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

CONTINUING CONNECTED TRANSACTIONS FINANCIAL SERVICES AGREEMENT

Financial Services Agreement

The Board announces that on 5 September 2014, the Company and COFCO Finance entered into the Financial Services Agreement, pursuant to which COFCO Finance will provide to the Group (i) depository services, and (ii) fund transfer services. Under the Financial Services Agreement, the daily cap for the depository services (including the corresponding interests accrued thereon) for the year ending 31 December 2014 is HKD300,000,000, and the annual cap for the handling fees arising from the fund transfer services for the year ending 31 December 2014 is RMB10,000.

Listing Rules Implications

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 the Listing Rules. The transactions contemplated under the Financial Services Agreement constitute continuing connected transactions of the Company under the Listing Rules. As each of the applicable percentage ratios in respect of the maximum daily deposit amount under the Financial Services Agreement is more than 0.1% but less than 5%, the depository services under the Financial Services Agreement are subject to the announcement and annual review requirements, but are exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

FINANCIAL SERVICES AGREEMENT

Date

5 September 2014

Parties

- (i) The Company; and
- (ii) COFCO Finance

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 under the Listing Rules.

Effective Date and Term

The Financial Services Agreement shall be effective from the date of the signing of the Financial Services Agreement by the parties and the fulfilment of all necessary approval and announcement requirements under the relevant laws, regulations and the Listing Rules (i.e. 5 September 2014) and expiring on 31 December 2014. The Financial Services Agreement may be renewed before its expiry subject to full compliance by the Company with all the applicable laws and regulations including the Listing Rules.

Principal Terms

Depository Services

Pursuant to the Financial Services Agreement, COFCO Finance shall provide foreign currency depository services to the Group. The Group will open and maintain foreign currency deposit accounts with COFCO Finance.

The interest rates for the Group's deposits with COFCO Finance will be determined in accordance with the standard deposit rates promulgated by PBOC from time to time. The interest rates on the depository services to be offered by COFCO Finance to the Group will not be lower than the standard deposit rates promulgated by PBOC for same type of deposits of the same period and will not be lower than the interest rates offered by major PRC commercial banks for same type of deposits of the same period.

The depository services that will be provided by COFCO Finance to the Group under the Financial Services Agreement are solely for the purpose of facilitating of the fund transfer between members of the Group as detailed in the paragraph headed "Fund Transfer Services" below.

Pursuant to the Financial Services Agreement, the depository services provided by COFCO Finance under the Financial Services Agreement will be provided on a free-of-charge basis.

Pursuant to the Financial Services Agreement, the maximum daily deposit amount placed by the Group with COFCO Finance shall not exceed HKD300,000,000 during the term of the Financial Services Agreement.

Fund Transfer Services

Pursuant to the Financial Services Agreement, COFCO Finance shall provide fund transfer services to the Group in accordance with the instructions given by the Group.

The Group will not maintain any deposit balance with the accounts in COFCO Finance at the end of each business day, and all such deposit balance of the members of the Group will be deposited into the accounts opened by the Group with one or more PRC commercial banks on a daily basis.

Pursuant to the Financial Services Agreement, COFCO Finance will charge handling fees for the fund transfer services. The terms for such handling fees will be equal to or more favourable than those offered by other PRC financial institutions to the Group for similar type of services.

Non-exclusive services

Pursuant to the Financial Services Agreement, the Group may obtain financial services from other financial institutions in addition to those provided by COFCO Finance pursuant to the Financial Services Agreement.

Termination

Apart from the default events provided by the Contract Laws of the PRC, the Financial Services Agreement shall be terminated with immediate effect if COFCO Finance fails to satisfy any operation condition as follows:

- (i) the capital adequacy ratio is not less than 12%;
- (ii) the non-performing assets ratio is not more than 2%;
- (iii) the bad loan ratio is not more than 3%;
- (iv) the self-owned fixed assets to equity ratio is not more than 10%;
- (v) short term securities investment to total capital ratio is not more than 40%; or
- (vi) long term investment to total capital ratio is not more than 30%.

Upon termination of the Financial Services Agreement, the Group may withdraw its deposits with COFCO Finance at any time.

RELEVANT CAPS AND RATIONALE

The daily cap on the deposit amount (including the corresponding interests accrued thereon) placed by the Group with COFCO Finance pursuant to the Financial Services Agreement is as follow:

**Daily cap
for the year ending
31 December 2014
(HKD million)**

Maximum daily deposit amount (including the corresponding interests accrued thereon) placed by the Group with COFCO Finance	300
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The Group has not placed any deposits with COFCO Finance since March 2005. In setting the above cap for the year ending 31 December 2014, the Company has taken into account of the funding requirements of the members of the Group.

It is expected that the handling fees payable by the Group to COFCO Finance in connection with the fund transfer services shall not exceed RMB10,000 during the term of the Financial Services Agreement.

REASONS FOR ENTERING INTO THE FINANCIAL SERVICES AGREEMENT

COFCO Finance is a non-banking financial institution which is subject to the regulations of PBOC and CBRC, and is authorised to provide a variety of financial services including depository and fund transfer services to members of COFCO including the Group.

The main reasons for the Company to enter into the Financial Services Agreement, and the benefits of the transactions contemplated thereunder, are as follows:

- (i) the financial services provided to the Group by COFCO Finance under the Financial Services Agreement are free of charge (save for the limited handling fees arising from the fund transfer services);
- (ii) the interest rates on the depository services offered by COFCO Finance to the Group will be equal to or more favourable than those offered to the Group by major PRC banks for same type of deposits of the same period;
- (iii) COFCO Finance is regulated by PBOC and CBRC, and it provides its services in accordance with and in satisfaction of the rules and operational requirements of these regulatory authorities; and
- (iv) 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.

LISTING RULES IMPLICATIONS

Depository Services

The depository services under the Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios in respect of the maximum daily deposit amount under the Financial Services Agreement is more than 0.1% but less than 5%, the depository services under the Financial Services Agreement are subject to the announcement and annual review requirements, but exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Fund Transfer Services

As each of the applicable percentage ratios in respect of the annual cap of the handling fees in connection with the fund transfer services is less than 0.1%, the fund transfer services are exempted from the announcement, annual review and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) believe that the Financial Services Agreement was entered into on normal commercial terms which are fair and reasonable and in the interests of the shareholders of the Company as a whole, and that the daily cap for the depository services and annual cap for the handling fees mentioned above are fair and reasonable. None of the Directors has a material interest in the transactions contemplated under the Financial Services Agreement. However, for good corporate governance, all executive Directors and non-executive Directors who are related to COFCO had abstained from voting for approving the Financial Services Agreement, and only the independent non-executive Directors participated in the voting process for approving the Financial Services Agreement.

INFORMATION ON THE PARTIES

The Company is an investment holding company. Through its subsidiaries and associated companies, it is principally engaged in wine, beverage, consumer-pack edible oil and other consumer food products and confectionery businesses.

COFCO Finance is a non-banking financial institution and a subsidiary of COFCO established in the PRC on 24 September 2002 with approval of PBOC. It is subject to the supervision of CBRC. According to its business licence, it is authorised to provide to the Group all services set out in the Financial Services Agreement.

DEFINITIONS

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

“Board”	the board of Directors
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“COFCO”	COFCO Corporation (中糧集團有限公司), a wholly state-owned company established in the PRC 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
“COFCO Finance”	COFCO Finance Corporation Limited (中糧財務有限責任公司), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of COFCO
“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
“Director(s)”	the director(s) of the Company
“Financial Services Agreement”	the financial services agreement dated 5 September 2014 entered into between COFCO Finance and the Company in relation to the financial services to be provided by COFCO Finance to members of the Group
“Group”	the Company and its subsidiaries from time to time
“HKD”	Hong Kong Dollar, the lawfully currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board
China Foods Limited
 Jiang Guojin
Managing Director

Beijing, 5 September 2014

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

As at the date of this announcement, the Board comprises: Mr. Yu Xubo as the chairman of the Board and a non-executive Director; Mr. Jiang Guojin, Ms. Wu Wenting and Mr. Lu Xiaohui as executive Directors; Mr. Ning Gaoning, Ms. Liu Ding, Mr. Chi Jingtao and Mr. Ma Jianping as non-executive Directors; and Messrs. Stephen Edward Clark, Paul Kenneth Etchells, Li Hung Kwan, Alfred and Yuen Tin Fan, Francis as independent non-executive Directors.