

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

CONTINUING CONNECTED TRANSACTIONS 2015 FINANCIAL SERVICES AGREEMENT

2015 Financial Services Agreement

Reference is made to the 2014 Announcement and 2015 Announcement of the Company in relation to the continuing connected transactions contemplated under the 2014 Financial Services Agreement and the Existing Financial Services Agreement entered into between the Group and COFCO Finance.

As the Existing Financial Services Agreement will expire on 31 December 2015, in consideration of the business development plans and financial needs of the Group, and in order to provide a more efficient employment of funds with the Group, to reduce the external loans of the Group effectively and to better facilitate intra-Group settlement services, the Company, Sales & Distribution Company and COFCO Finance entered into the 2015 Financial Services Agreement on 11 December, 2015.

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 2015 Financial Services Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As certain applicable percentage ratios of the depository services are more than 0.1% but all below 5%, the depository services is subject to the reporting, announcement and annual review requirements, but is exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

2015 FINANCIAL SERVICES AGREEMENT

Background

Reference is made to the 2014 Announcement and 2015 Announcement of the Company in relation to the continuing connected transactions contemplated under the 2014 Financial Services Agreement and the Existing Financial Services Agreement entered into between the Group and COFCO Finance. As the Existing Financial Services Agreement will be expired on 31 December 2015, in consideration of the business development plans and financial needs of the Group, and in order to provide a more efficient employment of funds with the Group, to reduce the external loans of the Group effectively and to better facilitate intra-Group settlement services, the Company, Sales & Distribution Company and COFCO Finance entered into the 2015 Financial Services Agreement on 11 December, 2015.

The principal terms of the 2015 Financial Services Agreement are as follows:

Depository Services

Pursuant to the 2015 Financial Services Agreement, COFCO Finance shall provide RMB and foreign currency depository services to the Company and its subsidiaries and Sales & Distribution Company. The Company and its subsidiaries and Sales & Distribution Company will open and maintain RMB and foreign currency deposit accounts with COFCO Finance. COFCO Finance will pay interest on deposits in accordance with the relevant provisions of PBOC.

The depository services that will be provided by COFCO Finance to the Company and its subsidiaries and Sales & Distribution Company under the 2015 Financial Services Agreement are solely for the purpose of facilitating of fund transfers and entrustment loans among the members of the Group as disclosed below. Pursuant to the 2015 Financial Services Agreement, the title of the funds in respect of the entrustment loans will rest with the Group and will not pass to COFCO Finance.

Pursuant to the 2015 Financial Services Agreement, the maximum daily deposit amount placed by the Group with COFCO Finance shall not exceed RMB400,000,000 (or its equivalent in any other currency) during the term of the 2015 Financial Services Agreement.

Fund Transfer Services

Pursuant to the 2015 Financial Services Agreement, COFCO Finance shall provide fund transfer services to the Group in accordance with the instructions given by the Group.

Entrustment Loan Services

(i) Source of Funds of the Entrustment Loans

Pursuant to the 2015 Financial Services Agreement, funds source from certain subsidiaries of the Company will be advanced to Sales & Distribution Company through entrustment loan arrangements, and COFCO Finance will serve as a financial agent. After such entrustment loans advanced to Sales & Distribution Company, which will act as a lender will, by way of entering into further entrustment loan arrangements with qualified financial institutes (including COFCO Finance) in the PRC, advance such fund to certain subsidiaries of the Company which in need of funds.

As COFCO Finance is acting as a financial agent in the entrustment loan arrangement(s) and does not enjoy title of the entrustment loan advanced through it, COFCO Finance does not have legal rights to advance such entrustment loan directly to the Group's subsidiaries without obtaining the Group's instructions in advance.

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

By way of centralising funds from subsidiaries of the Company through entrustment loan arrangements, Sales & Distribution Company 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.

(ii) Interest Rate and implementation

Interest will be payable by subsidiaries of the Company as borrowers to the other subsidiaries of the Company as lenders through COFCO Finance. The parties will, where appropriate, enter into separate implementation agreements setting out the interest payable for each entrustment loan. The interest rate will be determined by reference to the interest rates of PBOC and the prevailing market conditions.

(iii) Purpose of the loans

The loans advanced to Sales & Distribution Company as part of the integrated management of the Group's funds, will result in an effective utilisation of funds, reduce costs, and optimisation the Group's capital structure. Through entrustment loan arrangements, the Group's available funds can be better utilised by those subsidiaries of

the Company which are most in need of funds. The management of the Company is of the view that the centralisation of its intra-group depository and financing functions will enhance its treasury management capabilities, reduce unding from external sources, and result in lower finance charges of the Group.

Other Financial Services

COFCO Finance will provide the Other Financial Services to the Group in accordance with the permitted scope prescribed under the PRC financial policies and the Management Methods for Group Finance Company (企業集團財務公司管理辦法) pursuant to the 2015 Financial Services Agreement.

Charges

The depository services provided by COFCO Finance under the 2015 Financial Services Agreement will be provided on a free-of-charge basis. COFCO Finance will charge handling fees for the fund transfer services, entrustment loan services and the Other Financial Services. The terms for such handling fees will be more favourable than those offered by other PRC financial institutions to the Group for similar type of services.

Term of the 2015 Financial Services Agreement

The 2015 Financial Services Agreement shall be conditional upon the full compliance by the Company of all requirements under the Listing Rules for the 2015 Financial Services Agreement, including but not limited to the reporting and announcement requirements.

The term of the 2015 Financial Services Agreement shall be commencing from 1 January 2016 to 31 December 2018. The 2015 Financial Services Agreement may be renewed upon its expiry subject to full compliance by the Company with all the applicable laws, regulations and the Listing Rules.

Set off

Where COFCO Finance applies the funds deposited with it by Sales & Distribution Company and subsidiaries of the Company in breach of any provisions of the 2015 Financial Services Agreement or in any other inappropriate ways which results in Sales & Distribution Company and/or subsidiaries of the Company the failing to recover such deposit funds in full, Sales & Distribution Company and subsidiaries of the Company will be entitled to use such deposit funds to set off any payments payable to COFCO Finance by Sales & Distribution Company or the subsidiaries of the Company, respectively. COFCO Finance will not be entitled to such set off rights.

Notification of breach

During the term of the 2015 Financial Services Agreement, if COFCO Finance breaches or intends to breach any laws, regulations or any provisions of the 2015 Financial Services

Agreement, it is required to notify Sales & Distribution Company, the Company and the subsidiaries of the Company of such situation within three days from its acknowledgement of the breach or intended breach.

Termination

Apart from the default events provided by the Contract Laws of the PRC, the 2015 Financial Services Agreement shall be terminated with immediate effect if COFCO Finance fails to satisfy any operational condition as follows:

- (i) its capital adequacy ratio is not less than 12%;
- (ii) its non-performing assets ratio is not more than 2%;
- (iii) its bad loan ratio is not more than 3%;
- (iv) its self-owned fixed assets to equity ratio is not more than 10%; or
- (v) its investment balance to net capital ratio is not more than 70%.

Implementation agreements

Sales & Distribution Company, COFCO Finance and subsidiaries of the Company may, from time to time and as necessary, enter into separate implementation agreements to supplement the 2015 Financial Services Agreement. Any such implementation agreement will be entered into in accordance with the terms specified in the 2015 Financial Services Agreement and the annual caps as determined by the Board.

Reasons for entering into the 2015 Financial Services Agreement

PRC laws do not permit companies, including subsidiaries and associates 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 subject to regulations by the PBOC and CBRC, and 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 transactions under the 2015 Financial Services Agreement (collectively the “Arrangements”) are as follows:

- (i) COFCO Finance has well established operating networks with eight major domestic 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 and China CITIC Bank 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;

- (iii) COFCO Finance was established in 2002. During the past thirteen 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 Group, including the Sales & Distribution Company, 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 save financial costs, thereby increasing the profitability of the Group and benefitting the shareholders of the Company, including the minority shareholders of the Company;
- (vii) the Arrangements will allow a prompt and accurate monitoring and regulation of the application of funds of the Group including Sales & Distribution Company; and
- (viii) the Arrangements will promote liquidity among the Group, including Sales & Distribution Company, enhance the overall ability of the Group to repay debts, and assist in monitoring and controlling financial risks.

Risk Management

In order to safeguard the interests of the shareholders of the Company, the Group will adopt the following guidelines and principles in monitoring the Arrangements:

- (1) the title of the funds in respect of the entrustment loans pursuant to the 2015 Financial Services Agreement will not be passed to COFCO Finance;
- (2) funds received by Sales & Distribution Company pursuant to the 2015 Financial Services Agreement are only to be applied for intra-Group use;
- (3) specifically designated personnel from Sales & Distribution Company 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;
- (4) the finance department of the Company will report to the independent non-executive

Directors of the Company twice a year in relation to the Arrangements;

- (5) under the relevant rules of the PBOC and CBRC, the clients of COFCO Finance are restricted to COFCO and COFCO's subsidiaries (including the Company and the subsidiaries of the Company). COFCO Finance is hence exposed to a lower level of potential risk than, if clients included, external entities;
- (6) the arrangement between the Group and COFCO Finance under the 2015 Financial Services Agreement is non-exclusive, and the Group has its own discretion in selecting providers of financial services;
- (7) the audit and supervision department of the Company 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;
- (8) where COFCO Finance applies the funds deposited with it by Sales & Distribution Company and the subsidiaries of the Company in breach of any provisions of the 2015 Financial Services Agreement or in any other inappropriate ways which results in Sales & Distribution Company and/or the subsidiaries of the Company failing to recover such deposit funds, Sales & Distribution Company 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 Sales & Distribution or the subsidiaries of the Company. COFCO Finance will not be entitled to such set off rights;
- (9) in addition to the default events provided by the Contract Laws of the PRC, the 2015 Financial Services Agreement will be terminated with immediate effect if COFCO Finance fails to satisfy any operation condition as follows:
 - (i) its capital adequacy ratio is not less than 12% (whereas CBRC requires such ratio shall not be less than 10%);
 - (ii) its non-performing assets ratio is not more than 2% (whereas CBRC requires such ratio shall not be more than 4%);
 - (iii) its bad loan ratio is not more than 3% (whereas CBRC requires such ratio shall not be more than 5%);
 - (iv) its self-owned fixed assets to equity ratio is not more than 10% (whereas CBRC requires such ratio shall not be more than 20%); or
 - (v) its investment balance to net capital ratio is not more than 70% (whereas CBRC requires such ratio shall not be more than 70%); and
- (10) the external auditors of the Company will review the transactions contemplated under the 2015 Financial Services Agreement and report its findings to the audit committee and the

independent non-executive Directors on an annual basis.

Guarantee letters from COFCO

On 11 December 2015, COFCO issued guarantee letter to the PRC subsidiaries of the Company (including Sales & Distribution Company) to guarantee unconditionally and irrevocably that, during the term of the 2015 Financial Services Agreement and upon renewal of the 2015 Financial Services Agreement, COFCO will:

- maintain its ultimate control of COFCO Finance, and guarantee the proper and orderly operation of COFCO Finance;
- 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 2015 Financial Services Agreement; and
- bear all the losses incurred due to the failure in performing the obligations under the 2015 Financial Services Agreement by COFCO Finance, including but not limited to, the deposit amount, interest and the relevant expenses incurred, within ten Business Days after such failure occurs.

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.

Relevant Caps and Rationale

Historical transaction value

The maximum daily deposit amount (including the corresponding interest accrued thereon) placed by the Group with COFCO Finance for the period from 5 September 2014 to 31 December 2014 and the period from 1 January 2015 to 31 October 2015 are as follows:-

Transaction	Historical transaction value for the period from 5 September 2014 to 31 December 2014	Historical transaction value for the period from 1 January 2015 to 31 October 2015
	<i>(HKD million or its equivalent in any other currency)</i>	
Maximum daily deposit amount (including the corresponding interest accrued thereon) placed by the Group with COFCO Finance	267	253

Daily caps for the 2014 Finance Services Agreement and the Existing Financial Services Agreement

The daily caps on the deposits amount (including the corresponding interest accrued thereon) placed by the Group with COFCO Finance under the 2014 Financial Services Agreement for the year ended 31 December 2014 and the Existing Services Agreement for the financial year ending 31 December 2015 are as follows:

Transaction	Daily cap for the year ended 31 December 2014	Daily cap for the year ending 31 December 2015
	<i>(HKD million or its equivalent in any other currency)</i>	
Maximum daily deposit amount (including the corresponding interest accrued thereon) placed by the Group with COFCO Finance	300	300

Daily caps for the 2015 Financial Services Agreement and the basis thereof

The daily caps on the deposit amount (including the corresponding interest accrued thereon) placed by the Group with COFCO Finance pursuant to the 2015 Financial Services Agreement are as follows:

Transaction	Daily cap for the year ending 31 December		
	2016	2017	2018
	<i>(RMB million or its equivalent in any other currency)</i>		
Maximum daily deposit amount (including the corresponding interest accrued thereon) placed by the Group with COFCO Finance	400	400	400

In setting the above caps for the year ending 31 December 2016, 2017 and 2018, the Company has taken into account of the following factors:

- (i) the treasury management of the Company after taking into account of the business development plans and the financial needs of the Group;
- (ii) the control of financial risks in selecting financial services providers; and
- (iii) the benefit to the Group and the shareholders of the Company as a whole.

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 2015 Financial Services Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As certain applicable percentage ratios of the depository services are more than 0.1% but all below 5%, the depository services is subject to the reporting, announcement and annual review requirements, but is exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

Directors' Views

The Directors (including the independent non-executive Directors) believe that the 2015 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 mentioned above is fair and reasonable. The Arrangements are carried out in the ordinary and usual course of business of the Group. None of the Directors has a material interest in the transactions contemplated under the 2015 Financial Services Agreement. However, for good corporate governance, all executive Directors (Mr. Jiang Guojin and Ms. Wu Wenting) and non-executive Directors (Mr. Ma Jianping, Mr. Ning Gaoning, Mr. Yu Xubo, Ms. Liu Ding, and Mr. Wang Zhiying) who are related to COFCO have abstained from attending and voting at the Board meeting in connection with approving the 2015 Financial Services Agreement, and only the independent non-executive Directors participated in the voting process of the Board in connection with the 2015 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.

Sales & Distribution Company is a limited liability company incorporated in the PRC. It is an indirect wholly-owned subsidiary of the Company, and is mainly engaged in the sales and distribution of consumer-pack edible oil and other consumer food products in the PRC.

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 2015 Financial Services Agreement.

DEFINITIONS

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

“2014 Announcement”	the announcement of the Company issued on 5 September 2014 concerning the continuing connected transactions of the Company in relation to the 2014 Financial Services Agreement
“2014 Financial Services Agreement”	the financial services agreement in relation to depository services and fund transfer services entered into between the Company and COFCO Finance on 5 September 2014
“2015 Announcement”	the announcement of the Company issued on 29 January 2015 concerning the continuing connected transactions of the Company in relation to the Existing Financial Services Agreement
“2015 Financial Services Agreement”	the financial services agreement in relation to depository services, fund transfer services, entrustment loan services and the Other Financial Services entered into between the Company and COFCO Finance on 11 December, 2015
“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
“Existing Financial Services Agreement”	the financial services agreement in relation to depository services and fund transfer services entered into between the Company and COFCO Finance on 29 January 2015
“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
“Other Financial Services ”	other financial services to be provided by COFCO Finance to Sales & Distribution Company pursuant the 2015 Financial Services Agreement apart from depository, entrustment loan, fund transfer, such as 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
“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
“Sales & Distribution Company”	COFCO Foods Sales & Distribution Co., Ltd. (中糧食品營銷有限公司), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Beijing, 11 December 2015

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. Ma Jianping as the chairman of the Board and a non-executive Director; Mr. Jiang Guojin and Ms. Wu Wenting as executive Directors; Mr. Ning Gaoning, Mr. Yu Xubo, Ms. Liu Ding and Mr. Wang Zhiying 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.