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Chinese Olympic Committee Official Partner
中国奥委会合作伙伴

CHINA FOODS LIMITED
中國食品有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 506)

(1) MAJOR AND CONNECTED TRANSACTION DISPOSAL OF EQUITY INTERESTS IN THE TARGET COMPANIES AND (2) PAYMENT OF SPECIAL DIVIDEND

Financial adviser to the Company

HSBC

THE DISPOSAL

The Board announces that on 16 October 2017, the Company entered into the Agreement with the Buyer, a wholly-owned subsidiary of COFCO, pursuant to which the Company has conditionally agreed to sell, and the Buyer has conditionally agreed to acquire, the entire equity interest of each of the Target Companies for the Consideration of HK$1,400 million in aggregate, subject to the terms and conditions of the Agreement. The Target Companies hold all the wine business and other non-beverage business of the Company, which mainly comprises of the production and distribution of the "Greatwall" brand wines.

As the Company expects to receive payments from the Buyer before Completion for the settlement of loans owed to the Company by relevant members of the Target Group of approximately HK$3,669 million in aggregate, together with the Consideration of HK$1,400 million in aggregate, the transaction value in relation to the Disposal is approximately HK$5,069 million. As part of the use of proceeds and return to the Shareholders, the Company proposes to pay the Special Dividend of HK$0.93 per Share to the Shareholders whose names appear on the register of members of the Company on the Record Date, of which the aggregate amount is expected to be approximately HK$2,601 million (based on the total issued Shares as at the date of this announcement and assuming there are no changes to the Company's share capital up to and including the Record Date).

Upon Completion and payment of the Special Dividend, the remaining net proceeds to be received by the Company are expected to be approximately HK$2,467 million, which will be used for the repayment of certain bank borrowings of the Group of approximately HK$2,267 million and as the Group's working capital.

AS COMPLETION IS SUBJECT TO THE CONDITIONS PRECEDENT SET OUT IN THE AGREEMENT INCLUDING, AMONG OTHERS, THE APPROVAL OF THE INDEPENDENT SHAREHOLDERS AT THE SGM, THE DISPOSAL MAY OR MAY NOT PROCEED. SHAREHOLDERS AND POTENTIAL INVESTORS SHOULD EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal are more than 25% but all of such applicable percentage ratios are less than 75%, the Disposal constitutes a major transaction of the Company.

As COFCO is the ultimate controlling shareholder of the Company, and the Buyer is a wholly-owned subsidiary of COFCO and the direct controlling shareholder of the Company, the Buyer is a connected person of the Company.

The Disposal therefore constitutes a major and connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

SPECIAL DIVIDEND

In connection with the Disposal, the Company proposes to pay, simultaneously with Completion, the Special Dividend of HK$0.93 per Share to the Shareholders whose names appear on the register of members of the Company on the Record Date.

The Special Dividend is conditional upon the Special Dividend Conditions being satisfied.

THE SPECIAL DIVIDEND IS SUBJECT TO THE APPROVAL OF THE INDEPENDENT SHAREHOLDERS AT THE SGM AND COMPLETION OF THE DISPOSAL. AS SUCH, THE SPECIAL DIVIDEND MAY OR MAY NOT BE DECLARED AND PAID. SHAREHOLDERS AND POTENTIAL INVESTORS SHOULD EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the Disposal are fair and reasonable, and to advise the Independent Shareholders on how to vote.

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Rothschild (Hong Kong) Limited 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 as to whether the terms of the Disposal are fair and reasonable and as to voting at the SGM so far as the Independent Shareholders are concerned.

SGM

The Company will convene a SGM for the Independent Shareholders to consider and, if thought fit, approve the Disposal and the Special Dividend. The voting at the SGM will be taken by poll. COFCO and its associates will abstain from voting at the SGM on resolutions regarding the Disposal and the Special Dividend.

CIRCULAR

The circular containing, among other things, further information on (a) the Disposal; (b) the Special Dividend; (c) the recommendation of the Independent Board Committee to the Independent Shareholders; (d) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (e) a notice convening the SGM, together with the proxy form is expected to be despatched to the Shareholders on or before 6 November 2017 in accordance with the Listing Rules.

INTRODUCTION

The Board announces that on 16 October 2017, the Company entered into the Agreement with the Buyer, a wholly-owned subsidiary of COFCO, pursuant to which the Company has conditionally agreed to sell, and the Buyer has conditionally agreed to acquire, the entire equity interest of each of the Target Companies for the Consideration of HK$1,400 million in aggregate, subject to the terms and conditions of the Agreement. The Target Companies hold all the wine business and other non-beverage business of the Company, such as trading of peanuts, which mainly comprises of the production and distribution of the “Greatwall” brand wines.

The Company also expects to receive payments from the Buyer before Completion for the settlement of loans owed to the Company by relevant members of the Target Group of approximately HK$3,669 million in aggregate.

THE AGREEMENT

The principal terms of the Agreement are summarised as follows:

Date

16 October 2017

Parties

(1) the Company; and

(2) the Buyer, a wholly-owned subsidiary of COFCO and a connected person of the Company.

Subject Matter

The Company has conditionally agreed to sell, and the Buyer has conditionally agreed to acquire, the entire equity interest of each of the Target Companies, subject to the terms and conditions of the Agreement.

As at the date of this announcement, each of the Target Companies is a direct wholly-owned subsidiary of the Company. Immediately upon Completion, each of the Target Companies will cease to be a subsidiary of the Company. Please refer to the section headed "Information on the Target Companies and the Target Business" below for further information of the business and financial information of the Target Companies.

Consideration

Pursuant to the Agreement, the Company has conditionally agreed to sell, and the Buyer has conditionally agreed to acquire, the entire equity interest of each of the Target Companies for the Consideration of HK$1,400 million in aggregate. Subject to the payment of the Special Dividend by the Company on the basis that the Buyer continues to hold 2,072,688,331 Shares on the Record Date, the entire amount of the Consideration shall be settled by way of set off against the same amount forming part of the Special Dividend payable to the Buyer by the Company, simultaneous with the payment of the Special Dividend by the Company. For the avoidance of doubt, any balance amount of the Special Dividend payable to the Buyer which is not subject to the set off arrangement would be paid in cash to the Buyer accordingly and the Special Dividend will be simultaneously paid by the Company to the Buyer and the Independent Shareholders whose names appear on the register of members of the Company on the Record Date.

The Consideration was determined after arm's length negotiations between the Company and the Buyer with reference to, among others, (i) the historical financial performance of the Target Business; (ii) the future prospects of the Target Business with reference to the competitive landscape and market conditions; (iii) the trading multiples of comparable companies in the industry; and (iv) the "Greatwall" brand owned by COFCO Group. For further details on the financial impact of the Disposal on the Group and the reasons and benefits of the Disposal, please refer to the sections headed "Financial impact of the

Disposal and the Special Dividend on the Group" and "Reasons for the Disposal and benefits to the Group" below.

The Directors (other than the independent non-executive Directors whose views will be set out in the circular to be despatch to the Shareholders) are of the view that the terms of the Agreement and the transactions contemplated thereunder, which have been reached after arm's length negotiations among the parties, are on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion of the Agreement is conditional upon the fulfilment or waiver (as the case may be) of the following conditions:

(a) approval having been obtained from the Independent Shareholders at the SGM convened for approving the Disposal;

(b) approval having been obtained from the Independent Shareholders at the SGM convened for approving the Special Dividend;

(c) each of the members of the Target Group having obtained all necessary licences, consents or approvals (where applicable) of any of their respective shareholders, creditors and/or any other third parties, which are required for the execution and performance of the Agreement and the transactions contemplated thereunder and which have not been revoked prior to Completion;

(d) the Company as the seller having obtained all necessary licences, consents or approvals (where applicable) of any governmental or regulatory authorities or bodies (including the relevant authorities in the PRC, Hong Kong and Bermuda), which are required for the execution and performance of the Agreement and the transactions contemplated thereunder and which have not been revoked prior to Completion;

(e) the Buyer having obtained all necessary licences, consents or approvals (where applicable) of any governmental or regulatory authorities or bodies (including relevant authorities in the PRC, Hong Kong and British Virgin Islands), which are required for the execution and performance of the Agreement and the transactions contemplated thereunder and which have not been revoked prior to Completion;

(f) no relevant governmental or regulatory authority or body, court or agency having granted any order or made any decision that restricts or prohibits the implementation of the transactions contemplated under the Agreement; and

(g) the warranties of the Company as the seller remaining true and accurate and not misleading in all material respects as at Completion by reference to the facts and circumstances then existing.

None of the parties shall have the right to waive any of the conditions set out in paragraphs (a), (b), (d), (e) and (f) above. The Buyer may at its discretion waive any of the conditions set out in paragraphs (c) and (g) above.

If any of the conditions precedent set out above cannot be fulfilled or waived (if applicable) on or before 31 March 2018 (or such later date as may be agreed by the parties in writing), the Agreement shall terminate and no party shall have any claim against any of the others, except in respect of any antecedent breach of the terms thereof.

Completion

Completion shall take place on a Business Day to be agreed by the parties after the fulfilment or waiver of the conditions precedent set out in the Agreement (as the case may be), which is expected to be a Business Day on or around the payment date of the Special Dividend. The transfer of the entire equity interest of each of the Target Companies shall be completed simultaneously.

Repayment of loans by the Target Group to the Company

The relevant members of the Target Group owes loans to the Company, which was approximately HK$3,669 million in aggregate as at 30 September 2017. The Buyer has agreed to pay the Company at least two business days before Completion for the settlement of such loans and subsequently, the Target Group will owe such loans to the Buyer.

AS COMPLETION IS SUBJECT TO THE CONDITIONS PRECEDENT SET OUT IN THE AGREEMENT INCLUDING, AMONG OTHERS, THE APPROVAL OF THE INDEPENDENT SHAREHOLDERS AT THE SGM, THE DISPOSAL MAY OR MAY NOT PROCEED. SHAREHOLDERS AND POTENTIAL INVESTORS SHOULD EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY.

INFORMATION ON THE TARGET COMPANIES AND THE TARGET BUSINESS

The details of each of the Target Companies are set out below:

(a) COFCO Wines & Spirits Holdings Limited, a company incorporated in the British Virgin Islands with limited liability;

(b) COFCO Premier Brands Limited, a company incorporated in the British Virgin Islands with limited liability;

(c) Global Lander Limited, a company incorporated in Hong Kong with limited liability; and

(d) Superb Vision Limited, a company incorporated in Samoa with limited liability.

Each of the Target Companies is an investment holding company. The Target Companies together with their subsidiaries hold all the wine business of the Company comprising the Target Business prior to Completion. The Target Business is primarily the production and distribution of products under the "Greatwall" brand which cover a variety of wines including Cabernet Sauvignon, Merlot, Pinot Noir, Cabernet Franc, Shiraz for red wines; and Chardonnay, Riesling, Sauvignon Blanc for white wines. Brandies and sparkling wines are also produced as part of the Target Business. The Target Business includes five production plants in the PRC, five wineries in and outside of the PRC and the distribution of imported wines.

Financial information of the Target Business

The unaudited combined financial information of the Target Business for the years ended 31 December 2015 and 2016 and the six months period ended 30 June 2017, assuming the kitchen foods business and the confectionary business were disposed of on 31 December 2014, was as follows:

	For the year ended 31 December		**For the six months ended**
	2015	**2016**	**30 June 2017**
	HK$ million	*HK$ million*	*HK$ million*
Revenue	2,655	2,732	1,414
Revenue attributable to the wine business of the Target Group	2,295	2,503	1,381
Revenue attributable to the domestic wine business of the Target Group	2,112	2,059	1,035
Revenue attributable to the imported wine business of the Target Group	183	445	347
Loss before tax	(241)	(167) *(Note 1)*	(409) *(Note 2)*
Loss for the year / period attributable to the owners of the parent	(271)	(206) *(Note 1)*	(440) *(Note 2)*

Note: (1) The loss before tax and loss for the year / period attributable to the owners of the parent for the year ended 31 December 2016 have included the one-off disposal gain of Junding Assets of approximately HK$119 million.

(2) The loss before tax and loss for the year / period attributable to the owners of the parent for the six months ended 30 June 2017 have included goodwill impairment of approximately HK$425 million and a non-recurring other revenue of HK$35 million.

The combined net asset value of the Target Group as at 30 September 2017 was approximately HK$1,898 million.

The above financial information is the reinstated information of the Target Group which has taken into account of certain corporate and other unallocated expenses. Such expenses have not been allocated to any business segment in the previous financial statements as they were for the collective benefit of the then different businesses including the Target Business, the kitchen foods business and the confectionary business of the Group. Subsequent to the Kitchen Foods Disposal and the disposal of the Group's confectionary businesses, it has become apparent that such costs should be allocated in majority to the Target Business, of which the amount of corporate and other unallocated expenses allocated to the Target Business were HK$294 million and HK$377 million in 2015 and 2016, respectively, assuming the kitchen foods business and the confectionary business were disposed of on 31 December 2014. It is expected that these costs and expenses will continue to be incurred for the Target Business after Completion. Based on the loss for the year / period attributable to the owners of the parent for the year ended 31 December 2016 as disclosed above, excluding the corporate and other unallocated expenses allocated to the Target Business and the one-off disposal gain for the Junding Assets, the profit for the year / period attributable to the owners of the parent for the Target Business amounted to approximately HK$53 million.

Based on the wine and other business segment results presented in the Company's annual report for the year ended 31 December 2016, after adding the depreciation and amortization expenses and excluding the corporate and other unallocated expenses which have been allocated to the Target Business, the EBITDA for the Group's wine business and other business segments would be approximately HK$254 million, while including the corporate and other unallocated expenses would be a loss of EBITDA of approximately HK$123 million.

Based on the financial information set out above, the revenue of the Target Group for the year ended 31 December 2016 represents approximately 9.8% of the reported revenue of the Group's continuing operations for the same financial year, being approximately HK$27,986 million.

FINANCIAL IMPACT OF THE DISPOSAL AND SPECIAL DIVIDENDS ON THE GROUP

Upon Completion, the Group will cease to hold any direct or indirect equity interest in the Target Companies and the financial results of the Target Business will no longer be consolidated into the consolidated financial statements of the Group. On such basis, assuming Completion were to have taken place on 30 September 2017, it is expected that as a result of the Disposal, there would be an unaudited loss on disposal before taxation and transaction costs of approximately HK$498 million. This unaudited loss on disposal excludes exchange gain or loss on translation of foreign operations, which would be recognized in the statement of profit or loss as a result of the Disposal. The actual gain or loss as a result of the Disposal to be recorded by the Group may fluctuate depending on the actual date of Completion and is subject to audit and will be reassessed after Completion. In addition, as described in the section headed "Financial Information of the Target Business" above, majority of corporate and other unallocated expenses were allocated to the Target Business after the Kitchen Foods Disposal and the disposal of the Group's confectionary business. The entities incurring these expenses were mainly members of the Target Group which will no longer be members of the Group after Completion. Accordingly, the financial performance of the Company after Completion will be mainly contributed by the Group's non-wholly owned subsidiaries for its beverage business.

As the Company expects to receive payments from the Buyer before Completion for the settlement of loans owed to the Company by relevant members of the Target Group of approximately HK$3,669 million in aggregate, together with the Consideration of HK$1,400 million in aggregate, the transaction value in relation to the Disposal is approximately HK$5,069 million. The Company proposes to pay the Special Dividend of HK$0.93 per Share, of which the aggregate amount is expected to be approximately HK$2,601 million (based on the total issued Shares as at the date of this announcement and assuming there are no changes to the Company's share capital up to and including the Record Date), simultaneously with Completion. The Buyer therefore would not settle the Consideration of the Disposal by cash, but by way of set off against the same amount forming part of the Special Dividend that the Buyer may receive from the Company. Details of the Special Dividend is set out in the section headed "Special Dividend" below. The Board has taken into account the financial and cash flow position of the Group expected upon Completion when determining the Special Dividend. Upon Completion and payment of the Special Dividend, the remaining net proceeds to be received by the Company are expected to be approximately HK$2,467 million, which will be used for the repayment of certain bank borrowings of the Group of approximately HK$2,267 million and the Group's working capital. For the sake of clarity, the Special Dividend will not form part of the proposed dividend in relation to the Kitchen Foods Disposal, the amount of which will be separately announced in due course. After the Completion, the net debt to equity ratio of the Company based on the financial position as of 30 June 2017 will decrease from 33.4% to 18.0% on a pro forma basis. Assuming the Completion took place on 31 December 2015, the basic earnings per Share for the profit for the year attributable to ordinary equity holders for the year ended 31 December 2016 will be increased by approximately 41% from 17.87 cents to 25.22 cents (without taking into consideration of the loss from the Disposal).

REASONS FOR THE DISPOSAL AND BENEFIT TO THE GROUP

The Board has the view that the specialisation of the Group's operations is the most beneficial development strategy for the Company. After taking into consideration the factors below, the Company's management is determined to focus on the beverage business.

As disclosed in the Company's interim report for the six months ended 30 June 2017, the wine industry in the PRC has faced increasing competition and is expected to remain in a slow growth rate in the next three to five years similar to the 2011 to 2016 period. According to the National Bureau of Statistics of China and China Alcoholic Drinks Association, total production output and revenue of the domestic wine industry in PRC recorded a CAGR of -0.34% and 4.73%, respectively, from 2011 to 2016, as compared to 18.5% and 24.3%, respectively, from 2006 to 2011. The Board believes that there would be relatively great uncertainties in the domestic wine market in the next few years. According to statistics from China Customs, the growth rate in the volume of imported bottled wines and the dollar amount of imported bottled wines have also slowed down during 2011 and 2016 with a CAGR of 14.8% and 11.5%, respectively, as compared to the period from 2006 to 2011 of 64.2% and 75.4%, respectively. Chinese spirits (Baijiu) have continued to maintain a double-digit annual growth rate and created pressure on the growth and profit margin of domestic wine products in the PRC.

The external factors have had a significant negative impact in the Company's wine business resulting in a decline in operating and financial performance. Although the Group has implemented a number of measures, including but not limited to changing of product mix, brand building, etc., aiming to improve the operating results of the wine business segment, the outcome of the measures is uncertain. The revenue of our domestic wine business recorded a negative CAGR of -11% from 2011 to 2016. The wine business segment continued to record losses for the two consecutive years ended 31 December 2015 and 2016 and the six months ended 30 June 2017, after taking into account of majority of corporate and other unallocated expenses which were previously not absorbed into the wine business segment results. The Board is of the view that such corporate and other unallocated expenses will continue to be incurred and recorded in the books of the Target Group.

The beverage business is the Company's strongest performing business in terms of profitability. It is primarily carried out by COFCO Coca-Cola Beverages Limited ("CCBL"), which is owned as to 65% and 35% by the Company and The Coca-Cola Company, respectively. The EBITDA of the beverage business recorded a CAGR of 5.6% from 2011 to 2016. After completion of the reorganisation of the franchising of the PRC bottling operations in 2017, CCBL has the exclusive right to manufacture, market and distribute Coca-Cola products in 19 provinces, municipalities and regions in the PRC, providing coverage to approximately 51% of the population in the PRC and approximately 81% of the regional market area. For the six months ended 30 June 2017, the revenue and segment result of the Group's beverage business were approximately HK$7,568 million and HK$422 million, respectively.

The Board has decided to focus on the beverage business to remove associated uncertainties in the wine business. The management of the Company has considered a variety of potential alternate transactions to the Disposal. These alternatives include a spin-off listing of the beverage business or a sale of non-beverage business to a third party. Having assessed the merits and viability of these potential alternate transactions, the Board is of the view that there is no certainty as to the time any of the potential alternatives will take to complete and the value they will create relative to the Disposal, as these alternatives are subject to regulatory approvals or COFCO Group granting the right to use of the "Greatwall" brand.

The Disposal will enable Shareholders to invest in a transparent and focused beverage business. Following Completion, the Group can concentrate its business focus and resources on its beverage business and the Company will become the only focused beverage platform of COFCO Group to enhance the cooperation in the beverage business with The Coca-Cola Company. As disclosed in the Company's interim report for the six months ended 30 June 2017, CCBL has been implementing a number of strategies for its business development, including but not limited to the continued improvement of its product offering by ensuring sparkling and juice products which have enduring appeal to consumers and by continuously introducing new products with higher margin. In addition to the existing Coca-Cola beverage products, the Company will consider exploring other beverage products, including non-carbonated beverages such as drinking water, to enrich our product offerings for the PRC markets, subject to the consent of and the terms of our agreement with The Coca-Cola Company.

The Disposal will provide the Company an opportunity to recoup its shareholder's loan(s) and investments in the non-beverage businesses of the Group. Given the continued loss making in the Target Business, it is unlikely that the Company will recover its shareholder's loan(s) in full in near term in the absence of the Disposal. The proceeds received from the Disposal will largely be distributed to the Shareholders in the form of the Special Dividend.

The Directors (other than the independent non-executive Directors, whose views will be included in the circular to be despatched to the Shareholders) consider that the Disposal is fair and reasonable and the terms of the Agreement, which have been reached after arm's length negotiations among the parties, are on normal commercial terms or better, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Directors associated with COFCO and its subsidiaries and other associates, namely Mr. Ma Jianping, Mr. Jiang Guojin, Ms. Luan Xiuju, Mr. Qin Yelong and Ms. Xiao Jianping, have abstained from voting regarding the Disposal and the Special Dividend. Except as disclosed above, none of the Directors has any material interests in the Disposal and the Special Dividend and hence no other Director has abstained from voting on the relevant resolution(s) of the Board.

INFORMATION ON THE PARTIES

The Company

The Company is an investment holding company. Through its subsidiaries and associated companies, it is principally engaged in wine and beverage businesses as at the date of this announcement.

The Buyer

The Buyer is a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of COFCO. It is principally engaged in investment holding, including holding interest in the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal are more than 25% but all of such applicable percentage ratios are less than 75%, the Disposal constitutes a major transaction of the Company.

As COFCO is the ultimate controlling shareholder of the Company and the Buyer is a wholly-owned subsidiary of COFCO and a controlling shareholder of the Company, thus the Buyer is a connected person of the Company.

The Disposal therefore constitutes a major and connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

SPECIAL DIVIDEND

In connection with the Disposal, the Company proposes to pay, simultaneously with Completion, the Special Dividend of HK$0.93 per Share to the Shareholders whose names appear on the register of members of the Company on the Record Date.

The aggregate amount of the Special Dividend is expected to be approximately HK$2,601 million (based on the total issued Shares as at the date of this announcement and assuming there are no changes to the Company's share capital up to and including the Record Date). The Buyer is expected to receive approximately HK$1,928 million, subject to the Buyer continuing to hold 2,072,688,331 Shares on the Record Date, of which an amount equivalent to the Consideration forming part of the Buyer's entitlement will be used for settling the Consideration payable by the Buyer to the Company for the Disposal by way of set off simultaneous with the payment of the Special Dividend. For the avoidance of doubt, the Special Dividend will be simultaneously paid to the Buyer and the Independent Shareholders whose names appear on the register of members of the Company on the Record Date.

The Company will announce the Record Date in accordance with Rule 13.66 of the Listing Rules as and when appropriate. The Record Date is expected to be as soon as practicable, after, and at least three business days from, the date of the SGM.

The Special Dividend will be paid out of the contributed surplus of the Company lawfully available for distribution.

Special Dividend Conditions

The payment of the Special Dividend is conditional upon the following Special Dividend Conditions having been satisfied:

(a) the passing of an ordinary resolution by the Independent Shareholders at the SGM approving the Special Dividend; and

(b) Completion (or simultaneous with the Completion when all the conditions precedent under the Agreement having been satisfied or waived, as the case may be) having taken place.

Payment of the Special Dividend will not take place unless all the above Special Dividend Conditions have been satisfied.

THE SPECIAL DIVIDEND IS SUBJECT TO THE APPROVAL OF THE INDEPENDENT SHAREHOLDERS AT THE SGM AND COMPLETION OF THE DISPOSAL. AS SUCH, THE SPECIAL DIVIDEND MAY OR MAY NOT BE DECLARED AND PAID. SHAREHOLDERS AND POTENTIAL INVESTORS SHOULD EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the Disposal are fair and reasonable, and to advise the Independent Shareholders on how to vote.

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Rothschild (Hong Kong) Limited 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 as to whether the terms of the Disposal are fair and reasonable and as to voting at the SGM so far as the Independent Shareholders are concerned.

SGM

The Company will convene a SGM for the Independent Shareholders to consider and, if thought fit, approve the Disposal and the Special Dividend. The voting at the SGM will be taken by poll. COFCO and its associates will abstain from voting at the SGM on resolutions regarding the Disposal and the Special Dividend.

CIRCULAR

The circular containing, among other things, further information on (a) the Disposal; (b) the Special Dividend; (c) the recommendation of the Independent Board Committee to the Independent Shareholders; (d) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (e) a notice convening the SGM, together with the proxy form is expected to be despatched to the Shareholders on or before 6 November 2017 in accordance with the Listing Rules.

DEFINITIONS

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

"Agreement"	the sale and purchase agreement dated 16 October 2017 entered into between the Company and the Buyer in relation to the disposal of the entire equity interest in each of the Target Companies
"Board"	the board of directors of the Company
"Business Day"	any day (other than a Saturday or Sunday or days on which a tropical cyclone warning Number 8 or above or a "black" rain warning signal or equivalent is hoisted in Hong Kong at any time between 9 a.m. and 5 p.m.) on which clearing banks are generally open for business in Hong Kong
"Buyer"	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 a wholly-owned subsidiary of COFCO, thus a connected person of the Company
"COFCO"	COFCO Corporation （中糧集團有限公司）, a wholly state-owned company established in the PRC 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 Group"	COFCO and its subsidiaries
"Company"	China Foods Limited （中國食品有限公司）, a limited liability company incorporated in Bermuda, whose Shares are listed on the main board of the Stock Exchange and is indirectly owned 74.1% by COFCO
"Completion"	completion of the Disposal in accordance with the terms and conditions of the Agreement
"Consideration"	being HK$1,400 million in aggregate
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the entire equity interest in each of the Target Companies in accordance with the terms and conditions of the Agreement
"Group"	the Company and its subsidiaries immediately prior to Completion
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	the independent committee of the Board which comprises all independent non-executive Directors and was established to advise the Independent Shareholders on the Disposal
"Independent Financial Adviser"	Rothschild (Hong Kong) Limited, a licensed 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, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders as to the Disposal
"Independent Shareholder(s)"	shareholders of the Company other than COFCO and its associates and any other Shareholder(s) materially interested in the Disposal and the Special Dividend

"Junding Assets"	the equity interests of COFCO Junding Vineyard Co., Ltd. (中糧君頂酒莊有限公司) and Shandong COFCO Junding Wines & Spirits Co., Ltd.* (山東中糧君頂酒業有限公司), which were disposed pursuant to the relevant agreement dated 12 September 2016, which were completed on 7 December 2016 and details of which are set out in the Company's announcements dated 14 April 2016 and 12 September 2016
"Kitchen Foods Disposal"	the disposal of the entire equity interest of COFCO Fortune Food Sales & Distribution Co., Ltd. (中糧福臨門食品營銷有限公司) by the Company's wholly-owned subsidiary pursuant to the relevant agreement dated 25 May 2017, which was completed on 14 September 2017 and details of which are set out in the Company's announcements dated 25 May 2017 and 14 September 2017 and circular dated 16 June 2017
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"PRC"	the People's Republic of China, which for the purpose of this announcement, shall not include Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
"Record Date"	a date to be fixed for determining entitlements of the Shareholders to the Special Dividend, which is expected to be as soon as practicable, after, and at least three business days from, the date of the SGM
"SGM"	the special general meeting to be held by the Company to consider, and if thought fit, to approve the Disposal and the Special Dividend
"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
"Special Dividend"	the cash dividend of HK$0.93 per Share payable to all Shareholders whose names appear on the register of members of the Company on the Record Date, subject to and conditional on the Special Dividend Conditions being satisfied

"Special Dividend Conditions"	the conditions precedent to the Special Dividend as set out in the section headed "Special Dividend Conditions" in this announcement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Business"	has the meaning ascribed to it under the section entitled "Information on the Target Companies and the Target Business" in this announcement
"Target Companies"	the companies which details are set out under the section entitled "Information on the Target Companies and the Target Business" in this announcement
"Target Group"	the Target Companies and their respective subsidiaries, joint ventures and other investments and "**a member of the Target Group**" means any one of them
"%"	per cent

In this announcement, unless the context otherwise requires, the terms "associate(s)", "connected person(s)", "connected transaction(s)", "controlling shareholder(s)", "percentage ratio(s)" and "subsidiary(ies)" shall have the meanings given to such terms in the Listing Rules.

Certain amounts and percentage figures set out in this announcement have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables and the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

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

By order of the Board
China Foods Limited
Ma Jianping
Chairman

Hong Kong, 16 October 2017

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