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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 TRANSACTION –
FRAMEWORK AGREEMENT
AND
ANNUAL CAPS FOR 2018 AND 2019**

FRAMEWORK AGREEMENT

The Board announces that CCBL (a 65%-owned subsidiary of the Company), entered into the Framework Agreement with CCBMHL, a connected person of the Company, on 13 November 2018, for a term of two years from 1 January 2018 to 31 December 2019. Pursuant to the Framework Agreement, relevant members of the CCBL Group shall provide processing services to the relevant members of the CCBMHL Group based on the business needs of the relevant members of the CCBMHL Group.

The annual caps with respect to the transactions contemplated under the Framework Agreement for the financial year ending 31 December 2018 and 31 December 2019 are RMB160,000,000 and RMB200,000,000, respectively.

IMPLICATIONS UNDER THE LISTING RULES

Coca-Cola (Asia) holds a 35% interest in CCBL, in which the Company holds the remaining 65% interest. As a result, as at the date of this announcement, The Coca-Cola Company as the ultimate holding company of Coca-Cola (Asia), and its associate, CCBMHL, are connected persons of the Company at the subsidiary level under the Listing Rules. Accordingly, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As (a) CCBMHL is a connected person of the Company at the subsidiary level under the Listing Rules; (b) one or more of the applicable percentage ratios of the annual caps in respect of the processing services provided by the CCBL Group to the CCBMHL Group under the Framework Agreement are on an annual basis more than 1%; (c) the Framework Agreement has been approved by the Board; and (d) the Directors (including the independent non-executive Directors) are of the view that the Framework Agreement was entered into in the ordinary and usual course of business of the Group and the terms of the Framework Agreement are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole, therefore the continuing connected transactions contemplated under the Framework Agreement is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but are exempt from the independent shareholders' approval requirement pursuant to Rule 14A.101 of the Listing Rules.

1. INTRODUCTION

The Board announces that CCBL (a 65%-owned subsidiary of the Company), entered into the Framework Agreement with CCBMHL, a connected person of the Company, on 13 November 2018, for a term of two years from 1 January 2018 to 31 December 2019. Pursuant to the Framework Agreement, relevant members of the CCBL Group shall provide processing services to the relevant members of the CCBMHL Group based on the business needs of the relevant members of the CCBMHL Group.

2. PRINCIPAL TERMS OF THE FRAMEWORK AGREEMENT

The principal terms of the Framework Agreement are set out below:

Date

13 November 2018

Parties

- (a) CCBL; and
- (b) CCBMHL.

Term

Two years from 1 January 2018 to 31 December 2019, renewable by entering into a new agreement or a supplemental agreement to the Framework Agreement before the expiry date of the Framework Agreement subject to compliance by the Company with the relevant requirements under the applicable laws and the Listing Rules.

Nature of Transaction

Pursuant to the Framework Agreement:

- (a) certain members of the CCBL Group shall provide necessary processing services for the production of still beverages of certain members of the CCBMHL Group and the relevant members of the CCBMHL Group shall pay to the relevant members of the CCBL Group services fees for the above mentioned processing services.
- (b) relevant members of the CCBL Group shall put in place corresponding auxiliary facilities to the production, including existing facilities and any other new facilities that are needed for the processing services. A detailed list of production facilities that required for the processing services will be set out in specific contract(s) or agreement(s) to be entered into between the relevant members of the CCBL Group and the relevant members of the CCBMHL Group for the processing services.
- (c) the relevant members of the CCBL Group and the relevant members of the CCBMHL Group shall enter into separate agreements for the relevant matters to determine the detailed transaction terms. Such specific agreements shall be in line with the principles and terms of the Framework Agreement and compliant with the requirements of the Listing Rules.

Pricing Principle and Method of Payment

Pursuant to the Framework Agreement, the processing services required by the relevant members of the CCBMHL Group shall be conducted fairly in line with the market practice and such terms offered to the relevant members of the CCBL Group shall not be less favorable than those offered to any independent third parties by the relevant members of the CCBMHL Group.

The service fees for the processing services provided by the relevant members of the CCBL Group to the relevant members of the CCBMHL Group is calculated based on (a) the production facilities input for the processing services, and (b) expenses incurred for the processing services.

Fees based on the production facilities input for the processing services

This shall be an amount equivalent to the depreciation of the relevant existing production facilities as well as new production facilities that are necessary to carry out the processing services and also an amount equivalent to a certain ratio of return on the net book value of the new production facilities. The exact ratio shall be mutually agreed in the specific agreement to be entered into between the relevant parties, which shall be no less than 6%.

With the consent of relevant member of the CCBMHL Group and the relevant members of the CCBL Group, the processing fee may also be set at an amount in accordance with the above principle with a specific amount of the expected annual processing volume, but such processing fee shall be adjusted to the changes in the cost of processing services provided by the relevant members of the CCBL Group yearly.

Expenses incurred for the processing services

This includes costs and expenses incurred for the provision of the processing services or as a result of the process of providing such processing services (other than the cost of the production facilities), which shall be determined in the specific agreement to be entered into between the relevant parties with regard to the actual circumstances.

3. ANNUAL CAPS

Based on the unaudited management accounts of the CCBL Group, for period from 1 January 2018 and up to 30 September 2018, the aggregate amounts paid by the CCBMHL Group to the CCBL Group for the processing services was approximately RMB76,000,000. It is currently expected that the CCBL Group will provide more processing services to the CCBMHL Group in the fourth quarter of 2018 as most of the seasonal demand for still beverages in the upcoming Chinese New Year is produced in the fourth quarter of 2018 and that the estimated cost for processing services involved will be higher in order to meet the seasonal increased demand.

In consideration of the business needs conveyed to the CCBL Group by the CCBMHL Group and the reasonableness of the transaction, it is expected that the maximum aggregate amounts to be paid by the CCBMHL Group to the CCBL Group for the provision of processing services pursuant to the Framework Agreement for the financial year ending 31 December 2018 and 31 December 2019 are RMB160,000,000 and RMB200,000,000, respectively.

The above annual caps were determined after taking into consideration (1) the historical amounts paid by the CCBMHL Group to the CCBL Group for the processing services; (2) the expected business needs of the CCBMHL Group; and (3) the provision of a buffer necessary to accommodate the increase in expenses and charges in relevant to such transactions.

The Company will comply with the requirement of the annual review as set out in Rules 14A.71 to 14A.72 of the Listing Rules and will re-comply with the relevant Listing Rules if any of the annual caps is expected to be exceeded, or when the Framework Agreement is renewed or there is a material change to the terms of the Framework Agreement.

4. REASONS AND BENEFITS FOR THE FRAMEWORK AGREEMENT

For the nine months ended 30 September 2018, the service fees for the processing services provided by the Group to the CCBMHL Group of approximately RMB76,000,000 (unaudited) were incurred. In the anticipation that one or more of the applicable percentage ratios of the annual caps in respect of the processing services to be provided by the Group to the CCBMHL Group under the Framework Agreement will be more than 1% on an annual basis, CCBL and CCBMHL have entered into the Framework Agreement. The Directors consider that the provision of the processing services by the CCBL Group to the members of the CCBMHL Group is conducted in the Group's ordinary and usual course of business based on the commercial needs of the members of the CCBMHL Group which are the suppliers of still beverages of The Coca-Cola Company for the Group's sale and distribution. In addition, the provision of the processing services allows the Group to make full use of its existing resources and facilities and increase the productivity of the relevant production facilities, while increasing the Group's revenue.

5. INTERNAL CONTROL MEASURES

The Company has (1) reporting, approval and, if required, selected verification procedures in place to ensure that the agreed price and terms of continuing connected transactions are no less favourable to the relevant member(s) of the Group than those available to or from (as appropriate) independent third parties and also compliance with the pricing policy; and (2) procedures and policies for identifying connected persons and monitoring the annual caps of the continuing connected transactions.

IMPLICATIONS UNDER THE LISTING RULES

Coca-Cola (Asia) holds a 35% interest in CCBL, in which the Company holds the remaining 65% interest. As a result, as at the date of the announcement, The Coca-Cola Company as the ultimate holding company of Coca-Cola (Asia), and its associate, CCBMHL, are connected persons of the Company at the subsidiary level under the Listing Rules. Accordingly, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As (a) CCBMHL is a connected person of the Company at the subsidiary level under the Listing Rules; (b) one or more of the applicable percentage ratios of the annual caps in respect of the processing services provided by the Group to the CCBMHL Group under the Framework Agreement are on an annual basis more than 1%; (c) the Framework Agreement has been approved by the Board; and (d) the Directors (including the independent non-executive Directors) are of the view that the terms of the Framework Agreement was entered into in the ordinary and usual course of business of the Group and the terms of the Framework Agreement are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole, therefore the continuing connected transactions contemplated under the Framework Agreement is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but are exempt from the independent shareholders' approval requirement pursuant to Rule 14A.101 of the Listing Rules.

As Luan Xiuju, a director of the Company, is also concurrently holding directorship in CCBMHL, she has abstained from voting on the resolutions passed by the Board in relation to the Framework Agreement, the annual caps and the transactions contemplated thereunder.

Save as disclosed above, none of the Directors has a material interest in the continuing connected transactions contemplated under the Framework Agreement, therefore none of the Directors has abstained from voting on such Board resolution.

INFORMATION ON THE PARTIES

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

CCBL is a company incorporated in Hong Kong and jointly established by the Company and The Coca-Cola Company in which the Company and The Coca-Cola Company indirectly holds 65% and 35% interest, respectively. CCBL engages in the investment in the beverage business and through its subsidiaries, has the exclusive right to manufacture, market and distribute certain authorised Coca-Cola products in a number of provinces, municipalities and regions in the PRC.

CCBMHL is an investment holding company incorporated in Hong Kong and in which CCBL and The Coca-Cola Company indirectly holds 21% and 38% interest, respectively. Through its subsidiaries, CCBMHL is principally engaged in the supply of still beverages of The Coca-Cola Company under the authorisation of The Coca-Cola Company in the PRC.

DEFINITIONS

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

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| “Board” | the board of Directors of the Company |
| “CCBL” | COFCO Coca-Cola Beverages Limited, a company incorporated in Hong Kong with limited liability, in which the Company indirectly holds 65% interest |
| “CCBL Group” | CCBL and its subsidiaries |
| “CCBMHL” | Coca-Cola Bottlers Manufacturing Holdings Limited, a company incorporated in Hong Kong with limited liability in which The Coca-Cola Company and CCBL indirectly holds 38% and 21% interest, respectively |
| CCBMHL Group | CCBMHL and its subsidiaries |
| “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 |

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| “Coca-Cola (Asia)” | Coca-Cola Holdings (Asia) Limited, a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of The Coca-Cola Company and holding a 35% interest in CCBL |
| “Director(s)” | the director(s) of the Company |
| “Framework Agreement” | the framework agreement entered into between CCBL and CCBMHL dated 13 November 2018 in relation to the provision of processing services by the CCBL Group to the CCBMHL Group for a term of two years from 1 January 2018 to 31 December 2019 |
| “Group” | the Company and its subsidiaries, including CCBL and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time) |
| “PRC” | the People’s Republic of China, which for the purpose of this announcement shall not include Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “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 |

In this announcement, unless the context otherwise requires, the terms “associate(s)”, “connected person(s)”, “continuing connected transaction(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 announcement 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.

By order of the Board
China Foods Limited
Ma Jianping
Chairman

Beijing, 13 November 2018

As at the date of this announcement, the Board comprises: Mr. Ma Jianping as the chairman of the Board and a non-executive director; Ms. Luan Xiuju and Mr. Shen Peng as executive directors; Ms. Xiao Jianping and Mr. Qin Yelong as non-executive directors; and Messrs. Stephen Edward Clark, Li Hung Kwan, Alfred and Mok Wai Bun, Ben as independent non-executive directors.