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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **COFCO Meat Holdings 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.

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

*(incorporated in Cayman Islands with limited liability)*

**(Stock code: 01610)**

### THE REVISED ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS AND NEW CONTINUING CONNECTED TRANSACTION

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



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A letter from the Board is set out on pages 4 to 19 of this circular. A letter from the Independent Board Committee is set out on page 20 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 21 to 40 of this circular.

A notice convening the EGM to be held at 1:30 p.m. on Friday, 15 November 2019 at Room 3011, COFCO Fortune Plaza, No. 8 Chao Yang Men South Street, Chaoyang District, Beijing, PRC is set out on pages 45 to 46 of this circular. A form of proxy for the use at the EGM is enclosed herewith. If you are unable 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.

29 October 2019

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## DEFINITIONS

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

“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
“Board”	the board of directors of the Company
“BVI”	the British Virgin Islands
“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 as at the Latest Practicable Date
“COFCO Group”	COFCO and its subsidiaries other than the Group
“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
“Transaction(s) for purchase of central reserved meat”	the purchase of central reserved meat from COFCO Group by the Group as stipulated under the 2018 Mutual Supply Agreement (supplemented by the Supplemental Mutual Supply Agreement)

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## DEFINITIONS

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“Transaction for supply of central reserved meat”	the supply of central reserved meat to COFCO Group by the Group as stipulated under the 2018 Mutual Supply Agreement (supplemented by the Supplemental Mutual Supply Agreement)
“Directors”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, among other things, the Supplemental Mutual Supply Agreement, the Revised Annual Caps and the New Continuing Connected Transaction
“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 Financial Adviser” or “Oriental Patron”	Oriental Patron Asia Limited, a licensed 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 Supplemental Mutual Supply Agreement, the Revised Annual Caps and the New Continuing Connected Transaction
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, which has been established for the purpose of advising the Independent Shareholders in respect of the Supplemental Mutual Supply Agreement, the Revised Annual Caps and the New Continuing Connected Transaction
“Independent Shareholders”	the Shareholders other than COFCO and its associates

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## DEFINITIONS

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“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
“Latest Practicable Date”	24 October 2019, 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
“New Continuing Connected Transaction”	the agent services for purchase of meat products to be provided by the Group to COFCO Group as stipulated under the Supplemental Mutual Supply Agreement
“PRC”	the People’s Republic of China
“Revised Annual Caps”	the revised annual caps for the Transactions for the three year ending 31 December 2021
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Mutual Supply Agreement”	the supplemental agreement dated 9 September 2019 in respect of Revised Annual Caps and New Continuing Connected Transaction, entered into between the Company and COFCO
“subsidiary(ies)”	has the meaning as ascribed thereto under the Listing Rules
“substantial Shareholder(s)”	has the meaning as ascribed thereto under the Listing Rules
“Transactions”	Transaction for purchase of central reserved meat and Transaction for supply of central reserved meat
“%”	per cent.

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## LETTER FROM THE BOARD

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**中糧**  
**COFCO**

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

*(incorporated in Cayman Islands with limited liability)*

**(Stock code: 01610)**

*Executive Directors:*

Mr. Jiang Guojin (*Chairman of the Board*)

Mr. Xu Jianong

*Non-Executive Directors:*

Ms. Yang Hong

Mr. Wolhardt Julian Juul

Dr. Cui Guiyong

Mr. Zhou Qi

Mr. Zhang Lei

Dr. Huang Juhui

*Registered Office:*

P.O. Box 10008

Willow House, Cricket Square

Grand Cayman

KY1-1001, Cayman Islands

*Independent Non-Executive Directors:*

Mr. Fu Tingmei

Mr. Li Michael Hankin

Mr. Lee Ted Tak Tai

Dr. Ju Jiandong

29 October 2019

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS**  
**REVISED ANNUAL CAPS AND**  
**THE NEW CONTINUING CONNECTED TRANSACTION**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 23 November 2018 and the circular of the Company dated 4 February 2019 in respect of, among other things, the contemplated transactions under the 2018 Mutual Supply Agreement.

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## LETTER FROM THE BOARD

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Given that the existing annual caps for the three years ending 31 December 2021 in respect of the Transactions under the 2018 Mutual Supply Agreement may not be sufficient for the Group's future requirements, and the Group planned to conduct cooperation with COFCO Group on the agent services for purchase of meat products, on 9 September 2019 (after trading hours), the Group and COFCO entered into the Supplemental Mutual Supply Agreement to (i) revise the existing annual caps for the three years ending 31 December 2021 to the Revised Annual Caps; and (ii) stipulate that the Group provides the agent services for purchase of meat products to COFCO Group.

The purpose of this circular is to provide you with, among other things, (i) further details of the Supplemental Mutual Supply Agreement; (ii) the letter from Oriental Patron containing its advice to the Independent Board Committee and the Independent Shareholders on the Supplemental Mutual Supply Agreement; (iii) recommendation from the Independent Board Committee to the Independent Shareholders; and (iv) the notice of the EGM.

### **Revised Annual Caps and the New Continuing Connected Transaction for the Continuing Connected Transactions contemplated under the Supplemental Mutual Supply Agreement**

On 23 November 2018 (after trading hours), the Company and COFCO entered into the 2018 Mutual Supply Agreement, in relation to (among other things) the Transactions, for a term from 1 January 2019 to 31 December 2021. The 2018 Mutual Supply Agreement constitutes continuing connected transactions of the Company under the Listing Rules.

Given that the existing annual caps for the three years ending 31 December 2021 in respect of the Transactions under the 2018 Mutual Supply Agreement may not be sufficient for the Group's future requirements, and the Group planned to conduct cooperation with COFCO Group on the agent services for purchase of meat products, on 9 September 2019 (after trading hours), the Company and COFCO entered into the Supplemental Mutual Supply Agreement to (i) revise the existing annual caps for the three years ending 31 December 2021 to the Revised Annual Caps; and (ii) stipulate that the Group provides the agent services for purchase of meat products to COFCO Group.

### **Major terms of Supplemental Mutual Supply Agreement**

Major terms of Supplemental Mutual Supply Agreement are set as below:

Date: 9 September 2019

Parties: (i) the Company; and  
(ii) COFCO

Term: From 1 January 2019 to 31 December 2021

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## LETTER FROM THE BOARD

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### ***Subject matter***

Pursuant to the Supplemental Mutual Supply Agreement, (i) the annual caps for the three years ending 31 December 2021 in respect of the Transactions between the Group and COFCO Group would be revised; and (ii) the Group provides agent services for purchase of meat products to COFCO Group.

The aggregate transaction amounts under the 2018 Mutual Supply Agreement (together with the Supplemental Mutual Supply Agreement) would be accordingly revised due to the adjustment of the annual caps for the three years ending 31 December 2021 in respect of the Transactions and the agent services for purchase of meat products to be provided by the Group to COFCO Group. Pursuant to Rule 14A.81 of the Listing Rules, the aggregate transaction amounts under the 2018 Mutual Supply Agreement (together with Supplemental Mutual Supply Agreement) for the years ending 31 December 2019, 2020 and 2021 are expected to be approximately RMB2,445,420,000, RMB5,066,310,000 and RMB6,019,520,000, respectively, representing the aggregate transaction amounts payable to COFCO Group by the Group and amounts receivable from COFCO Group by the Group on a gross basis (without netting off between payables and receivables). 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 Supplemental 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.

Save as the Revised Annual Caps and the New Continuing Connected Transaction as stipulated in the Supplemental Mutual Supply Agreement, the rest of terms of the 2018 Mutual Supply Agreement remain unchanged.

Commencement of the Supplemental Mutual Supply Agreement is conditional upon the approval from the Independent Shareholders in relation to the Revised Annual Caps and the New Continuing Connected Transaction in accordance with the Listing Rules.

### ***The Revised Annual Caps***

#### ***(1). Major content of the Transactions under the 2018 Mutual Supply Agreement***

##### ***(a). The Major Content of the Transaction for Purchase of Central Reserved Meat under the 2018 Mutual Supply Agreement***

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



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## LETTER FROM THE BOARD

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The government in PRC implements the central reserved meat policy to regulate the price volatility for the purpose of maintaining a stable market. When the market price of meat falls, the government in PRC will purchase and store the central reserved meat to stabilise the market price. On the other hands, when the market price of meat rises sharply, the government in PRC generally sells and places the central reserved meat into the market to stabilise the market price. The Group will participate in the bidding at an appropriate price usually by selling central reserved meat at a price not less than the market price and buying central reserved meat at a price not higher than the market price and increase the income through obtaining a price better than the market price. Huashang is the management unit of central reserved meat and China Food is 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.

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 participants will enter the bidding price and quantity information etc. into the bidding system. They will bid through the bidding system and the transaction price is expected to be determined based on the principle of priority being first given to the price and then to the time under the same conditions.

### Annual cap amount

Set out below is the proposed annual cap amount for the Transaction for purchase of central reserved meat under the 2018 Mutual Supply Agreement for the following periods:

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

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## LETTER FROM THE BOARD

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

- (a) the historical figures of the transaction; and
  - (b) the Group's plan in relation to central reserved meat under the national reserve meat auction; as affected by the 2018 African swine fever epidemic, the Group expects an increase in the price of live hogs of 2019 and the government in PRC, through COFCO's subsidiaries Huashang and China Food, will sell and place the frozen meat into the market to stabilize the market price. The Group plans to purchase 900 tons of central reserved meat during the process of national reserve meat auction.
- (b). *The Major Content of the Transaction for Supply of Central Reserved meat under the 2018 Mutual Supply Agreement*

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

The government in PRC implements the central reserved meat policy to regulate the price volatility for the purpose of maintaining a stable market. When the market price of meat falls, the government in PRC will purchase and store the central reserved meat to stabilise the market price. On the other hands, when the market price of meat rises sharply, the government in PRC generally sells and places the central reserved meat into the market to stabilise the market price. The Group will participate in the bidding at an appropriate price usually by selling central reserved meat at a price not less than the market price and buying central reserved meat at a price not higher than the market price and increase the income through price variations. Huashang is the management unit of central reserved meat and China Food is the national reserve cold storage.

### 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 supplied to Independent Third Parties by the Company in the open market during the same period.

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## LETTER FROM THE BOARD

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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 participants will enter the bidding price and quantity information etc. into the bidding system. They will bid through the bidding system and the transaction price will be determined based on the principle of priority being first given to the price and then to the time under the same conditions.

### Annual cap amount

Set out below is the proposed annual cap amount for the Transaction for supply of central reserved meat under the 2018 Mutual Supply Agreement for the following periods:

	<b>Proposed annual caps for the following periods</b>		
	<b>Year ending</b>	<b>Year ending</b>	<b>Year ending</b>
	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Sales revenue from supply of central reserved meat	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 meat by the Group under the 2018 Mutual Supply Agreement, the Directors have considered the following factors:

- (a) the historical figures of the transaction; and
- (b) the Group's plan in relation to central reserved meat under the national reserve meat purchasing and storage. It is expected that the price of live hogs will recover and decline by the end of 2019. As such, the government in PRC, through COFCO's subsidiaries Huashang and China Food, will purchase and store the central reserved meat to stabilize the market price. The Group plans to sell approximately 900 tons of central reserved meat.

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## LETTER FROM THE BOARD

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(2). *Major Content of the Transactions under the Supplemental Mutual Supply Agreement*

(a). *The Major Content of the Transaction for Purchase of Central Reserved Meat under the Supplemental Mutual Supply Agreement*

Revised Annual Caps

Set out below are (i) the proposed annual cap amount for the transactions contemplated under the Supplemental Mutual Supply Agreement for the following periods, and (ii) the historical transaction amounts for the period from 1 January 2019 to 31 August 2019.

	<b>Proposed annual caps for the following periods</b>		
	<b>Year ending</b>	<b>Year ending</b>	<b>Year ending</b>
	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Procurement expenses	607,000	1,480,000	1,480,000
from purchase of			
central reserved meat			
Historical amounts	5,760		
	<i>(the period</i>		
	<i>from 1 January</i>		
	<i>2019 to 31</i>		
	<i>August 2019)</i>		

The Revised annual caps are determined with reference to:

- (i) the historical amounts of the Transactions for purchase of central reserved meat for the period from 1 January 2019 to 31 August 2019;
- (ii) The numbers of nationwide sows and hogs have declined consecutively and rapidly since 2019, as suggested by the latest statistics from the Ministry of Agriculture and Rural Affairs. In August 2019, the number of nationwide sows decreased by 37.4% year-on-year, or 9.1% month-on-month; while the number of nationwide hogs decreased by 38.7% year-on-year, or 9.8% month-on-month, representing the largest drop of amounts of nationwide sows and hogs since January 2009, and the supply of pork in the market was tight. The Group obtains material meat after hog slaughtering, and sells such meat after cutting and processing. The amount of hog slaughtering of the Group in 2018 was approximately 1,920,000 which contributed to a supply of approximately 150,000 tons of material meat for fresh pork business which was later sold by the

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## LETTER FROM THE BOARD

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Group after cutting and processing. The Group expects that the customers' demand for fresh pork in 2019 will be not less than that of 2018. Based on the decrease of the supply of hogs in the nationwide as mentioned above, the Group expects that the amounts of material meat will also have a gap of approximately 50,000 tons calculated based on the nationwide percentage. To ensure the fulfillment of customers' demand, the Group is expected to increase its Annual Cap for the Transaction for purchase of central reserved meat;

- (iii) after the new factory has commenced operation, it is expected that the procurement amount of central reserved meat is expected to further increase; and
- (iv) a significant increase in pork prices. At the beginning of September 2019, the average price of live hogs in 22 provinces and cities nationwide exceeded RMB27 per kilogram, representing an increase of approximately 109% from the beginning of the year.

The Group will regard central reserved meat as one of the important pork sources and is expected to increase the purchase amount of central reserved meat.

(b). *The Major Details of the Transaction for Supply of Central Reserved Meat under the Supplemental Mutual Supply Agreement*

Pricing

Central reserved meat usually has two ways of purchasing and storage in terms of previous experience: one is price bidding and another is to appoint specified company to procure, including direct and agent procurement, through arm's length negotiation. Pursuant to the Supplemental Mutual Supply Agreement, the Group will sell central reserved meat to COFCO Group and/or its associates at the prices which are determined upon price bidding and through arm's length negotiation.

- (i) determined upon price bidding

The supply price of central reserved meat to be provided by the Group through price bidding to COFCO Group 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 Group in the open market during the same period.

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## LETTER FROM THE BOARD

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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 participants will enter the bidding price and quantity information etc. into the bidding system. They will bid through the bidding system and the transaction price will be determined based on the principle of priority being first given to the price and then to the time under the same conditions.

(ii) determined through arm's length negotiation

Due to a tight supply of pork in the market, COFCO Group has negotiated with the Group that the central reserved meat will be provided by the Group to COFCO Group with prices determined through arm's length negotiation, which the Group believes it is fair and reasonable and for the interests of the Company. The supply price of central reserved meat to be provided by the Group through direct sale to COFCO Group was determined by reference to the prices of not less than three transactions entered into with Independent Third Parties during the same period at fair value and is generally not less than the price of similar products supply to Independent Third Parties by the Group in the open market during the same period.

Revised Annual Caps

Set out below are (i) the proposed annual cap amount for the transactions contemplated under the Supplemental Mutual Supply Agreement for the following periods, and (ii) the historical transaction amounts for the period from 1 January 2019 to 31 August 2019.

	<b>Proposed annual caps for the following periods</b>		
	<b>Year ending 31 December 2019 (RMB'000)</b>	<b>Year ending 31 December 2020 (RMB'000)</b>	<b>Year ending 31 December 2021 (RMB'000)</b>
Sales revenue from supply of central reserved meat	279,500	1,554,500	2,044,500
Historical amounts	0		
	<i>(the period from 1 January 2019 to 31 August 2019)</i>		

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## LETTER FROM THE BOARD

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The Revised Annual Caps are determined with reference to:

- (i) The numbers of nationwide sows and hogs have declined rapidly since 2019, as suggested by the latest statistics from the Ministry of Agriculture and Rural Affairs of PRC. In August 2019, the number of nationwide sows decreased by 37.4% year-on-year, or 9.1% month-on-month; while the number of nationwide hogs decreased by 38.7% year-on-year, or 9.8% month-on-month, representing the largest drop of amounts of nationwide sows and hogs since January 2009, and the supply of pork in the market was tight. Given all this, it is expected that the reserves for central reserved meat will increase by a certain scale;
- (ii) a significant increase in pork prices. At the beginning of September 2019, the average price of live hogs in 22 provinces and cities nationwide exceeded RMB27 per kilogram, representing an increase of approximately 109% from the beginning of the year; and
- (iii) having considered COFCO Group will have a relatively large purchase demand for central reserved meat and the Group's supply capacity of central reserved meat.

### ***New Continuing Connected Transaction***

Central reserved meat usually has two ways of purchasing and storage in terms of previous experience: one is price bidding and another is to appoint specified company to procure, including direct and agent procurement, through arm's length negotiation. Pursuant to the Supplemental Mutual Supply Agreement, the Group would provide the agent services for purchase of meat products to COFCO Group and/or its associates by the following steps: (i) the Group sources meat products based on the agent purchasing intentions and instructions issued by COFCO Group; (ii) the Group signs purchase contracts with suppliers, who will arrange for production and shipment according to the contracts; (iii) COFCO Group pays for purchases and related taxes and fees; (iv) the transfer of goods will be completed according to the relevant requirements after they are put into storages of COFCO Group or other Independent Third Parties; and (v) the Group arranges settlement of agent fees with COFCO Group.

### **Pricing**

The agent fee payable by COFCO to us is determined based on certain percentage ratio of the agent procurement amount. As the Company primarily engages in direct-sale of meat products, while rarely engages in agent business for meat products, such agent fee rate will be determined through arm's length negotiation between the Group and the COFCO Group with reference to similar past transactions and/or market practice (if any).

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## LETTER FROM THE BOARD

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If the Group engages in similar kinds of business with Independent Third Parties within three months before it does the same with COFCO Group, the agent fee rate for COFCO Group will not be lower than that for Independent Third Parties. If the Group does not engage in similar kinds of business with Independent Third Parties within three months, the Company will review whether there is any listed company conducting the same business in the market. If there are such companies, the agent fee rate for COFCO Group will not be lower than the average rate received by such listed companies within three months before the transaction between the Group and COFCO Group. If there is no such listed company, the Group will make references to the gross profit margin of trading business segment of the companies engaging in the agricultural products that fulfill the criteria below during the negotiation with COFCO Group:

- (i) the company is listed on either the Stock Exchange, the Shenzhen Stock Exchange or the Shanghai Stock Exchange;
- (ii) the company is either solely or has a reportable business segment engaged in the agricultural products trading business in the PRC;
- (iii) if agricultural products trading business is the sole business of the company, financial information for its agricultural products trading business is available in its latest audited financial statements; and
- (iv) if agricultural products trading business is a reportable business segment of the company, segmental financial information for its agricultural products trading business is available in its latest audited financial statements.

The Group will ensure such agent fee ratio be within the market range of the gross profit margin of trading business segment of the companies that meet the criteria above.

The agent services for purchase of meat products to be provided by the Group to COFCO Group is a new transaction under the Supplemental Mutual Supply Agreement. As such, there are no annual caps set or historical transaction amounts occurred under the 2018 Mutual Supply Agreement.



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## LETTER FROM THE BOARD

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### Annual cap amount

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

	<b>Proposed annual caps for the following periods</b>		
	<b>Year ending</b>	<b>Year ending</b>	<b>Year ending</b>
	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
The agent fee	54,000	202,500	315,000

In determining the above proposed annual cap amount in respect of the agent fee, the Directors have considered the following:

- (i) the numbers of nationwide sows and hogs have declined consecutively and rapidly since 2019, as suggested by the latest statistics from the Ministry of Agriculture and Rural Affairs. In August 2019, the number of nationwide sows decreased by 37.4% year-on-year, or 9.1% month-on-month; while the number of nationwide hogs decreased by 38.7% year-on-year, or 9.8% month-on-month, representing the largest drop of amounts of nationwide sows and hogs since January 2009, and the supply of pork in the market was tight. Given all this, the Group is expected to expand the business of provision of agent services for purchase of meat products to COFCO Group and/or its associates;
- (ii) the estimated agency fee, used for the calculation of the proposed annual cap, is within the range of the gross profit margins of the agricultural products trading businesses of the selected companies; and
- (iii) it is expected that COFCO Group will have a relatively large purchase demand for central reserved meat and considering the Group's procurement agent capacity of central reserved meat business.

### Internal control system

The Group, through its legal, finance, audit and business departments to monitor internal controls, will review on a quarterly basis in accordance with the abovementioned internal pricing policy.

In addition, the Company has set up procedures and policies for identifying connected persons and monitoring the annual caps of the continuing connected transactions.

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## LETTER FROM THE BOARD

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### 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.

### REASONS FOR AND BENEFITS OF ENTERING INTO OF THE SUPPLEMENTAL MUTUAL SUPPLY AGREEMENT

The 2018 Mutual Supply Agreement was entered into between the Company and COFCO, in relation to mutual provision of products and services between the Group and COFCO Group for a term from 1 January 2019 to 31 December 2021, and a series of transactions, among others, the Transactions, contemplated under the 2018 Mutual Supply Agreement form an integral part of the ordinary and usual course of business of the Group and has been conducted on normal commercial terms and on an arm's length basis.

The Directors noted that the demand of purchase of central reserved meat from the Group might be higher than prior estimation given the transaction amount of the Transaction for purchase of central reserved meat under the 2018 Mutual Supply Agreement up to 31 August 2019 reached approximately RMB5,760,000, which represents approximately 46.83% of the existing annual cap. Due to a tight supply of pork in the market, it is expected that the reserves for central reserved meat will increase by a certain scale, and the demand of purchase of central reserved meat from the COFCO Group might be higher than prior estimation. Accordingly, the Company initiated negotiation with COFCO to a possible revision of the annual cap of the Transactions by entering into the Supplemental Mutual Supply Agreement.

To establish different means in relation to the procurement of meat products, COFCO Group proposed to enter into a supplemental agreement with the Company, which stipulates that the Group provides the agent services for purchase of meat products to COFCO Group.

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## LETTER FROM THE BOARD

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Given that the existing annual cap for the three years ending 31 December 2021 in respect of the Transactions under the 2018 Mutual Supply Agreement may not be sufficient for the Group's future requirements, and the Group planned to conduct cooperation with COFCO Group on the agent services for purchase of meat products, on 9 September 2019, the Company and COFCO entered into the Supplemental Mutual Supply Agreement to (i) revise the existing annual cap for the three years ending 31 December 2021 to the Revised Annual Caps; and (ii) stipulate that the Group provides the agent services for purchase of meat products to COFCO Group.

The terms and conditions of the Supplemental Mutual Supply Agreement were determined after arm's length negotiations between the parties thereto, and the Transactions and the New Continuing Connected Transaction have been and will be carried out on terms no less favourable to the Company than terms available to Independent Third Parties.

The Directors (including the independent non-executive Directors whose recommendation is contained in the "Letter from the Independent Board Committee" on page 20 of this circular) consider that the terms of the Supplemental Mutual Supply Agreement (including the Revised Annual Caps and the New Continuing Connected Transaction) are fair and reasonable and that the entering into of the Supplemental Mutual Supply Agreement is in the interests of the Company and the 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, the non-executive Director of the Company is the equity director of COFCO, they are deemed to be materially interested in the Supplemental Mutual Supply Agreement and the transactions contemplated thereunder. They have abstained from voting on the resolutions in relation to considering and approving the Supplemental Mutual Supply Agreement and the transactions contemplated thereunder at the Board meeting.

### 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 its subsidiaries 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 the Listing Rules and other than the profits ratio) in respect of the annual cap of the transactions under the Supplemental Mutual Supply Agreement are more than 5%, according to Chapter 14A of the Listing Rules, the Supplemental Mutual Supply Agreement and the transactions contemplated thereunder will be subject to, among others, the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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As at Latest Practicable Date, 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 Supplemental Mutual Supply Agreement (including the Revised Annual Caps) and the New Continuing Connected Transactions 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 circular, no other Shareholder is required to abstain from voting at the EGM.

The Company will disclose the information in relation to the Transactions and the New Continuing Connected Transaction in its subsequent published annual report and accounts in accordance with Rule 14A.49 of the Listing Rules.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprising Mr. Fu Tingmei, Mr. Li Michael Hankin, Mr. Lee Ted Tak Tai and Dr. Ju Jiandong, being all of the independent non-executive Directors, has been established to advise the Independent Shareholders on the fairness and reasonableness of the terms of the Supplemental Mutual Supply Agreement including the Revised Annual Caps and the New Continuing Connected Transaction, after taking into account the recommendations of the Independent Financial Adviser. Oriental Patron has been appointed as the independent financial adviser to the Company to provide the Independent Board Committee and the Independent Shareholders with independent advice in this regard.

### **GENERAL**

Notice convening the EGM to be held at 1:30 p.m. on Friday, 15 November 2019 at Room 3011, COFCO Fortune Plaza, No. 8 Chao Yang Men South Street, Chaoyang District, Beijing, PRC is set out on pages 45 to 46 in this circular. Resolution will be proposed to consider at the EGM and if thought fit, approve the Revised Annual Caps and the New Continuing Connected Transaction.

Form of proxy for use at the EGM is enclosed with this circular. If you are unable to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit 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 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.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

Taking into account the reasons set out above, the Directors (including the independent non-executive Directors) consider that the Supplemental Mutual Supply Agreement are entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of which together with the Revised Annual Caps and the New Continuing Connected Transaction are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Supplemental Mutual Supply Agreement, the Revised Annual Caps and the New Continuing Connected Transaction.

### ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee set out on page 20 of this circular, and the letter from Oriental Patron to the Independent Board Committee and Independent Shareholders set out on pages 21 to 40 and the information set out in the appendix to this circular.

By order of the board  
**COFCO Meat Holdings Limited**  
**Jiang Guojin**  
*Chairman and Executive Director*



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

*(incorporated in Cayman Islands with limited liability)*

**(Stock code: 01610)**

29 October 2019

*To the Independent Shareholders*

Dear Sir or Madam,

**REVISED ANNUAL CAPS FOR  
CONTINUING CONNECTED TRANSACTIONS  
AND NEW CONTINUING CONNECTED TRANSACTION**

We refer to the circular of the Company to the Shareholders dated 29 October 2019 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall bear the same meanings when used herein unless the context requires otherwise.

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders on whether the terms of the Supplemental Mutual Supply Agreement, including the Revised Annual Caps and the New Continuing Connected Transaction, are fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Supplemental Mutual Supply Agreement is in the interests of the Company and the Shareholders as a whole. Oriental Patron has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

Your attention is drawn to the letter from the Board and the letter from Oriental Patron containing its advice to us and the Independent Shareholders as set out in this circular respective.

Having considered, among other things, the factors and reasons considered by, and the opinion of Oriental Patron, we are of the opinion that the terms of the Supplemental Mutual Supply Agreement, including the Revised Annual Caps and the New Continuing Connected Transaction, are fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Supplemental Mutual Supply Agreement is in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM.

Yours faithfully

**Mr. Fu Tingmei      Mr. Li Michael Hankin      Mr. Lee Ted Tak Tai      Dr. Ju Jiandong**

*Independent Board Committee*

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## LETTER FROM ORIENTAL PATRON

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*Set out below is the full text of a letter of advice from Oriental Patron to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation in this circular in respect of the continuing connected transactions contemplated under the Supplemental Mutual Supply Agreement, the Revised Annual Caps and the New continuing connected transactions.*



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

29 October 2019

*To the Independent Board Committee and the Independent Shareholders of COFCO Meat Holdings Limited*

Dear Sirs,

### **REVISED ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS AND NEW CONTINUING CONNECTED TRANSACTION**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Mutual Supply 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 29 October 2019 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 23 November 2018 (after trading hours), the Company and COFCO entered into the 2018 Supplemental Mutual Supply Agreement, in relation to (among other things) the Transactions, for a term from 1 January 2019 to 31 December 2021.

Given that the existing annual cap for the three years ended 31 December 2021 in respect of the Transactions under the 2018 Mutual Supply Agreement may not be sufficient for the Group’s future requirements, and the Group planned to conduct cooperation with COFCO Group on the agent services for purchase of meat products. Accordingly, on 9 September 2019, the Group and COFCO entered into the Supplemental Mutual Supply Agreement to (i) revise the existing annual caps for the three years ended 31 December 2021 to the Revised Annual Caps; and (ii) stipulate that the Group provides the agent services for purchase of meat products to COFCO Group.

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## LETTER FROM ORIENTAL PATRON

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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 its subsidiaries are connected person 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 the Listing Rules and other than the profits ratio) in respect of the annual caps of the transactions contemplated under the Supplemental Mutual Supply Agreement exceed(s) 5%, the Supplemental Mutual Supply Agreement (including the Revised Annual Caps) 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 all the independent non-executive Directors, namely Mr. Fu Tingmei, Mr. Li Michael Hankin, Mr. Lee Ted Tak Tai and Dr. Ju Jiandong has been established to advise the Independent Shareholders on the fairness and reasonableness of the terms of the Supplemental Mutual Supply Agreement including the Revised Annual Caps and the New Continuing Connected Transaction. 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 Supplemental Mutual Supply Agreement was 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 Supplemental Mutual Supply Agreement is in the interests of the Company and the Independent Shareholders as a whole.

During the past two years, we have (i) acted as a financial adviser to CPMC Holdings Limited (stock code: 906) whose controlling shareholder is COFCO, a substantial Shareholder of the Company, as at the Latest Practicable Date, in relation to a major transaction (details of which were set out in the circular of CPMC Holdings Limited dated 30 November 2017); and (ii) acted as an independent financial adviser to the Company whose controlling shareholder is COFCO, a substantial Shareholder of the Company, as at the Latest Practicable Date, in relation to certain continuing connected transactions under the 2018 Mutual Supply Agreement and a financial services agreement (details of which were set out in the circular of the Company dated 4 February 2019).

Apart from normal professional fees paid or payable to us in connection with the abovementioned appointments as financial adviser and 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 did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence.



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## LETTER FROM ORIENTAL PATRON

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### **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 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 23 November 2018 (after trading hours), the Company and COFCO entered into the 2018 Mutual Supply Agreement, in relation to (among other things) the Transactions, for a term from 1 January 2019 to 31 December 2021. The 2018 Supplemental Mutual Supply Agreement constitutes continuing connected transactions of the Company under the Listing Rules.

Given that the existing annual caps for the three years ended 31 December 2021 in respect of the Transactions under the 2018 Mutual Supply Agreement may not be sufficient for the Group's future requirements, and the Group planned to conduct cooperation with COFCO Group on the agent services for purchase of meat products, on 9 September 2019, the Group and COFCO entered into the Supplemental Mutual Supply Agreement to (i) revise the existing annual caps for the three years ended 31 December 2021 to the Revised Annual Caps; and (ii) stipulate that the Group provides the agent services for purchase of meat products to COFCO Group.

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## LETTER FROM ORIENTAL PATRON

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### SUPPLEMENTAL 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 Supplemental 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.

#### ***2. Reasons for and benefits of the 2018 Mutual Supply Agreement***

As set out in the Board Letter, the purchase transactions of central reserved meat and supply transactions of central reserved meat contemplated under the 2018 Mutual Supply Agreement form an integral part of the ordinary and usual course of business of the Group and has been conducted on normal commercial terms and on an arm's length basis.

As set out in the Board Letter, to establish different means in relation to the procurement of meat products, COFCO Group proposed to enter into the Supplemental Mutual Supply Agreement with the Company, which stipulates that the Group provides the agent services for purchase of meat products to COFCO Group.

Given that the existing annual caps for the three years ending 31 December 2021 in respect of the Transactions under the 2018 Mutual Supply Agreement may not be sufficient for the Group's future requirements, and the Group planned to conduct cooperation with COFCO Group on the agent services for purchase of meat products, on 9 September 2019, the Company and COFCO entered into the Supplemental Mutual Supply Agreement to (i) revise the existing annual caps for the three years ending 31 December 2021 to the Revised Annual Caps; and (ii) stipulate that the Group provides the agent services for purchase of meat products to COFCO Group.

The terms and conditions of the Supplemental Mutual Supply Agreement were determined after arm's length negotiations between the parties thereto, and the Transactions and the New Continuing Connected Transaction have been and will be carried out on terms no less favourable to the Company than terms available to Independent Third Parties.

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## LETTER FROM ORIENTAL PATRON

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### 3. *Terms of the Supplemental Mutual Supply Agreement*

The term of the Supplemental Mutual Supply Agreement is from 1 January 2019 to 31 December 2021.

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 third parties as it deems fit.

We noted from the 2016 annual report, the 2017 annual report and the 2018 annual report of the Company respectively that the independent non-executive Directors had reviewed the continuing connected transactions contemplated under the 2016 Mutual Supply Agreement and confirmed in all three years that the transactions had been entered into:

- (i) in the ordinary and usual course of the Group's business;
- (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 the agreement and in the interest of the Company and the Shareholders as a whole.

We also noted from these annual reports that in all three 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" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. 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.

#### *(1) Major content of transactions under the 2018 Mutual Supply Agreement*

##### *(a) The Major Content of the Purchase Transaction of Central Reserved Meat under the 2018 Mutual Supply Agreement*

As stated in the Board Letter, pursuant to the 2018 Mutual Supply Agreement, the Group will purchase central reserved meat from COFCO Group and/or its associates at prices which were determined upon price bidding (the "**Meat Purchase Transaction**").

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## LETTER FROM ORIENTAL PATRON

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The government in PRC implements the central reserved meat policy to regulate the price volatility for the purpose of maintaining a stable market. When the market price of meat falls, the government in PRC will purchase and store the central reserved meat to stabilise the market price. On the other hand, when the market price of meat rises sharply, the government in PRC generally sells and places the central reserved meat into the market to stabilise the market price. The Group will participate in the bidding at an appropriate price usually by selling central reserved meat at a price not less than the market price and buying central reserved meat at a price not higher than the market price and increase the income through obtaining a price better than the market price. Huashang is the management unit of central reserved meat and China Food is the national reserve cold storage.

### Pricing

As stated in the Board Letter, 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.

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 participants will enter the bidding price and quantity information etc. into the bidding system. They will bid through the bidding system and the transaction price is expected to be determined based on the principle of priority being first given to the price and then to the time under the same conditions.

### Annual cap amount

Set out below is the existing annual cap amount for the Meat Purchase Transaction under the 2018 Mutual Supply Agreement for the following periods:

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

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## LETTER FROM ORIENTAL PATRON

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

- (a) the historical figures of the transaction; and
  - (b) the Group's plan in relation to central reserved meat under the national reserve meat auction; as affected by the 2018 African swine fever epidemic, the Group expects an increase in the price of live pigs of 2019 and the government in PRC, through COFCO's subsidiaries Huashang and China Food, will sell and place the frozen meat into the market to stabilize the market price. The Group plans to purchase 900 tons of central reserved meat during the process of national reserve meat auction.
- (b) *The Major Content of the Supply Transaction of Central Reserved meat under the 2018 Mutual Supply Agreement*

As stated in the Board Letter, pursuant to the 2018 Mutual Supply Agreement, the Group will sell central reserved meat to COFCO Group and/or its associates (the “**Meat Supply Transaction**”).

The government in PRC implements the central reserved meat policy to regulate the price volatility for the purpose of maintaining a stable market. When the market price of meat falls, the government in PRC will purchase and store the central reserved meat to stabilise the market price. On the other hand, when the market price of meat rises sharply, the government in PRC generally sells and places the central reserved meat into the market to stabilise the market price. The Group will participate in the bidding at an appropriate price usually by selling central reserved meat at a price not less than the market price and buying central reserved meat at a price not higher than the market price and increase the income through price variations. Huashang is the management unit of central reserved meat and China Food is the national reserve cold storage.

### Pricing

As stated in the Board Letter, 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 supplied to Independent Third Parties by the Company in the open market during the same period.

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## LETTER FROM ORIENTAL PATRON

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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 participants will enter the bidding price and quantity information etc. into the bidding system. They will bid through the bidding system and the transaction price will be determined based on the principle of priority being first given to the price and then to the time under the same conditions.

### Annual cap amount

Set out below is the existing annual cap amount for the Meat Supply Transaction under the 2018 Mutual Supply Agreement for the following periods:

	Existing annual caps for the following periods		
	Year ended	Year ended	Year ended
	31 December	31 December	31 December
	2019	2020	2021
	(RMB'000)	(RMB'000)	(RMB'000)
Sales revenue from supply of central reserved meat	14,500	14,500	14,500

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

- (a) the historical figures of the transaction; and
- (b) the Group's plan in relation to central reserved meat under the national reserve meat purchasing and storage. It is expected that the price of live pigs will recover and decline by the end of 2019. As such, the government in PRC, through COFCO's subsidiaries Huashang and China Food, will purchase and store the central reserved meat to stabilize the market price. The Group plans to sell approximately 900 tons of central reserved meat.

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## LETTER FROM ORIENTAL PATRON

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**(2) Major content of Transactions under the Supplemental Mutual Supply Agreement**

**(a) The Major Content of the Meat Purchase Transaction under the Supplemental Mutual Supply Agreement**

**Revised Annual Caps**

As stated in the Board Letter, set out below are (i) the proposed annual cap amount for the following periods, and (ii) the historical transaction amounts for the period from 1 January 2019 to 31 August 2019, in relation to the Meat Purchase Transaction.

**Proposed annual caps for the following periods**

	<b>Year ended 31 December 2019 (RMB'000)</b>	<b>Year ended 31 December 2020 (RMB'000)</b>	<b>Year ended 31 December 2021 (RMB'000)</b>
Procurement expenses from purchase of central reserved meat	607,000	1,480,000	1,480,000
Historical amounts	5,760 (the period from 1 January 2019 to 31 August 2019)		

As stated in the Board Letter, the revised annual caps are determined with reference to (i) the historical amounts of the transactions of purchase of central reserved meat for the period from 1 January 2019 to 31 August 2019; (ii) the numbers of nationwide sows and hogs have declined consecutively and rapidly since 2019, as suggested by the latest statistics from the Ministry of Agriculture and Rural Affairs. In August 2019, the number of nationwide sows decreased by 37.4% year-on-year, or 9.1% month-on-month; while the number of nationwide hogs decreased by 38.7% year-on-year, or 9.8% month-on-month, representing the largest drop of amounts of nationwide sows and hogs since January 2009, and the supply of pork in the market was tight. The Group obtains material meat after hog slaughtering, and sells such meat after cutting and processing. The amount of hog slaughtering of the Group in 2018 was approximately 1,920,000 which contributed to a supply of approximately 150,000 tons of material meat for fresh pork business, which was later sold by the Group after cutting and processing. The Group expects that the customers' demand for fresh pork in 2019 will be not less than that of 2018. Based on the decrease of the supply of hogs in the nationwide as mentioned above, the Group expects that the amounts of material meat will also have a gap of approximately 50,000 tons in 2019 calculated based on the nationwide percentage. To ensure the fulfillment of customers' demand, the Group is expected to increase

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## LETTER FROM ORIENTAL PATRON

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the annual cap for the Meat Purchase Transaction; (iii) after the new factory has commenced operation, it is expected that the procurement amount of central reserved meat is expected to further increase; and (iv) a significant increase in pork prices. At the beginning of September 2019, the average price of live hogs in 22 provinces and cities nationwide exceeded RMB27 per kilogram, representing an increase of approximately 109% from the beginning of the year. Further, the Group will regard central reserved meat as one of the important pork sources and is expected to increase the purchase amount of central reserved meat.

Having considered the abovementioned, we concur with the management of the Company that the estimation basis for the estimated increase in the purchase for central reserved meat is fair and reasonable.

As advised by the Company, as at the Latest Practicable Date, the aggregate transaction amount of Meat Purchase Transaction has not exceeded RMB12,300,000 of the existing annual cap. The Group has closely monitored the transaction amount under the purchase transaction of central reserved meat to ensure the amount is in compliance with regulations. In respect of that, the Company does not expect that the existing annual cap will be exceeded before the EGM.

In order to assess the fairness and reasonableness of the above annual caps, 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 and available.

We have (i) obtained sample transaction documents (either contracts or invoices) of similar transactions conducted with Independent Third Parties and noted that the expected purchase unit price of central reserved meat under the Meat Purchase Transactions is comparable to the unit price of similar transactions conducted with the Independent Third Parties; and (ii) obtained the letter of intent of the Group to COFCO indicating the intended purchase quantity of the central reserved meat, which is in line with the underlying basis in the calculations of the relevant revised annual caps for the three years ending 31 December 2021. Having carried out the above work done, we are of the view that the relevant proposed annual caps (including the basis and assumptions/projections applied in the relevant calculations) for the Meat Purchase Transaction is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### Pricing policy

As advised by the management of the Company, the pricing policies for the Meat Purchase Transaction under the Supplemental Mutual Supply Agreement shall be the same as the pricing policies for the Meat Purchase Transaction under the 2018 Mutual Supply Agreement.



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## LETTER FROM ORIENTAL PATRON

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(b) *The Major Content of the Meat Supply Transaction under the Supplemental Mutual Supply Agreement*

Revised Annual Caps

As stated in the Board Letter, pursuant to the Supplemental Mutual Supply Agreement, the Group will sell central reserved meat in the form of (i) price bidding, and (ii) determined through arm's length negotiation to COFCO Group and/or its associates at the prices which are determined upon price bidding and arm's length negotiation.

Set out below are (i) the proposed annual cap amount under the Supplemental Mutual Supply Agreement for the following periods and (ii) the historical transaction amount for the period from 1 January 2019 to 31 August 2019, in relation to the Meat Supply Transaction.

**Proposed annual caps for the following periods**

	<b>Year ended 31 December 2019 (RMB'000)</b>	<b>Year ended 31 December 2020 (RMB'000)</b>	<b>Year ended 31 December 2021 (RMB'000)</b>
Sales revenue from supply of central reserved meat	279,500	1,554,500	2,044,500
Historical amounts	0 <i>(the period from 1 January 2019 to 31 August 2019)</i>		

As stated in the Board Letter, the revised annual caps are determined with reference to (i) the numbers of nationwide sows and hogs have declined rapidly since 2019, as suggested by the latest statistics from the Ministry of Agriculture and Rural Affairs of PRC. In August 2019, the number of nationwide sows decreased by 37.4% year-on-year, or 9.1% month-on-month; while the number of nationwide hogs decreased by 38.7% year-on-year, or 9.8% month-on-month, representing the largest drop of amounts of nationwide sows and hogs since January 2009, and the supply of pork in the market was tight. Given all this, it is expected that the reserves for central reserved meat will increase by a certain scale; (ii) a significant increase in pork prices. At the beginning of September 2019, the average price of live hogs in 22 provinces and cities nationwide exceeded RMB27 per kilogram, representing an increase of approximately 109% from the beginning of the year; and (iii) having considered COFCO Group will have a relatively large purchase demand for central reserved meat and the Group's supply capacity of central reserved meat.

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## LETTER FROM ORIENTAL PATRON

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Having considered the abovementioned reasons, we concur with the view of the Company that the estimation basis for the estimated increase in the supply for central reserved meat is reasonable.

As advised by the Company, as at the Latest Practicable Date, the aggregate transaction amount of the Meat Supply Transaction has not exceeded RMB14,500,000 of the existing annual cap under the 2018 Mutual Supply Agreement. The Group has closely monitored the transaction amount under the Meat Supply Transaction to ensure the amount is in compliance with regulations. In respect of that, the Company does not expect that the existing annual cap will be exceeded before the EGM.

In order to assess the fairness and reasonableness of the above annual caps, 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 and available.

We have (i) obtained sample transaction documents (either contracts or invoices) of similar transactions conducted with Independent Third Parties and noted that the expected supply unit price of central reserved meat under the Meat Supply Transactions for 2019 is comparable to the unit price of those similar transactions conducted with the Independent Third Parties; (ii) reviewed the growing trend in the unit price under the Meat Supply Transaction being in line with the growth trend of pork prices in the PRC in August 2019 of more than 40% as compared to the corresponding month in 2018 according to the National Bureau of Statistics of China and (iii) obtained the letter of intent from COFCO Group to the Group indicating the intended supply quantity of the central reserved meat, which is in line with the underlying basis in the calculations of the relevant revised annual caps for the three years ending 31 December 2021. Having carried out the above work done, we are of the view that the relevant proposed annual caps (including the basis and assumptions/projections applied in the relevant calculations) for the Meat Supply Transaction is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### Pricing policy

As stated in the Board Letter, central reserved meat usually has two ways of purchasing and storage in terms of previous experience: one is price bidding and another is to appoint specified company to procure, including direct and agent procurement, through arm's length negotiation. Pursuant to the Supplemental Mutual Supply Agreement, the Group will sell central reserved meat to COFCO Group and/or its associates at the prices which are determined upon price bidding and through arm's length negotiation.

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## LETTER FROM ORIENTAL PATRON

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(i) determined upon price bidding

As stated in the Board Letter, the supply price of central reserved meat to be provided by the Group through price bidding to COFCO Group 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 Group in the open market 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 participants will enter the bidding price and quantity information etc. into the bidding system. They will bid through the bidding system and the transaction price will be determined based on the principle of priority being first given to the price and then to the time under the same conditions.

(ii) determined through arm's length negotiation

As stated in the Board Letter, due to a tight supply of pork in the market, COFCO Group has negotiated with the Group that the central reserved meat will be provided by the Group to COFCO Group with prices determined through arm's length negotiation, which the Group believes it is fair and reasonable and for the interests of the Company. The supply price of central reserved meat to be provided by the Group through direct sale to COFCO Group was determined by reference to the prices of not less than three transactions entered into with Independent Third Parties during the same period at fair value and is generally not less than the price of similar products supply to Independent Third Parties by the Group in the open market during the same period. Having considered that the price determination of the direct procurement will make reference to the prices of the transactions entered into with Independent Third Parties, we concur with the management of the Company that the abovementioned price determination mechanism is fair and reasonable.

As advised by the management of the Company, the changes made on pricing basis for the supply of central reserved meat under the Supplemental Mutual Supply Agreement are mainly due to the newly added direct sale of meat products in relation to central reserved meat to be provided by the Group to COFCO Group. We concur with the management of the Company that such change is reasonable and necessary.

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## LETTER FROM ORIENTAL PATRON

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### Meat products procurement agency service

#### Principal terms

As set out in the Board Letter, central reserved meat usually has two ways of purchasing and storage in terms of previous experience: one is price bidding and another is to appoint specified company to procure, including direct and agent procurement, through arm's length negotiation. Pursuant to the Supplemental Mutual Supply Agreement, the Group will provide COFCO Group and/or its associates with meat products procurement agency service (the "**Procurement Agency Services**") by the following steps: (i) the Group sources meat products based on the agent purchasing intentions and instructions issued by COFCO Group; (ii) the Group signs purchase contracts with suppliers, who will arrange for production and shipment according to the contracts; (iii) COFCO Group pays for purchases and related taxes and fees; (iv) the transfer of goods will be completed according to the relevant requirements after they are put into storages of COFCO Group or other Independent Third Parties; and (v) the Group arranges settlement of agent fees with COFCO Group.

#### Pricing policy

As set out in the Board Letter, the agent fee payable by COFCO to the Group is determined based on certain percentage ratio of the agent procurement amount. As the Company primarily engages in direct-sale of meat products, while rarely engages in agent business for meat products, such agent fee rate will be determined through arm's length negotiation between the Group and COFCO Group with reference to similar past transactions and/or market practice (if any).

If the Group engages in similar kinds of business with Independent Third Parties within three months before it does the same with COFCO Group, the agent fee rate for COFCO Group will not be lower than that for Independent Third Parties. If the Group does not engage in similar kinds of business with Independent Third Parties within three months, the Company will review whether there is any listed company conducting the same business in the market. If there are such companies, the agent fee rate for COFCO Group will not be lower than the average rate received by such listed companies within three months before the transaction between the Group and COFCO Group. If there is no such listed company, the Group will make references to the gross profit margin of trading business segment of the companies engaging in the agricultural products that fulfil the criteria below, during the negotiation with COFCO Group:

- (i) the company is listed on either the Stock Exchange, the Shenzhen Stock Exchange or the Shanghai Stock Exchange;

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## LETTER FROM ORIENTAL PATRON

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- (ii) the company is either solely or has a reportable business segment engaged in the agricultural products trading business in the PRC;
- (iii) if agricultural products trading business is the sole business of the company, financial information for its agricultural products trading business is available in its latest audited financial statements; and
- (iv) if agricultural products trading business is a reportable business segment of the company, segmental financial information for its agricultural products trading business is available in its latest audited financial statements.

The Group will ensure such agent fee rate be within the market range of the gross profit margin of trading business segment of the companies that meet the criteria above.

The Procurement Agency Services to be provided by the Group to COFCO is a new transaction under the Supplemental Mutual Supply Agreement. As such, there are no annual caps set or historical transaction amounts occurred under 2018 Mutual Supply Agreement.

The internal control measures in respect of the Procurement Agency Services are considered by us in more detail in the section headed “**4. Price determination procedures and internal control system for the Supplemental Mutual Supply Agreement**” in this letter.

Having considered the above pricing policies set out by the Company, we concur with the view of the management of the Group that the pricing basis for the Procurement Agency Services is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Annual cap amount

Set out below is the proposed annual cap amount for the Procurement Agency Services for the following periods:

<b>Proposed annual caps for the following periods</b>			
	<b>Year ended</b>	<b>Year ended</b>	<b>Year ended</b>
	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Agency fee	54,000	202,500	315,000

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## LETTER FROM ORIENTAL PATRON

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As set out in the Board Letter, in determining the above proposed annual cap amount in respect of the agency fee, the Directors have considered the following:

- (i) the numbers of nationwide sows and hogs have declined consecutively and rapidly since 2019, as suggested by the latest statistics from the Ministry of Agriculture and Rural Affairs. In August 2019, the number of nationwide sows decreased by 37.4% year-on-year, or 9.1% month-on-month; while the number of nationwide hogs decreased by 38.7% year-on-year, or 9.8% month-on-month, representing the largest drop of amounts of nationwide sows and hogs since January 2009, and the supply of pork in the market was tight. Given all this, the Group is expected to expand the business of provision of agent services for purchase of meat products to COFCO Group and/or its associates;
- (ii) the estimated agency fee rate, used for the calculation of the proposed annual cap, is within the range of the gross profit margins of the agricultural products trading businesses of the selected companies; and
- (iii) it is expected that COFCO Group will have a relatively large purchase demand for central reserved meat and considering the Group's procurement agent capacity of central reserved meat business.

In order to assess the fairness and reasonableness of the above annual caps, 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 and available.

As advised by the management of the Company, it is not aware of any listed companies in the PRC or Hong Kong that engage in the trading of meat products in the PRC with available information on businesses similar to the Procurement Agency Services, including the fee rate arrangement.

We have conducted an exhaustive search on Bloomberg and found eleven comparable companies based on the following selection criteria:

- (i) the company is listed on either the Hong Kong Stock Exchange, the Shenzhen Stock Exchange or the Shanghai Stock Exchange;
- (ii) the company is either solely or has a reportable business segment engaged in the agricultural products trading business in the PRC;

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## LETTER FROM ORIENTAL PATRON

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- (iii) if agricultural products trading business is the sole business of the company, financial information for its agricultural products trading business is available in the audited financial statements of the company for the year ended 31 December 2018; and
- (iv) if agricultural products trading business is a reportable business segment of the company, segmental financial information for its agricultural products trading business is available in the audited financial statements of the company for the year ended 31 December 2018.

Below is the list of the eleven selected comparable companies and their respective agricultural products trading business gross profit margins of such comparable companies:

Ticker	Name	Agricultural products trading business of the comparable company	For the year ended 31 December 2018
			Gross profit margin of the agricultural products trading business of the comparable company
002157.CH	JIANGXI ZHENGBO TECHNOLOGY CO., LTD.	Feed ingredients	1.82%
603609.CH	LIAONING WELLHOPE AGRI- TECH JOINT STOCK CO., LTD.	Feed and feed ingredients	3.59%
002505.CH	HUNAN DAKANG INTERNATIONAL FOOD & AGRICULTURE CO., LTD.	Grains	7.59%
603363.CH	FUJIAN AONONG BIOLOGICAL TECHNOLOGY GROUP INCORPORATION LIMITED	Feed ingredients	3.72%
600882.CH	SHANGHAI MILKGROUND FOOD TECH CO., LTD.	Dairy products	9.57%
000576.CH	JIANGMEN SUGARCANE CHEMICAL FACTORY(GROUP)CO., LTD.	Sugar	0.64%
600097.CH	SHANGHAI KAICHUANG MARINE INTERNATIONAL CO., LTD.	Seafood	3.85%
000798.CH	CNFC OVERSEAS FISHERIES CO., LTD.	Seafood	1.68%

## LETTER FROM ORIENTAL PATRON

		For the year ended 31 December 2018	
Ticker	Name	Agricultural products trading business of the comparable company	Gross profit margin of the agricultural products trading business of the comparable company
600313.CH	ZHONGNONGFA SEED INDUSTRY GROUP CO.,LTD.	Fertilizer	1.15%
1492.HK	CHINA ZHONGDI DAIRY HOLDINGS COMPANY LIMITED	Dairy cows, other livestock and other animal husbandry related products	25.10%
6183.HK	CHINA GREENFRESH GROUP CO., LTD.	Food	2.89%
		<b>Average</b>	5.60%
		<b>Highest</b>	25.10%
		<b>Lowest</b>	0.64%
	After excluding the outliers being the gross profit margin (7.59%, 9.57% and 25.10%) of Hunan Dakang International Food & Agriculture Co., Ltd., Shanghai Milkground Food Tech Co., Ltd. and China ZhongDi Dairy Holdings Company Limited, respectively (the “Outliers”)		
		<b>Average</b>	2.42%
		<b>Highest</b>	3.85%
		<b>Lowest</b>	0.64%

*Note:* Based on our observation, most of the gross profit margin of the comparable companies are below 4%. Therefore, we are of the view that considering the comparable companies whose gross profit margin are above 4% as outliers is reasonable.

With reference to the selection criteria under the pricing and internal control policy in relation to the Procurement Agency Services, having considered (i) based on the view of management of the Company, the Procurement Agency Service and trading business of agricultural products are similar in nature, (ii) the main operations of both Procurement Agency Service and the trading business of the comparable companies are based in the PRC, and (iii) all the selected comparable companies are listed on stock exchanges providing the best available public information, we are of the view that the selection criteria for the comparable companies are fair and reasonable.



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## LETTER FROM ORIENTAL PATRON

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Further, we have compared the gross profit margin of those comparable companies or trading business segment of the comparable companies with the estimated agency fee rate of the Procurement Agency Services. The estimated agency fee rate, used for the calculation of the proposed annual cap, is within the range of the gross profit margins of the agricultural products trading businesses of the selected comparable companies (i.e. within the range from 0.64% to 3.85% after excluding the Outliers). As such, we concur with the view of the Company that the estimated agency fee rate, used for the calculation of the proposed annual cap, is fair and reasonable.

In addition to conducting the above research, we have also (i) obtained a copy of the letter of intent issued by COFCO to the Company in relation to its plan to engage the Group to provide the Procurement Agency Services specifying the value of meat products it wishes to have the Group procure for the three years ending 31 December 2021; (ii) discussed the basis and assumptions adopted in such calculations with the management of the Group which include the procurement under the Procurement Agency Services will be materialised according to the letter of intent.

Having carried out the above work done, we are of the view that the relevant proposed annual caps (including the basis and assumptions/projections applied in the relevant calculations) for the Procurement Agency Services is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

#### ***4. Price determination procedures and internal control system for the Supplemental Mutual Supply Agreement***

As set out in the Board Letter, the price determination procedures and internal control system for the Meat Purchase Transaction and the Meat Supply Transaction under the Supplemental Mutual Supply Agreement shall be the same as those adopted under the 2018 Mutual Supply Agreement.

The Group, through its legal, finance, audit and business departments to monitor internal controls, will review on a quarterly basis in accordance with the internal pricing policy.

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## LETTER FROM ORIENTAL PATRON

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### RECOMMENDATION

Having taken into account the above factors and reasons, we consider that (1) the Supplemental Mutual Supply Agreement is in the ordinary and usual course of business of the Group; and (2) the terms of the Supplemental Mutual Supply Agreement (including the Revised Annual Caps and the New Continuing Connected Transaction) is 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 Supplemental Mutual Supply Agreement (including the Revised Annual Caps and the New Continuing Connected Transaction).

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

**RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, is published 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 therein 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 in the Shares 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:

**Long position in Shares**

<b>Name of Director</b>	<b>Capacity/Nature of interests</b>	<b>Number of Shares held</b>	<b>Percentage of the Company's issued share capital</b>
Xu Jianong	Beneficial owner	3,551,599	0.09%
Wolhardt Julian Juul <sup>1</sup>	Interest in controlled corporation	198,161,124	5.08%

*Note:*

- These shares are held by Gourmet Bravo Ltd. which is wholly-owned by Epicure Bravo Ltd. Epicure Bravo Ltd. is wholly-owned by DCP Partners Limited which is wholly-owned by DCP, Ltd. Wolhardt Julian Juul owns 50% shareholding of DCP, Ltd. Wolhardt Julian Juul is deemed to be interested in the shares held by Gourmet Bravo Ltd. under the SFO.

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 associate 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 2018 (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:

<b>Name</b>	<b>Qualification</b>
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 written 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 in 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 2018 (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 in pages 21 to 40 in 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 30 June 2019, 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 P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, 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 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 AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at 33rd Floor, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) this circular;
- (b) the 2018 Mutual Supply Agreement;
- (c) the Supplemental Mutual Supply Agreement;
- (d) the letter from the Board, the text of which is set out in pages 4 to 19 of this circular;
- (e) the letter from the Independent Board Committee, the text of which is set out in page 20 of this circular; and
- (f) the letter from the Independent Financial Adviser, the text of which is set out in pages 21 to 40 of this circular.

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## NOTICE OF EGM

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**中糧**  
**COFCO**

**中糧肉食控股有限公司**  
**COFCO Meat Holdings 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 Meat Holdings Limited (the “**Company**”) will be held at 1:30 p.m. on Friday, 15 November 2019 at Room 3011, 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 resolutions:

**“THAT**

- (a) the Supplemental Mutual Supply Agreement (“**Supplemental Mutual Supply Agreement**”) dated 9 September 2019 entered into between the Company and COFCO Corporation (“**COFCO**”) in relation to the Revised Annual Caps and the New Continuing Connected Transaction (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 ratified, confirmed and approved;
- (b) (i) the revised annual caps for the three years ending 31 December 2021 of RMB607,000,000, RMB1,480,000,000 and RMB1,480,000,000 in relation to the Transaction for purchase of central reserved meat contemplated under the Supplemental Mutual Supply Agreement; (ii) the revised annual caps for the three years ending 31 December 2021 of RMB279,500,000, RMB1,554,500,000 and RMB2,044,500,000 in relation to the Transaction for supply of central reserved meat contemplated under the Supplemental Mutual Supply Agreement be and are hereby confirmed and approved;
- (c) New Continuing Connected Transaction (as defined in the Circular) contemplated under the Supplemental Mutual Supply Agreement be and are hereby confirmed and approved;
- (d) the directors of the Company be and are hereby authorised to execute such other documents, do all other acts and things and take such action as they may consider necessary, desirable or expedient to implement and/or give effect to or otherwise in connection with Supplemental Mutual Supply Agreement and any or all the matters contemplated in the Supplemental Mutual Supply Agreement.”

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

Hong Kong, 29 October 2019

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## NOTICE OF EGM

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*Note:*

1. The register of members of the Company will be closed from Tuesday, 12 November 2019 to Friday, 15 November 2019, 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 Monday, 11 November 2019.
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. A proxy need not be a member of the Company.
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 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 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 so desires. If a member attends the EGM after having deposited the form of proxy, his form of proxy will be deemed to have been revoked.
7. 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, 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.*