

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
NEW FRAMEWORK AGREEMENT
AND
ANNUAL CAPS FOR THE YEARS 2023 AND 2024**

NEW FRAMEWORK AGREEMENT

Reference is made to the 2021 Announcement of the Company in respect of the Framework Agreement entered between COFCO Coca-Cola (an indirectly 65%-owned subsidiary of the Company) with Zhibaihuo Company (formerly known as Xiamen Culiangwang Beverage Technology Co., Ltd.), a connected person of the Company, for the purchase of the Culiangwang Products on 14 July 2021. The Framework Agreement will be expired on 31 December 2022.

Given that COFCO Coca-Cola and Zhibaihuo Company intend to continue the existing continuing connected transactions, so both parties entered into the New Framework Agreement on 14 December 2022 (after trading hours) for a term of two years, commencing from 1 January 2023 and expiring on 31 December 2024.

The annual caps with respect to the transactions contemplated under the New Framework Agreement for the two financial years ending 31 December 2023 and 31 December 2024 are RMB81,000,000 and RMB96,000,000 respectively.

IMPLICATIONS UNDER THE LISTING RULES

Coca-Cola (Asia) holds a 35% interest in COFCO Coca-Cola, in which the Company holds the remaining 65% interest indirectly. 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 wholly-owned subsidiary, Zhibaihuo Company, are connected persons of the Company at the subsidiary level under the Listing Rules. Accordingly, the transactions contemplated under the New Framework Agreement

constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As (a) Zhibai Shuo Company 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 purchase of the Culiangwang Products by the COFCO Coca-Cola Group from the Zhibai Shuo Company Group under the New Framework Agreement are on an annual basis more than 1% but less than 5%; (c) the New Framework Agreement has been approved by the Board; and (d) the Directors (including the independent non-executive Directors) are of the view that the New Framework Agreement was entered into in the ordinary and usual course of business of the Group and the terms of the New 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 New 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

Reference is made to the 2021 Announcement of the Company in respect of the Framework Agreement entered between COFCO Coca-Cola (a 65%-owned subsidiary of the Company) with Zhibai Shuo Company (formerly known as Xiamen Culiangwang Beverage Technology Co., Ltd.), a connected person of the Company for the purchase of the Culiangwang Products on 14 July 2021. The Framework Agreement will be expired on 31 December 2022.

The Board announces that COFCO Coca-Cola (an indirectly 65%-owned subsidiary of the Company), entered into the New Framework Agreement with Zhibai Shuo Company, a connected person of the Company, on 14 December 2022 (after trading hours), for a term of two years commenced from 1 January 2023 and expiring on 31 December 2024. Pursuant to the New Framework Agreement, members of the COFCO Coca-Cola Group shall purchase from members of the Zhibai Shuo Company Group the Culiangwang Products and be authorized to promote and to sell the Culiangwang Products in its franchised operating regions in the PRC.

2. PRINCIPAL TERMS OF THE NEW FRAMEWORK AGREEMENT

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

Date

14 December 2022

Parties

- (a) COFCO Coca-Cola; and
- (b) Zhibaihuo Company

Term

Two years commencing from 1 January 2023 and expiring on 31 December 2024, renewable by entering into a new agreement or a supplemental agreement to the New Framework Agreement before the expiry date of the New 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 New Framework Agreement:

1. members of the Zhibaihuo Company Group shall supply the Culiangwang Products to members of the COFCO Coca-Cola Group at fair and reasonable market prices and on general commercial terms; and
2. members of the COFCO Coca-Cola Group shall, due to normal business needs, purchase the Culiangwang Products from members of the Zhibaihuo Company Group at fair and reasonable market prices and on general commercial terms, and be authorized to promote and to sell the Culiangwang Products in its franchised operating regions in the PRC.

Pricing Principles

The prices of the Culiangwang Products provided under the New Framework Agreement shall follow the pricing principles specified below, through fair negotiation, and in accordance with general commercial terms or no less favourable than the terms offered to independent third parties by members of the Zhibaihuo Company Group.

The price of the Culiangwang Products shall be determined as follows:

- (1) the prevailing market price of the equivalent product; or
- (2) the price negotiated by both parties based on the market price.

The price of the Culiangwang Products will also be monitored by the Group's internal control procedures, details of which are disclosed in the section headed "5. Internal Control Measures" below in this announcement.

Payment term

Relevant members of the COFCO Coca-Cola Group shall settle payments within 30 days upon receipt of an invoice from the relevant members of the Zhibaihuo Company Group for their respective purchase of the Culiangwang Products.

3. ANNUAL CAPS

Historical Transactions and Annual Caps

For the financial year ended 31 December 2021 and the ten months ended 31 October 2022, the total amount of transactions under the Framework Agreement paid to the Zhibaihuo Company Group by the COFCO Coca-Cola Group for the purchase of the Culiangwang Products was approximately RMB59.15 million and RMB38.9 million, respectively. The annual caps for the Framework Agreement for the financial years ended 31 December 2021 and ending 31 December 2022 are RMB80 million and RMB90 million, respectively.

Proposed Annual Caps

For the year ending 31 December

2023

(RMB million)

81

For the year ending 31 December

2024

(RMB million)

96

The above annual caps were determined after taking into consideration (1) the historical amounts paid by the COFCO Coca-Cola Group to the Zhibaihuo Company Group for the purchase of Culiangwang Products in the year 2021 and the first ten months of the year 2022; and (2) the expected stable growth in the purchase and the sales of the Culiangwang Products in view of the continue increase in market demand for healthy types of products like the Culiangwang Products.

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 New Framework Agreement is renewed or there is a material change to the terms of the New Framework Agreement.

4. REASONS AND BENEFITS FOR THE FRAMEWORK AGREEMENT

The Directors consider that the purchase of the Culiangwang Products by members of the COFCO Coca-Cola Group from members of the Zhibaihuo Company Group is conducted in the Group's ordinary and usual course of business based on the commercial needs of the COFCO Coca-Cola Group. Besides, considering the increasing awareness of the general public for healthy diet and the growing market demand for the Culiangwang Products which promotes healthy lifestyle, the Company expects that the transactions contemplated under the New Framework Agreement will contribute to the business of the Group through providing a wider range of products to the Group's customers and thereby expanding the Group's revenue base.

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. In addition, the internal audit department shall conduct audit review on the transactions contemplated under the New Framework Agreement twice a year and report the audit results to the audit committee of the Board, which consists of all the independent non-executive Directors. Further, the Company has also adopted a threshold warning mechanism whereby the Group's finance department will monitor the annual caps under the New Framework Agreement. When the utilization rate of the annual caps reaches 75%, the Group's finance department will report to the Board which they will then consider to implement relevant measures including the revision of the annual caps under the New Framework Agreement.

IMPLICATIONS UNDER THE LISTING RULES

Coca-Cola (Asia) holds a 35% interest in COFCO Coca-Cola, in which the Company holds the remaining 65% interest indirectly. 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 wholly-owned subsidiary, Zhibaihuo Company, are connected persons of the Company at the subsidiary level under the Listing Rules. Accordingly, the transactions contemplated under the New Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As (a) Zhibaihuo Company 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 purchase of the Culiangwang Products by the COFCO Coca-Cola Group from the Zhibaihuo Company Group under the New Framework Agreement are on an annual basis more than 1% but less than 5%; (c) the New Framework Agreement has been approved by the Board; and (d) the Directors (including the independent non-executive Directors) are of the view that the New Framework Agreement was entered into in the ordinary and usual course of business of the Group and the terms

of the New 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 New 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.

None of the Directors has a material interest in the continuing connected transactions contemplated under the New Framework Agreement, therefore none of the Directors were required under the Listing Rules to abstain from voting on the Board resolution approving the New Framework Agreement and the transactions contemplated thereunder.

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.

COFCO Coca-Cola is a company incorporated in Hong Kong and was jointly established by the Company and The Coca-Cola Company in which the Company and The Coca-Cola Company indirectly holds 65% and 35% interests, respectively. COFCO Coca-Cola engages in the investment in the beverage business and through its subsidiaries, has the exclusive right to prepare, package, distribute and sell Coca-Cola products in a number of provinces, municipalities and regions in the PRC as at the date of this announcement.

Zhibai Shuo Company is a wholly-owned subsidiary of The Coca-Cola Company in the PRC and was established in the PRC. It owns the legal rights to use the trademarks of “植白说”、“美汁源”、“~~植白说~~”、“阳光处处” and engages in the production business of plant-based protein drinks under these trademarks.

The Coca-Cola Company, a company incorporated in the State of Delaware, U.S.A. and listed on the New York Stock Exchange, is a total beverage company with products sold in more than 200 countries and territories. It owns and markets numerous valuable brands across several categories worldwide.

DEFINITIONS

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

“2021 Announcement”	The announcement of the Company published on 14 July 2021 in respect of Framework Agreement
“Board”	the board of Directors of the Company

“COFCO Coca-Cola”	COFCO Coca-Cola Beverages Limited, a company incorporated in Hong Kong with limited liability, in which the Company indirectly holds 65% interest through its wholly-owned subsidiary COFCO Beverages Limited which is a company incorporated in Samoa
“COFCO Coca-Cola Group”	COFCO Coca-Cola and its subsidiaries
“Culiangwang Products”	certain plant-based protein beverage products under the trademarks of “植白说”、“美汁源”、“ 粗粮王 ”、“阳光处处” as set out in the Framework Agreement
“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
“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 COFCO Coca-Cola
“Director(s)”	the director(s) of the Company
“Framework Agreement”	the sales and distribution cooperation framework agreement entered into between COFCO Coca-Cola and Zhibai Shuo Company dated 14 July 2021 in relation to the purchase of the Culiangwang Products by the COFCO Coca-Cola Group from the Zhibai Shuo Company Group for a term of two years commenced from 1 January 2021 and expiring on 31 December 2022
“Group”	the Company and its subsidiaries, including COFCO Coca-Cola 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)

“New Framework Agreement”	the sales and distribution cooperation framework agreement entered into between COFCO Coca-Cola and Zhibai shuo Company dated 14 December 2022 in relation to the purchase of the Culiangwang Products by the COFCO Coca-Cola Group from the Zhibai shuo Company Group for a term of two years commenced from 1 January 2023 and expiring on 31 December 2024
“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
“Zhibai shuo Company”	植白說飲品科技（廈門）有限公司 (Zhibai shuo Company Beverage Technology (Xiamen) Co., Ltd.) (formerly known as 廈門粗糧王飲品科技有限公司 Xiamen Culiangwang Beverage Technology Co., Ltd.), a company established in the PRC with limited liability and a wholly-owned subsidiary of The Coca-Cola Company in the PRC
“Zhibai shuo Company Group”	Zhibai shuo Company and its associates

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.

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

By order of the Board
China Foods Limited
Qing Lijun
Chairman

Beijing, 14 December 2022

As at the date of this announcement, the Board comprises: Mr. Qing Lijun as the chairman of the Board and an executive director; Mr. Shen Xinwen as an executive director; Mr. Chen Zhigang and Mr. Chen Gang as non-executive directors; and Mr. Li Hung Kwan, Alfred, Mr. Mok Wai Bun, Ben and Ms. Leung Ka Lai, Ada, SBS as independent non-executive director