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CHINA FOODS LIMITED
中國食品有限公司

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

DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS RELATING TO THE 2024 FINANCIAL SERVICES AGREEMENT

2024 Financial Services Agreement

Reference is made to the 2021 Announcement of the Company in relation to the continuing connected transactions contemplated under the 2021 Financial Services Agreement entered into by and among the Company, Supply Chain (Tianjin), an indirect non-wholly owned subsidiary of the Company and COFCO Finance. The 2021 Financial Services Agreement will expire on 13 December 2024.

In order to continue to provide a more efficient employment of funds within the Group and to better facilitate intra-Group settlement services, the Company, Supply Chain (Tianjin) and COFCO Finance entered into the 2024 Financial Services Agreement on 28 October 2024. Pursuant to the 2024 Financial Services Agreement, COFCO Finance shall provide, among others, the Deposit Services, the Fund Settlement Services and the Other Financial Services (including the Entrustment Loan Services) to the subsidiaries of the Company.

Listing Rules Implications

As at the date of this announcement, COFCO Finance is an indirect wholly-owned subsidiary of COFCO, the ultimate controlling shareholder of the Company. Therefore, COFCO Finance is a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the 2024 Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The provision of the Deposit Services to the Group under the 2024 Financial Service Agreement also constitutes the provision of financial assistance by the Group to COFCO Finance under Rule 14.04(1)(e) of the Listing Rules. Since the highest applicable percentage ratio for the provision of the Deposit Services in respect of the Proposed Daily Deposit Cap exceeds 5% but is less than 25%, it constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Deposit Services are subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios in respect of the estimated aggregate amount of the handling fees in connection with the Fund Settlement Services and the Other Financial Services (including the Entrustment Loan Services) is on an annual basis less than 0.1%, the Fund Settlement Services and the Other Financial Services (including the Entrustment Loan Services) are exempted from the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee has been established to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Deposit Services and the Proposed Daily Deposit Cap, and to advise the Independent Shareholders on how to vote at the SGM.

DL Securities has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Deposit Services and the Proposed Daily Deposit Cap.

The SGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve the 2024 Financial Services Agreement, the transactions contemplated thereunder and the Proposed Daily Deposit Cap. China Foods (Holdings), an indirect wholly-owned subsidiary of COFCO and the substantial shareholder of the Company which holds as to approximately 74.1% of the total issued share capital of the Company (representing 2,072,688,331 shares of the Company as at the date of this announcement) will abstain from voting at the SGM on the resolutions regarding the 2024 Financial Services Agreement, the transactions contemplated thereunder and the Proposed Daily Deposit Cap.

A circular containing, among others, (a) details of the 2024 Financial Services Agreement and the Proposed Daily Deposit Cap; (b) the recommendation of the Independent Board Committee to the Independent Shareholders; (c) the advice from DL Securities to the Independent Board Committee and the Independent Shareholders; and (d) a notice convening the SGM, together with the proxy form is expected to be dispatched to the shareholders of the Company on or before 18 November 2024 in accordance with the Listing Rules.

2024 FINANCIAL SERVICES AGREEMENT

Background

Reference is made to the 2021 Announcement of the Company in relation to the continuing connected transactions contemplated under the 2021 Financial Services Agreement entered into by and among the Company, Supply Chain (Tianjin), an indirect non-wholly owned subsidiary of the Company and COFCO Finance. The 2021 Financial Services Agreement will expire on 13 December 2024.

In order to continue to provide a more efficient employment of funds within the Group and to better facilitate intra-Group settlement services, the Company, Supply Chain (Tianjin) and COFCO Finance entered into the 2024 Financial Services Agreement on 28 October 2024. Pursuant to the 2024 Financial Services Agreement, COFCO Finance shall provide the Deposit Services, the Fund Settlement Services and the Other Financial Services (including the Entrustment Loan Services) to the subsidiaries of the Company.

The principal terms of the 2024 Financial Services Agreement are as follows:

1. Date

28 October 2024

2. Effective Date and the Term

The 2024 Financial Services Agreement shall become effective subject to the approval from the Independent Shareholders of the SGM, and shall be for a term of three years commencing from 14 December 2024 and expiring on 13 December 2027.

3. Parties

(a) The Company;

(b) Supply Chain (Tianjin) (an indirectly non-wholly owned subsidiary of the Company); and

(c) COFCO Finance

4. Major Terms

(a) Deposit Services

Pursuant to the 2024 Financial Services Agreement, COFCO Finance shall provide the Deposit Services to subsidiaries of the Company. The subsidiaries of the Company will open and maintain demand deposit accounts with COFCO Finance. COFCO Finance will pay interest on deposits made by the subsidiaries of the Company.

The interest rates for the deposits placed by the subsidiaries of the Company with COFCO Finance (the "**COFCO Deposit Interest Rate**") will be determined according to the standard RMB deposit rates promulgated by PBOC from time to time and will not be lower than the interest rates offered by the major PRC financial institutions to the COFCO Group for the same type of deposits of the same period. Details of the measures to be implemented for determining and monitoring the COFCO Deposit Interest Rate are set out in the paragraph headed "Measures of Determining the Pricing Terms" below.

The Deposit Services that will be provided by COFCO Finance to the subsidiaries of the Company under the 2024 Financial Services Agreement are primarily for the purpose of facilitating the Fund Settlement Services and the Entrustment Loan Services among the subsidiaries of the Company as provided under the 2024 Financial Services Agreement. Pursuant to the 2024 Financial Services Agreement, the title of the funds in respect of the entrustment loans under the Entrustment Loan Services will rest with the Group and will not pass to COFCO Finance.

The maximum daily balance of deposits placed by Supply Chain (Tianjin) and the subsidiaries of the Company in aggregate with COFCO Finance shall not exceed RMB800 million (including the corresponding interest accrued thereon).

(b) Fund Settlement Services

COFCO Finance shall provide the Fund Settlement Services to the subsidiaries of the Company in accordance with the instructions given by the relevant subsidiaries of the Company free of charge.

(c) Other Financial Services

COFCO Finance will provide the Other Financial Services, including but not limited to, the Entrustment Loan Services, settlement, sale and purchase of foreign exchange and relevant advisory services to the subsidiaries of the Company in accordance with the permitted scope prescribed under the PRC financial policies and the Measures for the Administration of Finance Companies of Enterprise Groups (企業集團財務公司管理辦法) promulgated by NFRA pursuant to the 2024 Financial Services Agreement.

In respect of the Entrustment Loan Services, funds sourced from certain subsidiaries of the Company will be advanced to Supply Chain (Tianjin) through entrustment loan arrangements, and COFCO Finance will serve as a financial agent. After such entrustment loans had been advanced to Supply Chain (Tianjin) (acting as a lender), it will enter into further entrustment loan arrangements with COFCO Finance, which holds the appropriate licence and qualification under the PRC laws, which will advance such funds to certain subsidiaries of the Company which are in need of funds.

As COFCO Finance is acting as a financial agent in the entrustment loan arrangements and does not enjoy title of the entrustment loan, COFCO Finance does not have legal rights to advance such entrustment loan directly to the Company's subsidiaries without obtaining the instructions in advance from the relevant subsidiary of the Company.

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

By way of centralising funds from subsidiaries of the Company through entrustment loan arrangements, Supply Chain (Tianjin) will be able to allocate such centralised fund more effectively among the Company's subsidiaries, so that such fund allocation will be most beneficial to the Group as a whole and thus in turn, benefit the Company and its shareholders as a whole.

The handling fees for the Entrustment Loan Services shall be settled pursuant to the respective agreements of the Entrustment Loan Services.

(d) Handling fees in respect of the Fund Settlement Services and the Other Financial Services (including the Entrustment Loan Services)

It is anticipated that the aggregate handling fees on an annual basis to be charged by COFCO Finance in connection with the Fund Settlement Services and the Other Financial Services (including Entrustment Loan Services on which the handling fees on an annual basis to be charged by COFCO Finance shall not be higher than RMB500,000) (collectively, the "**COFCO Handling Fees**"), if any, shall not result in any of the applicable percentage ratios under the Listing Rules in respect of the COFCO Handling Fees being equal to or more than 0.1%. Details of the measures to be implemented for determining and monitoring the COFCO Handling Fees are set out in the paragraph headed "Measures of Determining the Pricing Terms" below.

(e) Set off

Where COFCO Finance applies the funds deposited with it by Supply Chain (Tianjin) and subsidiaries of the Company in breach of any provisions of the 2024 Financial Services Agreement or in any other inappropriate ways which results in any subsidiaries of the Company failing to recover such deposited funds in full, such subsidiaries of the Company will be entitled to use such deposit funds to set off any payments payable to COFCO Finance by the subsidiaries of the Company. COFCO Finance will not be entitled to such set off rights.

(f) Notification of breach

During the Term, if COFCO Finance breaches or intends to breach any laws, regulations or any provisions of the 2024 Financial Services Agreement, it is required to notify Supply Chain (Tianjin) and the Company of such situation within three Business Days from its acknowledgement of the breach or intended breach.

(g) Termination

Apart from the default events provided under the Civil Code of the PRC (中華人民共和國民法典), the 2024 Financial Services Agreement shall be terminated with immediate effect if COFCO Finance fails to satisfy any of the operational standard set out as follows:

(i) its capital adequacy ratio shall not be less than 10.5%;

(ii) its non-performing assets ratio shall not be more than 3%;

(iii) its bad loan ratio shall not be more than 2%;

(iv) its self-owned fixed assets to equity ratio shall not be more than 20%; or

(v) its investment balance to net capital ratio shall not be more than 70%.

Upon termination of the 2024 Financial Services Agreement, Supply Chain (Tianjin) or the subsidiaries of the Company may withdraw their deposits with COFCO Finance and exercise the above right of set off.

(h) Conditions precedent

The 2024 Financial Services Agreement shall be effective conditional upon:

(i) compliance with all necessary requirements under the Listing Rules, which include but not limited to obtaining the approval of the Independent Shareholders at the SGM; and

(ii) obtaining any other relevant approvals as may be required for the 2024 Financial Services Agreement to take effect.

None of the above conditions precedent is waivable.

Measures of Determining the Pricing Terms

In order to ensure that the pricing terms of individual transactions contemplated under the Deposit Services and the Other Financial Services (including the Entrustment Loan Services) will be made in accordance with the pricing principles as stated above, the Group and COFCO Finance shall carry out the measures below:

The Group has established an internal assessment mechanism on the COFCO Deposit Interest Rate and the COFCO Handling Fees based on fair market principle.

From time to time, the Group will obtain interest rates of deposit services offered by 10 major PRC commercial banks and PBOC for the same type of deposits of the same period from their websites and select the highest of such quotations (the "**Quoted Deposit Interest Rate**") to compare with the COFCO Deposit Interest Rate to ensure that the COFCO Deposit Interest Rate is not lower than the Quoted Deposit Interest Rate. In addition, the Group will conduct analysis and assessment between the COFCO Deposit Interest Rate and the rates offered by the 10 major PRC commercial banks and PBOC every fortnight or regularly during the maintenance of such deposit accounts.

Prior to the engagement of the Other Financial Services (including Entrustment Loan Services), the Group will also conduct an analysis and assessment of the COFCO Handling Fees with the corresponding handling fees offered by the 10 major PRC commercial banks and PBOC to the Group on similar type of services to ensure that the COFCO Handling Fees quoted by COFCO Finance is on the best term to the Group.

In the event that the relevant interest rates or handling fees quoted from the 10 major PRC commercial banks and PBOC is better than those offered by COFCO Finance, the Group will inform COFCO Finance to adjust the same to ensure its interest rates or handling fees is on the same level or better than those offered by the 10 major PRC commercial banks and PBOC.

COFCO Finance has established a risk management committee and an independent audit department where the risk management committee is responsible for, among others, approval for the decision-making on the pricing policies of deposits and various business risks of the company. The audit department of COFCO Finance is responsible for carrying out an independent audit on various businesses including the Deposit Services, the Fund Settlement Services and the Other Financial Services (including the Entrustment Loan Services) under the 2024 Financial Services Agreement. In addition, to ensure that the 2024 Financial Services Agreement is smoothly executed, COFCO Finance has appointed an independent external auditor to carry out a special audit on such connected transactions at the end of each quarter to manage and reduce the risk of the relevant business.

Reasons for and benefits of entering into the 2024 Financial Services Agreement

PRC laws do not permit companies, including subsidiaries and associate companies, other than regulated financial institutions, to extend intra-group loans directly. Any such loans must be directed through a regulated financial institution or agency. COFCO Finance is a non-banking financial institution established in the PRC since 2002 with the approval of PBOC and it is subject to the supervision of PBOC and NFRA. According to its business licence, COFCO Finance is authorised to provide various kinds of financial services to the Group, including deposit taking and loan services. The main reasons for, and benefits of, the transactions under the 2024 Financial Services Agreement (collectively the "**Arrangements**") are as follows:

(a) COFCO Finance has well established operating networks with 10 major PRC commercial banks, namely the Industrial and Commercial Bank of China, China Construction Bank, Bank of China, Agricultural Bank of China, China Merchants Bank, Bank of Communications, Agricultural Development Bank of China, China CITIC Bank, Ping An Bank and Postal Savings Bank of China, and such networks have become the channel for collecting the funds of the subsidiaries of the Company;

(b) the Company believes that COFCO Finance may provide more diversified and flexible financial services to the Group compared with a single or a small number of third-party commercial banks;

(c) COFCO Finance was established in 2002. During the past 22 years' operation of COFCO Finance, its operations has been stable, financial performance has been excellent and no violation of any rules has occurred. The Company believes that the risk profile of COFCO Finance, as a financial services provider to the Group, is not greater than that of independent commercial banks in the PRC;

(d) the use of COFCO Finance as a vehicle through which the funds of the subsidiaries of the Company, including Supply Chain (Tianjin), will allow a more efficient deployment of funds between subsidiaries of the Company;

(e) the Arrangements will allow the greater utilisation of available funds, utilise the collected funds to repay the external commercial loans of the subsidiaries of the Company and optimise the efficiency of the Group's funds;

(f) the Arrangements will help reduce financial costs, thereby increasing the profitability of the Group and benefiting the shareholders of the Company, including the minority shareholders of the Company. The handling fee offered by COFCO Finance in relation to the Entrustment Loan Services shall be on the same level or lower than that offered by the 10 major PRC commercial banks and PBOC. In addition, the Group can utilise the Bank-Enterprise direct link system (銀企直聯服務) offered by COFCO Finance free of charge;

(g) the Arrangements will allow a prompt and accurate monitoring and regulation of the application of funds of the Group including Supply Chain (Tianjin);

(h) the Arrangements will promote liquidity among the Group, including Supply Chain (Tianjin), enhance the overall ability of the Group to repay debts, and assist in monitoring and controlling financial risks;

(i) COFCO Finance has maintained good working relationship with the Company and its subsidiaries over the years and developed a good understanding of the Group's operation and its needs and their continuous cooperation can ensure higher work efficiency; and

(j) as the COFCO Deposit Interest Rate offered to the Group shall be on the same level or better than the Quoted Deposit Interest Rate, the Arrangements can increase the interest income of the Group and therefore is beneficial to the Company and its shareholders as a whole.

Risk Management

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

(a) the title of the funds in respect of the Entrustment Loans Services pursuant to the 2024 Financial Services Agreement will not be passed to COFCO Finance;

(b) funds received by Supply Chain (Tianjin) pursuant to the 2024 Financial Services Agreement are only to be applied for intra-Group use;

(c) specifically designated personnel from Supply Chain (Tianjin) will be responsible for daily operations under the Arrangements and specifically designated personnel from the finance department of the Company will be responsible for the regular monitoring of the Arrangements, and reporting to the general manager of the finance department and the management of the Company on a regular basis;

(d) the finance department of the Company will report to the independent non-executive Directors twice a year in relation to the Arrangements;

(e) the clients of COFCO Finance are restricted to those COFCO Group companies (including the Company and the subsidiaries of the Company) which meet the prerequisite standards according to the relevant internal policy of the COFCO. COFCO Finance is hence exposed to a lower level of potential risk than, if its clients include, external entities;

(f) the Arrangements between the Group and COFCO Finance under the 2024 Financial Services Agreement is non-exclusive, and the Group has its own discretion in selecting providers of financial services;

(g) the audit and supervision department of the Group will review the appropriateness of the system of internal controls relating to the operation of the Arrangements and report the results of the review to the management and the audit committee/independent non-executive Directors twice a year;

(h) where COFCO Finance applies the funds deposited with it by Supply Chain (Tianjin) and the subsidiaries of the Company in breach of any provisions of the 2024 Financial Services Agreement or in any other inappropriate ways which results in Supply Chain (Tianjin) and/or the subsidiaries of the Company failing to recover such deposit funds, Supply Chain (Tianjin) and the subsidiaries of the Company will be entitled to use such deposit funds in full to set off any payments payable to COFCO Finance by Supply Chain (Tianjin) or the subsidiaries of the Company. COFCO Finance will not be entitled to such set off rights;

(i) in addition to the default events provided by the Civil Code of the PRC (中華人民共和國民法典), the 2024 Financial Services Agreement shall be terminated with immediate effect if COFCO Finance fails to satisfy any operation standard as follows:

   (a) its capital adequacy ratio shall not be less than 10.5% (whereas NFRA requires such ratio shall not be less than 10.5%); or

   (b) its non-performing assets ratio shall not be more than 3% (whereas NFRA requires such ratio shall not be more than 3%); or

   (c) its bad loan ratio shall not be more than 2% (whereas NFRA requires such ratio shall not be more than 2%); or

   (d) its self-owned fixed assets to equity ratio shall not be more than 20% (whereas NFRA requires such ratio shall not be more than 20%); or

   (e) its investment balance to net capital ratio shall not be more than 70% (whereas NFRA requires such ratio shall not be more than 70%); and

(j) the external auditors of the Company will review the transactions contemplated under the 2024 Financial Services Agreement and report its findings to the audit committee of the Board and the independent non-executive Directors on an annual basis.

Guarantee letter from COFCO

On 28 October 2024, COFCO issued a guarantee letter to the Company to guarantee unconditionally and irrevocably that, during the Term, COFCO will:

(a) maintain its effective control of COFCO Finance and guarantee the proper and orderly operation of COFCO Finance;

(b) use its best endeavors and take all reasonable steps to guarantee that COFCO Finance will perform its obligations in respect of the financial services contemplated under the 2024 Financial Services Agreement; and

(c) in the event of an emergency under which COFCO Finance encounters any payment difficulties, provide relevant funds based on actual needs in order to resolve any such payment difficulties.

COFCO confirms that it has obtained all approvals and authorisations for execution the abovementioned guarantee letter and such execution does not violate any PRC laws, regulations or any agreement to which COFCO is a party.

Historical caps and transaction value of the Deposit Services under the 2021 Financial Services Agreement

Under the 2021 Financial Services Agreement, the maximum daily deposit balance amount (including the corresponding interest accrued thereon) placed by the Group with COFCO Finance for the period from 14 December 2021 to 13 December 2022, the period from 14 December 2022 to 13 December 2023 and the period from 14 December 2023 to 13 December 2024 are RMB800 million, RMB800 million and RMB800 million, respectively.

The historical maximum daily deposit balance amount (including the corresponding interest accrued thereon) for the period from 14 December 2021 to 13 December 2022, the period from 14 December 2022 to 13 December 2023 and the period from 14 December 2023 to 30 September 2024 are as follows:

	Historical maximum daily deposit balance for the period from		
Transaction	**14 December 2021 to 13 December 2022**	**14 December 2022 to 13 December 2023**	**14 December 2023 to 30 September 2024**
		(RMB million)	
Maximum daily deposit balance amount (including the corresponding interest accrued thereon) placed by the Group with COFCO Finance	790	790	790

Proposed Daily Deposit Cap for the 2024 Financial Services Agreement and the basis thereof

The Board proposed the Proposed Daily Deposit Cap in the amount of RMB800 million (including the corresponding interest accrued therein) on a daily basis after considering the maximum daily outstanding balance of deposits (including the corresponding interest accrued thereon) to be placed by the Group with COFCO Finance pursuant to the 2024 Financial Services Agreement.

In arriving the Proposed Daily Deposit Cap for the Term, the Company has taken into account the following factors:

(a) as at 30 June 2024, the Group maintained a high level of cash and cash equivalents which amounted to approximately RMB3.7 billion and was available to be utilised by subsidiaries of the Company;

(b) the business development plans and the financial needs of each of the subsidiaries of the Company during the Term;

(c) the historical cash position of the Group, the historical transaction value and the expected growth of the business operation of the Group;

(d) the control of financial risks in selecting financial services providers; and

(e) the benefits to the Group and the shareholders of the Company as a whole as set out in the paragraph headed "Reasons for and benefits of entering into the 2024 Financial Services Agreement".

In order to ensure that the Proposed Daily Deposit Cap will not be exceeded, the Group will adopt the following measures to monitor the daily balance of the deposits made by the Group:

(a) the finance department of the Company will monitor the daily balance of the deposit made by the Group with all financial institutions, including those with COFCO Finance, and will report on the Group's overall cash flow position to the relevant senior management of the Company for review and consideration of the overall funding position of the Group;

(b) the Group will have the discretion to request for the withdrawal of all or part of the deposit placed with COFCO Finance to ensure the liquidity and safety of the deposited fund; and

(c) COFCO Finance will provide an online platform to allow the finance department of the Company to monitor the balance of the Group's deposit on a daily basis, so as to ensure the deposit amount will not exceed the Proposed Daily Deposit Cap.

Listing Rules Implications

As at the date of this announcement, COFCO Finance is an indirect wholly-owned subsidiary of COFCO, the ultimate controlling shareholder of the Company. Therefore, COFCO Finance is a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the 2024 Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The provision of the Deposit Services to the Group under the 2024 Financial Service Agreement also constitutes the provision of financial assistance by the Group to COFCO Finance under Rule 14.04(1)(e) of the Listing Rules. Since the highest applicable percentage ratio for the provision of the Deposit Services in respect of the Proposed Daily Deposit Cap exceeds 5% but is less than 25%, it constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Deposit Services are subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios in respect of the estimated amount of the handling fees in connection with the Fund Settlement Services and the Other Financial Services (including the Entrustment Loan Services) is on an annual basis less than 0.1%, the Fund Settlement Services and the Other Financial Services (including the Entrustment Loan Services) are exempted from the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

General

The Independent Board Committee has been established to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Deposit Services and the Proposed Daily Deposit Cap, and to advise the Independent Shareholders on how to vote at the SGM.

DL Securities has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Deposit Services and the Proposed Daily Deposit Cap.

The SGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve the 2024 Financial Services Agreement, the transactions contemplated thereunder and the Proposed Daily Deposit Cap. China Foods (Holdings), an indirect wholly-owned subsidiary of COFCO and the substantial shareholder of the Company which holds as to approximately 74.1% of the total issued share capital of the Company (representing 2,072,688,331 shares of the Company as at the date of this announcement) will abstain from voting at the SGM on the resolutions regarding the 2024 Financial Services Limited, the transactions contemplated thereunder and the Proposed Daily Deposit Cap.

A circular containing, among others, (a) details of the 2024 Financial Services Agreement and the Proposed Daily Deposit Cap; (b) the recommendation of the Independent Board Committee to the Independent Shareholders; (c) the advice from DL Securities to the Independent Board Committee and the Independent Shareholders; and (d) a notice convening the SGM, together with the proxy form is expected to be dispatched to the shareholders of the Company on or before 18 November 2024 in accordance with the Listing Rules.

Directors' Views

The Directors (excluding the independent non-executive Directors) consider that the terms of the 2024 Financial Services Agreement have been negotiated on an arm's length basis and on normal commercial terms, the transactions contemplated thereunder and the Proposed Daily Deposit Cap are fair and reasonable and in the interests of the Company and its Shareholders as a whole. In addition, the Group has effective risk management measures and internal controls in place to monitor the Arrangement and Deposit Services under the 2024 Financial Services Agreement.

The Directors (excluding the independent non-executive Directors) also believe that the risk profile of COFCO Finance, as a financial services provider to the Group, is not greater than that of independent commercial banks in the PRC. As far as the Directors are aware, COFCO Finance has established stringent internal control measures to ensure effective risk management and compliance with laws and regulations.

None of the Directors has a material interest in the transactions contemplated under the 2024 Financial Services Agreement. However, as Mr. Qing Lijun (being a deputy general manager of COFCO), Mr. Cao Gaofeng (being the director of the quality and safety management department 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) are related to COFCO, for good corporate governance, Mr. Qing Lijun, Mr. Cao Gaofeng and Mr. Chen Gang have abstained from voting on the respective Board resolutions approving the 2024 Financial Services Agreement.

Information on the Parties

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

Supply Chain (Tianjin) is a limited liability company established in the PRC and a non-wholly owned subsidiary of COFCO Coca-Cola, which is in turn a 65%-owned subsidiary of the Company. The Company holds as to 63.8% beneficial interest in Supply Chain (Tianjin). Supply Chain (Tianjin) is mainly engaged in the wholesale and retail of pre-packaged foods, raw and auxiliary materials, supply chain information consultation, management services and others.

COFCO Finance is a non-banking financial institution and an indirect wholly-owned subsidiary of COFCO established in the PRC since 2002 with approval of PBOC. It is subject to the supervision of PBOC and NFRA. According to its business licence, it is authorised to provide to the Group all services set out in the 2024 Financial Services Agreement. According to the business licence, COFCO Finance is authorised to provide services such as (a) the provision of financial and financing consultation services, credit appraisal and relevant consulting services and agency business service; (b) assisting implementation of payables and receivables of the transaction amounts; (c) handling of deposits, loans and bills acceptance and discounting; (d) conduct settlements and other relevant settlements; and (e) the provisions of loans and financing leases.

DEFINITIONS

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

"2021 Announcement"	the announcement of the Company issued on 2 November 2021 concerning the continuing connected transactions of the Company in relation to the 2021 Financial Services Agreement
"2021 Financial Services Agreement"	the financial services agreement in relation to the deposit services, fund transfer service, entrustment loan services and other financial services entered into by and among the Company, Supply Chain (Tianjin) and COFCO Finance on 2 November 2021
"2024 Financial Services Agreement"	the financial services agreement in relation to the Deposit Services, the Fund Settlement Services and the Other Financial Services (including the Entrustment Loan Services) entered into by and among the Company, Supply Chain (Tianjin) and COFCO Finance on 28 October 2024
"Board"	the board of Directors
"Business Day(s)"	day(s) (other than Saturday or Sunday) on which banking institutions are open for general business in the PRC
"China Foods (Holdings)"	China Foods (Holdings) Limited (中國食品(控股)有限公司), 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
"COFCO"	COFCO Corporation (中糧集團有限公司), a state-owned company established in the PRC which is currently under the purview of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中國國務院國有資產監督管理委員會) and the ultimate controlling shareholder of the Company

"COFCO Coca-Cola"	COFCO Coca-Cola Beverages Limited, a company incorporated in Hong Kong with limited liability, in which the Company indirectly holds 65% interest
"COFCO Finance"	COFCO Finance Corporation Limited (中糧財務有限責任公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of COFCO
"COFCO Group"	COFCO and its subsidiaries (including 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
"Deposit Services"	the RMB deposit and related services to be provided by COFCO Finance to Supply Chain (Tianjin) and subsidiaries of the Company under the 2024 Financial Services Agreement
"Director(s)"	the director(s) of the Company
"Entrustment Loan Services"	COFCO Finance serves as a financial agent for loans advanced from certain subsidiaries of the Company to Supply Chain (Tianjin) through entrustment loan arrangements under the 2024 Financial Services Agreement
"Fund Settlement Services"	the fund settlement services provided by COFCO Finance to subsidiaries of the Company under the 2024 Financial Services Agreement
"Group"	the Company and its subsidiaries from time to time
"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, was established for the purpose of advising the Independent Shareholders on the terms of the Deposit Services and the Proposed Daily Deposit Cap

"Independent Financial Adviser" or "DL Securities"	DL Securities (HK) Limited, a licenced corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Deposit Services and the Proposed Daily Deposit Cap
"Independent Shareholders"	Shareholders other than China Foods (Holdings) and its associates
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"NFRA"	National Financial Regulatory Administration (國家金融監督管理總局)
"Other Financial Services"	other financial services to be provided by COFCO Finance to Supply Chain (Tianjin) and subsidiaries of the Company pursuant to the 2024 Financial Services Agreement apart from the Deposit Services and the Fund Settlement Services, including but not limited to, the Entrustment Loan Services, settlement, sale and purchase of foreign exchange and relevant advisory services
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Proposed Daily Deposit Cap"	the proposed maximum daily outstanding balance of deposits (including the corresponding interest accrued thereon) placed by the Group with COFCO Finance in the amount of RMB800 million (including the corresponding interest accrued therein) during the Term pursuant to the 2024 Financial Services Agreement
"PRC"	the People's Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC

"SGM"	the special general meeting of the Company to be held to consider and approve the 2024 Financial Services Agreement, the transactions contemplated thereunder and the Proposed Daily Deposit Cap
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supply Chain (Tianjin)"	COFCO Coca-Cola Supply Chain (Tianjin) Limited (中糧可口可樂供應鏈(天津)有限公司), a limited company established in the PRC, which is a non-wholly owned subsidiary of COFCO Coca-Cola
"Term"	the term commencing from 14 December 2024 and expiring on 13 December 2027

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

By Order of the Board
China Foods Limited
Qing Lijun
Managing Director

Beijing, 28 October 2024

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