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If you have sold or transferred all your shares in China Foods Limited, you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through which the sale or transfer was effected for transmission to the purchaser or transferee.



CHINA FOODS LIMITED 中國食品有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 506)

CONTINUING CONNECTED TRANSACTIONS RELATING TO THE 2024 FINANCIAL SERVICES AGREEMENT

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



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Independent Board Committee with its recommendations to the Independent Shareholders of China Foods Limited (the “**Company**”) is set out on page 22 of this circular and a letter from DL Securities containing its advice to the Independent Board Committee and the Independent Shareholders of the Company is set out on pages 23 to 39 of this circular.

A notice convening the SGM of the Company, to be held at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 6 December 2024 at 10:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular.

Whether or not you are able to attend the SGM (or any adjournment thereof), please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to Tricor Progressive Limited, the branch share registrar and transfer office of the Company in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM (or any adjournments thereof). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM (or any adjournments thereof) in person should you so wish.

18 November 2024

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DEFINITIONS

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

“2021 Announcement”	the announcement of the Company issued on 2 November 2021 concerning the continuing connected transactions of the Company in relation to the 2021 Financial Services Agreement
“2021 Financial Services Agreement”	the financial services agreement in relation to the deposit services, fund transfer services, entrustment loan services and other financial services entered into by and among the Company, Supply Chain (Tianjin) and COFCO Finance on 2 November 2021
“2024 Financial Services Agreement”	the financial services agreement in relation to the Deposit Services, the Fund Settlement Services and the Other Financial Services (including the Entrustment Loan Services) entered into by and among the Company, Supply Chain (Tianjin) and COFCO Finance on 28 October 2024
“Board”	the board of Directors of the Company
“Business Day(s)”	day(s) (other than Saturday or Sunday) on which banking institutions are open for general business in the PRC
“Bye-laws”	the bye-laws of the Company, as amended from time to time
“China Foods (Holdings)”	China Foods (Holdings) Limited (中國食品(控股)有限公司), a company incorporated in the British Virgin Islands with limited liability, and an indirect wholly-owned subsidiary of COFCO and a substantial shareholder of the Company
“COFCO”	COFCO Corporation (中糧集團有限公司), a state-owned company established in the PRC which is currently under the purview 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) and the ultimate controlling shareholder of the Company

DEFINITIONS

“COFCO Coca-Cola”	COFCO Coca-Cola Beverages Limited, a company incorporated in Hong Kong with limited liability, in which the Company indirectly holds 65% interests
“COFCO Finance”	COFCO Finance Corporation Limited (中糧財務有限責任公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of COFCO
“COFCO Group”	COFCO and its subsidiaries (including the Group)
“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
“Deposit Services”	the RMB deposit and related services to be provided by COFCO Finance to Supply Chain (Tianjin) and subsidiaries of the Company under the 2024 Financial Services Agreement
“Director(s)”	the director(s) of the Company
“Entrustment Loan Services”	COFCO Finance serves as a financial agent for loans advanced from certain subsidiaries of the Company to Supply Chain (Tianjin) through entrustment loan arrangements under the 2024 Financial Services Agreement
“Fund Settlement Services”	the fund settlement services provided by COFCO Finance to subsidiaries of the Company under the 2024 Financial Services Agreement
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, was established for the purpose of advising the Independent Shareholders on the terms of the Deposit Services and the Proposed Daily Deposit Cap

DEFINITIONS

“Independent Financial Adviser” or “DL Securities”	DL Securities (HK) Limited, a licenced corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Deposit Services and the Proposed Daily Deposit Cap
“Independent Shareholders”	Shareholders other than China Foods (Holdings) and its associates
“Latest Practicable Date”	13 November 2024, the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained therein
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“NFRA”	National Financial Regulatory Administration (國家金融監督管理總局)
“Other Financial Services”	other financial services to be provided by COFCO Finance to Supply Chain (Tianjin) and subsidiaries of the Company pursuant to the 2024 Financial Services Agreement apart from the Deposit Services and the Fund Settlement Services, including but not limited to, the Entrustment Loan Services, settlement, sale and purchase of foreign exchange and relevant advisory services
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“Proposed Daily Deposit Cap”	the proposed maximum daily outstanding balance of deposits (including the corresponding interest accrued thereon) placed by the Group with COFCO Finance in the amount of RMB800 million (including the corresponding interest accrued therein) during the Term pursuant to the 2024 Financial Services Agreement
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held to consider and approve the 2024 Financial Services Agreement, the transactions contemplated thereunder and the Proposed Daily Deposit Cap
“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
“Supply Chain (Tianjin)”	COFCO Coca-Cola Supply Chain (Tianjin) Limited (中糧可口可樂供應鏈(天津)有限公司), a limited company established in the PRC, which is a non-wholly owned subsidiary of COFCO Coca-Cola
“Term”	the term commencing from 14 December 2024 and expiring on 13 December 2027

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

Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables and the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

* *The English name is a translation of its Chinese name and is included for identification purposes only.*

LETTER FROM THE BOARD



CHINA FOODS LIMITED 中國食品有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 506)

Chairman of the Board and Executive Director:

Qing Lijun *(Managing Director)*

Executive Director:

Shen Xinwen

Non-executive Directors:

Cao Gaofeng

Chen Gang

Independent Non-executive Directors:

Li Hung Kwan, Alfred

Mok Wai Bun, Ben

Leung Ka Lai, Ada, *SBS*

Principal Office in Hong Kong:

33rd Floor, COFCO Tower

262 Gloucester Road

Causeway Bay

Hong Kong

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

18 November 2024

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS RELATING TO THE 2024 FINANCIAL SERVICES AGREEMENT

I. INTRODUCTION

The purpose of this circular is to provide you with, among others, (i) details of the 2024 Financial Services Agreement, the transactions contemplated thereunder and the Proposed Daily Deposit Cap; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the SGM.

LETTER FROM THE BOARD

II. CONTINUING CONNECTED TRANSACTIONS

Reference is made to the 2021 Announcement of the Company in relation to the continuing connected transactions contemplated under the 2021 Financial Services Agreement entered into by and among the Company, Supply Chain (Tianjin), an indirect non-wholly owned subsidiary of the Company, and COFCO Finance. The 2021 Financial Services Agreement will expire on 13 December 2024.

In order to continue to provide a more efficient employment of funds within the Group and to better facilitate intra-Group settlement services, the Company, Supply Chain (Tianjin) and COFCO Finance entered into the 2024 Financial Services Agreement on 28 October 2024. Pursuant to the 2024 Financial Services Agreement, COFCO Finance shall provide the Deposit Services, the Fund Settlement Services and the Other Financial Services (including the Entrustment Loan Services) to the subsidiaries of the Company.

Summary

Principle terms of the 2024 Financial Services Agreement are set out as follows:

1. Date

28 October 2024

2. Effective Date and the Term

The 2024 Financial Services Agreement shall become effective subject to the approval from the Independent Shareholders at the SGM, and shall be for a term of three years commencing from 14 December 2024 and expiring on 13 December 2027.

3. Parties

- (a) The Company;
- (b) Supply Chain (Tianjin) (an indirectly non-wholly owned subsidiary of the Company); and
- (c) COFCO Finance

LETTER FROM THE BOARD

4. *Major Terms*

(a) *Deposit Services*

Pursuant to the 2024 Financial Services Agreement, COFCO Finance shall provide the Deposit Services to subsidiaries of the Company. The subsidiaries of the Company will open and maintain demand deposit accounts with COFCO Finance. COFCO Finance will pay interest on deposits made by the subsidiaries of the Company.

The interest rates for the deposits placed by the subsidiaries of the Company with COFCO Finance (the “**COFCO Deposit Interest Rate**”) will be determined according to the standard RMB deposit rates promulgated by PBOC from time to time and will not be lower than the interest rates offered by the major PRC financial institutions to the COFCO Group for the same type of deposits of the same period. Details of the measures to be implemented for determining and monitoring the COFCO Deposit Interest Rate are set out in the paragraph headed “Measures of Determining the Pricing Terms” below.

The Deposit Services that will be provided by COFCO Finance to the subsidiaries of the Company under the 2024 Financial Services Agreement are primarily for the purpose of facilitating the Fund Settlement Services and the Entrustment Loan Services among the subsidiaries of the Company as provided under the 2024 Financial Services Agreement. Pursuant to the 2024 Financial Services Agreement, the title of the funds in respect of the entrustment loans under the Entrustment Loan Services will rest with the Group and will not pass to COFCO Finance.

The maximum daily balance of deposits placed by Supply Chain (Tianjin) and the subsidiaries of the Company in aggregate with COFCO Finance shall not exceed RMB800 million (including the corresponding interest accrued thereon).

(b) *Fund Settlement Services*

COFCO Finance shall provide the Fund Settlement Services to the subsidiaries of the Company in accordance with the instructions given by the relevant subsidiaries of the Company free of charge.

LETTER FROM THE BOARD

(c) *Other Financial Services*

COFCO Finance will provide Other Financial Services, including but not limited to, the Entrustment Loan Services, settlement, sale and purchase of foreign exchange and relevant advisory services to the subsidiaries of the Company in accordance with the permitted scope prescribed under the PRC financial policies and the Measures for the Administration of Finance Companies of Enterprise Groups (企業集團財務公司管理辦法) promulgated by NFRA pursuant to the 2024 Financial Services Agreement.

In respect of the Entrustment Loan Services, funds sourced from certain subsidiaries of the Company will be advanced to Supply Chain (Tianjin) through entrustment loan arrangements, and COFCO Finance will serve as a financial agent. After such entrustment loans had been advanced to Supply Chain (Tianjin) (acting as a lender), it will enter into further entrustment loan arrangements with COFCO Finance, which holds the appropriate licence and qualification under the PRC laws, which will advance such fund to certain subsidiaries of the Company which are in need of funds.

As COFCO Finance is acting as a financial agent in the entrustment loan arrangements and does not enjoy title of the entrustment loan, COFCO Finance does not have legal rights to advance such entrustment loan directly to the Company's subsidiaries without obtaining the instructions in advance from the relevant subsidiary of the Company.

The abovementioned entrustment loan arrangements are in full compliance with the applicable PRC laws.

By way of centralising funds from subsidiaries of the Company through entrustment loan arrangements, Supply Chain (Tianjin) will be able to allocate such centralised fund more effectively among the Company's subsidiaries, so that such fund allocation will be most beneficial to the Group as a whole and thus in turn, benefit the Company and its Shareholders as a whole.

The handling fees for the Entrustment Loan Services shall be settled pursuant to the respective agreements of the Entrustment Loan Services.

LETTER FROM THE BOARD

(d) *Handling fees in respect of the Fund Settlement Services and the Other Financial Services (including the Entrustment Loan Services)*

It is anticipated that the aggregate handling fees on an annual basis to be charged by COFCO Finance in connection with the Fund Settlement Services and the Other Financial Services (including the Entrustment Loan Services on which the handling fees on an annual basis to be charged by COFCO Finance shall not be higher than RMB500,000) (collectively, the “**COFCO Handling Fees**”), if any, shall not result in any of the applicable percentage ratios under the Listing Rules in respect of the COFCO Handling Fees being equal to or more than 0.1%. Details of the measures to be implemented for determining and monitoring the COFCO Handling Fees are set out in the paragraph headed “Measures of Determining the Pricing Terms” below.

(e) *Set off*

Where COFCO Finance applies the funds deposited by Supply Chain (Tianjin) and subsidiaries of the Company in breach of any provisions of the 2024 Financial Services Agreement or in any other inappropriate ways which results in any subsidiaries of the Company failing to recover such deposited funds in full, such subsidiaries of the Company will be entitled to use such deposit funds to set off any payments payable to COFCO Finance by the subsidiaries of the Company. COFCO Finance will not be entitled to such set off rights. Where the Company and/or its subsidiaries are unable to recover all the losses suffered or incurred as a result of COFCO Finance’s breach, the Company and/or its subsidiaries are entitled to rely on the dispute resolution provisions under the 2024 Financial Services Agreement against COFCO Finance which, to the best knowledge and belief of the Directors, has sufficient assets to satisfy any judgment against it.

(f) *Breach*

During the Term, if COFCO Finance breaches or intends to breach any laws, regulations or any provisions of the 2024 Financial Services Agreement, it is required to notify Supply Chain (Tianjin) and the Company of such situation within three Business Days from its acknowledgement of the breach or intended breach.

Where COFCO Finance intentionally delays or causes improper delays or other errors due to negligence resulting in economic losses to the Company and/or its subsidiaries, the Company and/or its subsidiaries shall have the right to demand compensation from COFCO Finance in accordance with the relevant regulations of the PBOC.

LETTER FROM THE BOARD

(g) *Termination*

Apart from the default events provided under the Civil Code of the PRC (中華人民共和國民法典), the 2024 Financial Services Agreement shall be terminated with immediate effect if COFCO Finance fails to satisfy any of the operational standard set out as follows:

- (i) its capital adequacy ratio shall not be less than 10.5%;
- (ii) its non-performing assets ratio shall not be more than 3%;
- (iii) its bad loan ratio shall not be more than 2%;
- (iv) its self-owned fixed assets to equity ratio shall not be more than 20%; or
- (v) its investment balance to net capital ratio shall not be more than 70%.

Upon termination of the 2024 Financial Services Agreement, Supply Chain (Tianjin) or the subsidiaries of the Company may withdraw their deposits with COFCO Finance and exercise the above right to set off.

(h) *Conditions Precedent*

The 2024 Financial Services Agreement shall be effective conditional upon:

- (i) compliance with all necessary requirements under the Listing Rules, which include but not limited to obtaining the approval of the Independent Shareholders at the SGM; and
- (ii) obtaining any other relevant approvals as may be required for the 2024 Financial Services Agreement to take effect.

None of the above condition precedent is waivable.

5. *Measures of Determining the Pricing Terms*

In order to ensure that the pricing terms of individual transactions contemplated under the Deposit Services and the Other Financial Services (including the Entrustment Loan Services) will be made in accordance with the pricing principles as stated above, the Group and COFCO Finance shall carry out the measures below:

LETTER FROM THE BOARD

The Group has established an internal assessment mechanism on the COFCO Deposit Interest Rate and the COFCO Handling Fees based on fair market principle.

On a quarterly basis, the Group will obtain interest rates of deposit services offered by 10 major PRC commercial banks and PBOC for the same type of deposits of the same period from their websites and select the highest of such quotations (the “**Quoted Deposit Interest Rate**”) to compare with the COFCO Deposit Interest Rate to ensure that the COFCO Deposit Interest Rate is not lower than the Quoted Deposit Interest Rate. In addition, the Group will conduct analysis and assessment between the COFCO Deposit Interest Rate and the rates offered by the 10 major PRC commercial banks and PBOC every fortnight or regularly during the maintenance of such deposit accounts.

Prior to the engagement of the Other Financial Services (including the Entrustment Loan Services), the Group will also conduct an analysis and assessment of the COFCO Handling Fees with the corresponding handling fees offered by the 10 major PRC commercial banks and PBOC to the Group on similar type of services to ensure that the COFCO Handling Fees quoted by COFCO Finance is on the best term to the Group.

In the event that the relevant interest rates or handling fees quoted from the 10 major PRC commercial banks and PBOC is better than those offered by COFCO Finance, the Group will inform COFCO Finance to adjust the same to ensure its interest rates or handling fees is on the same level or better than those offered by the 10 major PRC commercial banks and PBOC.

COFCO Finance has established a risk management committee and an independent audit department where the risk management committee is responsible for, among others, approval for the decision-making on the pricing policies of deposits and various business risks of the company. The audit department of COFCO Finance is responsible for carrying out an independent audit on various businesses including the Deposit Services, the Fund Settlement Services and the Other Financial Services (including the Entrustment Loan Services) under the 2024 Financial Services Agreement. In addition, to ensure that the 2024 Financial Services Agreement is smoothly executed, COFCO Finance has appointed an independent external auditor to carry out a special audit on such connected transactions at the end of each quarter to manage and reduce the risk of the relevant business.

LETTER FROM THE BOARD

6. *Historical caps and transaction value of the Deposit Services under the 2021 Financial Services Agreement*

Under the 2021 Financial Services Agreement, the maximum daily deposit balance amount (including the corresponding interest accrued thereon) placed by the Group with COFCO Finance for the period from 14 December 2021 to 13 December 2022, the period from 14 December 2022 to 13 December 2023 and the period from 14 December 2023 to 13 December 2024 are RMB800 million, RMB800 million and RMB800 million, respectively.

The historical maximum daily deposit balance amount (including the corresponding interest accrued thereon) for the period from 14 December 2021 to 13 December 2022, the period from 14 December 2022 to 13 December 2023 and the period from 14 December 2023 to 30 September 2024 are as follows:–

Transaction	Historical maximum daily deposit balance for the period from		
	14 December 2021 to 13 December 2022	14 December 2022 to 13 December 2023	14 December 2023 to 30 September 2024
Maximum daily deposit balance amount (including the corresponding interest accrued thereon) placed by the Group with COFCO Finance	790	790	790

7. *Proposed Daily Deposit Cap for the 2024 Financial Services Agreement and the basis thereof*

The Board proposed the Proposed Daily Deposit Cap in the amount of RMB800 million (including the corresponding interest accrued therein) on a daily basis after considering the maximum daily outstanding balance of deposits (including the corresponding interest accrued thereon) to be placed by the Group with COFCO Finance pursuant to the 2024 Financial Services Agreement.

In arriving the Proposed Daily Deposit Cap for the Term, the Company has taken into account the following factors:

- (a) as at 30 June 2024, the Group had maintained a high level of cash and cash equivalents which amounted to approximately RMB3.7 billion and was available to be utilised by subsidiaries of the Company;

LETTER FROM THE BOARD

- (b) the business development plans and the financial needs of each of the subsidiaries of the Company during the Term;
- (c) the historical cash position of the Group, the historical transaction value and the expected growth of the business operation of the Group;
- (d) the control of financial risks in selecting financial services providers; and
- (e) the benefits to the Group and the shareholders of the Company as a whole as set out in the paragraph headed “Reasons for and benefits of entering into the 2024 Financial Services Agreement”.

In order to ensure that the Proposed Daily Deposit Cap will not be exceeded, the Group will adopt the following measures to monitor the daily balance of the deposits made by the Group:

- (a) the finance department of the Company will monitor the daily balance of the deposit made by the Group with all financial institutions, including those with COFCO Finance, and will report on the Group’s overall cash flow position to the relevant senior management of the Company for review and consideration of the overall funding position of the Group;
- (b) the Group will have the discretion to request for the withdrawal of all or part of the deposit placed with COFCO Finance to ensure the liquidity and safety of the deposited fund; and
- (c) COFCO Finance will provide an online platform to allow the finance department of the Company to monitor the balance of the Group’s deposit on a daily basis, so as to ensure the deposit amount will not exceed the Proposed Daily Deposit Cap.

8. *Risk Management*

In order to safeguard the interests of the Shareholders, the Group will adopt the following guidelines and principles in monitoring the transactions under the 2024 Financial Services Agreement (collectively the “**Arrangements**”):

- (a) the title of the funds in respect of the Entrustment Loans Services pursuant to the 2024 Financial Services Agreement will not be passed to COFCO Finance;
- (b) funds received by Supply Chain (Tianjin) pursuant to the 2024 Financial Services Agreement are only to be applied for intra-Group use;

LETTER FROM THE BOARD

- (c) specifically designated personnel from Supply Chain (Tianjin) will be responsible for daily operations under the Arrangements and specifically designated personnel from the finance department of the Company will be responsible for the regular monitoring of the Arrangements, and reporting to the general manager of the finance department and the management of the Company on a regular basis;
- (d) the finance department of the Company will report to the independent non-executive Directors twice a year in relation to the Arrangements;
- (e) the clients of COFCO Finance are restricted to those COFCO Group companies (including the Company and the subsidiaries of the Company) which meet the prerequisite standards according to the relevant internal policy of the COFCO. COFCO Finance is hence exposed to a lower level of potential risk than, if its clients include, external entities;
- (f) the Arrangements between the Group and COFCO Finance under the 2024 Financial Services Agreement is non-exclusive, and the Group has its own discretion in selecting providers of financial services;
- (g) the audit and supervision department of the Group will review the appropriateness of the system of internal controls relating to the operation of the Arrangements and report the results of the review to the management and the audit committee/independent non-executive Directors twice a year;
- (h) where COFCO Finance applies the funds deposited with it by Supply Chain (Tianjin) and the subsidiaries of the Company in breach of any provisions of the 2024 Financial Services Agreement or in any other inappropriate ways which results in Supply Chain (Tianjin) and/or the subsidiaries of the Company failing to recover such deposit funds, Supply Chain (Tianjin) and the subsidiaries of the Company will be entitled to use such deposit funds in full to set off any payments payable to COFCO Finance by Supply Chain (Tianjin) or the subsidiaries of the Company. COFCO Finance will not be entitled to such set off rights;
- (i) in addition to the default events provided by the Civil Code of the PRC (中華人民共和國民法典), the 2024 Financial Services Agreement shall be terminated with immediate effect if COFCO Finance fails to satisfy any operation standard as follows:
 - (i) its capital adequacy ratio shall not be less than 10.5% (whereas NFRA requires such ratio shall not be less than 10.5%); or

LETTER FROM THE BOARD

- (ii) its non-performing assets ratio shall not be more than 3% (whereas NFRA requires such ratio shall not be more than 3%); or
 - (iii) its bad loan ratio shall not be more than 2% (whereas NFRA requires such ratio shall not be more than 2%); or
 - (iv) its self-owned fixed assets to equity ratio shall not be more than 20% (whereas NFRA requires such ratio shall not be more than 20%); or
 - (v) its investment balance to net capital ratio shall not be more than 70% (whereas NFRA requires such ratio shall not be more than 70%); and
- (j) the external auditors of the Company will review the transactions contemplated under the 2024 Financial Services Agreement and report its findings to the audit committee of the Board and the independent non-executive Directors on an annual basis.

9. *Guarantee letter from COFCO*

On 28 October 2024, COFCO issued a guarantee letter to the Company to guarantee unconditionally and irrevocably that, during the Term, COFCO will:

- (a) maintain its effective control of COFCO Finance and guarantee the proper and orderly operation of COFCO Finance;
- (b) use its best endeavors and take all reasonable steps to guarantee that COFCO Finance will perform its obligations in respect of the financial services contemplated under the 2024 Financial Services Agreement; and
- (c) in the event of an emergency under which COFCO Finance encounters any payment difficulties, provide relevant funds based on actual needs in order to resolve any such payment difficulties.

COFCO confirms that it has obtained all approvals and authorisations for execution the abovementioned guarantee letter and such execution does not violate any PRC laws, regulations or any agreement to which COFCO is a party.

INFORMATION OF THE COMPANY

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

LETTER FROM THE BOARD

INFORMATION OF SUPPLY CHAIN (TIANJIN)

Supply Chain (Tianjin) is a limited liability company established in the PRC and a non-wholly owned subsidiary of COFCO Coca-Cola, which is in turn a 65%-owned subsidiary of the Company. The Company holds as to 63.8% beneficial interest in Supply Chain (Tianjin). Supply Chain (Tianjin) is mainly engaged in the wholesale and retail of pre-packaged foods, raw and auxiliary materials, supply chain information consultation, management services and others.

INFORMATION OF COFCO FINANCE

COFCO Finance is a non-banking financial institution and an indirect wholly-owned subsidiary of COFCO established in the PRC since 2002 with approval of PBOC. It is subject to the supervision of PBOC and NFRA. According to its business licence, it is authorised to provide to the Group all services set out in the 2024 Financial Services Agreement. According to the business licence, COFCO Finance is authorised to provide services such as (a) the provision of financial and financing consultation services, credit appraisal and relevant consulting services and agency business service; (b) assisting implementation of payables and receivables of the transaction amounts; (c) handling of deposits, loans and bills acceptance and discounting; (d) conducting settlements and other relevant settlements; and (e) the provisions of loans and financing leases.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2024 FINANCIAL SERVICES AGREEMENT

PRC laws do not permit companies, including subsidiaries and associate companies, other than regulated financial institutions, to extend intra-group loans directly. Any such loans must be directed through a regulated financial institution or agency. COFCO Finance is a non-banking financial institution established in the PRC since 2002 with the approval of PBOC and it is subject to the supervision of PBOC and NFRA. According to its business licence, COFCO Finance is authorised to provide various kinds of financial services to the Group, including deposit taking and loan services. The main reasons for, and benefits of, the Arrangements are as follows:

- (i) COFCO Finance has well established operating networks with 10 major PRC commercial banks, namely the Industrial and Commercial Bank of China, China Construction Bank, Bank of China, Agricultural Bank of China, China Merchants Bank, Bank of Communications, Agricultural Development Bank of China, China CITIC Bank, Ping An Bank and Postal Savings Bank of China, and such networks have become the channel for collecting the funds of the subsidiaries of the Company;
- (ii) the Company believes that COFCO Finance may provide more diversified and flexible financial services to the Group compared with a single or a small number of third-party commercial banks;

LETTER FROM THE BOARD

- (iii) COFCO Finance was established in 2002. During the past 22 years' operation of COFCO Finance, its operations has been stable, financial performance has been excellent and no violation of any rules has occurred. The Company believes that the risk profile of COFCO Finance, as a financial services provider to the Group, is not greater than that of independent commercial banks in the PRC;
- (iv) the use of COFCO Finance as a vehicle through which the funds of the subsidiaries of the Company, including Supply Chain (Tianjin), will allow a more efficient deployment of funds between subsidiaries of the Company;
- (v) the Arrangements will allow the greater utilisation of available funds, utilise the collected funds to repay the external commercial loans of the subsidiaries of the Company and optimise the efficiency of the Group's funds;
- (vi) the Arrangements will help reduce financial costs, thereby increasing the profitability of the Group and benefiting the shareholders of the Company, including the minority shareholders of the Company. The handling fee offered by COFCO Finance in relation to the Entrustment Loan Services shall be on the same level or lower than that offered by the 10 major PRC commercial banks and PBOC. In addition, the Group can utilise the Bank-Enterprise direct link system (銀企直聯服務) offered by COFCO Finance free of charge;
- (vii) the Arrangements will allow a prompt and accurate monitoring and regulation of the application of funds of the Group including Supply Chain (Tianjin);
- (viii) the Arrangements will promote liquidity among the Group, including Supply Chain (Tianjin), enhance the overall ability of the Group to repay debts, and assist in monitoring and controlling financial risks;
- (ix) COFCO Finance has maintained good working relationship with the Company and its subsidiaries over the years and developed a good understanding of the Group's operation and its needs and their continuous cooperation can ensure higher work efficiency; and
- (x) as the COFCO Deposit Interest Rate offered to the Group shall be on the same level or better than the Quoted Deposit Interest Rate, the Arrangements can increase the interest income of the Group and therefore is beneficial to the Company and its shareholders as a whole.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As at the date of this circular, COFCO Finance is an indirect wholly-owned subsidiary of COFCO, the ultimate controlling shareholder of the Company. Therefore, COFCO Finance is a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the 2024 Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The provision of the Deposit Services to the Group under the 2024 Financial Service Agreement also constitutes the provision of financial assistance by the Group to COFCO Finance under Rule 14.04(1)(e) of the Listing Rules. Since the highest applicable percentage ratio for the provision of the Deposit Services in respect of the Proposed Daily Deposit Cap exceeds 5% but is less than 25%, it constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Deposit Services are subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios in respect of the estimated aggregate amount of the handling fees in connection with the Fund Settlement Services and the Other Financial Services (including the Entrustment Loan Services) is on an annual basis less than 0.1%, the Fund Settlement Services and the Other Financial Services (including the Entrustment Loan Services) are exempted from the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee has been established to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Deposit Services and the Proposed Daily Deposit Cap, and to advise the Independent Shareholders on how to vote at the SGM.

DL Securities has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Deposit Services and the Proposed Daily Deposit Cap.

The SGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve the 2024 Financial Services Agreement, the transactions contemplated thereunder and the Proposed Daily Deposit Cap. China Foods (Holdings), an indirect wholly-owned subsidiary of COFCO and the substantial shareholder of the Company which holds as to approximately 74.1% of the total issued share capital of the Company (representing 2,072,688,331 shares of the Company as at the date of this announcement) will abstain from voting at the SGM on the resolution regarding the 2024 Financial Services Limited, the transactions contemplated thereunder and the Proposed Daily Deposit Cap.

LETTER FROM THE BOARD

DIRECTORS' VIEWS

The Directors (including the independent non-executive Directors) consider that the terms of the 2024 Financial Services Agreement have been negotiated on an arm's length basis and on normal commercial terms, the transactions contemplated thereunder and the Proposed Daily Deposit Cap are fair and reasonable and in the interests of the Company and its Shareholders as a whole. In addition, the Group has effective risk management measures and internal controls in place to monitor the Arrangement and Deposit Services under the 2024 Financial Services Agreement.

The Directors (including the independent non-executive Directors) also believe that the risk profile of COFCO Finance, as a financial services provider to the Group, is not greater than that of independent commercial banks in the PRC. As far as the Directors are aware, COFCO Finance has established stringent internal control measures to ensure effective risk management and compliance with laws and regulations.

None of the Directors has a material interest in the transactions contemplated under the 2024 Financial Services Agreement. However, as Mr. Qing Lijun (being a deputy general manager of COFCO), Mr. Cao Gaofeng (being the director of the quality and safety management department of COFCO) and Mr. Chen Gang (being the director of the cooperation and development department and the general manager of the supply assurance department of COFCO) are related to COFCO, for good corporate governance, Mr. Qing Lijun, Mr. Cao Gaofeng and Mr. Chen Gang have abstained from voting on the respective Board resolutions approving the 2024 Financial Services Agreement.

III. SGM

The SGM will be held for the purposes of considering and, if thought fit, approving by the Independent Shareholders the 2024 Financial Services Agreement, the transactions contemplated thereunder and the Proposed Daily Deposit Cap.

Under Rule 14A.36 of the Listing Rules, any shareholder who has a material interest in a proposed transaction must abstain from voting at the relevant general meeting on the relevant resolution(s). In accordance with the Listing Rules, China Foods (Holdings), an indirect wholly-owned subsidiary of COFCO and the substantial shareholder of the Company which holds as to approximately 74.1% of the total issued share capital of the Company (representing 2,072,688,331 Shares as at the Latest Practicable Date) will abstain from voting on the resolution(s) regarding the 2024 Financial Services Agreement, the transactions contemplated thereunder and the Proposed Daily Deposit Cap.

A notice convening the SGM to be held at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 6 December 2024 at 10:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular.

LETTER FROM THE BOARD

A form of proxy for use by the Shareholders at the SGM is enclosed with this circular. For determining the entitlement to attend and vote at the SGM to be held on Friday, 6 December 2024, the register of members of the Company will be closed from Tuesday, 3 December 2024 to Friday, 6 December 2024 (both days inclusive) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the SGM, unregistered holders of Shares of the Company should ensure that all transfer forms accompanied by the relevant Share certificates must be lodged for registration with Tricor Progressive Limited, the branch share registrar and transfer office of the Company in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, and in any case no later than 4:30 p.m. on Monday, 2 December 2024.

Pursuant to bye-law 75 of the Bye-laws, any vote of Shareholders at a general meeting must be taken by poll.

On a poll, every Shareholder present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for each Share registered in his/her/its name in the register of members. A Shareholder entitled to more than one vote need not use all votes or cast all the votes in the same way.

Whether or not you are able to attend the SGM (or any adjournment thereof), please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to Tricor Progressive Limited, the branch share registrar and transfer office of the Company in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM (or any adjournment thereof) in person should you so wish.

IV. RECOMMENDATION

Your attention is drawn to the Letter from the Independent Board Committee set out on page 22 of this circular. The Independent Board Committee, having taken into account the advice of DL Securities, the text of which is set out on pages 23 to 39 of this circular, consider that the terms of Deposit Services under the 2024 Financial Services Agreement as well as the Proposed Daily Deposit Cap are fair and reasonable and are in the interests of the Company and the Independent Shareholders. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the 2024 Financial Services Agreement, the transactions contemplate thereunder and the Proposed Daily Deposit Cap. Based on the relevant information disclosed herein, the Directors (including the independent non-executive Directors whose views are set out in the Letter from the Independent

LETTER FROM THE BOARD

Board Committee to this circular), consider that the 2024 Financial Services Agreement was entered into in the ordinary and usual course of business of the Group after arm's length negotiation and on normal commercial terms and, together with the Proposed Daily Deposit Cap, are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders of the Company to vote in favour of the resolution in respect of the 2024 Financial Services Agreement, the transactions contemplate thereunder and the Proposed Daily Deposit Cap to be proposed at the SGM.

Yours faithfully,
For and on behalf of the Board
China Foods Limited
Qing Lijun
Chairman

LETTER FROM INDEPENDENT BOARD COMMITTEE



CHINA FOODS LIMITED 中國食品有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 506)

18 November 2024

To the Independent Shareholders of the Company

Dear Sir and Madam,

CONTINUING CONNECTED TRANSACTIONS RELATING TO THE 2024 FINANCIAL SERVICES AGREEMENT

We have been appointed as the Independent Board Committee to give a recommendation to the Independent Shareholders of the Company in connection with the terms of the Deposit Services under the 2024 Financial Services Agreement and the Proposed Daily Deposit Cap, details of which are set out in the Letter from the Board contained in the circular to the Shareholders of the Company dated 18 November 2024 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the terms of the 2024 Financial Services Agreement, and the advice and opinion of DL Securities in relation thereto as set out on pages 23 to 39 of the Circular, we are of the opinion that the 2024 Financial Services Agreement was entered into in the ordinary and usual course of business of the Group after arm’s length negotiation, and Deposit Services provided by COFCO Finance under the 2024 Financial Services Agreement and the Proposal Daily Deposit Cap are on normal commercial terms, and the Proposed Daily Deposit Cap is fair and reasonable and in the interests of the Company and its Shareholders as a whole. We therefore recommend that the Independent Shareholders of the Company vote in favour of the resolution(s) to be proposed at the SGM in respect of the 2024 Financial Services Agreement, the transactions contemplate thereunder and the Proposed Daily Deposit Cap.

Yours faithfully,

For and on behalf of the Independent Board Committee

Li Hung Kwan, Alfred
Independent
Non-executive Director

Mok Wai Bun, Ben
Independent
Non-executive Director

Leung Ka Lai, Ada, SBS
Independent
Non-executive Director

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from DL Securities (HK) Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Deposit Services (including the Proposed Daily Deposit Cap thereunder), which have been prepared for inclusion in this circular.



29/F, Vertical Square
28 Heung Yip Road
Wong Chuk Hang, Hong Kong

18 November 2024

*To: the Independent Board Committee and
the Independent Shareholders of China Foods Limited*

Dear Sirs and Madams,

CONTINUING CONNECTED TRANSACTIONS RELATING TO THE 2024 FINANCIAL SERVICES AGREEMENT

INTRODUCTION

We refer to our appointment as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Deposit Services under the 2024 Financial Services Agreement and the Proposed Daily Deposit Cap thereunder, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in this circular of the Company dated 18 November 2024 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

As the 2021 Financial Services Agreement will expire on 13 December 2024, with the intention to continue carrying out various types of transactions contemplated under the 2021 Financial Services Agreement, the Company and Supply Chain (Tianjin) have, on 28 October 2024, entered into the 2024 Financial Services Agreement with COFCO Finance, pursuant to which COFCO Finance shall provide, among others, the Deposit Services, the Fund Settlement Services and the Other Financial Services (including the Entrustment Loan Services) to the subsidiaries of the Company.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

LISTING RULE IMPLICATIONS

COFCO Finance is an indirect wholly-owned subsidiary of COFCO, the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company. Accordingly, the 2024 Financial Services Agreement and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under Chapter 14A the Listing Rules. The provision of the Deposit Services to the Group under the 2024 Financial Services Agreement also constitutes the provision of financial assistance by the Group to COFCO Finance under Rule 14.04(1)(e) of the Listing Rules. As highest applicable percentage ratio in respect of the Proposed Daily Deposit Cap of the Deposit Services is more than 5% but is less than 25%, the provision of the Deposit Services to the Group under the 2024 Financial Services Agreement constitutes discloseable transaction under Chapter 14 of the Listing Rules and continuing connected transaction of the Company subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios in respect of the estimated aggregate amount of the handling fees in connection with the Fund Settlement Services and the Other Financial Services (including the Entrustment Loan Services) is on an annual basis less than 0.1%, the Fund Settlement Services and the Other Financial Services (including the Entrustment Loan Services) are exempted from the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Li Hung Kwan, Alfred, Mr. Mok Wai Bun, Ben and Ms. Leung Ka Lai, Ada, *SBS* has been established to consider and make a recommendation to the Independent Shareholders on whether the terms of the Deposit Services and the Proposed Daily Deposit Cap are fair and reasonable so far as the Independent Shareholders are concerned, whether the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and how the Independent Shareholders should vote at the SGM. We, DL Securities (HK) Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

In the last two years, we did not have any engagement with the Group as an independent financial adviser. As at the Latest Practicable Date, we did not have any relationships or interests with the Group or any other parties that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules. Apart from normal professional fees 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 captioned transactions, and therefore we are considered to be eligible to give independent advice on the terms of the Deposit Services (including the Proposed Daily Deposit Cap).

LETTER FROM INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Board in relation to the terms of the 2024 Financial Services Agreement and the transactions contemplated thereunder, we have reviewed, amongst others, (i) the 2024 Financial Services Agreement, (ii) the 2021 Financial Services Agreement; (iii) the guarantee letter dated 28 October 2024 issued by COFCO to the Company (the “**COFCO Guarantee**”), (iv) the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”), (v) the annual report of the Company for the year ended 31 December 2023 (the “**2023 Annual Report**”), (vi) the interim report of the Company for the six months ended 30 June 2024, (vii) certain financial information of COFCO Finance and the information set out in the Circular. We have relied on the information, facts and representations contained or referred to in the Circular, the public information announced by the Company and the information, facts and representations provided by, and the opinions expressed by the Directors and management of the Company (the “**Management**”). We have assumed that all information, facts, opinions and representations made or referred to in the disclosed information and the Circular were true, accurate and complete at the time they were made and continued to be true and that all expectations and intentions of the Directors and the Management, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors and the Management. The Directors jointly and severally accept full responsibility for the accuracy of the Circular and public information disclosed and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular and public information disclosed have been arrived at after due and careful consideration and there are no other facts not contained in the public information disclosed, the omission of which would make any statement in the public information disclosed misleading. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed.

We consider that we have been provided with, and we have reviewed sufficient information to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the public information disclosed or the reasonableness of the opinions and representations provided to us by the Directors and the Management. We have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Company or its future prospects.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the transactions contemplated under the Agreements, as referred to in Rule 13.80 of the Listing Rules (including the notes thereof) in formulating our opinion and recommendation. This letter is issued for the information for the Board solely in connection with their consideration of the terms of the 2024 Financial Services Agreement and the transactions contemplated thereunder, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the terms of the Deposit Services (including the Proposed Daily Deposit Cap) under the 2024 Financial Services Agreement, we have taken the following principal factors and reasons into consideration:

1. Information on the parties

(i) Information on the Company and Supply Chain (Tianjin)

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

Supply Chain (Tianjin) is a limited liability company established in the PRC and a non-wholly owned subsidiary of COFCO Coca-Cola, which is in turn a 65%-owned subsidiary of the Company. The Company holds as to 63.8% beneficial interest in Supply Chain (Tianjin). Supply Chain (Tianjin) is mainly engaged in the wholesale and retail of pre-packaged foods, raw and auxiliary materials, supply chain information consultation, management services and others.

The tables below set forth a summary of the consolidated financial information of the Group for the year ended 31 December 2022 (“FY2022”) and the year ended 31 December 2023 (“FY2023”) as extracted from the 2023 Annual Report:

<i>RMB million</i>	For the year ended/as at	
	31 December	
	2022	2023
Revenue	20,967.84	21,446.44
Profit attributable to owners of the Company	659.84	832.58
Total assets	15,062.96	16,225.61
Total liabilities	6,200.74	6,538.65
Net assets attributable to owners of the Company	5,520.21	6,015.43

Revenue

The revenue of the Group slightly increased from approximately RMB21.0 billion for FY2022 to approximately RMB21.4 billion for FY2023, which was mainly due to the normal management of epidemic prevention and control in the PRC which the domestic daily economic activities and consumptions gradually returned to normal.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Profit attributable to owners of the Company

Profit attributable to owners of the Company increased from approximately RMB659.8 million for FY2022 to approximately RMB832.6 million for FY2023, which was mainly due to the increase in other income and other gains attributable to increase in government grants and gains from disposal of investments.

Total assets

The consolidated total assets of the Group increased from approximately RMB15.1 billion as at 31 December 2022 to approximately RMB16.2 billion as at 31 December 2023, which was mainly due to the increase in cash and cash equivalents from approximately RMB1.0 billion as at 31 December 2022 to approximately RMB2.3 billion as at 31 December 2023.

Total liabilities

The consolidated total liabilities of the Group increased from approximately RMB6.2 billion as at 31 December 2022 to approximately RMB6.5 billion as at 31 December 2023, which was mainly due to the combined effect of (i) increase in deferred income from approximately RMB232.7 million as at 31 December 2022 to approximately RMB412.4 million as at 31 December 2023; (ii) increase in contract liabilities from approximately RMB987.0 million as at 31 December 2022 to approximately RMB1.3 billion as at 31 December 2023; and (iii) decrease in amounts due to related parties from approximately RMB439.2 million as at 31 December 2022 to approximately RMB222.3 million as at 31 December 2023.

Net assets

The net assets attributable to owners of the Company increased from approximately RMB5.5 billion as at 31 December 2022 to approximately RMB6.0 billion as at 31 December 2023 as a result of the change in the assets and liabilities of the Group.

(ii) Information on COFCO Finance

COFCO Finance is a non-banking financial institution and an indirect wholly-owned subsidiary of COFCO established in the PRC since 2002 with the approval of PBOC. As at the Latest Practicable Date, COFCO Finance is an indirect wholly-owned subsidiary of COFCO. It is subject to the supervision of the PBOC and NFRA.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

(a) *Scope of business*

According to its business licence, COFCO Finance is authorised to provide services such as (a) the provision of financial and financing consultation services, credit appraisal and relevant consulting services and agency business services; (b) assisting implementation of payables and receivables of the transaction amounts; (c) handling of deposits, loans and bills acceptance and discounting; (d) conduct settlements and other relevant settlements; and (e) the provision of loans and financing leases. Therefore, COFCO Finance is authorised to provide to the Group all services set out in the 2024 Financial Services Agreement.

(b) *Financial Information*

The table below sets out a summary of the basic financial information of COFCO Finance based on the audited accounts of COFCO Finance prepared in accordance with PRC accounting principles for the three years ended 31 December 2023:

<i>RMB million</i>	For the year ended/As at		
	31 December 2021	31 December 2022	31 December 2023
Operating revenue	308.1	287.6	265.0
Profit before tax	209.9	193.2	284.7
Profit after tax	163.3	153.5	222.1
Net assets	4,376.2	4,530.2	4,763.4

(c) *Regulatory environment*

COFCO Finance is subject to stringent regulations and is regulated by PBOC and NFRA (formerly known as the China Banking and Insurance Regulatory Commission). In particular, it only provides financial services to group members of COFCO in accordance with the Measures for the Administration of Finance Companies of Enterprise Groups (企業集團財務公司管理辦法) (the “**Administrative Measures**”). Pursuant to the Administrative Measures, COFCO Finance is required to submit annual audited financial statements and regularly report its operation status to the NFRA. NFRA’s supervision includes regular examination of the audited financial statements and other relevant materials required to be filed by group finance companies as well as on-site inspections and interviews with the senior management of group finance companies. To ensure compliance with the applicable laws and regulations, NFRA has power to issue corrective and/or disciplinary orders and to impose penalties and/

LETTER FROM INDEPENDENT FINANCIAL ADVISER

or fines on a group finance company. Pursuant to the relevant requirements under the latest version of the Administrative Measures promulgated by the NFRA on 13 October 2022 with effect from 13 November 2022, finance companies of enterprise groups are required to operate in compliance with certain compliance and risk control requirements/measures, including but not limited to maintaining certain regulatory ratios set by NFRA. Therefore, COFCO Finance must comply with certain financial ratio requirements set by NFRA from time to time.

As part of our due diligence, we have obtained and reviewed the risk management internal control review reports of COFCO Finance issued by an external auditor. The below table sets out the key financial ratios of the COFCO Finance as required under the 2021 Financial Services Agreement, and the corresponding requirements set by NFRA (to the extent if applicable) as at 31 December 2021, 2022, 2023 and 30 June 2024 as set out in the review reports, respectively:

Financial ratios	Requirements of NFRA (formerly known as the China Banking and Insurance Regulatory Commission)*	Requirements under 2021 Financial Services Agreement	As at			30 June 2024
			31 December 2021	31 December 2022	31 December 2023	
Capital adequacy ratio	Not less than 10%/(Not less than the percentage prescribed by NFRA from time to time (currently: 10.5%))	Not less than 12%	18.76%	17.89%	19.99%	16.25%
Non-performing asset ratio	Not more than 4%/(N/A)	Not more than 2%	Nil	Nil	N/A	N/A
Bad loan ratio	Not more than 5%/(N/A)	Not more than 3%	Nil	Nil	N/A	N/A
Total amount of investment to net capital ratio	Not more than 70%/(Not more than 70%)	Not more than 70%	2.18%	6.89%	6.83%	62.87%
Self-owned fixed assets to total capital ratio	Not more than 20%/(Not more than 20%)	Not more than 10%	0.06%	0.04%	0.25%	0.22%
Liquidity ratio	N/A/(Not less than 25%)	N/A	N/A	115.72%	47.33%	29.19%
Loan balance to the sum of the deposit balance/paid-in capital	N/A/(Not more than 80%)	N/A	N/A	74.23%	65.04%	74.47%

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Financial ratios	Requirements of NFRA (formerly known as the China Banking and Insurance Regulatory Commission)*	Requirements under 2021 Financial Services Agreement	As at			
			31 December 2021	31 December 2022	31 December 2023	30 June 2024
Total external liabilities/ net capital	N/A/(Not more than 100%)	N/A	N/A	Nil	Nil	Nil
Acceptance of negotiable instruments balance/ total assets	N/A/(Not more than 15%)	N/A	N/A	Nil	Nil	Nil
Acceptance of negotiable instruments balance/ inter-bank deposit	N/A/(Not more than 300%)	N/A	N/A	Nil	Nil	Nil
Acceptance of negotiable instruments balance + transfer/discounting of negotiable instruments selling balance/ net capital	N/A/(Not more than 100%)	N/A	N/A	Nil	Nil	Nil
Acceptance of negotiable instruments margin balance/total deposits	N/A/(Not more than 10%)	N/A	N/A	Nil	Nil	Nil

Note: the then requirements of the China Banking and Insurance Regulatory Commission (currently known as NFRA) at the time of entering into the 2021 Financial Services Agreement/(the new financial ratios requirements prescribed by NFRA which are effective upon 13 November 2022)

As shown in the table above, COFCO Finance complied with the key financial ratio requirements set out in the 2021 Financial Services Agreement as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024, respectively.

With reference to the latest version of the Administrative Measures, we notice that there are additional financial ratios requirements to which a finance company is required to comply. We have obtained and noted from the risk assessment reports of COFCO Finance for FY2022 and FY2023 that, COFCO Finance fulfilled the applicable new regulatory indicators, including but not limited to, the capital adequacy ratio, liquidity ratio, ratio restriction on loan balances and the sum of deposit balance and paid-in capital.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

We have been advised by the management of the Company that, to the best of their knowledge up to the Latest Practicable Date, COFCO Finance has no record of material non-compliance with the relevant laws, rules and regulations in the PRC.

2. Background to and reasons for the 2024 Financial Services Agreement and the Proposed Daily Deposit Cap

As set out in the Letter from the Board, the Board is of the view that there are a number of advantages of utilising the financial services provided by COFCO Finance over similar services provided by other independent commercial banks in the PRC, and that it is in the interests of the Group to use the financial services offered by COFCO Finance under the 2024 Financial Services Agreement.

In order to assess and conclude whether the entering into of the 2024 Financial Services Agreement is in the interest of the Company and the Independent Shareholders as a whole, we have taken into consideration the following factors:

- (i) ***Sound and reliable relationship between the Company and COFCO Finance:*** COFCO Finance has been providing the Deposit Services to members of the Group for more than 10 years since 2014 and a sound and long-term reliable relationship has been established between COFCO Finance and the Group ever since. Having a good working relationship with the Group and its members over the years, COFCO Finance is more familiar with the capital structure, business operations, funding needs and cash flow pattern of the Group as compared to other commercial banks in the PRC.
- (ii) ***Centralised fund management with better fund management efficiency:*** The use of COFCO Finance as a vehicle to manage the funds of the Group would also allow more efficient deployment of funds between members of the Group. By maintaining accounts with COFCO Finance by the Group and leveraging on COFCO Finance as the settlement platform which allow prompt and accurate monitoring and regulation of the application of funds within the Group, fund transmission time can be reduced to expedite the turnaround of funds, and thus strengthen the Company's centralised fund management. In addition, enabling the members of the Group to access a centralised fund pool can provide flexibility to the Group in making timely intra-group transfer from time to time and better utilisation of idle cash balances among the members the Group.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

- (iii) *Favourable commercial terms on non-exclusive basis:* The Deposit Services contemplated under the 2024 Financial Services Agreement are conducted on a non-exclusive basis. The Group is not obliged to engage COFCO Finance for any particular services under the 2024 Financial Services Agreement. Only when the interest rates or the other relevant transaction terms offered by COFCO Finance are equivalent to or more favorable than those offered by the major cooperative commercial banks of the Group, the Group may enter into transactions with COFCO Finance at its discretion. Therefore, the Deposit Services offered by COFCO Finance represent a stable source of deposit services to place its deposits on terms equivalent to or more favourable than those offered by major commercial banks in the PRC.
- (iv) *Better risk control and lowered risk exposure:* As restricted by the Administrative Measures, the customers of COFCO Finance are limited to the group members of COFCO only, which effectively reduces the risks that COFCO Finance may otherwise be exposed to if its customers include other entities unrelated to COFCO. We also noted that COFCO Finance has appointed an external auditor to perform audit on the internal controls, risk management, completeness and impartiality of the operational system and to provide relevant risk management reports on a regular basis. Moreover, COFCO has provided the COFCO Guarantee to the Company in connection with the 2024 Financial Services Agreement which provides additional security and comfort to the Company by reducing the risks which the Group may be exposed to in the event of default of COFCO Finance under the 2024 Financial Services Agreement.

Having considered the reasons for and benefits of the Deposit Services above, we concur with the Directors' view that the provision of the Deposit Services by COFCO Finance under the 2024 Financial Services Agreement is in the ordinary and usual course of the business of the Group and in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Deposit Services

Major terms of the Deposit Services as extracted from the 2024 Financial Services Agreement are as follows:

Date:	28 October 2024
Effective Date and the Term:	The 2024 Financial Services Agreement shall be for a term of three years commencing from 14 December 2024 and expiring on 13 December 2027 and shall become effective upon the approval of the Independent Shareholders at the SGM.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

- Parties:**
- (i) the Company;
 - (ii) Supply Chain (Tianjin) (an indirectly non-wholly owned subsidiary of the Company); and
 - (iii) COFCO Finance

Major terms: Deposit Services

COFCO Finance shall provide the Deposit Services to subsidiaries of the Company. The subsidiaries of the Company will open and maintain demand deposit accounts with COFCO Finance. COFCO Finance will pay interest on deposits made by the subsidiaries of the Company.

The interest rates for the deposits placed by the subsidiaries of the Company with COFCO Finance (the “**COFCO Deposit Interest Rate**”) will be determined according to the standard RMB deposit rates promulgated by PBOC from time to time and will not be lower than the interest rates offered by the major PRC financial institutions to the COFCO Group for the same type of deposits of the same period.

The maximum daily deposit amount (including the corresponding interest accrued thereon) placed by Supply Chain (Tianjin) and the subsidiaries of the Company with COFCO Finance shall not exceed RMB800 million (including the corresponding interest accrued thereon).

Conditions Precedent: The 2024 Financial Services Agreement shall be effective conditional upon:

- (i) compliance with all necessary requirements under the Listing Rules, which include but not limited to obtaining the approval of the Independent Shareholders at the SGM; and
- (ii) obtaining any other relevant approvals as may be required for the 2024 Financial Services Agreement to take effect.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Termination:

Apart from the default events provided by the Civil Code of the PRC (中華人民共和國民法典), the 2024 Financial Services Agreement will be terminated with immediate effect if COFCO Finance fails to satisfy any operational standard set out as follows:

- (i) the capital adequacy ratio shall not be less than 10.5%;
- (ii) the non-performing assets ratio shall not be more than 3%;
- (iii) the bad loan ratio shall not be more than 2%;
- (iv) the self-owned fixed assets to equity ratio shall not be more than 20%; or
- (v) its investment balance to net capital ratio shall not be more than 70%.

Upon termination of the 2024 Financial Services Agreement, Supply Chain (Tianjin) or the subsidiaries of the Company may withdraw their deposits with COFCO Finance and exercise the right of set off.

The deposit interest rates offered by COFCO Finance to members of the Group shall comply with the relevant requirements of the PBOC and be with reference to the standard RMB deposit benchmark interest rates promulgated by the PBOC from time to time (if any) and will not be lower than the deposit interest rates offered by the major cooperative PRC financial institutions of the COFCO Group, i.e. the 10 major PRC commercial banks, namely the Industrial and Commercial Bank of China, China Construction Bank, Bank of China, Agricultural Bank of China, China Merchants Bank, Bank of Communications, Agricultural Development Bank of China, China CITIC Bank, Ping An Bank and Postal Savings Bank of China (the “**Ten Commercial Banks**”), for the deposit services in the same period and of the same type.

As the above pricing policy is stated in the 2024 Financial Services Agreement, the Group should, in principle, choose the deposit services provided by COFCO Finance when the deposit interest rates offered by COFCO Finance are equivalent to or higher than those provided by the Ten Commercial Banks for each of the specific transactions with COFCO Finance under the 2024 Financial Services Agreement. By adopting the pricing policy as stated above, the Company can ensure the deposit interest rates enjoyed by the members of the Group will be equivalent to or better than those interest rates for the same type of deposit services for the same period offered by the Ten Commercial Banks.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

We have obtained and reviewed the 2024 Financial Services Agreement and compared the terms of the provision of deposit services thereunder with those under the 2021 Financial Services Agreement. We noted that the key terms and provisions regarding the Deposit Services contemplated under the 2024 Financial Services Agreement are in general similar to those under the 2021 Financial Services Agreement.

For our due diligence purpose, we have also obtained the list of deposit transactions between members of the Group and COFCO Finance during the term of the 2021 Financial Services Agreement and up to 21 September 2024 and reviewed the historical interest rates offered by COFCO Finance to the Group for the deposits placed by members of the Group to COFCO Finance and compared them with the standard deposit rates promulgated by PBOC and the interest rates offered by the Ten Commercial Banks as disclosed in their websites (to the extent available). As shown in the list of deposits placed by the Group with COFCO Finance, we noted that the interest rates offered by COFCO Finance to the Group were at least equal to or higher than the relevant interest rates offered by the Ten Commercial Banks for the same term of deposits. As such, we consider that the Group and COFCO Finance have complied with the aforesaid pricing policy.

As set out in the Letter from the Board, there is a set-off clause where COFCO Finance applies the funds deposited by Supply Chain (Tianjin) and subsidiaries of the Company in breach of any provisions of the 2024 Financial Services Agreement or in any other inappropriate ways which result in any subsidiaries of the Company failing to recover such deposited funds in full, such subsidiaries of the Company will be entitled to use such deposit funds to set off any payments payable to COFCO Finance by the subsidiaries of the Company. Where the Company and/or its subsidiaries are unable to recover all the losses suffered or incurred as a result of COFCO Finance's breach, the Company and/or its subsidiaries are entitled to rely on the dispute resolution provisions under the 2024 Financial Services Agreement against COFCO Finance. Notwithstanding that the possible amount payable to COFCO Finance by the subsidiaries of the Company is likely to be less substantial than the possible amount of deposits placed by the subsidiaries of the Company, having considered the size of the net assets of COFCO Finance and the additional security under the COFCO Guarantee, we are of the view that such off-set arrangement could provide additional mechanism and level of protection to members of the Group in recovering any potential amount due from COFCO Finance which is in the interests of the Company and the Shareholders as whole.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Having considered the above, in particular that (i) the deposit interest rates offered to the members of the Group by COFCO Finance will be no less favourable than those offered to the Group by Ten Commercial Banks for comparable deposits; and (ii) the Deposit Services contemplated under the 2024 Financial Services Agreement are conducted on a non-exclusive basis and the 2024 Financial Services Agreement will be terminated with immediate effect if COFCO Finance fails to satisfy the operating conditions as set out thereunder, we are of the view that (i) the Deposit Services contemplated under the 2024 Financial Services Agreement are entered into on normal commercial terms and in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Deposit Services contemplated under the 2024 Financial Services Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

4. The Proposed Daily Deposit Cap

As stated in the Letter from the Board, the Proposed Daily Deposit Cap is determined after taking into account (i) the Group had maintained a high level of cash and cash equivalents available to be utilised by subsidiaries of the Group as at 30 June 2024; (ii) the business development plans and the financial needs of the Company and its subsidiaries during the Term; (iii) the historical cash position of the Group and the expected growth of the business operation of the Group; (iv) the control of financial risks in selecting financial services providers; and (v) the benefit to the Group and the Shareholders of the Company as a whole as set out in the paragraph headed “Reasons for and benefit of entering into the 2024 Financial Services Agreement” in the Circular.

In assessing the fairness and reasonableness of the Proposed Daily Deposit Cap, we have taken into account the following factors:

(i) Scale of business operations and size of cash and cash equivalent

We noticed that the Group has achieved continuous growth in business operations in terms of total revenue and profit attributable to owners of the Company throughout the past five years. The revenue and profit attributable to owners of the Company recorded compound annual growth rates (“CAGR”) of approximately 5.7% and 18.8% respectively during the financial years from 2019 to 2023. In line with the growth in scale of business operations, we also noticed the cash and cash equivalent of the Group recorded a strong growth with a CAGR of approximately 28.7% during the financial years from 2019 to 2023, reaching approximately RMB2.3 billion as at 31 December 2023. As at 30 June 2024, the cash and cash equivalent of the Group increased further to approximately RMB3.7 billion, representing a CAGR of approximately 38.9% since the year-end of 2019.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

(ii) Historical deposit amounts and utilisation rate

With respect to the 2021 Financial Services Agreement, the (i) historical maximum daily balance of deposits placed with COFCO Finance by the Group; (ii) the relevant annual caps for the provision of deposit services by COFCO Finance; and (iii) the historical maximum daily utilisation rate during the term thereunder are set out below:

	Maximum historical deposit amount on a daily basis (RMB)	Daily deposit cap under the 2021 Financial Services Agreement (RMB)	Utilisation rate (%)
For the period from 14 December 2021 to 13 December 2022	790 million	800 million	98.75
For the period from 14 December 2022 to 13 December 2023	790 million	800 million	98.75
For the period from 14 December 2023 to 30 September 2024	790 million	800 million	98.75

As set out in the table above, we noted that the annual cap of maximum daily balance of deposits placed with COFCO Finance by the Group was almost fully utilised during the term of the 2021 Financial Services Agreement. It has reached a highest utilisation rate of approximately 98.75% during the period from 14 December 2021 to 30 September 2024. We noticed that the Proposed Daily Deposit Cap remains at RMB800 million, being the same as those under the 2021 Financial Services Agreement. The Proposed Daily Deposit Cap of RMB800 million only represents approximately 21.8% of the cash and bank balances of RMB3,661.6 million of the Group as at 30 June 2024, we are given to understand that the Group also place deposits in other financial institutions beside COFCO Finance and the finance department of the Company will monitor the daily balance of the deposit made by the Group with all financial institutions. As such, we are of the view that setting the Proposed Daily Deposit Cap at a relatively lower level to the cash and bank balance of the Group is a prudent and reasonable approach. Therefore, the Proposed Daily Deposit Cap is set at RMB800 million during the term of the 2024 Financial Services Agreement in order to cater the need of the Group on Deposit Services given the existing substantial scale of cash position while maintaining a prudent treasury and liquidity management of the Group.

Having considered the above and in particular (i) the growth in operational scale and cash position of the Group since the entering into of the 2021 Financial Services Agreement; and (ii) the Proposed Daily Deposit Cap of RMB800 million as compared to the cash position of the Group of approximately RMB3,661.6 million as at 30 June 2024, we consider the Proposed Daily Deposit Cap under the 2024 Financial Services Agreement is fair and reasonable.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

5. Internal control measures and measures to ensure compliance with the Listing Rules

As stated in the Letter from the Board, the Group has adopted certain internal control measures to monitor the Deposit Services offered by COFCO Finance to the Group. We have been advised by the management of the Company that, to the best of their knowledge up to the Latest Practicable Date, COFCO Finance has no record of violating its relevant obligations under the 2021 Financial Services Agreement nor adopted a COFCO Deposit Interest Rate which was lower than the Quoted Deposit Interest Rate. We have obtained and reviewed the relevant internal control policies of the Group and samples of the monthly continuing connected transaction reports and noted that the finance department is responsible for monitoring the transaction amount of the Group's continuing connected transactions and preparation of the monthly report to ensure that the Proposed Daily Deposit Cap will not be exceeded.

The external auditors of the Company will report by issuing a letter to the Board every year on the continuing connected transactions of the Company in relation to the terms and annual caps of the continuing connected transactions (including the Deposit Services contemplated under the 2024 Financial Services Agreement) of the Company conducted during the preceding financial year pursuant to the Listing Rules. We noted from the 2022 Annual Report and 2023 Annual Report that the auditors of the Company confirmed that the continuing connected transactions (i) had been approved by the Board; (ii) had been entered into in accordance with the terms of the relevant agreements governing the transactions; and (iii) the actual transaction amount did not exceed the respective annual caps/daily deposit caps during the two years ended 31 December 2023.

The independent non-executive Directors of the Company will conduct an annual review with respect to the Deposit Services throughout the preceding financial year and confirm the transaction amounts and terms of the continuing connected transactions in the annual report of the Company pursuant to the requirements under the Listing Rules, and to ensure that they are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of the relevant agreements governing the continuing connected transactions. We noted from the 2022 Annual Report and 2023 Annual Report that the independent non-executive Directors of the Company confirmed that the continuing connected transactions were (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

In light of the result of our review and the reporting requirements attached to the Deposit Services, in particular, (i) the Group and COFCO Finance have been compiling with the pricing mechanism on the deposit placed during the term of the 2021 Financial Services Agreement, (ii) the restriction of the value of the Deposit Services by way of the Proposed Daily Deposit Cap; and (iii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms and the Proposed Daily Deposit Cap not being exceeded, we are of the view that appropriate internal control measures are in place to govern the conduct of the Deposit Services and to ensure the Proposed Daily Deposit Cap will not be exceeded.

RECOMMENDATION

Having taken into account the above principal reasons and factors, we consider that the terms of the Deposit Services contemplated under the 2024 Financial Services Agreement (including the Proposed Daily Deposit Cap thereunder) are fair and reasonable so far as the Independent Shareholders are concerned and that the Deposit Services contemplated under the 2024 Financial Services Agreement (including the Proposed Daily Deposit Cap thereunder) are entered into in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to, and also recommend the Independent Shareholders to, vote in favour of the relevant resolution to approve the Deposit Services contemplated under the 2024 Financial Services Agreement (including the Proposed Daily Deposit Cap thereunder).

Yours faithfully
For and on behalf of
DL Securities (HK) Limited
Tommy Cheng
Managing Director
Corporate Finance Division

Mr. Tommy Cheng is a licensed person under the SFO to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and regarded as responsible officer of DL Securities (HK) Limited. Mr. Tommy Cheng has over 13 years of experience in corporate finance industry.

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

As at the Latest Practicable Date and in accordance with the records of the Company maintained in accordance with the SFO and the Listing Rules, none of the Directors has any interests and short positions 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 were deemed or taken to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register of members of the Company, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contracts with the Company or any other member of the Group save for those expiring or determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

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 have since 31 December 2023, being the date to which the latest published audited consolidated accounts of the Group were made up, been 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 were 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' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their associates had interests in a business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading positions of the Group since 31 December 2023 (being the date up to which the latest published audited financial statements of the Company were made up).

7. QUALIFICATION

The following is a qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualifications
DL Securities	a licenced corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, DL Securities was not beneficially interested in the share capital of any member of the Group or did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and did not have any interest, either directly or indirectly, in any assets which, have been, since 31 December 2023 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. CONSENT

DL Securities has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter, report or certificate or summary of its opinion (as the case may be) and references to its name in the form and context in which they appear herein. The letter from DL Securities dated 18 November 2024 is set out on pages 23 to 39 in this circular.

9. DOCUMENTS ON DISPLAY

Copies of the following documents are published on the websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.chinafoodsltd.com) from the date of this circular up to and including the date of the SGM:

- (i) the 2024 Financial Services Agreement;
- (ii) the letter from the Independent Board Committee, the text of which is set out on page 22 of this circular;
- (iii) the letter from DL Securities, the text of which is set out on pages 23 to 39 of this circular; and
- (iv) the written consent from DL Securities referred to in paragraph 8 in this appendix.

In the event of any inconsistencies, the English text of this circular and form of proxy shall prevail over the Chinese text.

NOTICE OF SGM



CHINA FOODS LIMITED 中國食品有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 506)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of China Foods Limited (the “**Company**”) will be held at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 6 December 2024 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

AS ORDINARY RESOLUTION

“**THAT** (1) the 2024 Financial Services Agreement (as defined in the circular of the Company dated 18 November 2024) (the “**Circular**”) entered into by and among the Company, COFCO Coca-Cola Supply Chain (Tianjin) Limited (中糧可口可樂供應鏈(天津)有限公司) and COFCO Finance Corporation Limited (中糧財務有限責任公司) (“**COFCO Finance**”) dated 28 October 2024 (a copy of which has been produced to the SGM and marked “A” and initialled by a Director for the purpose of identification) (details of which are set out in the Circular) relating to the provision of the Deposit Services, the Fund Settlement Services and the Other Financial Services (including but not limited to the Entrustment Loan Services, settlement, sale and purchase of foreign exchange and relevant advisory services) by COFCO Finance to the Company and its subsidiaries (the “**Group**”), and all the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and (2) the proposed maximum daily outstanding balance of deposit (including the corresponding interest accrued thereon) (the “**Proposed Daily Deposit Cap**”) placed by the Group with COFCO Finance in the amount RMB800 million (including the corresponding interest accrued therein) be and are hereby approved and confirmed; and **THAT** 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 2024 Financial Services Agreement and the implementation of all the transactions contemplated thereunder.”

By Order of the Board
China Foods Limited
Qing Lijun
Chairman

Beijing, 18 November 2024

NOTICE OF SGM

Notes:

1. Shareholders are reminded to read carefully details of the 2024 Financial Services Agreement and its Proposed Daily Deposit Cap as set out in the circular to which this notice forms part.
2. For determining the entitlement to attend and vote at the SGM to be held on Friday, 6 December 2024, the register of members of the Company will be closed from Tuesday, 3 December 2024 to Friday, 6 December 2024 (both days inclusive), during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the SGM, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged for registration with Tricor Progressive Limited, the branch share registrar and transfer office of the Company in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, and in any case no later than 4:30 p.m. on Monday, 2 December 2024.
3. Any member of the Company entitled to attend and vote at the SGM 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.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged at Tricor Progressive Limited, the branch share register and transfer office of the Company in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM (or any adjournment thereof).
5. Where there are joint holders of any share of the Company, any one of such holders may vote at the SGM, either in person or by proxy, in respect of such share as if he were solely entitled to vote, but if more than one of such joint holders are present at the SGM 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.
6. Completion and return of the form of proxy will not preclude a member from attending and voting at the SGM (or any adjournment thereof) in person should he so wish. In such event, the form of proxy shall be deemed to be revoked.
7. Pursuant to the bye-law 75 of the bye-laws of the Company, the voting at the SGM will be taken by poll.
8. If a black rainstorm warning signal, or a tropical cyclone warning signal no.8 or above or “extreme conditions” caused by super typhoons is in force at any time between 6:00 a.m. and 10:00 a.m. on the date of the SGM, the SGM will be automatically postponed. The Company will publish an announcement on the Company’s website at www.chinafoodsltd.com and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk to notify members of the date, time and place of the rescheduled meeting.

The SGM will be held as scheduled when an amber or a red rainstorm warning is in force. Shareholders should decide on their own whether they would attend the SGM under bad weather condition bearing in mind their own situations.

9. In this notice, reference to one gender includes all genders and reference to the singular includes the plural and vice versa.

As at the date of this notice, the Board comprises: Mr. Qing Lijun as the chairman of the Board and an executive director; Mr. Shen Xinwen as an executive director; Mr. Cao Gaofeng and Mr. Chen Gang as non-executive directors; and Mr. Li Hung Kwan, Alfred, Mr. Mok Wai Bun, Ben and Ms. Leung Ka Lai, Ada, SBS as independent non-executive directors.