**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**



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

**If you have sold or transferred** all your shares in China Agri-Industries Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

中粮
COFCO

# CHINA AGRI-INDUSTRIES HOLDINGS LIMITED
# 中國糧油控股有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 606)**

## DISCLOSEABLE AND CONNECTED TRANSACTIONS
## ENTERING INTO
## (1) COFCO INTERNATIONAL MASTER AGREEMENT AND
## (2) CAPITAL INCREASE AGREEMENT REGARDING
## COFCO TRADING GUANGDONG
## AND
## CONNECTED TRANSACTION
## (3) PROPOSED AMENDMENTS TO THE NON-COMPETITION DEED
## AND
## NOTICE OF EGM

**Financial adviser to the Company**

BNP PARIBAS

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

**Platinum Securities Company Limited**

PLATINUM
Securities

A letter from the Board is set out on pages 9 to 35 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 36 and 37 of this circular. A letter from the IFA containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 38 to 69 of this circular.

The notice convening the EGM to be held at Crystal Ballroom, Level B3, Holiday Inn Golden Mile Hong Kong, 50 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on 2 November 2018 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for the use at the EGM is enclosed herewith. Whether or not you are able to attend the EGM in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours (excluding any part of a day that is a public holiday) before the time scheduled for the holding of the EGM (i.e. before Hong Kong time 10:00 a.m. on 31 October 2018) or any adjournment hereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment hereof should you so wish.

8 October 2018

# CONTENTS

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

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| "Announcement" | refers to the Company's announcement dated 31 August 2018 |
| "Asset Valuation Reports" | the valuation reports prepared by CEA in relation to the asset value of COFCO International Target Companies and COFCO Trading Guangdong as at the benchmark date of 31 March 2018, the summary of which is contained in Appendix I of this circular |
| "associate(s)" | has the same meaning ascribed thereto under the Listing Rules |
| "Board" | the board of Directors of the Company |
| "Business Day(s)" | any calendar day (other than a Saturday, a Sunday, or a statutory public holiday) on which banks are open for business in the British Virgin Islands, Hong Kong, Singapore and the PRC, as explicitly applicable to any party |
| "Capital Increase Agreement" | the capital increase agreement dated 31 August 2018 entered into between COFCO Dongguan, COFCO Trading and COFCO Trading Guangdong in relation to the proposed capital contribution in the amount of RMB620 million into COFCO Trading Guangdong to be made by COFCO Dongguan as contemplated thereunder |
| "CEA" | China Enterprise Appraisals Co., Ltd. |
| "Change in AIC Registration" | the change of company registration records with the competent Administration for Industry and Commerce, or other applicable competent authorities, in the PRC in relation to the transactions contemplated under the COFCO International Master Agreement and the Capital Increase Agreement in accordance with the PRC laws |
| "Chinatex Anhui" | Chinatex Agriculture Anhui Co., Ltd.* (中紡農業安徽有限公司), a company incorporated in the PRC |
| "Chinatex Dongguan" | Chinatex Grains and Oils (Dongguan) Co., Ltd.* (中紡糧油(東莞)有限公司), a company incorporated in the PRC |
| "Chinatex Fujian" | Chinatex Grains and Oils (Fujian) Co., Ltd.* (中紡糧油(福建)有限公司), a company incorporated in the PRC |

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| "Chinatex Guangyuan" | Chinatex Grains and Oils (Guangyuan) Co., Ltd.* (中紡糧油(廣元)有限公司), a company incorporated in the PRC |
| "Chinatex Hubei" | Chinatex Agriculture Hubei Co., Ltd* (中紡農業湖北有限公司), a company incorporated in the PRC |
| "Chinatex Lianwang" | Chinatex Grains and Oils Lianwang (Dalian) Industry Co., Ltd.* (中紡糧油連王(大連)工業有限公司), a company incorporated in the PRC |
| "Chinatex Option" | the option for the Company to acquire the Competing Business indirectly owned by Chinatex Corporation Limited* (中國中紡集團有限公司) and its subsidiaries in the PRC which became effective on 14 December 2017, as referred to in the Company's announcement dated 19 December 2017 |
| "Chinatex Rizhao" | Chinatex Grains and Oils (Rizhao) Co., Ltd.* (中紡糧油(日照)有限公司), a company incorporated in the PRC |
| "Chinatex Shenyang" | Chinatex Grains and Oils (Shenyang) Co., Ltd* (中紡糧油(瀋陽)有限公司), a company incorporated in the PRC |
| "Chinatex Sichuan" | Chinatex Grains and Oils (Sichuan) Co., Ltd.* (中紡糧油(四川)有限公司), a company incorporated in the PRC |
| "Chinatex Tianjin" | Chinatex Edible Oil (Tianjin) Co., Ltd.* (中紡油脂(天津)有限公司), a company incorporated in the PRC |
| "Chinatex Zhanjiang" | Chinatex Grains and Oils (Zhanjiang) Co., Ltd.* (中紡糧油(湛江)有限公司), a company incorporated in the PRC |
| "Chinatex (Zhanjiang) Industries" | Chinatex Grains and Oils (Zhanjiang) Industries Co., Ltd.* (中紡糧油(湛江)工業有限公司), a company incorporated in the PRC |
| "Chongqing Xinfu" | Chongqing Xinfu Food Co., Ltd.* (重慶新涪食品有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of COFCO International |
| "Closing of the Capital Increase Agreement" | completion of the registration with the Administration for Industry and Commerce in relation to the capital increase of COFCO Trading Guangdong |
| "Closing Date of the Capital Increase Agreement" | the date of Closing of the Capital Increase Agreement |

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| "Closing of the COFCO International Master Agreement" | completion of the registration with the Administration for Industry and Commerce in relation to the transfer of equity interest in the COFCO International Target Companies |
| "Closing Date of the COFCO International Master Agreement" | the date of Closing of the COFCO International Master Agreement |
| "COFCO" | COFCO Corporation (中糧集團有限公司), a state-owned company established in the PRC currently under the purview of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC and the ultimate controlling shareholder of the Company |
| "COFCO (HK)" | COFCO (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, a controlling shareholder of the Company and a direct wholly-owned subsidiary of COFCO |
| "COFCO Dongguan" | COFCO (Dongguan) Oils & Grains Industries Co., Ltd.* (中糧(東莞)糧油工業有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of the Company |
| "COFCO Fortune Equity Transfer Agreement" | the equity transfer agreement dated 25 May 2017 entered into between COFCO Fortune Holdings Limited, as the purchaser, and COFCO Food Sales & Distribution Co., Ltd.* (中糧食品營銷有限公司), as the vendor, in relation to the acquisition of the entire equity interest in COFCO Fortune Foods Sales & Distribution Co., Ltd.* (中糧福臨門食品營銷有限公司) |
| "COFCO International" | COFCO International Limited, a company incorporated in Cayman Islands and a subsidiary of COFCO |
| "COFCO International Equity Transfer Agreements" | the separate equity transfer agreements, in the form satisfactory for the purpose of filing with the applicable competent authority in the PRC, to be entered into in accordance with the terms of the COFCO International Master Agreement in relation to the acquisition of each of the COFCO International Target Companies, the terms of which shall not be inconsistent with the terms of the COFCO International Master Agreement |

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| "COFCO International Master Agreement" | the equity acquisition master agreement dated 31 August 2018 entered into among Oriental Chance, COFCO Oils No.2, COFCO Oils & Fats, COFCO International Singapore, Great Wall Investments, Sino Agri-Trade and HK Ming Fat in relation to the acquisition of the equity interest in the COFCO International Target Companies |
| "COFCO International Option" | the option for the Company to acquire the Competing Business indirectly owned by COFCO International Holdings Limited, a subsidiary of COFCO, and its subsidiaries in the PRC which became effective on 14 October 2014, as referred to in the Company's announcement dated 19 December 2017 (formerly known as COFCO Agri Option) |
| "COFCO International Singapore" | COFCO International Singapore Pte. Ltd., a company incorporated in Singapore and a wholly-owned subsidiary of COFCO International |
| "COFCO International Target Companies" | the relevant entities held by COFCO International Singapore, Great Wall Investments, Sino Agri-Trade and HK Ming Fat, the equity interest of which to be acquired by Oriental Chance, COFCO Oils No.2 and COFCO Oils & Fats under the COFCO International Master Agreement, namely, Qinzhou Dayang, Chongqing Xinfu, Longkou Xinlong and Ming Fat International |
| "COFCO Nantong" | Nantong COFCO Agri Grain and Protein Co., Ltd.* (中糧農業穀物蛋白南通有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of COFCO International |
| "COFCO Oils No.2" | COFCO Oils (HK) No.2 Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company |
| "COFCO Oils & Fats" | COFCO Oils & Fats Holdings Limited, a company incorporated in the British Virgin Islands, which is wholly-owned by the Company |
| "COFCO Trading" | COFCO Trading Co., Ltd.* (中糧貿易有限公司), a company incorporated in the PRC and a subsidiary of COFCO |
| "COFCO Trading Guangdong" | COFCO Trading (Guangdong) Co., Ltd.* (中糧貿易(廣東)有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of COFCO Trading |

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| "COFCO Xinsha" | COFCO Xinsha Oils and Grains Industries (Dongguan) Co., Ltd.* (中糧新沙糧油工業(東莞)有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of the Company |
| "Company" | China Agri-Industries Holdings Limited (中國糧油控股有限公司), a company incorporated in Hong Kong with limited liability and listed on the main board of The Stock Exchange of Hong Kong Limited (stock code: 606) |
| "Competing Business" | any business which competes with the Restricted Business or any part of it in the Restricted Territory |
| "connected person(s)" | has the meaning ascribed to it under the Listing Rules |
| "Director(s)" | the director(s) of the Company |
| "EGM" | the extraordinary general meeting to be held by the Company to consider, and if thought fit, to approve the transactions contemplated under the COFCO International Master Agreement, the Capital Increase Agreement and the Supplemental Deed |
| "Great Wall Investments" | Great Wall Investments Pte. Ltd., a company incorporated in Singapore and a wholly-owned subsidiary of COFCO International |
| "Group" | the Company and its subsidiaries |
| "HK Ming Fat" | H.K. Ming Fat International Oil & Fat Chemical Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of COFCO International |
| "HKFRS" | Hong Kong Financial Reporting Standards |
| "IFA" or "Platinum" | Platinum Securities Company Limited, a corporation licensed under the Securities and Futures Ordinance to provide Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the COFCO International Master Agreement, the Capital Increase Agreement, the Supplemental Deed and the connected transactions contemplated thereunder |

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| "Independent Board Committee" | the independent committee of the Board established for the purposes of reviewing the transactions contemplated under the COFCO International Master Agreement, the Capital Increase Agreement and the Supplemental Deed |
| "Independent Shareholder(s)" | shareholders of the Company other than COFCO and its associates |
| "INED(s)" | the independent non-executive Directors of the Company |
| "Initial Payment" | the first instalment of payment representing 50% of the consideration for the equity interests in the relevant COFCO International Target Companies |
| "Latest Practicable Date" | 30 September 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein |
| "Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| "Longkou Xinlong" | Longkou Xinlong Edible Oil Co., Ltd.* (龍口新龍食油有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of COFCO International |
| "Ming Fat International" | Ming Fat International Oil & Fat Chemical (Taixing) Co., Ltd.* (明發國際油脂化工(泰興)有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of COFCO International |
| "MOFCOM" | the Ministry of Commerce of the PRC |
| "mu" | mu (畝), a unit measurement of land area in the PRC, equivalent to approximately 667 square meters |
| "Non-competition Deed" | the non-competition deed entered into among COFCO, COFCO (HK) and the Company on 16 February 2007, as amended on 23 October 2017 |
| "Non-exercised Chinatex Retained Interests" | the interests in the Competing Business in Chinatex Anhui, Chinatex Hubei, Chinatex Dongguan, Chinatex Shenyang and Chinatex Tianjin |
| "Oriental Chance" | Oriental Chance Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company |

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| "percentage ratios" | have the same meanings ascribed thereto under Rule 14.07 of the Listing Rules |
| "PRC" | the People's Republic of China |
| "Property Valuation Report" | the valuation report prepared by Savills Valuation and Professional Services Limited in relation to the property held by COFCO Trading Guangdong as at the valuation date of 31 July 2018, the full text of which is contained in Appendix II of this circular |
| "Purchasers" | Oriental Chance, COFCO Oils No.2 and COFCO Oils & Fats |
| "Qinzhou Dayang" | Qinzhou Dayang Cereals and Oils Co., Ltd.* (欽州大洋糧油有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of COFCO International |
| "Remaining Chinatex Retained Interests" | the interests in Competing Business in Chinatex Lianwang, Chinatex Rizhao, Sinograin Rizhao, Chinatex Fujian, Chinatex Zhanjiang, Chinatex (Zhanjiang) Industries, Chinatex Sichuan and Chinatex Guangyuan, which form part of the Chinatex Option |
| "Restricted Business" | the business carried by the Group comprising oilseeds processing, rice processing and trading, brewing materials and wheat processing |
| "Restricted Territory" | any country in the world in which the Group carries on business from time to time |
| "Retained Interests" | the interest in the Competing Business held by COFCO and/or COFCO (HK) and their respective subsidiaries (other than any member of the Group), whether directly or indirectly, as set out in the Non-competition Deed |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "Second Payment" | the difference between the consideration for the equity interests in the relevant COFCO International Target Companies, subject to adjustment as set out in the section headed "Payment schedule" in the Announcement, and the Initial Payment |
| "Share(s)" | the ordinary share(s) of the Company |
| "Shareholder(s)" | holder(s) of the Shares |

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| "Sino Agri-Trade" | Sino Agri-Trade Pte. Ltd., a company incorporated in Singapore and a wholly-owned subsidiary of COFCO International |
| "Sinograin Rizhao" | Sinograin Oil & Fat Rizhao Co., Ltd.* (中儲糧油脂日照有限公司), a company incorporated in the PRC |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Supplemental Deed" | the supplemental deed dated 31 August 2018 entered into by COFCO, COFCO (HK) and the Company to amend the Non-competition Deed |
| "United States" or "US" | the United States of America |
| "US$", "USD" or "US dollars" | United States dollars, the lawful currency of the United States |
| "Vendors" | COFCO International Singapore, Great Wall Investments, Sino Agri-Trade and HK Ming Fat |
| "%" | per cent |

* *for identification purposes only*

中粮
COFCO

# CHINA AGRI-INDUSTRIES HOLDINGS LIMITED
# 中國糧油控股有限公司

*(Incorporated in Hong Kong with limited liability)*
**(Stock Code: 606)**

*Executive Directors:*
DONG Wei *(Chairman)*
WANG Qingrong
YANG Hong

*Non-executive Directors:*
JIA Peng
MENG Qingguo

*Independent Non-executive Directors:*
LAM Wai Hon, Ambrose
Patrick Vincent VIZZONE
ONG Teck Chye

*Registered office:*
31st Floor
COFCO Tower
262 Gloucester Road
Causeway Bay
Hong Kong

8 October 2018

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
ENTERING INTO
(1) COFCO INTERNATIONAL MASTER AGREEMENT AND
(2) CAPITAL INCREASE AGREEMENT REGARDING
COFCO TRADING GUANGDONG
AND
CONNECTED TRANSACTION
(3) PROPOSED AMENDMENTS TO THE NON-COMPETITION DEED
AND
NOTICE OF EGM**

## INTRODUCTION

Reference is made to the Announcement dated 31 August 2018 in relation to, among others, the entering into (i) agreements for the acquisition of equity interests in the COFCO International Target Companies and capital contribution into COFCO Trading Guangdong and (ii) the Supplemental Deed.

The purpose of this circular is to provide you with, among other things, (1) further details of the COFCO International Master Agreement, the Capital Increase Agreement and the Supplemental Deed; (2) the recommendations of the Independent Board Committee; (3) a letter of advice from the IFA to the Independent Board Committee and the Independent Shareholders; and (4) a notice convening the EGM and other information as set out in the appendices to this circular.

## A. COFCO INTERNATIONAL MASTER AGREEMENT

On 31 August 2018, the INEDs decided to partially exercise the COFCO International Option. Pursuant to such decision, Oriental Chance, COFCO Oils No.2, COFCO Oils & Fats, wholly-owned subsidiaries of the Company (as the Purchasers), and COFCO International Singapore, Great Wall Investments, Sino Agri-Trade and HK Ming Fat, wholly-owned subsidiaries of COFCO International (as the Vendors) entered into the COFCO International Master Agreement, pursuant to which Oriental Chance, COFCO Oils No.2 and COFCO Oils & Fats have conditionally agreed to acquire the entire equity interest in each of the COFCO International Target Companies for an aggregate consideration of RMB1,341 million (approximately US$196.5 million), which shall be paid in US dollars, subject to adjustment, in two cash installments. The major terms of the COFCO International Master Agreement are summarised below:

### Date

31 August 2018

### Parties

(1) the Purchasers; and

(2) the Vendors

**Subject Matter**

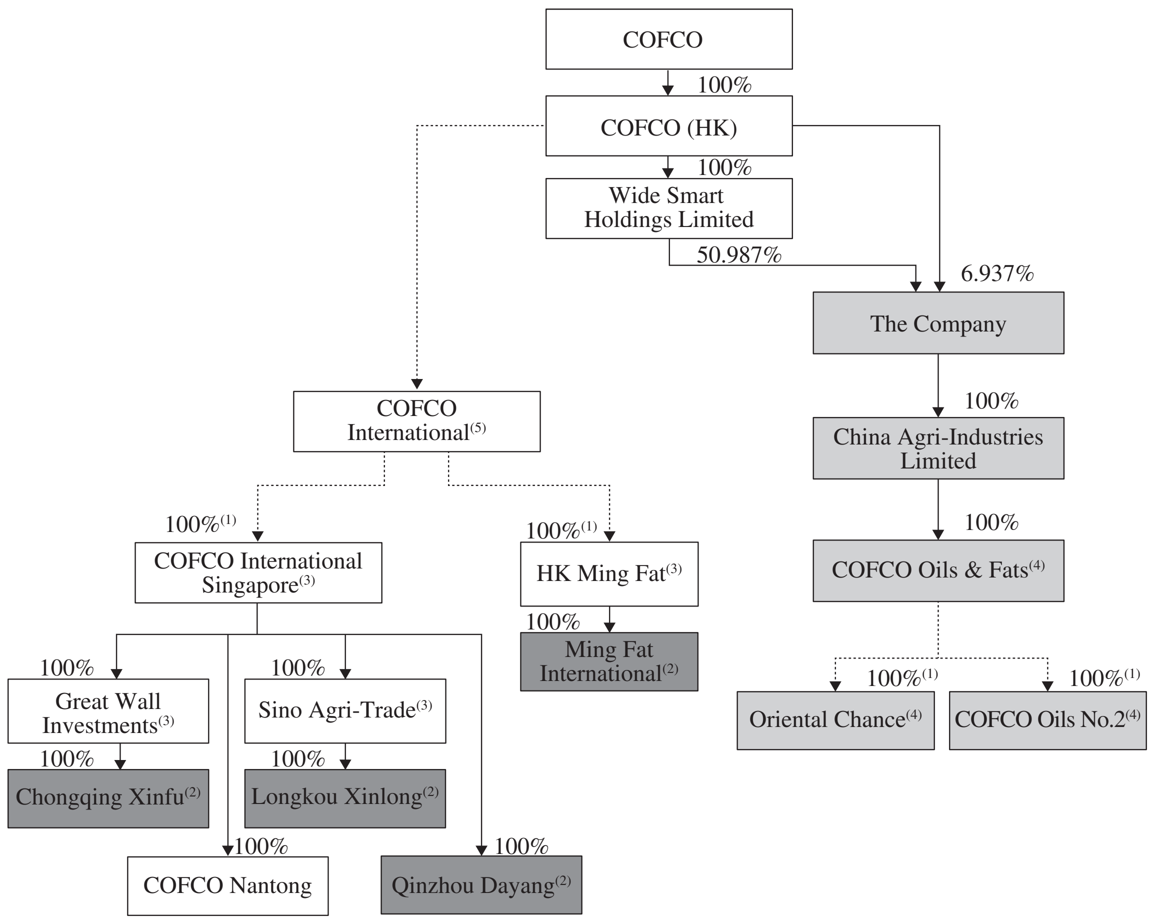
Subject to the conditions precedent under the COFCO International Master Agreement, each of the Vendors has agreed to sell, and each of the Purchasers has agreed to purchase, the Vendors' respective equity interest in the relevant COFCO International Target Companies:

| | Vendors | COFCO International Target Companies | Purchasers | Sale equity interest |
|---|---|---|---|---|
| 1. | COFCO International Singapore | Qinzhou Dayang | Oriental Chance | 100% |
| 2. | Great Wall Investments | Chongqing Xinfu | COFCO Oils No.2 | 100% |
| 3. | Sino Agri-Trade | Longkou Xinlong | COFCO Oils & Fats | 100% |
| 4. | HK Ming Fat | Ming Fat International | COFCO Oils & Fats | 100% |

The relevant Purchasers and Vendors will separately enter into the COFCO International Equity Transfer Agreements in relation to the acquisition of equity interests in each of the COFCO International Target Companies in accordance with the terms of the COFCO International Master Agreement. Upon the Closing of the COFCO International Master Agreement, each of the COFCO International Target Companies will become a wholly-owned subsidiary of the Company.

Set out below is the shareholding structure of the COFCO International Target Companies immediately before and after the completion of the transactions contemplated under the COFCO International Master Agreement:

**Before the completion**




(1) *The dotted line indicates indirect shareholdings*

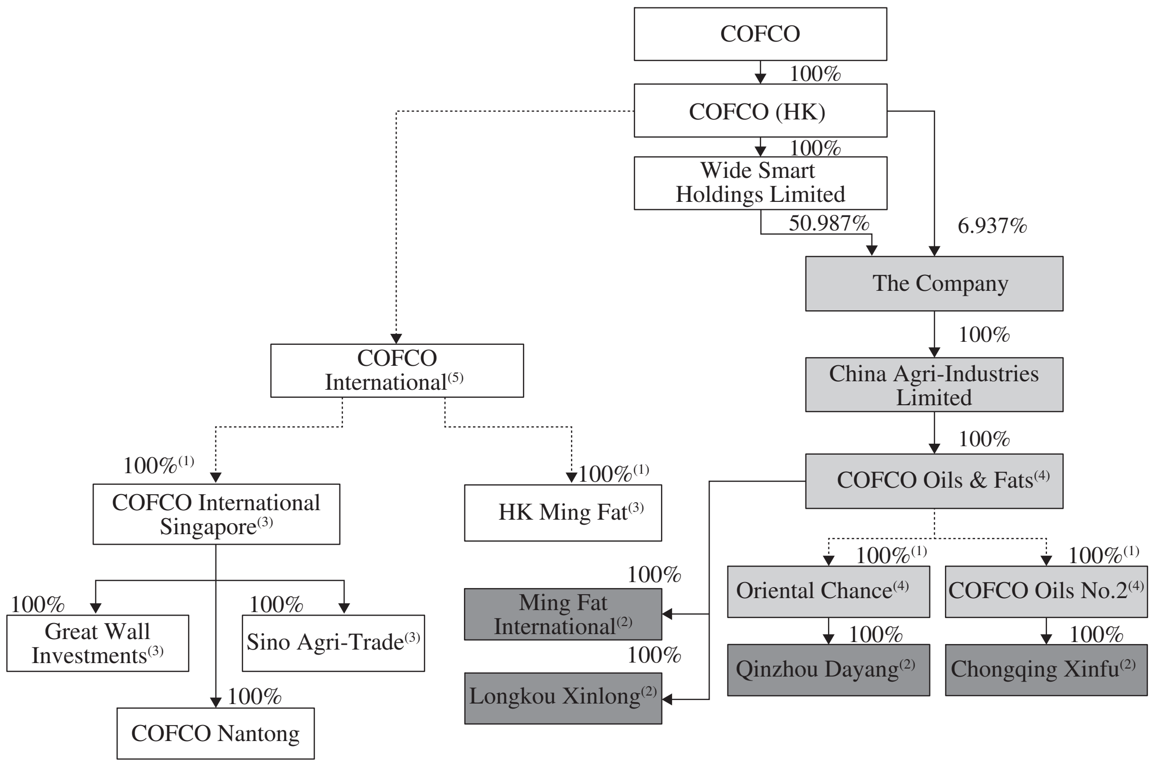
(2) *COFCO International Target Companies*

(3) *the Vendors*

(4) *the Purchasers*

(5) *COFCO International is controlled as to more than 50% by a subsidiary of COFCO (HK)*

**After the completion**




(1) *The dotted line indicates indirect shareholdings*

(2) *COFCO International Target Companies*

(3) *the Vendors*

(4) *the Purchasers*

(5) *COFCO International is controlled as to more than 50% by a subsidiary of COFCO (HK)*

**Consideration**

Pursuant to the COFCO International Master Agreement, the parties thereto have jointly appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP. Beijing Branch to issue a special audit report in relation to the financial and operational position of the relevant COFCO International Target Companies in accordance with the PRC generally accepted accounting principles as at the signing date of the COFCO International Master Agreement, according to which if the aggregate audited amount of the equity attributable to owners of the COFCO International Target Companies as at the signing date of the COFCO International Master Agreement is less than the aggregate audited amount of the equity attributable to owners of the COFCO International Target Companies as at 31 March 2018, such shortfall shall be deducted from the aggregate consideration, and the respective consideration for the acquisition of equity interest in each of the COFCO International Target Companies shall be adjusted accordingly.

Based on the special audit report dated 30 September 2018 issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP. Beijing Branch, the parties to the COFCO International Master Agreement agreed that the aggregate consideration for the acquisition of the equity interests in the COFCO International Target Companies shall be adjusted from RMB1,341 million to approximately RMB1,294 million, which shall be paid in US dollars in the amount of approximately US$189.7 million (calculated based on the middle exchange rate of RMB:USD published by the People's Bank of China on the signing date of the COFCO International Master Agreement) in cash in accordance with the payment schedule set out below, and the respective consideration for the acquisition of equity interest in each of the COFCO International Target Companies shall be adjusted accordingly. The adjusted consideration will be satisfied by internal funds of the Company.

The original consideration for the acquisition of the equity interest in each of the relevant COFCO International Target Companies was determined by the parties to the COFCO International Master Agreement following arm's-length negotiations with reference to a valuation as at the benchmark date of 31 March 2018, which was determined based on the asset-based valuation approach conducted by CEA, an independent valuer jointly appointed by the parties, in accordance with the terms of the Non-competition Deed, the summary of the Asset Valuation Reports is set out in Appendix I.

**Payment schedule**

(1) Within ten (10) Business Days of the fulfilment of the conditions precedent under the COFCO International Master Agreement as set out below under the paragraph headed "*Conditions precedent*", each of the Purchasers shall make the Initial Payment in US dollar, after deduction of any withholding tax in accordance with the terms of the COFCO International Master Agreement, to the accounts designated by the respective Vendors.

(2) Subject to the fulfillment of all conditions precedent under the COFCO International Master Agreement, the issuance of special audit report as referred to in the paragraph headed "*Consideration*" above and the occurrence of the Closing of the COFCO International Master Agreement, within ten (10) Business Days of the completion of all the post-closing matters under the COFCO International Master Agreement as set out below under the paragraph headed "*Post-closing matters*", the Purchasers shall pay the Second Payment in US dollar, after deduction of any withholding tax in accordance with the terms of the COFCO International Master Agreement, to the accounts designated by the respective Vendors.

**Conditions precedent**

The Initial Payment to be made by the Purchasers under the COFCO International Master Agreement is subject to, among other things, satisfaction of the following conditions precedent:

(1) the COFCO International Master Agreement and the transactions contemplated thereunder having been duly approved by the Independent Shareholders at the EGM;

(2) the COFCO International Master Agreement and the transactions contemplated thereunder having been duly approved by the shareholders of COFCO International;

(3) COFCO having duly approved the COFCO International Master Agreement and the transactions contemplated thereunder;

(4) each of the COFCO International Target Companies having obtained all necessary major consents and receipts of notifications of all relevant third parties (including but not limited to creditors, suppliers, distributors and clients), which are required for the performance of the COFCO International Master Agreement, and the Vendors having provided copies of such documents to the relevant Purchasers; and

(5) all representations and warranties under the COFCO International Master Agreement remaining effective without any event that may render any of the representations and warranties invalid or revocable.

**Closing of the COFCO International Master Agreement**

Subject to the fulfillment of the conditions precedent and within five (5) Business Days after the Initial Payment, the parties to the COFCO International Master Agreement shall proceed with the state-owned property rights registration, the commercial filings and the Change in AIC Registration in relation to the equity transfers under the COFCO International Master Agreement. The Vendors shall ensure COFCO Nantong to repay the outstanding loan amounts owed to Longkou Xinlong, Qinzhou Dayang and Chongqing Xinfu together with the interest accrued thereon up to the repayment date in full before completion of the Change in AIC Registration in respect of transfer of equity interest in any COFCO International Target Companies.

**Post-closing matters**

(1) Within ten (10) Business Days after the Closing Date of the COFCO International Master Agreement, each of the Vendors (as the case may be) shall (i) assist the relevant Purchasers to obtain a full set of documents relating to the title registration of state-owned property, the Change in AIC Registration and commercial filings; (ii) assist the relevant Purchasers to update the chops and seals in respect of the bank accounts of the relevant COFCO International Target Companies, and shall provide a list of such updated chops and seals to the Purchasers; and (iii) assist in delivering all cheques and electronic payment vouchers of the relevant COFCO International Target Companies to the Purchasers; and

(2) Within seven (7) calendar days after the Closing Date of the COFCO International Master Agreement, the Purchasers shall procure the relevant COFCO International Target Companies to repay any and all the outstanding amounts due to COFCO International and/or its subsidiaries (including but not limited to Noble Agri Trading (Shanghai) Company Limited* (來寶農業貿易(上海)有限公司)) together with any unpaid interest accrued up to and including the date of such repayment.

**Indemnity**

The Vendors shall indemnify and hold the relevant Purchasers or the COFCO International Target Companies harmless from and against any and all losses that might occur during the period of two (2) years from the Closing Date of the COFCO International Master Agreement arising out of or relating to, among other things, liabilities arising from any breach of law or contract, or otherwise undisclosed matters, which occurring prior to the Closing of the COFCO International Master Agreement, subject to the terms and conditions of the COFCO International Master Agreement.

**Effectiveness and termination**

(1) The COFCO International Master Agreement shall be effective upon the COFCO International Master Agreement (i) having been duly executed by the authorised signatory of each of the parties thereto; and (ii) having been duly approved by COFCO.

(2) In the event of any material breach of the representations, warranties or other obligations of the relevant vendors under the COFCO International Master Agreement rendering the performance thereof no longer possible or the purpose thereof is no longer achievable, any of the Purchasers may terminate the COFCO International Master Agreement and shall be compensated by the defaulting party.

(3) If the Closing of the COFCO International Master Agreement does not occur by the date falling six (6) months from the signing date of the COFCO International Master Agreement, subject to a date otherwise agreed in writing by the parties thereto, any of the parties shall have the right to terminate the COFCO International Master Agreement.

(4) The COFCO International Master Agreement shall be terminated if the Independent Shareholders do not approve the COFCO International Master Agreement and the transactions contemplated thereunder.

(5) If any transfer of equity interest in any of the COFCO International Target Companies fails to complete, the COFCO International Master Agreement shall be terminated.

**Information on the COFCO International Target Companies**

The COFCO International Target Companies are limited liability companies incorporated in the PRC, which are indirectly wholly-owned subsidiaries of COFCO International, which consist of 4 oilseeds processing plants located in Chongqing, Longkou in Shandong province, Taixing in Jiangsu province and Qinzhou in Guangxi Zhuang Autonomous Region. The COFCO International Target Companies are mainly engaged in soybean crushing and refining and trading of soybean oil, and their annual aggregate capacities, assuming 300 days of operation per year, are as follows:

- Crushing: approximately 2.7 million tonnes per year; and

- Refining: approximately 0.83 million tonnes per year

The unaudited combined net asset value of the COFCO International Target Companies prepared under HKFRS as at 31 March 2018 was approximately RMB1,011 million. Set out below is the unaudited combined financial information of the COFCO International Target Companies prepared under HKFRS for the years ended 31 December 2016 and 2017:

| | **For the year ended 31 December** | |
|---|---|---|
| | **2016** | **2017** |
| | *(approximately RMB million)* | *(approximately RMB million)* |
| Revenue | 6,617 | 7,486 |
| Net (loss)/profit before taxation | (128) | 449 |
| Net (loss)/profit after taxation | (145) | 353 |

A valuation of the COFCO International Target Companies in the amount of approximately RMB1,341 million as at the benchmark date of 31 March 2018 was conducted by CEA, an independent valuer, jointly appointed by the parties, in accordance with the terms of the Non-competition Deed, based on the asset-based valuation approach. Please refer to the summary of Asset Valuation Reports as set out in Appendix I.

## B. CAPITAL INCREASE AGREEMENT

On 31 August 2018, COFCO Dongguan, a wholly-owned subsidiary of the Company, COFCO Trading and COFCO Trading Guangdong entered into the Capital Increase Agreement, pursuant to which COFCO Dongguan has conditionally agreed to make a capital contribution in the amount of RMB620 million into COFCO Trading Guangdong to subscribe for newly increased registered capital in the amount of approximately RMB598 million, representing 75.264% of its enlarged registered capital of COFCO Trading Guangdong upon the Closing of the Capital Increase Agreement. Upon the Closing of the Capital Increase Agreement, COFCO Trading Guangdong will become a subsidiary of the Company. The major terms of the Capital Increase Agreement are summarised below:

**Date**

31 August 2018

**Parties**

(1) COFCO Dongguan;

(2) COFCO Trading; and

(3) COFCO Trading Guangdong

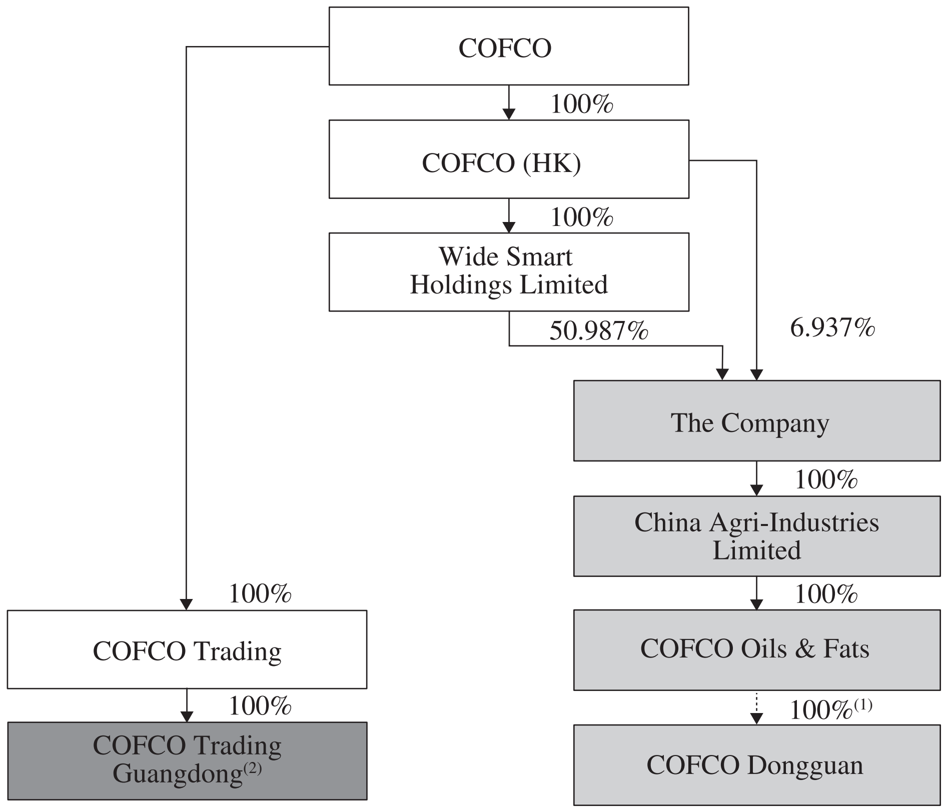
**Proposed capital increase**

Pursuant to the Capital Increase Agreement, the registered capital of COFCO Trading Guangdong will be increased from approximately RMB197 million to approximately RMB795 million, where COFCO Dongguan has conditionally agreed to make a capital contribution in the amount of RMB620 million in cash, which will be satisfied by internal funds of the Company, to subscribe for the newly increased registered capital of COFCO Trading Guangdong in the amount of approximately RMB598 million, representing 75.264% of the enlarged registered capital of COFCO Trading Guangdong upon the Closing of the Capital Increase Agreement. The remaining amount of approximately RMB22 million will be credited into the capital reserve of COFCO Trading Guangdong.

The total amount of the proposed capital contribution into COFCO Trading Guangdong was determined by the parties to the Capital Increase Agreement following arm's-length negotiations with reference to the desired level of equity interest upon Closing of the Capital Increase Agreement, total estimated construction costs and a valuation of COFCO Trading Guangdong in the amount of approximately RMB204 million as at the benchmark date of 31 March 2018 according to the appraisal conducted by CEA, an independent valuer, the summary of Asset Valuation Reports is set out in Appendix I. Based on such valuation and the total amount of proposed capital contribution of RMB620 million, COFCO Dongguan will own a 75.264% equity interests in COFCO Trading Guangdong. Such ownership percentage is calculated by dividing the total amount of proposed capital contribution by the sum of the amount of the proposed capital increase and the above mentioned valuation.

Set out below is the shareholding structure of COFCO Trading Guangdong immediately before and after the completion of the transactions contemplated under the Capital Increase Agreement:

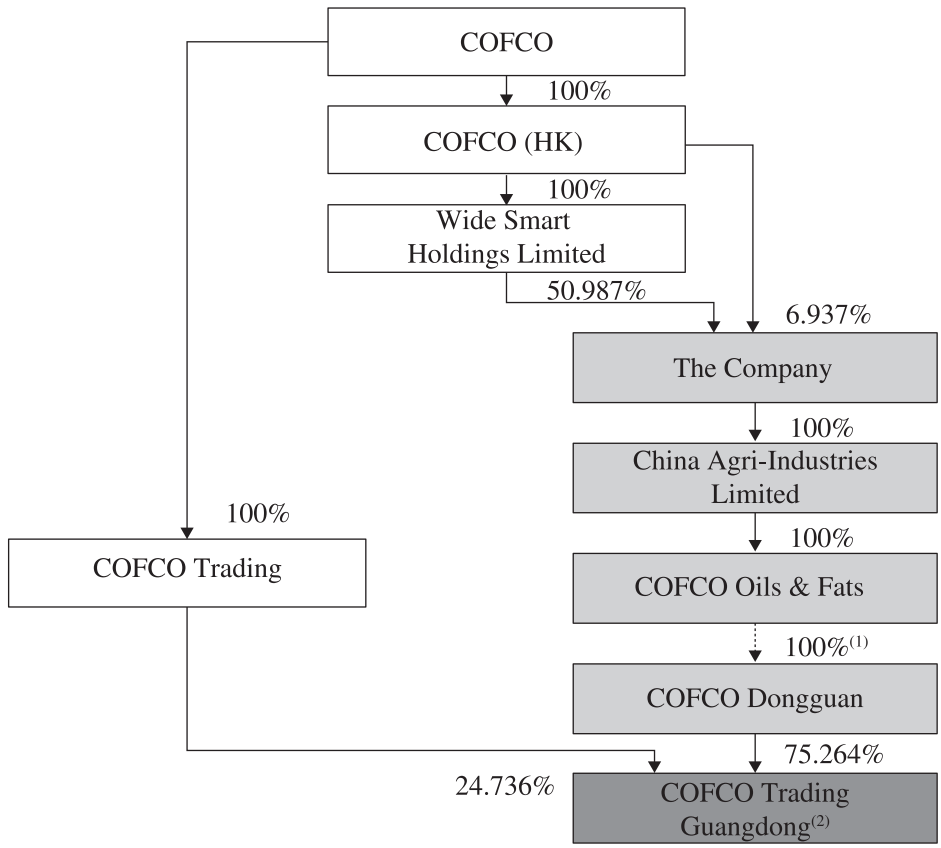
**Before the completion**




(1) *The dotted line indicates indirect shareholdings*

(2) *the target company of the Capital Increase Agreement*

**After the completion**




(1) *The dotted line indicates indirect shareholdings*

(2) *the target company of the Capital Increase Agreement*

**Conditions precedent**

The transactions contemplated under the Capital Increase Agreement are subject to, among other things, satisfaction of the following conditions:

(1) the passing of all necessary resolutions and approval by the Independent Shareholders at the EGM to approve the transactions contemplated under the Capital Increase Agreement;

(2) COFCO having duly approved the Capital Increase Agreement and the proposed capital increase contemplated thereunder;

(3) MOFCOM having duly approved the proposed capital increase;

(4) COFCO Trading Guangdong having obtained all necessary major consents and receipts of notifications of all relevant third parties (including but not limited to creditors, suppliers, distributors and clients), which are required for the performance of the Capital Increase Agreement, and copies of which having provided by COFCO Trading to COFCO Dongguan; and

(5) all representations and warranties under the Capital Increase Agreement remaining effective without any event having occurred that may render any of the representations and warranties invalid or revocable.

**Closing of the Capital Increase Agreement**

Subject to the fulfillment of the conditions precedent, within five (5) Business Days after the fulfillment of all the conditions precedent, the parties to the Capital Increase Agreement shall proceed with the state-owned property rights registration and Change in AIC Registration in relation to the capital increase of COFCO Trading Guangdong.

**Post-closing matters**

Within ten (10) Business Days after the Closing Date of the Capital Increase Agreement, COFCO Trading shall (i) assist COFCO Dongguan to obtain a full set of documents relating to the title registration of state-owned property and the Change in AIC Registration; and (ii) assist COFCO Dongguan to update the chops and seals in respect of the bank accounts of COFCO Trading Guangdong, and shall provide a list of such updated chops and seals to COFCO Dongguan.

**Payment schedule**

Subject to the fulfilment of all conditions precedent, COFCO Dongguan shall pay the consideration for the subscription of newly increased registered capital in COFCO Trading Guangdong in full within three (3) months from the date of obtaining the updated business licence of COFCO Trading Guangdong.

**Effectiveness and Termination**

(1) The Capital Increase Agreement shall be effective upon the Capital Increase Agreement (i) having been duly executed by the authorised signatory of each of the parties thereto; (ii) having been duly approved by COFCO; and (iii) having been duly approved by MOFCOM.

(2) In the event of any material breach of the representations, warranties or other obligations of COFCO Trading Guangdong or COFCO Trading under the Capital Increase Agreement rendering performance thereof no longer possible or the purpose thereof is no longer achievable, COFCO Dongguan may terminate the Capital Increase Agreement and shall be indemnified by the defaulting party.

(3) In the event of the occurrence of any material adverse change in respect of COFCO Trading Guangdong, as a result of which the parties are unable to perform their respective obligations thereunder or the purpose thereof is no longer achievable, COFCO Dongguan may terminate the Capital Increase Agreement.

(4) The Capital Increase Agreement shall be terminated if the Independent Shareholders do not approve the Capital Increase Agreement and the transactions contemplated thereunder.

**Information on COFCO Trading Guangdong**

COFCO Trading Guangdong is a limited liability company incorporated in the PRC, which is wholly-owned by COFCO Trading, a wholly-owned subsidiary of COFCO, and is mainly engaged in warehousing, loading and uploading services of various grains, oilseeds, edible oils and fats, in relation to which the port terminal facilities are still under construction.

The unaudited net asset value of COFCO Trading Guangdong prepared under HKFRS as at 31 March 2018 was approximately RMB199 million. Set out below is the unaudited financial information of COFCO Trading Guangdong prepared under HKFRS for the years ended 31 December 2016 and 2017:

| | **For the year ended 31 December** | |
|---|---|---|
| | **2016** | **2017** |
| | *(approximately RMB million)* | *(approximately RMB million)* |
| Revenue | – | – |
| Net profit/(loss) before taxation | 2.95 | (0.04) |
| Net profit/(loss) after taxation | 2.21 | (0.04) |

As at 31 July 2018, the total reclamation works cost expended was approximately RMB219 million and was in progress. COFCO Trading Guangdong was also granted sea area use rights for two concurrent terms expiring on 27 February 2067 for land reclamation use and dock and basin use respectively at a grant fee of approximately RMB27.5 million and an annual grant fee of RMB11,778 respectively. For details, please refer to the notes under the Property Valuation Report in Appendix II to this circular. Based on the information available to the Company, it is expected that the sea area use rights will be converted to the land use rights after the reclamation works are completed and all necessary application procedures of obtaining the State-owned land use rights certificate of the property are fulfilled.

A valuation of COFCO Trading Guangdong in the amount of approximately RMB204 million as at the benchmark date of 31 March 2018 was conducted by CEA, an independent valuer, based on the asset-based valuation approach. Please refer to the summary of Asset Valuation Reports as set out in Appendix I.

## C. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

### (1) COFCO International Target Companies

#### *(i) Transaction background*

Prior to the initial public offering of the Company, the Company, COFCO and COFCO (HK) entered into the Non-competition Deed, pursuant to which each of COFCO and COFCO (HK) undertakes that it will not, and will procure that its subsidiaries (other than the Company) will not, at any time, either on its own behalf or as agent of any person, directly or indirectly, be employed or otherwise engaged or interested in any capacity (whether for reward or otherwise) in any business which competes with the Restricted Business or any part of it in the Restricted Territory, provided that this restriction shall not operate to prohibit COFCO or COFCO (HK) from (i) holding such interest, whether directly or indirectly, as Retained Interests; or (ii) holding shares in aggregate up to 5% of the issued share capital of any competing company, the shares of which are listed or dealt in any stock exchange. In 2014, COFCO International, a subsidiary of COFCO, acquired equity interests and controlling rights in COFCO Agri Limited (formerly known as Noble Agri Limited), whose businesses include 5 oilseeds processing plants, which constitute competing business under the Non-competition Deed and which subsequently became Retained Interests in accordance with the terms of Non-competition Deed upon completion of the relevant acquisition transactions. Details of such businesses are set out below:

1. 100% equity interest in Qinzhou Dayang

2. 100% equity interest in Ming Fat International

3. 100% equity interest in Longkou Xinlong

4. 100% equity interest in Chongqing Xinfu

5. 100% equity interest in COFCO Nantong

These are the COFCO International Target Companies, with the exception of COFCO Nantong in respect of which the COFCO International Option is not being exercised for the time being.

Under the Non-competition Deed, the Company was granted options to acquire such businesses of COFCO International on 14 October 2014 (being the settlement date of the acquisition of COFCO Agri Limited (formerly known as Noble Agri Limited) by COFCO).

### *(ii) Reasons for partial exercise of the COFCO International Option*

- *Recovery of industry profitability in the past few years*

In 2014, an increase in new soybean crushing capacity in China coincided with sluggish demand resulted from a cyclical low phase of pig farming profitability. As a result, industry profits and utilisation levels were negatively impacted. With growing protein demands since 2015, the profitability of domestic oilseeds processing industry has gradually picked up.

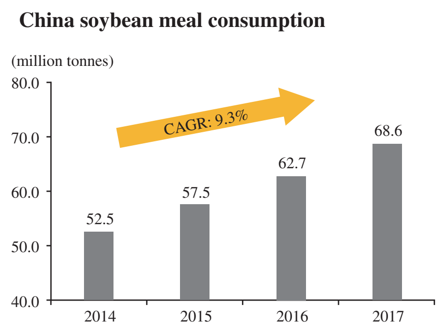
Prior to 2015, soybean financing trade activities were widespread, negatively impacting the profits of the soybean crushing industry. Since 2015, with foreign exchange reform in China and further improvements in the supervision and regulation of financial institutions, the soybean financing trade activities have been significantly reduced, while the industry self-discipline has gradually improved. The financial performance of the Company's oilseeds processing business has improved over the last 3 years.

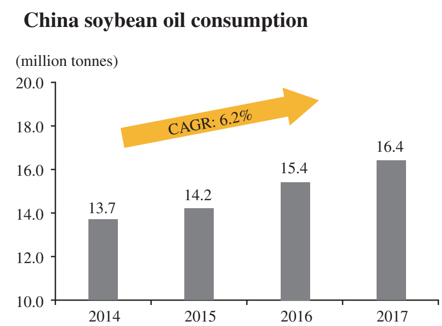
**The Company's Oilseeds Processing Segment Profit**


*Source: the Company's 2014, 2015, 2016 and 2017 annual reports*

- *Increasing downstream demand*

The key products of the COFCO International Target Companies are soybean oil and soybean meal. With the growth of the PRC economy and rising disposable income, the consumption of domestic animal protein and edible oil has increased, driving continuously growing demands for domestic soybean meal for animal feed and soybean oil. The market is also expected to continue to expand further in the foreseeable future.




*Note:* *as at 30 September every year*

*Source:* *United States Department of Agriculture*

- *Ongoing industry consolidation, with large-scale players enjoying more prominent advantages*

The oilseeds processing industry in the PRC has been undergoing consolidation. Smaller processors without stable procurement, the ability to manage price risk, economies of scale or any product research and development are gradually being forced to withdraw from the market, providing large-scale players with a competitive advantage. Directors believe that the withdrawal of small-to-medium-sized enterprises will result in further consolidation in the industry and the competitive advantages of large-scale players will become more prominent.

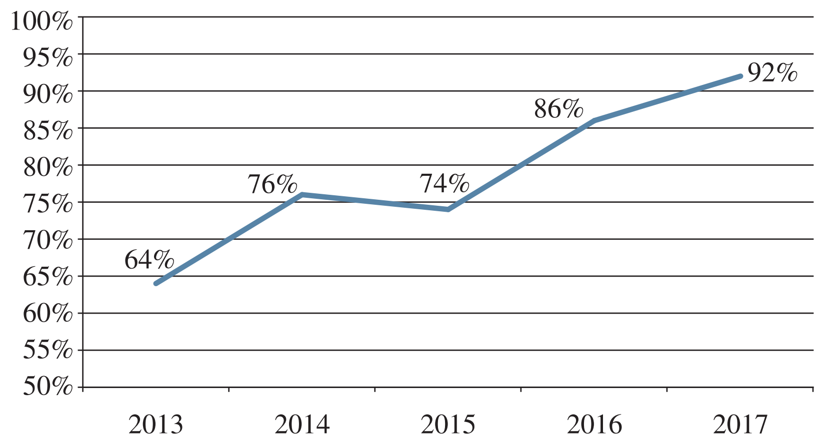
- *A continuation of the Company's strategic plan*

The Company is a leading oilseeds processing player in China. As of 31 December 2017, its annual crushing capacity reached approximately 12.93 million tonnes. Following completion of (a) the acquisition of consumer-packaged edible oil business in September 2017; (b) the sale of feed business in December 2017; and (c) the sale of biochemical and biofuel business in December 2017, this proposed acquisition is a continuation by the Company of its corporate development strategy to reinforce itself as the leading integrated player for the grains and edible oil processing and branded consumer business.

- *Capacity expansion required as sales continuously increase and utilisation reaching historical high*

Current capacity utilisation rate of the Company reached approximately 92% in 2017. Capacity expansion is required to capture new opportunities brought about by industry consolidation and development.

**Oilseeds capacity utilisation rate of the Company**




*Source: the Company*

- *Address the Competing Business issues*

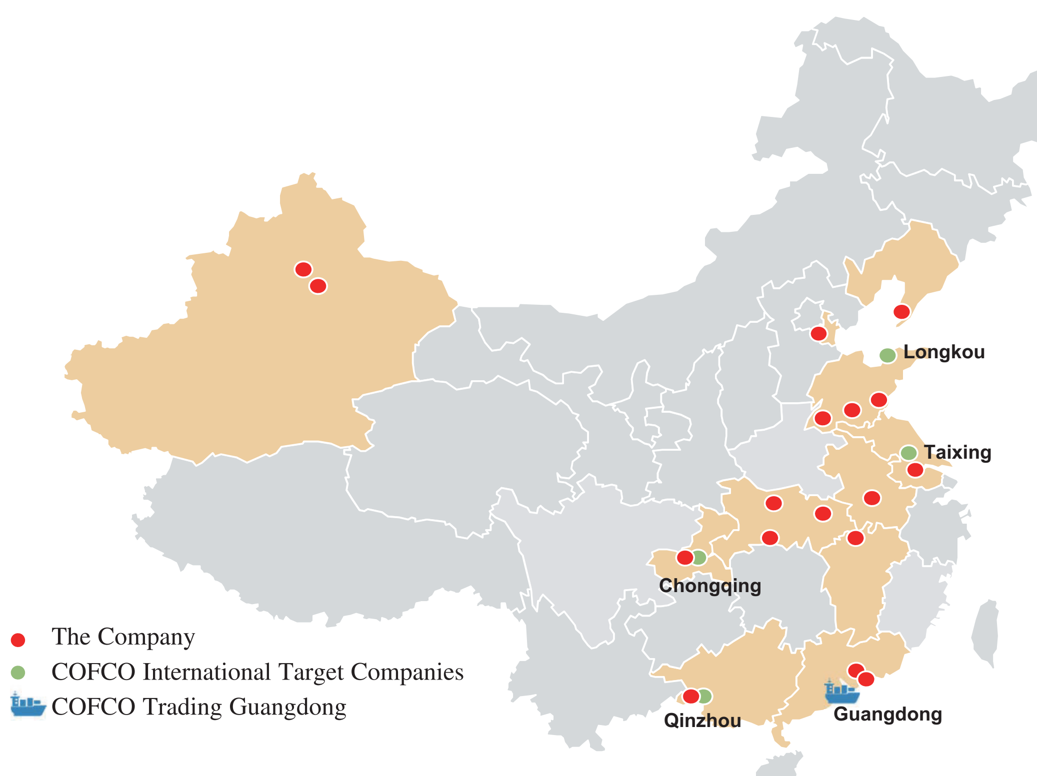
In order to protect the interests of Shareholders and the Company and to address competition issues arising from the COFCO International Target Companies as soon as practicable, the INEDs have decided to exercise partially the COFCO International Option to acquire 4 out of 5 companies (excluding COFCO Nantong) operating oilseeds processing plants from COFCO International. For the reasons for not exercising the COFCO International Option in respect of COFCO Nantong for the time being, please refer to the section headed "*PROPOSED AMENDMENTS TO THE NON-COMPETITION DEED AND CERTAIN MATTERS RELATING TO THE NON-COMPETITION DEED*" in the Announcement.

***(iii) Benefits of the transactions***

(a) **Enhance the Company's industry position and strengthen its competitive advantages:** After completion of the transactions, the Company's annual soybean crushing capacity would increase considerably from approximately 12.93 million tonnes to approximately 15.63 million tonnes, assuming the acquisition of COFCO International Target Companies had taken place on 31 December 2017. The acquisition of the COFCO International Target Companies will expand the Company's capacity, in a faster way and at a lower cost compared to organic expansion, and thus enhance its industry position and strengthen its competitive advantage.

(b) **Assist the development of consumer-packaged edible oil business:** The transactions will enhance the Company's supply ability of bulk oil, and provide diverse, stable and high-quality sources for high value-added consumer-packaged products. Separately, the transactions will provide support for sales of consumer-packaged edible oil in the supply chain and storage facilities to help achieve the Company's business plan to double sales of consumer-packaged edible oil within 2 to 4 years. For more information on such business plan, please refer to the Company's circular dated 20 June 2017.

(c) **Improve production capacity layout, shorten distance to customers, and improve customer service quality:** The transactions will improve the nationwide layout of the Company's oilseeds processing capacity, enhance operation flexibility, better capture market opportunities, and create trading opportunities. The transactions will provide the Company with new crushing capacity in Chongqing and in northern Shandong province which will enable the Company to better cover surrounding market areas, effectively shorten sales delivery distances, and save logistics costs. Customer demand and market information will also be reflected more expeditiously to improve product freshness and customer service level.




*Note:* *the Company's existing presence in Chongqing is limited to oil refining activities without any crushing capacity.*

*Source:* *the Company*

(d) **Potential synergies include:**

(i) *Operational capabilities:* The Company's oilseeds processing business has competitive advantages in terms of risk management and control, and industry chain operation. The Company expects to improve the competitiveness and performance of the COFCO International Target Companies after the completion of the transactions and achieve growth in business scale and improved returns for the Company.

(ii) *Increase utilisation of the plants under the COFCO International Target Companies:* The capacity utilisation rate of the plants under the COFCO International Target Companies reached approximately 60% in 2017. After the completion of the transactions, the management will focus on improving the operation of the relevant plants and enhancing their collaboration with the existing plants of the Company to increase the capacity utilisation.

(iii) *Logistics resources:* Crushing plants in the same region can combine shipping orders and share transportation facilities such as vessels, to reduce procurement costs and realise logistical effectiveness.

(iv) *Management team to optimise labor costs:* Same management team can operate between adjacent plants to optimise administrative costs and boost efficiency.

(v) *Sales channels to increase market influence:* Sales channels can be combined and enlarged to expand market share.

**(2) COFCO Trading Guangdong**

COFCO Dongguan will make a capital contribution into COFCO Trading Guangdong to obtain a controlling equity interest. Total costs for the reclamation works, and the construction of terminals, silos, supporting facilities and other expenses by COFCO Trading Guangdong are estimated to be approximately RMB1 billion and the funding for such construction will be sourced from (a) existing registered capital of COFCO Trading Guangdong in the amount of approximately RMB197 million, (b) RMB620 million to be contributed by COFCO Dongguan and (c) bank loans.

Founded in 2015, COFCO Trading Guangdong planned to be engaged in warehousing, loading and uploading services of oilseeds, various grains, edible oils and fats, in relation to which the port terminal facilities, silos with an estimated storage capacity of approximately 220,000 tonnes, ancillary and other facilities are still under construction. As at the Latest Practicable Date, the reclamation works are still in progress, and the port terminal and relevant facilities are expected to commence operation by 2020. Upon the completion of the construction, the port terminal facilities are expected to have an annual throughout volume of approximately 2.90 million tonnes. The following are reasons for making capital contribution into COFCO Trading Guangdong:

- ***The port is a rare asset with significant strategic value, with synergy potentials with the Company's existing businesses and promising prospects for third-party business:*** The Company's key raw materials for the oilseeds processing business are imported soybeans and rapeseeds, the delivery of which requires the services of a port. The port terminal and relevant facilities under construction are adjacent to COFCO Dongguan and COFCO Xinsha, subsidiaries of the Company, which currently have annual crushing capacity of 1.62 million tonnes. After the Phase II expansion of COFCO Dongguan project starts operation in 2020, the overall annual crushing capacity is expected to reach approximately 3.12 million tonnes, providing stable throughput for the port every year. Furthermore, COFCO Trading Guangdong will also provide services such as loading and unloading, transfer, and warehousing to third-party customers to increase its revenue and boost profitability.

- ***Acquisition of COFCO Trading Guangdong will reduce the logistics costs for the Company's existing crushing operations in Guangdong:*** At present, the Company's oilseeds crushing plants in Guangdong region use services of the public terminal at Xinsha Port. After completion of the construction of the port terminal and relevant facilities, the Company's oilseeds crushing plants can access it, which is closer. COFCO Dongguan can use conveyor belts for transportation to reduce costs. Integration of business operations of the port terminal and the Company's plants will facilitate optimal production plans to reduce transportation time. Meanwhile, supporting silo facilities at the terminal can provide storage support services to the Company's plants in the region. After completion of the reclamation works and the construction of the port terminal and relevant facilities, there will still be vacant land of approximately 126 mu, which can also support further expansion of future business.

## D. LISTING RULES IMPLICATIONS

As COFCO International Singapore, Great Wall Investments, Sino Agri-Trade, HK Ming Fat and COFCO Trading Guangdong are associates of COFCO, the ultimate controlling shareholder of the Company, they are therefore connected persons of the Company. Accordingly, the transactions contemplated under the COFCO International Master Agreement and the Capital Increase Agreement constitute connected transactions of the Company.

Given the Vendors, COFCO Trading Guangdong and the vendor of the transactions under the COFCO Fortune Equity Transfer Agreement dated 25 May 2017 are all associates of COFCO, therefore, the COFCO International Master Agreement, the Capital Increase Agreement and the COFCO Fortune Equity Transfer Agreement shall be aggregated pursuant to Rules 14.22 and 14A.81 of the Listing Rules. As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the COFCO International Master Agreement, the Capital Increase Agreement and the COFCO Fortune Equity Transfer Agreement are more than 5%, but all of such applicable percentage ratios are less than 25%, the transactions contemplated under the COFCO

International Master Agreement and the Capital Increase Agreement therefore constitute discloseable and connected transactions of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

The Directors consider that, although the transactions contemplated under the COFCO International Master Agreement and the Capital Increase Agreement are not in the ordinary and usual course of business of the Company, the basis for determining the relevant consideration under the COFCO International Master Agreement and the Capital Increase Agreement is fair and reasonable, and the terms thereof are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

According to the articles of association of the Company, only the INEDs shall vote on the approval of the COFCO International Master Agreement and the Capital Increase Agreement, and none of the INEDs has a material interest in the transactions thereunder.

## E. INFORMATION ON THE PARTIES

### The Group

The Group is a leading producer and supplier of processed agricultural products in the PRC. Its principal businesses are oilseeds processing, rice processing and trading, wheat processing and brewing materials processing.

### The Purchasers

Oriental Chance is a wholly-owned subsidiary of the Company and mainly engaged in investment holding.

COFCO Oils and Fats is a wholly-owned subsidiary of the Company and mainly engaged in investment holding.

COFCO Oils No.2 is a wholly-owned subsidiary of the Company and mainly engaged in investment holding.

### The Vendors

COFCO International Singapore is a company incorporated in Singapore and a wholly-owned subsidiary of COFCO International and mainly engaged in investment holding.

Great Wall Investments is a company incorporated in Singapore and a wholly-owned subsidiary of COFCO International and mainly engaged in investment holding.

Sino Agri-Trade is a company incorporated in Singapore and a wholly-owned subsidiary of COFCO International and mainly engaged in investment holding.

HK Ming Fat is a company incorporated in Hong Kong and a wholly-owned subsidiary of COFCO International and mainly engaged in investment holding.

**COFCO Trading**

COFCO Trading is a limited liability company incorporated in the PRC, which is a direct wholly-owned subsidiary of COFCO, and is mainly engaged in agricultural services, and trade of food and feed ingredients, logistics services and e-commerce of grain.

**COFCO**

COFCO is a state-owned company in the PRC with business interests in agricultural commodities trading, agricultural products processing, food and beverages, hotel management, real estate, logistics and financial services.

**COFCO (HK)**

COFCO (HK) is a company incorporated in Hong Kong with limited liability, a controlling shareholder of the Company and a direct wholly-owned subsidiary of COFCO. It is an investment holding company.

## F. PROPOSED AMENDMENTS TO THE NON-COMPETITION DEED

Reference is made to the Company's announcement dated 19 December 2017 in relation to the Chinatex Option and the COFCO International Option.

Reference is also made to the Announcement that the Company announced, *inter alia*, the INEDs have made a final and definitive decision not to exercise the option to acquire the equity interest in the Non-exercised Chinatex Retained Interests under the Chinatex Option, which will be disposed of in accordance with the terms of the Non-competition Deed and the Supplemental Deed.

The decision is made based on the following reasons and considerations:

(a) certain of the Non-exercised Chinatex Retained Interests have recorded losses in recent years due to a number of factors such as disadvantages in respect of location, limitations of their production line and business model and inability to lower their costs, and the management does not believe there is any potential to turn around the performance of such entities;

(b) certain of the Non-exercised Chinatex Retained Interests have already ceased to operate as they no longer have the required working capital to continue operations and not considered commercially viable to resume operation;

(c) certain of the Non-exercised Chinatex Retained Interests have recorded a negative asset value up to now; and

(d) as the Non-exercised Chinatex Retained Interests are considered not to fit well with the Company's existing business, would add no strategic benefit and are perceived as uncompetitive, the management does not believe the acquisition of any of such entities will bring strategic value to the current asset portfolio of the Group in light of its growth plans and expected market development.

The entities under the Non-exercised Chinatex Retained Interests are companies incorporated in the PRC, and are subsidiaries of Chinatex Corporation Limited, the principal business of which including, among others, the production, processing and sale of edible oils, and the purchase and sale of agricultural products and grains, certain part of such business may directly or indirectly compete with the oilseeds processing business of the Company and its subsidiaries in the PRC. The unaudited combined total assets, total liabilities and net asset value of the Competing Business in the Non-exercised Chinatex Retained Interests prepared in accordance with the PRC generally accepted accounting principles as at 31 December 2017 were approximately RMB957 million, RMB1,865 million and RMB-908 million, respectively. There was no valuation in respect of the Non-exercised Chinatex Retained Interests conducted by any third-party valuer. Set out below is the unaudited combined financial information of the Competing Business in the Non-exercised Chinatex Retained Interests prepared in accordance with the PRC generally accepted accounting principles for the years ended 31 December 2016 and 2017:

| | **For the year ended 31 December** | |
|---|---|---|
| | **2016** | **2017** |
| | *(approximately RMB million)* | *(approximately RMB million)* |
| Revenue | 7,039 | 3,838 |
| Net profit/(loss) before taxation | 40 | (66) |
| Net profit/(loss) after taxation | 34 | (66) |

**The Supplemental Deed**

COFCO, COFCO (HK) and the Company entered into the Non-competition Deed on 16 February 2007 (as amended on 23 October 2017), pursuant to which if a decision is made by the INEDs not to exercise an option in relation to any Retained Interests, each of COFCO and COFCO (HK) has undertaken to the Company to dispose of the Retained Interests within six months of such decision having become effective.

Among the Non-exercised Chinatex Retained Interests, it is proposed that the Retained Interests might be disposed of by way of liquidation or analogous process in addition to transfer of the relevant Competing Business. In considering the proposed amendments provided in the Supplemental Deed, the Board (including the INEDs after taking into consideration the advice of the IFA) took into account that (i) given that certain Retained Interests will be disposed of by way of transactions other than equity or asset transfer, and possible similar transactions in the future, the parties to the Non-competition Deed should agree by way of an appropriately inclusive interpretation of the term "dispose of" under the Non-competition Deed; (ii) the procedure of liquidation or analogous process of a company incorporated in the PRC would normally take a considerable longer time than six months to complete; and (iii) the relevant undertakings given by COFCO and COFCO (HK) in favour of the Company to ensure the performance of non-compete obligations under the Non-competition Deed.

On 31 August 2018, COFCO, COFCO (HK) and the Company entered into the Supplemental Deed, the major terms thereof are summarised below:

(1) subject to the Independent Shareholders' approval at the EGM, the term "dispose" (and variants thereof such as "disposal" and so forth) shall be construed to include (a) so far as any entity or other relevant assets to which liquidation or analogous may be applied, the formal entering into of a process of, including but not limited to, liquidation, winding-up, bankruptcy or any analogous procedure (together "**Liquidation**"), in respect of such assets; and (b) any other action or procedure by which control or title over relevant assets is irrevocably transferred or relinquished by COFCO and/or COFCO (HK), as appropriate;

(2) subject to the Independent Shareholders' approval at the EGM, the obligation under the Non-competition Deed to dispose of relevant Retained Interests to independent third parties within six months of a decision not to exercise an option in respect of Retained Interests having become effective may be satisfied, in the case of any Retained Interests that are placed into Liquidation, by the date of such formal process commencing within six months of such effective date;

(3) subject to the Independent Shareholders' approval at the EGM, where any Retained Interests are proposed to be disposed of, the six-month period from the date of a decision not to exercise an option may be extended with the agreement of INEDs where COFCO and COFCO (HK) reasonably demonstrate that further time is needed to commence such disposal having made all reasonable efforts to proceed with such disposal as soon as practicable and, in any event, within such six-month period; and

(4) in relation to any disposal process pursuant to the Non-competition Deed involving liquidation, COFCO and COFCO (HK):

    (i) will provide or procure the provision of updates to the Company on action taken and progress at regular intervals and as may be requested by the Company from time to time; and

    (ii) respectively undertake to the Company to procure that any the operations of any Retained Interests subject to proposed Liquidation which compete with the Restricted Business cease as soon as practicable from the date of decision not to exercise the relevant options and in any event not later than six months after such date.

The Supplemental Deed is conditional upon the approval of the Independent Shareholders at the EGM.

**Directors' view**

In light of the reasons stated in the section headed "*The Supplemental Deed*" above, the Directors (including the INEDs after taking into consideration the advice of the IFA) consider that though the Supplemental Deed is not in the ordinary and usual course of business of the Company, is entered into on normal commercial terms, is fair and reasonable and is in the interests of the Company and its Shareholders as a whole.

In accordance with the articles of association of the Company, only INEDs participated in the voting for approving the Supplemental Deed and the proposed amendments provided therein, and none of them has a material interest in the transaction contemplated thereunder.

**Listing Rules Implications**

As COFCO is the controlling shareholder of the Company as defined under the Listing Rules, and COFCO (HK) is a wholly-owned subsidiary of COFCO, each of COFCO and COFCO (HK) is a connected person of the Company. The Supplemental Deed constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

**EXTRAORDINARY GENERAL MEETING**

The EGM will be held for the purposes of considering and, if thought fit, approving, among other things, the COFCO International Master Agreement, the Capital Increase Agreement and the Supplemental Deed.

Voting on the resolutions at the EGM shall be taken by way of poll. In accordance with the Listing Rules, COFCO and its associates will abstain from voting at the EGM regarding the COFCO International Master Agreement, the Capital Increase Agreement and the Supplemental Deed. As at the Latest Practicable Date, based on the knowledge the Company has and after having made all reasonable enquiries by the Company, COFCO and its associates hold approximately 57.924% of the voting rights of the Company.

A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular. The EGM will be held at Crystal Ballroom, Level B3, Holiday Inn Golden Mile Hong Kong, 50 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 2 November 2018 at 10:00 a.m., at which resolutions will be proposed to consider and, if thought fit, to approve, among other things, the COFCO International Master Agreement, the Capital Increase Agreement and the Supplemental Deed. The form of proxy for use by the Shareholders at the EGM is enclosed with this circular.

Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of the Company, Tricor Progressive Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible, and in any event not less than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for the holding of the EGM (i.e. before Hong Kong time 10:00 a.m. on 31 October 2018) or any adjournment thereof. Completion and return of a form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

**RECOMMENDATION**

The Independent Board Committee has been formed to advise the Independent Shareholders on the transactions contemplated under the COFCO International Master Agreement, the Capital Increase Agreement and the Supplemental Deed. The IFA has been appointed to advise the Independent Board Committee and the Independent Shareholders on the same.

Based on the relevant information disclosed herein, the Directors (including the INEDs after taking into account the advice of the IFA) believe that the COFCO International Master Agreement, the Capital Increase Agreement and the Supplemental Deed though not in the ordinary and usual course of business of the Company, are on normal commercial terms and in the interests of the Company and the Shareholders as a whole and the terms of the COFCO International Master Agreement, the Capital Increase Agreement and the Supplemental Deed are fair and reasonable. Accordingly, the Board recommends that the Independent Shareholders VOTE IN FAVOUR of the resolutions to be proposed at the EGM.

Yours faithfully,
By order of the Board
**CHINA AGRI-INDUSTRIES HOLDINGS LIMITED**
**DONG Wei**
*Chairman*

# CHINA AGRI-INDUSTRIES HOLDINGS LIMITED
# 中國糧油控股有限公司

*(Incorporated in Hong Kong with limited liability)*
**(Stock Code: 606)**

8 October 2018

*To the Independent Shareholders*

Dear Sir or Madam,

## DISCLOSEABLE AND CONNECTED TRANSACTIONS ENTERING INTO (1) COFCO INTERNATIONAL MASTER AGREEMENT AND (2) CAPITAL INCREASE AGREEMENT REGARDING COFCO TRADING GUANGDONG AND CONNECTED TRANSACTION (3) PROPOSED AMENDMENTS TO THE NON-COMPETITION DEED

We refer to the circular of the Company dated 8 October 2018 (the "**Circular**") of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the terms of the COFCO International Master Agreement, the Capital Increase Agreement and the Supplemental Deed, details of which are set out in the letter from the Board contained in the Circular, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the terms of (i) the COFCO International Master Agreement, (ii) the Capital Increase Agreement, and (iii) the Supplemental Deed, and the advice of the IFA in relation thereto as set out on pages 38 to 69 of the Circular, we consider that the transactions contemplated under the aforesaid agreements/deeds, though not in the ordinary and usual course of business of the Company, are on normal commercial terms and in the interests of the Company and the Shareholders as a whole and the terms of the COFCO International Master Agreement, the Capital Increase Agreement, and the Supplemental Deed are fair and reasonable.

Accordingly, we recommend that the Independent Shareholders vote in favour of the resolutions to be proposed at the EGM to approve the COFCO International Master Agreement, the Capital Increase Agreement, the Supplemental Deed and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of the Independent Board Committee

| **LAM Wai Hon, Ambrose** | **Patrick Vincent VIZZONE** | **ONG Teck Chye** |
|---|---|---|
| *Independent Non-executive Director* | *Independent Non-executive Director* | *Independent Non-executive Director* |

*The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions for the purpose of incorporation into this circular.*

**PLATINUM** Securities Company Limited

21/F LHT Tower
31 Queen's Road Central
Hong Kong

**Telephone** (852) 2841 7000
**Facsimile** (852) 2522 2700
**Website** www.platinum-asia.com

8 October 2018

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs or Madams,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS ENTERING INTO (1) COFCO INTERNATIONAL MASTER AGREEMENT AND (2) CAPITAL INCREASE AGREEMENT REGARDING COFCO TRADING GUANGDONG AND CONNECTED TRANSACTION (3) PROPOSED AMENDMENTS TO THE NON-COMPETITION DEED**

## INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the connected transactions contemplated under the COFCO International Master Agreement (the "**Acquisition**"), the Capital Increase Agreement (the "**Capital Increase**") and the Supplemental Deed (collectively, the "**Transactions**"). Details of the terms of the Transactions are set out in the circular of the Company dated 8 October 2018 (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.

In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders as to whether the COFCO International Master Agreement, the Capital Increase Agreement and the Supplemental Deed and the connected transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and to give independent advice to the Independent Board Committee and recommendation to the Independent Shareholders.

In formulating our opinion, we have relied on the information and facts supplied to us by the Directors and/or management of the Company. We have reviewed, among other things:

(i) the COFCO International Master Agreement;

(ii) the Capital Increase Agreement;

(iii) the Non-competition Deed;

(iv) the Supplemental Deed;

(v) the interim results of the Company for the six months ended 30 June 2018 (the "**2018 Interim Result**"); and

(vi) the annual report of the Company for the year ended 31 December 2017 (the "**2017 Annual Report**").

We have assumed that all information, facts, opinions and representations contained in the Circular are true, complete, accurate and not misleading at the time they were made and continue to be so in all material respects as at the Latest Practicable Date and we have relied on the same, except that no assumption is made by us in respect of our own opinions contained in the Circular. The Directors have confirmed that they collectively and individually accept full responsibility for the Circular, and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in the 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 in the Circular misleading.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information of all facts as set out in the Circular and of the information and representations provided to us by the Directors and/or the management of the Company. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Directors and/or management of the Company, which have been provided to us. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs and underlying assets of the Company or conducted any valuation or appraisal of any assets or liabilities of the Company or conducted any form of investigation into the commercial viability of the future prospects of the COFCO International Target Companies. We have also relied on information available to the public (such as the documents published by the Company) which we assumed to be accurate and reliable. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the terms of the Transactions.

During the past two years, Mr. Li Lan, for and on behalf of Platinum Securities Company Limited had signed the opinion letters from the Independent Financial Adviser contained in the Company's circulars dated 13 November 2017 in relation to the disposal of COFCO Biofuel Holdings Limited and COFCO Biochemical Holdings Limited and amendments to the Non-Competition Deed and dated 21 November 2017 in relation to the renewal of certain continuing connected transactions.

As at the Latest Practicable Date, we were independent from, and were not associated with the Company or any other party to the Transactions, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules and accordingly, are considered eligible to give independent advice on the Transactions. We will receive a fee from the Company for our role as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transactions. Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the Transactions or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules.

The Independent Board Committee, comprising Mr. LAM Wai Hon, Ambrose, Mr. Patrick Vincent VIZZONE and Mr. ONG Teck Chye has been established to advise the Independent Shareholders as to whether the terms of the COFCO International Master Agreement, the Capital Increase Agreement and the Supplemental Deed are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors:

### 1. Background of the Acquisition, the Capital Increase and the Supplemental Deed

The Board announced that on 31 August 2018, the INEDs decided to partially exercise the COFCO International Option. Pursuant to such decision, Oriental Chance, COFCO Oils No. 2 and COFCO Oils & Fats, wholly-owned subsidiaries of the Company (as the Purchasers), and COFCO International Singapore, Great Wall Investments, Sino Agri-Trade and HK Ming Fat, wholly-owned subsidiaries of COFCO International (as the Vendors) entered into the COFCO International Master Agreement, pursuant to which Oriental Chance, COFCO Oils No. 2 and COFCO Oils & Fats have conditionally agreed to acquire the entire equity interest in each of the COFCO International Target Companies for an aggregate consideration of RMB1,341 million (approximately US$196.5 million), which shall be paid in US dollars, subject to adjustment, in two cash installments. Upon the Closing of the COFCO International Master Agreement, each of the COFCO International Target Companies will become a wholly-owned subsidiary of the Company.

The Board further announced that on 31 August 2018, COFCO Dongguan, a wholly-owned subsidiary of the Company, COFCO Trading and COFCO Trading Guangdong entered into the Capital Increase Agreement, pursuant to which COFCO Dongguan has conditionally agreed to make a capital contribution in the amount of RMB620 million into COFCO Trading Guangdong to subscribe for the newly increased registered capital in the amount of approximately RMB598 million, representing 75.264% of its enlarged registered capital of COFCO Trading Guangdong upon the Closing of the Capital Increase Agreement. Upon the Closing of the Capital Increase Agreement, COFCO Trading Guangdong will become a subsidiary of the Company.

With reference to the Company's announcement dated on 19 December 2017 in relation to the Chinatex Option and the COFCO International Option, the Company announced a proposed amendment to the Non-competition Deed on 31 August 2018, pursuant to which the Company announced, *inter alia*, the INEDs have made a final and definitive decision not to exercise the option to acquire the equity interest in the Non-exercised Chinatex Retained Interests under the Chinatex Option, which will be disposed of in accordance with the terms of the Non-competition Deed and the Supplemental Deed.

COFCO, COFCO (HK) and the Company entered into the Non-competition Deed on 16 February 2007 (as amended on 23 October 2017), pursuant to which if a decision is made by the INEDs not to exercise an option in relation to any Retained Interests, each of COFCO and COFCO (HK) has undertaken to the Company to dispose of the Retained Interests within six months of such decision having become effective.

Among the Non-exercised Chinatex Retained Interests, it is proposed that the Retained Interests might be disposed of by way of liquidation or analogous process in addition to transfer of the relevant Competing Business. On 31 August 2018, COFCO, COFCO (HK) and the Company entered into the Supplemental Deed, pursuant to which it is clarified that the term "dispose" (and variants thereof such as "disposal" and so forth) shall be construed to include (a) so far as any entity or other relevant assets to which liquidation or analogous may be applied, the formal entering into of a liquidation process in respect of such assets; and (b) any other action or procedure by which control or title over relevant assets is irrevocably transferred or relinquished by COFCO and/or COFCO (HK), as appropriate, and to further stipulate matters relating to the proposed disposal by way of liquidation based on the undertaking given by COFCO and COFCO (HK) in favour of the Company.

## 2. Information on the parties

### *2.1. Information on the Group*

The Group is a leading producer and supplier of processed agricultural products in the PRC. Its principal businesses are oilseeds processing, rice processing and trading, wheat processing and brewing materials processing.

### *2.2. Information on the Purchasers*

Oriental Chance is a wholly-owned subsidiary of the Company and mainly engaged in investment holding.

COFCO Oils and Fats is a wholly-owned subsidiary of the Company and mainly engaged in investment holding.

COFCO Oils No. 2 is a wholly-owned subsidiary of the Company and mainly engaged in investment holding.

***2.3. Information on the Vendors***

COFCO International Singapore is a company incorporated in Singapore and a wholly-owned subsidiary of COFCO International and mainly engaged in investment holding.

Great Wall Investments is a company incorporated in Singapore and a wholly-owned subsidiary of COFCO International and mainly engaged in investment holding.

Sino Agri-Trade is a company incorporated in Singapore and a wholly-owned subsidiary of COFCO International and mainly engaged in investment holding.

HK Ming Fat is a company incorporated in Hong Kong and a wholly-owned subsidiary of COFCO International and mainly engaged in investment holding.

***2.4. Information on COFCO Trading***

COFCO Trading is a limited liability company incorporated in the PRC, which is a direct wholly-owned subsidiary of COFCO, and is mainly engaged in agricultural services, and trade of food and feed ingredients, logistics services and e-commerce of grain.

***2.5. Information on COFCO***

COFCO is a state-owned company in the PRC with business interests in agricultural commodities trading, agricultural products processing, food and beverages, hotel management, real estate, logistics and financial services.

***2.6. Information on COFCO (HK)***

COFCO (HK) is a company incorporated in Hong Kong with limited liability, a controlling shareholder of the Company and a direct wholly-owned subsidiary of COFCO. It is an investment holding company.

***2.7. Information on the COFCO International Target Companies***

The COFCO International Target Companies are limited liability companies incorporated in the PRC, which are indirectly wholly-owned subsidiaries of COFCO International, which consist of 4 oilseeds processing plants located in Chongqing, Longkou in Shandong province, Taixing in Jiangsu province and Qinzhou in Guangxi Zhuang Autonomous Region. The COFCO International Target Companies are mainly engaged in soybean crushing and refining and trading of soybean oil, and their annual aggregate capacities, assuming 300 days of operation per year, are as follows:

- Crushing: approximately 2.7 million tonnes per year; and

- Refining: approximately 0.83 million tonnes per year.

The unaudited combined net asset value of the COFCO International Target Companies prepared under HKFRS as at 31 March 2018 was approximately RMB1,011 million. Set out below is the unaudited combined financial information of the COFCO International Target Companies prepared under HKFRS for the years ended 31 December 2016 and 2017:

| | For the year ended 31 December | |
|---|---|---|
| | **2016** | **2017** |
| | *(approximately RMB million)* | *(approximately RMB million)* |
| Revenue | 6,617 | 7,486 |
| Net (loss)/profit before taxation | (128) | 449 |
| Net (loss)/profit after taxation | (145) | 353 |

A valuation of the COFCO International Target Companies in the amount of approximately RMB1,341 million as at the benchmark date of 31 March 2018 was conducted by CEA, an independent valuer, jointly appointed by the parties, in accordance with the terms of the Non-competition Deed, based on the asset-based valuation approach. Please refer to the summary of Asset Valuation Reports as set out in Appendix I.

***2.8. Information on COFCO Trading Guangdong***

COFCO Trading Guangdong is a limited liability company incorporated in the PRC, which is wholly-owned by COFCO Trading, a wholly-owned subsidiary of COFCO, and is mainly engaged in warehousing, loading and uploading services of various grains, oilseeds, edible oils and fats, in relation to which the port terminal facilities are still under construction.

The unaudited net asset value of COFCO Trading Guangdong prepared under HKFRS as at 31 March 2018 was approximately RMB199 million. Set out below is the unaudited financial information of COFCO Trading Guangdong prepared under HKFRS for the years ended 31 December 2016 and 2017:

| | For the year ended 31 December | |
|---|---|---|
| | **2016** | **2017** |
| | *(approximately RMB million)* | *(approximately RMB million)* |
| Revenue | – | – |
| Net profit/(loss) before taxation | 2.95 | (0.04) |
| Net profit/(loss) after taxation | 2.21 | (0.04) |

As at 31 July 2018, the total reclamation works cost expended was approximately RMB219 million and was in progress. COFCO Trading Guangdong was also granted sea area use rights for two concurrent terms expiring on 27 February 2067 for land reclamation use and dock and basin use respectively at a grant fee of approximately RMB27.5 million and an annual grant fee of RMB11,778 respectively. For details, please refer to the notes under the Property Valuation Report in Appendix II to this circular. Based on the information available to the Company, it is expected that the sea area use rights will be converted to the land use rights after the reclamation works are completed and all necessary application procedures of obtaining the State-owned Land Use Rights Certificate of the Property are fulfilled.

A valuation of COFCO Trading Guangdong in the amount of approximately RMB204 million as at the benchmark date of 31 March 2018 was conducted by CEA, an independent valuer, based on the asset-based valuation approach. Please refer to the summary of Asset Valuation Reports as set out in Appendix I to the Circular.

## 3. Overview of the oilseed processing industry in the PRC

As disclosed in the Letter from the Board in the Circular, the profitability of domestic oilseeds processing industry has gradually recovered due to growing protein demands since 2015. In 2014, the market demands was at a low point caused by (i) the pig farming profitability entering into a cyclical low phase; and (ii) the increase in soybean crushing capacity in the PRC. In addition, prior to 2015, soybean financing trade activities were widespread which were also negatively impacting the profits of the soybean crushing industry.

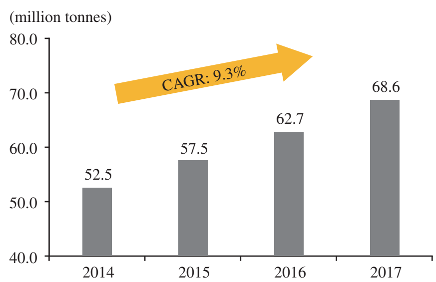
Since 2015, with the reform of foreign exchange mechanism in the PRC and further improvement in the supervision and regulation of financial institutions, the soybean financing trade activities have been significantly reduced, while the industry self-discipline has gradually improved. The financial performance of the Company's oilseeds processing business has improved substantially in the last 3 years.

**The Company's Oilseeds Processing Segment Profit**

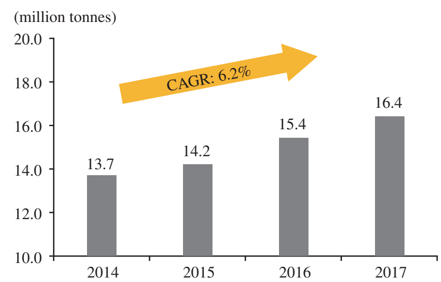

*Source: the Company's 2014, 2015, 2016 and 2017 annual reports.*

Based on our research, the PRC economy and disposable income have improved over the years, leading to an increasing consumption of domestic animal protein and edible oil. Since 2014, China soybean meal consumption has increased at a compound annual growth rate of 9.3% while China soybean oil consumption has been growing at a compound annual growth rate of 6.2%, both indicating a strong and continuous increase in demand for domestic soybean meal for animal feed and soybean oil. It is expected that the market will further expand at such growth rate in near future.

**China soybean meal consumption**




**China soybean oil consumption**




*Note:* *as at 30 September every year*

*Source:* *United States Department of Agriculture*

Furthermore, we understand that the oilseeds processing industry in the PRC has been undergoing consolidation. Smaller processors without stable procurement, the ability to manage price risk, economies of scale or any product research and development are being forced to withdraw from the market gradually, while players with scale are set to operate with competitive advantages.

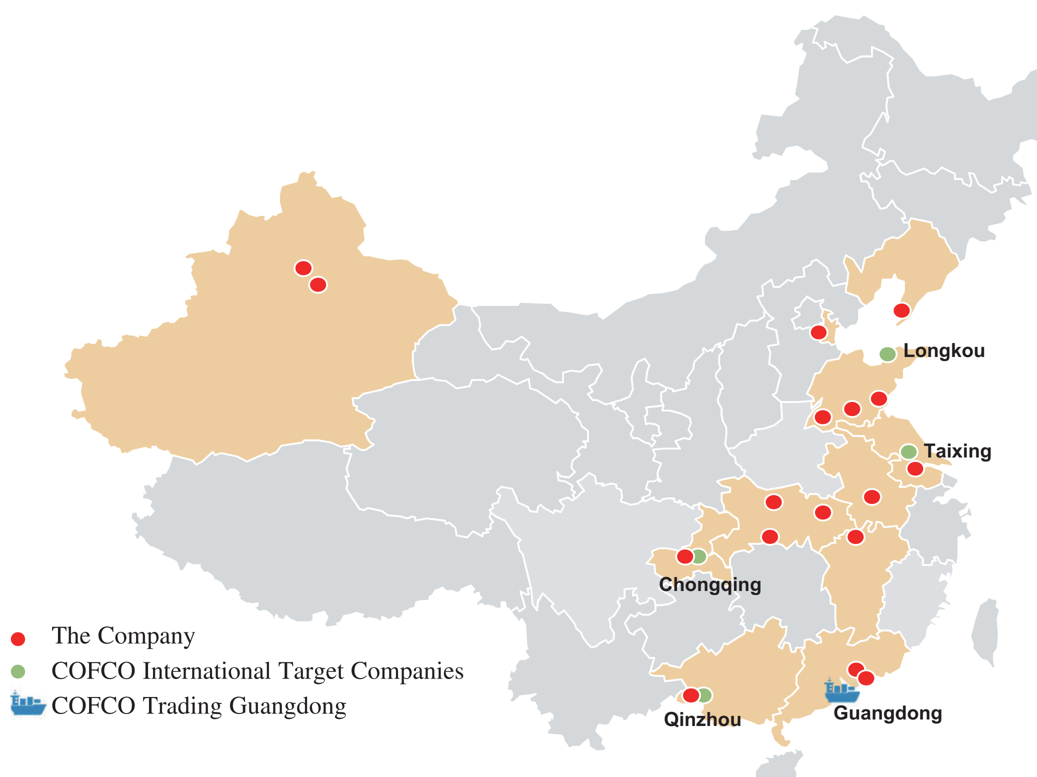
### 4. Reasons for and benefits of the Acquisition

As stated in the Letter from the Board in the Circular, the Group is a leading producer and supplier of processed agricultural products in the PRC. Its principal businesses are oilseeds processing, rice processing and trading, wheat processing and brewing materials processing.

The COFCO International Target Companies are limited liability companies incorporated in the PRC, which are indirectly wholly-owned subsidiaries of COFCO International, which consist of 4 oilseeds processing plants located in Chongqing, Longkou in Shandong province, Taixing in Jiangsu province and Qinzhou in Guangxi Zhuang Autonomous Region. The COFCO International Target Companies are mainly engaged in the soybean crushing, refining and trading of soybean oil.

Pursuant to each of COFCO and COFCO (HK) undertakes that it will not, and will procure that its subsidiaries (other than the Company) will not, at any time, either on its own behalf or as agent of any person, directly or indirectly, be employed or otherwise engaged or interested in any capacity (whether for reward or otherwise) in any business which competes with the Restricted Business or any part of it in the Restricted Territory, provided that this restriction shall not operate to prohibit COFCO or COFCO (HK) from (i) holding such interest, whether directly or indirectly, as Retained Interests; or (ii) holding shares in aggregate up to 5% of the issued share capital of any competing company, the shares of which are listed or dealt in any stock exchange. In 2014, COFCO International, a subsidiary of COFCO, acquired equity interests and controlling rights in COFCO Agri Limited (formerly known as Noble Agri Limited), whose businesses include 5 oilseeds processing plants, which constitute competing business under the Non-competition Deed and which subsequently became Retained Interests in accordance with the terms of Non-competition Deed upon completion of the relevant acquisition transactions. Under the Non-competition Deed, the Company was granted options to acquire such businesses of COFCO International on 14 October 2014 (being the settlement date of the acquisition of COFCO Agri Limited (formerly known as Noble Agri Limited) by COFCO). We understand from the management of the Company that the 4 COFCO International Target Companies (with the exception of COFCO Nantong) were chosen based on the factors such as the capability of the collaboration with the existing businesses of the Company and its subsidiaries as well as earning potential of the relevant companies' business under the COFCO International Option.

We understand from the management of the Company that as of 31 December 2017, the Company has an annual soybean crushing capacity of 12.93 million tonnes with a capacity utilisation rate of approximately 92% in 2017. As such, we concur with the management's view that capacity expansion is required to capture new opportunities brought about by industry consolidation and development as discussed above. As such, the Acquisition will not only increase the Company's annual soybean crushing capacity by approximately 21% to approximately 15.63 million tonnes, but also optimise the strategic layout of the Company's core business via entering into markets it does not have presence previously, enhance its industry position, and strengthen its competitive advantage. In detail, the Acquisition will provide the Company with new crushing capacity in Chongqing and in northern Shandong province which will enable the Company to better cover surrounding market areas, effectively shorten sales delivery distances, and save logistics costs. Customer demand and market information will also be reflected more expeditiously to improve product freshness and customer service level. Please see below the strategic layout plan of the Company.




*Source:* *the Company*

*Note:* *the Company's existing presence in Chongqing is limited to oil refining activities without any crushing capacity.*

In addition, following completion of (a) the acquisition of consumer-packaged edible oil business in September 2017; (b) the sale of feed business in December 2017; and (c) the sale of biochemical and biofuel business in December 2017, the Acquisition is a continuation by the Company of its corporate development strategy to reinforce itself as the leading integrated player for the grains and edible oil processing and branded consumer business.

Furthermore, the Acquisition will enhance the Company's supply ability of bulk oil, and provides diverse, stable and high-quality sources for high value-added consumer-packaged products. Separately, the Acquisition will provide support for sales of consumer-packaged edible oil in the supply chain and storage facilities to help achieve the Company's business plan to double sales of consumer-packaged edible oil within 2 to 4 years. We have discussed with the management of the Company and understand that consumer-packaged edible oil is one of the most profitable product categories of the Company, thus increase sales of consumer-packaged edible oil will be beneficial to the Company's profitability.

Lastly, as advised by the management, the Acquisition will optimise the Company's logistic costs, labour costs and sales and marketing costs. Crushing plants in the same region can combine shipping orders and share transportation facilities such as vessels to optimise procurement costs and realise logistical effectiveness. Same management team can operate between adjacent plants to optimise administrative costs and boost efficiency. Sales channels can be combined and enlarged to expand market share.

In light of the above, we are of the view that the entering into the COFCO International Master Agreement is on normal commercial terms and it is in line with the business strategy of the Group and in the interests of the Company and the Independent Shareholders as a whole.

**5. Major terms of the COFCO International Master Agreement**

***Date***

31 August 2018

***Parties***

(1) the Purchasers; and

(2) the Vendors

***Subject Matter***

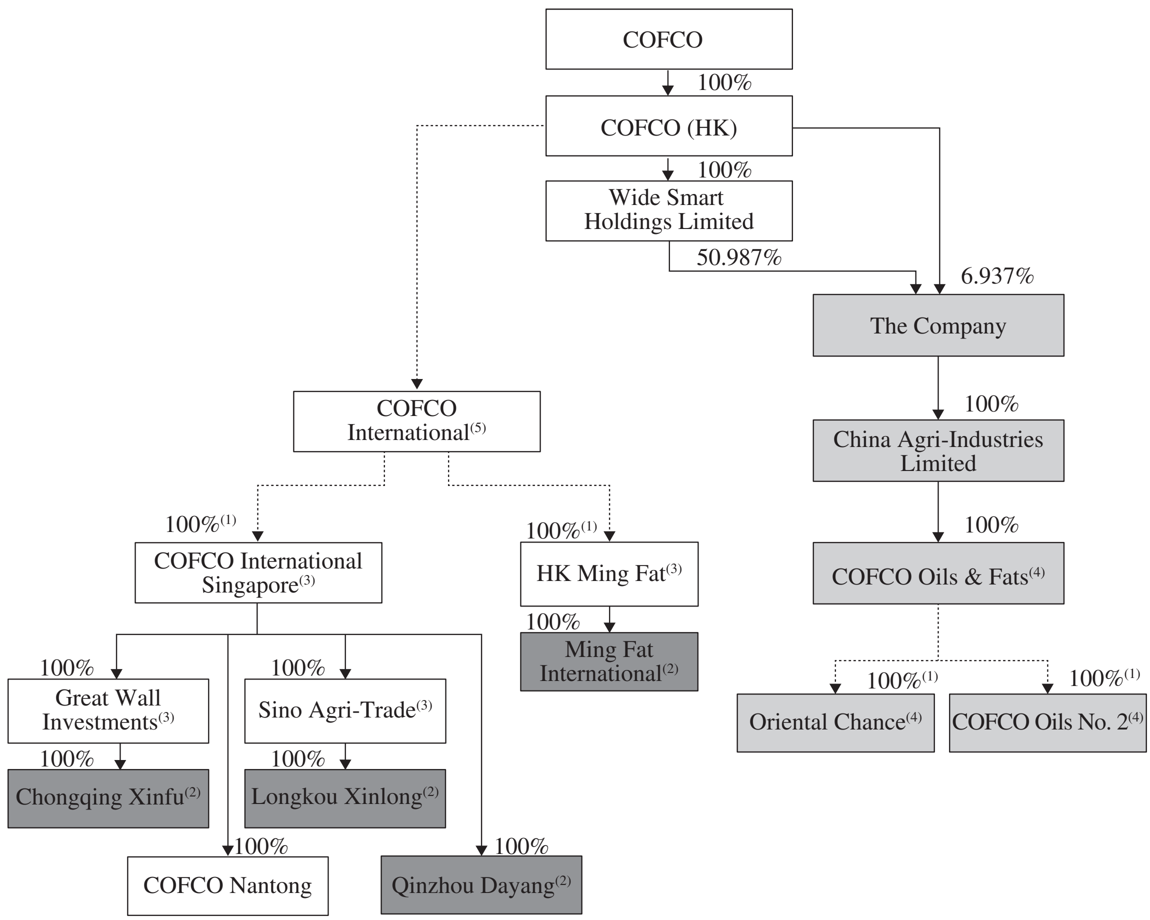
Subject to the conditions precedent under the COFCO International Master Agreement, each of the Vendors has agreed to sell, and each of the Purchasers has agreed to purchase, the Vendors' respective equity interest in the relevant COFCO International Target Companies:

| | Vendors | COFCO International Target Companies | Purchasers | Sale equity interest |
|---|---|---|---|---|
| 1. | COFCO International Singapore | Qinzhou Dayang | Oriental Chance | 100% |
| 2. | Great Wall Investments | Chongqing Xinfu | COFCO Oils No. 2 | 100% |
| 3. | Sino Agri-Trade | Longkou Xinlong | COFCO Oils & Fats | 100% |
| 4. | HK Ming Fat | Ming Fat International | COFCO Oils & Fats | 100% |

The relevant Purchasers and Vendors will separately enter into the COFCO International Equity Transfer Agreements in relation to the acquisition of equity interests in each of the COFCO International Target Companies in accordance with the terms of the COFCO International Master Agreement. Upon the Closing of the COFCO International Master Agreement, each of the COFCO International Target Companies will become a wholly-owned subsidiary of the Company.

Set out below is the shareholding structure of the COFCO International Target Companies immediately before and after the completion of the transactions contemplated under the COFCO International Master Agreement:

***Before the completion***




(1) *The dotted line indicates indirect shareholdings*

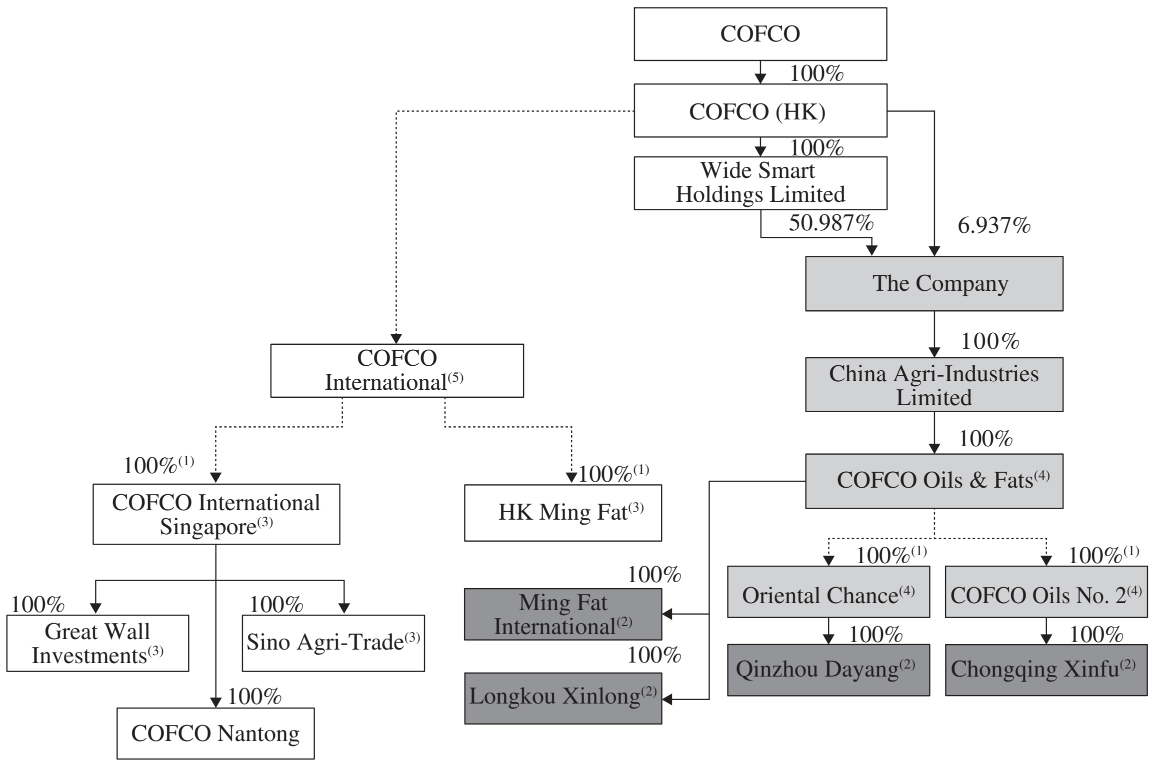
(2) *COFCO International Target Companies*

(3) *the Vendors*

(4) *the Purchasers*

(5) *COFCO International is controlled as to more than 50% by a subsidiary of COFCO (HK)*

***After the completion***




(1) *The dotted line indicates indirect shareholdings*

(2) *COFCO International Target Companies*

(3) *the Vendors*

(4) *the Purchasers*

(5) *COFCO International is controlled as to more than 50% by a subsidiary of COFCO (HK)*

***Consideration***

Pursuant to the COFCO International Master Agreement, the parties thereto have jointly appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP. Beijing Branch to issue a special audit report in relation to the financial and operational position of the relevant COFCO International Target Companies in accordance with the PRC generally accepted accounting principles as at the signing date of the COFCO International Master Agreement, according to which if the aggregate audited amount of the equity attributable to owners of the COFCO International Target Companies as at the signing date of the COFCO International Master Agreement is less than the aggregate audited amount of the equity attributable to owners of the COFCO International Target Companies as at 31 March 2018, such shortfall shall be deducted from the aggregate consideration, and the respective consideration for the acquisition of equity interest in each of the COFCO International Target Companies shall be adjusted accordingly.

Based on the special audit report dated 30 September 2018 issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP. Beijing Branch, the parties to the COFCO International Master Agreement agreed that the aggregate consideration for the acquisition of the equity interests in the COFCO International Target Companies shall be adjusted from RMB1,341 million to approximately RMB1,294 million, which shall be paid in US dollars in the amount of approximately US$189.7 million (calculated based on the middle exchange rate of RMB:USD published by the People's Bank of China on the signing date of the COFCO International Master Agreement) in cash in accordance with the payment schedule set out below, and the respective consideration for the acquisition of equity interest in each of the COFCO International Target Companies shall be adjusted accordingly. The adjusted consideration will be satisfied by internal funds of the Company.

The original consideration for the acquisition of the equity interest in each of the relevant COFCO International Target Companies was determined by the parties to the COFCO International Master Agreement following arm's-length negotiations with reference to a valuation as at the benchmark date of 31 March 2018, which was determined based on the asset-based valuation approach conducted by CEA, an independent valuer jointly appointed by the parties, in accordance with the terms of the Non-competition Deed, the summary of the Asset Valuation Reports is set out in Appendix I.

***Payment schedule***

(1) Within ten (10) Business Days of the fulfilment of the conditions precedent under the COFCO International Master Agreement as set out below under the paragraph headed "*Conditions precedent*", each of the Purchasers shall make the Initial Payment in US dollar, after deduction of any withholding tax in accordance with the terms of the COFCO International Master Agreement, to the accounts designated by the respective Vendors.

(2) Subject to the fulfillment of all conditions precedent under the COFCO International Master Agreement, the issuance of special audit report as referred to in the paragraph headed "*Consideration*" above and the occurrence of the Closing of the COFCO International Master Agreement, within ten (10) Business Days of the completion of all the post-closing matters under the COFCO International Master Agreement as set out below under the paragraph headed "*Post-closing matters*", the Purchasers shall pay the Second Payment in US dollar, after deduction of any withholding tax in accordance with the terms of the COFCO International Master Agreement, to the accounts designated by the respective Vendors.

***Conditions precedent***

The Initial Payment to be made by the Purchasers under the COFCO International Master Agreement is subject to, among other things, satisfaction of the following conditions precedent:

(1) the COFCO International Master Agreement and the transactions contemplated thereunder having been duly approved by the Independent Shareholders at the EGM;

(2) the COFCO International Master Agreement and the transactions contemplated thereunder having been duly approved by the shareholders of COFCO International;

(3) COFCO having duly approved the COFCO International Master Agreement and the transactions contemplated thereunder;

(4) each of the COFCO International Target Companies having obtained all necessary major consents, and receipts of notifications of all relevant third parties (including but not limited to creditors, suppliers, distributors and clients), which are required for the performance of the COFCO International Master Agreement, and the Vendors having provided copies of such documents to the relevant Purchasers; and

(5) all representations and warranties under the COFCO International Master Agreement remaining effective without any event that may render any of the representations and warranties invalid or revocable.

***Closing of the COFCO International Master Agreement***

Subject to the fulfillment of the conditions precedent and within five (5) Business Days after the Initial Payment, the parties to the COFCO International Master Agreement shall proceed with the state-owned property rights registration, the commercial filings and the Change in AIC Registration in relation to the equity transfers under the COFCO International Master Agreement. The Vendors shall ensure COFCO Nantong to repay the outstanding loan amounts owed to Longkou Xinlong, Qinzhou Dayang and Chongqing Xinfu together with the interest accrued thereon up to the repayment date in full before the completion of the Change in AIC Registration in respect of transfer of equity interest in any COFCO International Target Companies.

***Post-closing matters***

(1) Within ten (10) Business Days after the Closing Date of the COFCO International Master Agreement, each of the Vendors (as the case may be) shall (i) assist the relevant Purchasers to obtain a full set of documents relating to the title registration of state-owned property, the Change in AIC Registration and commercial filings; (ii) assist the relevant Purchasers to update the chops and seals in respect of the bank

accounts of the relevant COFCO International Target Companies, and shall provide a list of such updated chops and seals to the Purchasers; and (iii) assist in delivering all cheques and electronic payment vouchers of the relevant COFCO International Target Companies to the Purchasers; and

(2) Within seven (7) calendar days after the Closing Date of the COFCO International Master Agreement, the Purchasers shall procure the relevant COFCO International Target Companies to repay any and all the outstanding amounts due to COFCO International and/or its subsidiaries (including but not limited to Noble Agri Trading (Shanghai) Company Limited* (來寶農業貿易(上海)有限公司)) together with any unpaid interest accrued up to and including the date of such repayment.

***Indemnity***

The Vendors shall indemnify and hold the relevant Purchasers or the COFCO International Target Companies harmless from and against any and all losses that might occur during the period of two (2) years from the Closing Date of the COFCO International Master Agreement arising out of or relating to, among other things, liabilities arising from any breach of law or contract, or otherwise undisclosed matters, which occurring prior to the Closing of the COFCO International Master Agreement, subject to the terms and conditions of the COFCO International Master Agreement.

***Effectiveness and Termination***

(1) The COFCO International Master Agreement shall be effective upon the COFCO International Master Agreement (i) having been duly executed by the authorised signatory of each of the parties thereto; and (ii) having been duly approved by COFCO.

(2) In the event of any material breach of the representations, warranties or other obligations of the relevant vendors under the COFCO International Master Agreement which renders the performance thereof is no longer possible or the purpose thereof is no longer achievable, any of the Purchasers may terminate the COFCO International Master Agreement and shall be compensated by the defaulting party.

(3) If the Closing of the COFCO International Master Agreement does not occur by the date falling six (6) months from the signing date of the COFCO International Master Agreement, subject to a date otherwise agreed in writing by the parties thereto, any of the parties shall have the right to terminate the COFCO International Master Agreement.

(4) The COFCO International Master Agreement shall be terminated if the Independent Shareholders do not approve the COFCO International Master Agreement and the transactions contemplated thereunder.

(5) If any transfer of equity interest in any of the COFCO International Target Companies fails to complete, the COFCO International Master Agreement shall be terminated.

**6. Evaluation of the aggregate consideration of the Acquisition**

We understand from the management of the Company that the consideration for the acquisition of the equity interest in each of the relevant COFCO International Target Companies was determined by the parties to the COFCO International Master Agreement following arm's-length negotiations with reference to a valuation as at the benchmark date of 31 March 2018, which was determined based on the asset-based valuation approach conducted by CEA (the "**Valuer**").

***6.1. The Asset Valuation Reports***

In order to assess the basis in determining the valuation of the COFCO International Target Companies, we have reviewed the Asset Valuation Reports prepared by the Valuer and discussed with the Valuer and the management of the Company. For our due diligence purpose, we have reviewed and enquired the qualification and experience of the CEA in relation to the performance of the valuation. CEA is a qualified asset appraisal firm authorised by the Ministry of Finance of the PRC to perform valuation works in the PRC. The appraisal exercise is led by Ms. Yu Ning, who is the general manager of Business Unit two of CEA and a licensed practitioner with over 20 years' experience in valuation of equity under the jurisdiction of People's Republic of China. We are of the view that she has sufficient knowledge of the relevant market, the skills and understanding to handle the subject valuation. Given that the Valuer is a qualified asset appraisal firm in the PRC and is experienced in asset valuations in the PRC, we are of the view that CEA and Ms. Yu Ning have sufficient qualifications and experience to provide a reliable valuation of the COFCO International Target Companies.

In addition, we have discussed with the Valuer and understand that it is independent from the Company and the other parties involved in the Acquisition. We have also reviewed the terms of the engagement of the valuation and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuer. Based on the above, we are of the view that the scope of work of the Valuer is appropriate and the Valuer is qualified for valuing COFCO International Target Companies.

*(a) Valuation methodologies*

The Valuer believes that the asset-based approach is an appropriate methodology to assess and reflect the value of the COFCO International Target Companies. We also understand from the Valuer that the income approach and the market approach have also been considered and taking into account the financial situation, business operations and strategic planning of the COFCO International Target Companies, the Valuer believes that the valuations based on the asset-based approach are more objective and reliable. As such, the appraisal results of the asset-based approach are taken as the final conclusions.

The asset-based approach refers to the concept that the earning power of a business is derived primarily from its existing set of assets and liabilities. This approach is based on the economic principle of substitution with the assumption that each of the elements of assets and liabilities is individually valued and their sum represents the value of the entire business entity. From a valuation perspective, the Valuer will restate the values of all types of assets of a business entity from book values, with appropriate adjustment of historical cost and depreciation in order to estimate the cost of replacing the asset. After the restatement, the Valuer will be able to identify the fair market value of the business entity.

In addition, we have reviewed the Asset Valuation Reports and understand that the income of the COFCO International Target Companies is largely affected by the overall soybean market condition as well as the government and industry policies, the actual income and cost of the COFCO International Target Companies may be significantly deviated from the projection, therefore it is more suitable to use the asset-based approach than the income approach when valuing the COFCO International Target Companies. Moreover, the market approach is not an appropriate methodology for the valuation of the COFCO International Target Companies due to the unique nature of the industry and very few recent comparable transactions can be found from the market.

We noted that the benchmark date for the valuation of the COFCO International Target Companies is 31 March 2018 which is six months earlier than the Latest Practicable Date. Despite the timing difference between the benchmark date and the Latest Practicable Date, we noted in the Asset Valuation Reports that the Valuer would disclose any material subsequence events that may affects the result of valuation. We have reviewed the Asset Valuation Reports and understand that the Valuer does not aware of any material subsequence events in the period between the benchmark date and the date of the Asset Valuation Reports. As such, we consider the benchmark date adopted in the valuation of COFCO International Target Companies is fair and reasonable.

*(b) Valuation Assumptions*

We further note that a number of assumptions have been made in arriving at the value of the COFCO International Target Companies. As per our discussion with the Valuer and based on the Asset Valuation Reports, the major assumptions applicable to the valuation are as follows:

(i) there will be no significant change in current prevailing laws and regulations, policies, macro-economic, politic and social environments in the PRC;

(ii) the entities are operating on a going-concern basis based on the assets situation on the appraisal benchmark date;

(iii) there will be no significant change in the interest rate, exchange rate, tax basis, tax rate and levies under any specific regulations applicable to the COFCO International Target Companies on the appraisal benchmark date;

(iv) the management of COFCO International Target Companies is responsible, stable and capable after the appraisal benchmark date;

(v) there will be no force majeure and unforeseeable factors that may cause significant negative impacts on the COFCO International Target Companies after the appraisal benchmark date;

(vi) the accounting policies that the COFCO International Target Companies adopt after the appraisal benchmark date will be in accordance with the current accounting policies in all material respects; and

(vii) based on the existing management style and management level of COFCO International Target Companies, the operation scope and operational style would remain the same after the appraisal benchmark date.

We have discussed with the Valuer regarding the major assumptions made in valuing the COFCO International Target Companies. These assumptions have been evaluated and validated in order to provide a reasonable basis in arriving at the valuation.

In light of the above, we are of the view that the basis for the determination of the aggregate consideration for the acquisition of the equity interest in each of the COFCO International Target Companies with reference to the Asset Valuation Reports as at the benchmark date of 31 March 2018 is fair and reasonable so far as the Independent Shareholders are concerned.

***6.2. Comparable companies analysis***

To assess the fairness and reasonableness of the aggregate consideration, we have performed a trading multiple analysis of comparable companies. In order to ensure comparability in terms of business we think it is appropriate to identify comparable companies (the "**Comparable Companies**") that are (i) primarily engaged in the crushing, refining and trading of edible oil (the "**Target Business**"); (ii) at least 50% of the revenue are generated from the Target Business; (iii) with market capitalisation of at least RMB1 billion; and (iv) currently listed on the Main Board of the Stock Exchange or other international stock exchanges.

The Comparable Companies have been selected exhaustively based on the above criteria, which have been identified, to the best of our endeavors, in our research through public information. In reaching our assessment, we have considered (i) price-to-earnings ratio ("**P/E**"); and (ii) price-to-book ratio ("**P/B**") which are commonly used as benchmarks to assess the financial valuation of a company engaged in the Target Business. The table below illustrates the P/Es and P/Bs of each of the Comparable Companies based on their closing prices as at 28 September 2018, the last trading day prior to the Latest Practicable Date and the COFCO International Target Companies' implied ratios based on the aggregate consideration.

| **Company Name** | **Ticker** | **Market Cap** *(Note 1)* | **P/E** *(Note 2)* | **P/B** *(Note 3)* |
|---|---|---|---|---|
| | | *RMB billion* | *(times)* | *(times)* |
| Archer Daniels Midland Co | ADM US | 192.66 | 17.59 | 1.50 |
| Wilmar International Ltd | WIL SP | 101.94 | 12.17 | 0.93 |
| Bunge Limited *(Note 4)* | BG US | 65.51 | 59.61 | 1.41 |
| Golden Agri-Resources Ltd | GGR SP | 16.89 | 33.21 | 0.62 |
| GrainCorp Limited | GNC AU | 9.07 | 14.58 | 0.97 |
| Nisshin Oillio Group Ltd | 2602 JP | 6.91 | 16.54 | 0.81 |
| Thai Vegetable Oil Pcl | TVO TB | 5.03 | 17.83 | 2.74 |
| Daodaoquan Grain And Oil C-A | 002852 CH | 3.82 | 19.94 | 1.88 |
| | | **Maximum** | **33.21** | **2.74** |
| | | **Minimum** | **12.17** | **0.62** |
| | | **Average** | **18.84** | **1.35** |
| **COFCO International Target Companies:** *(Note 5)* | | | **3.67** | **1.28** |

*Source: Stock Exchange, Bloomberg and the respective companies' latest published financial reports*

*Notes:*

(1) The market capitalisations of the respective Comparable Companies are as at 28 September 2018, the last trading day prior to the Latest Practicable Date extracted from Bloomberg.

(2) P/E ratio is calculated based on the market capitalisation of the respective Comparable Companies as at Latest Practicable Date divided by total profit attributable to the shareholders of the respective Comparable Companies as obtained from their latest available annual reports.

(3) P/B ratio is calculated based on the market capitalisation of the respective Comparable Companies as at Latest Practicable Date divided by the net asset value of the respective Comparable Companies as obtained from their latest published financial information.

(4) Bunge Limited. has a P/E of 59.61(times) by dividing its market capitalisation as at the Latest Practicable Date by net income attributable to the shareholders of Bunge Limited for the year ended 31 December 2017. The main reason of such exceptionally high P/E ratio is due to the low net income but trades at a higher price per share. Therefore, we think that such high P/E should be excluded from calculating the average ratios and less comparable for the purpose of the comparable analysis.

(5) The COFCO International Target Companies' implied P/E is calculated by using the aggregate consideration of RMB1,294 million divided by net profit after taxation of RMB353 million for the year ended 31 December 2017. The COFCO International Target Companies' implied P/B is calculated by using the aggregate consideration of RMB1,294 million divided by the unaudited combined net asset value attributable to the equity holders of the COFCO International Target Companies as at 31 March 2018 of approximately RMB1,011 million.

To summarise the ratios as shown above, (i) the P/E of the Comparable Companies ranged from approximately 12.17 to 33.21 ("**P/E Range**") with an average of approximately 18.84 ("**P/E Average**"); and (ii) the P/B of the Comparable Companies ranged from approximately 0.62 to 2.74 ("**P/B Range**") with an average of approximately 1.35 ("**P/B Average**");

We note that (i) the total consideration amounts to an implied P/E of the COFCO International Target Companies of approximately 3.67 which is below the P/E Average and lower than the minimum P/E of 12.17; and (ii) the total consideration amounts to an implied P/B of the COFCO International Target Companies of approximately 1.28 which is slightly below the P/B Average and within the P/B Range.

Although the Comparable Companies may exhibit differences such as location of the business, business models, risk associated with the markets and customers as compared with the COFCO International Target Companies, we consider that the Comparable Companies, in general, serve as fair and representative samples for the purpose of comparison with the COFCO International Target Companies owing to the fact that the principal business of the Comparable Companies are similar to that of the COFCO International Target Companies and in that the Comparable Companies and the COFCO International Target Companies both encounter similar market conditions. Since the implied P/B of the COFCO International Target Companies is within the Comparable Companies' P/B range and slightly lower than the P/B Average and the implied P/E of the COFCO International Target Companies is below the Comparable Companies' P/E Average and lower than the minimum P/E, we are of the view that the aggregate consideration is fair and reasonable based on the Comparable Companies analysis.

## 7. Financial impacts of the Acquisition

### *7.1. Effect on earnings*

With reference to the 2017 Annual Report, the profit attributable to owners of the Company amounted to approximately HK$3,042 million for the year ended 31 December 2017. The profits after taxation of the COFCO International Target Companies for the year ended 31 December 2017 were approximately RMB353 million (approximately HK$408 million, using yearly average exchange rate of HKD1.00 to RMB0.86521). Taking into the accounts of the financial effect on earnings, under the Acquisition, it will deliver a combined effect of an aggregate profit attributable to owners of the Company amounted to approximately HK$3,450 million, representing an increase of 13.41%. Therefore, we are of the view that the Acquisition would deliver a positive impact on the earnings of the Company.

***7.2. Effect on net asset value***

According to the 2018 Interim Result, the net asset value of the Company as at 30 June 2018 amounted to approximately HK$33,581 million. The unaudited combined net asset value of the COFCO International Target Companies as at 31 March 2018 was approximately RMB1,011 million (approximately HK$1,262 million, using the closing exchange rate of HKD1.00 to RMB0.80125 as at 31 March 2018). Upon the completion of the Acquisition, the net asset value of the Company would have increased by approximately HK$1,262 million while the investment cost for the Acquisition would be RMB1,294 million (approximately HK$1,535 million, using the closing exchange rate of HKD1.00 to RMB0.84310 as at 30 June 2018) which shall be settled in two cash installments. Hence, the effect of the increase in the net asset value of the Company will be offset by the investment cost of the Acquisition. Therefore, we are of the view that there is no material impact on the net asset value of the Company under the Acquisition.

***7.3. Effect on working capital***

As disclosed in the 2018 Interim Result, the total current asset of the Company was approximately HK$48,831 million (including cash and cash equivalents of approximately HK$10,818 million) as at 30 June 2018. The consideration for the Acquisition is of a total cash investment of RMB1,294 million (approximately HK$1,535 million, using the closing exchange rate of HKD1.00 to RMB0.84310 as at 30 June 2018), which only accounts for approximately 14.19% of the total cash balance on hand as at 30 June 2018 (assuming the total consideration would be paid in full immediately upon completion of the Acquisition). In addition, the consideration for the Acquisition will be paid in two installments in accordance to the payment schedule as set out in the Letter from the Board under the section headed – Payment schedule. Hence, the Company is not required to make full payment of the aggregate consideration for the Acquisition upfront. Therefore, we are of the view that the Acquisition will not have a material adverse impact on the liquidity of the Company.

Based on the above analysis, we are of the view that the Acquisition will have a positive financial effect on the Company and are in the interests of the Company and the Shareholders as a whole.

**8. Major terms of the Capital Increase Agreement**

***Date***

31 August 2018

***Parties***

(1) COFCO Dongguan;

(2) COFCO Trading; and

(3) COFCO Trading Guangdong

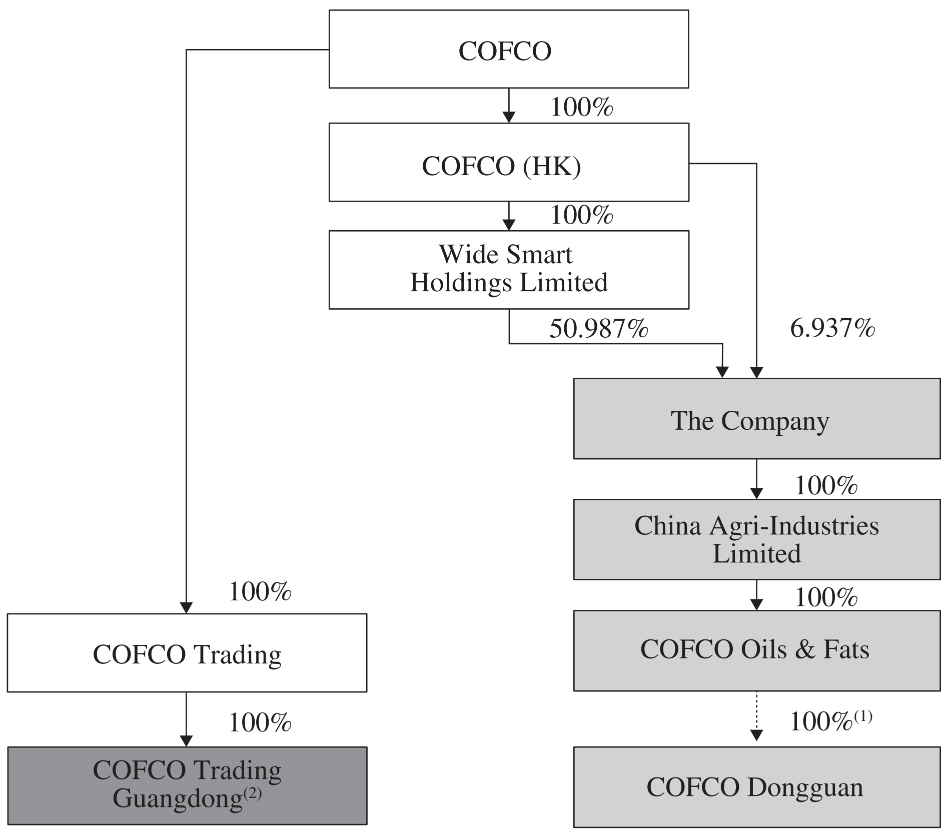
***Proposed capital increase***

Pursuant to the Capital Increase Agreement, the registered capital of COFCO Trading Guangdong will be increased from approximately RMB197 million to approximately RMB795 million, where COFCO Dongguan has conditionally agreed to make a capital contribution in the amount of RMB620 million in cash, which will be satisfied by internal funds of the Company, to subscribe for the newly increased registered capital of COFCO Trading Guangdong in the amount of approximately RMB598 million, representing 75.264% of the enlarged registered capital of COFCO Trading Guangdong upon the Closing of the Capital Increase Agreement. The remaining amount of approximately RMB22 million will be credited into the capital reserve of COFCO Trading Guangdong.

The total amount of the proposed capital contribution into COFCO Trading Guangdong was determined by the parties to the Capital Increase Agreement following arm's-length negotiations with reference to the desired level of equity interest upon Closing of the Capital Increase Agreement, the total estimated construction costs and a valuation of COFCO Trading Guangdong in the amount of approximately RMB204 million as at the benchmark date of 31 March 2018 according to the appraisal conducted by CEA, an independent valuer, the summary of Asset Valuation Reports is set out in Appendix I. Based on such valuation and the total amount of proposed capital contribution of RMB620 million, COFCO Dongguan will own a 75.264% equity interests in COFCO Trading Guangdong. Such ownership percentage is calculated by dividing the total amount of proposed capital contribution by the sum of the amount of the proposed capital increase and the above mentioned valuation.

Set out below is the shareholding structure of COFCO Trading Guangdong immediately before and after the completion of the transactions contemplated under the Capital Increase Agreement:

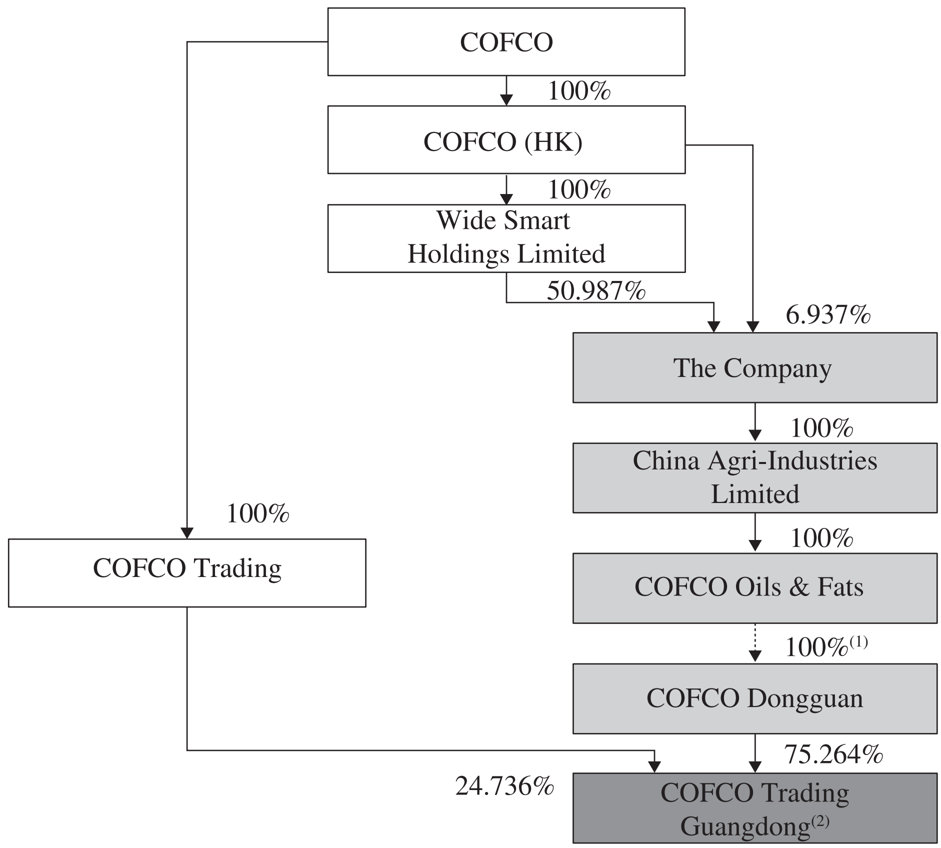
**Before the completion**




(1) *The dotted line indicates indirect shareholdings*

(2) *the target company of the Capital Increase Agreement*

**After the completion**




(1) *The dotted line indicates indirect shareholdings*

(2) *the target company of the Capital Increase Agreement*

***Conditions precedent***

The transactions contemplated under the Capital Increase Agreement are subject to, among other things, satisfaction of the following conditions:

(1) the passing of all necessary resolutions and approval by the Independent Shareholders at the EGM to approve the transactions contemplated under the Capital Increase Agreement;

(2) COFCO having duly approved the Capital Increase Agreement and the proposed capital increase contemplated thereunder;

(3) MOFCOM having duly approved the proposed capital increase;

(4) COFCO Trading Guangdong having obtained all necessary major consents and receipts of notifications of all relevant third parties (including but not limited to creditors, suppliers, distributors and clients), which are required for the performance of the Capital Increase Agreement, and copies of which having provided by COFCO Trading to COFCO Dongguan; and

(5) all representations and warranties under the Capital Increase Agreement remaining effective without any event having occurred that may render any of the representations and warranties invalid or revocable.

***Closing of the Capital Increase Agreement***

Subject to the fulfillment of the conditions precedent, within five (5) Business Days after the fulfillment of all the conditions precedent, the parties to the Capital Increase Agreement shall proceed with the state-owned property rights registration and Change in AIC Registration in relation to the capital increase of COFCO Trading Guangdong.

***Post-closing matters***

Within ten (10) Business Days after the Closing Date of the Capital Increase Agreement, COFCO Trading shall (i) assist COFCO Dongguan to obtain a full set of documents relating to the title registration of state-owned property and the Change in AIC Registration; and (ii) assist COFCO Dongguan to update the chops and seals in respect of the bank accounts of COFCO Trading Guangdong, and shall provide a list of such updated chops and seals to COFCO Dongguan.

***Payment schedule***

Subject to the fulfilment of all conditions precedent, COFCO Dongguan shall pay the consideration for the subscription of newly increased registered capital in COFCO Trading Guangdong in full within three (3) months from the date of obtaining the updated business licence of COFCO Trading Guangdong.

***Effectiveness and Termination***

(1) The Capital Increase Agreement shall be effective upon the Capital Increase Agreement (i) having been duly executed by the authorised signatory of each of the parties thereto; (ii) having been duly approved by COFCO; and (iii) having been duly approved by MOFCOM.

(2) In the event of any material breach of the representations, warranties or other obligations of COFCO Trading Dongguan or COFCO Trading under the Capital Increase Agreement rendering performance thereof no longer possible or the purpose thereof no longer achievable, COFCO Dongguan may terminate the Capital Increase Agreement and shall be indemnified by the defaulting party.

(3) In the event of the occurrence of any material adverse change in respect of COFCO Trading Guangdong, as a result of which the parties are unable to perform their respective obligations thereunder or the purpose thereof is no longer achievable, COFCO Dongguan may terminate the Capital Increase Agreement.

(4) The Capital Increase Agreement shall be terminated if the Independent Shareholders do not approve the Capital Increase Agreement and the transactions contemplated thereunder.

**9. Reasons for and benefits of the Capital Increase**

COFCO Trading is a limited liability company incorporated in the PRC, which is a direct wholly-owned subsidiary of COFCO, and is mainly engaged in agricultural services, and trade of food and feed ingredients, logistics services and e-commerce of grain.

COFCO Trading Guangdong is a limited liability company incorporated in the PRC, which is wholly-owned by COFCO Trading, a wholly-owned subsidiary of COFCO, and is mainly engaged in warehousing, loading and uploading services of various grains, oilseeds, various grains, edible oils and fats, in relation to which the port terminal facilities, silos with an estimated storage capacity of approximately 220,000 tonnes, ancillary and other facilities are still under construction. More importantly to which the reclamation works are still in progress, and future operation of the port terminal (the "**Guangdong Port**") and relevant facilities are expected to commence operation by 2020. Upon the completion of the construction, the port terminal facilities are expected to have an annual throughout volume of approximately 2.90 million tones.

As disclosed in the Letter from the Board in the Circular, COFCO Dongguan will make a capital contribution into COFCO Trading Guangdong to obtain a controlling equity interest. Pursuant to the Capital Increase Agreement, the registered capital of the COFCO Trading Guangdong will be increased from approximately RMB197 million to approximately RMB795 million, where COFCO Dongguan has conditionally agreed to make a capital contribution in the amount of RMB620 million in cash, which will be satisfied by internal funds of the Company, to subscribe the newly increased registered capital of COFCO Trading Guangdong in the amount of approximately RMB598 million, representing 75.264% of the enlarged registered capital of COFCO Trading Guangdong upon the Closing of the Capital Increase Agreement.

We have discussed with the management of the Company and understand that the total costs for the reclamation works, and the construction of terminals, silos, supporting facilities and other expenses by COFCO Trading Guangdong are estimated to be approximately RMB1 billion and the funding for such construction will be sourced from (i) existing registered capital in the amount of approximately RMB197 million of COFCO Trading Guangdong; (ii) RMB620 million to be contributed by COFCO Dongguan, and (iii) bank loans.

We also understand from the management that the total amount of the proposed capital contribution into COFCO Trading Guangdong was determined by the parties to the Capital Increase Agreement following arm's-length negotiations with reference to the desired level of equity interest upon Closing of the Capital Increase Agreement, total estimated construction costs and a valuation of COFCO Trading Guangdong in the amount of approximately RMB204 million as at the benchmark date of 31 March 2018 according to the appraisal conducted by the Valuer, the summary of Asset Valuation Reports is set out in Appendix I. We have reviewed the Asset Valuation Reports and we are of the view that the total amount of the Capital Increase is fair and reasonable.

We note that the Guangdong Port as at the Latest Practicable Date accommodates an estimated storage capacity of approximately 220,000 million tonnes. Once construction is completed, the port terminal and relevant facilities are expected to have an annual throughput capacity of approximately 2.90 million tonnes. We also note that the port terminal and relevant facilities under construction are adjacent to COFCO Dongguan and COFCO Xinsha, subsidiaries of the Company, which currently have annual crushing capacity of 1.62 million tonnes. We have discussed with the management of the Company and understand that COFCO Dongguan is currently under construction to expand its annual crushing capacity. After the completion of the Phase II expansion of COFCO Dongguan in 2020, the overall annual crushing capacity of the Company's existing plants in Guangdong is expected to reach 3.12 million tonnes, which can provide stable throughput for the port every year. Furthermore, we have discussed with the management of the Company regarding their business plan of COFCO Trading Guangdong and understand that they intend to provide services such as loading and unloading, transfer, and warehousing to third-party customers to increase its revenue and boost profitability. As such, we concur with the management's view that Guangdong Port is a rare and valuable asset to the Company given that the Company's key raw materials for the oilseeds processing business are imported soybeans and rapeseeds, the delivery of which requires the services of a port, the synergetic effects with the Company's existing business and the promising prospects of the Guangdong Port's future profitability level.

We also understand from the management that currently, the Company's oilseeds crushing plants in Guangdong region use logistic services of the public terminal at Xinsha Port which is located in Dongguan. After completion of the reclamation works and the construction of Guangdong Port and relevant facilities, the Company's oilseeds crushing plants can access it, which is closer. We have discussed with the management of the Company and understand that the Guangdong Port will allow the Company to use conveyor belts for transportation instead of using vehicles to reduce costs. We have also reviewed internal projections provided by the Company and note that it is estimated that changing from traditional vehicle transportation to conveyor belts can save the Company at least 50% of the current transportation and connection costs from the nearby factories. In addition, we understand from the management that integration of business operations of the port terminal and the Company's plants will facilitate optimal production plans to reduce transportation time. Furthermore, the supporting silo facilities at the terminal can provide storage support services to the Company's plants in the region. We also note that there will be a piece of vacant land of approximately 126 mu available under COFCO Trading Guangdong. We understand from the management that the land will be used for future expansion projects under the current business plan. As such, we concur with the management's view that the acquisition of Guangdong Port will reduce the connection costs for the Company's existing crushing operations in Guangdong and support future business expansions.

Based on the above, in particular, that (i) Guangdong Port is a rare and valuable asset to the Company given the synergetic effects with the Company's existing business and the promising prospects of the Guangdong Port's future profitability level; and (ii) the acquisition of Guangdong Port will reduce the connection costs for the Company's existing crushing operations in Guangdong and support future business expansions, we are of the view that the entering into the Capital Increase Agreement is on normal commercial terms and it is in line with the business strategy of the Group and the terms of the Capital Increase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

**10. Information on the Supplemental Deed**

COFCO, COFCO (HK) and the Company entered into the Non-competition Deed on 16 February 2007 (as amended on 23 October 2017), pursuant to which if a decision is made by the INEDs not to exercise an option in relation to any Retained Interests, each of COFCO and COFCO (HK) has undertaken to the Company to dispose of the Retained Interests within six months of such decision having become effective.

Among the Non-exercised Chinatex Retained Interests, it is proposed that the Retained Interests might be disposed of by way of liquidation or analogous process in addition to transfer of the relevant Competing Business. In considering the proposed amendments provided in the Supplemental Deed, the Board (including the INEDs after taking into consideration the advice of the IFA) took into account that (i) given that certain Retained Interests will be disposed of by way of transactions other than equity or asset transfer, and possible similar transactions in the future, the parties to the Non-competition Deed should agree by way of an appropriately inclusive interpretation of the term "dispose of" under the Non-competition Deed; (ii) the procedure of liquidation or analogous process of a company incorporated in the PRC would normally take a considerable longer time than six months to complete; and (iii) the relevant undertakings given by COFCO and COFCO (HK) in favour of the Company to ensure the performance of non-compete obligations under the Non-competition Deed.

On 31 August 2018, COFCO, COFCO (HK) and the Company entered into the Supplemental Deed, the major terms thereof are summarised below:

(1) subject to the Independent Shareholders' approval at the EGM, the term "dispose" (and variants thereof such as "disposal" and so forth) shall be construed to include (a) so far as any entity or other relevant assets to which liquidation or analogous may be applied, the formal entering into a process of, including but not limited to, liquidation, winding-up, bankruptcy or any analogous procedure (together "**Liquidation**"), in respect of such assets; and (b) any other action or procedure by which control or title over relevant assets is irrevocably transferred or relinquished by COFCO and/or COFCO (HK), as appropriate;

(2) subject to the Independent Shareholders' approval at the EGM, the obligation under the Non-competition Deed to dispose of relevant Retained Interests to independent third parties within six months of a decision not to exercise an option in respect of

Retained Interests having become effective may be satisfied, in the case of any Retained Interests that are placed into Liquidation, by the date of such formal process commencing within six months of such effective date;

(3) subject to the Independent Shareholders' approval at the EGM, where any Retained Interests are proposed to be disposed of, the six-month period from the date of a decision not to exercise an option may be extended with the agreement of INEDs where COFCO and COFCO (HK) reasonably demonstrate that further time is needed to commence such disposal having made all reasonable efforts to proceed with such disposal as soon as practicable and, in any event, within such six-month period; and

(4) in relation to any disposal process pursuant to the Non-competition Deed involving liquidation, COFCO and COFCO (HK):

(i) will provide or procure the provision of updates to the Company on action taken and progress at regular intervals and as may be requested by the Company from time to time; and

(ii) respectively undertake to the Company to procure that any the operations of any Retained Interests subject to proposed Liquidation which compete with the Restricted Business cease as soon as practicable from the date of decision not to exercise the relevant options and in any event not later than six months after such date.

The Supplemental Deed is conditional upon the approval of the Independent Shareholders at the EGM.

**11. Reasons for and benefits of entering into the Supplemental Deed**

As stated above, pursuant to the decision made by the INEDs in not exercising an option in relation to any Retained Interests, each of COFCO and COFCO (HK) has undertaken to the Company to dispose of the Retained Interests within six months of such decision having become effective.

As stated in the Letter from the Board in the Circular, the INEDs have made a final and definitive decision not to exercise the option to acquire the equity interest in the Non-exercised Chinatex Retained Interests under the Chinatex Option. We understand from the management of the Company that the Non-exercised Chinatex Retained Interests under the Chinatex Option include (i) Chinatex Agriculture Anhui Co., Ltd.* (中紡農業安徽有限公司); (ii) Chinatex Agriculture Hubei Co., Ltd* (中紡農業湖北有限公司); (iii) Chinatex Grains and Oils (Dongguan) Co., Ltd.* (中紡糧油(東莞)有限公司); (iv) Chinatex Grains and Oils (Shenyang) Co., Ltd* (中紡糧油(瀋陽)有限公司); and (v) Chinatex Edible Oil (Tianjin) Co., Ltd.* (中紡油脂(天津)有限公司). The reasons and considerations to which the decision was based on are as stated in the Letter from the Board in the Circular.

In relation to the Non-exercised Chinatex Retained Interests under the Chinatex Option, COFCO, COFCO (HK) and the Company entered into the Non-competition Deed on 16

February 2007 (as amended on 23 October 2017). On 31 August 2018, COFCO, COFCO (HK) and the Company entered into the Supplemental Deed for the purpose to clarify and mitigate any risk of allegations of variations of the Non-competition Deed by virtue of a broad interpretation of the term "dispose" and the potential for a disposal process for taking more than six months.

We have discussed with the management of the Company and understand that the entering into the Supplemental Deed will clarify the term "dispose" under the Non-competition Deed by allowing various methods of achieving a disposal, including but not limited to the formal entering into of a process of liquidation, winding-up, bankruptcy or any analogous procedure of the relevant Retained Interests and any other action or procedure by which control or title over relevant assets is irrevocably transferred or relinquished by COFCO and/or COFCO (HK), rather than only transfer of equity or asset. By doing so will ensure the non-competition obligations of the COFCO and COFCO (HK) under the Non-competition Deed. Given that the entering into the Supplementary Deed will mitigate the risk of allegations of variations of the Non-competition Deed by virtue of a broad interpretation of the term "disposal" and provide for a more feasible disposal plan and facilitate to achieve the goal of ensuring the non-competition obligations of the COFCO and COFCO (HK) under the Non-competition Deed, we are of the view that such clarification on the term "dispose of" under the Non-competition Deed is fair and reasonable and is in the interest of the Company and its Shareholders as a whole.

We also understand from the management of the Company that the procedure of liquidation of a company incorporated in the PRC would normally take more than six months to complete. As such, entering into the Supplemental Deed will allow disposal within six months to be satisfied by the formal commencement of any relevant company comprising a Retained Interest into the liquidation procedure and the six-month period may be extended with the agreement of INEDs where COFCO and COFCO (HK) reasonably demonstrate that further time is needed to commence such disposal having made all reasonable efforts to proceed with such disposal as soon as practicable and, in any event, within such six-month period. Given that the entering into the Supplementary Deed will allow the disposal to be more feasible and practicable in the event when liquidation is necessary taking into consideration the uncertain timing of the PRC liquidation process, we are of the view that the Supplemental Deed is fair and reasonable and is in the interest of the Company and its Shareholders as a whole.

We have further reviewed the legal opinions provided by the legal advisers of the Company as well as taking into consideration of the above, we are of the view that without the Supplemental Deed, the current Non-competition Deed may cause confusion in the event when disposal of certain Retained Interests is needed. Although the Supplemental Deed is not in the ordinary and usual course of business of the Company, is entered into on normal commercial terms, is fair and reasonable and is in the interest of the Company and its Shareholders as a whole.

## RECOMMENDATION

In summary, we have considered the above principal factors and reasons, in particular, having taken into account the following in arriving at our opinion:

(a) the entering into the COFCO International Master Agreement is entered into on normal commercial terms and it is in line with the business strategy of the Group;

(b) the terms of the COFCO International Master Agreement is fair and reasonable and in the interests of the Company and Shareholders as a whole;

(c) the aggregate consideration of the Acquisition is fair and reasonable so far as the Independent Shareholders are concerned as compared to Comparable Companies;

(d) the Acquisition will have an overall positive financial effect on the Group and is in the interests of the Company and the Independent Shareholders as a whole;

(e) the entering into the Capital Increase Agreement is on normal commercial terms and it is in line with the business of the Company;

(f) the terms of the Capital Increase Agreement are fair and reasonable and in the interests of the Company and Shareholders as a whole; and

(g) Although the Supplemental Deed is not in the ordinary and usual course of business of the Company, is entered into on normal commercial terms, is fair and reasonable and is in the interests of the Company and its Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Transactions.

Yours faithfully,
For and on behalf of
**Platinum Securities Company Limited**
**Li Lan**
*Director and Co-head of Corporate Finance*

*Mr. Li Lan is a licensed person registered with the Securities and Futures Commission and as responsible officers of Platinum Securities Company Limited to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. Mr. Li Lan has over eleven years of experience in corporate finance industry.*

* *for identification purposes only*

*The following is a summary of the valuation reports in relation to the asset appraisal of Longkou Xinlong Edible Oil Co. Ltd. ("**Longkou Xinlong**"), Qinzhou Dayang Cereals and Oils Co., Ltd. ("**Qinzhou Dayang**"), Chongqing Xinfu Food Co., Ltd. ("**Chongqing Xinfu**") and Ming Fat International Oil & Fat Chemical (Taixing) Co., Ltd. ("**Ming Fat International**"). The reports were prepared by China Enterprise Appraisals Co., Ltd. ("**CEA**").*

*The valuation reports, and the summary thereof, were prepared in Chinese only and set out below are English translation of the summary. In case of any discrepancies between the Chinese and the English versions of the summary, the Chinese version shall prevail.*

## 1. ECONOMIC BEHAVIOR

COFCO International Limited ("**COFCO International**") intends to transfer its equity interests in certain companies involved in oilseeds processing activities to subsidiaries of China Agri-Industries Holdings Limited, which requires a valuation to be conducted on the relevant equity interests.

## 2. PURPOSE OF APPRAISAL

CEA was appointed to conduct a valuation of all equity interests of Longkou Xinlong, Qinzhou Dayang, Chongqing Xinfu, Ming Fat International (the "**COFCO International Target Companies**"), with a view to provide the basis for determining the consideration for the transaction in respect of the economic behavior. Details of the transaction are stated below:

1. COFCO International Singapore Pte. Ltd, a wholly-owned subsidiary of COFCO International, intends to (i) transfer 100% of its interests in Qinzhou Dayang to Oriental Chance Limited, a wholly-owned subsidiary of the Company; (ii) transfer 100% of its indirect interests in Longkou Xinlong to COFCO Oils & Fats Holdings Limited, a wholly-owned subsidiary of the Company; and (iii) transfer 100% of its indirect interests in Chongqing Xinfu to COFCO Oils (HK) No. 2 Limited, a wholly-owned subsidiary of the Company.

2. H.K. Ming Fat International Oil & Fat Chemical Company Limited, a wholly-owned subsidiary of COFCO International, intends to transfer 100% of its interests in Ming Fat International to COFCO Oils & Fats Holdings Limited, a wholly-owned subsidiary of the Company.

## 3. SUBJECT AND SCOPE OF APPRAISAL

The subject of appraisal is 100% of the equity interests in Longkou Xinlong, Qinzhou Dayang, Chongqing Xinfu and Ming Fat International.

The scope of appraisal covers all assets and liabilities of Longkou Xinlong, Qinzhou Dayang, Chongqing Xinfu and Ming Fat International, including current assets, fixed assets, construction in progress, intangible assets, deferred tax assets and current liabilities.

## 4. TYPE OF VALUE

The market value.

## 5. APPRAISAL BENCHMARK DATE

31 March 2018.

## 6. BASIS OF APPRAISAL

### (i) Basis of laws and regulations

1. Company Law of the People's Republic of China (《中華人民共和國公司法》) (revised at the 6th session of the Standing Committee of the Twelfth National People's Congress on 28 December 2013);

2. Measures for Financial Supervision and Administration of the Asset Appraisal Sector (《資產評估行業財政監督管理辦法》) (Decree No. 86 of the Ministry of Finance in 2017);

3. Rules on Certain Issues Relating to the Appraisal of State-owned Assets (《國有資產評估管理若干問題的規定》) (Decree No. 14 of the Ministry of Finance in 2001);

4. Law of the People's Republic of China on State-owned Assets of Enterprises (《中華人民共和國企業國有資產法》) (adopted at the 5th session of the Standing Committee of the Eleventh National People's Congress on 28 October 2008);

5. Interim Measures on the Administration of Appraisal of State-owned Assets of Enterprises (《企業國有資產評估管理暫行辦法》) (Decree No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council on 25 August 2005);

6. Measures for the Administration of State-owned Assets Appraisal (《國有資產評估管理辦法》) (Decree No. 91 of the State Council in 1991);

7. Interim Measures for the Supervision and Administration of State-owned Assets of Enterprises (《企業國有資產監督管理暫行條例》) (Decree No. 378 of the State Council in 2003);

8. Detailed Rules for the Implementation of the Administrative Measures for State-Owned Assets Appraisal (《國有資產評估管理辦法實施細則》) (Guo Zi Ban Fa [1992] No. 36);

9. Notice on Relevant Issues Concerning the Agreement-based Transfer of State-owned Property Rights of Central Enterprises (《關於中央企業國有產權協議轉讓有關事項的通知》) (Guo Zi Fa Chan Quan [2010] No. 11);

10. Measures for the Supervision and Administration over the Trading of State-owned Assets in Enterprises (《企業國有資產交易監督管理辦法》) (Decree No. 32 of the SASAC and the Ministry of Finance in 2016);

11. Asset Appraisal Law of the People's Republic of China (《中華人民共和國資產評估法》) (adopted at the 21st session of the Standing Committee of the Twelfth National People's Congress on 2 July 2016);

12. Notice on Issues concerning the Audit of Valuation Report for State-owned Assets of Enterprises (《關於企業國有資產評估報告審核工作有關事項的通知》) (Guo Zi Chan Quan [2009] No. 941 of the SASAC of the State Council);

13. Notice on Strengthening the Administration of State-owned Assets Appraisal (《關於加強企業國有資產評估管理工作有關問題的通知》) (Guo Zi Wei Chan Quan [2006] No. 274);

14. Opinions of the Ministry of Finance on Reforming State-owned Asset Appraisal Administration Method and Strengthening Asset Appraisal Administration Work (《財政部關於改革國有資產評估行政管理方式、加強資產評估監督管理工作的意見》) (Guo Ban Fa [2001] No. 102);

15. Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Value Added Tax (《中華人民共和國增值稅暫行條例實施細則》) (Decree No. 50 of the Ministry of Finance and the State Administration of Taxation);

16. Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》);

17. Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) (implemented on 1 January 2008);

18. The notice on Guidelines for the Filing for Recordation of the Assessment Projects of State-owned Assets of Enterprises (《企業國有資產評估項目備案工作指引》) (Guo Zi Fa Chan Quan [2013] No. 64);

19. Provisional Rules on Real Estate Tax of the People's Republic of China (《中華人民共和國房產稅暫行條例》) (Decree No. 588 of the State Council on 8 January 2011);

20. Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) (Cai Shui [2018] No. 32).

**(ii) Appraisal standard guidance**

1. Assets Appraisal Standards – Basic Standards (《資產評估基本準則》) (Cai Zi [2017] No. 43);

2. Code of Ethics for Assets Valuation (《資產評估職業道德準則》) (Zhong Ping Xie [2017] No. 30);

3. Practice Guidelines for Asset Valuation – Asset Valuation Report (《資產評估執業準則－資產評估報告》) (Zhong Ping Xie [2017] No. 32);

4. Practice Guidelines for Asset Valuation – Real Estate (《資產評估執業準則－不動產》) (Zhong Ping Xie [2017] No. 38);

5. Practice Guidelines for Asset Valuation – Machinery and Equipment (《資產評估執業準則－機器設備》) (Zhong Ping Xie [2017] No. 39);

6. Practice Guidelines for Asset Valuation – Utilisation of Experts and Related Reports (《資產評估執業準則－利用專家工作及相關報告》) (Zhong Ping Xie [2017] No. 35);

7. Practice Guidelines for Asset Valuation – Corporate Value (《資產評估執業準則－企業價值》) (Zhong Ping Xie [2017] No. 36);

8. Practice Guidelines for Asset Valuation – Intangible Assets (《資產評估執業準則－無形資產》) (Zhong Ping Xie [2017] No. 37);

9. Practice Guidelines for Asset Valuation – Asset Valuation Procedures (《資產評估執業準則－資產評估程序》) (Zhong Ping Xie [2017] No. 31);

10. Practice Guidelines for Asset Valuation – Asset Valuation File (《資產評估執業準則－資產評估檔案》) (Zhong Ping Xie [2017] No. 34);

11. Practice Guidelines for Asset Valuation – Asset Valuation Engagement Contract (《資產評估執業準則－資產評估委託合同》) (Zhong Ping Xie [2017] No. 33);

12. Guiding Opinions on Legal Ownership of Subject under Asset Valuation (《資產評估對象法律權屬指導意見》) (Zhong Ping Xie [2017] No. 48);

13. Guiding Opinions on Types of Value under Asset Valuation (《資產評估價值類型指導意見》) (Zhong Ping Xie [2017] No. 47);

14. Guidelines on Valuation Report of State-owned Assets of Enterprises (《企業國有資產評估報告指南》) (Zhong Ping Xie [2017] No. 42);

15. Quality Control Guidelines for Business of Asset Valuation Institutions (《企業國有資產評估報告指南》) (Zhong Ping Xie [2017] No. 46).

**(iii) Basis for ownership of assets**

1. State-owned land use certificate (國有土地使用證);

2. Property ownership certificate (房屋所有權證);

3. Motor vehicle movement permit (機動車行駛證);

4. Contract or Invoices for purchase of significant assets (重要資產購置合同或發票).

**(iv) Basis for pricing**

1. 2018 Price Inquiry System for Mechanical and Electrical Products (《2018機電產品價格信息查詢系統》) (Machinery Industry Information Research Institute) (機械工業信息研究院);

2. Interim Regulations of the People's Republic of China on Vehicle Purchase Taxes (《中華人民共和國車輛購置稅暫行條例》) (Decree of the State Council [2000] No. 294);

3. Notice on Implementation of Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner Issue by the Ministry of Finance (《財政部關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36) (with effect from 1 May 2016);

4. Provisions on the Standards for Compulsory Retirement of Motor Vehicles (《機動車強制報廢標準規定》) (Decree [2012] No. 12 of the Ministry of Commerce, the National Development and Reform Commission, the Ministry of Public Security and the Ministry of Environmental Protection);

5. Housing Maintenance Grade and Evaluation Criteria (《房屋完損等級評定標準》) issued by former Ministry of Urban and Rural Construction and Environmental Protection of the PRC (原國家城鄉建設環境保護部).

## 7. APPRAISAL APPROACHES

For the purpose of asset appraisal, CEA has taken into account the nature of the appraisal subject, the type of value and the accessibility of related documents when considering which of the three appraisal approaches to be applied for each entity, being the market approach, income approach and asset-based approach.

Taking into account the financial situation, asset management documents, business operations and strategic planning of Longkou Xinlong, Qinzhou Dayang, Chongqing Xinfu and Ming Fat International, CEA has adopted the asset-based approach as the final appraisal approach to draw a conclusion on the valuation.

**A brief explanation on valuation by asset-based approach**

Asset-based approach refers to a valuation method used for determining the value of the appraisal subject based on its financial statements on the appraisal benchmark date to make an assessment on the value of all assets and liabilities. The valuation methods of the main assets and liabilities are as follows:

***1. Current assets***

*(1) Monetary funds*

CEA conducted a comprehensive procedure on the physical counting of cash and arrived, in a retrospective manner, at the amount as at the appraisal benchmark date, according to the cash amount and the accounting records during the period from the appraisal benchmark date to the date of cash counting, proved to be consistent with the amount recorded in the book. The amount after verification was taken as the appraised value. CEA verified the actual existence of bank deposits by sending enquiry letters to the bank, and in the meantime, checked the existence of any unrecorded bank deposits and the truthfulness of the deposits in transit recorded in the Statement of Bank Reconciliation, and appraised the amount banked in after the appraisal benchmark date. For the bank deposits, the amount after verification was taken as the appraised value.

*(2) Accounts receivable*

With regard to the valuation of accounts receivable, on the basis of verified account receivables, by utilising historical data and understanding on the current investigation, CEA particularly analysed the amount, time and collection of the receivables, and financial capabilities, creditworthiness and operation conditions of the debtors. The individual recognition method and aging analysis method were adopted to assess the losses from risks for accounts receivable. The verified accounts receivable after deducting of the assessed risk losses was taken as the appraised value.

*(3) Inventories*

Raw materials: CEA adopted the prevailing market price of raw materials, after multiply the verified stock amounts, then deducting reasonable logistics, impairment and warehousing expenses as well as other reasonable expenses to reach the appraised value of raw materials.

Finished goods: the appraised value of finished products was determined by the after-tax sales price net of sales expenses, all taxes and certain sales profit.

Work in progress: CEA adopted the same appraisal approach as finished goods.

***2. Non-current assets***

*(1) Buildings*

The replacement cost approach has been adopted for buildings.

Appraised value = Full replacement cost × Newness rate

(i) Determination of full replacement cost

Full replacement cost = (Overall cost of construction and installation project + Preliminary and other expenses + Capital cost) – Value-added-tax can be deducted

(a) Determination of overall cost of construction and installation project:

(i) The costs of construction and installation project include the total costs of civil engineering project and installation projects, and are calculated by application of budget (final settlement of account) adjustment method. CEA determined the project size of the buildings based on the information on construction works and completion settlement and then calculated the total costs of the projects in accordance with prevailing quota.

(ii) For general construction works, CEA derived the construction and installation cost of the subject buildings with reference to the construction and installation cost of works of similar types, as modified according to structural differences such as storey height, column space, span, renovation standards and utilities.

(iii) For special construction and installation works, CEA would look at the original purchase time and price index on the appraisal benchmark date according to the price movement, tendency and pace of the appraisal subject as arrived at by using statistics and projection technology based on the price indexes over the years of similar assets, and then derived the construction and installation cost of the subject buildings based on the movement ratio of the price indexes for the periods between two dates and the original value of the assets.

(b) Upfront and other expenses are determined in accordance with the investment costs under the standards of charges on relevant industry, national and local regulations on administrative and utility charges.

(c) Capital cost

The capital cost was calculated based on the lending rate published by the People's Bank of China on the appraisal benchmark date; and was calculated as if the funds were evenly injected over the construction period.

(ii) Determination of Newness rate

When determining the newness rate of buildings being evaluated, CEA rated the remaining useful life of each structure separately by taking account of the shortest of the term of land use rights and the economic life of buildings, which was assessed according to their different structures after conducting surveys on the foundation, loaded structural parts (beam, panel, pillar), wall, floor, exterior part, door, window, wall finishing, suspended ceiling, water supply and drainage, ventilation, electricity and lighting of the structures (constructions) through on-site inspections of each structure (construction), according to the "Rating Scale of Grade of Integrity or Damage of Buildings" and the "Basis of Reference for Identifying the Degree of Ageing of Buildings" announced by the local Urban and Rural Environmental Construction and Protection Department and with reference to the status under usage and repair and maintenance conditions of structures.

Newness rate was calculated based on the used life and remaining useful life of the buildings. Newness rate = Remaining useful life/(used life + remaining useful life) × 100%

(iii) Calculation of appraised value

Appraised value = Full replacement cost × Newness rate

*(2) Equipment*

The replacement cost approach has been used for evaluation based on characteristics of the equipment to be appraised, types of appraisal evaluation as well as the information collected and related conditions. The formula is as follows: Appraisal value = Full replacement cost × Newness rate

*(3) Construction in progress*

CEA adopted the cost approach for the valuation of construction in progress during the construction period after verifying the ledger, supporting documents and feasibility report, preliminary design, budgetary estimate, budget and final accounts and other information of the construction in progress, visiting the site, and communicating with engineering and technical personnel and other relevant personnel of the project.

Appraisal value of construction in progress = (Declared book value – Unreasonable charges) + Capital cost

Capital cost = (Declared book value – Unreasonable charges) × loan interest rate × construction period/2

Where: the loan interest rate was determined at the prevailing lending rate published by the People's Bank of China as at the appraisal benchmark date; the construction period was reasonably determined by project scale and the actual completion rate, with reference to working-day norm of such project; and the capital cost would not be accrued when the declared value of construction in progress included such cost.

*(4) Intangible assets – land use right*

Based on site survey results including the location, nature of land, utilisation conditions and local land market conditions of the appraisal subject under the requirements of "Regulations for Appraisal of Urban Land", CEA considered following methods to arrive at the appraisal value for the land use rights:

a. **Market comparison method**: compare the appraisal subject with similar and substitutable property which was traded near the appraisal benchmark date, adjust and evaluate the benchmark land price based on the known transaction price of such property and with reference to the transaction time, transaction conditions, transaction methods, land useful life, location and other factors of the appraisal subject. Such benchmark land price was used to value the price of the appraisal subject on the appraisal benchmark date.

b. **Cost approximation method**: cost approximation method is a valuation method which is mainly based on the sum of all expenses incurred in the development of land, plus a certain amount of interest, profit, tax payable and land appreciation gains, to determine the land price.

c. **Benchmark land price method**: Benchmark land price is set by the government. The local government regularly publishes benchmark land prices for its city and/or region. The benchmark price is authoritative and quite stable. It is a land price standard that restricts and guides the market transaction price. The method takes into account the range of the benchmark land price level, and the regional factors affecting the land price and individual factors specific to the appraisal subject, to determine the fair market price.

*3. Liabilities*

The appraised value is determined based on the items and amount of liabilities of the debtors collectable by the title owner after the appraisal purpose is achieved. The verified items and amount of liabilities, after the appraisal, are the actual liabilities is reached.

## 8. APPRAISAL CONCLUSION

As at the appraisal benchmark date, the total asset book value of Longkou Xinlong, Qinzhou Dayang, Chongqing Xinfu and Ming Fat International was RMB5,099.54 million, the aggregate appraised asset value was RMB5,429.63 million, the appraisal appreciation was RMB330.09 million and the appreciation rate of which was approximately 6.47%. The aggregate book value of the liabilities was RMB4,088.63 million, after appraisal, the aggregate value of the liabilities remained unchanged.

The aggregate net asset book value was RMB1,010.91 million and the aggregate appraised net asset value was RMB1,341.00 million, the appraisal appreciation was RMB330.09 million and the appreciation rate of which was approximately 32.65%. Details of appraisal value under the asset-based approach are as follow:

Appraisal benchmark date: 31 March 2018 *Currency & Unit: RMB million*

| Items | Book Value A | Appraisal Value B | Increase in Value C=B–A | Appreciation Rate % D=C/A×100 |
|---|---|---|---|---|
| Current Assets | 4,689.34 | 4,701.65 | 12.31 | 0.26 |
| Non-current Assets | 410.20 | 727.98 | 317.78 | 77.47 |
| of which: Long term equity investment | – | – | – | – |
| Investment properties | – | – | – | – |
| Fixed Assets | 340.57 | 543.62 | 203.05 | 59.62 |
| Construction in Progress | 2.46 | 2.46 | – | – |
| Oil and gas assets | – | – | – | – |
| Intangible Assets | 35.24 | 150.00 | 114.76 | 325.65 |
| of which: Land use rights | 33.72 | 146.89 | 113.17 | 335.62 |
| Other non-current asset | 31.93 | 31.90 | -0.03 | -0.09 |
| **Total Assets** | **5,099.54** | **5,429.63** | **330.09** | **6.47** |
| Current Liabilities | 4,088.63 | 4,088.63 | – | – |
| Non-current Liabilities | – | – | – | – |
| **Total Liabilities** | **4,088.63** | **4,088.63** | **–** | **–** |
| **Net Assets** | **1,010.91** | **1,341.00** | **330.09** | **32.65** |

## 9. APPRAISAL ASSUMPTIONS

CEA's Asset Valuation Reports are based on assumptions listed below:

### 1. Basic assumptions

i. There will be no significant change in current prevailing laws and regulations, policies, macro-economic, politic and social environments in the PRC;

ii. The entities are operating on a going-concern basis based on the assets situation on the appraisal benchmark date;

iii. There will be no significant change in the interest rate, exchange rate, tax basis, tax rate and levies under any specific regulations applicable to the COFCO International Target Companies on the appraisal benchmark date;

iv. The management of COFCO International Target Companies is responsible, stable and capable after the appraisal benchmark date;

v. There will be no force majeure and unforeseeable factors that may cause significant negative impacts on the COFCO International Target Companies after the appraisal benchmark date.

### 2. Specific assumptions

i. The accounting policies that the COFCO International Target Companies adopt after the appraisal benchmark date will be in accordance with the current accounting policies in all material respects;

ii. Based on the existing management style and management level of COFCO International Target Companies, the operation scope and operational style would remain the same after the appraisal benchmark date.

CEA's appraisal conclusions are based on the assumptions summarised above on the appraisal benchmark date. The valuer who representing CEA to sign the report and CEA do not undertake responsibility for any change in appraisal conclusion owing to future material economic changes beyond the assumptions mentioned above.

This appraisal was led by Ms. Yu Ning, who is the general manager of Business Unit two of China Enterprise Appraisals Co., Ltd. and a licensed practitioner with over 20 years' experience in valuation of equity under the jurisdiction of PRC. She has sufficient knowledge of the relevant market, and the skills and understanding to handle the subject valuation.

*The following is a summary of the valuation report in relation to the asset appraisal of COFCO Trading (Guangdong) Co., Ltd ("**COFCO Trading Guangdong**"). The valuation reports were prepared by China Enterprise Appraisals Co., Ltd. ("**CEA**").*

*This valuation report, and its summary, were prepared in Chinese only and set out below is the English translation of the summary. In case of any discrepancies between the Chinese and the English versions of the summary, the Chinese version shall prevail.*

## 1. ECONOMIC BEHAVIOR

COFCO (Dongguan) Oils & Grains Industries Co., Ltd. ("**COFCO Dongguan**"), a wholly-owned subsidiary of China Agri-Industries Holdings Limited ("**Company**"), proposed to make a capital contribution into COFCO Trading Guangdong to subscribe for newly increased registered capital, which requires a valuation to be conducted on the outstanding equity interests of COFCO Trading Guangdong.

## 2. PURPOSE OF APPRAISAL

CEA was appointed to conduct a valuation of all equity interest in COFCO Trading Guangdong with a view to provide the basis for the economic behavior in relation to the proposed transaction.

## 3. SUBJECT AND SCOPE OF APPRAISAL

The subject of appraisal is 100% of the equity interest in COFCO Trading Guangdong.

The scope of appraisal covers all items including all assets and liabilities such as current assets, fixed assets, construction in progress, intangible assets, other non-current assets and current liabilities.

## 4. TYPE OF VALUE

The market value.

## 5. APPRAISAL BENCHMARK DATE

31 March 2018.

## 6. BASIS OF APPRAISAL

### (i) Basis of laws and regulations

1. Company Law of the People's Republic of China (《中華人民共和國公司法》) (revised at the 6th session of the Standing Committee of the Twelfth National People's Congress on 28 December 2013);

2. Measures for Financial Supervision and Administration of the Asset Appraisal Sector (《資產評估行業財政監督管理辦法》) (Decree No. 86 of the Ministry of Finance in 2017);

3. Rules on Certain Issues Relating to the Appraisal of State-owned Assets (《國有資產評估管理若干問題的規定》) (Decree No. 14 of the Ministry of Finance in 2001);

4. Law of the People's Republic of China on State-owned Assets of Enterprises (《中華人民共和國企業國有資產法》) (adopted at the 5th session of the Standing Committee of the Eleventh National People's Congress on 28 October 2008);

5. Interim Measures on the Administration of Appraisal of State-owned Assets of Enterprises (《企業國有資產評估管理暫行辦法》) (Decree No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council on 25 August 2005);

6. Measures for the Administration of State-owned Assets Appraisal (《國有資產評估管理辦法》) (Decree No. 91 of the State Council in 1991);

7. Interim Measures for the Supervision and Administration of State-owned Assets of Enterprises (《企業國有資產監督管理暫行條例》) (Decree No. 378 of the State Council in 2003);

8. Detailed Rules for the Implementation of the Administrative Measures for State-Owned Assets Appraisal (《國有資產評估管理辦法實施細則》) (Guo Zi Ban Fa [1992] No. 36);

9. Notice on Relevant Issues Concerning the Agreement-based Transfer of State-owned Property Rights of Central Enterprises (《關於中央企業國有產權協議轉讓有關事項的通知》) (Guo Zi Fa Chan Quan [2010] No. 11);

10. Measures for the Supervision and Administration over the Trading of State-owned Assets in Enterprises (《企業國有資產交易監督管理辦法》) (Decree No. 32 of the SASAC and the Ministry of Finance in 2016);

11. Asset Appraisal Law of the People's Republic of China (《中華人民共和國資產評估法》) (adopted at the 21st session of the Standing Committee of the Twelfth National People's Congress on 2 July 2016);

12. Notice on Issues concerning the Audit of Valuation Report for State-owned Assets of Enterprises (《關於企業國有資產評估報告審核工作有關事項的通知》) (Guo Zi Chan Quan [2009] No. 941 of the SASAC of the State Council);

13. Notice on Strengthening the Administration of State-owned Assets Appraisal (《關於加強企業國有資產評估管理工作有關問題的通知》) (Guo Zi Wei Chan Quan [2006] No. 274);

14. Opinions of the Ministry of Finance on Reforming State-owned Asset Appraisal Administration Method and Strengthening Asset Appraisal Administration Work (《財政部關於改革國有資產評估行政管理方式、加強資產評估監督管理工作的意見》) (Guo Ban Fa [2001] No. 102);

15. Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Value Added Tax (《中華人民共和國增值稅暫行條例實施細則》) (Decree No. 50 of the Ministry of Finance and the State Administration of Taxation);

16. Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》);

17. Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) (implemented on 1 January 2008);

18. The notice on Guidelines for the Filing for Recordation of the Assessment Projects of State-owned Assets of Enterprises (《企業國有資產評估項目備案工作指引》) (Guo Zi Fa Chan Quan [2013] No. 64);

19. Provisional Rules on Real Estate Tax of the People's Republic of China (《中華人民共和國房產稅暫行條例》) (Decree No. 588 of the State Council on 8 January 2011);

20. Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) (Cai Shui [2018] No. 32).

**(ii) Appraisal standard guidance**

1. Assets Appraisal Standards – Basic Standards (《資產評估基本準則》) (Cai Zi [2017] No. 43);

2. Code of Ethics for Assets Valuation (《資產評估職業道德準則》) (Zhong Ping Xie [2017] No. 30);

3. Practice Guidelines for Asset Valuation – Asset Valuation Report (《資產評估執業準則－資產評估報告》) (Zhong Ping Xie [2017] No. 32);

4. Practice Guidelines for Asset Valuation – Real Estate (《資產評估執業準則－不動產》) (Zhong Ping Xie [2017] No. 38);

5. Practice Guidelines for Asset Valuation – Machinery and Equipment (《資產評估執業準則－機器設備》) (Zhong Ping Xie [2017] No. 39);

6. Practice Guidelines for Asset Valuation – Utilisation of Experts and Related Reports (《資產評估執業準則－利用專家工作及相關報告》) (Zhong Ping Xie [2017] No. 35);

7. Practice Guidelines for Asset Valuation – Corporate Value (《資產評估執業準則－企業價值》) (Zhong Ping Xie [2017] No. 36);

8. Practice Guidelines for Asset Valuation – Intangible Assets (《資產評估執業準則－無形資產》) (Zhong Ping Xie [2017] No. 37);

9. Practice Guidelines for Asset Valuation – Asset Valuation Procedures (《資產評估執業準則－資產評估程序》) (Zhong Ping Xie [2017] No. 31);

10. Practice Guidelines for Asset Valuation – Asset Valuation File (《資產評估執業準則－資產評估檔案》) (Zhong Ping Xie [2017] No. 34);

11. Practice Guidelines for Asset Valuation – Asset Valuation Engagement Contract (《資產評估執業準則－資產評估委託合同》) (Zhong Ping Xie [2017] No. 33);

12. Guiding Opinions on Legal Ownership of Subject under Asset Valuation (《資產評估對象法律權屬指導意見》) (Zhong Ping Xie [2017] No. 48);

13. Guiding Opinions on Types of Value under Asset Valuation (《資產評估價值類型指導意見》) (Zhong Ping Xie [2017] No. 47);

14. Guidelines on Valuation Report of State-owned Assets of Enterprises (《企業國有資產評估報告指南》) (Zhong Ping Xie [2017] No. 42);

15. Quality Control Guidelines for Business of Asset Valuation Institutions (《企業國有資產評估報告指南》) (Zhong Ping Xie [2017] No. 46).

**(iii) Basis for ownership of assets**

1. State-owned sea area use certificate (國有海域使用權證);

2. Property ownership certificate (房屋所有權證);

3. Motor vehicle movement permit (機動車行駛證);

4. Contract or Invoices for purchase of significant assets (重要資產購置合同或發票).

**(iv) Basis for pricing**

1. 2018 Price Inquiry System for Mechanical and Electrical Products (《2018機電產品價格信息查詢系統》) (Machinery Industry Information Research Institute) (機械工業信息研究院);

2. Interim Regulations of the People's Republic of China on Vehicle Purchase Taxes (《中華人民共和國車輛購置稅暫行條例》) (Decree of the State Council [2000] No. 294);

3. Notice on Implementation of Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner Issue by the Ministry of Finance (《財政部關於全面推開營業税改徵增值税試點的通知》) (Cai Shui [2016] No. 36) (With effect from 1 May 2016);

4. Provisions on the Standards for Compulsory Retirement of Motor Vehicles (《機動車強制報廢標準規定》) (Decree [2012] No. 12 of the Ministry of Commerce, the National Development and Reform Commission, the Ministry of Public Security and the Ministry of Environmental Protection);

5. Housing Maintenance Grade and Evaluation Criteria (《房屋完損等級評定標準》) issued by former Ministry of Urban and Rural Construction and Environmental Protection of the PRC (原國家城鄉建設環境保護部).

## 7. APPRAISAL APPROACHES

For the purpose of asset appraisal, CEA has taken into account the nature of the appraisal target, the type of value and the accessibility of related documents when considering which of the three appraisal approaches to be applied for the entity, being the market approach, income approach and asset-based approach.

Taking into account the financial situation, asset management documents, business operations and strategic planning of COFCO Trading Guangdong, CEA has adopted the asset-based approach as the final appraisal approach to draw a conclusion on the valuation of COFCO Trading Guangdong.

**A brief explanation on valuation by asset-based approach**

Asset-based approach refers to a valuation method used for determining the value of the valuation subject based on its financial statements on the appraisal benchmark date to make an assessment on the value of all assets and liabilities. The valuation methods of the main assets and liabilities are as follows:

***1. Current assets***

*(1) Monetary funds*

CEA conducted a comprehensive procedure on the physical counting of cash and arrived, in a retrospective manner, at the amount as at the appraisal benchmark date, according to the cash amount and the account records during the period from the appraisal benchmark date to the date of cash accounting, proved to be consistent with the amount recorded in the book. The carrying amount after verification is taken as the appraised value. CEA verified the actual existence of bank deposits by sending enquiry letters to the bank, and in the meantime, checked the existence of any unrecorded bank deposits and the truthfulness of the deposits in transit in the Statement of Bank Reconciliation, and appraised the income after the appraisal benchmark date. For the bank deposits, the carrying amount after verification is taken as the appraised value.

**2. *Non-current assets***

*(1) Equipment*

For the purpose of this valuation, the replacement cost approach has been used for evaluation based on the characteristics of the equipment to be appraised, types of appraisal evaluation as well as the information collected. The formula is as follows:

Appraisal value = Full replacement costs × Newness rate

*(2) Construction in progress*

Construction in progress is Xinsha Port No. 13 Terminal. As of appraisal benchmark date, the project is under construction phase. The construction period for the project is 30 months and CEA has estimated that the percentage of completion as at appraisal benchmark date is approximately 15%.

CEA has verified the ledger, accounting certificates and feasibility report, preliminary design, budgetary estimate, budget and final accounts and other information of the construction in progress, visited the construction in progress on site, and interviewed the engineering and technical personnel and other relevant personnel of the project.

Appraisal value of construction in progress = (Declared book value – Unreasonable charges) + Capital cost

Capital cost = (Declared book value – Unreasonable charges) × Loan interest rate × Construction period/2

Where:

The loan interest rate is determined at the prevailing lending rate published by the People's Bank of China as at the appraisal benchmark date; the construction period is reasonably determined by project scale and the actual completion rate, with reference to working-day norm of such project; and the capital cost will not be accrued when the declared value of construction in progress included such cost.

*(3) Intangible assets – sea area use right*

Based on site survey results including the location, nature of the sea area, utilisation conditions and local market conditions of the appraisal subject under the relevant regulatory requirements, CEA considered the sea use benchmark price method to arrive at the appraisal value for the sea area use right.

Sea use benchmark price method: The State Oceanic Administration regularly publishes benchmark prices for sea area use rights. With publicity legal authority and stability the benchmark prices are served as a guidance for a standard pricing. The method takes into account the range of the benchmark sea area price level, and the regional factors affecting the sea area price and individual factors specific to the appraisal subject.

## 8. APPRAISAL CONCLUSION

As at the appraisal benchmark date, the asset book value of COFCO Trading Guangdong was RMB314.50 million, the appraised asset value was RMB318.94 million, the appraisal appreciation was RMB4.44 million and the appreciation rate was around 1.41%. The liability book value was RMB115.17 million, after the appraisal, the liability value remained unchanged.

The net asset book value was RMB199.33 million, and the appraised net asset value was RMB203.77 million, the appraisal appreciation was RMB4.44 million and the appreciation rate was approximately 2.23%.

Details of each balance sheet category are as follow:

Appraisal benchmark date: 31 March 2018 *Currency & Unit: RMB million*

| **Items** | **Book Value A** | **Appraisal Value B** | **Increase in Value C=B–A** | **Appreciation Rate% D=C/A×100** |
|---|---|---|---|---|
| Current Assets | 29.77 | 29.77 | – | – |
| Non-current Assets | 284.73 | 289.17 | 4.44 | 1.56 |
| of which: Long term equity investment | – | – | – | – |
| Investment properties | – | – | – | – |
| Fixed Assets | 0.41 | 0.36 | -0.05 | -12.20 |
| Construction in Progress | 189.66 | 193.58 | 3.92 | 2.07 |
| Oil and gas assets | – | – | – | – |
| Intangible Assets | 26.89 | 27.46 | 0.57 | 2.12 |
| of which: Land use rights | – | – | – | – |
| Other non-current assets | 67.77 | 67.77 | – | – |
| **Total Assets** | **314.50** | **318.94** | **4.44** | **1.41** |
| Current Liabilities | 115.17 | 115.17 | – | – |
| Non-current Liabilities | – | – | – | – |
| **Total Liabilities** | **115.17** | **115.17** | **–** | **–** |
| **Net Assets** | **199.33** | **203.77** | **4.44** | **2.23** |

## 9. APPRAISAL ASSUMPTIONS

CEA's Asset Valuation Report and the appraisal conclusion is based on assumptions listed below:

### 1. Basic assumptions

i. There will be no significant change in current prevailing laws and regulations, macro-economic, politic and social environments under the jurisdiction of People's Republic of China;

ii. COFCO Trading Guangdong is operating on a going concern basis;

iii. There will be no significant change in the interest rate, exchange rate, tax basis, tax rate and levies under any specific regulations applicable to COFCO Trading Guangdong after the appraisal benchmark date;

iv. The management of COFCO Trading Guangdong is responsible, stable and capable after the appraisal benchmark date;

v. There will be no force majeure that may cause significant negative impacts on COFCO Trading Guangdong after the appraisal benchmark date.

### 2. Specific assumptions

i. The accounting policies adopted by COFCO Trading Guangdong after the appraisal benchmark date will be in accordance with the current accounting policies in all material respects;

ii. Based on the existing management style and management level of COFCO Trading Guangdong, the operation scope and operational style would remain the same after the appraisal benchmark date;

iii. The construction of Xinsha Port No. 13 Terminal could be carried out under original time schedule without engineering or construction accidents.

CEA's appraisal conclusions are based on the assumptions summarised above. The valuer who representing CEA to sign the valuation report and CEA do not undertake responsibility for any impairment or appraisal conclusion owing to future material changes beyond the assumptions mentioned above.

The appraisal exercise is led by Ms. Yu Ning, who is the general manager of Business Unit two of CEA and a licensed practitioner with over 20 years' experience in valuation of equity under the jurisdiction of PRC. She has sufficient knowledge of the relevant market, skills and understanding to handle the subject valuation.

*The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Savills Valuation and Professional Services Limited, an independent property valuer, in connection with their opinion of value of the Property as at 31 July 2018.*

The Directors
China Agri-Industries Holdings Limited
31st Floor
COFCO Tower
262 Gloucester Road
Causeway Bay
Hong Kong

Savills Valuation and
Professional Services Limited
23/F Two Exchange Square
Central, Hong Kong

T: (852) 2801 6100
F: (852) 2530 0756

EA Licence: C-023750
savills.com

8 October 2018

Dear Sirs,

**RE: THE PROJECT OF BERTH NO. 13 LOCATED AT XINSHA PORT DISTRICT, GUANGZHOU PORT, ZHANGPENG VILLAGE, MACHONG TOWN, DONGGUAN CITY, GUANGDONG PROVINCE, THE PEOPLE's REPUBLIC OF CHINA (THE "PROPERTY")**

**INSTRUCTIONS**

In accordance with the instructions from China Agri-Industries Holdings Limited (hereinafter referred to as the "**Company**") for us to value the Property situated in the People's Republic of China (the "**PRC**") which is held by COFCO Trading (Guangdong) Co., Ltd. (中糧貿易(廣東)有限公司) (hereinafter referred to as the "**COFCO Trading Guangdong**"), a wholly-owned subsidiary of COFCO Trading Co., Ltd. (中糧貿易有限公司) (hereinafter referred to as "**COFCO Trading**"), we confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 July 2018 (the "**valuation date**") for incorporation in a circular issued by the Company.

COFCO (Dongguan) Oils & Grains Industries Co., Ltd. (中糧(東莞)糧油工業有限公司) (hereinafter referred to as "**COFCO Dongguan**"), which is a wholly-owned subsidiary of the Company, has on 31 August 2018 entered into the Capital Increase Agreement with COFCO Trading Guangdong to subscribe for equity interest amount to 75.264% of its enlarged registered capital of COFCO Trading Guangdong. The capital contribution under the Capital Increase Agreement in the amount of RMB620 million in cash is to be satisfied by internal funds of the Company.

## BASIS OF VALUATION

Our valuation of the Property is our opinion of its market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Moreover, market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

Our valuation has been undertaken in accordance with the HKIS Valuation Standards 2017 of The Hong Kong Institute of Surveyors ("**HKIS**"), which incorporates the International Valuation Standards ("**IVS**"), and (where applicable) the relevant HKIS or jurisdictional supplement. We have also complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## IDENTIFICATION AND STATUS OF THE VALUER

The subject valuation exercise is handled by Mr. Anthony C.K. Lau, who is the Director of Savills Valuation and Professional Services Limited ("**SVPSL**") and a corporate member of HKIS with over 25 years' experience in valuation of properties in Hong Kong and the PRC and has sufficient knowledge of the relevant market, the skills and understanding to handle the subject valuation exercise competently.

Prior to your instructions for us to provide this valuation services in respect of the Property, SVPSL had not been involved in valuation of the Property.

We are independent of China Agri-Industries Holdings Limited and its subsidiaries. We are not aware of any instance which would give rise to potential conflict of interest from SVPSL or Mr. Anthony C.K. Lau in the subject exercise. We confirm SVPSL and Mr. Anthony C.K. Lau are in the position to provide objective and unbiased valuation for the Property.

## PROPERTY CATEGORIZATION AND VALUATION METHODOLOGY

The Property is to be held for owner occupation in the PRC after the completion of the Capital Increase Agreement. Due to the specific purpose, there are no readily available market comparable and thus the Property cannot be valued on the basis of direct comparison. The Property has been valued by the Depreciated Replacement Cost ("**DRC**") Approach. The DRC Approach is based on an estimate of the market value for the existing use of the land plus the current replacement costs of the buildings and structures, from which deductions are then made to allow for physical deterioration and all relevant forms of obsolescence and optimisation. The DRC Approach is subject to adequate potential profitability of the business. Our valuation applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

In the course of our valuation, we have ascribed no commercial value to the Property as the reclamation works of the Property was in progress and COFCO Trading Guangdong has not obtained any valid title documents for the land use rights of the Property as at the valuation date.

**TITLE INVESTIGATION**

We have been provided with copies of extracts of the title documents relating to the Property. Further, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which do not appear on the copies handed to us. In the course of our valuation, we have relied to a very considerable extent on information given by COFCO Trading Guangdong and the legal opinion issued by the PRC's legal adviser to COFCO Trading Guangdong, Zhong Lun Law Firm, regarding the title to the Property in the PRC.

**SOURCE OF INFORMATION**

In the course of our valuation, we have relied a considerable extent on information given by COFCO Trading Guangdong and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, development proposal, estimated completion date, site and floor areas and all other relevant matters. Dimensions, measurements and areas are based on information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been taken. We have no reason to doubt the truth and accuracy of the information provided to us by COFCO Trading Guangdong, which is material to our valuation. We were also advised by COFCO Trading Guangdong that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view.

**VALUATION ASSUMPTIONS**

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

**SITE INSPECTION**

We have inspected the exterior and where possible, the interior of the Property. Site inspection of the Property was carried out in August 2018 by our Mr. Zhang Gang (Senior Associate Director). During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report that the Property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services. Our valuation is prepared on the assumption that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

## CURRENCY

Unless otherwise stated, all money amounts are stated in Renminbi ("**RMB**").

We enclose herewith our valuation report.

Yours faithfully,
For and on behalf of
**Savills Valuation and Professional Services Limited**
**Anthony C K Lau**
*MHKIS MRICS RPS (GP)*
*Director*

*Note:* Mr. Anthony C.K. Lau is a professional surveyor who has over 25 years' experience in valuation of properties in Hong Kong and the PRC.

## VALUATION REPORT

| Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 31 July 2018 |
|---|---|---|---|
| The project of Berth No. 13 located at Xinsha Port District, Guangzhou Port, Zhangpeng Village, Machong Town, Dongguan City, Guangdong Province, PRC | The Property is being reclaimed approximately 173,679.93 sq. m. of land and to be built a multi-functional berth covering the sea area use rights of approximately 22.3558 hectares.<br><br>The Property is located on the west side of Zhangpeng Village, Machong Town in Dongguan City with a number of berths in its immediate neighbourhood. It takes about a 60-minute drive from the Property to the city centre.<br><br>As advised by COFCO Trading Guangdong, the Property will comprise a terminal berth of class 70,000 ton and silos with a 220,000-ton storage capacity together with various ancillary structures.<br><br>As advised by COFCO Trading Guangdong, the Property is scheduled for completion and operation in 2020.<br><br>The sea area use rights of the Property have been granted for two concurrent terms expiring on 27 February 2067 for land reclamation use and dock and basin use respectively.<br><br>According to the legal opinion, the sea area use rights will be converted to the land use rights of the Property after the reclamation works are finished and all necessary application procedures for obtaining the State-owned Land Use Rights Certificate of the Property are fulfilled. As the land use rights of the Property have not been obtained, no development plan for the proposed buildings and facilities of the Property has yet been submitted to the relevant government authorities for approval. | As at the valuation date, reclamation works on the Property were in progress. | No Commercial Value (See Note 7) |

*Notes:*

1. Pursuant to two Sea Area Use Certificates (海域使用權證書) – Nos. 2017B44198400466 and 2017B44198400477 both dated 28 February 2017, the sea area use rights of the Property covering 20.3928 hectares and 1.963 hectares have been granted to COFCO Trading Guangdong for two concurrent terms expiring on 27 February 2067 for land reclamation use and dock and basin use respectively at a grant fee of RMB27,530,280 and an annual grant fee of RMB11,778 respectively.

2. Pursuant to the Letter for Approval of Construction Land Planning (建設用地規劃批准書) – No. Pi Zi Di 2015-06-3004 dated 26 May 2015, the People's Government of Machong Town of Dongguan City (東莞市麻涌鎮人民政府) was permitted to use a parcel of land with a total site area of 173,705.41 sq. m. for port use.

3. Pursuant to the Reply on an Environmental Impact Report of the project of Berth No. 13 located at Xinsha Port District in Guangzhou Port (關於廣州港新沙港區13#泊位工程新建項目環境影響報告書的批覆) – Dong Huan Jian [2017] No. 349 dated 5 January 2017, the Dongguan Environmental Protection Bureau (東莞市環境保護局) approved the Marina Environmental Impact Report of Reclamation of the project of Berth No. 13 located at Xinsha Port District in Guangzhou Port (廣州港新沙港區13#泊位填海工程海洋環境影響報告書) submitted by COFCO Trading Guangdong.

4. Pursuant to two Opinions on Application for Commencement of Approval of Construction Works (建設工程施工前期審批手續辦理意見表) dated 4 April 2018 and 7 July 2018, COFCO Trading Guangdong was in the process of applying for the construction works planning procedures.

5. As advised by COFCO Trading Guangdong, the total reclamation works cost expended as at the valuation date was approximately RMB219,300,000.

6. We have been provided with a legal opinion on the title to the Property issued by COFCO Trading Guangdong's PRC legal adviser, which contains, *inter alia*, the following information:

   i. COFCO Trading Guangdong has fully paid the grant fee of the sea area use rights of the Property;

   ii. COFCO Trading Guangdong has legally obtained the sea area use rights of the Property and is entitled to occupy, use, transfer, lease, mortgage or by other legal means to dispose of the sea area use rights of the Property within the residual term of its sea area use rights;

   iii. the sea area use rights will be converted to the land use rights of the Property after the reclamation works are finished and all necessary application procedures for obtaining the State-owned Land Use Rights Certificate of the Property are fulfilled; and

   iv. as confirmed by COFCO Trading Guangdong, the sea area use rights of the Property are free from any mortgages or other third party rights.

7. In the course of our valuation, we have ascribed no commercial value to the Property as the reclamation works on the Property were in progress and COFCO Trading Guangdong has not obtained any valid title documents for the land use rights of the Property as at the valuation date.

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which are 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 they have taken or were deemed to have under such provisions of the SFO), or which were recorded in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (together, "**Discloseable Interests**") were as follows:

**Interests in the shares and underlying shares of the Company**

| Name | Capacity | Number of shares held in long position | Number of underlying shares held in long position *(Note 1)* | Percentage *(Note 2)* |
|---|---|---|---|---|
| DONG Wei | Beneficial owner | – | 890,000 | 0.02% |
| YANG Hong | Beneficial owner | 136,500 | 1,150,000 | 0.02% |
| Patrick Vincent VIZZONE | Beneficial owner | 100,000 | – | 0.00% |

**Interests in shares of associated corporation**

| Name | Name of associated corporation | Capacity | Number of shares held in long position | Percentage *(Note 3)* |
|---|---|---|---|---|
| YANG Hong | Joy City Property Limited | Beneficial owner | 10,000 | 0.00% |

*Notes:*

1. These underlying shares are share options granted pursuant to the share option scheme of the Company, particulars of which are set out in the section "Share Option Scheme" in the Company's 2018 interim report.

2. The percentage of interests is calculated based on the total number of shares of the Company in issue as at the Latest Practicable Date, being 5,258,787,388 shares.

3. The percentage of interests is calculated based on the total number of ordinary shares of Joy City Property Limited in issue as at the Latest Practicable Date, being 14,231,124,858 shares.

Save as disclosed above, none of the Directors or chief executive and their respective close associates had any other Discloseable Interests as at the Latest Practicable Date.

## 3. SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS

As at the Latest Practicable Date, the following persons or entities (other than Directors or the chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register kept by the Company under section 336 of the SFO:

| **Name** | **Capacity** | **Number of shares held** *(Note 1)* | **Percentage** *(Note 2)* |
|---|---|---|---|
| Wide Smart Holdings Limited | Beneficial owner | 2,681,315,430 | 50.987% |
| COFCO (Hong Kong) Limited | Beneficial owner | 364,790,827 | 6.937% |
| | Interest in controlled corporations *(Note 3)* | 2,681,315,430 | 50.987% |
| COFCO Corporation | Interest in controlled corporations *(Note 4)* | 3,046,106,257 | 57.924% |

*Notes:*

1. Long positions in the shares of the Company.

2. The percentage of interests is calculated based on the total number of shares of the Company in issue as at the Latest Practicable Date, being 5,258,787,388 shares.

3. These shares were beneficially owned by Wide Smart Holdings Limited, a company wholly-owned by COFCO (Hong Kong) Limited.

4. These shares were held by Wide Smart Holdings Limited and COFCO (Hong Kong) Limited, a company wholly-owned by COFCO Corporation.

Save as disclosed above, so far as is known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, no person had an interest or a short position in shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

Save as disclosed below, as at the Latest Practicable Date, so far as was known to the Directors, none of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

| Name | Name of company which had such discloseable interest or short position | Position of such director within such company |
|---|---|---|
| JIA Peng | COFCO Corporation | employee |
| MENG Qingguo | COFCO Corporation | employee |

## 4. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired, disposed of by or leased to any member of the Group. As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any subsisting contract or arrangement entered into by any member of the Group which was significant in relation to the business of the Group.

## 5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any existing or proposed service contracts with the Company or any other member of the Group which are not determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

## 6. EXPERTS' QUALIFICATION AND CONSENT

The following are the qualifications of the experts whose advices and/or reports are contained in this circular:

| Name | Qualification |
|---|---|
| CEA | Independent professional valuer |
| Savills Valuation and Professional Services Limited | Independent professional valuer |

| Name | Qualification |
|---|---|
| Platinum Securities Company Limited | A licensed corporation carrying out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO |

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with reference to its name in the form and context in which it appears. Except the Asset Valuation Reports of the CEA, the remaining reports are given as of the date of this circular for incorporation in this circular.

As at the Latest Practicable Date, none of the above experts had any shareholding, directly or indirectly, in the Company or any other member of the Group or any 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, none of the above experts had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2017 (the date up to which the latest published audited consolidated financial statements of the Group were made up) or proposed to be so acquired, disposed of or leased.

## 7. LITIGATION

As at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

## 8. MATERIAL ADVERSE CHANGE

For the six months ended 30 June 2018, the Group's profit attributable to owners of the Company declined 29.1% year-on-year due to the classification of biochemical and biofuel business as discontinued operation following the completion of the disposal of such business by the Company on 27 December 2017. For further details as to the discontinued operation, please refer to the Company's interim results announcement dated 29 August 2018.

Save as disclosed above, there was no material adverse change in the financial or trading position of the Group since 31 December 2017, the date to which the latest published audited consolidated financial statements of the Group were made up.

## 9. RESOLUTIONS TO BE VOTED BY WAY OF POLL

Pursuant to the Listing Rules and in accordance with the articles of association of the Company, the chairman of the EGM will demand all resolutions to be voted on at the EGM to be decided by poll.

## 10. GENERAL

(1) The registered office of the Company is located at 31st Floor, COFCO Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.

(2) The company secretary of the Company is Ms. Look Pui Fan. She is a fellow member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.

(3) The share registrar of the Company is Tricor Progressive Limited whose business address is at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(4) The English texts of this circular and the accompanying proxy form shall prevail over the Chinese texts (except Appendix I to this circular).

## 11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's registered office at 31st 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:

(1) the COFCO International Master Agreement;

(2) the Capital Increase Agreement;

(3) the Supplemental Deed;

(4) the Non-competition Deed;

(5) the letter from the Independent Board Committee, the text of which is set out on pages 36 and 37 of this circular;

(6) the letter from the IFA, the text of which is set out on pages 38 to 69 of this circular;

(7) the Asset Valuation Reports in respect of the COFCO International Target Companies and COFCO Trading Guangdong from CEA dated 14 August 2018 and 20 August 2018, respectively, the summary of which is set out in Appendix I to this circular;

(8) the Property Valuation Report on the property held by COFCO Trading Guangdong from Savills Valuation and Professional Services Limited, the text of which is set out in Appendix II to this circular;

(9) the letters of consent referred to in the above paragraph headed "Experts' Qualification and Consent" in this Appendix;

(10) this circular; and

(11) the articles of association of the Company.

# CHINA AGRI-INDUSTRIES HOLDINGS LIMITED
# 中國糧油控股有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 606)**

## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting (the "**EGM**") of China Agri-Industries Holdings Limited (the "**Company**") will be held at Crystal Ballroom, Level B3, Holiday Inn Golden Mile Hong Kong, 50 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 2 November 2018 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions:

### AS ORDINARY RESOLUTIONS

1. "**THAT** (1) the COFCO International Master Agreement (as defined in the circular of the Company dated 8 October 2018 (the "**Circular**")) entered into among Oriental Chance Limited, COFCO Oils (HK) No.2 Limited, COFCO Oils & Fats Holdings Limited, COFCO International Singapore Pte. Ltd., Great Wall Investments Pte. Ltd., Sino Agri-Trade Pte. Ltd. and H.K. Ming Fat International Oil & Fat Chemical Company Limited dated 31 August 2018 (a copy of which has been produced to the EGM marked "A" and initialled by the chairman of the EGM for identification purpose) and the transactions contemplated thereunder including, without limitation, the acquisition of equity interests in the COFCO International Target Companies (as defined and detailed in the Circular) be and are hereby confirmed, ratified and approved; and (2) any one or more directors of the Company be and are hereby authorised to do all such things and execute all such documents as they in their absolute discretion deem fit or appropriate to give effect to the COFCO International Master Agreement and the implementation of all the transactions contemplated thereunder."

2. "**THAT** (1) the Capital Increase Agreement (as defined in the Circular) entered into among COFCO (Dongguan) Oils & Grains Industries Co., Ltd., COFCO Trading Co., Ltd. and COFCO Trading (Guangdong) Co., Ltd. dated 31 August 2018 (a copy of which has been produced to the EGM marked "B" and initialled by the chairman of the EGM for identification purpose) and the transactions contemplated thereunder in relation to the capital contribution be and are hereby confirmed, ratified and approved; and (2) any one or more directors of the Company be and are hereby authorised to do all such things and execute all such documents as they in their absolute discretion deem fit or appropriate to give effect to the Capital Increase Agreement and the implementation of all the transactions contemplated thereunder."

3. "**THAT** (1) the Supplemental Deed (as defined in the Circular) entered into among COFCO Corporation, COFCO (Hong Kong) Limited and the Company on 31 August 2018 (a copy of which has been produced to the EGM marked "C" and initialled by the chairman of the EGM for the purpose of identification) (details of which are set out in the Circular) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified in all respects; and (2) any one or more directors of the Company be and are hereby authorised to do all such things and execute all such documents as they in their absolute discretion deem fit or appropriate to give effect to the Supplemental Deed and the implementation of all the transactions contemplated thereunder."

By order of the Board
**CHINA AGRI-INDUSTRIES HOLDINGS LIMITED**
**DONG Wei**
*Chairman*

Hong Kong, 8 October 2018

*Notes:*

1. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from 30 October 2018 to 2 November 2018 (both days inclusive), during which period no transfers of shares will be registered. In order to qualify for attending and voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the share registrar of the Company, Tricor Progressive Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on 29 October 2018.

2. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.

3. Where there are joint holders of any share(s), 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.

4. A proxy form is enclosed. To be valid, this form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be deposited at the abovementioned share registrar, not less than 48 hours (excluding any part of a day that is a public holiday) before the time for holding the EGM (i.e. before Hong Kong time 10:00 a.m. on 31 October 2018) or any adjournment thereof.

5. Completion and return of the proxy form 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, and votes at, the EGM after having deposited the proxy form, his proxy form will be deemed to have been revoked.

6. The resolutions set out in this Notice of EGM will be voted by poll to be demanded by the chairman of the meeting.

*As at the date of this notice, the Board comprises: Mr. DONG Wei as chairman of the Board and executive director; Mr. WANG Qingrong and Ms. YANG Hong as executive directors; Mr. JIA Peng and Mr. MENG Qingguo as non-executive directors; and Mr. LAM Wai Hon, Ambrose, Mr. Patrick Vincent VIZZONE and Mr. ONG Teck Chye as independent non-executive directors.*