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CHINA FOODS LIMITED
中國食品有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 506)

CONNECTED TRANSACTIONS
IN RELATION TO ACQUISITION OF TRADEMARKS

ACQUISITION OF TRADEMARKS

The Board announces that on 26 November 2020 (after trading hours), COFCO Beverages, a wholly-owned subsidiary of the Company, entered into (i) the Yuehuo (悦活) Trademark Assignment Agreement with COFCO WOMAI, an associate of the controlling shareholder of the Company, pursuant to which COFCO Beverages agreed to acquire and COFCO WOMAI agreed to transfer the Yuehuo (悦活) Series Trademarks at a cash consideration of RMB11,894,300 (equivalent to approximately HK\$14,010,601), which will be satisfied by COFCO Beverages' internal resources; and (ii) the LOHAS Trademark Assignment Agreement with COFCO Food Sales & Distribution, a subsidiary of the controlling shareholder of the Company, pursuant to which COFCO Beverages agreed to acquire and COFCO Food Sales & Distribution agreed to transfer the LOHAS Series Trademarks at a cash consideration of RMB61,500 (equivalent to approximately HK\$72,442), which will be satisfied by COFCO Beverages' internal resources.

LISTING RULES IMPLICATIONS

COFCO WOMAI is an indirect subsidiary of COFCO WOMAI.COM LIMITED, which in turn is the 40.87% controlled company of COFCO (Hong Kong) Limited. COFCO (Hong Kong) Limited is the holding company of China Foods (Holdings) Limited, the controlling shareholder of the Company. Therefore, COFCO WOMAI is an associate of the connected person of the Company. Accordingly, the entering into the Yuehuo (悦活) Trademark Assignment Agreement constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

COFCO Food Sales & Distribution is an indirect wholly-owned subsidiary of COFCO, the ultimate controlling shareholder of the Company. Therefore, COFCO Food Sales & Distribution is an associate of the connected person of the Company. Accordingly, the entering into the LOHAS Trademark Assignment Agreement constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios for the Yuehuo (悦活) Trademark Assignment Agreement and the LOHAS Trademark Assignment Agreement (in aggregate) exceed 0.1% but all are below 5%, the Trademark Assignment Agreements are only subject to the reporting and announcement requirements, but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

ACQUISITION OF TRADEMARKS

The Board announces that on 26 November 2020 (after trading hours), COFCO Beverages, a wholly-owned subsidiary of the Company, entered into (i) the Yuehuo (悦活) Trademark Assignment Agreement with COFCO WOMAI, an associate of the controlling shareholder of the Company, pursuant to which COFCO Beverages agreed to acquire and COFCO WOMAI agreed to transfer the Yuehuo (悦活) Series Trademarks at a cash consideration of RMB11,894,300 (equivalent to approximately HK\$14,010,601), which will be satisfied by COFCO Beverages' internal resources; and (ii) the LOHAS Trademark Assignment Agreement with COFCO Food Sales & Distribution, a subsidiary of the controlling shareholder of the Company, pursuant to which COFCO Beverages agreed to acquire and COFCO Food Sales & Distribution agreed to transfer the LOHAS Series Trademarks at a cash consideration of RMB61,500 (equivalent to approximately HK\$72,442), which will be satisfied by COFCO Beverages' internal resources.

THE TRADEMARK ASSIGNMENT AGREEMENTS

The principal terms of the Trademark Assignment Agreements are set out below:

(1) Yuehuo (悦活) Trademark Assignment Agreement:

Date

26 November 2020

Parties

Purchaser: COFCO Beverages

Vendor: COFCO WOMAI, which is the owner of the Yuehuo (悦活) Series Trademarks prior to the entry of the Yuehuo (悦活) Trademark Assignment Agreement

Trademarks to be acquired

Subject to the terms and conditions of the Yuehuo (悦活) Trademark Assignment Agreement, COFCO Beverages agreed to acquire, and COFCO WOMAI agreed to transfer the Yuehuo (悦活) Series Trademarks and their right and title to COFCO Beverages. The Yuehuo (悦活) Series Trademarks include 84 Yuehuo (悦活)-related registered trademarks in the PRC owned by COFCO WOMAI for food and beverage goods category, service for providing food and drink category, etc..

On 6 July 2020, COFCO Beverages and COFCO WOMAI entered into the Yuehuo (悦活) Trademark License Agreement, pursuant to which two of the Yuehuo (悦活) Series Trademarks were licensed to COFCO Beverages for use free of charge for a term of one year from the date of the Yuehuo (悦活) Trademarks License Agreement and expiring on 5 July 2021.

Save for the prior grant (before the execution of the Yuehuo (悦活) Trademark Assignment Agreement) for the use of 29 trademarks (as part of the Yuehuo (悦活) Series Trademarks) granted by COFCO WOMAI to COFCO Haiyou Trading Co., Ltd.* (中糧海優商貿有限公司) or its affiliates for COFCO WOMAI's production and operation needs, the rest of the trademarks under the Yuehuo (悦活) Series Trademarks are free and clear of encumbrances.

On the effective date of the Yuehuo (悦活) Trademark Assignment Agreement, COFCO WOMAI will deliver the relevant transfer documents of the Yuehuo (悦活) Series Trademarks to COFCO Beverages to enable COFCO Beverages to perform the transfer registration of the relevant trademarks. The relevant documents include the valid document regarding the cancellation of the use of 29 trademarks (as mentioned before) granted by COFCO WOMAI to COFCO Haiyou Trading Co., Ltd.* (中糧海優商貿有限公司) or its affiliates. COFCO WOMAI shall also use its reasonable endeavor to provide necessary corporation, support and assistance to COFCO Beverages in relation to such transfer registration.

At any time from the effective date of the Yuehuo (悦活) Trademark Assignment Agreement until the China National Intellectual Property Administration approves the Yuehuo (悦活) Series Trademarks transfer application (the “**Yuehuo (悦活) Trademark Approval Period**”), COFCO WOMAI agrees to authorise COFCO Beverages to use all the Yuehuo (悦活) Series Trademarks free of charge, and to authorise COFCO Beverages to license the Yuehuo (悦活) Series Trademarks to third parties for use. During the Yuehuo (悦活) Trademark Approval Period, COFCO Beverages shall warrant the quality of the goods which use the relevant trademarks. If COFCO Beverages or the relevant third party authorised by COFCO Beverages has caused any loss or damage in relation to the use of the relevant trademarks to COFCO WOMAI or any other third party during the Yuehuo (悦活) Trademark Approval Period, COFCO Beverages shall assume the legal liability for compensation.

Consideration

The consideration for the Yuehuo (悦活) Series Trademarks is RMB11,894,300 (equivalent to approximately HK\$14,010,601) to be paid in cash will be satisfied by COFCO Beverages' internal resources. The consideration was determined after arm's length negotiations between COFCO Beverages and COFCO WOMAI with reference to (i) the valuation of the Yuehuo (悦活) Series Trademarks at RMB11,894,300 (equivalent to approximately HK\$14,010,601) as at 30 April 2020 prepared by an independent valuer; (ii) the business and marketing strategies of COFCO Beverages; and (iii) the expected benefits to be brought to COFCO Beverages as stated in the paragraph headed “Reasons for and benefits of the acquisition” in this announcement. The consideration shall be paid within three working days by COFCO Beverages upon receipt of the relevant transfer documents of the Yuehuo (悦活) Series Trademarks from COFCO WOMAI.

(2) LOHAS Trademark Assignment Agreement:

Date

26 November 2020

Parties

Purchaser: COFCO Beverages

Vendor: COFCO Food Sales & Distribution, which is the owner of the LOHAS Series Trademarks prior to the entry of the LOHAS Trademark Assignment Agreement

Trademarks to be acquired

Subject to the terms and conditions of the LOHAS Trademark Assignment Agreement, COFCO Beverages agreed to acquire, and COFCO Food Sales & Distribution agreed to transfer the LOHAS Series Trademarks and their right and title to COFCO Beverages. The LOHAS Series Trademarks include 10 LOHAS-related registered trademarks in the PRC owned by COFCO Food Sales & Distribution for food and beverage goods category.

On 6 July 2020, COFCO Beverages and COFCO Food Sales & Distribution entered into the LOHAS Trademark License Agreement, pursuant to which one of the LOHAS trademarks (as part of the LOHAS Series Trademarks) was licensed to COFCO Beverages for use free of charge for a term of one year from the date of the LOHAS Trademark License Agreement and expiring on 5 July 2021.

Within three working days after the effective date of the LOHAS Trademark Assignment Agreement, COFCO Food Sales & Distribution will deliver the relevant transfer documents of the LOHAS Series Trademarks to COFCO Beverages to enable COFCO Beverages to perform the transfer registration of the relevant trademarks. COFCO Food Sales & Distribution shall also use its reasonable endeavor to provide necessary cooperation, support and assistance to COFCO Beverages in relation to such transfer registration.

At any time from the effective date of the LOHAS Trademark Assignment Agreement until the China National Intellectual Property Administration approves the LOHAS Series Trademarks transfer application (the “**LOHAS Trademark Approval Period**”), COFCO Food Sales & Distribution agrees to authorise COFCO Beverages to use the LOHAS Series Trademarks free of charge, and to authorise COFCO Beverages to license the LOHAS Series Trademarks to third parties for use. During the LOHAS Trademark Approval Period, COFCO Beverages shall warrant the quality of the goods which use the relevant trademarks. If COFCO Beverages or the relevant third party authorised by COFCO Beverages has caused any loss or damage in relation to the use of the relevant trademarks to COFCO Food Sales & Distribution or any other third party during the LOHAS Trademark Approval Period, COFCO Beverages shall assume the legal liability for compensation.

Consideration

The consideration for the LOHAS Series Trademarks is RMB61,500 (equivalent to approximately HK\$72,442) to be paid in cash will be satisfied by COFCO Beverages' internal resources. The consideration was determined after arm's length negotiations between COFCO Beverages and COFCO Food Sales & Distribution with reference to the valuation of the LOHAS Series Trademarks at RMB30,000 (equivalent to approximately HK\$35,338) as at 31 May 2020 prepared by an independent valuer, and the consideration represents the valuation amount of the LOHAS Series Trademarks together with taxes, audit fees and other professional expenses incurred relating to the valuation. The consideration shall be paid by COFCO Beverages within three working days after the effective date of the LOHAS Trademark Assignment Agreement.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Considering that consumers' demand for high-end water products is increasing day by day, and the Group's existing brand cannot satisfactorily meet the needs arising from the development of imported source water business. However, the Yuehuo (悦活) brand series focus on "natural" and "healthy" brand message and through various series of health products, the brand series has already accumulated certain devoted consumer groups and has proved certain consumer awareness. The image of the Yuehuo (悦活) brand series is in line with the product image of high-end imported source water and is compatible with the target consumer group of the products. The LOHAS Series Trademarks contain certain English translated names of "Yuehuo (悦活)" and as such the acquisition of the LOHAS Series Trademarks, together with the Yuehuo (悦活) Series Trademarks, is vital to the future business development of the Group. Currently, the trademarks granted under the Yuehuo (悦活) Trademarks License Agreement are used for imported source water products of the Group.

The Board believes that upon completion of the acquisitions of the Yuehuo (悦活) Series Trademarks and the LOHAS Series Trademarks, COFCO Beverages will become the owner, rather than a licensee, of Yuehuo (悦活) Series Trademarks and LOHAS Series Trademarks and it will enable the Group to have absolute and continued control over the Yuehuo (悦活) Series Trademarks and the LOHAS Series Trademarks and to develop a more long-term business strategy. The Board further believes the acquisitions will enable the Group to better promote its source water products.

None of the Directors has a material interest in the transactions contemplated under the Trademark Assignment Agreement. However, as non-executive Directors, Mr. Chen Zhigang (being a director of the quality and safety management department of COFCO and directors of two subsidiaries of COFCO) and Ms. Xiao Jianping (being a director of one of the wholly-owned subsidiaries of COFCO) are related to COFCO, for good corporate governance, Mr. Chen Zhigang and Ms. Xiao Jianping have abstained from voting at the Board meeting at which the Board resolutions approving the Trademark Assignment Agreements and the transactions contemplated thereunder were considered and passed. In addition, non-executive director, Mr. Chen Lang (being the chairman of COFCO WOMAI and the executive vice president of COFCO) did not attend the Board meeting at which the Board resolutions in respect of the Trademark Assignment Agreement and the transactions contemplated thereunder were considered and passed and hence he did not vote on such Board resolutions. The Directors (including the independent non-executive Directors) are of the view that the terms of the Trademark Assignment Agreements are fair and reasonable and are on normal commercial terms and in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE YUEHUO (悦活) SERIES TRADEMARKS AND THE LOHAS SERIES TRADEMARKS

The Yuehuo (悦活) Series Trademarks include 84 Yuehuo (悦活)-related registered trademarks in the PRC owned by COFCO WOMAI for food and beverage goods category, service for providing food and drink category, etc.. Save for the prior grant (before the execution of the Yuehuo (悦活) Trademark Assignment Agreement) for the use of 29 trademarks (as part of the Yuehuo (悦活) Series Trademarks) granted by COFCO WOMAI to COFCO Haiyou Trading Co., Ltd. * (中糧海優商貿有限公司) or its affiliates for COFCO WOMAI's production and operation needs, the rest of the trademarks in the Yuehuo (悦活) Series Trademarks are free and clear of any encumbrances.

The LOHAS Series Trademarks include 10 LOHAS-related registered trademarks in the PRC owned by COFCO Food Sales & Distribution for food and beverage goods category.

The Yuehuo (悦活) Series Trademarks:

The original acquisition cost of the Yuehuo (悦活) Series Trademarks was RMB8,020,000 and set out below are the net profit before taxation and net profit (construed as the net income generated from the Yuehuo (悦活) Series Trademarks after deduction of operating expenses) attributable to the Yuehuo (悦活) Series Trademarks, for each of the two years ended 31 December 2019 and for the six months ended 30 June 2020.

	For the year ended 31 December 2018	For the year ended 31 December 2019	For the six months ended 30 June 2020
	<i>RMB'000 (unaudited)</i>	<i>RMB'000 (unaudited)</i>	<i>RMB'000 (unaudited)</i>
Net profit/(loss) before taxation	(13,478)	(4,207)	501
Net profit/(loss) after tax	(13,478)	(4,207)	501

The LOHAS Series Trademarks:

There was no prior acquisition cost for the LOHAS Series Trademarks because the LOHAS Series Trademarks were created and registered by COFCO Food Sales & Distribution. In addition, the LOHAS Series Trademarks did not generate any profit for the two years ended 31 December 2019 and the six months ended 30 June 2020 because COFCO Food Sales & Distribution had not used any of the LOHAS Series Trademarks since their registrations.

INFORMATION ON THE COMPANY AND THE PURCHASER

The Company is an investment holding company incorporated in Bermuda. Through its subsidiaries and associated companies, it is principally engaged in beverage business.

COFCO Beverages is a limited liability company incorporated in Samoa, and a wholly-owned subsidiary of the Company. It is principally engaged in investing holding and it owns certain trademarks for non-alcoholic beverages and mineral waters, etc. in the PRC.

INFORMATION ON THE VENDORS

COFCO WOMAI is a limited liability company established in the PRC. It is principally engaged in e-commerce food business.

COFCO Food Sales & Distribution is a limited liability company established in the PRC. It is principally engaged in sales, distribution and marketing of wine products.

LISTING RULES IMPLICATIONS

As at the date of this announcement, COFCO WOMAI is an indirect subsidiary of COFCO WOMAI.COM LIMITED, which in turn is the 40.87% controlled company of COFCO (Hong Kong) Limited. COFCO (Hong Kong) Limited is the holding company of China Foods (Holdings) Limited, the controlling shareholder of the Company. Therefore, COFCO WOMAI is an associate of the connected person of the Company. Accordingly, the entering into the Yuehuo (悦活) Trademark Assignment Agreement constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

As at the date of this announcement, COFCO Food Sales & Distribution is an indirect wholly-owned subsidiary of COFCO, the ultimate controlling shareholder of the Company. Therefore, COFCO Food Sales & Distribution is an associate of the connected person of the Company. Accordingly, the entering into the LOHAS Trademark Assignment Agreement constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios for the Yuehuo (悦活) Trademark Assignment Agreement and the LOHAS Trademark Assignment Agreement (in aggregate) exceed 0.1% but all are below 5%, the Trademark Assignment Agreements are only subject to the reporting and announcement requirements, but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“associate”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“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 (國務院國有資產監督管理委員會) of the PRC and the ultimate controlling shareholder of the Company
“COFCO Beverages”	COFCO Beverages Limited, a limited liability company incorporated in Samoa and a wholly-owned subsidiary of the Company
“COFCO Food Sales & Distribution”	COFCO Food Sales & Distribution Company Limited* (中糧食品營銷有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of COFCO
“COFCO WOMAI”	COFCO WOMAI.COM Investment Limited* (中糧我買網投資有限公司), a limited liability company established in the PRC and which COFCO holds an indirect equity interest of 40.87%
“Company”	China Foods Limited (中國食品有限公司), a limited liability company incorporated in Bermuda, the shares of which are listed on the main board of the Stock Exchange

“connected person”	has the meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“LOHAS Series Trademarks”	means LOHAS and Lehuo* (樂活) series trademarks which include 10 LOHAS-related registered trademarks in the PRC owned by COFCO Food Sales & Distribution for food and beverage goods category
“LOHAS Trademark Assignment Agreement”	the LOHAS trademark assignment agreement dated 26 November 2020 entered into between COFCO Beverages and COFCO Food Sales & Distribution in relation to the LOHAS Series Trademarks
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LOHAS Trademark License Agreement”	the trademarks license agreement dated 6 July 2020 entered into between COFCO Beverages and COFCO Food Sales & Distribution in relation to the grant of right by COFCO Food Sales & Distribution to COFCO Beverages to use the LOHAS trademark on products produced by COFCO Beverages or its affiliates or other agents for a term of one year from the date of the license agreement and expiring on 5 July 2021
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trademark Assignment Agreements”	the Yuehuo (悦活) Trademark Assignment Agreement and the LOHAS Trademark Assignment Agreement
“Yuehuo (悦活) Series Trademarks”	means Yuehuo* (悦活) series trademarks which include 84 Yuehuo* (悦活)-related registered trademarks in the PRC owned by COFCO WOMAI for food and beverage goods category
“Yuehuo (悦活) Trademark Assignment Agreement”	the Yuehuo (悦活) trademark assignment agreement dated 26 November 2020 entered into between COFCO Beverages and COFCO WOMAI in relation to the Yuehuo (悦活) Series Trademarks

“Yuehuo (悦活)
Trademarks License
Agreement”

the trademarks license agreement dated 6 July 2020 entered into between COFCO Beverages and COFCO WOMAI in relation to the grant of right by COFCO WOMAI to COFCO Beverages to use two of 84 Yuehuo* (悦活)-related registered trademarks on products produced by COFCO Beverages or its affiliates or other agents for a term of one year from the date of the license agreement and expiring on 5 July 2021

In this announcement, the English names of the trademarks and PRC entities are translation of their Chinese names and included for identification purpose only and is marked “”. In the event of any inconsistency, the Chinese names shall prevail.*

For illustration purposes, amounts in RMB in this announcement have been translated into HK\$ at HK\$1.00 = RMB0.84895.

By order of the Board
China Foods Limited
Qing Lijun
Managing Director

Beijing, 26 November 2020

As at the date of this announcement, the Board comprises: Mr. Chen Lang as the chairman of the Board and a non-executive director; Mr. Qing Lijun and Mr. Shen Peng as executive directors; Mr. Chen Zhigang and Ms. Xiao Jianping as non-executive directors; and Messrs. Stephen Edward Clark, Li Hung Kwan, Alfred and Mok Wai Bun, Ben as independent non-executive directors.