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CHINA FOODS LIMITED 中國食品有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 0506)

PROPOSED SHARE PREMIUM CANCELLATION

The Board intends to put forward a proposal in relation to a share premium cancellation to the shareholders of the Company for approval. Pursuant to the Share Premium Cancellation, it is proposed that the amount of HK\$3,660,432,312.09 standing to the credit of the share premium account of the Company as at 31 December 2007 be cancelled, with the credit arising therefrom being transferred to the contributed surplus account of the Company. As at 31 December 2007, the credit balance in the contributed surplus account amounted to HK\$1,511,409,747.5.

The Share Premium Cancellation is subject to the satisfaction of certain conditions.

A circular containing, among other things, details of the proposed Share Premium Cancellation together with a notice to convene the AGM to approve, among other things, the Share Premium Cancellation will be dispatched to the shareholders of the Company as soon as practicable.

SHARE PREMIUM CANCELLATION

Background

The Board intends to put forward a proposal in relation to a share premium cancellation to the shareholders of the Company for approval pursuant to Section 46 of the Companies Act. As at 31 December 2007, based on the audited financial statements of the Company, the amount standing to the credit of the share premium

account of the Company was HK\$3,660,432,312.09. Pursuant to the Share Premium Cancellation, it is proposed that the amount of HK\$3,660,432,312.09 the credit of the share premium account of the Company as at 31 December 2007 be cancelled, with the credit arising therefrom being transferred to the contributed surplus account of the Company. As at 31 December 2007, the credit balance in the contributed surplus account amounted to HK\$1,511,409,747.5.

Effect of the Share Premium Cancellation

Other than the expenses to be incurred in relation to the Share Premium Cancellation, the Board considers that the implementation of the Share Premium Cancellation will not, in itself, affect the underlying assets, business operations, management or financial position of the Company or the interests of the Company and its shareholders as a whole.

Reasons for the Share Premium Cancellation

The Board considers that the Share Premium Cancellation will give the Company more flexibility to make a distribution out of its contributed surplus account to its shareholders when the Board considers appropriate. Currently, the Board has no intention to make any distribution out of its contributed surplus account to its shareholders. The Board believes that the Share Premium Cancellation is beneficial to the Company and its shareholders as a whole.

Conditions of the Share Premium Cancellation

The Share Premium Cancellation is conditional on:

- (a) the passing by the shareholders of the Company of a special resolution to approve the Share Premium Cancellation at the AGM; and
- (b) compliance with the requirements of section 46(2) of the Companies Act, including (i) publication of a notice in relation to the Share Premium Cancellation in an appointed newspaper in Bermuda on a date not more than 30 days and not less than 15 days before the date on which the Share Premium Cancellation is to have effect; and (ii) the Board being satisfied that on the date the Share Premium Reduction is to be effected, there are no reasonable grounds for believing that the Company is, or after the Share Premium Cancellation would be, unable to pay its liabilities as they become due.

Subject to the above conditions being fulfilled, it is expected that the Share Premium Cancellation will become effective on the date when the special resolution in respect of the approval of the Share Premium Cancellation is passed.

GENERAL

A circular containing, among other things, details of the proposed Share Premium Cancellation together with a notice to convene the AGM to approve, among other things, the Share Premium Cancellation will be dispatched to the shareholders of the Company as soon as practicable.

DEFINITIONS

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

“Board”	the board of directors of the Company
“Companies Act”	the Companies Act 1981 of Bermuda (as amended)
“Company”	China Foods Limited, a limited liability company incorporated in Bermuda, the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“AGM”	the annual general meeting of the Company to be held on 19 May 2008
“Share Premium Cancellation”	the proposed cancellation of an amount of HK\$3,660,432,312.09 standing to the credit of the share premium account of the Company as at 31 December 2007, with the credit arising therefrom being transferred to the contributed surplus account of the Company

By Order of the Board
China Foods Limited
Qu Zhe
Managing Director

Dongguan, 17 April 2008

As at the date of this announcement, our executive directors are Mr. Ning Gaoning, Mr. Qu Zhe, Mr. Mak Chi Wing, William, Ms. Luan Xiuju and Mr. Zhang Zhentao, our non-executive directors are Mr. Ma Jianping and Ms. Wu Wenting, and our independent non-executive directors are Messrs. Stephen Edward Clark, Tan Man Kou and Yuen Tin Fan, Francis.