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**CHINA FOODS LIMITED**  
**中國食品有限公司**

*(Incorporated in Bermuda with limited liability)*  
(Stock Code: 506)

**CONTINUING CONNECTED TRANSACTIONS  
FRAMEWORK AGREEMENT  
AND  
ANNUAL CAPS FOR YEARS 2021 AND 2022**

**FRAMEWORK AGREEMENT**

The Board announces that COFCO Coca-Cola (a 65%-owned subsidiary of the Company), entered into the Framework Agreement with Xiamen Culiangwang, a connected person of the Company, on 14 July 2021 (after trading hours), for a term of two years commenced from 1 January 2021 and expiring on 31 December 2022. Pursuant to the Framework Agreement, members of the COFCO Coca-Cola Group shall purchase from members of the Xiamen Culiangwang Group the Culiangwang Products.

The annual caps with respect to the transactions contemplated under the Framework Agreement for the financial years ending 31 December 2021 and 31 December 2022 are RMB80,000,000 and RMB90,000,000, respectively.

**IMPLICATIONS UNDER THE LISTING RULES**

Coca-Cola (Asia) holds a 35% interest in COFCO Coca-Cola, in which the Company holds the remaining 65% interest. As a result, as at the date of this announcement, The Coca-Cola Company as the ultimate holding company of Coca-Cola (Asia), and its indirect wholly-owned subsidiary, Xiamen Culiangwang, are connected persons of the Company at the subsidiary level under the Listing Rules. Accordingly, the transactions contemplated under the Framework Agreement

constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As (a) Xiamen Culiangwang is a connected person of the Company at the subsidiary level under the Listing Rules; (b) one or more of the applicable percentage ratios of the annual caps in respect of the purchase of the Culiangwang Products by the COFCO Coca-Cola Group from the Xiamen Culiangwang Group under the Framework Agreement are on an annual basis more than 1% but less than 5%; (c) the Framework Agreement has been approved by the Board; and (d) the Directors (including the independent non-executive Directors) are of the view that the Framework Agreement was entered into in the ordinary and usual course of business of the Group and the terms of the Framework Agreement are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole, therefore the continuing connected transactions contemplated under the Framework Agreement is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but are exempt from the independent shareholders' approval requirement pursuant to Rule 14A.101 of the Listing Rules.

## **1. INTRODUCTION**

The Board announces that COFCO Coca-Cola (a 65%-owned subsidiary of the Company), entered into the Framework Agreement with Xiamen Culiangwang, a connected person of the Company, on 14 July 2021 (after trading hours), for a term of two years commenced from 1 January 2021 and expiring on 31 December 2022. Pursuant to the Framework Agreement, members of the COFCO Coca-Cola Group shall purchase from members of the Xiamen Culiangwang Group the Culiangwang Products.

## **2. PRINCIPAL TERMS OF THE FRAMEWORK AGREEMENT**

The principal terms of the Framework Agreement are set out below:

### **Date**

14 July 2021

## **Parties**

- (a) COFCO Coca-Cola; and
- (b) Xiamen Culiangwang

## **Term**

Two years commenced from 1 January 2021 and expiring on 31 December 2022, renewable by entering into a new agreement or a supplemental agreement to the Framework Agreement before the expiry date of the Framework Agreement subject to compliance by the Company with the relevant requirements under the applicable laws and the Listing Rules.

## **Nature of Transaction**

Pursuant to the Framework Agreement:

1. members of the Xiamen Culiangwang Group shall supply the Culiangwang Products to members of the COFCO Coca-Cola Group at fair and reasonable market prices and on general commercial terms; and
2. members of the COFCO Coca-Cola Group shall, due to normal business needs, purchase the Culiangwang Products from members of the Xiamen Culiangwang Group at fair and reasonable market prices and on general commercial terms, and be authorized to promote and to sell the Culiangwang Products in its franchised operating regions in the PRC.

## **Pricing Principles**

The prices of the Culiangwang Products provided under the Framework Agreement shall follow the pricing principles specified below, through fair negotiation, and in accordance with general commercial terms or no less favourable than the terms offered to independent third parties by members of the Xiamen Culiangwang Group.

The price of the Culiangwang Products shall be determined as follows:

- (1) the prevailing market price of the equivalent product; or
- (2) the price negotiated by both parties based on the market price.

The price of the Culiangwang Products will also be monitored by the Group's internal control

procedures, details of which are disclosed in the section headed “5. Internal Control Measures” below in this announcement.

### **Payment term**

Relevant members of the COFCO Coca-Cola Group shall settle payments within 30 days upon receipt of an invoice from the relevant members of the Xiamen Culiangwang Group for their respective purchase of the Culiangwang Products.

### **3. ANNUAL CAPS**

Based on the unaudited management accounts of the COFCO Coca-Cola Group, for the period from 1 January 2021 and up to 31 May 2021, the aggregate amounts paid by members of the COFCO Coca-Cola Group to the Xiamen Culiangwang Group for the purchase of the Culiangwang Products was approximately RMB37.4 million.

Based on the projected quantity of the Culiangwang Products to be purchased by members of the COFCO Coca-Cola Group and the estimated purchase price of the respective Culiangwang Products, it is expected that the maximum aggregate amounts to be paid by members of the COFCO Coca-Cola Group to the Xiamen Culiangwang Group for the purchase of the Culiangwang Products pursuant to the Framework Agreement for the financial years ending 31 December 2021 and 31 December 2022 are RMB80,000,000 and RMB90,000,000, respectively.

The above annual caps were determined after taking into consideration (1) the historical transaction amount paid by the COFCO Coca-Cola Group to the Xiamen Culiangwang Group for the purchase of the Culiangwang Products in the year 2020 and the first five months in the year 2021 which amounted to approximately RMB31 million and RMB37.4 million, respectively; and (2) the purchase and sales of the Culiangwang Products will continue to increase as there is an increasing market demand for healthy types of products like the Culiangwang Products.

The Company will comply with the requirement of the annual review as set out in Rules 14A.71 to 14A.72 of the Listing Rules and will re-comply with the relevant Listing Rules if any of the annual caps is expected to be exceeded, or when the Framework Agreement is renewed or there is a material change to the terms of the Framework Agreement.

#### **4. REASONS AND BENEFITS FOR THE FRAMEWORK AGREEMENT**

For the five months ended 31 May 2021, the aggregate transaction amount paid to the Xiamen Culiangwang Group by the COFCO Cola-Cola Group for the purchase of the Culiangwang Products was approximately RMB37.4 million. In anticipation that one or more of the applicable percentage ratios of the aggregate amount in respect of the purchase of the Culiangwang Products by the COFCO Coca-Cola Group from the Xiamen Culiangwang Group under the Framework Agreement will be more than 1% but less than 5% on an annual basis, COFCO Cola-Cola and Xiamen Culiangwang had entered into the Framework Agreement in order to comply with the requirements under Chapter 14A of the Listing Rules. Considering the increasing awareness of the general public for healthy diet and the growing market demand for the Culiangwang Products which promotes healthy lifestyle, the Company expects that the transactions contemplated under the Framework Agreement will contribute to the business of the Group through providing a wider range of products to the Group's customers and thereby expanding the Group's revenue base. The Directors consider that the purchase of the Culiangwang Products by members of the COFCO Coca-Cola Group from the Xiamen Culiangwang Group is conducted in the Group's ordinary and usual course of business based on the commercial needs of the COFCO Coca-Cola Group.

#### **5. INTERNAL CONTROL MEASURES**

The Company has (1) reporting, approval and, if required, selected verification procedures in place to ensure that the agreed price and terms of continuing connected transactions are no less favourable to the relevant member(s) of the Group than those available to or from (as appropriate) independent third parties and also compliance with the pricing policy; and (2) procedures and policies for identifying connected persons and monitoring the annual caps of the continuing connected transactions. In addition, the internal audit department shall conduct audit review on the transactions contemplated under the Framework Agreement twice a year and report the audit results to the audit committee of the Board, which consists of all the independent non-executive Directors. Further, the Company has also adopted a threshold warning mechanism whereby the Group's finance department will monitor the annual caps under the Framework Agreement. When the utilization rate of the annual caps reaches 75%, the Group's finance department will report to the Board which they will then consider to implement relevant measures including the revision of the annual caps under the Framework Agreement.

## **IMPLICATIONS UNDER THE LISTING RULES**

Coca-Cola (Asia) holds a 35% interest in COFCO Coca-Cola, in which the Company holds the remaining 65% interest. As a result, as at the date of this announcement, The Coca-Cola Company as the ultimate holding company of Coca-Cola (Asia), and its indirect wholly-owned subsidiary, Xiamen Culiangwang, are connected persons of the Company at the subsidiary level under the Listing Rules. Accordingly, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

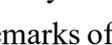
As (a) Xiamen Culiangwang is a connected person of the Company at the subsidiary level under the Listing Rules; (b) one or more of the applicable percentage ratios of the annual caps in respect of the processing services provided by the COFCO Coca-Cola Group to the Xiamen Culiangwang Group under the Framework Agreement are on an annual basis more than 1% but less than 5%; (c) the Framework Agreement has been approved by the Board; and (d) the Directors (including the independent non-executive Directors) are of the view that the Framework Agreement was entered into in the ordinary and usual course of business of the Group and the terms of the Framework Agreement are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and its Shareholders as a whole, therefore the continuing connected transactions contemplated under the Framework Agreement is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but are exempt from the independent shareholders' approval requirement pursuant to Rule 14A.101 of the Listing Rules.

None of the Directors has a material interest in the continuing connected transactions contemplated under the Framework Agreement, therefore none of the Directors were required under the Listing Rules to abstain from voting on the Board resolution approving the Framework Agreement and the transactions contemplated thereunder.

## **INFORMATION ON THE PARTIES**

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

COFCO Coca-Cola is a company incorporated in Hong Kong and was jointly established by the Company and The Coca-Cola Company in which the Company and The Coca-Cola Company indirectly holds 65% and 35% interests, respectively. COFCO Coca-Cola engages in the investment in the beverage business and through its subsidiaries, has the exclusive right to manufacture, market and distribute certain authorised Coca-Cola products in a number of provinces, municipalities and regions in the PRC.

Xiamen Culiangwang is an indirect wholly-owned subsidiary of The Coca-Cola Company and is established in the PRC. It owns the trademarks of “”, “”, “” and engages in beverage production including plant-based protein drinks under the trademarks.

## DEFINITIONS

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

“Board”	the board of Directors of the Company
“COFCO Coca-Cola”	COFCO Coca-Cola Beverages Limited, a company incorporated in Hong Kong with limited liability, in which the Company indirectly holds 65% interest
“COFCO Coca-Cola Group”	COFCO Coca-Cola and its subsidiaries
“Culiangwang Products”	certain plant-based protein beverage products under the trademarks of “  ”, “  ”, “  ” as set out in the Framework Agreement
“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

“Coca-Cola (Asia)”	Coca-Cola Holdings (Asia) Limited, a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of The Coca-Cola Company and holding a 35% interest in COFCO Coca-Cola
“Director(s)”	the director(s) of the Company
“Framework Agreement”	the sales and distribution cooperation framework agreement entered into between COFCO Coca-Cola and Xiamen Culiangwang dated 14 July 2021 in relation to the purchase of the Culiangwang Products by the COFCO Coca-Cola Group from the Xiamen Culiangwang for a term of two years commenced from 1 January 2021 and expiring on 31 December 2022
“Group”	the Company and its subsidiaries, including COFCO Coca-Cola and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall not include Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of the Company, being the share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Xiamen Culiangwang” 廈門粗糧王飲品科技有限公司 (Xiamen Culiangwang Beverage Technology Co., Ltd.), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of The Coca-Cola Company

“Xiamen Culiangwang Group” Xiamen Culiangwang and its associates

*In this announcement, unless the context otherwise requires, the terms “associate(s)”, “connected person(s)”, “continuing connected transaction(s)”, “percentage ratio(s)”, “subsidiary(ies)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules.*

*In this announcement, the English names of certain PRC entities are translation of their Chinese names and included for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.*

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

Beijing, 14 July 2021

*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.*