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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in China Foods Limited, you should at once hand this circular together with the enclosed reply slips and forms of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through which the sale or transfer was effected for transmission to the purchaser or transferee.

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### CHINA FOODS LIMITED 中國食品有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 506)**

## RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND ANNUAL CAPS FOR YEARS 2024/2025/2026

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Independent Board Committee with its recommendations to the Independent Shareholders of China Foods Limited (the "**Company**") is set out on page 23 of this circular and a letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders of the Company is set out on pages 24 to 36 of this circular.

A notice convening the SGM of the Company, to be held at Forum Room I, Basement 2, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Wednesday, 13 December 2023 at 10:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular.

Whether or not you are able to attend the SGM (or any adjournment thereof), please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Progressive Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM (or any adjournments thereof). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM (or any adjournments thereof) in person should you so wish and in such event, the form of proxy shall be deemed to be revoked.

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“2020 COFCO Mutual Provision Agreement”	the framework agreement entered into between the Company and COFCO dated 11 November 2020
“2020 Concentrate Purchase Agreement”	the framework agreement entered into between the Company and Coca-Cola (Shanghai) dated 11 November 2020
“2020 Packaging Materials and Services Provision Agreement”	the framework agreement entered into between Tianjin Bottler and Zijiang dated 11 November 2020
“2023 COFCO Mutual Provision Agreement”	the framework agreement entered into between the Company and COFCO dated 7 November 2023
“2023 Concentrate Purchase Agreement”	the framework agreement entered into between the Company and Coca-Cola (Shanghai) dated 7 November 2023
“2023 Framework Agreements”	the 2023 COFCO Mutual Provision Agreement, the 2023 Concentrate Purchase Agreement and the 2023 Packaging Materials and Services Provision Agreement
“2023 Packaging Materials and Services Provision Agreement”	the framework agreement entered into between Tianjin Bottler and Zijiang dated 7 November 2023
“Announcement”	the Company’s announcement dated 7 November 2023 in relation to, among others, the 2023 Framework Agreements and the relevant annual caps
“Board”	the board of Directors of the Company
“Bye-laws”	the bye-laws of the Company, as amended from time to time
“China Foods (Holdings)”	China Foods (Holdings) Limited, a company incorporated in the British Virgin Islands with limited liability, and an indirect wholly-owned subsidiary of COFCO and a substantial shareholder of the Company

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## DEFINITIONS

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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 COFCO Coca-Cola
“Coca-Cola (Shanghai)”	Coca-Cola Beverages (Shanghai) Company Limited* (可口可樂飲料(上海)有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of The Coca-Cola Company
“COFCO”	COFCO Corporation (中糧集團有限公司), a state-owned company established in the PRC currently under the purview of the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) of the PRC and the ultimate controlling shareholder 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 a 65% interest
“COFCO Group”	for the purpose of this circular, COFCO and its subsidiaries and associates but excluding the Group
“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
“Exempted Agreements”	the 2023 Concentrate Purchase Agreement and the 2023 Packaging Materials and Services Provision Agreement
“Existing Continuing Connected Transactions”	the continuing connected transactions contemplated under the Existing Framework Agreements

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## DEFINITIONS

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“Existing Framework Agreements”	the 2020 COFCO Mutual Provision Agreement, the 2020 Concentrate Purchase Agreement and the 2020 Packaging Materials and Services Provision Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, established for the purpose of reviewing the 2023 COFCO Mutual Provision Agreement and the transactions contemplated thereunder and the Proposed Purchase Annual Caps
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders as to the 2023 COFCO Mutual Provision Agreement and the transactions contemplated thereunder and the Proposed Purchase Annual Caps
“Independent Shareholder(s)”	Shareholder(s) other than COFCO and its associates and any other Shareholder(s) materially interested in the 2023 COFCO Mutual Provision Agreement and the transactions contemplated thereunder and the Proposed Purchase Annual Caps
“independent third party(ies)”	party(ies) not connected with any of the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
“Latest Practicable Date”	23 November 2023, the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained therein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)

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## DEFINITIONS

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“PRC”	the People’s Republic of China, which for the purpose of this circular shall not include Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prevailing Market Price”	the price of the same or similar products or services provided by independent third party(ies) during the same period in the ordinary course of business and on normal commercial terms
“Proposed Provision Annual Caps”	the annual caps in respect of the provision of products and services by the Group to COFCO Group as set out in the table titled “Proposed Provision Annual Caps” under the section headed “Proposed Annual Caps” under “C. Annual caps” in the Letter from the Board
“Proposed Purchase Annual Caps”	the annual caps in respect of the purchase of products and services by the Group from COFCO Group as set out in the table titled “Proposed Purchase Annual Caps” under the section headed “Proposed Annual Caps” under “C. Annual caps” in the Letter from the Board
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting to be held by the Company to consider, and if thought fit, approve the 2023 COFCO Mutual Provision Agreement and the transactions contemplated thereunder and the Proposed Purchase Annual Caps
“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

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin Bottler”	COFCO Coca-Cola Beverages (Tianjin) Limited* (中糧可口可樂飲料(天津)有限公司), a limited liability company established in the PRC and an indirect non-wholly owned subsidiary of the Company
“Zijiang”	Tianjin Shifa Zijiang Packaging Co., Ltd.* (天津實發—紫江包裝有限公司), a limited liability company established in the PRC and a connected person of the Company

*In this circular, unless the context otherwise requires, the terms “associate(s)”, “connected person(s)”, “connected transaction(s)”, “controlling shareholder(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 circular 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.*

\* *The English name is a translation of its Chinese name and is included for identification purposes only.*

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## LETTER FROM THE BOARD

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### CHINA FOODS LIMITED 中國食品有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 506)**

*Chairman of the Board and  
Executive Director:*  
Qing Lijun (*Managing Director*)

*Executive Director:*  
Shen Xinwen

*Non-executive Directors:*  
Chen Zhigang  
Chen Gang

*Independent Non-executive Directors:*  
Li Hung Kwan, Alfred  
Mok Wai Bun, Ben  
Leung Ka Lai, Ada, SBS

*Principal Office in Hong Kong:*  
33rd Floor, COFCO Tower  
262 Gloucester Road  
Causeway Bay  
Hong Kong

*Registered Office:*  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

27 November 2023

*To the Shareholders*

Dear Sir or Madam,

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND ANNUAL CAPS FOR YEARS 2024/2025/2026**

#### **I. INTRODUCTION**

Reference is made to the Announcement in relation to, among other things, the 2023 Framework Agreements and the relevant annual caps.



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## LETTER FROM THE BOARD

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The Company intends to continue the Existing Continuing Connected Transactions and to renew the relevant agreements on or before their respective expiry dates for a term of three years commencing from 1 January 2024 and expiring on 31 December 2026. Accordingly, the Board announced that on 7 November 2023 (after trading hours), (a) the Company entered into (i) the 2023 COFCO Mutual Provision Agreement; and (ii) the 2023 Concentrate Purchase Agreement with COFCO, Coca-Cola (Shanghai), respectively, and (b) Tianjin Bottler, an indirect non-wholly owned subsidiary of the Company, entered into the 2023 Packaging Materials and Services Provision Agreement with Zijiang.

Since each of the counterparties to the three framework agreements mentioned above is a connected person of the Company under the Listing Rules, transactions under each of the framework agreements constitute continuing connected transactions of the Company under the Listing Rules.

**(i) Continuing connected transactions exempt from the Independent Shareholders' approval requirement**

As (a) Coca-Cola (Shanghai) and Zijiang are connected persons of the Company at the subsidiary level under the Listing Rules; (b) each of the Exempted Agreements have been approved by the Board; and (c) the Directors (including the independent non-executive Directors) are of the view that the terms of each of the Exempted Agreements 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 each of the Exempted Agreements are 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.

In addition, the applicable percentage ratios of the Proposed Provision Annual Caps in respect of the provision of products and services by the Group to the COFCO Group under the 2023 COFCO Mutual Provision Agreement are, on an annual basis, less than 0.1%, therefore the Proposed Provision Annual Caps are fully exempt from the reporting, announcement and the Independent Shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

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## LETTER FROM THE BOARD

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**(ii) Non-exempt continuing connected transaction subject to the reporting, announcement and Independent Shareholders' approval requirements**

As one or more of the applicable percentage ratios of the Proposed Purchase Annual Caps in respect of the purchase of products and services by the Group from the COFCO Group under the 2023 COFCO Mutual Provision Agreement are, on an annual basis, more than 5%, therefore the 2023 COFCO Mutual Provision Agreement and the relevant Proposed Purchase Annual Caps are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the transactions contemplated under the 2023 COFCO Mutual Provision Agreement, and none of them was required under the Listing Rules to abstain from voting on the respective Board resolutions approving the 2023 COFCO Mutual Provision Agreement. However, as the non-executive Directors Mr. Chen Zhigang and Mr. Chen Gang are related to COFCO, for good corporate governance, Mr. Chen Gang, has abstained from voting on the respective Board resolutions approving the 2023 COFCO Mutual Provision Agreement at a Board meeting and Mr. Chen Zhigang did not attend the Board Meeting and therefore did not vote at the Board Meeting approving the 2023 COFCO Mutual Provision Agreement.

The purpose of this circular is to provide you with, among other things, (i) further details of the 2023 COFCO Mutual Provision Agreement and the Proposed Purchase Annual Caps; (ii) the letter from the Independent Board Committee with its recommendations to the Independent Shareholders in relation to the 2023 COFCO Mutual Provision Agreement and the Proposed Purchase Annual Caps; (iii) a letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the 2023 COFCO Mutual Provision Agreement and the Proposed Purchase Annual Caps; and (v) the notice of the SGM and other information as set out in the Appendices to this circular.

## II. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

### 1. Background

The Group has the following existing continuing connected transactions with the COFCO Group:

- (i) supply of certain raw materials, products, packaging materials and provision of certain services by the COFCO Group to the Group, and
- (ii) supply of certain products and provision of certain services by the Group to the COFCO Group

under the 2020 COFCO Mutual Provision Agreement, which will expire on 31 December 2023.

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## LETTER FROM THE BOARD

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### 2. 2023 COFCO Mutual Provision Agreement

#### *Background*

Pursuant to the 2020 COFCO Mutual Provision Agreement entered into between the Company and COFCO on 11 November 2020 (details of which were also disclosed in the Company's circular dated 1 December 2020), (i) the COFCO Group shall supply to the Group certain raw materials (including but not limited to sugar, high fructose corn syrup and corn starch), packaging materials (including but not limited to crown caps and two-piece beverage cans); (ii) the Group shall, in the ordinary and usual course of its business, supply to the COFCO Group certain consumer products (including but not limited to sparkling beverages and still beverages) and other products manufactured, owned or resold by the Group and other services incidental to the supply of such products; and (iii) the COFCO Group shall provide property leasing, warehouse logistics and other services to the Group. Such services include but not limited to property management, catering services, warehouse leasing, warehouse storage, logistics, information technology, insurance and other related services.

The 2020 COFCO Mutual Provision Agreement will expire on 31 December 2023. Since the above transactions will continue in the ordinary and usual course of business of the Group, the Company and COFCO have entered into the 2023 COFCO Mutual Provision Agreement. Details of the 2023 COFCO Mutual Provision Agreement are set out below.

#### A. *Key terms*

Date:	7 November 2023
Contracting parties:	(a) the Company; and (b) COFCO.
Term:	Three years commencing from 1 January 2024 and expiring on 31 December 2026, renewable upon mutual agreement between the parties subject to compliance by the Company with the relevant requirements under the applicable laws and the Listing Rules.

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## LETTER FROM THE BOARD

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Transaction: The COFCO Group shall supply certain raw materials, packaging materials and provide property leasing and certain services to the Group while the Group shall supply certain consumer products and provide certain services to the COFCO Group. Details of the raw materials, packaging materials, property leasing and nature of the services received and provided are set out below.

Pursuant to the 2023 COFCO Mutual Provision Agreement:

- (a) the COFCO Group shall supply to the Group certain raw materials (including but not limited to sugar, high fructose corn syrup and corn starch) and packaging materials (including but not limited to crown caps and two-piece beverage cans);
- (b) the Group shall supply to the COFCO Group certain consumer products (including but not limited to sparkling beverages and still beverages) and other products manufactured, owned or resold by the Group and other services incidental to the supply of such product;
- (c) the COFCO Group shall provide property leasing, warehouse logistics and other services to the Group (including but not limited to property management, catering services, warehouse leasing, warehouse storage, logistics, information technology, insurance and other related services);
- (d) for the products and services to be supplied by the COFCO Group to the Group, the transactions will be made on terms that are no less favourable to the Group as compared with the terms available to the Group from independent third parties; and for the products and services to be supplied by the Group to the COFCO Group, the transactions will be made on terms that are no less favourable to the Group as compared with the terms available to independent third parties from the Group;
- (e) either party is free to choose its counterparties in respect of the supply of raw materials, products and services, but if the terms and conditions of the supply of products, services and/or raw materials offered by one party to the other are more favourable than those offered by any independent third party, the other party shall give priority in sourcing supplies from such party;

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## LETTER FROM THE BOARD

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- (f) the quality of the raw materials/products to be supplied and services to be provided shall be in compliance with the agreed purpose of the parties thereto and the applicable laws and regulations of the PRC;
- (g) the relevant members of COFCO Group and the relevant members of the Group will enter into separate agreements which shall set out the specific scope of provision of products, services and/or raw materials and terms and conditions of providing such products, services and/or raw materials according to the principles laid down by the 2023 COFCO Mutual Provision Agreement and comply with requirements under the Listing Rules; and
- (h) the 2023 COFCO Mutual Provision Agreement is subject to and conditional upon the Company's compliance with the disclosure requirements and (if applicable) the Independent Shareholders' approval under the Listing Rules.

### ***B. Pricing policy***

The price for the mutual supply of products, services and/or raw materials shall be determined with reference to the Prevailing Market Price to each of the parties at the relevant time. Where any material changes in the market result in the fluctuation of the cost of such products or services, the parties shall adjust the pricing through amicable negotiations.

#### *Pricing policies and payment terms for the purchase of products and services by the Group from the COFCO Group*

In particular, the following pricing policies will be primarily applicable to each different type of transactions for the purchase of products and services by the Group from the COFCO Group:

- In determining the Prevailing Market Price of the raw materials, packaging materials and services to be provided by COFCO Group to the Group, the Group will seek to obtain the Prevailing Market Price through various channels including, among others, (a) comparable transactions with at least three independent third parties during the same period; (b) maintaining regular contacts with and from time to time obtain price quotations through enquires from at least three established suppliers (including COFCO Group and its connected suppliers) through telephone enquiries, email enquiries

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## LETTER FROM THE BOARD

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and meetings with suppliers; and (c) conduct market price research on a daily basis through various independent market data providers such as sugar prices on the Zheng Zhou Commodity Exchange ([www.czce.com.cn](http://www.czce.com.cn)), corn sugar prices on the Dalian Commodity Exchange ([www.dce.com.cn](http://www.dce.com.cn)) and aluminium prices on the Shanghai Futures Exchange ([www.shfe.com.cn](http://www.shfe.com.cn)). Based on such market price information on the Prevailing Market Price, the Group will compare and negotiate terms of quotations with these suppliers or service providers after taking into account factors including the lowest price quotations, quality of products and services, technical advantages, ability and capacity in meeting the technical specifications and delivery schedules, qualifications and relevant experience. The contract will be awarded to the suppliers and service providers who offer the best commercial terms and technical terms to the Group after comprehensive assessment;

- For property leasing, the rent shall be determined by the contract parties at the time of entry into the relevant leasing agreements with reference to the prevailing market rent based on (a) at least three quotations obtained for comparable properties in the nearby area; or (b) the rent charged by the COFCO Group to independent third parties of at least three leases in the same or comparable property. The Company will from time to time compare the rental information obtained above to ensure the property leasing provided by the COFCO Group to the Group is on normal commercial terms or better; and
- For warehouse and logistics services, the service fee shall be determined by the contract parties at the time of entry into the relevant service agreements with reference to at least three quotations obtained based on the weight and type of cargo and mode of transport and type of storage space required from independent third party logistics and warehouse providers. The Company will from time to time compare the service fee information obtained above to ensure the warehouse and logistics services provided by the COFCO Group to the Group is on normal commercial terms or better.

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## LETTER FROM THE BOARD

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The payment terms for the purchase of products and services and the lease of the properties by the Group from the COFCO Group are made with reference to the payment terms offered by independent third parties to the Group for the same or substantially similar transactions in the same period to ensure that the payment terms are no less favourable to the Group than those available to the Group from independent third parties.

*Pricing policies and payment terms for the provision of products and services by the Group to the COFCO Group*

In particular, the following pricing policies will be primarily applicable to each different type of transactions for the provision of products and services by the Group to the COFCO Group:

- In determining the Prevailing Market Price of such products and services to be provided by the Group to the COFCO Group, the Group will make reference to the pricing prescribed in the existing distribution-based pricing system of the Group. Distribution-based pricing system refers to a pricing structure which aligns with expected market demand and competition strategy of the Group by reference to the designated mark-ups for different distributor customers at different channels for different types of products and customers. The mark-ups rate varies depending on the category of the Group's product and the Prevailing Market Price of such category of products and it generally ranges from approximately 20% to 50%. In addition, the mark-up rate will also take into account the prevailing market conditions at the material time. The Group will mainly refer to the pricing of distributor customers in the pricing system, and consider the business reputation, financing capacity of goods or service purchasers, credit terms for payment of price of goods or services, goods delivery arrangement, overall purchasing volume or services demanded (the "**Pricing Criteria**"). The Group's sales department will conduct market research on the price of the products which are in the same category as the Group's and will analysis the information obtained in order to determine the price of each products be provided by the Group. The Company will from time to time review the prevailing market conditions, the Pricing Criteria and conduct market researches to ensure the products and services to be provided by the Group to the COFCO Group is on normal commercial terms.

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## LETTER FROM THE BOARD

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The payment terms for the provision of products and services by the Group to the COFCO Group are made with reference to the payment terms of the same or substantially similar transactions between the Group and independent third parties to ensure that the payment terms are no less favourable to the Group than those available by the Group to independent third parties.

### *Reasons and benefits for the 2023 COFCO Mutual Provision Agreement*

The Company considers that the purchase of products and services from the COFCO Group and the provision of products and services by the Group to the COFCO Group are conducted in the Group's ordinary and usual course of business based on the commercial needs of the Group and the COFCO Group.

The products and services to be purchased by the Group from the COFCO Group pursuant to the 2023 COFCO Mutual Provision Agreement will be mainly used for the production and operations of the Group, while the products and services to be provided by the Group to the COFCO Group are mainly end products.

The Company expects that the transactions contemplated under the 2023 COFCO Mutual Provision Agreement will contribute to the business of the Group through providing a stable supply of the raw materials and services required by the Group for its production and operations, while the products and services provided by the Group to the COFCO Group are expected to add value to the sales of beverage products of the Group.

### **C. Annual caps**

#### *Historical Transaction Values and Annual Caps*

For each of the years ended 31 December 2021, 31 December 2022 and the nine months ended 30 September 2023, the aggregate value of raw materials, products, packaging materials supplied, property leasing and the provision of logistics and other related services by the COFCO Group to the Group under the 2020 COFCO Mutual Provision Agreement was approximately RMB1,546 million, RMB1,649.31 million and RMB1,528.01 million, respectively. The annual caps in respect of such purchase of products and services by the Group from COFCO Group under the 2020 COFCO Mutual Provision Agreement for the years ended 31 December 2021, 31 December 2022 and the year ending 31 December 2023 are RMB3,374 million, RMB4,048.8 million and RMB4,858.56 million, respectively.



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## LETTER FROM THE BOARD

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For each of the years ended 31 December 2021, 31 December 2022 and the nine months ended 30 September 2023, the aggregate value of consumer products, services and others provided by the Group to COFCO Group under the 2020 COFCO Mutual Provision Agreement was approximately RMB3.32 million, RMB1.21 million and RMB1.02 million, respectively. The annual caps in respect of such provision of products and services by the Group to COFCO Group under the 2020 COFCO Mutual Provision Agreement for the years ended 31 December 2021, 31 December 2022 and the year ending 31 December 2023 are RMB200 million, RMB240 million and RMB288 million, respectively.

### *Proposed Annual Caps*

- (1) *For the purchase of products and services by the Group from the COFCO Group*

<b>Proposed Purchase Annual Caps</b>		
<b>For the year ending 31 December</b>		
<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>(RMB million)</i>	
2,891	3,348	3,852

In arriving at the above proposed annual caps for the supply of certain raw materials, packaging materials, services and others by the COFCO Group to the Group, the Company has taken into consideration:

- (a) the historical transaction values under the 2020 COFCO Mutual Provision Agreement;
- (b) the expected further growth and development of the beverage business of the Group contributed by the long-term strategy of the Group to continuously increase the production capacity through increasing investment in production lines and its utilisation in the next few years. It is expected that the Group's corresponding annual purchase quantities of raw materials will increase by 6% each year from 2023 to 2026;
- (c) the Group intends to strengthen further its control on the quality and safety of food supplies and is satisfied that the COFCO Group has been supplying quality products to the Group during their long-term business relations; hence, the Group has evaluated the maximum possible transaction value of its transactions with the COFCO Group by assuming that a larger quantity of material will be supplied by the COFCO Group when considering the proposed annual caps;

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## LETTER FROM THE BOARD

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- (d) the expected increase in the price of raw materials at an average rate of 9% from 2023 to 2024 after considering the historical volatility in raw material prices to make room for any unexpected price increase;
- (e) the Group was exposed to the volatilities of commodity price movements with sudden price hikes occurred in the past, a clear demonstration of the erratic nature of such price changes. In particular,
  - (i) during the approximate 5-year period, the international sugar price reached its peak at US\$27.88 cents/pound in 2023 and reached a low of US\$9.21 cents/pound in 2020. The maximum price represented approximately 3.03 times of the lowest price.
  - (ii) during the approximate 5-year period, the international corn price reached its peak at US\$8.24/bushel in 2022 and reached a low of US\$3.09/bushel in 2020. The maximum price represented approximately 2.67 times of the lowest price.
  - (iii) during the approximate 5-year period, the aluminum price in PRC reached its peak at RMB24,765/ton in 2021 and reached a low of RMB11,225/ton in 2020. The maximum price represented approximately 2.21 times of the lowest price.

Future commodity price movements are difficult to be forecasted with high levels of precision, and therefore the annual caps should be set conservatively with room to accommodate for any unexpected price increases; and

- (f) future commodity price movements are difficult to forecast with a high level of precision, and therefore, besides of adopting the same prices of raw materials and packaging materials for 2024, 2025 and 2026, the annual caps comprise an annual buffer of approximately 10% in 2025 and 20% in 2026 to cater for the volatility in the price of raw materials, packaging materials and other items subject to the transactions contemplated under the 2023 COFCO Mutual Provision Agreement which is set conservatively with room to accommodate any unexpected price increases.

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## LETTER FROM THE BOARD

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As part of the Proposed Purchase Annual Caps, the proposed annual caps for the three years ending 31 December 2024, 2025 and 2026 in respect of the leases of the premises provided by the COFCO Group are RMB43 million, RMB29 million and RMB18 million, respectively. The proposed annual caps are set on the total value of the relevant right-of-use assets recognised according to HKFRS 16 relating to the leases and the estimated growth rate of rental for the years 2024, 2025 and 2026.

- (2) *For the provision of products and services by the Group to the COFCO Group*

<b>Proposed Provision Annual Caps</b>		
<b>For the year ending 31 December</b>		
<b>2024</b>	<b>2025</b>	<b>2026</b>
<i>(RMB million)</i>		
4.0	4.5	5.0

In arriving at the above proposed annual caps for the supply of certain products, services and others by the Group to the COFCO Group, the Company has taken the following into consideration:

- (a) the historical transaction values under the 2020 COFCO Mutual Provision Agreement;
- (b) the demand of the COFCO Group for the products to be purchased from the Group, mainly beverages and others, is anticipated to increase steadily in the next few years as the Group is continuing to expend its product portfolio; and
- (c) the overall business outlook of the Group, with incorporation of price and volume projections on a conservative basis.

The low utilization rate for the existing annual purchase caps was primarily an outcome of the Group's actual operations (in particular, the existing purchase annual caps were determined taking into account the then estimated maximum purchase from COFCO Group, while the Group could also purchase from independent third parties); while the low utilization rate for the existing provision annual caps was mainly due to the actual demand of products from the COFCO Group was far below the Group's then estimated sales to the COFCO Group in the previous two financial years.

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## LETTER FROM THE BOARD

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### *D. 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. The below are certain internal control measures which had been adopted by the Group:

Prior to the entry of the 2023 COFCO Mutual Provision Agreement, the Group's legal department was responsible for the preparation of the framework agreement. The Group's sales and procurement departments are responsible for determining the pricing of the material and services to be provided by (a) the COFCO Group to the Group; and (b) the Group to the COFCO Group, respectively. And terms of agreements for transactions contemplate under the 2023 COFCO Mutual Provision Agreement shall set out according to the principles laid down by the 2023 COFCO Mutual Provision Agreement.

The internal audit department shall conduct audit review on the transactions contemplated under the 2023 COFCO Mutual Provision 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 and the Board.

In addition, the Company has also adopted a threshold warning mechanism whereby the Group's finance department will monitor the annual caps under the 2023 COFCO Mutual Provision 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 2023 COFCO Mutual Provision Agreement.

### *E. Implications under the Listing Rules*

COFCO is the ultimate controlling shareholder of the Company which through its indirect wholly-owned subsidiary, China Foods (Holdings), is indirectly interested in 2,072,688,331 Shares, representing approximately 74.1% of the Company's issued share capital, and thus it is a connected person of the Company. Accordingly, the mutual provision of products and services between the Company and the COFCO Group pursuant to the 2023 COFCO Mutual Provision Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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The applicable percentage ratios in respect of the transaction value of raw materials, packaging materials, services and others to be supplied by the COFCO Group to the Group under the 2023 COFCO Mutual Provision Agreement are on an annual basis more than 5%, the 2023 COFCO Mutual Provision Agreement and the relevant Proposed Purchase Annual Caps, will be subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

The applicable percentage ratios in respect of the transaction value of products, services and others to be supplied by the Group to the COFCO Group under the 2023 COFCO Mutual Provision Agreement are on an annual basis less than 0.1%, therefore the relevant Proposed Provision Annual Caps, are fully exempt from the reporting, announcement and the Independent Shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

China Foods (Holdings) and its associates will abstain from voting at the SGM in relation to the resolution approving the 2023 COFCO Mutual Provision Agreement and the Proposed Purchase Annual Caps.

### **3. The Directors' view**

The Directors are of the view that the 2023 COFCO Mutual Provision Agreement should be entered into with the relevant connected person of the Company to govern in order to provide certainty to the terms of the continuing connected transactions contemplated thereunder and to ensure compliance with the Listing Rules.

None of the Directors has a material interest in the continuing connected transactions contemplated under the 2023 COFCO Mutual Provision Agreement, and none of them was required under the Listing Rules to abstain from voting on the respective Board resolutions approving the 2023 COFCO Mutual Provision Agreement. However, as the non-executive Directors Mr. Chen Zhigang (being a director of the quality and safety management department of COFCO and a director of a subsidiary of COFCO) and Mr. Chen Gang (being the director of the Cooperation and Development Department and the general manager of the Supply Assurance Department of COFCO and directors of two subsidiaries of COFCO) are related to COFCO, for good corporate governance, Mr. Chen Gang, has abstained from voting on the respective Board resolutions approving the 2023 COFCO Mutual Provision Agreement at a Board meeting and Mr. Chen Zhigang did not attend the Board Meeting and therefore did not vote at the Board Meeting approving the 2023 COFCO Mutual Provision Agreement.

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## LETTER FROM THE BOARD

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The Directors (including the independent non-executive Directors, after taking into account of the advice from Gram Capital, whose views and opinion are set out separately in this circular) consider that the 2023 COFCO Mutual Provision Agreement was entered into in the ordinary and usual course of business of the Group after arm's length negotiations and on normal commercial terms and, together with the Proposed Purchase Annual Caps, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Directors (including the independent non-executive Directors) are of the opinion that the Proposed Provision Annual Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Having considered that the Company has (1) reporting, approval and, if required, selected verification procedures in place to ensure that the agreed price and the 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, the Directors are of the view that the internal control procedures of the Company on continuing connected transactions are in place to ensure the continuing connected transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders.

#### **4. General Information on the Parties**

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

COFCO is a state-owned company established in the PRC with business interest in agricultural commodities trading, agricultural products processing, food and beverages, hotel management, real estate, logistics and financial services.

### **III. SPECIAL GENERAL MEETING**

The SGM will be held for the purposes of considering and, if thought fit, approving by the Independent Shareholders the transactions contemplated under the 2023 COFCO Mutual Provision Agreement and the Proposed Purchase Annual Caps.

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## LETTER FROM THE BOARD

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Under Rules 14.36 of the Listing Rules, any shareholder who has a material interest in a proposed transaction must abstain from voting at the relevant general meeting on the relevant resolution(s). In accordance with the Listing Rules, China Foods (Holdings) and its associates will abstain from voting on the resolution in relation to the 2023 COFCO Mutual Provision Agreement and the Proposed Purchase Annual Caps. As of the Latest Practicable Date, based on the knowledge the Company has and after having made all reasonable enquiries by the Company, China Foods (Holdings) and its associates together hold approximately 74.1% of the voting rights of the Company.

A notice convening the SGM to be held at Forum Room I, Basement 2, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Wednesday, 13 December 2023 at 10:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular for the purpose of considering and, if thought fit, approving the transactions under the 2023 COFCO Mutual Provision Agreement and its relevant annual caps.

A form of proxy for use by the Shareholders at the SGM is enclosed with this circular. For determining the entitlement to attend and vote at the SGM to be held on, Wednesday, 13 December 2023, the register of members of the Company will be closed from Friday, 8 December 2023 to Wednesday, 13 December 2023 (both days inclusive) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the SGM, unregistered holders of Shares of the Company should ensure that all transfer forms accompanied by the relevant Share certificates must be lodged for registration with Tricor Progressive Limited, the branch share registrar and transfer office of the Company in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, and in any case no later than 4:30 p.m. on Thursday, 7 December 2023.

Pursuant to bye-law 75 of the Bye-laws, any vote of Shareholders at a general meeting must be taken by poll.

On a poll, every Shareholder present in person or by proxy or (being a corporation) by its duly authorized representative shall have one vote for each Share registered in his/her/its name in the register of members. A Shareholder entitled to more than one vote need not use all votes or cast all the votes in the same way.

Whether or not you are able to attend the SGM (or any adjournment thereof), please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to Tricor Progressive Limited, the branch share registrar and transfer office of the Company in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM (or any adjournment thereof) in person should you so wish.

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## LETTER FROM THE BOARD

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### IV. RECOMMENDATION

Your attention is drawn to the Letter from the Independent Board Committee set out on page 23 of this circular. The Independent Board Committee, having taken into account the advice of Gram Capital, the text of which is set out on pages 24 to 36 of this circular, consider that the terms of the 2023 COFCO Mutual Provision Agreement and the transactions contemplated thereunder as well as the Proposed Purchase Annual Caps are fair and reasonable and are in the interests of the Company and the Independent Shareholders. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the 2023 COFCO Mutual Provision Agreement and the Proposed Purchase Annual Caps. Based on the relevant information disclosed herein, the Directors (including the independent non-executive Directors whose views are set out in the Letter from the Independent Board Committee to this circular), consider that the 2023 COFCO Mutual Provision Agreement was entered into in the ordinary and usual course of business of the Group after arm's length negotiation and on normal commercial terms and, together with the Proposed Purchase Annual Caps, are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders of the Company to vote in favour of the resolution in respect of the transactions under the 2023 COFCO Mutual Provision Agreement and the Proposed Purchase Annual Caps to be proposed at the SGM.

Yours faithfully,

For and on behalf of the Board

**Qing Lijun**

*Chairman*



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### CHINA FOODS LIMITED 中國食品有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 506)**

27 November 2023

*To the Independent Shareholders of the Company*

Dear Sir and Madam,

#### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND ANNUAL CAPS FOR YEARS 2024/2025/2026**

We have been appointed as the Independent Board Committee to give a recommendation to the Independent Shareholders of the Company in connection with the transactions under the 2023 COFCO Mutual Provision Agreement and the Proposed Purchase Annual Caps, details of which are set out in the Letter from the Board contained in the circular to the Shareholders of the Company dated 27 November 2023 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the terms of the 2023 COFCO Mutual Provision Agreement, and the advice and opinion of Gram Capital in relation thereto as set out on pages 24 to 36 of the Circular, we are of the opinion that the 2023 COFCO Mutual Provision Agreement was entered into in the ordinary and usual course of business of the Group after arm’s length negotiation and on normal commercial terms and, together with the Proposed Purchase Annual Caps, are fair and reasonable and in the interests of the Company and its Shareholders as a whole. We therefore recommend that the Independent Shareholders of the Company vote in favour of the resolution(s) to be proposed at the SGM in respect of the transactions under the 2023 COFCO Mutual Provision Agreement and the Proposed Purchase Annual Caps.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Li Hung Kwan, Alfred**  
*Independent Non-executive  
Director*

**Mok Wai Bun, Ben**  
*Independent Non-executive  
Director*

**Leung Ka Lai, Ada, SBS**  
*Independent Non-executive  
Director*

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## LETTER FROM GRAM CAPITAL

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*Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Purchase Transactions for the purpose of inclusion in this circular.*



Room 1209, 12/F.  
Nan Fung Tower  
88 Connaught Road Central/  
173 Des Voeux Road Central  
Hong Kong

27 November 2023

*To: The independent board committee and the independent shareholders  
of China Foods Limited*

Dear Sir/Madam,

### RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the purchase of products and services by the Group from COFCO Group under the 2023 COFCO Mutual Provision Agreement (the “**Purchase Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 27 November 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the Board Letter, the Company intends to continue certain continuing connected transactions and renew relevant agreements for a term of three years commencing from 1 January 2024 and expiring on 31 December 2026. On 7 November 2023, the Company entered into, amongst others, the 2023 COFCO Mutual Provision Agreement with COFCO.

With reference to the Board Letter, the Purchase Transactions constitute continuing connected transactions of the Company and will be subject to the reporting, announcement and Independent Shareholders’ approval requirements under the Listing Rules.

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## LETTER FROM GRAM CAPITAL

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The Independent Board Committee comprising Mr. Li Hung Kwan, Alfred, Mr. Mok Wai Bun, Ben and Ms. Leung Ka Lai, Ada (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Purchase Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Purchase Transactions are in the interests of the Company and the Shareholders as a whole and in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Purchase Transactions at the SGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### **INDEPENDENCE**

As at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Purchase Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

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## LETTER FROM GRAM CAPITAL

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The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, COFCO or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Purchase Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources and such sources are reliable.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the Purchase Transactions, we have taken into consideration the following principal factors and reasons:

#### **1. Background of and reasons for the Purchase Transactions**

##### *Information on the Group*

With reference to the Board Letter, the Company is an investment holding company. Through its subsidiaries and associated companies, it is principally engaged in the beverage business.

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## LETTER FROM GRAM CAPITAL

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Set out below are the audited consolidated financial information of the Group for the two years ended 31 December 2022 as extracted from the Company’s annual report for the year ended 31 December 2022 (the “**2022 Annual Report**”):

	<b>For the year ended 31 December 2022 RMB’000</b>	<b>For the year ended 31 December 2021 RMB’000</b>	<b>Year-on-year change %</b>
Revenue	20,967,837	19,784,422	5.98
– <i>Sparkling drinks</i>	15,875,110	15,052,041	5.47
– <i>Juices</i>	3,001,855	2,531,038	18.60
– <i>Water</i>	1,327,993	1,485,875	(10.63)
– <i>Others</i>	762,879	715,468	6.63
Gross profit	7,498,330	7,060,888	6.20
Profit for the year	1,210,426	1,074,683	12.63

As depicted from the table above, the Group’s revenue increased by approximately 5.98% from approximately RMB19,784 million for the year ended 31 December 2021 (“**FY2021**”) to approximately RMB20,968 million for the year ended 31 December 2022 (“**FY2022**”). With reference to the 2022 Annual Report, such increase was mainly due to overall price growth of products and continuous optimisation of product and packaging structure in FY2022.

The Group recorded profit of approximately RMB1,210 million for FY2022, represented an increase of approximately 12.63% as compared to that for FY2021. With reference to 2022 Annual Report, such increase was mainly due to the aforesaid increase in the Group’s revenue which led to increase in the Group’s gross profit, as partially offset by increase in distribution and selling expenses.

Set out below is the unaudited consolidated financial information of the Group for the six months ended 30 June 2023 (“**1H2023**”) (with comparative figures) as extracted from the Company’s interim report for 1H2023 (the “**2023 Interim Report**”):

	<b>For the six months ended 30 June 2023 RMB’000</b>	<b>For the six months ended 30 June 2022 RMB’000</b>	<b>Year-on-year change %</b>
Revenue	12,455,896	11,893,717	4.73
– <i>Sparkling drinks</i>	9,305,769	9,035,110	3.00
– <i>Juices</i>	1,931,396	1,656,066	16.63
– <i>Water</i>	786,357	748,505	5.06
– <i>Others</i>	432,374	454,036	(4.77)
Gross profit	4,418,374	4,311,179	2.49
Profit for the period	1,016,876	879,769	15.58

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## LETTER FROM GRAM CAPITAL

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As depicted from the table above, the Group's revenue increased by approximately 4.73% from approximately RMB11,894 million for the six months ended 30 June 2022 ("1H2022") to approximately RMB12,456 million for 1H2023. With reference to the 2023 Interim Report, such increase was mainly due to that (i) domestic daily economic activities gradually returned to normal in 1H2023; and (ii) market demand also gradually recovered in 1H2023.

The Group recorded profit of approximately RMB1,017 million for 1H2023, represented an increase of approximately 15.58% as compared to that for 1H2022. With reference to 2023 Interim Report, such increase was mainly due to (i) the aforesaid increase in the Group's revenue which led to increase in the Group's gross profit; and (ii) increase in the net other income and other gains.

With reference to the 2023 Interim Report, in the second half of 2023, the price of major raw materials is expected to remain high. To mitigate the impact of high raw material costs on profits, the Company's management actively promotes key strategies such as product structure upgrade and business portfolio optimization. Meanwhile, the Company will work on integrating its supply chain and digital transformation to enhance efficiency and the overall profit margin.

### ***Information on COFCO***

With reference to the Board Letter, COFCO is a state-owned company established in the PRC with business interest in agricultural commodities trading, agricultural products processing, food and beverages, hotel management, real estate, logistics and financial services.

### ***Reasons and benefits for the Purchase Transactions***

With reference to the Board Letter, the Company considers that the purchase of products and services from the COFCO Group are conducted in the Group's ordinary and usual course of business based on the commercial needs of the Group and the COFCO Group. The products and services to be purchased by the Group from the COFCO Group pursuant to the 2023 COFCO Mutual Provision Agreement will be mainly used for the production and operations of the Group. The Company expects that the transactions contemplated under the 2023 COFCO Mutual Provision Agreement will contribute to the business of the Group through providing a stable supply of the raw materials and services required by the Group for its production and operations.

As advised by the Directors, the Purchase Transactions mainly involves required materials for (i) the Group's production of sparkling drinks (this segment generated approximately 76% and approximately 75% of the Group's revenue for FY2022 and 1H2023 respectively); and (ii) leasing of the Group's office venues.

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## LETTER FROM GRAM CAPITAL

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In light of the above, we consider that the Purchase Transactions are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

### 2. Principal terms of the Purchase Transactions

Set out below are the principal terms of the Purchase Transactions as contemplated under the 2023 COFCO Mutual Provision Agreement as extracted from the Board Letter:

<b>Date:</b>	7 November 2023
<b>Parties:</b>	The Company and COFCO
<b>Term:</b>	Three years commencing from 1 January 2024 and expiring on 31 December 2026, renewable upon mutual agreement between the parties subject to compliance by the Company with the relevant requirements under the applicable laws and the Listing Rules.

Pursuant to the 2023 COFCO Mutual Provision Agreement (in respect of the Purchase Transactions):

- (a) the COFCO Group shall supply to the Group certain raw materials (including but not limited to sugar, high fructose corn syrup and corn starch) and packaging materials (including but not limited to crown caps and two-piece beverage cans);
- (b) the COFCO Group shall provide property leasing, warehouse logistics and other services to the Group (including but not limited to property management, catering services, warehouse leasing, warehouse storage, logistics, information technology, insurance and other related services);
- (c) for the products and services to be supplied by the COFCO Group to the Group, the transactions will be made on terms that are no less favourable to the Group as compared with the terms available to the Group from independent third parties;
- (d) either party is free to choose its counterparties in respect of the supply of raw materials, products and services, but if the terms and conditions of the supply of products, services and/or raw materials offered by one party to the other are more favourable than those offered by any independent third party, the other party shall give priority in sourcing supplies from such party;
- (e) the quality of the raw materials/products to be supplied and services to be provided shall be in compliance with the agreed purpose of the parties thereto and the applicable laws and regulations of the PRC;

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## LETTER FROM GRAM CAPITAL

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- (f) the relevant members of COFCO Group and the relevant members of the Group will enter into separate agreements which shall set out the specific scope of provision of products, services and/or raw materials and terms and conditions of providing such products, services and/or raw materials according to the principles laid down by the 2023 COFCO Mutual Provision Agreement and comply with requirements under the Listing Rules; and
- (g) the 2023 COFCO Mutual Provision Agreement is subject to and conditional upon the Company's compliance with the disclosure requirements and (if applicable) the Independent Shareholders' approval under the Listing Rules.

### *Pricing policy*

With reference to the Board Letter, the price for the mutual supply of products, services and/or raw materials shall be determined with reference to the Prevailing Market Price to each of the parties at the relevant time. Where any material changes in the market result in the fluctuation of the cost of such products or services, the parties shall adjust the pricing through amicable negotiations.

Details of pricing policy primarily applicable to each different type of transactions for the purchase of products and services by the Group from the COFCO Group are set out under the sub-section headed "Pricing policies and payment terms for the purchase of products and services by the Group from the COFCO Group" of the Board Letter.

For due diligence purposes, in respect of purchase raw materials and packaging materials, we obtained from the Company a list of individual agreements entered into between the Group and the COFCO Group regarding purchase of raw materials and packaging materials during FY2021, FY2022 and 1H2023. We randomly selected an individual agreement from the list for each of FY2021, FY2022 and 1H2023 and the Company provided us an invoice relating to each of the selected agreement, together with an invoice regarding purchase of raw materials/packaging materials by the Group from independent third parties. We noted from the above invoices that for the same types of products, the prices offered by COFCO Group to the Group were lower than those offered by independent third parties. As the aforesaid sampling covers FY2021, FY2022 and 1H2023, we consider such sampling to be fair and representative.

For due diligence purposes, in respect of property leasing, we obtained (a) office leasing agreements for the Group's two offices in Beijing and Hong Kong (only two offices were leased from COFCO Group during the three years ending 31 December 2023) entered into between the Group and COFCO Group during the three years ending 31 December 2023; and (b) information regarding the market rents of comparable offices in the nearby area to the relevant leased offices. We noted from the above documents that the rents per square metre for offices leased by the COFCO Group were lower than/within the range of those of the relevant comparable offices.



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## LETTER FROM GRAM CAPITAL

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In respect of the warehouse and logistics services, we understood that the Group only entered into one individual agreement with COFCO Group for the logistics of products during the three years ending 31 December 2023. For our due diligence purpose, we obtained copy of the aforesaid agreement and relevant quotations record from the Company. We noted from the above documents that the service fee charged by COFCO Group was lower than those offered by independent third parties.

With reference to the Board Letter, the Company has 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. We consider effective implementation of such internal control measures would help to ensure fair pricing of the Purchase Transactions.

With reference to the 2022 Annual Report, the Company's auditor was engaged to report on the Group's continuing connected transactions (including the Purchase Transactions) for FY2022 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company's auditor issued its unqualified letter containing their findings and conclusions in respect of the Group's continuing connected transactions (including the Purchase Transactions) for FY2022 in accordance with Rule 14A.56 of the Listing Rules. The independent non-executive Directors reviewed the Group's continuing connected transactions (including the Purchase Transactions) for FY2022 and the report of the Company's auditor, and confirmed that these continuing connected transactions (including the Purchase Transactions) were: (i) entered into in the ordinary and usual course of business of the Company; (ii) either on normal commercial terms or, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the terms of respective agreements governing the transactions and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM GRAM CAPITAL

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### *Proposed Purchase Annual Caps*

Set out below are (i) the historical Purchase Transactions amounts and corresponding annual caps for the three years ending 31 December 2023; and (ii) the Proposed Purchase Annual Caps for the three years ending 31 December 2026:

	<b>For the year ended 31 December 2021 <i>RMB'million</i></b>	<b>For the year ended 31 December 2022 <i>RMB'million</i></b>	<b>For the year ending 31 December 2023 (“FY2023”) <i>RMB'million</i></b>
Historical Purchase Transactions amounts	1,546	1,649.31	1,528.01 <i>(Note)</i>
Existing annual caps	3,374	4,048.8	4,858.56
Utilisation rates (%)	45.82	40.74	N/A
	<b>For the year ending 31 December 2024 (“FY2024”) <i>RMB'million</i></b>	<b>For the year ending 31 December 2025 (“FY2025”) <i>RMB'million</i></b>	<b>For the year ending 31 December 2026 (“FY2026”) <i>RMB'million</i></b>
Proposed Purchase Annual Caps	2,891	3,348	3,852

*Note:* The figure was for nine months ended 30 September 2023.

With reference to the Board Letter, the Company took into consideration the factors set out under the section headed “C. Annual caps” of the Board Letter in arriving at the Proposed Purchase Annual Caps.

We noticed that the utilisation rates of the existing annual caps were below 50% for FY2021 and FY2022. With reference to the Board Letter, the aforesaid low utilisation rates were outcome of the Group’s actual operations (in particular, the existing annual caps were determined taking into account the then estimated maximum purchase from COFCO Group, while the Group could also purchase from independent third parties).

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## LETTER FROM GRAM CAPITAL

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To assess the fairness and reasonableness of the Proposed Purchase Annual Caps, we obtained calculation of the Proposed Purchase Annual Caps for the three years ending 31 December 2026 (the “**Calculation**”) from the Company. Based on the Calculation, the Proposed Purchase Annual Caps for the three years ending 31 December 2026 include possible Purchase Transactions amounts of (i) raw materials and packaging materials; and (ii) property leasing and other services.

*A. Possible Purchase Transactions amounts of raw materials and packaging materials*

Under the Calculation, the possible Purchase Transactions amounts of raw materials and packaging materials for each of the three years ending 31 December 2026 represent approximately 98% to 99% of the Proposed Purchase Annual Caps.

*A.1 FY2024*

According to the Calculation, possible Purchase Transactions amount of raw materials and packaging materials for FY2024 was calculated by multiplying (i) estimated Purchase Transactions quantities of raw materials and packaging materials for FY2024; and (ii) estimated unit prices for FY2024.

Purchase Transactions quantities of raw materials and packaging materials for FY2024 were estimated based on (i) estimated Purchase Transactions quantity of raw materials and packaging materials for FY2023 which was derived from annualizing the quantity for 1H2023; (ii) growth rate of 6% on estimated quantity from FY2023 to FY2024; and (iii) possible increase in proportion of purchases from COFCO Group.

We noted from the 2022 Annual Report that the Group’s revenue increased by approximately 5.98% from FY2021 to FY2022 (the “**FY2022 Revenue Growth**”). As the Purchase Transactions of raw materials and packaging materials are conducted to support the Group’s production, we consider the growth rate of 6% to be justifiable.

In respect of the possible increase in proportion of purchases from COFCO Group, upon our enquiry, the Directors advised us that such increase (i) is not a commitment of purchase from COFCO Group; and (ii) will allow the Group to purchase more raw materials and packaging materials from COFCO Group when prices are favourable to the Group. Accordingly, we consider such possible increase in proportion under the Calculation to be justifiable.

In respect of the estimated unit prices for FY2024, the Directors advised us that such unit prices were estimated based on historical unit prices and trend. The Company also provided us range of such historical unit prices from 2021 to 2023. The estimated unit prices for FY2024 (i) are within the historical unit prices ranges from 2021 to 2023 (which is a relatively long period of time); and (ii) except the unit price for carbon dioxide, are closer to the upper limit of the aforesaid ranges. Accordingly, we consider the estimated unit prices for FY2024 to be justifiable.

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## LETTER FROM GRAM CAPITAL

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### A.2 FY2025 & FY2026

According to the Calculation, possible Purchase Transactions amounts of raw materials and packaging materials for FY2025 and FY2026 were calculated by multiplying (i) estimated Purchase Transactions quantities of raw materials and packaging materials for FY2025 and FY2026; (ii) estimated unit prices for FY2024; and (iii) allowance for possible unit prices increase of 10% for FY2025 (as compared to FY2024) and 20% for FY2026 (as compared to FY2024) (the “**Price Fluctuation Allowance**”).

Purchase Transactions quantities of raw materials and packaging materials for FY2025 and FY2026 were estimated based on (i) estimated Purchase Transactions quantity of raw materials and packaging materials for FY2024; and (ii) growth rate of 6% on estimated quantity from FY2024 to FY2025 and from FY2025 to FY2026. Based on the FY2022 Revenue Growth, we consider the growth rate of 6% to be justifiable.

As advised by the Directors, the Calculation adopted the same unit prices of raw materials and packaging materials for the three years ending 31 December 2026. Nevertheless, the Company applied the Price Fluctuation Allowance for FY2025 and FY2026, in light of possible prices fluctuation. We understood from the Company that the unit prices of raw materials and packaging materials are mainly affected by sugar price, corn price and aluminum price.

According to the statistics published on “price.mofcom.gov.cn” (a website operated by Ministry of Commerce of the PRC), from 1 January 2021 up to 7 November 2023 (being date of the 2023 COFCO Mutual Provision Agreement):

- (i) International sugar price ranged from US\$14.75 cents/pound (recorded on 13 January 2021 and 6 April 2021) to US\$27.13 cents/pound (recorded on 20 September 2023). The maximum price represented approximately 1.84 times of the lowest price.
- (ii) International corn price ranged from US\$5.04/bushel (recorded on 16 August 2023 and 21 August 2023) to US\$9.15/bushel (recorded on 18 April 2022). The maximum price represented approximately 1.82 times of the lowest price.
- (iii) PRC A00 aluminum price ranged from RMB14,698.53/ton (recorded on 8 January 2021) to RMB24,240/ton (recorded on 19 October 2021). The maximum price represented approximately 1.65 times of the lowest price.

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## LETTER FROM GRAM CAPITAL

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Upon our enquiry, the Directors advised us that the Company (i) applied the Price Fluctuation Allowance of 10% for FY2025 (as compared to FY2024) as it is closer to FY2024; and (ii) the Price Fluctuation Allowance of 20% for FY2026 (as compared to FY2024) as it is further away from FY2024 and there may be more uncertainties. As aforementioned, the estimated unit prices for FY2024 (i) are within the historical unit prices ranges from 2021 to 2023 (which is a relatively long period of time); and (ii) except the unit price for carbon dioxide, are closer to the upper limit of the aforesaid ranges. Given the above, we consider that the Price Fluctuation Allowance of 10% for FY2025 (as compared to FY2024) and 20% for FY2026 (as compared to FY2024) may cover possible future price fluctuations and are justifiable.

In light of the above, we consider the possible Purchase Transactions amounts of raw materials and packaging materials for the three years ending 31 December 2026 to be justifiable.

### *B. Possible Purchase Transactions amounts of property leasing and other services*

Under the Calculation, the possible Purchase Transactions amounts of property leasing and other services for each of the three years ending 31 December 2026 represent approximately 1% to 2% of the Proposed Purchase Annual Caps. Such amounts cater for the Group's estimated demand for its business operations.

With reference to the Board Letter, as part of the Proposed Purchase Annual Caps, the proposed annual caps for the three years ending 31 December 2024, 2025 and 2026 in respect of the leases of the premises provided by the COFCO Group are RMB43 million, RMB29 million and RMB18 million, respectively. Such proposed annual caps are set on the total value of the relevant right-of-use assets recognised according to HKFRS 16 relating to the leases and the estimated growth rate of rental for the years 2024, 2025 and 2026. For our due diligence purpose, we obtained from the Company calculation of the aforesaid amounts and noted that the calculation included the Group's two offices in Beijing and Hong Kong as aforementioned. Based on the above, we consider the proposed annual caps for the three years ending 31 December 2024, 2025 and 2026 in respect of the leases of the premises provided by the COFCO Group to be justifiable.

### *C. Conclusion*

Having considered the Calculation and our analysis set out above, we consider the Proposed Purchase Annual Caps for the three years ending 31 December 2026 to be fair and reasonable.

Having considered the principal terms of the Purchase Transactions (including the Proposed Purchase Annual Caps) as set out above, we consider that the terms of the Purchase Transactions are on normal commercial terms and are fair and reasonable.

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## LETTER FROM GRAM CAPITAL

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### 3. Listing Rules implication

The Directors have confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the value of the Purchase Transactions must be restricted by the Proposed Purchase Annual Caps; (ii) the terms of the Purchase Transactions must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the Purchase Transactions must be included in the Company's subsequent published annual reports. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Purchase Transactions (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the Purchase Transactions; and (iii) have exceeded the Proposed Purchase Annual Caps. In the event that the total amounts of the Purchase Transactions are anticipated to exceed the respective Proposed Purchase Annual Caps, or that there is any proposed material amendment to the terms of the Purchase Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Purchase Transactions and thus the interest of the Independent Shareholders will be safeguarded.

### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Purchase Transactions are on normal commercial terms and fair and reasonable; and (ii) the Purchase Transactions are in the interests of the Company and the Shareholders as a whole and in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Purchase Transactions and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,  
For and on behalf of  
**Gram Capital Limited**  
**Graham Lam**  
*Managing Director*

*Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.*

**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**2. DISCLOSURE OF INTERESTS OF DIRECTORS**

As of the Latest Practicable Date and in accordance with the records of the Company maintained in accordance with the SFO and the Listing Rules, none of the Directors has any interests and short positions in the Shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were deemed or taken to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register of members of the Company, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

Both Mr. Chen Zhigang and Mr. Chen Gang holds directorship in certain subsidiaries of COFCO. Each of Mr. Chen Zhigang and Mr. Chen Gang is also an employee of COFCO. Save as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed director of the Company is a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**3. DIRECTORS' SERVICE CONTRACTS**

As of the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contracts with the Company or any other member of the Group save for those expiring or determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

**4. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS OR ARRANGEMENT**

As of the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have since 31 December 2022, being the date to which the latest published audited consolidated accounts of the Group were made up, been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired, disposed of by or leased to any member of the Group. As of the Latest Practicable Date, none of the Directors were materially interested, directly or indirectly, in any subsisting contract or arrangement entered into by any member of the Group which was significant in relation to the business of the Group.

**5. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As of the Latest Practicable Date, none of the Directors or their associates had interests in a business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

**6. MATERIAL ADVERSE CHANGE**

The Directors confirm that there was no material adverse change in the financial or trading positions of the Group since 31 December 2022 (being the date up to which the latest published audited financial statements of the Company were made up).

**7. QUALIFICATION**

The following is a qualification of the expert who has given opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Gram Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As of the Latest Practicable Date, Gram Capital was not beneficially interested in the share capital of any member of the Group or did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and did not have any interest, either directly or indirectly, in any assets which, have been, since 31 December 2022 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.



**8. CONSENT**

Gram Capital has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter, report or certificate or summary of its opinion (as the case may be) and references to its name in the form and context in which they appear herein.

**9. DOCUMENTS ON DISPLAY**

A copy of the 2023 COFCO Mutual Provision Agreement will be published on the website of the Stock Exchange at <http://www.hkexnews.hk> and the website of the Company at [www.chinafoodsltd.com](http://www.chinafoodsltd.com) from the date of this circular and for a reasonable period of time (not less than 14 days).

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## NOTICE OF SGM

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### CHINA FOODS LIMITED 中國食品有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 506)**

#### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**SGM**”) of China Foods Limited (the “**Company**”) will be held at Forum Room I, Basement 2, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Wednesday, 13 December 2023 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

#### AS ORDINARY RESOLUTION

“**THAT** (1) the 2023 COFCO Mutual Provision Agreement (as defined in the circular of the Company dated 27 November 2023) (the “**Circular**”) entered into between the Company and COFCO Corporation (中糧集團有限公司) (“**COFCO**”) dated 7 November 2023 (a copy of which has been produced to the SGM and marked “A” and initialled by a Director for the purpose of identification) (details of which are set out in the Circular) relating to (a) the purchase of certain raw materials, packaging materials, and certain services by the Group from the COFCO Group; and (b) the provision of certain consumer products and the provision of certain services by the Group to the COFCO Group, and all the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and (2) the following annual caps for the purchase of raw materials, packaging materials, services and others by the Group from the COFCO Group as contemplated under the 2023 COFCO Mutual Provision Agreement be and are hereby approved and confirmed:

<b>Annual caps for the years ending 31 December</b>		
<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>(RMB million)</i>	
2,891	3,348	3,852

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## NOTICE OF SGM

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and **THAT** any one or more directors of the Company be and are hereby authorized to do all such things and execute all such documents as they in their absolute discretion deem fit or appropriate to give effect to the 2023 COFCO Mutual Provision Agreement and the implementation of all the transactions contemplated thereunder.”

By Order of the Board  
**China Foods Limited**  
**Qing Lijun**  
*Chairman*

Beijing, 27 November 2023

*Notes:*

1. Shareholders are reminded to read carefully details of the 2023 COFCO Mutual Provision Agreement and its relevant annual caps as set out in the circular to which this notice forms part.
2. For determining the entitlement to attend and vote at the SGM to be held on Wednesday, 13 December 2023, the register of members of the Company will be closed from Friday, 8 December 2023 to Wednesday, 13 December 2023 (both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the SGM, unregistered holders of Shares of the Company should ensure that all transfer forms accompanied by the relevant Share certificates must be lodged for registration with Tricor Progressive Limited, the branch share registrar and transfer office of the Company in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, and in any case no later than 4:30 p.m. on Thursday, 7 December 2023.
3. Any member of the Company entitled to attend and vote at the SGM is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged at Tricor Progressive Limited, the branch share register and transfer office of the Company in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM (or any adjournment thereof).
5. Where there are joint holders of any share of the Company, any one of such holders may vote at the SGM, either in person or by proxy, in respect of such share as if he were solely entitled to vote, but if more than one of such joint holders are present at the SGM in person or by proxy, the person so present whose name stands first in the register of members of the Company in respect of such share shall alone be entitled to vote.
6. Completion and return of the form of proxy will not preclude a member from attending and voting at the SGM (or any adjournment thereof) in person should he so wish. In such event, the form of proxy shall be deemed to be revoked.

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## NOTICE OF SGM

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7. Pursuant to the bye-law 75 of the bye-laws of the Company, the voting at the SGM will be taken by poll.
8. If a black rainstorm warning signal, or a tropical cyclone warning signal no.8 or above or “extreme conditions” caused by super typhoons is in force at or at any time after 8:00 a.m. on the date of the SGM, the SGM will be automatically postponed. The Company will publish an announcement on the Company’s website at [www.chinafoodsltd.com](http://www.chinafoodsltd.com) and the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) to notify members of the date, time and place of the rescheduled meeting.

The SGM will be held as scheduled when an amber or a red rainstorm warning is in force. Shareholders should decide on their own whether they would attend the SGM under bad weather condition bearing in mind their own situations.

9. In this notice, reference to one gender includes all genders and reference to the singular includes the plural and vice versa.

*As at the date of this notice, 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 and Mok Wai Bun, Ben and Ms. Leung Ka Lai, Ada, SBS as independent non-executive directors.*