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If you have sold or transferred all your shares in COFCO Joycome Foods Limited, you should at once pass this circular together with the enclosed form of proxy to the purchaser, the transferee, the bank, the stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



中糧家佳康食品有限公司
COFCO Joycome Foods Limited
(incorporated in Cayman Islands with limited liability)
(Stock code: 01610)

**(1) CONTINUING CONNECTED TRANSACTIONS:
MUTUAL SUPPLY AGREEMENT
AND
(2) CONTINUING CONNECTED TRANSACTIONS:
FINANCIAL SERVICES AGREEMENT**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



A letter from the Board is set out on pages 5 to 30 of this circular. A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders is set out on page 31 of this circular. A letter from Oriental Patron containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 32 to 58 of this circular.

A notice convening the EGM to be held at 10:00 a.m. on Wednesday, 12 January 2022 at Conference Room Joycome, 8/F, COFCO Fortune Plaza, No. 8 Chao Yang Men South Street, Chaoyang District, Beijing, the PRC is set out on pages 63 to 65 of this circular. A form of proxy for the use at the EGM is enclosed herewith. Whether or not you are able to attend the EGM in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time scheduled for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Thursday, 23 December 2021

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“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 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 16 November 2021
“2021 Mutual Supply Agreement”	the mutual supply agreement entered into between the Company and COFCO on 16 November 2021
“associate(s)”	has the meaning 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

* For identification purposes only

DEFINITIONS

“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 the 2021 Mutual Supply Agreement, the 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

* For identification purposes only

DEFINITIONS

“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 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)
“Latest Practicable Date”	17 December 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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

DEFINITIONS

“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 circular only, does not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Deposit Cap”	the proposed maximum daily deposit amounts (including interest accrued thereon) placed by the Group with COFCO Finance and the proposed maximum interests on deposits in the amounts set out in this circular 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 on 26 November 2021 in connection with the 2021 Financial Services Agreement
“%”	per cent

LETTER FROM THE BOARD



中糧
COFCO

自然之源 重塑你我

中糧家佳康食品有限公司
COFCO Joycome Foods Limited
(incorporated in Cayman Islands with limited liability)
(Stock code: 01610)

Chairman of the Board and Executive Director:
Mr. Jiang Guojin

Executive Director:
Mr. Xu Jianong

Non-Executive Directors:
Mr. Ma Dewei
Dr. Zhao Wei

Independent Non-Executive Directors:
Mr. Fu Tingmei
Mr. Li Michael Hankin
Dr. Ju Jiandong

Registered Office:
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Cricket Square, P.O. Box 902,
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*Principal Place of Business
in Hong Kong:*
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Causeway Bay,
Hong Kong

Head Office in the PRC:
COFCO Fortune Plaza,
No. 8 Chao Yang Men South Street,
Chaoyang District, Beijing, PRC

23 December 2021

To the Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS:
MUTUAL SUPPLY AGREEMENT
AND
(2) CONTINUING CONNECTED TRANSACTIONS:
FINANCIAL SERVICES AGREEMENT**

I. INTRODUCTION

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.

LETTER FROM THE BOARD

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

The purpose of this circular is to provide you with, among others, (i) details of the 2021 Mutual Supply Agreement and the transactions contemplated thereunder and the Proposed Annual Caps; (ii) details of the 2021 Financial Services Agreement and the transactions contemplated thereunder and the Proposed Deposit Cap; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the 2021 Mutual Supply Agreement and the Proposed Annual Caps, the Deposit Services contemplated under the 2021 Financial Services Agreement and the Proposed Deposit Cap; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2021 Mutual Supply Agreement and the Proposed Annual Caps, the Deposit Services contemplated under the 2021 Financial Services Agreement and the Proposed Deposit Cap; and (v) a notice of the EGM.

II. 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

LETTER FROM THE BOARD

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; specifically, the meat products provided by COFCO Group to the Group mainly include poultry products (such as conditioning products and cooked food) and central reserved meat.
2. The Group provides COFCO Group with the following products and services, including:

The Group provides COFCO Group with meat products, agency service and other products and services; specifically, the meat products provided by the Group to COFCO Group mainly include fresh pork, frozen pork and processed meat products (such as ham, sausage and bacon), imported frozen poultry, imported frozen beef and mutton, and central reserved meat; the Group provides COFCO Group with agency purchase services, whereby the Group purchases meat products (mainly pork products and beef products, the ownership of which is vested in the principal) from overseas suppliers. After the agency purchase is completed, COFCO Group or its subsidiaries will pay the agency fee.

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.

LETTER FROM THE BOARD

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/or 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 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.

LETTER FROM THE BOARD

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 meat by the Group to COFCO Group, there are generally two ways to purchase and store central reserved meat 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 meat to COFCO Group at prices determined in the following two ways: (a) price bidding. The supply price of the central reserved meat 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 pork supply, COFCO Group is expected to negotiate with the Group for the Group to supply COFCO Group with central reserved meat after arm's length negotiation. The Company is of the view that it is fair and reasonable and in the interests of the Company and Shareholders as a whole.

LETTER FROM THE BOARD

In respect of the provision of agency 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 shall adopt 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.

LETTER FROM THE BOARD

3. Proposed Annual Caps and Basis of Determination

Historical Amounts

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

	Historical amounts for the following periods		
	Year ended	Year ended	Nine months
	31 December	31 December	ended
	2019	2020	30 September
	<i>(RMB'00,000,000)</i>	<i>(RMB'00,000,000)</i>	<i>(RMB'00,000,000)</i>
	<i>(approx.)</i>	<i>(approx.)</i>	<i>(approx.)</i>
Provision of products and services by COFCO Group to the Group ¹	2.43	4.02	10.54
Provision of products and services by the Group to COFCO Group ²	3.67	1.1	0.55

	Historical annual caps for the following periods		
	Year ended	Year ended	Year ending
	31 December	31 December	31 December
	2019	2020	2021
	<i>(RMB'00,000,000)</i>	<i>(RMB'00,000,000)</i>	<i>(RMB'00,000,000)</i>
Provision of products and services by COFCO Group to the Group ¹	18.88	30.49	34.06
Provision of products and services by the Group to COFCO Group ²	5.57	20.17	26.74

Notes

- 1: Products and services provided by COFCO Group to the Group under the 2018 Mutual Supply Agreement include: (i) feed processing services provided by COFCO Group to the Group; (ii) feed, other materials and services provided by COFCO Group to the Group; (iii) poultry products provided by COFCO Group to the Group; (iv) cold storage services provided by COFCO Group to the Group; and (v) central reserved meat provided by COFCO Group to the Group.
- 2: Products and services provided by the Group to COFCO Group under the 2018 Mutual Supply Agreement include: (i) meat products provided by the Group to COFCO Group; (ii) central reserved meat provided by the Group to COFCO Group; (iii) product processing services provided by the Group to COFCO Group; and (iv) agency services for purchase of meat products provided by the Group to COFCO Group.

LETTER FROM THE BOARD

Proposed Annual Caps

Set out below are 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 ending 31 December 2022 (RMB'00,000,000)	Year ending 31 December 2023 (RMB'00,000,000)	Year ending 31 December 2024 (RMB'00,000,000)
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. Based on the estimated hog production volume for the three years of 2022, 2023 and 2024, the Group's demands for feed ingredients and finished feed will significantly increase accordingly and account for a substantial portion in the proposed annual caps; (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

LETTER FROM THE BOARD

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 high transaction value 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 meat policy to regulate the price volatility and maintain a stable market. Based on market conditions and rotation requirements for central reserved meat, the Chinese government will sell and release central reserved meat into the market through the subsidiaries of COFCO. 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 Group is building two new slaughterhouses. The one in Jilin Province is expected to commence production at the end of 2021, and the one in Inner Mongolia Autonomous Region is expected to commence production in the second half of 2022. Vigorous efforts will be made to acquire 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. Based on market conditions and rotation requirements for central reserved meat, the Chinese government will purchase the central reserved meat from the market through the subsidiaries of COFCO. The Group will participate in the bidding at an appropriate price and will also 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 compliance with the pricing policy; and (2) procedures and policies for identifying connected persons and monitoring the annual caps of the continuing connected transactions.

LETTER FROM THE BOARD

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 finance 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 finance 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 is expected to add value to the sales and distribution of meat products of the Group. The Group will choose direct sale or agency purchase based on COFCO Group's needs and risk assessment. In respect of the provision of the agency services for purchase of meat products by the Group to COFCO Group, as the Company's subsidiaries possess import purchase qualifications and extensive experience in purchase of frozen meat, COFCO Group, after considering the reasonable allocation of existing resources, efficiency enhancement and cost reduction, has appointed the Group as an agent to carry out frozen meat purchase business. At the same time, by carrying out agency purchase business, the Group can expand its business scale, reasonably control risks, increase its profits and assume appropriate social responsibilities, thereby achieving win-win results for both parties to the transaction. The end customers of the agency purchase business are trading companies that have completed bidding on the Beijing China Merchandise Reserve Exchange.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors whose recommendations are set out in “Letter from the Independent Board Committee” on page 31 of this circular) 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.

III. 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.

LETTER FROM THE BOARD

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 interest rates to be charged by COFCO Finance for the provision of the Loan Services to the Group will be determined by the Company and COFCO Finance with reference to the interest rates promulgated by PBC from time to time. The interest rates on the Loan Services to be offered by COFCO Finance to the Group will not be higher than those offered by the Major PRC Commercial Banks for the same type of loans of the same period. Moreover, no security over the assets of the Group will be granted in respect of the financial assistance given by COFCO Finance.

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.

LETTER FROM THE BOARD

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
	(RMB'0,000)	(RMB'0,000)	(RMB'0,000)
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
	(RMB'0,000)	(RMB'0,000)	(RMB'0,000)
Handling fees and other service fees in connection with Other Financial Services	97	97	97

LETTER FROM THE BOARD

(e) Settlement Terms

Set out below are the settlement terms of the respective services under the 2021 Financial Services Agreement and mutually agreed between the parties:

(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.

LETTER FROM THE BOARD

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 on 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 the 2021 Financial Services Agreement.

LETTER FROM THE BOARD

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, handling fees for the Entrustment Loan Services and handling fees and other service fees 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, including 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 Civil Code 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%;

LETTER FROM THE BOARD

- (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%.

COFCO Finance has established a complete internal control system to ensure that the company operates properly and its indicators meet relevant requirements. In addition, COFCO Finance will submit monthly regulatory statements to the CBIRC and prepare monthly accounting statements to ensure that operating conditions are met. The Company also requires COFCO Finance to provide the Company with a quarterly audit report on the internal control for risk management prepared by a Chinese certified public accountant to stay up-to-date on COFCO Finance's operating conditions.

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 caps 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

LETTER FROM THE BOARD

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 RMB350 million in 2023 and RMB350 million in 2024; and

LETTER FROM THE BOARD

- (g) To mitigate liquidity risks, the Group will raise and reserve funds in advance to meet the above business needs.

4. Undertakings

On 26 November 2021, COFCO has provided 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 caps 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

LETTER FROM THE BOARD

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 caps 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 caps 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;

LETTER FROM THE BOARD

- (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 potential 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 (including the independent non-executive Directors whose recommendations are set out in “Letter from the Independent Board Committee” on page 31 of this circular) 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 (including the independent non-executive Directors whose recommendations are set out in “Letter from the Independent Board Committee” on page 31 of this circular) 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.

LETTER FROM THE BOARD

In assessing the financial risks involved in placing deposits with COFCO Finance, the Directors (including the independent non-executive Directors whose recommendations are set out in “Letter from the Independent Board Committee” on page 31 of this circular) 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.

IV. 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.

LETTER FROM THE BOARD

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.

V. IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, 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 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

LETTER FROM THE BOARD

Independent Shareholders' approval requirements under the Listing Rules pursuant to Rule 14A.90 of the Listing Rules. The conduct of the Loan Services shall not be subject to the poll results of Independent Shareholders at the EGM on the Deposit Services under the 2021 Financial Services Agreement.

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. The conduct of the Entrustment Loan Services and the Other Financial Services shall not be subject to the poll results of Independent Shareholders at the EGM on the Deposit Services under the 2021 Financial Services Agreement.

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.

VI. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising Mr. Fu Tingmei, Mr. Li Michael Hankin and Dr. Ju Jiandong, being all independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the 2021 Mutual Supply Agreement and the Proposed Annual Caps, the Deposit Services contemplated under the 2021 Financial Services Agreement and the Proposed Deposit Cap. None of the members of the Independent Board Committee has any material interest in the 2021 Mutual Supply Agreement and the 2021 Financial Services Agreement. The letter from the Independent Board Committee is set out on page 31 of this circular.

The Company has also appointed Oriental Patron as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2021 Mutual Supply Agreement and the Proposed Annual Caps, the Deposit Services contemplated under the 2021 Financial Services Agreement and the Proposed Deposit Cap. The letter from Oriental Patron is set out on pages 32 to 58 of this circular.

LETTER FROM THE BOARD

VII. EGM

The EGM will be convened by the Company at 10:00 a.m. on Wednesday, 12 January 2022 at Conference Room Joycome, 8/F, COFCO Fortune Plaza, No. 8 Chao Yang Men South Street, Chaoyang District, Beijing, the PRC, at which resolutions will be proposed to consider and, if thought fit, (i) approving by the Independent Shareholders the 2021 Mutual Supply Agreement and the Proposed Annual Caps; and (ii) approving by the Independent Shareholders the Deposit Services contemplated under the 2021 Financial Services Agreement and the Proposed Deposit Cap.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save and except COFCO (a substantial Shareholder holding approximately 29.10% of the issued share capital of the Company as of the Latest Practicable Date and has control or is entitled to exercise control over the voting rights of its Shares) and its associates, who will abstain from voting on the resolutions in relation to (i) the 2021 Mutual Supply Agreement and the Proposed Annual Caps; and (ii) the Deposit Services contemplated under the 2021 Financial Services Agreement and the Proposed Deposit Cap to be approved at the EGM as a result of having material interests therein, no other Shareholder is required to abstain from voting on the resolutions in relation to (i) the 2021 Mutual Supply Agreement and the Proposed Annual Caps; and (ii) the Deposit Services contemplated under the 2021 Financial Services Agreement and the Proposed Deposit Cap to be approved at the EGM. As of the Latest Practicable Date, COFCO and its associates, directly and indirectly, held 1,135,392,782 Shares of the Company (approximately 29.10%) in aggregate.

A notice convening the EGM is set out on pages 63 to 65 of this circular. The EGM will be held at 10:00 a.m. on Wednesday, 12 January 2022 at Conference Room Joycome, 8/F, COFCO Fortune Plaza, No. 8 Chao Yang Men South Street, Chaoyang District, Beijing, the PRC, at which resolutions will be proposed to consider and, if thought fit, to approve (i) the 2021 Mutual Supply Agreement and the Proposed Annual Caps; and (ii) the Deposit Services contemplated under the 2021 Financial Services Agreement and the Proposed Deposit Cap. The form of proxy for use by the Shareholders at the EGM is enclosed with this circular.

Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible, and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of a form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

LETTER FROM THE BOARD

VIII. RECOMMENDATIONS

The Directors, including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser, believe that (i) the 2021 Mutual Supply Agreement and the 2021 Financial Services Agreement are entered into in the ordinary and usual course of business of the Group and on normal commercial terms; and (ii) the relevant Proposed Annual Caps are fair and reasonable and in the interests of the Company and Shareholders as a whole. Accordingly, the Directors, including the independent non-executive Directors, recommend the Independent Shareholders to vote in favour of the resolutions in respect of the matters mentioned in this circular to be proposed at the EGM.

IX. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular and the notice of EGM.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



中糧家佳康食品有限公司
COFCO Joycome Foods Limited
(incorporated in Cayman Islands with limited liability)
(Stock code: 01610)

23 December 2021

To the Independent Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS:
MUTUAL SUPPLY AGREEMENT**
**(2) CONTINUING CONNECTED TRANSACTIONS:
FINANCIAL SERVICES AGREEMENT**

We refer to the circular of the Company dated 23 December 2021 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein. We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the terms of the 2021 Mutual Supply Agreement and the Proposed Annual Caps, the Deposit Services contemplated under the 2021 Financial Services Agreement and the Proposed Deposit Cap, details of which are set out in the letter from the Board contained in the Circular, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the terms of the 2021 Mutual Supply Agreement and the Proposed Annual Caps, the Deposit Services contemplated under the 2021 Financial Services Agreement and the Proposed Deposit Cap and the advice of the Independent Financial Adviser in relation thereto as set out on pages 32 to 58 of the Circular, we consider that the 2021 Mutual Supply Agreement and the Proposed Annual Caps, the Deposit Services contemplated under the 2021 Financial Services Agreement and the Proposed Deposit Cap are on normal commercial terms, and their terms are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. We also consider that the 2021 Mutual Supply Agreement and the Proposed Annual Caps, the Deposit Services contemplated under the 2021 Financial Services Agreement and the Proposed Deposit Cap are in ordinary and usual course of business of the Company.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the 2021 Mutual Supply Agreement and the Proposed Annual Caps, the Deposit Services contemplated under the 2021 Financial Services Agreement and the Proposed Deposit Cap.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Fu Tingmei

Mr. Li Michael Hankin

Dr. Ju Jiandong

LETTER FROM ORIENTAL PATRON

The following is the full text of a letter of advice from Oriental Patron Asia Limited to the Independent Board Committee and the Independent Shareholders in respect of the proposed continuing connected transactions, which has been prepared for the purpose of inclusion in this circular:



Oriental Patron Asia Limited
27/F, Two Exchange Square,
8 Connaught Place,
Hong Kong

23 December 2021

*To the Independent Board Committee and the Independent Shareholders of
COFCO Joycome Foods Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2021 Mutual Supply Agreement and the Deposit Services under the 2021 Financial Services Agreement, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in this circular issued by the Company to the Shareholders dated 23 December 2021 (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

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.

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.

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/or such parties constitute continuing connected transactions under Chapter 14A of the Listing Rules.

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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.

The Independent Board Committee comprising Mr. Fu Tingmei, Mr. Li Michael Hankin, and Dr. Ju Jiandong, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the 2021 Mutual Supply Agreement and Proposed Annual Caps and the Deposit Services contemplated under the 2021 Financial Services Agreement and the Proposed Deposit Cap. In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to provide you with an independent opinion as to whether the 2021 Mutual Supply Agreement and the Deposit Services under the 2021 Financial Services Agreement were agreed on normal commercial terms or better, in the ordinary and usual course of business of the Company, and fair and reasonable so far as the Independent Shareholders are concerned and that the 2021 Mutual Supply Agreement and the Deposit Services under the 2021 Financial Services Agreement are in the interests of the Company and the Shareholders as a whole.

During the past two years, we have acted as independent financial adviser to the Company in relation to certain continuing connected transactions (details of which were set out in the circular of the Company dated 25 August 2021).

Apart from normal professional fees paid or payable to us in connection with the abovementioned appointment as independent financial adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. As at the Latest Practicable Date, we do not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence.

BASIS OF OUR OPINION

In formulating our advice and recommendations, we have relied on the accuracy of the information and facts supplied, and the opinions expressed, by the Company, its Directors and the management of the Group to us. We have assumed that all information, facts, representations and opinions made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the Latest Practicable Date and that all expectations and intentions of the Company, its Directors and the management of the Group, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and

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representations provided to us by the Company, its directors and the management of the Group, and have been advised by the Company, its directors and the management of the Group that no material facts have been omitted from the information provided and opinion expressed in and referred to in the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted any form of in-depth investigation into the business and affairs, financial position or future prospect of the Group, nor carried out any independent verification of the information supplied, representations made or opinion expressed by the Company, the Directors and the management of the Group.

BACKGROUND OF THE CONTINUING CONNECTED TRANSACTIONS

On 16 November 2021 (after trading hours), the Company entered into the 2021 Mutual Supply Agreement with COFCO, and the 2021 Financial Services Agreement with COFCO Finance, for a term from 1 January 2022 to 31 December 2024. The 2021 Mutual Supply Agreement and the 2021 Financial Services Agreement constitute continuing connected transactions of the Company under the Listing Rules.

2021 MUTUAL SUPPLY AGREEMENT

Principal factors and reasons considered

We set out below the principal factors and considerations that we have taken into account in relation to the 2021 Mutual Supply Agreement in arriving at our advice to the Independent Board Committee and the Independent Shareholders.

1. 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.

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2. Reasons for and benefits of entering into the 2021 Mutual Supply Agreement

As set out in the Board Letter, 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 is expected to add value to the sales and distribution of meat products of the Group. The Group will choose direct sale or agency purchase based on COFCO Group's needs and risk assessment. In respect of the provision of the agency services for purchase of meat products by the Group to COFCO Group, as the Company's subsidiaries possess import purchase qualifications and extensive experience in purchase of frozen meat, COFCO Group, after considering the reasonable allocation of existing resources, efficiency enhancement and cost reduction, has appointed the Group as an agent to carry out frozen meat purchase business. At the same time, by carrying out agency purchase business, the Group can expand its business scale, reasonably control risks, increase its profits and assume appropriate social responsibilities, thereby achieving win-win results for both parties to the transaction. The end customers of the agency purchase business are trading companies that have completed bidding on the Beijing China Merchandise Reserve Exchange.

The Directors (including the independent non-executive Directors whose recommendations are set out in "Letter from the Independent Board Committee" on page 31 of this circular) 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.

3. Major content of transactions under the 2021 Mutual Supply Agreement

Principal terms

The 2021 Mutual Supply Agreement is for a term from 1 January 2022 to 31 December 2024 and is conditional upon, among other things, the 2021 Mutual Supply Agreement having been approved by the Board and the Independent Shareholders at the EGM 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.

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Under the 2021 Mutual Supply Agreement:

1. COFCO Group provides the Group with the following products and services, including:
 - (i) 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
 - (ii) COFCO Group provides the Group with feed products, meat products, warehousing and other products and services; specifically, the meat products provided by COFCO Group to the Group mainly include poultry products (such as conditioning products and cooked food) and central reserved meat.
2. The Group provides COFCO Group with the following products and services, including:

The Group provides COFCO Group with meat products, agency service and other products and services; specifically, the meat products provided by the Group to COFCO Group mainly include fresh pork, frozen pork and processed meat products (such as ham, sausage and bacon), imported frozen poultry, imported frozen beef and mutton, and central reserved meat; the Group provides COFCO Group with agency purchase services, whereby the Group purchases meat products (mainly pork products and beef products, the ownership of which is vested in the principal) from overseas suppliers, after the agency purchase is completed, COFCO Group or its subsidiaries will pay the agency fee.

As advised by the management of the Company, the Company is under no obligation to purchase or supply any specific amount of products or services from or to COFCO Group and has the right to purchase or supply such products or services from or to other Independent Third Parties as it deems fit. Therefore, we concur with view of management of the Company the abovementioned transactions are fair and reasonable provided that the relevant pricing policies have been complied.

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Annual cap amount

Historical figures

As set out in the Board Letter, set out below is a summary of the historical transaction amounts and historical annual caps for the transactions carried out for the following periods:

	Historical amounts for the following periods		
	Year ended	Year ended	Nine months ended
	31 December	31 December	30 September
	2019	2020	2021
	<i>(RMB'00,000,000)</i>	<i>(RMB'00,000,000)</i>	<i>(RMB'00,000,000)</i>
	<i>(approx.)</i>	<i>(approx.)</i>	<i>(approx.)</i>
Provision of products or services by COFCO Group to the Group ¹	2.43	4.02	10.54
Provision of products or services by the Group to COFCO Group ²	3.67	1.1	0.55

	Historical annual caps for the following periods		
	Year ended	Year ended	Year ending
	31 December	31 December	31 December
	2019	2020	2021
	<i>(RMB'00,000,000)</i>	<i>(RMB'00,000,000)</i>	<i>(RMB'00,000,000)</i>
Provision of products or services by COFCO Group to the Group ¹	18.88	30.49	34.06
Provision of products or services by the Group to COFCO Group ²	5.57	20.17	26.74

Notes:

- 1: Products and services provided by COFCO Group to the Group under the 2018 Mutual Supply Agreement include: (i) feed processing services provided by COFCO Group to the Group; (ii) feed, other materials and services provided by COFCO Group to the Group; (iii) poultry products provided by COFCO Group to the Group; (iv) cold storage services provided by COFCO Group to the Group; and (v) central reserved meat provided by COFCO Group to the Group.
- 2: Products and services provided by the Group to COFCO Group under the 2018 Mutual Supply Agreement include: (i) meat products provided by the Group to COFCO Group; (ii) central reserved meat provided by the Group to COFCO Group; (iii) product processing services provided by the Group to COFCO Group; and (iv) agency services for purchase of meat products provided by the Group to COFCO Group.

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Proposed annual cap amount

As set out in the Board Letter, set out below are the proposed annual cap amount for the transactions contemplated under the 2021 Mutual Supply Agreement for the following periods:

	Proposed annual caps for the following periods		
	Year ending	Year ending	Year ending
	31 December	31 December	31 December
	2022	2023	2024
	<i>(RMB'00,000,000)</i>	<i>(RMB'00,000,000)</i>	<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 annual caps

Provision of Products and Services by COFCO Group to the Group

As set out in the Board Letter, in arriving at the above proposed annual cap amount 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. Based on the estimated hog production volume for the three years of 2022, 2023 and 2024, the Group's demands for feed ingredients and finished feed will significantly increase accordingly and account for a substantial portion in the proposed annual caps; (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

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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 high transaction value customers to diversify the types of cooperation with the customers and increase the Group's 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 meat policy to regulate the price volatility and maintain a stable market. Based on market conditions and rotation requirements for central reserved meat, the Chinese government will sell and release central reserved meat into the market through the subsidiaries of COFCO. 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.

As set out in the Board Letter, in 2022, 2023 and 2024, the expected transaction annual cap amounts for provision of products and services by COFCO Group to the Group are approximately RMB3,632 million, RMB4,833 million and RMB5,501 million, respectively.

In order to assess the fairness and reasonableness of the above annual cap components, we have obtained their underlying calculations, discussed the basis and assumptions adopted in such calculations with the management of the Group, and obtained supporting documents where appropriate, available and applicable.

For the transactions involving products and services provided by COFCO Group to the Group, we observed from the underlying calculations of the relevant proposed annual caps and understand that (i) the underlying unit price used in calculating the relevant proposed annual cap are comparable to the historical unit price, (ii) the underlying unit price is expected to remain at around the same level throughout 2022 to 2024. Also, after making enquiries with the management of the Company, we were given to understand that the hog farming business (which involves growth estimations on the hog production volume from 2022 to 2024 compared to the historical hog production volume from 2019 to September 2021) and by extension the requirement for feed products and ingredients of the Company are expected to continue expanding which is in line with the Company's expansion strategy as a whole.

For the transactions involving the provision of central reserved meat by COFCO Group to the Group, we observed that the Company is expected to take part in the price bidding process involving central reserved meat which is in line with the Chinese government's central reserved meat policy.

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Based on the foregoing, we concur with the view of the management of the Company that the relevant proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Provision of Products and Services by the Group to COFCO Group

As set out in the Board Letter, in arriving at the above proposed annual cap amount 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 Group is building two new slaughterhouses. The one in Jilin Province is expected to commence production in the end of 2021, and the one in Inner Mongolia Autonomous Region is expected to commence production in the second half of 2022. Vigorous efforts will be made to acquire 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. Based on market conditions and rotation requirements for central reserved meat, the Chinese government will purchase the central reserved meat from the market through the subsidiaries of COFCO. The Group will participate in the bidding at an appropriate price and will also 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.

As set out in the Board Letter, in 2022, 2023 and 2024, the expected transaction annual cap amounts for the provision of products and services by the Group to COFCO Group are approximately RMB989 million, RMB2,566 million and RMB3,227 million, respectively.

In order to assess the fairness and reasonableness of the above annual cap components, we have obtained their underlying calculations, discussed the basis and assumptions adopted in such calculations with the management of the Group, and obtained supporting documents where appropriate, available and applicable.

For the transactions involving the various meat products and other related products to be provided to COFCO Group from the Group, we observed (i) the historical figures, (ii) the reasons given by the management of the Company that the gradual increase in expected sale volume of meat products to the Group's customers is due to the business requirements of the Group's customers, (iii) the expected steady and slight increase of approximately 3% year-on-year over the future period from 2022 to 2024 on the unit price of meat products that provides a price fluctuation cushion for and is in line with the forecast rate of inflation for China from 2022 to 2024 of approximately 2% (as measured by the average consumer price index) published by the International Monetary Fund on its website in November 2021.

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For the transactions involving the provision of central reserved meat by the Group to COFCO Group, we (i) observed that the Company is expected to take part in the price bidding process involving central reserved meat which is in line with the Chinese government's central reserved meat policy and (ii) obtained a copy of the signed letter of intent issued by COFCO to the Company which details the amount of meat products it intends to purchase from the Company and which is in line with the volume underlying the relevant proposed annual caps.

For the transactions involving the provision of agent services for purchase of meat products by the Group to COFCO Group, we obtained a copy of the signed letter of intent issued by COFCO to the Company which details the value of meat products it intends to purchase from the Company and which is in line with the value underlying the relevant proposed annual caps.

Based on the foregoing, we concur with the view of the management of the Company that the relevant proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Pricing policy

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

As stated in the Board Letter, 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/or 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.

As stated in the Board Letter, 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,

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Huashang, a subsidiary of COFCO, 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.

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

As stated in the Board Letter, 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 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.

As stated in the Board Letter, in respect of the provision of central reserved meat by the Group to COFCO Group, there are generally two ways to purchase and store central reserved meat 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 meat to COFCO Group at prices determined in the following two ways: (a) price bidding. The supply price of the central reserved meat 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 pork supply, COFCO Group is expected

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to negotiate with the Group for the Group to supply COFCO Group with central reserved meat 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.

As stated in the Board Letter, in respect of the provision of agency 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 stated in the Board Letter, as the Group primarily engages in direct-sale of meat products, while rarely engages in agent business for meat products, the Group shall adopt the following price determination mechanism in conducting its agent business:

As stated in the Board Letter, 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.

As stated in the Board Letter, 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.

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We have reviewed samples of (i) at least one contract, invoice or other record (whichever is applicable and available) regarding historical transactions between the Group and COFCO Group for each of the two years ended 31 December 2020 and the nine months ended 30 September 2021; and (ii) at least one contract, invoice, quotation or other record (whichever is applicable and available) regarding relevant similar actual or potential transactions between the Group and other Independent Third Parties for each of the two years ended 31 December 2020 and the nine months ended 30 September 2021. Of these samples, we were not aware of any non-compliance with previous pricing policies.

We also noted from the 2019 annual report and the 2020 annual report of the Company respectively that the independent non-executive Directors had reviewed the continuing connected transactions contemplated under the 2018 Mutual Supply Agreement and confirmed in both years that the transactions had been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and
- (iii) in compliance with fair and reasonable terms regulating various agreements of the above continuing connected transactions and in the interest of the Company and its shareholders as a whole.

We also noted from these annual reports that in both years the Directors had received a letter by Deloitte Touch Tohmatsu (“**Deloitte**”) which was engaged to report on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules”. Deloitte has issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules.

After having considered the above pricing policies, reviewed relevant sample documents, considered the independent non-executive Directors’ reviews and the Company’s auditor’s findings on previous continuing connected transactions, we concur with the view of the management of the Company that such pricing policies are effective and are reasonable measures to ensure that the (i) purchase of products and services by the Group from COFCO Group and (ii) provision of products and services by the Group to COFCO Group under the 2021 Mutual Supply Agreement will be conducted on terms no less favourable to the Group than terms available from Independent Third Parties, and that the pricing basis is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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4. *Internal control system for the 2021 Mutual Supply Agreement*

As stated in the Board Letter, 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 compliance with the pricing policy; and (2) procedures and policies for identifying connected persons and monitoring the annual caps of the continuing connected transactions.

As advised by the management of the Group, for the price determination procedures, the same procedures shall be adopted by the Group for the purchase or supply of products or services by the Group from or to COFCO Group and other Independent Third Parties. The price of purchase or sale transactions proposed to be entered into with COFCO Group will first be reviewed by the business operations department of the Group, which will then make recommendation to the management personnel of the Group. The management personnel of the Group will then discuss and determine the prices for such purchase or sale by the Group from or to COFCO Group. During such discussions, the prices for same or similar products or services paid or charged by the Group involving Independent Third Parties (or quotations thereof) will be compared to ensure that the prices for the products or services purchased or supplied by the Group to COFCO Group will not be less favourable than those available from these Independent Third Parties. Then, the business operations department will use the same assessment criteria to review and approve all contracts under the 2021 Mutual Supply Agreement, and ensure that the Group uses the same procedures to issue purchase or sale orders or invoices. After having gone through the above steps, the Group will proceed to signing the relevant contracts with COFCO Group and/or its subsidiaries.

2021 FINANCIAL SERVICES AGREEMENT

Principal factors and reasons considered

We set out below the principal factors and considerations that we have taken into account in relation to the 2021 Financial Services Agreement in arriving at our advice to the Independent Board Committee and the Independent Shareholders.

1. *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.

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Set out below is a summary of the financial performance of COFCO Finance as extracted from its audited financial statements for the three years ended 31 December 2020 and unaudited financial statement for the six months ended 30 June 2021 (the “**Periods**”) prepared in accordance with PRC accounting principles.

Financial Performance of COFCO Finance

<i>RMB' million</i>	For the year ended 31 December		
	2018	2019	2020
Earnings before taxation	322	379	241
Earnings after taxation	248	291	188

<i>RMB' million</i>	As at 31 December			As at
	2018	2019	2020	30 June
				2021
Cash & cash equivalents	4,865	5,545	5,981	10,348
Total asset	17,991	21,265	23,866	26,854
Net asset value	3,674	3,939	4,109	4,185

We noted from the above financial information that COFCO Finance recorded a solid balance sheet with increasing balances in net assets and satisfactory income performance during the three years ended 31 December 2020. Cash and cash equivalents balance represented approximately 27.04%, 26.08%, 25.06% and 38.53% of total assets as of 31 December 2018, 2019, 2020 and 30 June 2021 respectively. Accordingly, the Directors are of the view that COFCO Finance has satisfactory financial condition to fulfill its obligations contemplated under the 2021 Financial Services Agreement.

We further reviewed the key performance metrics of COFCO Finance as disclosed in the risk management reports for each of the years ended 31 December 2019 and 2020 and the nine months ended 30 September 2021 prepared by PRC registered accountant and as set out in the Board Letter and as set out below. As we are not aware of any operational condition of COFCO Finance which was unsatisfactory when comparing with thresholds which could trigger the termination of the 2021 Financial Services Agreement, we have no reason to doubt that the operational condition of COFCO Finance is unsatisfactory when comparing with the thresholds which could trigger the termination of the 2021 Financial Services Agreement as further discussed in the “4. Major content of Deposit Services under the 2021 Financial Services Agreement” section below.

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	As at 31 December 2019	2020	As at 30 September 2021
Capital adequacy ratio	21.3%	20.3%	21.3%
Non-performing asset ratio	0.0%	0.0%	0.0%
Bad loan ratio	0.0%	0.0%	0.0%
Self-owned fixed assets to equity ratio	0.1%	0.0%	0.0%
Short-term securities investment to equity ratio	5.2%	4.4%	56.2%

Taking into account the above factors, we concur with the Directors' view that COFCO Finance is eligible to provide the Deposit Services to the Group and we are not aware of any matter that would cause us to question the internal control environment or the financial condition of COFCO Finance.

2. Reasons for and benefits of entering into the 2021 Financial Services Agreement

As stated in the Board Letter, 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.

As stated in the Board Letter, 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 offered 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;

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- (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 potential 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

As stated in the Board Letter, the 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.

As stated in the Board Letter, the 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.

As stated in the Board Letter, in assessing the financial risks involved in placing deposits with COFCO Finance, the 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;

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- (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 stated in the Board Letter, 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 relevant Board meeting.

3. Term of the 2021 Financial Services Agreement

As stated in the Board Letter, 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.

We noted from the 2019 annual report and the 2020 annual report of the Company respectively that the independent non-executive Directors had reviewed the continuing connected transactions contemplated under the 2018 Financial Services Agreement and confirmed in both years that the transactions had been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from Independent Third Parties; and
- (iii) in compliance with fair and reasonable terms regulating various agreements of the above continuing connected transactions and in the interest of the Company and its shareholders as a whole.

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We also noted from these annual reports that in both years the Directors had received a letter by Deloitte which was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules". Deloitte has issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules.

4. Major content of Deposit Services under the 2021 Financial Services Agreement

Major terms of the Deposit Services

Set out below are the major terms of the Deposit Services under the 2021 Financial Services Agreement and mutually agreed between the parties as extracted from the Board Letter:

(i) 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.

Prior to placing deposits to COFCO Finance, the Company will seek the interest rates quotation from the Major PRC Commercial Banks to make the strategic decisions on the deposits 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 of the same period.

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

	For the year ending 31 December		
	2022	2023	2024
	(RMB'00,000,000)	(RMB'00,000,000)	(RMB'00,000,000)
Deposit amounts and interests on deposits	15	18	20

As stated in the Board Letter, 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.

(ii) Settlement Terms in relation to the 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;

(iii) 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

Conditions Precedent

The 2021 Financial Services Agreement is conditional upon:

- (i) compliance with all necessary requirements under the Listing Rules, including but not limited to obtaining the approval of the Independent Shareholders at the EGM; and
- (ii) 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 Civil Code 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:

- (i) the capital adequacy ratio is not less than 12%;
- (ii) the non-performing assets ratio is not more than 2%;
- (iii) the bad loan ratio is not more than 3%;

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- (iv) the self-owned fixed assets to equity ratio is not more than 10%;
- (v) investment balance to net capital ratio is not more than 70%.

As stated in the Board Letter, COFCO Finance has established a complete internal control system to ensure that the company operates properly and its indicators meet relevant requirements. In addition, COFCO Finance will submit monthly regulatory statements to the CBIRC and prepare monthly accounting statements to ensure that operating conditions are met. The Company also requires COFCO Finance to provide the Company with a quarterly audit report on the internal control for risk management prepared by a Chinese certified public accountant to stay up-to-date on COFCO Finance's operating conditions.

As set out in the Board Letter, 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.

Measures of Determining the Pricing Terms of the Deposit Services

The following measures of determining the pricing terms of the Deposit Services are extracted from the Board Letter:

In order to ensure that the pricing terms of individual transactions under the Deposit 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 rates will be established based on fair market principle. For example, an analysis and assessment will be conducted between (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 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 deposits of the Major PRC Commercial Banks are displayed on their websites, which are open for public search. Prior to placing deposits to COFCO Finance, the Company will seek the interest rates quotation from the Major PRC Commercial Banks to make the strategic decisions on the deposits 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 services of the same period.

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

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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 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, 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 the adjustment of interest rates by COFCO Finance which should be consistent with the requirements on interest rates under the 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 business. 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) conducts close tracking on the market and implementation of caps set for the deposit business. 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 business 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.

The existing standard deposit rates of PBC are set out below:

	Standard deposit rates of PBC <i>% per annum</i>
Demand deposits	0.35
Agreement deposits	1.15
Call deposits	
1-day	0.80
7-day	1.35
Term deposits	
3-month	1.10
6-month	1.30
1-year	1.50
2-year	2.10
3-year	2.75

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According to the 2021 Financial Services Agreement, the interest rates on the deposit services offered by COFCO Finance to the Group shall be not less than those offered by Major PRC Commercial Banks. As advised by the management of Company, the Company normally sought deposit rate quotations from three of the Major PRC Commercial Banks before making any necessary deposit with COFCO Finance under the 2021 Financial Services Agreement.

In order to assess the effectiveness of the aforementioned mechanism to ensure that the transactions under the Deposit Services will be made in accordance with the pricing principles stated in the 2021 Financial Services Agreement, we have obtained records from the Company showing the historical interest rates offered by COFCO Finance to the Group for the deposits under the 2018 Financial Services Agreement from 1 January 2019 to 30 September 2021 and compared them with the standard deposit rates promulgated by PBC and the interest rates offered by the Major PRC Commercial Banks during the same period for deposits of the same type. The management of the Company confirms that it is not aware of the historical interest rates offered by COFCO Finance from 1 January 2019 to 30 September 2021 being lower than the interest rates offered by the Major PRC Commercial Banks and the standard deposit rates promulgated by PBC, and we concur with the view of the management of the Company. Based on the review result above, we have no reason to doubt the effectiveness of the mechanism which ensures the interest rates under the Deposit Services follow the pricing principle stated in the 2021 Financial Services Agreement.

The Undertakings by COFCO

As stated in the Board Letter, on 26 November 2021, COFCO provided 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.

As stated above in the section headed “2. Reasons for and benefits of entering into the 2021 Financial Services Agreement”, the Directors, in assessing the financial risks involved in placing deposits with COFCO Finance, have taken into account that (i) 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; (ii) COFCO

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Finance has established internal control and risk management systems in accordance with the relevant PRC financial services rules and regulations; (iii) the finance department of the Company will report to the independent non-executive Directors on a quarterly basis; (iv) 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 (v) 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. In addition, given that (i) the deposit interest rates to be offered to the Company or its respective subsidiaries of the Company by COFCO Finance will be determined in accordance with the standard deposit rates promulgated by the PBC from time to time which will not be lower than the standard deposit rates promulgated by PBC for 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 same type of deposits of the same period; (ii) the Company can terminate the 2021 Financial Services Agreement and withdraw all deposits placed with COFCO Finance if COFCO Finance fails to maintain healthy operational metrics; and (iii) the Undertakings is provided by COFCO to protect the Company against potential risks for procuring the Deposit Services, we concur with the Directors' view that the respective terms in relation to Deposit Services contemplated under the 2021 Financial Services Agreement are on normal commercial terms or better and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Proposed Deposit Cap

The historical amounts between COFCO Finance and the Group and the relevant caps (if any) 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

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Annual cap for
Historical amounts the relevant year
(RMB'00,000,000) (RMB'00,000,000)

For the nine months ended
30 September 2021

Deposit amounts and interests on deposits	Approximately 9.57	15.19
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Note: as advised by the management of the Company, the above historical “Deposit amounts and interests on deposits” shows the maximum daily deposit amounts with COFCO Finance in a given year.

As set out in the Board Letter, set out below is the Proposed Deposit Cap (which includes the cap for interests on deposits) for the three years ending 31 December 2024:

For the year ending 31 December		
2022	2023	2024
<i>(RMB'00,000,000)</i>	<i>(RMB'00,000,000)</i>	<i>(RMB'00,000,000)</i>

Maximum daily deposit amounts (including interest accrued thereon)	15	18	20
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As set out in the Board Letter, 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 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;

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- (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 RMB350 million in 2023 and 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.

We have (i) reviewed underlying records showing the maximum deposit amount of the Company throughout 2019 to 2021 provided by the Company, which could reach more than 85% of the Proposed Deposit Cap and (ii) reviewed underlying records showing the interest rates offered by COFCO Finance for the two years ended 31 December 2019 and 2020 and the nine months ended 2021 being more favourable than or at least equal to those available from the Major PRC Commercial Banks, which enables us to concur with the view of the management of the Company that the implied demand for the Deposit Services could sufficiently justify the interest portion of the Proposed Deposit Cap. Having (i) carried out the above work done, (ii) considered the historical transaction amounts, (iii) considered the expected amount of cash available for deposit from 2022 to 2024 and (iv) the equivalent or better interests rates expected to be offered by COFCO Finance, we concur with the view of the management of the Company that the Proposed Deposit Cap (including the basis and assumptions/projections applied in the relevant calculations) are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Moreover, in light of the conditions attached to the 2021 Financial Services Agreement, in particular, (1) the restriction of the maximum daily outstanding balance of deposits (including accrued interest) to be placed by the Group with COFCO Finance by way of the Proposed Deposit Cap; (2) the internal control system adopted to ensure that the annual caps set for the Deposit Services are not exceeded; (3) the ongoing review by the independent non-executive Directors and auditors of the Company regarding the terms of the 2021 Financial Services Agreement; and (4) the continuing review by the auditors of the Company confirming the Proposed Deposit Cap not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the 2021 Financial Services Agreement and safeguard the interests of the Independent Shareholders in relation to the Proposed Deposit Cap.

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Having considered all of the above factors, we consider that the Proposed Deposit Cap stipulated under the 2021 Financial Services Agreement is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

5. *Internal control system for the 2021 Financial Services Agreement*

As set out in the Board Letter, the Company has taken the following monitoring controls to ensure that the annual caps set for Deposit Services are not exceeded:

- (a) funds daily report will be issued every morning by the treasury cashiers on the amount of deposits 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 to make sure that the annual caps will not be exceeded; and
- (d) internal control reports on the risks management issued by COFCO Finance quarterly will be reviewed by the Company.

RECOMMENDATION

Having taken into account the above factors and reasons, we consider that (1) both the 2021 Mutual Supply Agreement and the 2021 Financial Services Agreement are entered into in the ordinary and usual course of business of the Group; and (2) the terms of the 2021 Mutual Supply Agreement and the Deposit Services under the 2021 Financial Services Agreement (including the relevant proposed annual caps) are of normal commercial terms or better, are in the interests of the Company and the Independent Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolutions at the EGM to approve the 2021 Mutual Supply Agreement and the Deposit Services under the 2021 Financial Services Agreement (including the relevant proposed annual caps).

Yours faithfully,
For and on behalf of
Oriental Patron Asia Limited
Joseph Chan Benson Chan
Director Director

Mr. Joseph Chan and Mr. Benson Chan are licensed persons under the SFO to carry out type 6 (advising on corporate finance) regulated activity under the SFO and regarded as responsible officers of Oriental Patron Asia Limited. Mr. Joseph Chan and Mr. Benson Chan have over 15 and 10 years of experience in corporate finance industry, respectively.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests of the Directors and chief executive in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”), to be notified to the Company and the Stock Exchange, were as follows:

Interests in the Shares or underlying Shares of the Company

Name of Director	Capacity/Nature of interests	Number of Shares held	Percentage of the Company's issued share capital
Xu Jianong	Beneficial owner	1,014,320 (Long position)	0.03%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates is or was interested in any business, apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business.

DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any assets which have been, since 31 December 2020 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular and which is significant in relation to the businesses of the Group.

LITIGATION

So far as the Company is aware, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors pending or threatened by or against any member of the Group.

EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions contained in and referred to in this circular:

Name	Qualification
Oriental Patron Asia Limited	A licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities

The Independent Financial Adviser has given and has not withdrawn its consent to the issue of this circular with inclusion of its letter and reference to its name in the form and context in which they appear respectively.

As at the Latest Practicable Date, the Independent Financial Adviser had no shareholding in the Company or any other member of the Group or right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities of the Company or any other member of the Group.

As at the Latest Practicable Date, the Independent Financial Adviser had no direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2020 (the date to which the latest published audited consolidated financial statements of the Company were made up) or proposed to be so acquired, disposed of or leased to.

The letter and recommendations from the Independent Financial Adviser are set out on pages 32 to 58 of this circular and are given for incorporation in this circular.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading positions of the Group since 31 December 2020, the date to which the latest published audited consolidated financial statements of the Group were made up.

MISCELLANEOUS

- (a) The Company's registered office is at Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands.
- (b) The joint secretaries of the Company are Dr. Zhang Nan and Ms. Chau Hing Ling. Ms. Chau is a fellow member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Chartered Governance Institute (formerly known as Hong Kong Institute of Chartered Secretaries).
- (c) The Company's branch share registrar in Hong Kong is Tricor Investor Services Limited, whose business address is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English texts of this circular and the accompanying proxy form shall prevail over the Chinese texts.

DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange at <http://www.hkexnews.hk> and the website of the Company at <http://www.cofcojoycome.com> during the period from the date of this circular up to and including the date of the EGM:

- (a) the 2021 Mutual Supply Agreement; and
- (b) the 2021 Financial Services Agreement.

NOTICE OF EGM

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中糧家佳康食品有限公司
COFCO Joycome Foods Limited
(incorporated in Cayman Islands with limited liability)
(Stock code: 01610)

NOTICE OF EGM

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of COFCO Joycome Foods Limited (the “**Company**”) will be held at 10:00 a.m. on Wednesday, 12 January 2022 at Conference Room Joycome, 8/F, COFCO Fortune Plaza, No.8 Chao Yang Men South Street, Chaoyang District, Beijing, PRC, for the purpose of considering and, if thought fit, passing with or without amendments, the following ordinary resolutions:

1. “**THAT**

- (1) the implementation of the 2021 Mutual Supply Agreement (as defined in the circular of the Company dated 23 December 2021 (the “**Circular**”), a copy of which has been produced to the EGM marked “A” and initialled by the chairman of the EGM for identification purpose, be and is hereby confirmed, ratified and approved;
- (2) the transactions contemplated under the 2021 Mutual Supply Agreement entered into between (i) COFCO (as defined in the Circular) and (ii) the Company (as defined in the Circular) be and are hereby approved subject to the relevant caps set out in the Circular;
- (3) any one or more of the directors of the Company be and are hereby authorised to do all such further acts and things, negotiate, approve, agree, sign, initial, ratify and/or execute such further documents and take all steps which in their opinion may be necessary, desirable or expedient.”

NOTICE OF EGM

2. **“THAT**

- (1) the deposit services to be provided by COFCO Finance Company Limited (“**COFCO Finance**”) pursuant to the financial services agreement dated 16 November 2021 between COFCO Finance and the Company (the “**2021 Financial Services Agreement**”), a copy of which has been produced to the EGM marked “B” and initialled by the chairman of the EGM for identification purposes, and the maximum daily deposit amounts (including interest accrued thereon) on a daily basis in the total amount of RMB1.5 billion, RMB1.8 billion and RMB2 billion, respectively, for the three years ending 31 December 2024 set out in the Circular be and are hereby confirmed, ratified and approved;
- (2) any one or more of the directors of the Company be and are hereby authorised to do all such further acts and things, negotiate, approve, agree, sign, initial, ratify and/or execute such further documents and take all steps which in their opinion may be necessary, desirable or expedient.”

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

Beijing, the PRC, 23 December 2021

NOTICE OF EGM

Notes:

1. The register of members of the Company will be closed from Friday, 7 January 2022 to Wednesday, 12 January 2022, both days inclusive, during which no transfers of shares will be registered. In order to qualify for attendance and voting at the EGM, all transfer documents should be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Thursday, 6 January 2022.
2. The resolution set out in this Notice of EGM will be voted on by poll.
3. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote for him/her. A proxy need not be a member of the Company. The Company strongly recommends you to monitor the development of the situation with the COVID-19 and to assess, based on the social distancing policies, the necessity for attending the above meeting in person, and the board of directors of the Company respectfully requests that, for the same reason, the shareholders to appoint the chairman of the above meeting as their proxy rather than a third party to attend and vote on their behalf at the above meeting (or any adjournment thereof).
4. A form of proxy for use at the EGM is enclosed. To be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of that power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time scheduled for holding the EGM (i.e. before 10:00 a.m. on Monday, 10 January 2022) or any adjournment of it.
5. Where there are joint holders of any share, any one of such holders may vote at the EGM, either in person or by proxy, in respect of such shares as if he/she were solely entitled to vote. But if more than one of such joint holders are present at the EGM in person or by proxy, the person so present whose name stands first in the register of members of the Company in respect of such share shall alone be entitled to vote in respect of it.
6. Completion and return of the form of proxy will not preclude a member from attending the EGM and voting in person at the EGM or any adjourned meeting if he/she so desires. If a member attends the EGM after having deposited the form of proxy, his/her form of proxy will be deemed to have been revoked.
7. Taking into account of the recent development of the epidemic caused by novel coronavirus pneumonia (COVID-19), the Company will implement the following prevention and control measures at the above meeting against the epidemic to protect the Shareholders of the Company from the risk of infection:
 - (i) compulsory body temperature check will be conducted for every Shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.3 degrees Celsius will not be permitted to access to the meeting venue;
 - (ii) every Shareholder or proxy is required to wear surgical face mask throughout the meeting;
 - (iii) no souvenirs will be provided; and
 - (iv) no refreshments will be served
8. The EGM is expected to last for no more than half a day. Shareholders who attend the EGM shall bear their own travelling and accommodation expenses.

As at the date of this notice, the Board of Directors of the Company 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.