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**CHINA FOODS LIMITED**  
**中國食品有限公司**

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

**ANNOUNCEMENT IN RELATION TO THE WITHHOLDING  
AND PAYMENT OF ENTERPRISE INCOME TAX FOR  
NON-RESIDENT ENTERPRISE SHAREHOLDERS  
IN RESPECT OF THE 2008 FINAL DIVIDEND**

Reference is made to the 2008 annual results announcement issued by China Foods Limited (the "**Company**") on 9 April 2009. The board of directors of the Company (the "**Board**") proposed to distribute a final dividend for the year ended 31 December 2008 of HK3.84 cents per share (pre-tax) (the "**2008 Final Dividend**") to the shareholders of the Company. The 2008 Final Dividend is subject to the approval at the annual general meeting of the Company to be held on 8 June 2009 (Monday).

It was recently noticed that the State Administration of Taxation of the People's Republic of China (the "**SAT**") issued the *Notice Regarding Matters on Determination of Tax Residence Status of Chinese-controlled Offshore Incorporated Enterprises under Rules of Effective Management* dated 22 April 2009 (the "**Notice**"). The Notice shall be implemented retroactively from 1 January 2008.

According to the Notice, the *PRC Enterprise Income Tax Law* (the "**Enterprise Income Tax Law**") and the *Detailed Rules for the Implementation of the PRC Enterprise Income Tax Law* (the "**Implementation Rules**"), all implemented from 1 January 2008, since the Company is an offshore incorporated company which is, among others, controlled by a Chinese enterprise, the Company is likely to be regarded as a Chinese resident enterprise and, if so, it could be required to withhold a 10% enterprise income tax when it distributes the 2008 Final Dividend to its enterprise shareholders other than those enterprises which are duly incorporated in the PRC or under the laws of foreign countries (or regions) but with PRC-based de facto management bodies (such enterprises are defined as resident enterprises in the Enterprise Income Tax Law). The withholding and payment obligation lies with the Company.

The Board hereby advises on the distribution of the 2008 Final Dividend and the enterprise income tax withholding arrangements pursuant to the Enterprise Income Tax Law and the Implementation Rules as follows.

In order to determine the shareholders of the Company who are entitled to receive the 2008 Final Dividend and considering the time needed for the shareholders of the Company to make relevant arrangements in respect of the enterprise income tax withholding arrangements described in this announcement, the Company would like to remind shareholders that the Company's register of members will be closed from 3 June 2009 (Wednesday) to 8 June 2009 (Monday) (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the 2008 Final Dividend, all share transfer documents including transfer forms and share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Progressive Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on 2 June 2009 (Tuesday). The 2008 Final Dividend is expected to be paid on 26 June 2009 to those shareholders registered in the Company's register of members on 8 June 2009 (Monday) (the "**Record Date**").

In respect of all shareholders whose names appear on the Company's register of members on the Record Date and who are not individuals (including HKSCC Nominees Limited, corporate nominees or trustees such as securities companies and banks, and other entities or organizations, which are all considered as enterprise shareholders), the Company will distribute the 2008 Final Dividend after deducting the enterprise income tax of 10%. The Company will not withhold and pay income tax in respect of the 2008 Final Dividend payable to any natural person shareholders whose names appear on the Company's register of members on the Record Date.

If any enterprise shareholder listed on the Company's register of members considers it to be a resident enterprise and does not wish the Company to withhold the 10% enterprise income tax, it shall lodge with Tricor Progressive Limited documents from its governing tax authority confirming that the Company is not required to withhold and pay the enterprise income tax in respect of the dividend to which it is entitled no later than 4:00 p.m. on 2 June 2009 (Tuesday).

In the event that the Company is not regarded as a Chinese resident enterprise and hence no enterprise income tax should have been withheld, to the extent that such tax remains in the custody of the Company and so far as it is legally able to do so, the Company will procure such tax to be refunded to the relevant enterprise shareholders in respect of whom enterprise income tax had been withheld pursuant to the arrangements set out above. The Company would make a further announcement in such event.

If anyone would like to change the identity of the shareholders in the register of members, please enquire about the relevant procedures with the nominees or trustees. The Company will withhold for payment of the enterprise income tax for its non-resident enterprise shareholders strictly in accordance with the relevant laws and requirements of the relevant government authorities and adhere strictly to the information set out in the Company's register of members on the Record Date.

**Shareholders and investors should read this announcement carefully. The Company assumes no liability whatsoever, and will not entertain any claims arising from any delay in or inaccurate determination of the status of the shareholders, or any disputes over the withholding arrangements.**

By Order of the Board  
**China Foods Limited**  
Qu Zhe  
*Managing Director*

Beijing, 17 May 2009

*As at the date of this announcement, our executive directors are Mr. Ning Gaoning, Mr. Qu Zhe, Mr. Mak Chi Wing, William, Mr. Zhang Zhentao and Ms. Luan Xiuju; our non-executive directors are Mr. Ma Jianping and Ms. Wu Wenting; and our independent non-executive directors are Messrs. Stephen Edward Clark, Li Hung Kwan, Alfred and Yuen Tin Fan, Francis.*