Chinese Olympic Committee Official Partner
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CHINA FOODS LIMITED
中國食品有限公司

(Incorporated in Bermuda with limited liability)
(**Stock Code: 506**)

INSIDE INFORMATION

This announcement is made by China Foods Limited (the **"Company"**, together with its subsidiaries, the **"Group"**) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **"Listing Rules"**) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcement and the circular of the Company dated 31 December 2015 and 19 April 2016 (the "**Circular**"), respectively, whereby the board of directors (the "**Board**") of the Company announced that on 31 December 2015, the Company entered into an equity transfer and debt assignment agreement with Top Properties Limited, pursuant to which the Company would transfer its 100% equity interests in Prized Developments Limited together with the shareholders' loans to Top Properties Limited (the "**Transaction**"). The Transaction involved the disposal of the production arm for the Company's confectionery business and was completed on 31 May 2016.

The Board wishes to inform the shareholders of the Company (the "**Shareholders**") and potential investors that the Company made a provision of approximately HK$100 million (the "**Proposed Provision**") in its accounts in December 2016 mainly due to the potential payment of compensation to certain distributors of the Company's confectionery business as a result of negotiations between the Company and such distributors since September 2016. A relatively minor part of the Proposed Provision was due to an estimated increase in the amount of compensation and other payments to be made to the staff servicing the Company's confectionery business as a result of the Transaction.

The Proposed Provision will be reflected in the financial results of the Group for the year ended 31 December 2016. As disclosed in the interim results announcement of the Company dated 23 August 2016, the Company recorded a one-off income from the Transaction of approximately HK$523 million (before tax) and a consolidated net profit attributable to the owners of the parent of approximately HK$617 million for the six months ended 30 June 2016. Based on a preliminary review of the currently available financial information and the unaudited consolidated management accounts of the Group, the annual results of the Group for the year ended 31 December 2016 are expected to record a consolidated net profit attributable to the owners of the parent in an amount between HK$450 million and HK$520 million compared to a consolidated net profit attributable to the owners of the parent of approximately HK$79 million for the year ended 31 December 2015. The expected increase in the consolidated net profit attributable to the owners of the parent is mainly driven by the one-off income from the Transaction and the disposal of certain assets of the winery business of the Company completed in 2016 but partially offset by the Proposed Provision.

The Company is in the process of finalising the financial results of the Group for the year ended 31 December 2016. The information contained in this announcement is only a preliminary assessment by the management of the Company based on the unaudited consolidated management accounts of the Group for the year ended 31 December 2016 and is not based on any figures or information which have been audited or reviewed by the auditors of the Company. Details on the financial information of the Group for the year ended 31 December 2016 to be disclosed in the annual results announcement (which is expected to be published by the end of March 2017) of the Company shall prevail.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Beijing, 6 February 2017

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, Ms. Luan Xiuju, Mr. Wu Fei and Mr. Zhou Chenguang as executive Directors; Mr. Qin Yelong and Ms. Xiao 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.