set out below.

2. Principal Terms

Date

16 November 2021 (after trading hours)

Parties

- (a) the Company; and
- (b) COFCO Finance

Details of the Transactions

(a) Deposit Services

COFCO Finance will provide Deposit Services to the Group pursuant to the 2021 Financial Services Agreement. The Group will open and maintain deposit accounts with COFCO Finance.

The interest rates for the Group's deposits with COFCO Finance will be determined in accordance with the standard deposit rates promulgated by PBC from time to time. The interest rates on the Deposit Services to be offered by COFCO Finance to the Group will not be lower than the standard deposit rates promulgated by PBC for the same type of deposits of the same period and will not be lower than the interest rates offered by the Major PRC Commercial Banks for the same type of deposits of the same period.

The maximum daily deposit amounts placed by the Group with COFCO Finance and the interests on deposits for each year shall not exceed the amounts stated below:

	For the years ending 31 December		
	2022	2023	2024
	(RMB'00,000,000)	(RMB'00,000,000)	(RMB'00,000,000)
Maximum daily deposit amounts (including interest accrued thereon)	15	18	20

In the event that the Group suffers any financial loss by reason of the default of COFCO Finance, COFCO Finance shall compensate the Group for such loss suffered by the Group in accordance with the rules and regulations of PBC.

(b) *Loan Services*

COFCO Finance will provide RMB Loan Services to the Group pursuant to the 2021 Financial Services Agreement.

The balance of the principal amounts of the loans provided by COFCO Finance and the interests on the loans payable by the Group to COFCO Finance in connection with the Loan Services for each year shall not exceed the amounts stated below:

	For the years ending 31 December		
	2022	2023	2024
Principal amounts	RMB1,500 million	RMB1,800 million	RMB2,000 million
Interests on loans	RMB65.25 million	RMB78.30 million	RMB87.00 million

(c) *Entrustment Loan Services*

COFCO Finance will provide the Entrustment Loan Services to the Group in accordance with the permitted scope prescribed under the PRC financial policies and the Management Methods for Group Finance Companies (《企業集團財務公司管理辦法》) pursuant to the 2021 Financial Services Agreement. COFCO Finance will only act as agent of the capital management entity of the Group (i.e. COFCO Meat Investments Co., Ltd. (中糧肉食投資有限公司)) and charge handling fees in connection with the Entrustment Loan Services. COFCO Finance will not require the Group to provide any type of guarantees or securities with respect to the Entrustment Loan Services.

The handling fees to be charged by COFCO Finance in connection with the Entrustment Loan Services shall not be higher than those offered by other PRC financial institutions to the Group for identical or similar type of services.

The handling fees and other services fees payable by the Group to COFCO Finance in connection with the Entrustment Loan Services shall not exceed the amounts stated below:

	For the years ending 31 December		
	2022	2023	2024
	<i>(RMB'0,000)</i>	<i>(RMB'0,000)</i>	<i>(RMB'0,000)</i>
Handling fees for Entrustment Loan Services	75	85	100

(d) *Other Financial Services*

COFCO Finance will provide the Other Financial Services (including foreign exchange settlement and sales service, settlement service, and other related consultancy and agency services) to the Group in accordance with the permitted scope prescribed under the PRC financial policies and the Management Methods for Group Finance Companies (《企業集團財務公司管理辦法》) pursuant to the 2021 Financial Services Agreement. Handling fees and other services fees will be charged by COFCO Finance for the Other Financial Services provided to the Group pursuant to the 2021 Financial Services Agreement.

The handling fees and other services fees to be charged by COFCO Finance in connection with the Other Financial Services shall not be higher than those offered by other PRC financial institutions to the Group for identical or similar type of services.

The handling fees and other services fees payable by the Group to COFCO Finance in connection with Other Financial Services shall not exceed the amounts stated below:

	For the years ending 31 December		
	2022	2023	2024
	<i>(RMB'0,000)</i>	<i>(RMB'0,000)</i>	<i>(RMB'0,000)</i>
Handling fees and other service fees in connection with Other Financial Services	97	97	97

(e) *Settlement Terms*

Set out below are the settlement terms of the respective services under the 2021 Financial Services Agreement:

(i) Interest income from the Deposit Services

COFCO Finance pays its interests on a quarterly basis where the interests will be automatically deposited into the demand deposit account of the Group companies opened at COFCO Finance on the 21st day of the end of each quarter;

(ii) Interest expense of the Loan Services

COFCO Finance charges its interests on a quarterly basis where the interests will be deducted automatically from the demand deposit account of the Group companies opened at COFCO Finance on the 21st day of the end of each quarter. In the event of early repayment, the interests will be settled on the repayment date and deducted from the demand deposit account;

- (iii) Handling fees and other service fees paid under the Entrustment Loan Services and Other Financial Services

COFCO Finance, as an agent of the Group for entrustment loans, will not require the Group to provide any type of guarantees or securities with respect to the Entrustment Loan Services provided to the Group (for internal uses within the Group only). The handling fees in connection with entrustment loans and Other Financial Services will not be higher than those offered by finance companies or the eight network banks operating identical or similar businesses.

Handling fees for the Entrustment Loan Services shall be settled upon occurrence of each service or annually by the end of each year, and interests of the entrustment loans are settled on a quarterly or monthly basis where the interests will be paid to the entrusting party on the interest settlement date. In the event of early repayment of the entrustment loans, the interests will be settled on the repayment date and the interests will be paid to the entrusting party.

- (f) *The Group may obtain financial services from other financial institutions in addition to those provided by COFCO Finance pursuant to the 2021 Financial Services Agreement.*

Duration

The validity period of the 2021 Financial Services Agreement is from 1 January 2022 to 31 December 2024, subject to Independent Shareholders' approval at the EGM.

Pricing Policy

In order to ensure that the pricing terms of individual transactions under the Deposit Services, the Loan Services, the Entrustment Loan Services and the Other Financial Services will be made in accordance with the pricing principles as stated above, the Group and COFCO Finance shall carry out the measures below:

With respect to the Group, an internal integrated assessment mechanism on the deposit and lending rates, handling fees and other services fees will be established based on fair market principle. For example, an analysis and assessment will be conducted on (1) the deposit and lending rates offered by COFCO Finance; and (2) the rates offered by the Major PRC Commercial Banks to the Group regularly. The interest rates of deposit and loan of the Major PRC Commercial Banks are determined according to the standard rates promulgated by PBC from time to time which are fairly stable and will fluctuate according to the situations of the customers. The interest rates of deposit and loan of the Major PRC Commercial Banks are displayed in their websites, which are open for public search. Prior to placing deposits to or requesting loans from COFCO Finance, the Company will seek the interest rates quotation from the Major PRC Commercial Banks to make the strategic decisions on the deposits and loans financial services, to ensure that the interests rates offered by COFCO Finance will not be inferior to the standard rates promulgated by PBC or the interest rates offered by the Major PRC Commercial Banks for the same type of deposit and loan services of the same period. In determining the handling fees of Entrustment Loan Services and the handling fees and other services fees of Other Financial Services, the Company will seek the rates quotation from the Major PRC Commercial Banks in advance in comparison with the rates charged by COFCO Finance.

The internal integrated assessment will be conducted by the treasury cashiers, head of treasury, fund managers and financial managers of the finance department of the Company. The responsible personnel will conduct the pricing comparisons every fortnight and upon relevant policy adjustments being promulgated by PBC. To ensure that there is no violation of the annual caps, the finance department of the Company will check the utilised annual caps at the end of each month.

In the event that (i) the interest rates on the Deposit Services to be offered by COFCO Finance to the Group are lower than the standard deposit rates promulgated by PBC for the same type of deposits of the same period and/or lower than the interest rates offered by the Major PRC Commercial Banks for the same type of deposits of the same period; and/or (ii) the interest rates on the Loan Services to be offered by COFCO Finance to the Group are higher than those offered by the Major PRC Commercial Banks for the same type of loans of the same period, an application may be filed to COFCO Finance to activate the relevant contingent plans on rate adjustment. The contingent plans include the compensation from COFCO Finance to the Group during subsequent Deposit Services and Loan Services and the adjustment of interest rates by COFCO Finance which should be consistent with the requirements on interest rates under 2021 Financial Services Agreement.

With respect to COFCO Finance, a risk management committee and an independent audit department have been established. The risk management committee is responsible for the review of, approval for and decision-making on the pricing policies of deposit and lending business, and handling fees for the Entrustment Loan Services and handling fee and other service fee for the Other Financial Services. The risk management committee (i) reviews the interest rates proposal on Deposit Services prepared by Capital Department of COFCO Finance which is made in accordance with the standard deposit rates promulgated by PBC and the rates offered by the Major PRC Commercial Banks; (ii) reviews and approves the pricing policy of lending business in accordance with the standard loan rates promulgated by PBC and Shanghai Interbank Offered Rate of the same period and approves the loan before Loan Department of COFCO Finance issues the loan; and (iii) conducts close tracking on the market and implementation of caps set for the deposit and lending business and other financial businesses. The independent audit department has a full-time manager to be responsible for the internal audit. The independent audit department would review the implementation of the internal control, the legitimacy, compliance, risk, accuracy, profitability of the deposit and lending business and Other Financial Services and provide improvement suggestions to the management when there is weakness in internal control. In addition, to ensure that the 2021 Financial Services Agreement is smoothly executed, COFCO Finance has appointed an independent external auditor to carry out a special audit on such connected transaction at the end of each quarter to manage and reduce the risk of the relevant businesses.

Conditions Precedent

The 2021 Financial Services Agreement is conditional upon:

- (a) compliance with all necessary requirements under the Listing Rules, which include but not limited to obtaining the approval of the Independent Shareholders at the EGM; and
- (b) obtaining any other relevant approvals as may be required for the 2021 Financial Services Agreement to take effect.

Termination

Save as described below, the 2021 Financial Services Agreement shall not be terminated by any party unilaterally. In addition to the default events provided by the Contract Law of the PRC, the 2021 Financial Services Agreement will be terminated with immediate effect if COFCO Finance fails to satisfy any operation condition as follows:

- (a) the capital adequacy ratio is not less than 12%;
- (b) the non-performing assets ratio is not more than 2%;
- (c) the bad loan ratio is not more than 3%;
- (d) the self-owned fixed assets to equity ratio is not more than 10%; or
- (e) investment balance to net capital ratio is not more than 70%.

Upon termination of the 2021 Financial Services Agreement and conditional upon the Group having repaid all outstanding amounts to COFCO Finance, the Group may withdraw its deposits with COFCO Finance at any time.

3. Proposed Annual Caps and Basis of Determination

Historical Amounts

The historical amounts of Deposit Services between COFCO Finance and the Group and the relevant cap for the two years ended 31 December 2019 and 2020 and the nine months ended 30 September 2021 are set out below:

	Historical amounts <i>(RMB' 00,000,000)</i>	Annual Cap for the relevant year <i>(RMB' 00,000,000)</i>
For the year ended 31 December 2019		
Deposit amounts and interests on deposits	Approximately 4.55	10.07
For the year ended 31 December 2020		
Deposit amounts and interests on deposits	Approximately 9.55	10.07
For the nine months ended 30 September 2021		
Deposit amounts and interests on deposits	Approximately 9.57	15.19

Proposed Annual Caps

Set out below are the maximum daily deposit amounts and the interests on deposits under the 2021 Financial Services Agreement during the following periods:

	For the year ending 31 December		
	2022	2023	2024
	(RMB'00,000,000)	(RMB'00,000,000)	(RMB'00,000,000)
Maximum daily deposit amounts (including interest accrued thereon)	15	18	20

Basis for Determining the Proposed Annual Caps

In determining the proposed annual caps for the maximum daily deposit amounts and the interests on deposits under the 2021 Financial Services Agreement, the Directors have considered the following factors:

- (a) Historical transaction amounts for the Deposit Services provided by COFCO Finance to the Group;
- (b) The Group's expected amounts of cash available for deposits from 2022 to 2024;
- (c) Compared with the expected interest rates to be offered by the Major PRC Commercial Banks, whether the deposit interest rate offered by COFCO Finance is equal to or better than such interest rates;
- (d) The Group's operating scale continues to expand. Accordingly, the Group will raise the daily reserve limit to approximately RMB600 million in 2022, approximately RMB700 million in 2023, and approximately RMB800 million in 2024, in order to meet daily business needs;
- (e) In terms of financing, the amount of loans due in 2022 is estimated to be approximately RMB7.8 billion, with a peak monthly repayment of approximately RMB650 million. On this basis, it is estimated that the monthly peak will reach approximately RMB750 million in 2023 and approximately RMB850 million in 2024. The Group needs to reserve repayment funds one or two months in advance;
- (f) In terms of project investment, the Group plans to invest approximately RMB2 billion in 2022, with a monthly peak investment of approximately RMB300 million. On this basis, it is estimated that the monthly peak investment will reach approximately RMB350 million in 2023 and approximately RMB350 million in 2024; and
- (g) To mitigate liquidity risks, the Group will raise and reserve funds in advance to meet the above business needs.

4. Undertakings

COFCO will provide the Undertakings to the Company in connection with the 2021 Financial Services Agreement, pursuant to which COFCO undertakes to the Company that:

- (a) it will maintain its controlling interest in COFCO Finance and ensure that COFCO Finance will operate under its prescribed scope of business;
- (b) it shall use its best endeavours and all probable and reasonable means to ensure that COFCO Finance will fulfill its obligations under the 2021 Financial Services Agreement; and
- (c) in the event that COFCO Finance has difficulties in repaying any money to the Group, COFCO will increase the working capital of COFCO Finance in order to enable it to fulfil its obligations under the 2021 Financial Services Agreement.

5. Internal Control Procedures

The Company has taken the following monitoring controls to ensure that the annual caps set for Deposit Services, Loan Services, Entrustment Loan Services and Other Financial Services are not exceeded:

- (a) funds daily report will be issued every morning by the treasury cashiers on the amount of deposits and loans and the situation of change in funds. The head of treasury and the financial manager can adjust the funds strategy according to the funds daily report;
- (b) the head of treasury will compile a 20-calendar-day rolling capital forecast every week which could reduce the incidence of liquidity excess;
- (c) the fund manager will compile the monthly fund plan at the beginning of each month to arrange the monthly fund balance in advance and make arrangements for the Group's deposits, loans and entrustment loans, to make sure that the annual caps will not be exceeded;
- (d) internal control reports on the risks management issued by COFCO Finance quarterly will be reviewed by the Company; and
- (e) in order to ensure that the annual cap set for Other Financial Services are not exceeded, the treasury division of finance department of the Company will follow up and pay attention to the records of relevant transaction data with COFCO Finance on the Enterprise Resourcing Planning system at the beginning of each month and pay attention to the relevant costs, make predictions on businesses that may generate relevant costs in each month and ensure the implementation of annual cap set for Other Financial Services. The treasury division of finance department of the Company will also plan for the possible connected transactions with COFCO Finance and suspend the relevant transactions which may possibly exceed the annual cap set for Other Financial Services.

6. Reasons for and Benefits of the Transactions

PRC laws do not permit companies, including subsidiaries and associates, other than regulated financial institutions, to extend intra-group loans directly. Any such loan must be directed through a regulated financial institution. COFCO Finance is a non-banking financial institution approved and regulated by PBC and CBIRC, and is authorised to provide various kinds of financial services to COFCO and its members in the PRC, including deposit-taking and loan services.

The main reasons for the Group to enter into the 2021 Financial Services Agreement with COFCO Finance are as follows:

- (a) the use of COFCO Finance as a vehicle to manage the funds of the Group would allow the Group to conduct more efficient deployment of funds between members of the Group;
- (b) the interest rates on the Deposit Services and the Loan Services offered, and the handling fees and other services fees in connection with the Entrustment Loan Services and the Other Financial Services charged, by COFCO Finance to the Group will be equal to or more favourable than, on a case by case basis, those offered to the Group by any third party;
- (c) COFCO Finance is regulated by PBC and CBIRC, and it provides services in accordance with and in satisfaction of the rules and operational requirements of these regulatory authorities. In addition, capital risk can be controlled through the implementation of the risk control measures as stipulated in the 2021 Financial Services Agreement;
- (d) the Group is expected to benefit from COFCO Finance's better understanding of the Group's operations which should render more expedient and efficient services than other commercial banks in the PRC;
- (e) the Undertakings from COFCO provide security and comfort to the Company by reducing the risks which the Group may be exposed to in the event of default of COFCO Finance under the 2021 Financial Services Agreement;
- (f) pursuant to the relevant regulations of PBC and CBIRC, the customers of COFCO Finance are limited to the group members of COFCO, which effectively reduces the risks that COFCO Finance may otherwise be exposed to if its customers include other entities unrelated to COFCO;
- (g) the arrangements under the 2021 Financial Services Agreement would promote liquidity among the Group, which will facilitate the settlement business of the members of the Group, enhance the overall ability of the Group to repay debts, and assist in monitoring and controlling financial risks;

- (h) the arrangements under the 2021 Financial Services Agreement would help reduce finance costs, accelerate the turnover of capital and reduce trading costs and expenses, thus enhancing the profitability of the Group;
- (i) the arrangements under the 2021 Financial Services Agreement would allow for prompt and accurate monitoring and regulation of the application of funds within the Group, thus enhancing the capital management and control of the Group; and
- (j) COFCO Finance has maintained good working relationship with the Group and its members over the years and their continuous cooperation can ensure higher work efficiency.

The Directors (excluding the independent non-executive Directors) consider that the terms of the 2021 Financial Services Agreement have been negotiated on an arm's length basis and on normal commercial terms, and the transactions contemplated thereunder and the Proposed Deposit Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors (excluding the independent non-executive Directors) also believe that the risk profile of COFCO Finance, as a financial services provider to the Group, is not greater than that of independent commercial banks in the PRC. As far as the Directors are aware, COFCO Finance has established stringent internal control measures to ensure effective risk management and compliance with laws and regulations.

In assessing the financial risks involved in placing deposits with COFCO Finance, the Directors (excluding the independent non-executive Directors) have taken into account the following factors:

- (a) the operations of COFCO Finance are subject to the supervision of PBC and CBIRC and are regulated by the relevant PRC financial services rules and regulations;
- (b) COFCO Finance has established internal control and risk management systems in accordance with the relevant PRC financial services rules and regulations;
- (c) the finance department of the Company will report to the independent non-executive Directors on a quarterly basis;
- (d) the finance department of the Company will require COFCO Finance to appoint external auditors to audit the internal control, risk management, completeness and impartiality of the operational system in respect of the transactions contemplated under the 2021 Financial Services Agreement and to provide relevant risk management report on a quarterly basis; and
- (e) the external auditors of the Company will review the transactions contemplated under the 2021 Financial Services Agreement and report the review results to the audit committee of the Company and the independent non-executive Directors on an annual basis.

As Mr. Jiang Guojin, the chairman of the Board and an executive Director of the Company, is the senior industry executive of COFCO, and Mr. Ma Dewei and Dr. Zhao Wei, being non-executive Directors of the Company, both serve in COFCO Group, they are deemed to be materially interested in the 2021 Financial Services Agreement and the transactions contemplated thereunder. They have abstained from voting on the resolutions in relation to considering and approving the 2021 Financial Services Agreement and the transactions contemplated thereunder at the Board meeting.

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTION: 2021 PROPERTY LEASING AND PROPERTY MANAGEMENT CONTRACT

1. Introduction

As the 2018 Beijing Property Leasing Contract and the 2018 Beijing Property Management Contract will expire on 31 December 2021, on 16 November 2021 (after trading hours), the Company and COFCO entered into the 2021 Property Leasing and Property Management Contract, details of which are set out below.

2. Principal Terms

Date

16 November 2021 (after trading hours)

Parties

- (i) The Company; and
- (ii) COFCO

Details of the Transactions

Pursuant to the 2021 Property Leasing and Property Management Contract, the Group will lease from COFCO Group and/or its associates certain properties, including but not limited to (a) office premises of COFCO Fortune Plaza in Beijing and several car parking spaces; (b) properties to be used as specialty stores; and (c) properties to be used as plants. COFCO Group and/or its associates will also provide to the Group various services for the maintenance and management of the leased premises.

Duration

The 2021 Property Leasing and Property Management Contract is for a term from 1 January 2022 to 31 December 2024 and is conditional upon, among other things, the 2021 Property Leasing and Property Management Contract having been approved by the Board and all other necessary or appropriate approval or consent as required by the Stock Exchange or under the relevant laws, regulations or rules (including the Listing Rules) having been obtained.

Pricing Policy

The rental prices and management fees under the 2021 Property Leasing and Property Management Contract are determined with reference to (if applicable) (a) the prevailing market prices of other property leasing and property management services in the vicinity; (b) comparable rental prices and management fees quotations offered by Independent Third Parties for similar properties in the vicinity; and (c) rental prices and management fees offered by COFCO Group and/or its associates to other tenants as determined on a fair and reasonable basis after arm's length negotiation.

3. Proposed Annual Caps and Basis of Determination

Historical Amounts

Set out below is a summary of the historical transaction amounts for the transactions contemplated under the 2018 Beijing Property Leasing Contract and the 2018 Beijing Property Management Contract for the following periods:

	Historical amounts for the following periods		
	Year ended	Year ended	Nine months ended
	31 December 2019	31 December 2020	30 September 2021
	<i>(RMB' 0,000)</i>	<i>(RMB' 0,000)</i>	<i>(RMB' 0,000)</i>
	<i>(approx.)</i>	<i>(approx.)</i>	<i>(approx.)</i>
Rental expense and management fee	866	976	909

Proposed Annual Caps

Set out below are the proposed annual cap amounts for the transactions contemplated under the 2021 Property Leasing and Property Management Contract for the following periods:

	Proposed annual caps for the following periods		
	Year ending	Year ending	Year ending
	31 December 2022	31 December 2023	31 December 2024
	<i>(RMB' 0,000)</i>	<i>(RMB' 0,000)</i>	<i>(RMB' 0,000)</i>
Rental expense and management fee	1,483	1,696	1,940

Basis for Determining the Proposed Annual Caps

In arriving at the above proposed annual cap amounts in respect of the rental expense and management fee under the 2021 Property Leasing and Property Management Contract, the Directors have considered the following factors: (a) the historical transaction amounts for the period from 1 January 2019 to 30 September 2021; (b) the expected expansion in the area leased; and (c) the increase in property management fee due to increase in rental expense.

4. Internal Control Procedures

The Company has established (1) reporting, approval and, if required, selected verification procedures in place to ensure that the agreed price and terms of continuing connected transactions are no less favorable to the relevant member(s) of the Group than those available to or from (as appropriate) Independent Third Parties and also in compliance with the pricing policy; and (2) procedures and policies for identifying connected persons and monitoring the annual caps of the continuing connected transactions.

5. Reasons for and Benefits of the Transactions

The transactions contemplated under the 2021 Property Leasing and Property Management Contract are conducted in the usual and ordinary course of business of the Group. The Group expects to obtain stable management and business premises through the transactions contemplated under the 2021 Property Leasing and Property Management Contract.

The Directors (including the independent non-executive Directors) consider that the terms of the 2021 Property Leasing and Property Management Contract are determined in the ordinary and usual course of business of the Group on normal commercial terms, and are fair and reasonable and in the interests of the Company and Shareholders as a whole.

As Mr. Jiang Guojin, the chairman of the Board and an executive Director of the Company, is the senior industry executive of COFCO, and Mr. Ma Dewei and Dr. Zhao Wei, being non-executive Directors of the Company, both serve in COFCO Group, they are deemed to be materially interested in the 2021 Property Leasing and Property Management Contract and the transactions contemplated thereunder. They have abstained from voting on the resolutions in relation to considering and approving the 2021 Property Leasing and Property Management Contract and the transactions contemplated thereunder at the Board meeting.

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTION: 2021 ADMINISTRATIVE SERVICES AGREEMENT

1. Introduction

As the 2018 Administrative Services Agreement will expire on 31 December 2021, on 16 November 2021 (after trading hours), the Company and COFCO entered into the 2021 Administrative Services Agreement, details of which are set out below.

2. Principal Terms

Date

16 November 2021 (after trading hours)

Parties

- (i) The Company; and
- (ii) COFCO

Details of the Transactions

Pursuant to the 2021 Administrative Services Agreement, COFCO Group and/or its associates shall provide the Group with certain administrative services, including but not limited to telecommunication services, IT services, catering services, human resources services, legal and company secretarial services, training and other related services, at prevailing market prices for a term commencing from 1 January 2022 to 31 December 2024.

Duration

The 2021 Administrative Services Agreement is for a term from 1 January 2022 to 31 December 2024 and is conditional upon, among other things, the 2021 Administrative Services Agreement having been approved by the Board and all other necessary or appropriate approval or consent as required by the Stock Exchange or under the relevant laws, regulations or rules (including the Listing Rules) having been obtained.

Pricing Policy

The fees of administrative services under the 2021 Administrative Services Agreement are determined with reference to (if applicable) (a) the fees collected from the Group by Independent Third Parties for the identical or similar types of services of the same quality; and (b) the fees collected from other tenants and services users by COFCO Group and/or its associates as determined on a fair and reasonable basis after arm's length negotiation.

3. Proposed Annual Caps and Basis of Determination

Historical Amounts

Set out below is a summary of the historical transaction amounts for the transactions contemplated under the 2018 Administrative Services Agreement for the following periods:

	Historical amounts for the following periods		
	Year ended	Year ended	Nine months ended
	31 December 2019	31 December 2020	30 September 2021
	<i>(RMB'0,000)</i>	<i>(RMB'0,000)</i>	<i>(RMB'0,000)</i>
	<i>(approx.)</i>	<i>(approx.)</i>	<i>(approx.)</i>
Expenses of			
administrative services	176	427	367

Proposed Annual Caps

Set out below are the proposed annual cap amounts for the transactions contemplated under the 2021 Administrative Services Agreement for the following periods:

	Proposed annual caps for the following periods		
	Year ending	Year ending	Year ending
	31 December 2022	31 December 2023	31 December 2024
	<i>(RMB'0,000)</i>	<i>(RMB'0,000)</i>	<i>(RMB'0,000)</i>
Expenses of			
administrative services	940	1,089	1,225

Basis for Determining the Proposed Annual Caps

In arriving at the above proposed annual cap amounts in respect of the expenses of administrative services under the 2021 Administrative Services Agreement, the Directors have considered the following factors:

(a) the historical transaction amounts for the period from 1 January 2019 to 30 September 2021; (b) the Group's speedy establishment of information systems that can meet its business development process relying on the software and hardware of the cloud data hub of COFCO Group; the organic increase in software and hardware resources used by the original information systems; additional resources for smart factory and function management systems under the 14th five-year informatization plan; and (c) the expected annual increase in newly established companies and factory SAP licensed users due to rapid expansion in business scale.

4. Internal Control Procedures

The Company has established (1) reporting, approval and, if required, selected verification procedures in place to ensure that the agreed price and terms of continuing connected transactions are no less favorable to the relevant member(s) of the Group than those available to or from (as appropriate) Independent Third Parties and also in compliance with the pricing policy; and (2) procedures and policies for identifying connected persons and monitoring the annual caps of the continuing connected transactions.

5. Reasons for and Benefits of the Transactions

The transactions contemplated under the 2021 Administrative Services Agreement are conducted in the ordinary course of business of the Company. The Company expects to obtain professional and stable information and technology, catering services and other services through the transactions contemplated under the 2021 Administrative Services Agreement.

The Directors (including the independent non-executive Directors) consider that the terms of the 2021 Administrative Services Agreement are determined in the ordinary and usual course of business of the Company on normal commercial terms, and are fair and reasonable and in the interests of the Company and Shareholders as a whole.

As Mr. Jiang Guojin, the chairman of the Board and an executive Director of the Company, is the senior industry executive of COFCO, and Mr. Ma Dewei and Dr. Zhao Wei, being non-executive Directors of the Company, both serve in COFCO Group, they are deemed to be materially interested in the 2021 Administrative Services Agreement and the transactions contemplated thereunder. They have abstained from voting on the resolutions in relation to considering and approving the 2021 Administrative Services Agreement and the transactions contemplated thereunder at the Board meeting.

INFORMATION ON THE COMPANY, COFCO AND COFCO FINANCE

Information on the Company

The Company is principally engaged in feeds production, hog breeding, slaughtering, the production, distribution and sale of fresh pork and meat products and the import and sale of frozen meat products in the PRC.

Information on COFCO

COFCO, a wholly state-owned company established in the PRC in September 1952 which is currently under the purview of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC and a substantial shareholder of the Company. COFCO is principally engaged in grain purchase, wholesale of prepackaged food and edible agricultural products, overseas futures business, import and export business, provision of external consulting services, product, exhibition and technical exchange business, hotel investment management, real estate development and management, property management and agency and leasing of self-owned houses.

Information on COFCO Finance

COFCO Finance is a non-banking financial institution and an indirect wholly-owned subsidiary of COFCO established in the PRC since 2002 with the approval of PBC. It is subject to the supervision of CBIRC. According to its business licence, it is authorised to provide to the Group all services set out in the 2021 Financial Services Agreement. According to the business licence, COFCO Finance is authorised to provide services such as (a) the provision of financial and financing consultation services, credit appraisal and relevant consulting services and agency business services; (b) assisting implementation of payables and receivables of the transaction amounts; (c) handling of deposits, loans and bills acceptance and discounting; (d) conducting settlements and other relevant settlements; and (e) the provision of loans and financing leases.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, COFCO is a substantial shareholder of the Company interested in approximately 29.10% of the total issued share capital of the Company, therefore COFCO together with COFCO Finance which is a subsidiary of COFCO are connected persons of the Company pursuant to Chapter 14A of the Listing Rules. The transactions between the Group and such parties constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the proposed annual caps of the transactions contemplated under the 2021 Partially-Exempt Agreements are less than 5%, the 2021 Partially-Exempt Agreements (including their respective annual caps) are subject to reporting and announcement requirements, but are exempt from the Independent Shareholders' approval requirements, under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the proposed annual caps of the transactions contemplated under the 2021 Mutual Supply Agreement and the Deposit Services (including Proposed Deposit Cap) contemplated under the 2021 Financial Services Agreement exceed(s) 5%, the 2021 Mutual Supply Agreement (including the proposed annual caps) and the Deposit Services (including Proposed Deposit Cap) contemplated under the 2021 Financial Services Agreement will be subject to, among other things, the Independent Shareholders' approval, reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios for the Deposit Services (including Proposed Deposit Cap) contemplated under the 2021 Financial Services Agreement are higher than 5% but lower than 25%, the Deposit Services (including Proposed Deposit Cap) contemplated under the 2021 Financial Services Agreement also constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules. Notwithstanding that the applicable percentage ratios for the proposed annual caps of the transactions contemplated under the 2021 Mutual Supply Agreement exceed 5%, pursuant to Rule 14.04(1)(g) of the Listing Rules, the transactions contemplated under the 2021 Mutual Supply Agreement do not constitute notifiable transactions of the Company since these are transactions of revenue nature in the ordinary and usual course of business of the Company.

Since the Loan Services are on normal commercial terms (or better to the Group) where no security over the assets of the Group will be granted in respect of the financial assistance given by COFCO Finance, the Loan Services are exempt from the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules pursuant to Rule 14A.90 of the Listing Rules.

As each of the applicable percentage ratios in respect of the handling fees and other services fees in connection with the Entrustment Loan Services and the Other Financial Services is on an annual basis less than 0.1%, the Entrustment Loan Services and the Other Financial Services are exempt from the reporting, announcement, annual review and the Independent Shareholders' approval requirements under the Listing Rules.

As Mr. Jiang Guojin, the chairman of the Board and an executive Director of the Company, is the senior industry executive of COFCO, and Mr. Ma Dewei and Dr. Zhao Wei, being non-executive Directors of the Company, both serve in COFCO Group, they are deemed to be materially interested in the New Agreements and the transactions contemplated thereunder. They have abstained from voting on the resolutions in relation to considering and approving the New Agreements and the transactions contemplated thereunder at the Board meeting. Save as stated above, none of the Directors has material interest in the transactions contemplated under the New Agreements or is required to abstain from voting on the Board resolutions in relation to the New Agreements and the transactions contemplated thereunder.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the 2021 Mutual Supply Agreement (including the proposed annual caps) and the Deposit Services (including Proposed Deposit Cap) contemplated under the 2021 Financial Services Agreement.

The Company has appointed Oriental Patron as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2021 Mutual Supply Agreement (including the proposed annual caps) and the Deposit Services (including Proposed Deposit Cap) contemplated under the 2021 Financial Services Agreement.

EGM

The EGM will be convened by the Company at which resolutions will be proposed to consider and, if thought fit, approving the 2021 Mutual Supply Agreement (including the proposed annual caps) and the Deposit Services (including Proposed Deposit Cap) contemplated under the 2021 Financial Services Agreement. Notice convening the EGM will be despatched to the Shareholders as soon as practicable.

As at the date of this announcement, COFCO holds 1,135,392,782 ordinary Shares of the Company, representing approximately 29.10% of the issued share capital of the Company. COFCO Group and its respective associates will abstain from voting at the EGM in respect of the resolutions to consider the 2021 Mutual Supply Agreement (including the proposed annual caps) and the Deposit Services (including Proposed Deposit Cap) contemplated under the 2021 Financial Services Agreement as a result of having material interests therein. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, save as disclosed in this announcement, no other Shareholder is required to abstain from voting at the EGM.

A circular containing, among other things, details of the 2021 Mutual Supply Agreement (including the proposed annual caps) and the Deposit Services (including Proposed Deposit Cap) contemplated under the 2021 Financial Services Agreement; a letter from the Independent Board Committee containing its opinions and recommendations in respect of the 2021 Mutual Supply Agreement (including the proposed annual caps) and the Deposit Services (including Proposed Deposit Cap) contemplated under the 2021 Financial Services Agreement; a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its opinion in respect of the 2021 Mutual Supply Agreement (including the proposed annual caps) and the Deposit Services (including Proposed Deposit Cap) contemplated under the 2021 Financial Services Agreement; such other information as required under the Listing Rules; and a notice of the EGM, is expected to be despatched to the Shareholders on or before 31 December 2021 as additional time is required for the preparation and finalisation of the contents of the circular.

DEFINITIONS

“2018 Administrative Services Agreement”	the administrative services agreement entered into between the Company and COFCO on 23 November 2018
“2018 Beijing Property Leasing Contract”	the property leasing contract entered into between the Company and COFCO on 23 November 2018
“2018 Beijing Property Management Contract”	the property management contract entered into between the Company and COFCO Sunshine on 23 November 2018
“2018 Financial Services Agreement”	the financial services agreement in relation to the deposit services, the loan services, the entrustment loan services and the other financial services entered into between the Company and COFCO Finance on 23 November 2018
“2018 Mutual Supply Agreement”	the mutual supply agreement entered into between the Company and COFCO on 23 November 2018
“2021 Administrative Services Agreement”	the administrative services agreement entered into between the Company and COFCO on 16 November 2021
“2021 Financial Services Agreement”	the financial services agreement entered into between the Company and COFCO Finance on 16 November 2021
“2021 Mutual Supply Agreement”	the mutual supply agreement entered into between the Company and COFCO on 16 November 2021
“2021 Partially-Exempt Agreements”	the 2021 Property Leasing and Property Management Contract and the 2021 Administrative Services Agreement
“2021 Property Leasing and Property Management Contract”	the property leasing and property management contract entered into between the Company and COFCO on 16 November 2021
“associates”	has the meaning as ascribed thereto under the Listing Rules
“Board”	the board of directors of the Company

“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“COFCO”	COFCO Corporation* (中糧集團有限公司), a wholly state-owned company established in the PRC in September 1952 which is currently under the purview of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC and a substantial shareholder of the Company holding approximately 29.10% of the issued share capital of the Company
“COFCO Finance”	COFCO Finance Corporation Limited* (中糧財務有限責任公司), a non-bank financial institution established with limited liability in the PRC on 24 September 2002, and an indirect subsidiary of COFCO
“COFCO Group”	COFCO and its subsidiaries other than the Group
“Company”	COFCO Joycome Foods Limited
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Deposit Services”	the deposit and related services to be provided by COFCO Finance to the Group under the 2021 Financial Services Agreement
“Directors”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and approve, among other things, the 2021 Mutual Supply Agreement, the conditional Deposit Services to be provided by COFCO Finance pursuant to the 2021 Financial Services Agreement and the related annual caps
“Entrustment Loan Services”	the provision of entrustment loans among members of the Group through COFCO Finance, which will only act as agent of the Group, under the 2021 Financial Services Agreement
“Existing Agreements”	the 2018 Mutual Supply Agreement (together with the 2019 Supplemental Mutual Supply Agreement and the 2021 Supplemental Mutual Supply Agreement), the 2018 Beijing Property Leasing Contract, the 2018 Beijing Property Management Contract, the 2018 Administrative Services Agreement and the 2018 Financial Services Agreement (together with the 2021 Supplemental Financial Services Agreement)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huashang”	Huashang Reserve Commodity Management Center Co., Ltd.* (華商儲備商品管理中心有限公司), a company incorporated under the laws of the PRC on 21 January 1998, and an indirectly wholly-owned subsidiary of COFCO
“Independent Board Committee”	the independent committee of the Board comprising Mr. Fu Tingmei, Mr. Li Michael Hankin and Dr. Ju Jiandong, being all the independent non-executive Directors, which has been established for the purpose of advising the Independent Shareholders in respect of the 2021 Mutual Supply Agreement, the conditional Deposit Services to be provided by COFCO Finance pursuant to the 2021 Financial Services Agreement and the related annual caps
“Independent Financial Adviser” or “Oriental Patron”	Oriental Patron Asia Limited, a corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) licensed to carry on Type 1 (dealing in securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activity, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the 2021 Mutual Supply Agreement and the Deposit Services under the 2021 Financial Services Agreement
“Independent Shareholders”	Shareholders other than COFCO Group and its respective associates
“Independent Third Party(ies)”	to the best of Directors’ knowledge, information and belief, having made all reasonable enquiries, individual(s) or company(ies) and its/their respective ultimate beneficial owner(s) which is/are third party(ies) independent of the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Services”	the loan and related services to be provided by COFCO Finance to the Group under the 2021 Financial Services Agreement
“Major PRC Commercial Banks”	Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, Bank of Communications, China Merchants Bank, China Citic Bank and Agricultural Development Bank of China
“New Agreements”	the 2021 Mutual Supply Agreement, the 2021 Property Leasing and Property Management Contract, the 2021 Administrative Services Agreement and the 2021 Financial Services Agreement

“Other Financial Services”	apart from the Deposit Services, the Loan Services and the Entrustment Loan Services, other financial services, including foreign exchange settlement and sales service, settlement services and other related consultancy and agency services to be provided by COFCO Finance to the Group under the 2021 Financial Services Agreement
“PBC”	People’s Bank of China (中國人民銀行)
“PRC”	the People’s Republic of China, which, for the purpose of this announcement only, does not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Deposit Cap”	the proposed maximum daily outstanding balance of deposits placed by the Group with COFCO Finance and the proposed maximum interests on deposits in the amounts set out in this announcement during the term of the 2021 Financial Services Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Undertakings”	the undertakings provided by COFCO in favour of the Company in connection with the 2021 Financial Services Agreement
“%”	per cent.

By order of the Board
COFCO Joycome Foods Limited
Jiang Guojin
Chairman and executive Director

Beijing, the PRC, 16 November 2021

As at the date of this announcement, the Board comprises Mr. Jiang Guojin as the chairman of the Board and the executive director, Mr. Xu Jianong as the executive director, Mr. Ma Dewei and Dr. Zhao Wei as non-executive directors, and Mr. Fu Tingmei, Mr. Li Michael Hankin and Dr. Ju Jiandong as independent non-executive directors.

* *For identification purpose only*