

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA FOODS LIMITED
中國食品有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 0506)

CONNECTED TRANSACTIONS
TERMINATION OF OPTIONS

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

Termination of options

Reference is made to the Company's announcement dated 16 May 2008.

The Board announces that, on 13 May 2009 the Company notified COFCO and Grand Silver Holdings respectively to terminate the Company's option to (1) acquire any or all of the Wine Trade Marks before 16 May 2009 and (2) acquire the Option Shares before 16 May 2009. The Company is not liable to pay any damages, penalty or other compensation whatsoever for the termination.

Listing Rules implications

Since each of COFCO and Grand Silver Holdings is a connected person of the Company under the Listing Rules, termination of each of the options constitutes connected transaction of the Company under the Listing Rules. As the Company is not liable to pay any damages, penalty or other compensation, the termination of the options would be exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.31(2) of the Listing Rules.

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

TERMINATION OF OPTIONS

Reference is made to the Company's announcement dated 16 May 2008, in which the Company disclosed that (1) the Company and COFCO entered into the Master License Further Extension Agreement whereby the exercise period of the Company's option to acquire any or all of the Wine Trade Marks was extended to 16 May 2009, and (2) the Company and Grand Silver Holdings entered into the Option Further Extension Agreement whereby the exercise period of the Company's option to acquire the Option Shares was extended to 16 May 2009, and (3) the Company is entitled to

terminate these options without any damages, penalty or other compensation at any time before 16 May 2009.

The defined terms as used in this announced have the same meanings as those used in the Company's announcement dated 16 May 2008.

The Board announces that, on 13 May 2009 the Company notified COFCO and Grand Silver Holdings to terminate the above options, and pursuant to the Master License Further Extension Agreement and the Option Further Extension Agreement, the Company is not liable to pay any damages, penalty or other compensation whatsoever for the termination.

After the termination of these options, the wineries of the Group will continue to be entitled to use the Wine Trade Marks at a royalty of 1.5% of their annual gross sales pursuant to the Master License Agreement dated 16 May 2001 between COFCO and the Company. The Master License Agreement will expire on 15 May 2016.

COFCO Foods Sales and Distribution Co., Ltd. ("COFCO Foods"), a wholly-owned subsidiary of the Company engaging in the distribution of consumer-pack edible oil business, will continue to be entitled to use the Edible Oil Trade Marks on a royalty-free basis pursuant to a license agreement dated 8 May 2008 between COFCO Foods and Grand Silver Services, the owner of the Edible Oil Trade Marks. This license will expire on 31 December 2010. Prior to the expiration of the license, COFCO Foods and Grand Silver Services shall negotiate the terms and conditions of the license if COFCO Foods intends to continue to use the Edible Oil Trade Marks.

LISTING RULES IMPLICATIONS

Since each of COFCO and Grand Silver Holdings is a connected person of the Company under the Listing Rules, termination of each of the options constitutes connected transaction of the Company under the Listing Rules. As the Company is not liable to pay any damages, penalty or other compensation, the termination of the options would be exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.31(2) of the Listing Rules.

REASONS FOR TERMINATION OF THE OPTIONS

Currently the wineries of the Group are licensed to use the Wine Trade Marks on their wine products at a royalty of 1.5% of their annual gross sales pursuant to the Master License Agreement before 16 May 2016, and COFCO Foods is licensed to use the Edible Oil Trade Marks on a royalty-free basis before 31 December 2010. Based on an internal evaluation of the Wine Trade Marks and the Edible Oil Trade Marks, the Directors are of the view that it is economically viable to terminate the options and continue to use the Wine Trade Marks and the Edible Oil Trade Marks pursuant to the existing licence agreements.

The Directors (including the independent non-executive Directors) are of the opinion that the termination of the options is fair and reasonable and in the interests of the Company and the shareholders as a whole.

GENERAL INFORMATION ON THE COMPANY, COFCO AND GRAND SILVER HOLDINGS

The Company is an investment holding company. Through its subsidiaries and associated companies, it is principally engaged in wines, beverages, consumer-pack edible oil and confectionery business.

COFCO is a wholly state-owned company incorporated in the PRC. Currently it is engaged in a wide array of businesses, including agricultural commodities trading and agricultural products processing, food and beverages, real estate development, hotel management, logistics, native produce and animal by-products, financial services and packaging products. COFCO is the registered owner of the Wine Trade Marks.

Grand Silver Holdings is an investment holding company incorporated in Hong Kong, whose assets include, among others, its 100% equity interest in Grand Silver Services. Grand Silver Services is an investment holding company whose only assets are trade marks including the Edible Oil Trade Marks.

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

Beijing, 13 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.