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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 01610)

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

RENEWAL OF THE EXISTING AGREEMENTS

Reference is made to the prospectus of the Company dated 19 October 2016, the announcement of the Company dated 23 November 2016, the circular of the Company dated 20 December 2016 and the poll results announcement of the Company dated 9 January 2017 in relation to, inter alia, the continuing connected transactions regarding the Existing Agreements.

As the Existing Expiring Agreements will be expired on 31 December 2018, the 2017 Financial Services Agreement will be expired on 31 December 2019 and the Company intends to continue the various transactions contemplated under the Existing Agreements and to renew the relevant agreements for a term of three years. Accordingly, the Board announces that the Company entered into the New Agreements with COFCO, COFCO Finance, COFCO Sunshine or Bapton (as the case may be) on 23 November 2018 to renew the Existing Agreements.

LISTING RULES IMPLICATIONS

As at the date of this announcement, COFCO is a substantial shareholder of the Company interested in approximately 29.10% of the total issued share capital of the Company, therefore COFCO together with COFCO Finance, COFCO Sunshine and Bapton which are subsidiaries 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.

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 New Partially-Exempt Agreements are less than 5%, the New Partially-Exempt Agreements (including their respective annual caps) are subject to reporting and announcement requirements, but are exempt from the Independent Shareholders' approval requirements, under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the proposed annual caps of the transactions contemplated under the 2018 Mutual Supply Agreement and the Deposit Services (including Proposed Deposit Cap) contemplated under the 2018 Financial Services Agreement exceed(s) 5%, the 2018 Mutual Supply Agreement (including their respective annual caps) and the Deposit Services (including Proposed Deposit Cap) contemplated under the 2018 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.

Notwithstanding that the applicable percentage ratios with reference to the 2018 Mutual Supply Agreement exceed 5%, pursuant to Rule 14.04(1)(g) of the Listing Rules, the transactions contemplated under the 2018 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.

In addition, as one or more of the applicable percentage ratios for the Proposed Deposit Cap exceed(s) 25%, the Deposit Services contemplated under the 2018 Financial Services Agreement also constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

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

As each of the applicable percentage ratios (other than the profits ratio) 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 Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders as to the fairness and reasonableness in respect of the 2018 Mutual Supply Agreement (including the proposed annual caps) and the conditional Deposit Services (including the Proposed Deposit Cap) to be provided by COFCO Finance pursuant to the 2018 Financial Services Agreement.

An independent financial adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of 2018 Mutual Supply Agreement (including the proposed annual caps) and the conditional Deposit Services (including the Proposed Deposit Cap) to be provided by COFCO Finance pursuant to the 2018 Financial Services Agreement.

A circular containing, among other things, details of 2018 Mutual Supply Agreement (including the proposed annual caps) and the conditional Deposit Services (including the Proposed Deposit Cap) to be provided by COFCO Finance pursuant to the 2018 Financial Services Agreement, a letter from the Independent Board Committee to the Independent Shareholders, a letter from the independent financial adviser, such other information as required under the Listing Rules and a notice of the EGM is expected to be despatched to the Shareholders on or before 19 December 2018, which is more than 15 business days after the publication of this announcement, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

RENEWAL OF THE EXISTING AGREEMENTS

Reference is made to the prospectus of the Company dated 19 October 2016, the announcement of the Company dated 23 November 2016, the circular of the Company dated 20 December 2016 and the poll results announcement of the Company dated 9 January 2017 in relation to, inter alia, the continuing connected transactions regarding the Existing Agreements.

As the Existing Expiring Agreements will be expired on 31 December 2018, the 2017 Financial Services Agreement will be expired on 31 December 2019 and the Company intends to continue the various transactions contemplated under the Existing Agreements and to renew the relevant agreements for a term of three years. Accordingly, the Board announces that the Company (or its subsidiary) entered into the New Agreements with COFCO, COFCO Finance, COFCO Sunshine or Bapton (as the case may be) on 23 November 2018 to renew the Existing Agreements.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION: THE 2018 MUTUAL SUPPLY AGREEMENT

The major terms of the 2018 Mutual Supply Agreement are set out below.

Date:

23 November 2018 (after trading hours)

Parties:

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

Details of the Transactions:

1. Purchase of feed processing services by the Group from COFCO Group;
2. Purchase of feed and other materials and services by the Group from COFCO Group;
3. Purchase of poultry products by the Group from COFCO Group;
4. Use of cold storage services by the Group from COFCO Group;
5. Purchase of central reserved pork by the Group from COFCO Group;
6. Supply of meat products by the Group to COFCO Group;
7. Supply of central reserved pork by the Group to COFCO Group; and
8. Supply of product processing services by the Group to COFCO Group.

Duration:

The 2018 Mutual Supply Agreement is for a term from 1 January 2019 to 31 December 2021 and is conditional upon, among other things, the 2018 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.

Pursuant to Rule 14A.81 of the Listing Rules, the aggregate transaction amounts payable under the 2018 Mutual Supply Agreement for the years ending 31 December 2019, 2020 and 2021 are expected to be approximately RMB1,531,720,000, RMB1,856,110,000 and RMB2,206,820,000, respectively. As a result, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 5% on an annual basis. The 2018 Mutual Supply Agreement will therefore be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Purchase of Feed Processing Services

Pursuant to the 2018 Mutual Supply Agreement, COFCO Group and/or its associates will process feed ingredients provided by the Group into feed products, including but not limited to feed for piglets, nursery hogs, finishing hogs and breeding stock, mixed feed and other related products, at a processing fee determined based on prevailing market price.

Pricing

The processing fee payable by us to COFCO is determined based on prevailing market price with reference to prices quoted by service providers which are Independent Third Parties.

Historical figures

Set out below is a summary of the historical transaction amounts for the transactions contemplated under the 2016 Mutual Supply Agreement for the following periods:

	Historical figures for the following periods		
	Year ended	Year ended	Nine months ended
	31 December 2016	31 December 2017	30 September 2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(approx.)</i>	<i>(approx.)</i>	<i>(approx.)</i>
Processing fee payable by the Company to COFCO	10,732	9,366	5,311

Annual cap amount

Set out below is the proposed annual cap amount for the transactions contemplated under the 2018 Mutual Supply Agreement for the following periods:

	Proposed annual caps for the following periods		
	Year ending	Year ending	Year ending
	31 December 2019	31 December 2020	31 December 2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Processing fee payable by the Company to COFCO	9,100	9,100	9,100

In arriving at the above proposed annual cap amount in respect of the processing fee payable by the Company to COFCO, the Directors have considered the following factors:

- (1) the historical figures as set out above; and
- (2) the unit price and the commissioned processing volume which is expected to be stable.

Purchase of Feed, Other Materials and Services from COFCO Group

Pursuant to the 2018 Mutual Supply Agreement, the Group will purchase from COFCO Group and/or its associates various feed products, feed ingredients, materials for production and business such as protein powder and corn syrup and other related products and services at prevailing market prices.

Pricing

The purchase price of feed products, other materials and services payable is determined based on the quotations provided by other qualified suppliers which are Independent Third Parties for similar goods of similar quality.

Historical figures

Set out below is a summary of the historical transaction amounts for the transactions contemplated under the 2016 Mutual Supply Agreement for the following periods:

	Historical figures for the following periods		
	Year ended	Year ended	Nine months ended
	31 December 2016	31 December 2017	30 September 2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(approx.)</i>	<i>(approx.)</i>	<i>(approx.)</i>
Purchase of feed products, feed ingredients, other materials and services	575,965	433,779	516,657

Annual cap amount

Set out below is the proposed annual cap amount for the transactions contemplated under the 2018 Mutual Supply Agreement for the following periods:

	Proposed annual caps for the following periods		
	Year ending	Year ending	Year ending
	31 December 2019	31 December 2020	31 December 2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Purchase of feed products, feed ingredients, other materials and services	1,257,000	1,543,000	1,836,000

In arriving at the above proposed annual cap amount in respect of the purchase of feed products, feed ingredients, other materials and services payable, the Directors have considered the following factors:

- (1) the historical figures as set out above;
- (2) the increase in feed product and ingredient due to the expansion in scale of the hog farms;
- (3) the increasing production scale of self-owned feed mills of the Company;
- (4) the planned addition of new self-owned feed mills and slaughterhouses leading to further purchases of services and other materials from COFCO Group; and
- (5) a meat products processing factory being put into production since 2018, which requires other materials such as sugar, oil and other food processing materials.

Purchase of Poultry Products from COFCO Group

Pursuant to the 2018 Mutual Supply Agreement, the Group will purchase from COFCO Group and/or its associates certain poultry products (the “**Poultry Products**”), at prevailing market prices.

Pricing

The purchase price of Poultry Products is determined based on the quotations provided by other qualified suppliers which are Independent Third Parties for similar goods of similar quality.

Historical figures

Set out below is a summary of the historical transaction amounts for the transactions contemplated under the 2016 Mutual Supply Agreement for the following periods:

	Historical figures for the following periods		
	Year ended	Year ended	Nine months ended
	31 December 2016	31 December 2017	30 September 2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(approx.)</i>	<i>(approx.)</i>	<i>(approx.)</i>
Purchase of Poultry Products	14,130	8,063	6,519

Annual cap amount

Set out below is the proposed annual cap amount for the transactions contemplated under the 2018 Mutual Supply Agreement for the following periods:

	Proposed annual caps for the following periods		
	Year ending	Year ending	Year ending
	31 December 2019	31 December 2020	31 December 2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Purchase of Poultry Products	7,720	8,510	9,320

In arriving at the above proposed annual cap amount in respect of the purchase of Poultry Products, the Directors have considered the following factors:

- (1) the historical figures as set out above; and
- (2) the expected increase in the demand for raw materials and meat products from 2019 to 2021 from our major customers.

Use of Cold Storage Services from COFCO Group

Pursuant to the 2018 Mutual Supply Agreement, the Group will obtain from COFCO Group and/or its subsidiaries cold storage services.

Pricing

The service fee for the cold storage facilities is determined based on the standard price offered by other suppliers which are Independent Third Parties.

Historical figures

Set out below is a summary of the historical transaction amounts for the transactions contemplated under the 2016 Mutual Supply Agreement for the following periods:

	Historical figures for the following periods		
	Year ended	Year ended	Nine months ended
	31 December 2016	31 December 2017	30 September 2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(approx.)</i>	<i>(approx.)</i>	<i>(approx.)</i>
Service fees	641	869	584

Annual cap amount

Set out below is the proposed annual cap amount for the transactions contemplated under the 2018 Mutual Supply Agreement for the following periods:

	Proposed annual caps for the following periods		
	Year ending	Year ending	Year ending
	31 December 2019	31 December 2020	31 December 2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Service fees	7,100	8,700	10,600

In arriving at the above proposed annual cap amount in respect of the service fees for the cold storage facilities, the Directors have considered the following factors:

- (1) the historical figures as set out above;
- (2) the expected increase in slaughter capacity, which leads to an increase in storage requirements; and
- (3) the need for storage of international trade imported frozen meat products with the volume increasing year by year.

Purchase of central reserved pork from COFCO Group

Pursuant to the 2018 Mutual Supply Agreement, the Group will purchase from COFCO Group and/or its associates central reserved pork, at prices which were determined upon price bidding.

The state carries out the central reserved frozen pork storage and rotation outgoing from time to time to deal with abnormal natural fluctuations, public health events, animal epidemics or other emergencies. Huashang and China Food which are subsidiaries of COFCO Group are the actual execution units of the national reserve meat, of which Huashang being the management unit of central reserved pork and China Food operating the national reserve cold storage.

Pricing

The purchase price was determined upon price bidding by the participating enterprises through the electronic system of Beijing China Merchandise Reserve Exchange at fair value and is generally not higher than the price of similar products purchased from Independent Third Parties by the Company in the open market during the same period.

Historical figures

Set out below is a summary of the historical transaction amounts for the following periods in respect of the purchase of central reserved pork from COFCO Group by the Group:

	Historical figures for the following periods	
	Year ended	Nine months ended
	31 December 2017	30 September 2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(approx.)</i>	<i>(approx.)</i>
Purchase of central reserved pork	0	9,378

Annual cap amount

Set out below is the proposed annual cap amount for the transactions contemplated under the 2018 Mutual Supply Agreement for the following periods:

	Proposed annual caps for the following periods		
	Year ending	Year ending	Year ending
	31 December 2019	31 December 2020	31 December 2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Purchase of central reserved pork	12,300	12,300	12,300

In arriving at the above proposed annual cap amount in respect of the purchase of central reserved pork, the Directors have considered the following factors:

- (1) the historical figures as set out above; and
- (2) the Group's plan in relation to central reserved pork under the national reserve meat auction.

Supply of Meat Products to COFCO Group

Pursuant to the 2018 Mutual Supply Agreement, the Group will sell to COFCO Group and/or its associates 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.

Pricing

The supply price of meat products is determined as follows:

- (a) for products to be sold via womai.com, the price is determined based on the price of similar products offered to other e-commerce sales channels which are Independent Third Parties;
- (b) for products to be sold for consumption and resale, the price is determined based on prevailing market prices; and
- (c) for products to be used for food production, the price is determined based on the prices offered to other food processors which are Independent Third Parties.

Historical figures

Set out below is a summary of the historical transaction amounts for the transactions contemplated under the 2016 Mutual Supply Agreement for the following periods:

	Historical figures for the following periods		
	Year ended	Year ended	Nine months ended
	31 December 2016	31 December 2017	30 September 2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(approx.)</i>	<i>(approx.)</i>	<i>(approx.)</i>
Sales revenue from supply of meat products	128,650	72,834	78,002

Annual cap amount

Set out below is the proposed annual cap amount for the transactions contemplated under the 2018 Mutual Supply Agreement for the following periods:

	Proposed annual caps for the following periods		
	Year ending	Year ending	Year ending
	31 December 2019	31 December 2020	31 December 2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Sales revenue from supply of meat products	222,000	257,000	310,000

In arriving at the above proposed annual cap amount in respect of the sales revenue from the supply of meat products by the Group under the 2018 Mutual Supply Agreement, the Directors have considered the following factors:

- (1) the historical figures as set out above;
- (2) the expansion of the COFCO Group's meat processing business which will lead to a significant increase in the demand for raw meat;
- (3) The breeding and slaughter operations of COFCO Group is expected to decrease in the future, leading to an expected increase in demand by COFCO Group for raw meat;
- (4) the expected increase in unit prices due to historical price increases from 2017 to 2018 and international commodity price fluctuations; and
- (5) increase in new customers of the Group, which is expected to lead to an increase in the sales of meat products.

Supply of central reserved pork to COFCO Group

Pursuant to the 2018 Mutual Supply Agreement, the Group will sell to COFCO Group and/or its associates central reserved pork at the prices which are determined upon price bidding.

Pricing

The supply price was determined upon price bidding by the participating enterprises through the electronic system of Beijing China Merchandise Reserve Exchange at fair value and is generally not less than the price of similar products supply to Independent Third Parties by the Company in the open market during the same period.

Historical figures

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

	Historical figures for the following periods	
	Year ended	Nine months ended
	31 December 2017	30 September 2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(approx.)</i>	<i>(approx.)</i>
Sales revenue from supply of central reserved pork	12,844	0

Annual cap amount

Set out below is the proposed annual cap amount for the transactions contemplated under the 2018 Mutual Supply Agreement for the following periods:

	Proposed annual caps for the following periods		
	Year ending	Year ending	Year ending
	31 December 2019	31 December 2020	31 December 2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Sales revenue from supply of central reserved pork	14,500	14,500	14,500

In arriving at the above proposed annual cap amount in respect of the sales revenue from the supply of central reserved pork by the Group under the 2018 Mutual Supply Agreement, the Directors have considered the following factors:

- (1) the historical figures as set out above; and
- (2) the Group's plan in relation to central reserved pork under the national reserve meat purchasing and storage.

Supply of Product Processing Services to COFCO Group

Pursuant to the 2018 Mutual Supply Agreement, the Group will supply the product processing services to COFCO Group and/or its associates.

Pricing

The processing fee payable by COFCO to the Group is determined based on the prevailing market price.

Annual cap amount

Set out below is the proposed annual cap amount for the transactions contemplated under the 2018 Mutual Supply Agreement for the following periods:

	Proposed annual caps for the following periods		
	Year ending	Year ending	Year ending
	31 December 2019	31 December 2020	31 December 2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Processing fee	2,000	3,000	5,000

In arriving at the above proposed annual cap amount in respect of the processing fee, the Directors have considered the following:

- (1) Although the new factories of the Group has been officially put into operation in the second half of 2018, the production is limited because there is a limited amount of customers. In order to avoid the processing equipment being idle, the Group will supply the meat product processing services to the COFCO Group during the term of the 2018 Mutual Supply Agreement;
- (2) the stable unit price; and
- (3) the expected increase in production scale.

Internal control system for the continuing connected transactions under the 2018 Mutual Supply Agreement

The Company has (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.

Reasons for and Benefits of the Transactions:

The provision of services by COFCO Group and/or its subsidiaries or the supply 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 services and products by the Group to COFCO Group are expected to add value to the sales and distribution of meat products of the Group.

The Directors (excluding the independent non-executive Directors who will form their view after considering the advice of the independent financial adviser) are of the view that the 2018 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 2018 Mutual Supply Agreement and the transactions contemplated thereunder (including the related annual caps) are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

As Mr. Jiang Guojin, the chairman of the Board and an executive Director of the Company, is the senior industry executive of COFCO, and Ms. Yang Hong who is the non-executive Director of the Company is the equity director of COFCO, they are deemed to be materially interested in the 2018 Mutual Supply Agreement and the transactions contemplated thereunder. They have abstained from voting on the resolutions in relation to considering and approving the 2018 Mutual Supply Agreement and the transactions contemplated thereunder at the Board meeting.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION AND MAJOR TRANSACTION: THE 2018 FINANCIAL SERVICES AGREEMENT

Although the 2017 Financial Services Agreement will be expired on 31 December 2019, the Company intends to revise the annual caps in relation to the financial services provided by COFCO Finance contemplated under the 2017 Financial Services Agreement. Therefore, the Company entered into the 2018 Financial Services Agreement with COFCO Finance.

Principal terms of the 2018 Financial Services Agreement are set out as follows:

1. Date

23 November 2018 (after trading hours)

2. Effective Date and the Term

The 2018 Financial Services Agreement shall become effective on 1 January 2019 upon the approval of the Independent Shareholders at the EGM and will be valid until 31 December 2021.

3. Parties

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

4. Major Terms

(a) Deposit Services

COFCO Finance will provide deposit services to the Group pursuant to the 2018 Financial Services Agreement. The Group will open and maintain deposit accounts with COFCO Finance.

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

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

	For the years ending December 31		
	2019	2020	2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Deposit amounts	1,000,000	1,000,000	1,000,000
Interests on deposits	7,000	7,000	7,000

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 2018 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 of 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 December 31		
	2019	2020	2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Principal amounts	1,200,000	1,200,000	1,200,000
Interests on loans	30,450	30,450	30,450

(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 2018 Financial Services Agreement. COFCO Finance will only act as agent for the capital management entity of the Group (i.e. COFCO Meat Investments Company Limited (中糧肉食投資有限公司)) and charge handling fees in connection with the Entrustment Loan Services. COFCO Finance will not require the Group to provide any type of guarantees or securities with respect to the Entrustment Loan Services.

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

(d) *Other Financial Services*

COFCO Finance will provide the Other Financial 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 2018 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 2018 Financial Services Agreement.

The handling fees and other services fees to be charged by COFCO Finance in connection with the Other Financial Services will not be higher than those offered by other PRC financial institutions to the Group for 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 and the Other Financial Services shall not exceed the amounts stated below:

	For the years ending 31 December		
	2019 (RMB'000)	2020 (RMB'000)	2021 (RMB'000)
Handling fees on Entrustment Loan Services	420	420	420
Handling fees and other service fees in connection with Other Financial Services	967	967	967

(e) *Settlement Terms*

Set out below are the settlement terms of the respective services under the 2018 Financial Services Agreement:

(i) Interest income from the Deposit Services

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

(ii) Interest expense of the Loan Services

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

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

COFCO Finance, as an agent of the Group for entrustment loans, will not require the Group to provide any type of guarantees or securities with respect of the Entrustment Loans 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 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 2018 Financial Services Agreement.*

5. Measures of Determining the Pricing Terms

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 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 and loan of the Major PRC Commercial Banks are determined according to the standard rate promulgated by PBC from time to time which is fairly stable and will fluctuate according to the situations of the customers. The interest rates of the deposits and loans of the Major PRC Commercial Banks are displayed in their websites, which are open for public search. Prior to placing deposits to or requesting loans from COFCO Finance, the Company will seek the interest rates quotation from the Major PRC Commercial Banks to make the strategic decisions on the deposits and loans financial services, to ensure that the interests rates offered by COFCO Finance will not be worse than 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 2018 Financial Services Agreement.

With respect to COFCO Finance, a risk management committee and an independent audit department have been established. The risk management committee is responsible for the review of, approval for and decision-making on the pricing policies of deposit and lending business, and handling fees for the entrustment loan services and handling fee and other service fee for the other financial services. The risk management committee (i) reviews the interest rates proposal for 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 2018 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.

6. *Conditions Precedent*

The 2018 Financial Services Agreement is conditional upon:

- (a) compliance with all necessary requirements under the Listing Rules, which include but not limited to the obtaining the approval of the Independent Shareholders at the EGM; and
- (b) obtaining any other relevant approvals as may be required for the 2018 Financial Services Agreement to take effect.

7. Termination

Save as described below, the 2018 Financial Services Agreement shall not be terminated by any party unilaterally. In addition to the default events provided by the Contract Law of the PRC, the 2018 Financial Services Agreement will be terminated with immediate effect if COFCO Finance fails to satisfy any operation condition as follows:

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

Upon termination of the 2018 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.

8. Historical Amounts

The historical amounts between COFCO Finance and the Group and the relevant cap (if any) for the two years ended 31 December 2016 and 2017 and the nine months ended 30 September 2018 are set out below:

	Historical amounts <i>(RMB'000)</i>	Annual Cap for the relevant year (if any) <i>(RMB'000)</i>
For the year ended 31 December 2016		
(a) Deposit amounts	Approximately 372,484 (maximum historical amount on a daily basis)	1,000,000 on a daily basis
(b) Interests on deposits	Approximately 1,300	6,960
For the year ended 31 December 2017		
(a) Deposit amounts	Approximately 315,607 (maximum historical amount on a daily basis)	1,000,000 on a daily basis
(b) Interests on deposits	Approximately 1,172	7,535
For the nine months ended 30 September 2018		
(a) Deposit amounts	Approximately 237,804 (maximum historical amount on a daily basis)	1,000,000 on a daily basis
(b) Interests on deposits	Approximately 1,269	8,110

9. *Proposed Deposit Cap and the Cap for Interests on Deposits*

The Board has proposed the following Proposed Deposit Cap and the cap for interests on deposits:

	For the year ending December 31		
	2019	2020	2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Deposit amounts	1,000,000	1,000,000	1,000,000
Interests on deposits	7,000	7,000	7,000

The Board proposed the Proposed Deposit Cap and the cap for interests on deposits based on the following factors:

- (a) historical transaction amount for the deposit services provided by COFCO Finance to the Group;
- (b) the expected amount of cash available for deposit from 2019 to 2021; and
- (c) the expected interest rates to be offered by the Major PRC Commercial Banks.

10. *Undertakings*

On 23 November 2018, COFCO provided the Undertakings to the Company in connection with the 2018 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 2018 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 2018 Financial Services Agreement.

11. *Internal Control Procedures in relation to the annual caps*

The Company has 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 20-day rolling capital forecast every week which could reduce the incidence of liquidity excess;

- (c) the fund manager will compile the monthly fund plan at the beginning of each month to arrange the monthly fund balance in advance and make arrangements for the Group's deposits, loans and entrustment loans, to make sure that the annual caps will not be exceeded;
- (d) internal control reports on the risks management issued by COFCO Finance quarterly will be reviewed by the Company; and
- (e) in order to ensure that the annual cap set for Other Financial Services are not exceeded, the treasury division of finance department of the Company will follow up and pay attention to the records of relevant transaction data with COFCO Finance on the Enterprise Resourcing Planning system at the beginning of each month and pay attention to the relevant costs, make predictions on businesses that may generate relevant costs in each month and ensure the implementation of annual cap set for Other Financial Services. The treasury division of finance department of the Company will also plan for the possible related transactions with COFCO Finance and suspend the relevant transactions which may possibly exceed the annual cap set for Other Financial Services.

12. Reasons for and benefits of the 2018 Financial Services Agreement

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 CBRC, and is authorised to provide various kinds of financial services to COFCO and its member companies in the PRC, including deposit-taking and loan services.

The main reasons for the Group to enter into the 2018 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 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 CBRC, 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 2018 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 2018 Financial Services Agreement;

- (f) pursuant to the relevant regulations of PBC and CBRC, the customers of COFCO Finance are limited to the group members of COFCO, which effectively reduce the risks that COFCO Finance may otherwise be exposed to if its customers include other entities unrelated to COFCO;
- (g) the arrangements under the 2018 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 2018 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 2018 Financial Services Agreement would allow for prompt and accurate monitoring and regulation of the application of funds within the Group, thus enhancing the capital management and control of the Group; and
- (j) COFCO Finance has maintained good working relationship with the Group and its members over the years and their continuous cooperation can ensure higher work efficiency.

The Directors (excluding the independent non-executive Directors) consider that the terms of the 2018 Financial Services Agreement have been negotiated on an arm's length basis and on normal commercial terms, and the transactions contemplated thereunder and the Proposed Deposit Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

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

- (a) the operations of COFCO Finance are subject to the supervision of PBC and CBRC 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 controls, risk management, completeness and impartiality of the operational system in respect of the transactions contemplated under the 2018 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 2018 Financial Services Agreement and report the factual findings to the audit committee of the Company and the independent non-executive Directors on an annual basis.

As Mr. Jiang Guojin, the chairman of the Board and an executive Director of the Company, is the senior industry executive of COFCO, and Ms. Yang Hong who is the non-executive Director of the Company is the equity director of COFCO, they are deemed to be materially interested in the 2018 Financial Services Agreement and the transactions contemplated thereunder. They have abstained from voting on the resolutions in relation to considering and approving the 2018 Financial Services Agreement and the transactions contemplated thereunder at the Board meeting.

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTION: 2018 BEIJING PROPERTY LEASING CONTRACT, 2018 BEIJING PROPERTY MANAGEMENT CONTRACT AND 2018 HK TENANCY AGREEMENT

On 23 November 2018, the Company entered into the 2018 Beijing Property Leasing Contract, 2018 Beijing Property Management Contract and 2018 HK Tenancy Agreement with COFCO, COFCO Sunshine and Bapton respectively. Pursuant to Rule 14A.81 of the Listing Rules, the aggregate amount of rental expenses, management fees and service charges payable to the COFCO Group for the leased premises under the 2018 Beijing Property Leasing Contract and the 2018 Beijing Property Management Contract and 2018 HK Tenancy Agreement for the years ending 31 December 2019, 2020 and 2021 are expected to be approximately RMB12,044,000, RMB13,866,000 and RMB15,989,000, respectively. As a result, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 0.1% but less than 5% on an annual basis. Under Rule 14A.76(2)(a) of the Listing Rules, the 2018 Beijing Property Leasing Contract, the 2018 Beijing Property Management Contract and 2018 HK Tenancy Agreement will be subject to the reporting, announcement and annual review requirements but will be exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The 2018 Beijing Property Leasing Contract and the 2018 Beijing Property Management Contract

As the 2016 Beijing Property Leasing Contract and the 2016 Beijing Property Management Contract will expire on 31 December 2018, on 23 November 2018, the Company and COFCO or COFCO Sunshine (as the case may be) entered into the 2018 Beijing Property Leasing Contract and the 2018 Beijing Property Management Contract, details of which are set out below.

Date:

23 November 2018 (after trading hours)

Parties to the 2018 Beijing Property Leasing Contract:

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

Parties to the 2018 Beijing Property Management Contract:

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

Duration:

The 2018 Beijing Property Leasing Contract and the 2018 Beijing Property Management Contract are for a term from 1 January 2019 to 31 December 2021 and is conditional upon, among other things, the 2018 Beijing Property Leasing Contract and the 2018 Beijing Property Management Contract having been approved by the Board and all other necessary or appropriate approval or consent as required by the Stock Exchange or under the relevant laws, regulations or rules (including the Listing Rules) having been obtained.

Details of the Transactions:

Pursuant to the 2018 Beijing Property Leasing Contract, the Company will lease from COFCO office premises of COFCO Fortune Plaza in Beijing and several underground car parking spaces in COFCO Fortune Plaza for a term commencing from 1 January 2019 to 31 December 2021.

The annual rent is determined based on prevailing market prices and is payable by three annual installments, with the first installment payable within three business days after the effective date of the 2018 Beijing Property Leasing Contract and each subsequent installment being payable on or before December 31 of the current year.

Pursuant to the 2018 Beijing Property Management Contract, COFCO Sunshine agreed to provide to the Company various services for the maintenance and management of the leased premises for a term commencing from 1 January 2019 to 31 December 2021.

The management fee is determined based on prevailing market prices and is payable in quarterly installments, with the first installment being payable on the date of the 2018 Beijing Property Management Contract and each subsequent installment being payable within 10 business days prior to the start of each quarter.

Pricing:

The annual rent and management fees under the 2018 Beijing Property Leasing Contract and the 2018 Beijing Property Management Contract are determined as follows:

- (a) the rental price and management fees are agreed between the parties following their arm's length negotiations with reference to the prevailing market prices of other properties and management services in the vicinity and the current prevailing market rates;
- (b) comparable rental price quotations and management fee quotations offered by Independent Third Parties for similar properties and similar services in the vicinity; and
- (c) rental prices and management fees offered by COFCO to other tenants.

Historical figures:

Set out below is a summary of the historical transaction amounts for the transactions contemplated under the 2016 Beijing Property Leasing Contract and the 2016 Beijing Property Management Contract for the following periods:

	Historical figures for the following periods		
	Year ended	Year ended	Nine months ended
	31 December 2016	31 December 2017	30 September 2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(approx.)</i>	<i>(approx.)</i>	<i>(approx.)</i>
Rental expense and management fee	8,201	7,864	5,554

Annual cap amount

Set out below is the proposed annual cap amount for the transactions contemplated under the 2018 Beijing Property Leasing Contract and the 2018 Beijing Property Management Contract for the following periods:

	Proposed annual caps for the following periods		
	Year ending	Year ending	Year ending
	31 December 2019	31 December 2020	31 December 2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Rental expense and management fee	11,600	13,400	15,500

In arriving at the above proposed annual cap amount in respect of the rental expense and management fee under the 2018 Beijing Property Leasing Contract and the 2018 Beijing Property Management Contract, the Directors have considered the following factors:

- (i) the historical figures as set out above;
- (ii) the current rental price and management fee of other properties in the vicinity and the prevailing market rates in Beijing at the time when entering into the 2018 Beijing Property Leasing Contract and the 2018 Beijing Property Management Contract;
- (iii) the future development of the property market in Beijing leading to the increase in rents;
- (iv) the expansion of rental office space; and
- (v) the increase in the rental expenses leading to an increase in property management fees.

Reasons for and Benefits of the Transactions:

The transactions contemplated under the 2018 Beijing Property Leasing Contract and the 2018 Beijing Property Management Contract are conducted in the usual and ordinary course of business of the Company. The Company expects to obtain stable management and business premises through the transactions contemplated under the 2018 Beijing Property Leasing Contract and the 2018 Beijing Property Management Contract.

The Directors (including the independent non-executive Directors) consider that the terms of the 2018 Beijing Property Leasing Contract and the 2018 Beijing Property Management Contract are determined in the ordinary and usual course of business of the Company on normal commercial terms, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

As Mr. Jiang Guojin, the chairman of the Board and an executive Director of the Company, is the senior industry executive of COFCO, and Ms. Yang Hong who is the non-executive Director of the Company is the equity director of COFCO, they are deemed to be materially interested in the 2018 Beijing Property Leasing Contract and the 2018 Beijing Property Management Contract and the transactions contemplated thereunder. They have abstained from voting on the resolutions in relation to considering and approving the 2018 Beijing Property Leasing Contract and the 2018 Beijing Property Management Contract and the transactions contemplated thereunder at the Board meeting.

The 2018 HK Tenancy Agreement

The Company and Bapton entered into the 2018 HK Tenancy Agreement details of which are set out below.

Date:

23 November 2018 (after trading hours)

Parties:

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

Duration:

The 2018 HK Tenancy Agreement is for a term from 1 January 2019 to 31 December 2021 and is conditional upon, among other things, the 2018 HK Tenancy Agreement having been approved by the Board and all other necessary or appropriate approval or consent as required by the Stock Exchange or under the relevant laws, regulations or rules (including the Listing Rules) having been obtained.

Details of the Transactions:

Pursuant to the 2018 HK Tenancy Agreement, the Company will lease from Bapton office premises on COFCO Tower at 262 Gloucester Road, Causeway Bay, Hong Kong for a term of three years commencing on 1 January 2019. The annual rent and service charge are determined based on prevailing market prices. The Company shall also be responsible for payment of government rates, at an annual rate percentage charge of 5% of the annual rent payable. The rent and service charge may be reviewed from time to time based on the market prevailing price.

Pricing:

The monthly rent and service charge under the 2018 HK Tenancy Agreement is determined as follows:

- (a) the rental price is agreed between the parties following their arm's length negotiations with reference to the prevailing market prices of other properties in the vicinity and the current prevailing market rates;
- (b) comparable rental price quotations offered by Independent Third Parties for similar properties in the vicinity; and
- (c) rental prices and management fees offered by Bapton to other tenants.

Historical figures:

Set out below is a summary of the historical transaction amounts in respect of lease of office premises from Bapton for the following periods:

	Historical figures for the following periods		
	Year ended	Year ended	Nine months ended
	31 December 2016	31 December 2017	30 September 2018
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>(approx.)</i>	<i>(approx.)</i>	<i>(approx.)</i>
Rental expense, service charge and rates	0	0	266
	(approximately RMB0)	(approximately RMB0)	(approximately RMB234,000)

Annual cap amount

Set out below is the proposed annual cap amount for the transactions contemplated under the 2018 HK Tenancy Agreement for the following periods:

	Proposed annual caps for the following periods		
	Year ending	Year ending	Year ending
	31 December 2019	31 December 2020	31 December 2021
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>(approx.)</i>	<i>(approx.)</i>	<i>(approx.)</i>
Rental expense, service charge and rates	504 (approximately RMB444,000)	530 (approximately RMB466,000)	556 (approximately RMB489,000)

In arriving at the above proposed annual cap amount in respect of the rental expense and service charge under the 2018 HK Tenancy Agreement, the Directors have considered the following factors:

- (i) the existing rental price; and
- (ii) the steady increase in rental price of other properties in the vicinity and future development of the property market in Hong Kong.

Reasons for and Benefits of the Transactions:

The transactions contemplated under the 2018 HK Tenancy Agreement are conducted in the usual and ordinary course of business of the Company. The Company expects to obtain stable management and business premises through the transactions contemplated under the 2018 HK Tenancy Agreement.

The Directors (including the independent non-executive Directors) consider that the terms of the 2018 HK Tenancy Agreement are determined in the ordinary and usual course of business of the Company on normal commercial terms, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

As Mr. Jiang Guojin, the chairman of the Board and an executive Director of the Company, is the senior industry executive of COFCO, and Ms. Yang Hong who is the non-executive Director of the Company is the equity director of COFCO, they are deemed to be materially interested in the 2018 HK Tenancy Agreement and the transactions contemplated thereunder. They have abstained from voting on the resolutions in relation to considering and approving the 2018 HK Tenancy Agreement and the transactions contemplated thereunder at the Board meeting.

Internal control system for the continuing connected transactions under the 2018 Beijing Property Leasing Contract, 2018 Beijing Property Management Contract and 2018 HK Tenancy Agreement

The Company has (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.

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTION: THE 2018 ADMINISTRATIVE SERVICES AGREEMENT

On 23 November 2018, the Company entered into the 2018 Administrative Services Agreement with COFCO. As the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 0.1% but less than 5% on an annual basis. Under Rule 14A.76(2)(a) of the Listing Rules, the 2018 Administrative Services Agreement will be subject to the reporting, announcement and annual review requirements but will be exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The details of the 2018 Administrative Services Agreement are set out below.

Date:

23 November 2018 (after trading hours)

Parties:

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

Duration:

The 2018 Administrative Services Agreement is for a term from 1 January 2019 to 31 December 2021 and is conditional upon, among other things, the 2018 Administrative Services Agreement having been approved by the Board and all other necessary or appropriate approval or consent as required by the Stock Exchange or under the relevant laws, regulations or rules (including the Listing Rules) having been obtained.

Details of the Transactions:

Pursuant to the 2018 Administrative Services Agreement, COFCO Group and/or its associates shall provide us with certain administrative services, including but not limited to telecommunication services, IT services, catering services, human resources services, legal and company secretarial services, training and other related services, at prevailing market prices for a term commencing from 1 January 2019 to 31 December 2021.

Pricing:

The purchase price of administrative services under the 2018 Administrative Services Agreement is determined as follows:

- (a) the fees charged by Independent Third Parties to the Group in the ordinary and usual course of business on normal commercial terms for similar or same services of same quality; and
- (b) standard fees charged by COFCO to all tenants and service users.

Historical figures:

Set out below is a summary of the historical transaction amounts for the transactions contemplated under the 2016 Administrative Services Agreement for the following periods:

	Historical figures for the following periods		
	Year ended	Year ended	Nine months ended
	31 December 2016	31 December 2017	30 September 2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(approx.)</i>	<i>(approx.)</i>	<i>(approx.)</i>
Purchase price of administrative services	1,633	1,626	1,761

Annual cap amount

Set out below is the proposed annual cap amount for the transactions contemplated under the 2018 Administrative Services Agreement for the following periods:

	Proposed annual caps for the following periods		
	Year ending	Year ending	Year ending
	31 December 2019	31 December 2020	31 December 2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Purchase price of administrative services	6,100	6,800	7,800

In arriving at the above proposed annual cap amount in respect of the purchase price of administrative services under the 2018 Administrative Services Agreement, the Directors have considered the following factors:

- (i) the historical figures as set out above;
- (ii) the accelerated development of the Company's information technology systems in recent years; and
- (iii) the expansion plan in relation to smart factories and internet of things projects of the Company.

Reasons for and Benefits of the Transactions:

The transactions contemplated under the 2018 Administrative Services Agreement are conducted in the ordinary course of business of the Company. The Company expects to obtain professional and stable information and technology and catering services through the transactions contemplated under the 2018 Administrative Services Agreement.

The Directors (including the independent non-executive Directors) consider that the terms of the 2018 Administrative Services Agreement are determined in the ordinary and usual course of business of the Company on normal commercial terms, and are fair and reasonable and in the interests of the Company and Shareholders as a whole.

As Mr. Jiang Guojin, the chairman of the Board and an executive Director of the Company, is the senior industry executive of COFCO, and Ms. Yang Hong who is the non-executive Director of the Company is the equity director of COFCO, they are deemed to be materially interested in the 2018 Administrative Services Agreement and the transactions contemplated thereunder. They have abstained from voting on the resolutions in relation to considering and approving the 2018 Administrative Services Agreement and the transactions contemplated thereunder at the Board meeting.

Internal control system for the continuing connected transactions under the 2018 Administrative Services Agreement

The Company has (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.

GENERAL INFORMATION

Information on the Company

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

Information on COFCO

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

Information on COFCO Finance

COFCO Finance is a non-banking financial institution and an indirect wholly-owned subsidiary of COFCO established in the PRC since 2002 with the approval of PBC. It is subject to the supervision of CBRC. According to its business licence, it is authorised to provide to the Group all services set out in the 2018 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) conduct settlements and other relevant settlements; and (e) the provision of loans and financing leases.

Information on COFCO Sunshine

COFCO Sunshine is a limited liability company established in the PRC on 2 September 2011 and a wholly-owned subsidiary of COFCO. COFCO Sunshine is principally engaged in business management, business management consulting and property management etc.

Information on Bapton

Bapton is a limited liability company established in Hong Kong on 22 August 1986 and an indirect wholly-owned subsidiary of COFCO. Bapton is principally engaged in property investment.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, COFCO is a substantial shareholder of the Company interested in approximately 29.10% of the total issued share capital of the Company, therefore COFCO together with COFCO Finance, COFCO Sunshine and Bapton which are subsidiaries 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.

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 New Partially-Exempt Agreements are less than 5%, the New Partially-Exempt Agreements (including their respective annual caps) are subject to reporting and announcement requirements, but are exempt from the Independent Shareholders' approval requirements, under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the proposed annual caps of the transactions contemplated under the 2018 Mutual Supply Agreement and the Deposit Services (including Proposed Deposit Cap) contemplated under the 2018 Financial Services Agreement exceed(s) 5%, the 2018 Mutual Supply Agreement (including the proposed annual caps) and the Deposit Services (including Proposed Deposit Cap) contemplated under the 2018 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.

Notwithstanding that the applicable percentage ratios with reference to the 2018 Mutual Supply Agreement exceed 5%, pursuant to Rule 14.04(1)(g) of the Listing Rules, the transactions contemplated under the 2018 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.

In addition, as one or more of the applicable percentage ratios for the Proposed Deposit Cap exceed(s) 25%, the Deposit Services contemplated under the 2018 Financial Services Agreement also constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

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

As each of the applicable percentage ratios (other than the profits ratio) 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 Chapter 14A of the Listing Rules.

As Mr. Jiang Guojin, the chairman of the Board and an executive Director of the Company, is the senior industry executive of COFCO, and Ms. Yang Hong who is the non-executive Director of the Company is the equity director of COFCO, 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 for Mr. Jiang Guojin and Ms. Yang Hong, none of the Directors has material interest in the transactions contemplated under the New Agreements or is required to abstain from voting on the Board resolutions in relation to the New Agreements and the transactions contemplated thereunder.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the 2018 Mutual Supply Agreement (including the proposed annual caps) and the Deposit Services (including Proposed Deposit Cap) contemplated under the 2018 Financial Services Agreement.

An independent financial adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the 2018 Mutual Supply Agreement (including the proposed annual caps) and the Deposit Services (including Proposed Deposit Cap) contemplated under the 2018 Financial Services Agreement.

EGM

The EGM will be convened by the Company at which resolutions will be proposed to consider and, if thought fit, approve the 2018 Mutual Supply Agreement (including the proposed annual caps) and the Deposit Services (including Proposed Deposit Cap) contemplated under the 2018 Financial Services Agreement. Notice convening the EGM will be despatched to the Shareholders as soon as practicable.

As at the date of this announcement, COFCO holds 1,135,392,782 ordinary Shares of the Company, representing approximately 29.10% of the issued share capital of the Company. COFCO Group and its respective associates will abstain from voting at the EGM in respect of the resolutions to consider the 2018 Mutual Supply Agreement (including the proposed annual caps) and the Deposit Services (including Proposed Deposit Cap) contemplated under the 2018 Financial Services Agreement as a result of having material interest therein. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, save as disclosed in this announcement, no other Shareholder is required to abstain from voting at the EGM.

A circular containing, among other things, details of the 2018 Mutual Supply Agreement (including the proposed annual caps) and the Deposit Services (including Proposed Deposit Cap) contemplated under the 2018 Financial Services Agreement; a letter from the Independent Board Committee containing its opinions and recommendations in respect of the 2018 Mutual Supply Agreement (including the proposed annual caps) and the Deposit Services (including Proposed Deposit Cap) contemplated under the 2018 Financial Services Agreement; a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders containing its opinion in respect of the 2018 Mutual Supply Agreement (including the proposed annual caps) and the Deposit Services (including Proposed Deposit Cap) contemplated under the 2018 Financial Services Agreement; such other information as required under the Listing Rules; and a notice of the EGM, is expected to be despatched to the Shareholders on or before 19 December 2018 as additional time is required for the preparation and finalisation of the contents of the circular.

DEFINITIONS

“2016 Administrative Services Agreement”	the administrative services agreement entered into between the Company and COFCO on 14 October 2016
“2016 Beijing Property Leasing Contract”	the property leasing contract entered into between the Company and COFCO on 14 October 2016
“2016 Beijing Property Management Contract”	the property management contract entered into between the Company and COFCO Sunshine on 14 October 2016
“2016 Mutual Supply Agreement”	the mutual supply agreement entered into between the Company and COFCO on 14 October 2016
“2017 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 2016
“2018 Administrative Services Agreement”	the administrative services agreement entered into between the Company and COFCO on 23 November 2018
“2018 Beijing Property Leasing Contract”	the property leasing contract entered into between the Company and COFCO on 23 November 2018
“2018 Beijing Property Management Contract”	the property management contract entered into between the Company and COFCO Sunshine on 23 November 2018

“2018 Financial Services Agreement”	the financial services agreement in relation to the Deposit Services, the Loan Services, the Entrustment Loan Services and the Other Financial Services entered into between the Company and COFCO Finance on 23 November 2018
“2018 HK Tenancy Agreement”	the tenancy agreement entered into between the Company and Bapton on 23 November 2018
“2018 Mutual Supply Agreement”	the mutual supply agreement entered into between the Company and COFCO on 23 November 2018
“associates”	has the meaning as ascribed thereto under the Listing Rules
“Bapton”	Bapton Company Limited, an indirect subsidiary of COFCO and a connected person of the Company
“Board”	the board of directors of the Company
“BVI”	the British Virgin Islands
“CBRC”	China Banking Insurance Supervision and Administration Commission (中國銀行保險監督管理委員會)
“China Food”	China Food Group Co., Ltd.* (中國食品集團有限公司), a company incorporated under the laws of the PRC on 9 May 1989, and an indirectly wholly-owned subsidiary of COFCO
“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 wholly-owned subsidiary of COFCO
“COFCO Group”	COFCO and its subsidiaries other than the Group
“COFCO Sunshine”	COFCO Sunshine Property Management (Beijing) Co., Ltd.* (中糧陽光企業管理(北京)有限公司), a limited liability company established in the PRC on 2 September 2011, and a wholly-owned subsidiary of COFCO

“Company”	COFCO Meat Holdings Limited (中糧肉食控股有限公司), a company incorporated in the BVI with limited liability on 11 March 2014 and re-domiciled to the Cayman Islands as an exempted company with limited liability on 4 May 2016, the issued shares of which are listed on the Main Board of the Stock Exchange
“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 2018 Financial Services Agreement
“Directors”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and approve, among other things, the 2018 Mutual Supply Agreement, the conditional Deposit Services to be provided by COFCO Finance pursuant to the 2018 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 2018 Financial Services Agreement
“Existing Agreements”	the 2016 Mutual Supply Agreement, the 2016 Beijing Property Leasing Contract, the 2016 Beijing Property Management Contract, the 2016 Administrative Services Agreement and the 2017 Financial Services Agreement
“Existing Expiring Agreements”	the 2016 Mutual Supply Agreement, the 2016 Beijing Property Leasing Contract, the 2016 Beijing Property Management Contract and the 2016 Administrative Services Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huashang”	Huashang Reserve Commodity Management Center Co., Ltd.* (華商儲備商品管理中心有限公司), a company incorporated under the laws of the PRC on 21 January 1998, and an indirectly wholly-owned subsidiary of COFCO

“Independent Board Committee”	the independent committee of the Board comprising Mr. Fu Tingmei, Mr. Li Michael Hankin, Mr. Lee Ted Tak Tai 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 2018 Mutual Supply Agreement, the conditional Deposit Services to be provided by COFCO Finance pursuant to the 2018 Financial Services agreement and the related annual caps
“Independent Shareholders”	Shareholders other than COFCO Group and its respective associates
“Independent Third Party(ies)”	To the best of Directors’ knowledge, information and belief, having made all reasonable enquiries, individual(s) or company(ies) and its/their respective ultimate beneficial owner(s) which is/are third party(ies) independent of the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Services”	the loan and related services to be provided by COFCO Finance to the Group under the 2018 Financial Services Agreement
“Major PRC Commercial Banks”	Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, Bank of Communications, China Merchants Bank, China Citic Bank and Agricultural Development Bank of China
“New Agreements”	the 2018 Mutual Supply Agreement, the 2018 Beijing Property Leasing Contract, the 2018 Beijing Property Management Contract, the 2018 HK Tenancy Agreement, the 2018 Administrative Services Agreement and the 2018 Financial Services Agreement
“New Partially-Exempt Agreements”	the 2018 Beijing Property Leasing Contract, the 2018 Beijing Property Management Contract, the 2018 HK Tenancy Agreement and the 2018 Administrative Services Agreement
“Other Financial Services”	apart from the Deposit Services, the Loan Services and the Entrustment Loan Services, other financial services, including settlement services, forex-trading services and other related consultancy and agency services to be provided by COFCO Finance to the Group under the 2018 Financial Services Agreement
“PBC”	People’s Bank of China (中國人民銀行)

“PRC”	the People’s Republic of China, which, for the purpose of this announcement only, does not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Deposit Cap”	the proposed maximum daily outstanding balance of deposits placed by the Group with COFCO Finance and the proposed maximum interests on deposits in the amounts set out in this announcement during the term of the 2018 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 23 November 2018 in connection with the 2018 Financial Services Agreement
“%”	per cent.

By order of the Board
COFCO Meat Holdings Limited
Jiang Guojin
Chairman and executive Director

Hong Kong, 23 November 2018

As at the date of this announcement, the Board comprises Mr. Jiang Guojin as the chairman of the Board and the executive director, Mr. Xu Jianong as the executive director, Ms. Yang Hong, Mr. WOLHARDT Julian Juul, Dr. Cui Guiyong, Mr. Zhou Qi, Mr. Zhang Lei and Dr. Huang Juhui as non-executive directors, and Mr. Fu Tingmei, Mr. Li Michael Hankin, Mr. Lee Ted Tak Tai and Dr. Ju Jiandong as independent non-executive directors.

Unless otherwise specified in this announcement, amounts denominated in Hong Kong dollars have been converted into RMB at HK\$1.00 to RMB0.88 for illustration purpose only. No representation has been made by the Company that any amount has been, could have been or could be converted at the above rate or at any other rates or at all.

* *For identification purpose only*