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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 ACQUISITIONS OF
THE HEBEI SALE INTERESTS AND THE INNER MONGOLIA SALE INTERESTS
THROUGH THE PUBLIC SALE**

EQUITY TRANSFER AGREEMENTS

The Board announces that on 15 November 2021, the Purchaser (an indirect non-wholly owned subsidiary of the Company) and the Vendors had respectively entered into:

- (i) the Hebei Equity Transfer Agreement, in relation to the acquisition of an aggregate of 15% equity interests in COFCO Coca-Cola Hebei through the Public Sale at CBEX. The Purchaser's successful bid price was RMB139,950,000, being the listing price of the Hebei Sale Interests; and
- (ii) the Inner Mongolia Equity Transfer Agreement, in relation to the acquisition of an aggregate of 13% equity interests in COFCO Coca-Cola Inner Mongolia through the Public Sale at CBEX. The Purchaser's successful bid price was RMB33,280,000, being the listing price of the Inner Mongolia Sale Interests.

Prior to the completion of the Hebei Acquisition and as at the date of this announcement, COFCO Coca-Cola Hebei is held as to 50% by the Purchaser, as to 35% by Bohai, and as to 15% by the Vendors (in which 12% is held by Zhongshi Group and 3% is held by Sinolight Holdings). Since the Purchaser is a 65%-owned subsidiary of the Company, COFCO Coca-Cola Hebei is accounted for as a subsidiary of the Company by virtue of the Company's indirect control over it through the Company's 65% owned subsidiary. Upon completion of the Hebei Acquisition, COFCO Coca-Cola Hebei will be held as to 65% by the Purchaser, and as to 35% by Bohai.

Prior to the completion of the Inner Mongolia Acquisition and as at the date of this announcement, COFCO Coca-Cola Inner Mongolia is held as to 67% by the Purchaser, as to 20% by Bohai, and as to 13% by the Vendors (in which 10% is held by Zhongshi Group and 3% is held by Sinolight Holdings). Since the Purchaser is a 65%-owned subsidiary of the Company, COFCO Coca-Cola Inner Mongolia is accounted for as a subsidiary of the Company by virtue of the Company's indirect control over it through its 65% owned subsidiary. Upon completion of the Inner Mongolia Acquisition, COFCO Coca-Cola Inner Mongolia will be held as to 80% by the Purchaser, and as to 20% by Bohai.

LISTING RULES IMPLICATIONS

As the Equity Transfer Agreements were entered into with the same Vendors (being Zhongshi Group and Sinolight Holdings), the Acquisitions are required to be aggregated for the purpose of calculating the applicable percentage ratios (as defined under the Listing Rules).

As at the date of this announcement, Zhongshi Group is a substantial shareholder of each of the Target Companies, which are accounted for as non-wholly owned subsidiaries of the Company. Therefore, Zhongshi Group is a connected person at the subsidiary level of the Company according to Rule 14A.07(1) of the Listing Rules. The holding company of Zhongshi Group (i.e. Sinolight Corporation) also entirely holds Sinolight Holdings. Therefore, Sinolight Holdings is a fellow subsidiary of the holding company of Zhongshi Group, and hence an associate of a connected person of the Company. As such, the Equity Transfer Agreements entered into with the Vendors constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

The highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Acquisitions exceeds 1% but is less than 5%. Pursuant to Rule 14A.101 of the Listing Rules, since (i) the Vendors are connected persons at the subsidiary level of the Company; (ii) the Board has approved the Acquisitions; and (iii) the independent non-executive Directors have confirmed that the terms of the Equity Transfer Agreements are fair and reasonable and on normal commercial terms and the Acquisitions are in the interests of the Company and its shareholders as a whole, the Acquisitions are subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and independent shareholders' approval requirements.

BACKGROUND

The Board announces that on 15 November 2021, the Purchaser (an indirect non-wholly owned subsidiary of the Company) and the Vendors had respectively entered into:

- (i) the Hebei Equity Transfer Agreement, in relation to the acquisition of an aggregate of 15% equity interests in COFCO Coca-Cola Hebei through the Public Sale at CBEX. The Purchaser's successful bid price was RMB139,950,000, being the listing price of the Hebei Sale Interests; and
- (ii) the Inner Mongolia Equity Transfer Agreement, in relation to the acquisition of an aggregate of 13% equity interests in COFCO Coca-Cola Inner Mongolia through the Public Sale at CBEX. The Purchaser's successful bid price was RMB33,280,000, being the listing price of the Inner Mongolia Sale Interests.

EQUITY TRANSFER AGREEMENTS

The principal terms of the Equity Transfer Agreements are set out below:

(1) The Hebei Equity Transfer Agreement:

Date: 15 November 2021

Parties: COFCO Coca-Cola Beverages (China) Investment Ltd (as the Purchaser); and
Zhongshi Group and Sinolight Holdings (as the Vendors)

Subject matter

Pursuant to the Hebei Equity Transfer Agreement, (i) Zhongshi Group has agreed to sell and the Purchaser has agreed to purchase 12% of the equity interests in COFCO Coca-Cola Hebei; and (ii) Sinolight Holdings has agreed to sell and the Purchaser has agreed to purchase 3% of the equity interests in COFCO Coca-Cola Hebei, subject to the terms of the Hebei Equity Transfer Agreement.

Consideration

The considerations payable by the Purchaser to the Zhongshi Group and the Sinolight Holdings with respect to the Hebei Equity Transfer Agreement are RMB111,960,000 and RMB27,990,000, respectively. The total consideration is RMB139,950,000. The considerations will be funded by internal resources of the Purchaser. The considerations were determined through the Public Sale process at CBEX in respect of the 12% and the 3% of the equity interest in COFCO Coca-Cola Hebei.

Payment terms

A deposit of RMB14,000,000 had been paid by the Purchaser to the designated account of CBEX prior to the entering of the Hebei Equity Transfer Agreement, and shall be used to settle part of the consideration. The remaining balance of the consideration, being RMB125,950,000 shall be paid by the Purchaser to the designated settlement accounts of CBEX within five working days upon the date of entry into the Hebei Equity Transfer Agreement. The Purchaser agreed that all the remaining balance of the considerations shall be transferred to the designated account of the Vendors within three working days upon the date of issuance of the transaction certificate by CBEX and it will notify COFCO Coca-Cola Hebei to complete the registration of the changes on the register of shareholders on the same day.

Completion

The Vendors shall procure COFCO Coca-Cola Hebei to arrange for the registration of the transfer of equity interests within 20 working days after the issue of transaction certificate by CBEX. The Vendors agreed that, following the Hebei Equity Transfer Agreement becoming effective and the payment of the remaining balance of the consideration by the Purchaser to CBEX, the directors of COFCO Coca-Cola Hebei appointed by the Vendors shall be replaced by the personnel designated by the Purchaser. In addition, the Vendors and the Purchaser shall fulfill their obligations to report to relevant approving authorities in respect of the Hebei Equity Transfer Agreement and the transactions contemplated thereunder and shall respond to the reasonable requests and enquiries of any approving authorities, in order to obtain the approval by the approving authorities of the Hebei Equity Transfer Agreement and the transactions contemplated thereunder.

Prior to the completion of the Hebei Acquisition and as at the date of this announcement, COFCO Coca-Cola Hebei is held as to 50% by the Purchaser, and as to 35% by Bohai, and as to 15% by the Vendors (in which 12% is held by Zhongshi Group and 3% is held by Sinolight Holdings). Since the Purchaser is a 65%-owned subsidiary of the Company, COFCO Coca-Cola Hebei is accounted for as a subsidiary of the Company by virtue of the Company's indirect control over it through the Company's 65%-owned subsidiary.

Upon completion of the Hebei Acquisition, COFCO Coca-Cola Hebei will be held as to 65% by the Purchaser, and as to 35% by Bohai.

(2) The Inner Mongolia Equity Transfer Agreement:

Date: 15 November 2021

Parties: COFCO Coca-Cola Beverages (China) Investment Ltd (as the Purchaser); and
Zhongshi Group and Sinolight Holdings (as the Vendors)

Subject matter

Pursuant to the Inner Mongolia Equity Transfer Agreement, (i) Zhongshi Group has agreed to sell and the Purchaser has agreed to purchase 10% of the equity interests in COFCO Coca-Cola Inner Mongolia; and (2) Sinolight Holdings has agreed to sell and the Purchaser has agreed to purchase 3% of the equity interests in COFCO Coca-Cola Inner Mongolia, subject to the terms of the Inner Mongolia Equity Transfer Agreement.

Consideration

The considerations payable by the Purchaser to the Zhongshi Group and the Sinolight Holdings with respect to the Inner Mongolia Equity Transfer Agreement are RMB25,600,000 and RMB7,680,000, respectively. The total consideration is RMB33,280,000. The considerations will be funded by internal resources of the Purchaser. The consideration was determined through the Public Sale process at CBEX in respect of the 10% and the 3% of the equity interests in COFCO Coca-Cola Inner Mongolia.

Payment terms

A deposit of RMB3,300,000 had been paid by the Purchaser to the designated account of CBEX prior to the entering of the Inner Mongolia Equity Transfer Agreement, and shall be used to settle part of the consideration. The remaining balance of the consideration, being RMB29,980,000 shall be paid within five working days upon the date of entry into the Inner Mongolia Equity Transfer Agreement. The Purchaser agreed that all the remaining balance of the considerations shall be transferred to the designated account of the Vendors within three working days upon the date of issuance of the transaction certificate by CBEX and it will notify COFCO Coca-Cola Inner Mongolia to complete the registration of the changes on the register of shareholders on the same day.

Completion

The Vendors shall procure COFCO Coca-Cola Inner Mongolia to arrange for the registration of the transfer of equity interests within 20 working days after the issue of transaction certificate by CBEX. The Vendors agreed that, following the Inner Mongolia Equity Transfer Agreement becoming effective and the payment of the remaining balance of the consideration by the Purchaser to CBEX, the directors of COFCO Coca-Cola Inner Mongolia appointed by the Vendors shall be replaced by the personnel designated by the Purchaser. In addition, the Vendors and the Purchaser shall fulfill their obligations to report to relevant approving authorities in respect of the Inner Mongolia Equity Transfer Agreement and the transactions contemplated thereunder and shall respond to the reasonable requests and enquiries of any approving authorities, in order to obtain the approval by the approving authorities of the Inner Mongolia Equity Transfer Agreement and the transactions contemplated thereunder.

Prior to the completion of the Inner Mongolia Acquisition and as at the date of this announcement, COFCO Coca-Cola Inner Mongolia is held as to 67% by the Purchaser, as to 20% by Bohai, and as to 13% by the Vendors (in which 10% is held by Zhongshi Group and 3% is held by Sinolight Holdings). Since the Purchaser is a 65%-owned subsidiary of the Company, COFCO Coca-Cola Inner Mongolia is accounted for as a subsidiary of the Company by virtue of the Company's indirect control over it through its 65% owned subsidiary.

Upon completion of the Inner Mongolia Acquisition, COFCO Coca-Cola Inner Mongolia will be held as to 80% by the Purchaser and as to 20% by Bohai.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Target Companies are primarily engaged in beverage bottling production, sale and distribution. The Directors believe that the Acquisitions present a good opportunity to further scale up the Company's beverage bottling production, sale and distribution business and capitalizing on the long-term growth trends in China's beverage market. The Acquisitions also reflect the Company's long-term commitment to the beverages bottling business in the PRC.

Furthermore, the listing price for the Public Sale for each of the Hebei Sale Interests and the Inner Mongolia Sale Interests were determined with reference to their respective valuations as at 31 December 2019 made available at CBEX. Given the satisfactory financial performance of the Target Companies during the year ended 31 December 2020 as compared to the same period in 2019, the Company is of the view that it is a good opportunity to invest in the Target Companies at a reasonable valuation in order to further expand the business of the Company.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreements are fair and reasonable and are on normal commercial terms, and the Acquisitions are in the interests of the Company and its shareholders as a whole. None of the Directors has a material interest in the transactions contemplated under the Equity Transfer Agreements.

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 the beverage business.

The Purchaser, COFCO Coca-Cola Beverages (China) Investment Ltd., is an investment holding company established in the PRC with limited liability and through its subsidiaries and is principally engaged in the beverage business. As at the date of this announcement, it is an indirectly 65%-owned subsidiary of the Company.

INFORMATION ON THE VENDORS

Zhongshi Group is a company established in the PRC with limited liability and is principally engaged in the sales of pre-packaged food, food and equipment technology development, etc..

Sinolight Holdings is a company established in the PRC with limited liability and is principally engaged in project investment, investment management, construction project management, product design, sales of pre-packaged food, etc..

As at the date of this announcement, both Zhongshi Group and Sinolight Holdings are wholly-owned subsidiaries of Sinolight Corporation, which is a company established in the PRC with limited liability and a wholly-owned subsidiary of China Poly Group Corporation Limited. China Poly Group Corporation Limited is a state-owned enterprise under the supervision and management of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中國國務院國有資產監督管理委員會).

BUSINESS AND FINANCIAL INFORMATION OF THE TARGET COMPANIES

Each of the Target Companies is a limited liability company established in the PRC. The principal business activities of each of the Target Companies are beverage bottling production, sale and distribution.

COFCO Coca-Cola Hebei

The net asset value of COFCO Coca-Cola Hebei attributable to the Hebei Sale Interests, by reference to the audited financial information of COFCO Coca-Cola Hebei as at 31 December 2020 was approximately RMB24,126,719. In addition, the independent appraised valuation of the Hebei Sale Interest as at 31 December 2019 disclosed as part of the Public Sale process on the CBEX was RMB139,950,000. The net profits of COFCO Coca-Cola Hebei attributable to the Hebei Sale Interests, by reference to the audited financial information of COFCO Coca-Cola Hebei for each of the two years ended 31 December 2020 were as follows:

	For the year ended 31 December	
	2019 <i>(RMB'000)</i>	2020 <i>(RMB'000)</i>
Net profits before taxation	8,956.3	15,623.4
Net profits after taxation	6,872.6	11,498.2

The original acquisition costs of the Vendors for the Hebei Sale Interests is approximately RMB12,450,000, representing the Vendors' aggregate capital contribution to COFCO Coca-Cola Hebei.

COFCO Coca-Cola Inner Mongolia

The net asset value of COFCO Coca-Cola Inner Mongolia attributable to the Inner Mongolia Sale Interests, by reference to the audited financial information of COFCO Coca-Cola Inner Mongolia as at 31 December 2020 was approximately RMB9,807,720. In addition, the independent appraised valuation of the Inner Mongolia Sale Interest as at 31 December 2019 disclosed as part of the Public Sale process on the CBEX was RMB33,280,000. The net profits of COFCO Coca-Cola Inner Mongolia attributable to the Inner Mongolia Sale Interests, by reference to the audited financial information of COFCO Coca-Cola Inner Mongolia for each of the two years ended 31 December 2020 were as follows:

	For the year ended 31 December	
	2019 <i>(RMB'000)</i>	2020 <i>(RMB'000)</i>
Net profits before taxation	224.4	327.5
Net profits after taxation	168.3	242.4

The original acquisition costs of the Vendors for the Inner Mongolia Sale Interests is approximately RMB6,240,000, representing the Vendors' aggregate capital contribution to COFCO Coca-Cola Inner Mongolia.

LISTING RULES IMPLICATIONS

As the Equity Transfer Agreements were entered into with the same Vendors (being Zhongshi Group and Sinolight Holdings), the Acquisitions are required to be aggregated for the purpose of calculating the applicable percentage ratios (as defined under the Listing Rules).

As at the date of this announcement, Zhongshi Group is a substantial shareholder of each of the Target Companies, which are accounted for as non-wholly owned subsidiaries of the Company. Therefore, Zhongshi Group is a connected person at the subsidiary level of the Company according to Rule 14A.07(1) of the Listing Rules. The holding company of Zhongshi Group (i.e. Sinolight Corporation) also entirely holds Sinolight Holdings. Therefore, Sinolight Holdings is a fellow subsidiary of the holding company of Zhongshi Group, and hence an associate of a connected person of the Company. As such, the Equity Transfers Agreements entered into with the Vendors constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

The highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Acquisitions exceeds 1% but is less than 5%. Pursuant to Rule 14A.101 of the Listing Rules, since (i) the Vendors are connected persons at the subsidiary level of the Company; (ii) the Board has approved the Acquisitions; and (iii) the independent non-executive Directors have confirmed that the terms of the Equity Transfer Agreements are fair and reasonable and on normal commercial terms and the Acquisitions are in the interests of the Company and its shareholders as a whole, the Acquisitions are subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and independent shareholders' approval requirements.

DEFINITIONS

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

“Acquisitions”	collectively, the Hebei Acquisition and the Inner Mongolia Acquisition
“associate”	has the meaning as ascribed to it under the Listing Rules
“Bohai”	Tianjin Bohai Industrial Investment Group Limited (天津渤海輕工投資集團公司), a company established in the PRC with limited liability and a substantial shareholder of each of the Target Companies
“Board”	the board of Directors
“CBEX”	China Beijing Equity Exchange
“COFCO Coca-Cola”	COFCO Coca-Cola Beverages Limited, a company incorporated in Hong Kong with limited liability and jointly established by the Company and The Coca-Cola Company in which the Company holds a 65% interest
“COFCO Coca-Cola Hebei”	COFCO Coca-Cola Beverages (Hebei) Limited (中糧可口可樂飲料(河北)有限公司), a company established in the PRC with limited liability and is accounted for as a subsidiary of the Company by virtue of the Company’s indirect control over it through COFCO Coca-Cola
“COFCO Coca-Cola Inner Mongolia”	COFCO Coca-Cola Beverages (Inner Mongolia) Limited (中糧可口可樂飲料(內蒙古)有限公司), a company established in the PRC with limited liability and is accounted for as a subsidiary of the Company by virtue of the Company’s indirect control over it through COFCO Coca-Cola
“Company”	China Foods Limited (中國食品有限公司), a company incorporated in Bermuda with limited liability, 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
“Equity Transfer Agreements”	collectively, the Hebei Equity Transfer Agreement and the Inner Mongolia Equity Transfer Agreement
“Hebei Acquisition”	the acquisition of the Hebei Sale Interests pursuant to the Hebei Equity Transfer Agreement
“Hebei Equity Transfer Agreement”	the equity transfer agreement dated 15 November 2021 entered into between the Purchaser and the Vendors in relation to the acquisition of

	the Hebei Sale Interests by the Purchaser from the Vendors
“Hebei Sale Interests”	15% equity interests in COFCO Coca-Cola Hebei
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Inner Mongolia Acquisition”	the acquisition of the Inner Mongolia Sale Interests pursuant to the Inner Mongolia Equity Transfer Agreement
“Inner Mongolia Equity Transfer Agreement”	the equity transfer agreement dated 15 November 2021 entered into between the Purchaser and the Vendor in relation to the acquisition of the Inner Mongolia Sale Interests by the Purchaser from the Vendors
“Inner Mongolia Sale Interests”	13% equity interests in COFCO Coca-Cola Inner Mongolia
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Public Sale”	The sale of respective Hebei Sale Interests and Inner Mongolia Sale Interests through a public tender process conducted by CBEX in accordance with the relevant laws and regulations of the PRC in respect of the disposal of state-owned assets
“Purchaser”	COFCO Coca-Cola Beverages (China) Investment Ltd. (中糧可口可樂飲料(中國)投資有限公司), a wholly-owned subsidiary of COFCO Coca-Cola
“RMB”	Renminbi, the lawful currency of the PRC
“Sinolight Corporation”	Sinolight Corporation (中國輕工集團有限公司), a company established in the PRC with limited liability and a wholly owned subsidiary of China Poly Group Corporation Limited (中國保利集團有限公司)
“Sinolight Holdings”	Sinolight International Holdings Limited (中國中輕國際控股有限公司), a company established in the PRC with limited liability and a wholly owned subsidiary of Sinolight Corporation
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning as ascribed to it under the Listing Rules
“Target Companies”	collectively, COFCO Coca-Cola Hebei and COFCO Coca-Cola Inner Mongolia
“Vendors”	Zhongshi Group and Sinolight Holdings

“Zhongshi Group”

China National Food Industry (Group) Corp., (中國食品工業（集團）有限公司), a company established in the PRC with limited liability and a wholly owned subsidiary of Sinolight Corporation

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

By order of the Board
China Foods Limited
Chen Lang
Chairman

Beijing, 15 November 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 Mr. Chen Gang as non-executive directors; and Messrs. Stephen Edward Clark, Li Hung Kwan, Alfred and Mok Wai Bun, Ben as independent non-executive directors.