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

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

This circular does not constitute an offer or invitation to subscribe for or purchase any securities nor is it calculated to invite any such offer or invitation.



CHINA FOODS LIMITED 中國食品有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 506)

- (1) **DISCLOSEABLE AND CONNECTED TRANSACTION INVOLVING SHARE ACQUISITION AND DISPOSAL AND**
- (2) **CONTINUING CONNECTED TRANSACTIONS**

**Independent financial adviser
to the Independent Board Committee
and
the Independent Shareholders**



A letter from the Independent Board Committee to the Independent Shareholders in respect of the Share Transfer Master Agreement and Continuing Connected Transactions is set out on pages 27 to 28 of this circular and a letter of advice from Sun Hung Kai International Limited to the Independent Board Committee and the Independent Shareholders in respect of the same is set out on pages 29 to 46 of this circular.

A notice convening a special general meeting (“SGM”) of China Foods Limited (“Company”) to be held at the Chairman Suite, World Trade Centre Club Hong Kong, 38/F, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong on Monday, 17 September, 2007 at 10:00 a.m. is set out on pages 54 to 56 of this circular.

Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Progressive Limited, at 26/F Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time scheduled for the holding of the SGM or any adjournments thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournments thereof should you so desire.

27 August, 2007

CONTENTS

	Page
Definitions	1
Letter from the Board	
Introduction	8
Share Transfer Master Agreement	10
Change of the Company's Shareholding Structure	17
Continuing Connected Transactions	18
Information on the Company and relevant persons	24
Special General Meeting	25
Recommendations	26
Letter from the Independent Board Committee	27
Letter from the Independent Financial Adviser	29
Appendix – General Information	47
Notice of Special General Meeting	54

DEFINITIONS

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

“affiliates”	in relation to any person, any other person directly or indirectly controlling or controlled by or under common control with, such person
“Amendment Agreement”	the amendment agreement dated 6 August, 2007 entered into by CBL Beijing, CCCI Beijing and BCOF amending the joint venture agreements and articles of association of Beijing Bottler, details of which are set out in the announcement of the Company dated 6 August, 2007 titled “(1) Discloseable and Connected Transaction and (2) Amendment to a Joint Venture Agreement and (3) Continuing Connected Transactions”
“associate”	has the meaning ascribed thereto under the Listing Rules
“BCOF”	BCOF International Trading Corporation Limited, a company incorporated in the PRC holding a 25% equity interest in Beijing Bottler
“Beijing Bottler”	Beijing Coca-Cola Beverage Co., Ltd. (北京可口可樂飲料有限公司), a limited liability company incorporated in the PRC
“Board”	the board of Directors of the Company
“bottler”	for the purpose of the section titled “Continuing Connected Transactions” in the letter from the Board, each of the Company’s subsidiaries engaging in the production, bottling, sale and distribution of Coca-Cola Beverages in certain areas of the PRC
“Business Day”	any day (other than a Saturday or Sunday) on which banks are open in Hong Kong for normal banking business
“BVI”	the British Virgin Islands
“CBL”	COFCO Coca-Cola Beverages Limited, a 65% owned subsidiary of the Company and a limited liability company incorporated in Hong Kong

DEFINITIONS

“CBL Beijing”	COFCO Beverages (Beijing) Limited, an indirect subsidiary of the Company and a limited liability company incorporated in Samoa holding a 35% equity interest in Beijing Bottler
“CBL Bottlers”	<p>the following companies, each incorporated in the PRC, in which a CBL Company holds an equity interest:</p> <p>Chengdu Coca-Cola Beverage Co., Ltd., which is held as to 6.9% by COFCO Beverages (Chengdu) Limited;</p> <p>Harbin Coca-Cola Beverage Co., Ltd., which is held as to 15% by COFCO Beverages (Harbin) Limited;</p> <p>Kunming Coca-Cola Beverage Co., Ltd., which is held as to 18.4% by COFCO Beverages (Kunming) Limited;</p> <p>Taiyuan Coca-Cola Beverage Co., Ltd., which is held as to 15% by COFCO Beverages (Taiyuan) Limited;</p> <p>Wuhan Coca-Cola Beverage Co., Ltd., which is held as to 19% by COFCO Beverages (Wuhan) Limited; and</p> <p>Jilin Bottler, which is wholly owned by COFCO Beverages (Jilin) Limited.</p>
“CBL Companies”	<p>the following indirect subsidiaries of the Company and 100% wholly owned subsidiaries of CBL, all limited liability companies incorporated in Samoa:</p> <p>COFCO Beverages (Chengdu) Limited,</p> <p>COFCO Beverages (Harbin) Limited,</p> <p>COFCO Beverages (Kunming) Limited,</p> <p>COFCO Beverages (Taiyuan) Limited,</p> <p>COFCO Beverages (Wuhan) Limited, and</p> <p>COFCO Beverages (Jilin) Limited</p>
“CBL Group”	CBL together with its subsidiaries
“CCCI”	Coca-Cola China Industries Limited, a limited liability company incorporated in the Cook Islands

DEFINITIONS

“CCCI Beijing”	Coca-Cola China Industries (Beijing) Limited, a limited liability company incorporated in Samoa holding a 40% equity interest in Beijing Bottler
“CCCI Bottlers”	Qingdao Bottler and Jinan Bottler, collectively
“CCCI Company”	Coca-Cola China Industries Beverages (Qingdao) Ltd., a limited liability company incorporated in Samoa and a 100% wholly owned subsidiary of CCCI
“CCCI Group”	CCCI together with its subsidiaries
“Coca-Cola (Asia)”	Coca-Cola Holdings (Asia) Limited, a limited liability company incorporated in the BVI
“Coca-Cola Beverages”	the beverages bearing the trademarks of The Coca-Cola Company and/or its affiliates
“Coca-Cola China”	Coca-Cola (China) Beverages Ltd., a limited liability company incorporated under the laws of the PRC and a subsidiary of The Coca-Cola Company
“Coca-Cola (Dongguan)”	Coca-Cola Bottlers Manufacturing (Dongguan) Co. Ltd., a limited liability company incorporated under the laws of the PRC and a subsidiary of The Coca-Cola Company
“COFCO”	COFCO Limited (中糧集團有限公司) (formerly known as China National Cereals, Oils & Foodstuffs Corporation (中國糧油食品(集團)有限公司), a wholly state-owned company incorporated in the PRC in September 1952 currently under the purview of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC, the ultimate controlling shareholder of the Company
“COFCO Group”	COFCO together with its associates
“Company”	China Foods Limited (formerly known as COFCO International Limited), a limited liability company incorporated in Bermuda, the shares of which are listed on the main board of the Stock Exchange
“connected person”	has the same meaning as given to it in the Listing Rules
“connected transaction”	has the same meaning as given to it in the Listing Rules

DEFINITIONS

“Continuing Connected Transactions”	the transactions contemplated under the agreements as detailed in the section headed “Continuing Connected Transactions” of this circular
“control”	(a) the right to control or cast a majority of the voting rights exercisable at a shareholders meeting (or its equivalent) of the person concerned; or (b) the right to appoint or remove directors having a majority of the voting rights exercisable at meetings of the board of directors and/or any supervisory board of the person concerned (or its equivalent); or (c) the possession directly or indirectly of the ability or power to direct or procure the direction of the management and policies of such person, whether through the ownership of shares, by contract or otherwise
“Directors”	the directors of the Company
“discloseable transaction”	has the same meaning as given to it in the Listing Rules
“Enlarged Group”	has the meaning given to it in the circular of the Company dated 28 October, 2006
“First Completion”	completion of the sale and purchase of the CBL Companies and the CCCI Company in accordance with the Share Transfer Master Agreement
“Group”	the Company and its subsidiaries
“HK GAAP”	generally accepted accounting principles in Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board established for the purpose of reviewing the Share Transfer Master Agreement, the Continuing Connected Transactions and the respective proposed caps or revised caps, comprising Stephen Edward Clark, Tan Man Kou and Yuen Tin Fan, Francis, all of whom are independent non-executive Directors

DEFINITIONS

“Independent Shareholders”	has the same meaning as given to it in the Listing Rules
“Jilin Bottler”	Jilin COFCO Coca-Cola Beverages Limited (吉林中糧可口可樂飲料有限公司), a limited liability company incorporated in the PRC
“Jinan Bottler”	Jinan Coca-Cola Beverage Co., Ltd. (濟南可口可樂飲料有限公司), a limited liability company incorporated in the PRC
“Jinmei”	Tianjin Jin-Mei Beverages Co., Ltd., a limited liability company incorporated in the PRC and an associate of The Coca-Cola Company
“Latest Practicable Date”	22 August, 2007, the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained therein
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Management Control Period”	the period starting from 1 March, 2007 or such other date agreed by the shareholders of Beijing Bottler and ending on 31 December, 2008
“Mutual Supply Agreement”	the agreement entered into by the Company and COFCO on 8 October, 2006, details of which were disclosed in the circular of the Company dated 28 October, 2006
“Non-carbonated Beverages Purchase Agreement”	the non-carbonated beverages purchase agreement entered into between Coca-Cola (Dongguan) and each bottler of the Company on 6 August, 2007
“percentage ratios”	the percentage ratios under Rule 14.07 of the Listing Rules
“PRC” or “China”	the People’s Republic of China, excluding for the purposes of this circular, Hong Kong, the Macau Special Administrative Region and Taiwan
“Qingdao Bottler”	Qingdao Coca-Cola Beverage Co., Ltd. (青島可口可樂飲料有限公司), a limited liability company incorporated in the PRC

DEFINITIONS

“Reorganisation”	the reorganisation involving the transactions disclosed in the Company’s circular dated 28 October, 2006, whereby, among other things, various assets were injected into the Company by COFCO (Hong Kong) Limited, a controlling shareholder of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Second Completion”	completion of the sale and purchase of CCCI Beijing in accordance with the Share Transfer Master Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Transfer Master Agreement”	the share transfer master agreement dated 6 August, 2007 entered into between CBL and CCCI regarding the disposal of the entire issued share capital in, and the shareholder’s loans owed by, the CBL Companies by CBL to CCCI and the acquisition of the entire issued share capital in, and the shareholder’s loans owed by, the CCCI Company and CCCI Beijing by CBL from CCCI
“Shareholder(s)”	holders of the Share(s)
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sun Hung Kai”	Sun Hung Kai International Limited, a corporation licensed under the SFO to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined in the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Share Transfer Master Agreement, Continuing Connected Transactions and the proposed caps or revised caps

In this circular, the English names of the PRC government authorities or PRC entities are translations of their Chinese names and are included herein for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.

DEFINITIONS

For the purposes of this circular, translation of HK\$ into RMB has been calculated by using exchange rates as shown below.

	31 December			31 December
	2004	2005	2006	2007-2008
HK\$1 vs RMB				
Average rate for the year/period	1.060	1.053	1.0225	1.040
Closing rate at end of year/ period	1.060	1.041	1.0047	1.040

LETTER FROM THE BOARD



CHINA FOODS LIMITED 中國食品有限公司

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

Executive Directors:

Ning Gaoning (*Chairman*)
Qu Zhe (*Managing Director*)
Mak Chi Wing, William
Ma Jianping
Luan Xiuju
Zhang Zhentao

Non-executive Director:

Wu Wenting

Independent Non-executive Directors:

Stephen Edward Clark
Tan Man Kou
Yuen Tin Fan, Francis

Head Office:

33rd Floor, Top Glory Tower
262 Gloucester Road
Causeway Bay
Hong Kong

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

27 August, 2007

To the Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION
INVOLVING SHARE ACQUISITION AND DISPOSAL AND**

(2) CONTINUING CONNECTED TRANSACTIONS

I. INTRODUCTION

Reference is made to the announcements of the Company dated 6 August, 2007 in relation to, inter alia, the Share Transfer Master Agreement and certain non-exempt continuing connected transactions of the Company.

The Share Transfer Master Agreement constitutes a discloseable and connected transaction of the Company, pursuant to which, subject to certain conditions precedent, (A) on First Completion (i) CBL will dispose of all the issued share capital in the CBL Companies to CCCI and transfer to CCCI all the outstanding shareholder's loans owed to CBL by each of the CBL Companies, and (ii) CBL will acquire all the issued share capital

LETTER FROM THE BOARD

in the CCCI Company from CCCI and CCCI will transfer to CBL all the outstanding shareholder's loans owed to CCCI by the CCCI Company, and (B) on Second Completion, CBL will acquire all the issued share capital in CCCI Beijing from CCCI and CCCI will transfer to CBL all the outstanding shareholder's loans owed to CCCI by CCCI Beijing.

Upon completion of the Share Transfer Master Agreement, there will be certain connected transactions between members of the Group and relevant connected persons, which will constitute non-exempt continuing connected transactions of the Company, and certain caps for the continuing connected transactions of the Company will need to be revised, as detailed in the section headed "Continuing Connected Transactions" of this circular.

The Share Transfer Master Agreement and the Continuing Connected Transactions and the respective proposed caps or revised caps are subject to the approval of the Independent Shareholders. COFCO (HK), a controlling Shareholder of the Company, has a material interest in the proposed revised caps for the supply of sugar and bottle crowns under the Mutual Supply Agreement, and therefore, it and its associates are required to abstain from voting at the SGM in relation to the revised caps for the Mutual Supply Agreement. No Shareholder is required to abstain from voting at the SGM in relation to the Share Transfer Master Agreement, Concentrate Purchase Agreements, Beverage Base Purchase Agreements and Non-carbonated Beverages Purchase Agreements and the respective proposed caps or revised caps as no Shareholder has material interest in these transactions.

The Independent Board Committee has been formed to advise the Independent Shareholders in connection with the Share Transfer Master Agreement, Continuing Connected Transactions and the proposed caps or revised caps. Sun Hung Kai has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

The purpose of this circular is (1) to provide Shareholders with information on, among others, the Share Transfer Master Agreement, Continuing Connected Transactions and the respective proposed caps or revised caps; (2) to set out the letter from the Independent Board Committee which contains its recommendation to the Independent Shareholders as regards voting on the Share Transfer Master Agreement, Continuing Connected Transactions and the respective proposed caps or revised caps; (3) to set out the advice letter from Sun Hung Kai which contains its advice to the Independent Board Committee and the Independent Shareholders on the terms of the Share Transfer Master Agreement, Continuing Connected Transactions and the respective proposed caps or revised caps; and (4) to give notice to Shareholders on convening the SGM.

LETTER FROM THE BOARD

II. SHARE TRANSFER MASTER AGREEMENT

A. Key Terms of the Share Transfer Master Agreement

Date : 6 August, 2007

Parties : CBL
CCCI

a. *First Completion Transfer*

Assets to be disposed of by the Group

CBL will dispose of all the issued share capital in the CBL Companies to CCCI. In addition, CBL will transfer to CCCI all the outstanding shareholder's loans totalling approximately HK\$145.8 million owed to CBL by each of their respective CBL Companies. The respective CBL Companies in turn hold minority interests in each original CBL Bottlers as their principal assets, except for Jilin Bottler which is wholly owned by one of the CBL Companies.

Following First Completion, the CBL Companies and Jilin Bottler, which are currently subsidiaries of the Company, will cease to be subsidiaries of the Company. Each of the CBL Bottlers is engaged in the production, bottling, distribution and sale of certain Coca-Cola Beverages.

Assets to be acquired by the Group

CBL will acquire all the issued share capital in the CCCI Company from CCCI. In addition, CCCI will transfer to CBL all the outstanding shareholder's loans totalling approximately HK\$54.9 million owed to CCCI by the CCCI Company. The CCCI Company in turn holds majority interests in each of the CCCI Bottlers as its principal assets.

Following First Completion, the CCCI Company and the CCCI Bottlers will become indirect non wholly-owned subsidiaries of the Company. Each of the CCCI Bottlers is engaged in the production, bottling, distribution and sale of certain Coca-Cola Beverages.

Consideration

The consideration for the disposal of the entire issued share capital in the CBL Companies to CCCI and the transfer of all the outstanding shareholder's loans owed to CBL by each of the CBL Companies will be the acquisition by CBL of the entire issued share capital in the CCCI Company and the transfer by CCCI of all the outstanding shareholder's loans owed to CCCI by the CCCI Company and RMB50 million to be payable by CCCI at First Completion.

LETTER FROM THE BOARD

CBL will gain from the disposal approximately RMB346.2 million, which represents the difference between the valuation for the CBL Companies of RMB571 million and the combined carrying amount of investment costs of the CBL Companies in the books of CBL on 31 December, 2006 under HK GAAP. The net proceeds are RMB50 million. CBL currently has no specific plan for the use of the net proceeds, and the net proceeds will therefore be used as general working capital.

Basis for determination of the consideration

The respective consideration was arrived at following arm's-length negotiations and by reference to the valuations of approximately RMB571 million for the CBL Companies and approximately RMB521 million for the CCCI Company.

The valuations were based on price-to-earnings multiples and historical financial results of the CBL Companies and the CCCI Company with reference to price-to-earnings multiples of similar businesses in the industry. The valuations were conducted in January 2007 by in-house analysts without engaging any third-party valuer.

The original shareholder's loans owed to CBL and CCCI by the CBL Companies and the CCCI Company were invested in the CBL Bottlers and the CCCI Bottlers, respectively, for the purpose of capital contribution. The valuations for the CBL Companies and the CCCI Company have reflected the amount of such loans and therefore no additional consideration was attributed to the shareholder's loans.

As the CBL Companies and the CCCI Company are the target companies under the Share Transfer Master Agreement, it is reasonable to calculate the price-earnings multiples of these companies but not the respective CBL Bottlers and Qingdao Bottler and Jinan Bottler. Upon First Completion, Qingdao Bottler and Jinan Bottler will become indirect subsidiaries of the Company whereas Jilin Bottler will cease to be an indirect subsidiary of the Company and several available-for-sale investments will be disposed of. Accordingly, higher price-earning multiples are used to value subsidiaries as compared with available-for-sale investments in determining the consideration.

First Completion conditions

First Completion is conditional on certain conditions precedent being satisfied (unless otherwise waived by the relevant party in writing), including the following principal conditions:

- (i) the obtaining of all necessary approvals in each relevant jurisdiction and the satisfaction of all relevant stock exchange requirements in relation to the transactions under the Share Transfer Master Agreement;

LETTER FROM THE BOARD

- (ii) the execution of the Amendment Agreement by all shareholders of Beijing Bottler, and the obtaining of all necessary approvals from all relevant authorities including the Beijing Municipal Bureau of Commerce in relation to the terms of the Amendment Agreement; and
- (iii) completion of legal, financial and other necessary due diligence to the satisfaction of each of CCCI and CBL in respect of the CBL Companies, Jilin Bottler, the CCCI Company, Qingdao Bottler, Jinan Bottler and CCCI Beijing, respectively.

The parties currently do not intend that any of the First Completion conditions will be waived by any relevant party to the Share Transfer Master Agreement, but under no circumstances will the conditions regarding compliance with the Listing Rules and obtaining relevant government authority's approvals be waived.

First Completion

First Completion will take place within five Business Days or such other date as may be agreed by the parties after satisfaction or waiver as applicable of the conditions to First Completion and is currently expected to be not later than 30 September, 2007 or such other date as may be agreed by the parties.

b. *Second Completion Transfer*

Assets to be acquired by the Group

CBL will acquire from CCCI the entire issued share capital in CCCI Beijing, which in turn holds a 40% equity interest in Beijing Bottler. In addition, CCCI will transfer to CBL all the outstanding shareholder's loans totalling approximately HK\$128.5 million owed to CCCI by CCCI Beijing.

Following Second Completion, CCCI Beijing and Beijing Bottler will become indirect non-wholly owned subsidiaries of the Company.

Consideration

The consideration for the acquisition by CBL of the entire issued share capital in CCCI Beijing and the transfer by CCCI of all the outstanding shareholder's loans owed to CCCI by CCCI Beijing is RMB270 million to be payable by CBL at Second Completion.

Basis of determination of the consideration

The consideration was arrived at following arm's-length negotiations and by reference to a valuation of approximately RMB270 million for CCCI Beijing.

LETTER FROM THE BOARD

The valuation was based on price-to-earnings multiples and historical financial results of CCCI Beijing with reference to price-to-earnings multiples of similar businesses in the industry. The valuation was conducted in January 2007 by in-house analysts without engaging any third-party valuer.

The original shareholder's loans owed to CCCI by CCCI Beijing were invested in Beijing Bottler for the purpose of capital contribution. The valuation for CCCI Beijing has reflected the amount of such loans and therefore no additional consideration was attributed to the shareholder's loans.

As CCCI Beijing is the subject company under the Share Transfer Master Agreement, it is reasonable to calculate the price-earnings multiples of CCCI Beijing but not Beijing Bottler. Upon Second Completion, Beijing Bottler will become an indirect subsidiary of the Company.

Second Completion conditions

Second Completion is conditional on certain conditions precedent being satisfied (unless otherwise waived by the relevant party in writing), including the following principal conditions:

- (i) all necessary local approvals in any jurisdiction having been secured, remaining valid and not having been revoked, and all relevant stock exchange requirements having been satisfied in relation to the sale and purchase of CCCI Beijing under the Share Transfer Master Agreement;
- (ii) the full completion of the Management Control Period during which CCCI Beijing shall exercise management control over Beijing Bottler in accordance with, and CCCI Beijing has not committed a material breach of, the terms and conditions of the Amendment Agreement; and
- (iii) First Completion having taken place.

The parties currently do not intend that any of the Second Completion conditions will be waived by any relevant party to the Share Transfer Master Agreement, but under no circumstances will the conditions regarding compliance with the Listing Rules, securing relevant government authority's approvals and occurrence of First Completion be waived.

Second Completion

Second Completion will take place within five Business Days or such other date as may be agreed by the parties after satisfaction or waiver as applicable of the conditions to Second Completion and in any event not later than 10 January, 2009 or such other date as may be agreed by the parties.

LETTER FROM THE BOARD

B. Financial information¹ of the CBL Companies, the CCCI Company and CCCI Beijing as at and for the years ended 31 December, 2005 and 2006, respectively

	According to 2005 management accounts		According to 2006 management accounts		Net asset Value ²
	Net profit before tax and extraordinary item	Net profit after tax and extraordinary item	Net profit before tax and extraordinary item	Net profit after tax and extraordinary item	
			<i>(HK\$ thousand)</i>		
CCCI Company and CCCI Beijing	54,558	35,556	31,022	20,073	294,930
CBL Companies	3,316	3,316	18,493	18,493	223,583

Note:

1. The financial information is combined consolidated financial information of the CCCI Company and CCCI Beijing and combined consolidated financial information of the CBL Companies under HK GAAP;
2. Shareholder's loans of approximately HK\$145.8 million owed by the CBL Companies and approximately HK\$183.4 million owed by the CCCI Company and CCCI Beijing are included.

C. Possible financial effects upon completion of the Share Transfer Master Agreement

a. Effects on the consolidation of CCCI Company and CCCI Beijing and the deconsolidation of the CBL Companies

CBL had indirect interests in Qingdao Bottler and Jinan Bottler and those investments were accounted for as available for sale investments of CBL before the Share Transfer Master Agreement. Following the acquisition of CCCI Company at First Completion, Qingdao Bottler and Jinan Bottler will be consolidated as indirectly owned subsidiaries of CBL.

CBL had 35% indirect interest in Beijing Bottler and that investment was accounted for as interest in associate of CBL before the Share Transfer Master Agreement. Following the acquisition of CCCI Beijing at Second Completion, Beijing Bottler will be consolidated as 75% indirectly owned subsidiary of CBL.

CBL had 100% indirect interests in Jilin Bottler and that investment was accounted for as subsidiary of CBL, and therefore, it was consolidated by CBL before the Share Transfer Master Agreement. CBL also had certain minority indirect interests of CBL Bottlers other than Jilin Bottler and those investments were accounted for as available for sale investments of CBL before the Share Transfer Master Agreement. Following the disposal of the CBL Companies at First Completion, Jilin Bottler will cease to be a subsidiary and CBL Bottlers other than Jilin Bottler will cease to be available for sale investments of CBL.

LETTER FROM THE BOARD

b. Effects on earnings

For the year ended 31 December, 2006, the audited net profit attributable to holders of the Company was approximately HK\$990.1million. Based on the management accounts, the CCCI Company and CCCI Beijing in aggregate recorded a net profit after tax and extraordinary item of approximately HK\$20.1 million and CBL Companies recorded net profit after tax and extraordinary item of approximately HK\$18.5 million. CBL will gain approximately RMB346.2 million from the disposal of the entire issued share capital of the CBL Companies. The net profit after tax and extraordinary item to be consolidated and deconsolidated is HK\$20.1 million and HK\$18.5 million, respectively. As a result, the net effects of the Share Transfer Master Agreement will be an increase in net profit after tax and extraordinary item of the Group.

c. Effects on assets

As at 31 December, 2006, the audited asset value of the Group was approximately HK\$21,798.3 million. Based on the management accounts, upon First Completion and Second Completion, the asset value of the CBL Companies to be deconsolidated was approximately RMB173.4 million, and the aggregate asset value of CCCI Company and CCCI Beijing to be consolidated was approximately RMB991.3 million.

As at 31 December, 2006, the audited net asset value attributable to the Group's shareholders was approximately HK\$9,754.4million. Based on the management accounts, the net asset value of CBL Companies and the aggregate of CCCI Company and CCCI Beijing was approximately HK\$223.6 million and HK\$294.9 million respectively. There will be a combined goodwill resulted, being the difference between the aggregate consideration of RMB791 million and the aggregate net asset value of the CCCI Company and CCCI Beijing of HK\$294.9 million, even though there will be a RMB220 million net consideration outflow. As such, the net effects of the Share Transfer Master Agreement will be an increase to net asset value attributable to the Group's shareholders.

d. Effects on liabilities

The working capital of the Group as at 31 December, 2006 amounted to approximately HK\$3,126 million. The net consideration paid by CBL to CCCI under the Share Transfer Master Agreement is approximately 7% of the Group's working capital.

Saved as disclosed above, the Directors do not anticipate that the earnings, assets and liabilities of the Group will be materially affected by the transactions under the Share Transfer Master Agreement.

LETTER FROM THE BOARD

D. Reasons for entering into the Share Transfer Master Agreement

The CBL Group is principally engaged in the production, bottling, sale and distribution of Coca-Cola Beverages in certain areas of the PRC. For historical reasons, CBL has held minority shareholdings in certain bottlers controlled by CCCI.

The Share Transfer Master Agreement is part of a package deal between the CBL Group and the CCCI Group. Currently, CBL holds minority interests in the CBL Bottlers which are controlled by CCCI (except for Jilin Bottler). Jilin Bottler is 100% controlled by CBL and operates in Jilin Province which lies between two CCCI-controlled markets in northeastern China, namely Heilongjiang Province and Liaoning Province.

The completion of the Share Transfer Master Agreement will enable CBL to trade a number of minority interests in bottlers controlled by CCCI and Jilin Bottler for majority interests in Beijing Bottler, Qingdao Bottler and Jinan Bottler. Taken together with CBL's existing controlling interest in a bottler in Tianjin, this will give CBL a contiguous bloc of territory covering 118 million people. Upon Second Completion, the CBL Group will be authorised to produce, bottle, sell and distribute certain Coca-Cola Beverages in 12 provinces and four other cities in the PRC, including Hunan, Gansu, Hainan, Shandong Provinces and Beijing and Tianjin municipalities, subject to certain terms and conditions in the bottler's agreement between each of the bottlers of the Company and The Coca-Cola Company.

It is considered that the share transfers under the Share Transfer Master Agreement will allow the CBL Group to realize synergies, which would be unavailable under the current structure, and therefore enable the bottlers in the CBL Group to better share transportation, storage and distribution channels and other resources.

E. Listing Rules implications

As at the Latest Practicable Date, Coca-Cola (Asia) holds a 35% interest in CBL and hence is a substantial shareholder of one of the Company's subsidiaries and therefore a connected person of the Company. CCCI is an associate of The Coca-Cola Company, Coca-Cola (Asia)'s ultimate controlling shareholder, and is therefore a connected person of the Company. The Share Transfer Master Agreement between CBL and CCCI constitutes a connected transaction of the Company for the purpose of the Listing Rules.

As the applicable percentage ratios in respect of the transaction contemplated under the Share Transfer Master Agreement are more than 2.5%, the transaction is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, the applicable percentage ratios in respect of the transaction contemplated under the Share Transfer Master Agreement exceed 5% but are less than 25% and accordingly this transaction also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

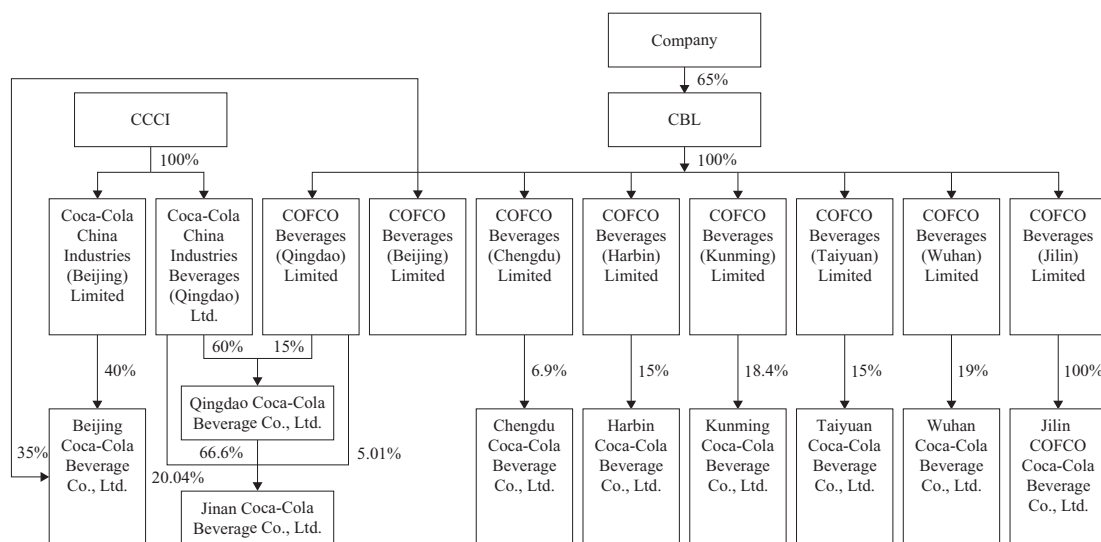
LETTER FROM THE BOARD

The Coca-Cola Company and its associates including CCCI are not shareholders of the Company. No shareholder will be required to abstain from voting at the SGM in relation to the Share Transfer Master Agreement.

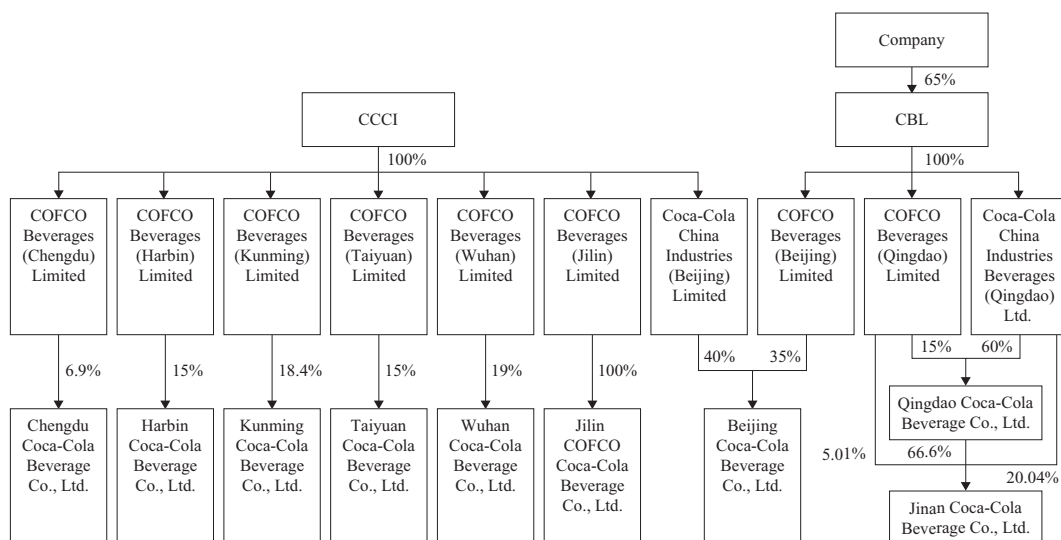
III. CHANGE OF THE COMPANY'S SHAREHOLDING STRUCTURE

Set out below is a simplified shareholding structure of the companies to be acquired and disposed of before and after First Completion and Second Completion under the Share Transfer Master Agreement:

Before

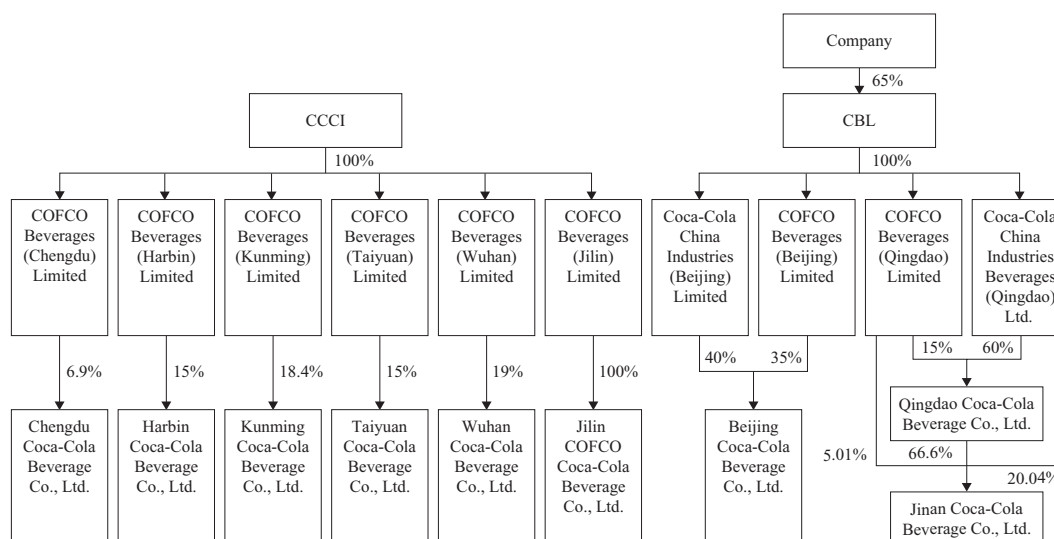


Upon First Completion



LETTER FROM THE BOARD

Upon Second Completion



Note:

1. Before First Completion, CCCI indirectly holds an 82.4% equity interest in Chengdu Coca-Cola Beverage Co., Ltd., a 75.3% equity interest in Harbin Coca-Cola Beverage Co., Ltd., a 76.7% equity interest in Kunming Coca-Cola Beverage Co., Ltd., a 60% equity interest in Taiyuan Coca-Cola Beverage Co., Ltd. and a 60% equity interest in Wuhan Coca-Cola Beverage Co., Ltd., respectively.
2. Upon First Completion, together with those equity interests indirectly held by CCCI before First Completion, CCCI will indirectly hold an 89.3% equity interest in Chengdu Coca-Cola Beverage Co., Ltd., a 90.3% equity interest in Harbin Coca-Cola Beverage Co., Ltd., a 95.1% equity interest in Kunming Coca-Cola Beverage Co., Ltd., a 75% equity interest in Taiyuan Coca-Cola Beverage Co., Ltd. and a 79% equity interest in Wuhan Coca-Cola Beverage Co., Ltd., respectively, and CCCI will indirectly hold 100% equity interest in Jilin Bottler.
3. Upon Second Completion, CCCI will no longer hold any interest in Beijing Bottler.

IV. CONTINUING CONNECTED TRANSACTIONS

A. Concentrate and Beverage Base Purchase Agreements relating to Qingdao Bottler and Jinan Bottler and proposed revised caps

Subject to and upon First Completion, Qingdao Bottler and Jinan Bottler will become non wholly-owned subsidiaries of the Company.

On 17 February, 2006 and 5 September, 2006, each of Qingdao Bottler and Jinan Bottler entered into a concentrate purchase agreement with Coca-Cola China, whereby each of Qingdao Bottler and Jinan Bottler agreed to purchase concentrate from Coca-Cola China for certain Coca-Cola Beverages (“**Concentrate Purchase Agreements**”). On 21 December, 2006 and 12 February, 2007, each of Qingdao Bottler and Jinan Bottler entered into a beverage base purchase agreement with Jinmei, whereby each of Qingdao Bottler and Jinan Bottler agreed to purchase beverage base from Jinmei for certain Coca-Cola Beverages (“**Beverage Base Purchase Agreements**”). Coca-Cola China and Jinmei will continue to supply concentrate and beverage base for certain Coca-Cola Beverages to Qingdao Bottler

LETTER FROM THE BOARD

and Jinan Bottler. Coca-Cola China and Jinmei are associates of The Coca-Cola Company and are therefore connected persons of the Company. The Concentrate Purchase Agreements and the Beverage Base Purchase Agreements entered into by each of Qingdao Bottler and Jinan Bottler with Coca-Cola China and Jinmei, respectively, will constitute continuing connected transactions of the Company for the purpose of the Listing Rules.

The Concentrate Purchase Agreements and the Beverage Base Purchase Agreements were both negotiated on an arm's-length basis and their terms represent normal commercial terms and are generally in line with the terms between each of Coca-Cola China and Jinmei and other bottlers in the PRC.

Pursuant to the Concentrate Purchase Agreements, Qingdao Bottler and Jinan Bottler purchase concentrate from Coca-Cola China for certain Coca-Cola Beverages at prices negotiated between the parties, which may be renegotiated by a party giving the other party one month's written notice. The term of each Concentrate Purchase Agreement is for a period of not more than three years ending on 31 December, 2008. The quality of the concentrate supplied should be in accordance with specifications set by relevant authorities and Coca-Cola China.

Pursuant to the Beverage Base Purchase Agreements, Qingdao Bottler and Jinan Bottler purchase beverage base from Jinmei for certain Coca-Cola Beverages at prices determined by Coca-Cola China. The term of each Beverage Base Purchase Agreement is for a period of not more than 3 years ending on 31 December, 2008. The quality of the beverage base supplied should be in accordance with specifications set by relevant authorities and Coca-Cola China.

Revising the caps for 2007 and 2008

For the years ended 31 December, 2004, 2005 and 2006, the amount of the concentrate purchased by the Company's bottlers from Coca-Cola China was approximately RMB286.5 million, RMB338.5 million and RMB417.5 million, respectively. For the years ended 31 December, 2004, 2005 and 2006, the amount of the beverage base purchased by the Company's bottlers from Jinmei was approximately RMB24.4 million, RMB25.3 million and RMB35.7 million, respectively. The annual caps for the concentrate and beverage base to be purchased by the Company's bottlers from Coca-Cola China and Jinmei for the years ending 31 December, 2007 and 2008 were set prior to First Completion, which were disclosed in the Company's circulars dated 28 October, 2006 and 13 December, 2006, respectively.

The Directors anticipate that the purchases of concentrate and beverage base from Coca-Cola China and Jinmei by the Group will increase dramatically on the basis of expected increase in production capacity and sales and expenses after the acquisition of Qingdao Bottler and Jinan Bottler compared with the disposal of Jilin Bottler as well as significant increase in budget for the expansion of production capacity of the Company's bottlers in 2007 and 2008. The Directors are of the view that the purchases of concentrate and beverage base from Coca-Cola China and Jinmei in 2007 and 2008

LETTER FROM THE BOARD

are expected to annually increase by 34% and 59% respectively, as the Company has changed its view of anticipated market conditions from conservative to favourable in the near future based on various market statistics and analysis.

In view of the above factors, the Directors have reviewed the caps for the concentrate and beverage base to be purchased in 2007 and 2008 and consider it necessary to increase such caps to the proposed values shown in the table below based on the actual value of the transactions conducted in 2006 and the expected growth in production capacity and sales and expenses in 2007 and 2008.

Transactions	Year ending 31 December, 2007		Year ending 31 December, 2008	
	Original cap	Revised cap proposed	Original cap	Revised cap proposed
		(RMB million)		
Concentrate purchase	460.9	676.5	564.4	922.6
Beverage base purchase	32.8	61.5	37.4	87.5

Listing Rules implications

Based on aggregation with the concentrate and beverage base to be purchased by the bottlers in the Group disclosed in the Company's circulars dated 28 October, 2006 and 13 December, 2006 respectively, the applicable percentage ratios in respect of the continuing connected transactions under the Concentrate Purchase Agreements and the Beverage Base Purchase Agreements are on an annual basis more than 2.5% and therefore the transactions and the revised caps will be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Coca-Cola Company and its associates (including Coca-Cola China and Jinmei) are not shareholders of the Company. No shareholder will be required to abstain from voting at the SGM in relation to the Concentrate Purchase Agreements and the Beverage Base Purchase Agreements and the revised caps.

B. Mutual Supply Agreement with COFCO and proposed revised caps

COFCO is the ultimate controlling shareholder of the Company and therefore any associate of COFCO is also a connected person of the Company.

COFCO and the Company entered into an agreement on 8 October, 2006 ("Mutual Supply Agreement"), pursuant to which COFCO and its associates provide sugar as raw materials and bottle crowns as raw packaging materials to the Group for its production and bottling of certain Coca-Cola Beverages. These materials or products will be provided at market price or, where market price is not applicable, the price agreed between the relevant parties, which shall be the reasonable costs incurred in providing the materials or products plus a reasonable margin of approximately 5% of such costs. Details of the Mutual Supply Agreement were disclosed in the Company's circular dated 28 October, 2006.

LETTER FROM THE BOARD

The Mutual Supply Agreement was negotiated on an arm's-length basis and the terms represent normal commercial terms.

Revising the caps for 2007 and 2008

For the years ended 31 December, 2004, 2005 and 2006, the expenditures for the sugar and bottle crowns purchased from COFCO Group by the Company's bottlers were approximately RMB49.2 million, RMB9.1 million and RMB60.9 million, respectively. COFCO is one of the suppliers to the Group. Since the price offered by other suppliers was more competitive than that offered by COFCO during 2005, the Group reduced purchase from COFCO in that year. In 2006, the amount purchased from COFCO increased substantially because the price offered by COFCO became competitive.

The Directors anticipate that the purchases of sugar and bottle crowns from COFCO Group by the Company's bottlers will increase dramatically on the basis of expected increase in production capacity and sales and expenses after the acquisition of Qingdao Bottler and Jinan Bottler compared with the disposal of Jilin Bottler as well as significant increase in budget for the expansion of production capacity of the Company's bottlers in 2007 and 2008. The Directors are of the view that the purchases of sugar by the Company's bottlers will annually increase around 30% in 2007 and 2008 due to significant increase in budget for the expansion of production capacity. The Directors further expect that the proportion of the sugar to be purchased by the Group from COFCO Group will double. In 2005, COFCO Group acquired eight companies engaged in sugar production. When the caps were originally determined, the Company had adopted a conservative estimate of the enhancement to production capacity arising from such acquisition. However, actual increase in production capacity in 2006 has been higher than that originally anticipated, which has made the price of the sugar supplied by COFCO Group very competitive.

In view of the above, the Directors have reviewed the caps for the sugar and bottle crowns to be purchased by the Group from COFOC Group in 2007 and 2008 and consider it necessary to increase such caps to the proposed values shown in the table below based on the actual value of the transactions conducted in 2006 and the expected growth in production capacity and sales and expenses in 2007 and 2008.

Transactions	Year ending		Year ending	
	31 December, 2007		31 December, 2008	
	Original cap	Revised cap proposed	Original cap	Revised cap proposed
	<i>(RMB million)</i>			
Sugar and Bottle crowns purchase	41.0	87.9	43.0	113.1

LETTER FROM THE BOARD

Listing Rules implications

The applicable percentage ratios in respect of the purchase of sugar and bottle crowns by the Group from COFCO Group are on an annual basis less than 2.5% but more than 0.1%, which would normally be exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. However, in this case, based on aggregation with the transactions of supply and packaging of consumer-pack edible oil between the Company and China Agri-Industries Holdings Limited, a subsidiary of COFCO, described in section 5.2.1 of the Company's circular dated 28 October, 2006, the applicable percentage ratios are on an annual basis more than 2.5% and independent shareholders' approval will be sought at the SGM. The associates of COFCO including COFCO (Hong Kong) Limited will abstain from voting at the SGM in relation to the revised caps for the transactions under the Mutual Supply Agreement.

C. Non-carbonated Beverages Purchase Agreements

Date: 6 August, 2007

Contracting parties: Coca-Cola (Dongguan)
Each bottler of the Company

To standardise the terms of the agreements for the purchase of non-carbonated beverages until 31 December, 2008, a Non-carbonated Beverages Purchase Agreement was entered into between each bottler of the Company and Coca-Cola (Dongguan). Under the Non-carbonated Beverages Purchase Agreements, Coca-Cola (Dongguan), an authorized manufacturer of non-carbonated beverages under the trademarks of The Coca-Cola Company and/or its affiliates, agreed to sell such products to the Company's bottlers as requested for resale within designated areas in the PRC. The price payable by the Company's bottlers to Coca-Cola (Dongguan) is agreed between the parties by reference to the prevailing market price for similar non-carbonated beverages. Payment for the non-carbonated beverages shall be made by the Company's bottlers within 45 days after invoice receipt. The term of the Non-carbonated Beverages Purchase Agreements is not more than three years ending on 31 December, 2008.

Annual caps

The purchases of non-carbonated beverages by the Company's bottlers from Coca-Cola (Dongguan) became continuing connected transactions of the Company on 1 January, 2007 following the beverage business becoming part of the Group on 31 December, 2006 as part of the Reorganisation. For the years ended 31 December, 2004, 2005 and 2006, the transaction values of the non-carbonated beverages purchased by the Company's bottlers from Coca-Cola (Dongguan) were approximately RMB46.7 million, RMB81.0 million and RMB183.4 million, respectively.

The average growth rate of the historical transaction values under the Non-carbonated Beverages Purchase Agreements has been around 100% per year. The Directors believe that the business of distribution of non-carbonated beverages will

LETTER FROM THE BOARD

continue to grow. Assuming the average annual growth rate in respect of the purchases by the Company's bottlers under the Non-carbonated Beverages Purchase Agreements for the years ending 31 December, 2007 and 2008 will be approximately 120%, the Directors expect that the annual transaction values of the non-carbonated beverages to be purchased by the Company's bottlers from Coca-Cola (Dongguan) will not exceed RMB461.4 million and RMB877.1 million for the years ending 31 December, 2007 and 2008 and such amounts are accordingly proposed to be set as the annual caps.

The main reason for the expected increase in annual caps for the purchase of non-carbonated beverages by the Company's bottlers for the years ending 31 December, 2007 and 2008 is that the Company's bottlers have begun to launch non-carbonated beverages in most of their authorised distribution regions since 2007 and will launch new types of non-carbonated beverages in their authorised distribution regions in 2008, whereas in the years 2004, 2005 and 2006, they only partially launched non-carbonated beverages in certain selected distribution regions.

Reasons for entering into the Non-carbonated Beverages Purchase Agreements

Purchases under the Non-carbonated Beverages Purchase Agreements are intended to boost the product portfolio of the relevant bottlers and are therefore expected to continue to contribute to the turnover of the Company's bottlers.

Listing Rules implications

The Coca-Cola Company indirectly holds a 35% interest in CBL and therefore is a connected person of the Company. Accordingly, Coca-Cola (Dongguan), a subsidiary of The Coca-Cola Company, is also a connected person of the Company for the purpose of the Listing Rules. The transactions under the Non-carbonated Beverages Purchase Agreements constitute continuing connected transactions of the Company.

Based on the latest published results of the Company and the proposed annual caps, the applicable percentage ratios in respect of the purchase by the Company under the Non-carbonated Beverages Purchase Agreements are on an annual basis more than 2.5% for the years ending on 31 December, 2007 and 2008. Therefore, the transactions for the years ending 31 December, 2007 and 2008 will be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Coca-Cola Company and its associates are not shareholders of the Company. No shareholders will need to abstain from voting on the Non-carbonated Beverages Purchase Agreements and the proposed caps at the SGM of the Company.

LETTER FROM THE BOARD

V. INFORMATION ON THE COMPANY AND RELEVANT PERSONS

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

CBL is a limited liability company incorporated under the laws of Hong Kong on 8 October, 1999 and is indirectly owned by the Company as to 65% and directly owned by Coca-Cola (Asia) as to 35%. CBL is an investment holding company, holding interests including those in the CBL Companies.

CCCI is a limited liability company incorporated under the laws of the Cook Islands on 27 July, 1993 and a subsidiary of The Coca-Cola Company. CCCI is an investment holding company. Prior to First Completion and Second Completion respectively, CCCI owns the entire issued share capital in the CCCI Company and CCCI Beijing.

The CCCI Company is a limited liability company incorporated under the laws of Samoa on 2 June, 1994, which indirectly holds a 20.04% equity interest in Jinan Bottler and a 60% equity interest in Qingdao Bottler, which in turn holds a 66.6% equity interest in Jinan Bottler, being the principal assets of the CCCI Company. Both Qingdao Bottler and Jinan Bottler are engaged in the business of production, bottling, distribution and sale of certain Coca-Cola Beverages.

CCCI Beijing is a limited liability company incorporated under the laws of Samoa on 27 September, 1994, which holds a 40% equity interest in Beijing Bottler as its principal asset. Beijing Bottler is engaged in the business of production, bottling, distribution and sale of certain Coca-Cola Beverages.

Coca-Cola China is mainly engaged in the manufacture and sale of beverage bases and beverage base concentrates used in the preparation of non-alcoholic beverage products under the trademarks of The Coca-Cola Company and/or its affiliates in PRC.

Jinmei is mainly engaged in the manufacture and sale of beverage bases used in the preparation of non-alcoholic beverage products under the trademarks of The Coca-Cola Company and/or its affiliates in PRC.

COFCO is a state-owned enterprise in the PRC with business interests in agricultural commodities trading, agricultural products processing, food and beverages, hotel management, real estate, logistics and financial services. COFCO is the ultimate controlling shareholder of the Company.

Coca-Cola (Dongguan) is an indirect wholly owned subsidiary of The Coca-Cola Company which is principally engaged in the production of non-carbonated beverages under the trademarks of The Coca-Cola Company and/or its affiliates.

LETTER FROM THE BOARD

VI. SPECIAL GENERAL MEETING

A notice convening the SGM to be held at the Chairman Suite, World Trade Centre Club Hong Kong, 38/F, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong on Monday, 17 September, 2007 at 10:00 a.m. is set out on pages 54 to 56 of this circular for the purpose of considering and, if thought fit, passing the ordinary resolutions in relation to the Share Transfer Master Agreement, the Continuing Connected Transactions and the respective proposed caps or revised caps.

In accordance with the Listing Rules, COFCO (Hong Kong) Limited and its associates (which together hold 74.25% of the issued share capital of the Company as at the Latest Practicable Date) will abstain from voting on resolution numbered 6 in respect of the proposed revised caps for the transactions under the Mutual Supply Agreement.

Pursuant to bye-law 75 of the bye-laws of the Company, a resolution put to vote at the SGM shall be decided on a show of hands unless a poll is required by the Listing Rules or (before or on the declaration of the result of the show of hands or on withdrawal of any other demand for a poll) is duly demanded by:

- (1) the chairman of the meeting;
- (2) at least three members present in person or by proxy or by representative for the time being entitled to vote at the meeting;
- (3) any member or members present in person or by proxy or by representative and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (4) a member or members present in person or by proxy or by representative and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

Each of the resolutions to be proposed at the SGM will be voted by poll. The Company will announce the results of the polls on the next business day following the SGM.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Progressive Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time scheduled for the holding of the SGM or any adjournments thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournments thereof should you so desire.

LETTER FROM THE BOARD

VII. RECOMMENDATIONS

An Independent Board Committee has been formed to advise the Independent Shareholders in connection with the terms of Share Transfer Master Agreement, Concentrate Purchase Agreements, Beverage Base Purchase Agreements, Non-carbonated Beverages Purchase Agreements and the respective proposed caps or revised caps for the Continuing Connected Transactions and Sun Hung Kai has been appointed to advise the Independent Board Committee and the Independent Shareholders on the same.

The Directors (including all of the independent non-executive Directors after taking into account the advice from Sun Hung Kai, whose views are set out separately in this circular in more details) are of the opinion that the Share Transfer Master Agreement, Concentrate Purchase Agreements, Beverage Base Purchase Agreements and Non-carbonated Beverages Purchase Agreements were entered into in the ordinary and usual course of business and on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and the respective proposed caps or revised caps for the Continuing Connected Transactions are fair and reasonable. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of ordinary resolutions numbered 1, 2, 3, 4, 5 and 6.

Yours faithfully,
By Order of the Board
Qu Zhe
Managing Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



CHINA FOODS LIMITED 中國食品有限公司

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

27 August, 2007

To the Independent Shareholders

Dear Sir and Madam,

- (1) **DISCLOSEABLE AND CONNECTED TRANSACTION INVOLVING SHARE ACQUISITION AND DISPOSAL AND**
- (2) **CONTINUING CONNECTED TRANSACTIONS**

We have been appointed as the Independent Board Committee to give a recommendation to the Independent Shareholders in connection with the Share Transfer Master Agreement, Concentrate Purchase Agreements, Beverage Base Purchase Agreements and Non-carbonated Beverages Purchase Agreements, details of which are set out in the Letter from the Board contained in the circular to the Shareholders dated 27 August, 2007 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the terms of the Share Transfer Master Agreement, Concentrate Purchase Agreements, Beverage Base Purchase Agreements and Non-carbonated Beverages Purchase Agreements, and the advice and opinion of Sun Hung Kai International Limited in relation thereto as set out on pages 29 to 46 of the Circular, we are of the opinion the Share Transfer Master Agreement, Concentrate Purchase Agreements, Beverage Base Purchase Agreements and Non-carbonated Beverages Purchase Agreements were entered into in the ordinary and usual course of business and on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and the respective proposed caps or revised caps for the Continuing Connected Transactions are fair and reasonable. We therefore recommend that the Independent Shareholders vote in favour

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

of ordinary resolutions numbered 1, 2, 3, 4, 5 and 6 regarding the approval of the Share Transfer Master Agreement, Concentrate Purchase Agreements, Beverage Base Purchase Agreements and Non-carbonated Beverages Purchase Agreements and the relevant caps or revised caps as set out in the notice of SGM contained in the Circular.

Yours faithfully,

For and on behalf of the Independent Board Committee

Stephen Edward Clark
*Independent Non-executive
Director*

Tan Man Kou
*Independent Non-executive
Director*

Yuen Tin Fan, Francis
*Independent Non-executive
Director*

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Sun Hung Kai International Limited prepared for the purpose of inclusion in this circular in relation to the terms of the Share Transfer Master Agreement, Concentrate Purchase Agreements, Beverage Base Purchase Agreements and Non-carbonated Beverages Purchase Agreements as well as the proposed caps or revised caps for the Continuing Connected Transactions.

For the purpose of illustration in this letter only, translation of HK\$ into RMB has been calculated by using exchange rate of HK\$1.00 to RMB1.04.



China Foods Limited
33rd Floor
Top Glory Tower
262 Gloucester Road
Causeway Bay
Hong Kong

27 August, 2007

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

- (1) DISCLOSEABLE AND CONNECTED TRANSACTION
INVOLVING SHARE ACQUISITION AND DISPOSAL; AND**
- (2) CONTINUING CONNECTED TRANSACTIONS**

INTRODUCTION

We have been engaged to advise the Independent Board Committee and the Independent Shareholders with respect to the terms and conditions of the Share Transfer Master Agreement, Continuing Connected Transactions and the proposed caps or revised caps, details of which are set out in the “Letter From The Board” in the circular (the “Circular”) to shareholders of the Company dated 27 August, 2007, of which this letter forms a part. We have been appointed to give an opinion as to whether the terms and conditions of the Share Transfer Master Agreement, Continuing Connected Transactions and the proposed caps or revised caps are normal commercial terms, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

On 6 August, 2007, CBL entered into a conditional Share Transfer Master Agreement with CCCI pursuant to which, (A) on First Completion (i) CBL will dispose of all the issued share capital in the CBL Companies to CCCI and CBL will transfer to CCCI all the outstanding shareholder's loans owed to CBL by each of the CBL Companies, and (ii) CBL will acquire all the issued share capital in the CCCI Company from CCCI and CCCI will transfer to CBL all the outstanding shareholder's loans owed to CCCI by the CCCI Company, and (B) on Second Completion, CBL will acquire the entire issued share capital in CCCI Beijing from CCCI and CCCI will transfer to CBL all the outstanding shareholder's loans owed to CCCI by CCCI Beijing.

Subject to and upon First Completion, Qingdao Bottler and Jinan Bottler will become non-wholly owned subsidiaries of the Company. Qingdao Bottler and Jinan Bottler have entered into bottler's agreements, concentrate purchase agreements and beverage base purchase agreements with The Coca-Cola Company, Coca-Cola China and Jinmei, respectively. Coca-Cola China and Jinmei are associates of The Coca-Cola Company and are therefore connected persons (as defined under the Listing Rules) of the Company. The agreements entered into by Qingdao Bottler and Jinan Bottler with The Coca-Cola Company, Coca-Cola China and Jinmei, respectively, constitute continuing connected transactions of the Company for the purpose of the Listing Rules.

As disclosed in the Company's circular dated 28 October, 2006, the Company entered into the Mutual Supply Agreement with COFCO pursuant to which, among other things, COFCO and its associates will provide sugar as raw materials and bottle crowns as raw packaging materials to the Group for its production and bottling of certain Coca-Cola beverages. COFCO is the ultimate controlling shareholder of the Company and therefore COFCO and its associates are connected persons of the Company.

Coca-Cola (Dongguan) entered into the Non-carbonated Beverages Purchase Agreements with each of the Company's subsidiaries engaging in the production, bottling, sale and distribution of beverages bearing the trademarks of The Coca Cola Company and/or its affiliates in certain areas of the PRC (the "Bottlers") on 6 August, 2007 pursuant to which each Bottler shall purchase non-carbonated beverages from Coca-Cola (Dongguan) for resale within designated areas. The Coca-Cola Company indirectly holds a 35% interest in CBL and is therefore a connected person of the Company. Coca-Cola (Dongguan), a subsidiary of The Coca-Cola Company, is therefore also a connected person of the Company for the purpose of the Listing Rules. The transactions under the Non-carbonated Beverages Purchase Agreements constitute continuing connected transactions of the Company.

An independent board committee of the Company has been set up to advise the Independent Shareholders in connection with the transaction contemplated under the Share Transfer Master Agreement and the Continuing Connected Transactions and the proposed caps or revised caps.

BASIS OF OUR OPINION

In arriving at our opinion, we have relied on the information, opinions and facts supplied, and representations made to us, by the Directors, advisers and representatives of the Company (including those contained or referred to in the Circular). We have also

LETTER FROM INDEPENDENT FINANCIAL ADVISER

assumed that the information and representations contained or referred to in the Circular were true and accurate in all respects at the time they were made and continue to be so at the date of dispatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable, and we have not independently verified the accuracy of such information. We have been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information and documents provided by the Company and its Directors and management of the Company which enable us to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or other prospects of the Company or any of its respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

When we form our opinion with regards to the Share Transfer Master Agreement, Continuing Connected Transactions and the proposed caps or revised caps, we have considered the principal factors and reasons set out below:

A. SHARE TRANSFER MASTER AGREEMENT

1. *BACKGROUND INFORMATION ON THE COMPANY, CCCI, CBL, CBL Beijing, CCCI Beijing and BCOF*

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

CCCI is a limited liability company incorporated under the laws of the Cook Islands on 27 July, 1993 and a subsidiary of the Coca-Cola Company. Prior to First Completion and Second Completion respectively, CCCI owns the entire issued shares in the CCCI Company and CCCI Beijing. CCCI is an investment holding company.

CBL is a limited liability company incorporated under the laws of Hong Kong on 8 October, 1999 and is indirectly owned by the Company as to 65% and directly owned by Coca-Cola (Asia) as to 35%. CBL is an investment holding company, holding interests including those in the CBL Companies.

CBL Beijing is a limited liability company incorporated under the laws of Samoa on 30 June, 2000, which holds a 35% equity interest in Beijing Bottler.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

CCCI Beijing is a limited liability company incorporated under the laws of Samoa on 27 September, 1994, which holds a 40% equity interest in Beijing Bottler which is engaged in the business of production, bottling, distribution and sale of certain Coca-Cola Beverages.

BCOF, an independent third party, is a limited liability company incorporated in the PRC which is mainly engaged in international trading and investment.

2. TERMS AND CONDITIONS OF THE SHARE TRANSFER MASTER AGREEMENT

2.1 Principal terms of the Share Transfer Master Agreement

On 6 August 2007, CBL entered into a conditional Share Transfer Master Agreement with CCCI pursuant to which, (A) on First Completion (i) CBL will dispose of all the issued share capital in the CBL Companies to CCCI. In addition, CBL will transfer to CCCI all the outstanding shareholder's loans owed to CBL by each of the CBL companies and (ii) CBL will acquire all the issued share capital in the CCCI Company from CCCI. In addition, CCCI will transfer to CBL all the outstanding shareholder's loans owed to CCCI by the CCCI Company and (B) on Second Completion, CBL will acquire all the issued share capital in CCCI Beijing from CCCI. In addition, CCCI will transfer to CBL all the outstanding shareholder's loans owed to CCCI by CCCI Beijing.

The consideration for the disposal of the issued share capital and shareholder's loans of the CBL Companies to CCCI will be the acquisition of the entire issued share capital in the CCCI Company by CBL and the transfer of all the outstanding shareholder's loans owed to CCCI by the CCCI Company and RMB50 million, to be payable by CCCI at First Completion. The consideration for the acquisition of the entire issued share capital in CCCI Beijing and the transfer of all the outstanding shareholder's loans owed to CCCI by CCCI Beijing is RMB270 million, to be payable by CBL at Second Completion.

2.2 Basis for determination of the consideration

The respective consideration has been arrived at following arm's length negotiations and by reference to the valuations of approximately RMB571 million in the CBL Companies, approximately RMB521 million for the CCCI Company and approximately RMB270 million for CCCI Beijing. The valuations were based on price-to-earnings multiples and historical financial results of the CBL Companies, the CCCI Company and CCCI Beijing with reference to price-to-earnings multiples of similar business in the industry. The valuations were conducted in January 2007 by in-house analysts without engaging any third party valuer.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

2.3 Conditions precedent

First Completion is conditional on certain conditions precedent being satisfied (unless otherwise waived by the relevant party in writing), including the following principal conditions:

- (i) the obtaining of all necessary approvals in each relevant jurisdiction and the satisfaction of all relevant stock exchange requirements in relation to the transactions under the Share Transfer Master Agreement;
- (ii) the execution of the Amendment Agreement by all shareholders of Beijing Bottler, and the obtaining of all necessary approvals from all relevant authorities including the Beijing Municipal Bureau of Commerce in relation to the terms of the Amendment Agreement; and
- (iii) completion of legal, financial and other necessary due diligence to the satisfaction of each of CCCI and CBL in respect of the CBL Companies, Jilin Bottler, the CCCI Company, Qingdao Bottler, Jinan Bottler and CCCI Beijing respectively.

Second Completion is conditional on certain conditions precedent being satisfied (unless otherwise waived by the relevant party in writing), including the following principal conditions:

- (i) all necessary local approvals in any jurisdiction having been secured, remaining valid and not having been revoked, and all relevant stock exchange requirements having been satisfied in relation to the sale and purchase of CCCI Beijing under the Share Transfer Master Agreement;
- (ii) the full completion of the Management Control Period during which CCCI Beijing shall exercise management control over Beijing Bottler in accordance with, and CCCI Beijing has not committed a material breach of, the terms and conditions of the Amendment Agreement; and
- (iii) First Completion having taken place.

2.4 Completion

First Completion will take place within five Business Days or such other date as may be agreed by the parties after satisfaction or waiver as applicable of the conditions to the First Completion and is currently expected to be no later than 30 September, 2007 or such other date as may be agreed by the parties.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Second Completion will take place within five Business Days or such other date as may be agreed by the parties after satisfaction or waiver as applicable of the conditions to the Second Completion and in any event not later than 10 January, 2009 or such other date as may be agreed by the parties.

3. REASONS FOR ENTERING INTO THE SHARE TRANSFER MASTER AGREEMENT

The CBL Group is principally engaged in the production, bottling, sale and distribution of Coca-Cola Beverages in certain areas of the PRC. For historical reasons, CBL has held minority shareholdings in certain bottlers controlled by CCCI.

The Share Transfer Master Agreement is part of a package deal between the CBL Group and the CCCI Group. Currently, CBL holds minority interests in the CBL Bottlers which are controlled by CCCI (except for Jilin Bottler). Jilin Bottler is 100% controlled by CBL and operates in Jilin Province which lies between two CCCI-controlled markets in northeastern China, namely Heilongjiang Province and Liaoning Province.

The completion of the Share Transfer Master Agreement will enable CBL to trade a number of minority interests in bottlers controlled by CCCI and Jilin Bottler for majority interests in Beijing Bottler, Qingdao Bottler and Jinan Bottler. Taken together with CBL's existing controlling interest in a bottler in Tianjin, this will give CBL a contiguous bloc of territory covering 118 million people. Upon Second Completion, the CBL Group will be authorised to produce, bottle, sell and distribute certain Coca-Cola Beverages in 12 provinces and 4 other cities in the PRC, including Hunan, Gansu, Hainan, Shandong provinces and Beijing and Tianjin municipalities, subject to certain terms and conditions in the bottler's agreement between each of the bottlers of the Company and The Coca-Cola Company.

It is considered that the share transfers under the Share Transfer Master Agreement will allow the CBL Group to realize synergies, which would be unavailable under the current structure, and therefore enable the bottlers in the CBL Group to better share transportation, storage and distribution channels and other resources.

Given that the Share Transfer Master Agreement (i) allows CBL to trade minority interests in bottlers controlled by CCCI and Jilin Bottler, which is based in a market lied between two CCCI-controlled markets, for majority interests in Beijing Bottler, Qingdao Bottler and Jinan Bottler; (ii) gives CBL a market covering 118 million people and CBL will be authorized to produce, bottle, sell and distribute certain Coca-Cola Beverages in 12 provinces and 4 other cities in the PRC including Hunan, Gansu, Hainan, Shangdong Provinces and Beijing and Tianjin municipalities upon completion; and (iii) enables CBL's bottlers to better

LETTER FROM INDEPENDENT FINANCIAL ADVISER

utilize the Group's distribution resources, we concur with the Directors' view that the Share Transfer Master Agreement is fair and reasonable and in the interests of the Company and its shareholders as a whole.

4. VALUATIONS OF ASSETS ACQUIRED AND DISPOSED

As stated in the Circular in the section titled "Letter from the Board", the consideration for the assets acquired and disposed under the Share Transfer Master Agreement was arrived at after arm's-length negotiations between the relevant parties and is by reference to a valuation of approximately RMB571 million, RMB521 million and RMB270 million for CBL Companies, CCCI Company and CCCI Beijing respectively.

Pursuant to the Share Transfer Master Agreement, the Company will dispose the CBL Companies and acquire the CCCI Company and CCCI Beijing.

Based on 2006 management accounts, CBL Companies in aggregate recorded net profit of approximately HK\$18.5 million (or approximately RMB19.2 million) and CCCI Company and CCCI Beijing in aggregate recorded net profit of approximately HK\$20.1 million (or approximately RMB20.9 million). Thus, the valuation of CBL Companies and the aggregate of CCCI Company and CCCI Beijing represents a price-earning multiple of approximately 29.7 and 37.8 times respectively. CBL Companies, CCCI Company and CCCI Beijing are the subjects for transactions, we consider it is reasonable to calculate the price-earnings multiples of these companies but not the respective Bottlers.

The Directors advised that after the First and Second Completion, Beijing Bottler, Qingdao Bottler and Jinan Bottler will become indirect holding subsidiaries whereas Jilin Bottler will cease to be an indirect holding subsidiary of the Company and several available-for-sale investments will be disposed of. Accordingly, higher price-earning multiples are used to value subsidiaries.

Based on 2006 management accounts, net asset value of CBL Companies and the aggregate of CCCI Company and CCCI Beijing, was approximately HK\$223.6 million (or approximately RMB232.5 million) and HK\$294.9 million (or approximately RMB306.7 million) respectively. The valuation of CBL Companies and the aggregate of CCCI Company and CCCI Beijing represents a price-net asset multiple of approximately 2.5 and 2.6 times respectively.

5. ANALYSIS OF COMPARABLE COMPANIES

We have analysed the valuations for the CBL Companies and the aggregate of CCCI Company and CCCI Beijing by reviewing the trading multiples of comparable listed companies ("Comparable Companies") which we consider to be CBL Companies, CCCI Company and CCCI Beijing's closest comparables, as they are principally engaged in similar businesses and listed on the Stock Exchange. As CBL Companies, CCCI Company and CCCI Beijing are involved in

LETTER FROM INDEPENDENT FINANCIAL ADVISER

the beverage business, companies which primarily engaged in the beverage business have been selected from the food and beverage industry as the Comparable Companies.

The table below sets out the different categories of Comparable Companies and their respective descriptions:

Company name	Stock code	Business description
China Mengniu Dairy Co. Ltd.	2319 HK	Manufacture of liquid milk, ice cream and other dairy products.
China Haisheng Juice Holdings Co. Ltd.	359 HK	Manufacture and distribution of fruit juice concentrate products and fruit juice concentrate related products.
Vitasoy International Holdings Ltd.	345 HK	Manufacture and distribution of food and beverages.
Tingyi Cayman Islands Holding Corp.	322 HK	Manufacture, distribution and sale of instant noodles, bakery products and beverages in PRC.
Yantai North Andre Juice Co. Ltd.	8259 HK	Production and sale of apple juice concentrate.

In assessing the fairness of the valuation for the food and beverage industry, we have referred to standard valuation references commonly used by the market and we are of the view that price-earnings and price-net asset value multiples are suitable valuation benchmarks on which we have made comparisons and conducted analysis with the Comparable Companies.

Accordingly, we set out in the following table the relevant price-earnings and price-net asset value multiples calculated based on the respective share prices of the Comparable Companies as at 7 August, 2007. However, we have to point out that although the analysis of Comparable Companies can reflect current market conditions in the industry and provide a guideline for valuation, it does not include differences in accounting policies and standards, as well as differences in local regulations, operating environment, business model, taxation and other unique characteristics of different companies. No adjustment has been made in respect of the above differences.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Our findings are set out in the following table:

	Stock code	Market capitali- sation (HK\$ million)	Price- earnings multiple	Price-net asset value multiple
China Mengniu Dairy Co. Ltd.	2319HK	38,285	47.9	13.3
China Haisheng Juice Holdings Co. Ltd.	359HK	1,736	25.1	2.5
Vitasoy International Holdings Ltd.	345HK	3,535	20.1	2.8
Tingyi Cayman Islands Holding Corp.	322HK	50,969	43.4	7.2
Yantai North Andre Juice Co. Ltd.	8259HK	<u>1,240</u>	<u>35.5</u>	<u>1.8</u>
		Minimum	20.1	1.8
		Average	34.4	5.5
		Median	35.5	2.8
		Maximum	47.9	13.3
CBL Companies			29.7	2.5
Aggregate of CCCI Company and CCCI Beijing			37.8	2.6

Note: currency rate USD1.0 = HK\$7.78

In our review of price-earnings multiples of the Comparable Companies, we note that the multiples of the Comparable Companies in food and beverage industry ranged from approximately 20.1 to 47.9 times. The multiples of 29.7 and 37.8 for the valuation of the CBL Companies and the aggregate of CCCI Company and CCCI Beijing respectively are within the range.

With regards to price-net asset value multiples, we note that the multiples for the Comparable Companies in food and beverage industry ranged from approximately 1.8 to 13.3 times. The multiples of 2.5 and 2.6 for the valuation of the CBL Companies and the aggregate of CCCI Company and CCCI Beijing respectively are within the range.

Given that both the price-earnings multiples and price-net asset value multiples of the CBL Companies and the aggregate of CCCI Company and CCCI Beijing are within the range of that of the Comparable Companies, we consider the valuations are fair and reasonable.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

6. POSSIBLE FINANCIAL EFFECTS

6.1 *Effects on the consolidation of CCCI Company and CCCI Beijing and the deconsolidation of the CBL Companies*

CBL had indirect interests in Qingdao Bottler and Jinan Bottler and those investments were accounted for as available for sale investments of CBL before the Share Transfer Master Agreement. Following the acquisition of CCCI Company at First Completion, Qingdao Bottler and Jinan Bottler will be consolidated as indirectly owned subsidiaries of CBL.

CBL had a 35% indirect interest in Beijing Bottler and that investment was accounted for as interest in associate of CBL before the Share Transfer Master Agreement. Following the acquisition of CCCI Beijing at Second Completion, Beijing Bottler will be consolidated as a 75% indirectly owned subsidiary of CBL.

CBL had a 100% indirect interests in Jilin Bottler and that investment was accounted for as subsidiary of CBL, and therefore, it was consolidated by CBL before the Share Transfer Master Agreement. CBL also had certain minority indirect interests of CBL Bottlers other than Jilin Bottler and those investments were accounted for as available for sale investments of CBL before the Share Transfer Master Agreement. Following the disposal of CBL Companies at First Completion, Jilin Bottler will cease to be a subsidiary and CBL Bottlers other than Jilin Bottler will cease to be available for sale investments of CBL.

6.2 *Effects on earnings*

For the year ended 31 December, 2006, the audited net profit attributable to holders of the Company was approximately HK\$990.1million. Based on the management accounts, the CCCI Company and CCCI Beijing in aggregate recorded a net profit after tax and extraordinary item of approximately HK\$20.1 million and CBL Companies recorded net profit after tax and extraordinary item of approximately HK\$18.5 million. CBL will gain approximately RMB346.2 million, which represents the difference between the consideration for CBL Companies of RMB571million and the combined carrying amount of investment costs of CBL Companies in the book of CBL on 31 December, 2006 under HK GAAP, from the disposal of the entire issued share capital of the CBL Companies. The Directors advised that the net profit after tax and extraordinary item to be consolidated and deconsolidated is HK\$20.1 million and HK\$18.5 million, respectively. As a result, the expected net effects of the Share Transfer Master Agreement will be an increase in net profit after tax and extraordinary items of the Group.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

6.3 Effects on assets

As at 31 December, 2006, the audited asset value of the Group was approximately HK\$21,798.3 million. Based on the management accounts, upon First Completion and Second Completion, the asset value of the CBL Companies to be deconsolidated was approximately RMB173.4 million, and the aggregate asset value of CCCI Company and CCCI Beijing to be consolidated was approximately RMB991.3 million.

As at 31 December, 2006, the audited net asset value attributable to the Group's shareholders was approximately HK\$9,754.4million. Based on the management accounts, the net asset value of CBL Companies and the aggregate of CCCI Company and CCCI Beijing, was approximately HK\$223.6 million and HK\$294.9 million respectively. The Directors advised that there will be a combined goodwill resulted, being the difference between the aggregate consideration of RMB791million and the aggregate net asset value of CCCI Company and CCCI Beijing of HK\$294.9million, even though there will be RMB220million net consideration outflow. As such, the Directors expect that the net effects of the Share Transfer Master Agreement will be an increase to net asset value attributable to the Group's shareholders.

6.4 Effects on liabilities

The working capital of the Group as at 31 December, 2006, amounted to approximately HK\$3,126 million. The net consideration paid by CBL to CCCI under the Share Transfer Master Agreement is approximately 7% of the Group's working capital. Given that the net consideration represents approximately 7% of the Group's working capital, we consider that the impact of the Share Transfer Master Agreement on working capital of the Group is acceptable.

B. CONTINUING CONNECTED TRANSACTIONS

1. CONCENTRATE AND BEVERAGE BASE PURCHASE AGREEMENTS RELATING TO QINGDAO BOTTLER AND JINAN BOTTLER AND PROPOSED REVISED CAPS

Subject to and upon First Completion, Qingdao Bottler and Jinan Bottler will become non-wholly owned subsidiaries of the Company. They entered into bottler's agreements, concentrate purchase agreements and beverage base purchase agreements with The Coca-Cola Company, Coca-Cola China and Jinmei, respectively. Coca-Cola China and Jinmei are associates of The Coca-Cola Company and are therefore connected persons (as defined under the Listing Rules) of the Company. The agreements entered into by each of Qingdao Bottler and Jinan Bottler with The Coca-Cola Company, Coca-Cola China and Jinmei, respectively, constitute continuing connected transactions of the Company for the purpose of the Listing Rules.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Coca-Cola China and Jinmei supply and will continue to supply concentrate and beverage base for certain Coca-Cola Beverages to Qingdao Bottler and Jinan Bottler. Pursuant to the Concentrate Purchase Agreements between Coca-Cola China and Qingdao Bottler on 17 February, 2006 and between Coca-Cola China and Jinan Bottler on 5 September, 2006, Qingdao Bottler and Jinan Bottler purchase the concentrate from Coca-Cola China for certain Coca-Cola Beverages at prices negotiated between the parties, which may be renegotiated by a party giving the other party one month's written notice. The term of each Concentrate Purchase Agreement is for a period of not more than three years ending on 31 December, 2008. The quality of the concentrate supplied should be in accordance with specifications set by relevant authorities and Coca-Cola China.

Pursuant to the Beverage Base Purchase Agreements between Jinmei and Qingdao Bottler on 21 December, 2006 and between Jinmei and Jinan Bottler on 12 February, 2007, the Qingdao Bottler and Jinan Bottler purchase beverage base from Jinmei for certain Coca-Cola Beverages at prices determined by Coca-Cola China. The term of each Beverage Base Purchase Agreement is for a period of not more than three years ending on 31 December, 2008. The quality of the beverage base supplied should be in accordance with specifications set by relevant authorities and Coca-Cola China.

The Concentrate Purchase Agreements and Beverage Base Purchase Agreements were both negotiated on an arm's-length basis and their terms represent normal commercial terms and are generally in line with the terms between each of Coca-Cola China and Jinmei with other bottlers in the PRC.

The Directors anticipate that the purchases of concentrate and beverage base from Coca-Cola China and Jinmei by the Group will increase dramatically considering the expected increase in production capacity and sales and expenses arising from the acquisition of Qingdao Bottler and Jinan Bottler, even after taking into account the disposal of Jilin Bottler, as well as the significant increase in budget for the expansion of production capability of the Company's bottlers in 2007 and 2008. The Directors are of the view that, before taking into account the effects of the Share Transfer Master Agreement, the purchase of concentrate from Coca-Cola (China) is expected to increase approximately 34% for each of 2007 and 2008, and the purchase of beverage base from Jinmei is expected to increase approximately 59% for each of 2007 and 2008, taking into account the Company's change of view of anticipated market conditions from conservative to favourable in the near future by reference with various market statistics and analysis.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Historical amount of concentrate and beverage base purchased by the Group from Coca-Cola China and Jinmei:

	<i>RMB million</i>	<i>Year-on-year growth</i>
Year ended 31 December 2004	310.9	–
Year ended 31 December 2005	363.8	17.0%
Year ended 31 December 2006	453.2	24.6%

The original caps proposed for 2007 and 2008 are RMB493.7 million and RMB601.8 million respectively.

Revised caps proposed:

	<i>RMB million</i>	<i>Year-on-year growth</i>
Year ending 31 December 2007	738.0	62.8%
Year ending 31 December 2008	1010.1	36.9%

The Directors advised that changes due to growth and the Share Transfer Master Agreement have been taken into account in the revised caps. According to the statistics from Beverage Industry Association (飲料工業協會), growth rate of China's beverage market was approximately 25% in 2006 (based on the production output of 42.19 million tons in 2006 compared with 33.8 million tons in 2005). Due to the rapid growth of China's domestic economy, it is expected that the beverage market in China will grow at a faster pace in 2007 and 2008 than in 2006, with an expected annual growth rate around 25% to 30%. As advised by the Directors, since the Company's sales are mainly concentrated in regions where the beverage market is relatively less developed and the local consumption of beverages per capita is lower than the national average, the Directors expect that the growth rate of these regions will be higher than the national average. Growth of Company's business will directly lead to an increase in the procurement of concentrate and beverage base as all the Company's production require either concentrate or beverage base as raw materials.

Given that (i) the purchase of concentrate and beverage base from Coca-Cola (China) and Jinmei in 2007 and 2008 are expected to be increased significantly and (ii) the expected increase in production capacity and sales and purchase arising from the acquisition of Qingdao Bottler and Jinan Bottler, even after taking into account the disposal of Jilin Bottler, we concur with the Directors' view that it is necessary to increase the annual caps to the proposed values and the revised annual caps are fair and reasonable and in the interests of the Company and the shareholders as a whole.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

2. REVISED CAPS FOR CERTAIN EXISTING CONTINUING CONNECTED TRANSACTIONS WITH COFCO GROUP

COFCO is the ultimate controlling shareholder of the Company and therefore any associate of COFCO Group is also a connected person of the Company.

COFCO and the Company entered into an agreement on 8 October, 2006 (“**Mutual Supply Agreement**”), pursuant to which, amongst others things, COFCO Group will provide sugar as raw materials and bottle crowns as raw packaging materials to the Group for its production and bottling of certain Coca-Cola Beverages. These materials or products will be provided at market price or, where market price is not applicable, the price agreed between the relevant parties, which shall be the reasonable costs incurred in providing the materials or products plus a reasonable margin of approximately 5% of such costs. Details of the Mutual Supply Agreement were disclosed in the Company’s circular dated 28 October, 2006.

The Mutual Supply Agreement was negotiated on an arm’s-length basis and the terms represent normal commercial terms.

Having taken into the account that the expected increase in production capacity and sales and expenses arising from the acquisition of Qingdao Bottler and Jinan Bottler compared with the disposal of Jilin Bottler, the Directors anticipate that the purchases of sugar and bottle crowns from COFCO Group will increase dramatically considering the significant increase in budget for the expansion of production capacity of the Company’s bottlers in 2007 and 2008. The Directors expected that the purchases of sugar by the Company will annually increase around 30% in 2007 and 2008 due to the significant increase in budget for the expansion of production capacity.

The Directors advised that COFCO is one of the suppliers to the Group. Since the price offered by other suppliers was more competitive than COFCO during 2005, the Group reduced purchase from COFCO in that year. In 2005, COFCO Group acquired eight companies engaged in sugar production and significantly enhanced their sugar production capability in 2006, which have led to the price on the sugar supplied by COFCO Group very competitive. As a result, the amount purchased from COFCO increased substantially in 2006. The Directors further expect that the proportion of the sugar to be purchased by the Group from COFCO Group will be doubled.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Historical aggregate expenditures for sugar and bottle crowns supplied by COFCO and its associates to the Company:

	<i>RMB million</i>	<i>Year-on-year growth</i>
Year ended 31 December 2004	49.2	–
Year ended 31 December 2005	9.1	-81.5%
Year ended 31 December 2006	60.9	566.5%

The original caps proposed for sugar and bottle crowns supplied by COFCO and its associated to the Company for 2007 and 2008 are RMB41.0 million and RMB43.0 million respectively.

Revised caps proposed for sugar and bottle crowns supplied by COFCO and its associates to the Company:

	<i>RMB million</i>	<i>Year-on-year growth</i>
Year ending 31 December 2007	87.9	44.3%
Year ending 31 December 2008	113.1	28.7%

Given that (i) the purchases of sugar and bottle crowns from COFCO Group is expected to be increased dramatically due to the acquisition of Qingdao Bottler and Jinan Bottler and even after taking into account the disposal of Jilin Bottler; (ii) the significant increase in budget for the expansion of production capacity of the Company's bottlers in 2007 and 2008; (iii) the proportion of the sugar to be purchased by the Group from COFCO Group will be doubled; and (iv) price on sugar supplied by COFCO Group was competitive in 2006, comparing with other suppliers, we concur with the Directors' view that it is necessary to increase the annual caps for the sugar and bottle crowns to be purchased in 2007 and 2008 to the proposed values and we consider that the revised annual caps are fair and reasonable and in the interests of the Company and the shareholders as a whole.

3. NON-CARBONATED BEVERAGES PURCHASE AGREEMENTS

To standardise the term of the agreements for the purchase of non-carbonated beverages until 31 December, 2008, the Non-carbonated Beverages Purchase Agreement was entered into, on 6 August, 2007, between each Bottler and Coca-Cola (Dongguan). Under the Non-carbonated Beverages Purchase Agreements, Coca-Cola (Dongguan), an authorized manufacturer of non-carbonated beverages under the trademarks of The Coca-Cola Company and/or its affiliates, agreed to sell such products to the Bottlers as requested for resale within designated areas in the PRC. The price payable by the Bottlers to

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Coca-Cola (Dongguan) is agreed between the parties by reference to the prevailing market price for similar non-carbonated beverages. The payment for the non-carbonated beverages is required to be made by the Bottlers within 45 days after receiving invoices. The term of the Non-carbonated Beverages Purchase Agreements is not more than three years ending on 31 December, 2008.

The purchase of non-carbonated beverages by the Bottlers from Coca-Cola (Dongguan) became continuing connected transactions of the Company since 1 January, 2007 following the beverage business becoming part of the Group on 31 December, 2006, as part of the Reorganisation.

As stated in the Circular in the section titled “Letter from the Board”, the Directors believe that the business of distribution of non-carbonated beverages will continue to grow. The historical transaction values and the expected future annual values of the non-carbonated beverages purchased by the Bottlers from Coca-Cola (Dongguan) are as follow:

Historical aggregate values of non-carbonated beverages purchased by the Bottlers from Coca-Cola (Dongguan):

	<i>RMB million</i>	<i>Year-on-year growth</i>
Year ended 31 December 2004	46.7	–
Year ended 31 December 2005	81.0	73.4%
Year ended 31 December 2006	183.4	126.4%

Expected annual transaction values of non-carbonated beverages purchased by the Bottlers from Coca-Cola (Dongguan):

	<i>RMB million</i>	<i>Year-on-year growth</i>
Year ending 31 December 2007	461.4	151.6%
Year ending 31 December 2008	877.1	90.1%

The Directors advised that there is a plan of CBL to launch non-carbonated beverages in most of its franchised sales regions during year ending 31 December, 2007 whereas it just partially launched non-carbonated beverages in certain selected franchised sales regions for the years ended 31 December, 2004, 2005 and 2006, and the plan of CBL to launch new types of non-carbonated beverages in its franchised sales regions in 2008.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Based on historical transaction values of the non-carbonated beverages purchased by the Bottlers from Coca-Cola (Dongguan), the growth of expected annual transaction values for purchase of the non-carbonated beverages purchased by the Bottlers from Coca-Cola (Dongguan) is expected to be 151.6% and 90.1% for the year ending 31 December 2007 and 2008 respectively. The annual cap of RMB 877.1 million for the year ending 31 December 2008 represents a compound annual growth rate of approximately 119% from the historical transaction value for the year ended 31 December 2006. The transaction value from 31 December 2004 to 31 December 2006 is approximately RMB46.7 million and RMB 183.4 million respectively, which represent a historical compound annual growth rate of approximately 98%.

Given that (i) the historical compound annual growth rate from 2004 to 2006 is approximately 98%; (ii) the plan of CBL to launch non-carbonated beverages in most of its franchised sales regions during year ending 31 December, 2007; and (iii) the plan of CBL to launch new types of non-carbonated beverages in its franchised sales regions in 2008, we consider the revised annual caps are fair and reasonable.

We have considered the Directors' views and concur that the Non-carbonated Beverages Purchase Agreements are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

4. REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Directors are of the view that, concurrent with the acquisition upon First Completion, it is necessary to maintain the Concentrate Purchase Agreements, Beverage Base Purchase Agreements and the Mutual Supply Agreement to govern the Continuing Connected Transactions in order to provide certainty to the terms of the Continuing Connected Transactions and in order to ensure compliance with the Listing Rules. The purchases under the Non-carbonated Beverages Purchase Agreements are entered into as part of the ordinary course of operations of the Bottlers and are made to boost the product portfolio of the relevant bottlers and are therefore expected to continue to contribute to the turnover of the bottlers.

The Directors are also of the opinion that the Continuing Connected Transactions outlined above were entered into and carried out in the ordinary and usual course of business and on normal commercial terms which are fair and reasonable and are in the interests of the Company and its shareholders as a whole, and that each of the revised caps or proposed caps set out above is fair and reasonable.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

5. *INFORMATION ON THE COCA-COLA COMPANY, COCA-COLA CHINA, JINMEI, COFCO AND COCA-COLA (DONGGUAN)*

The Coca-Cola Company is engaged in the manufacture and sale of beverage bases, essences, and other ingredients and beverage base concentrates used in the preparation of non-alcoholic beverage products under the trademarks of The Coca-Cola Company and/or its affiliates.

Coca-Cola China is mainly engaged in the manufacture and sale of beverage bases and beverage base concentrates used in the preparation of non-alcoholic beverage products under the trademarks of The Coca-Cola Company and/or its affiliates in PRC.

Jinmei is mainly engaged in the manufacture and sale of beverage bases used in the preparation of non-alcoholic beverage products under the trademarks of The Coca-Cola Company and/or its affiliates in PRC.

COFCO is a state-owned enterprise in the PRC with business interests in agricultural commodities trading, agricultural products processing, food and beverages, hotel management, real estate, logistics and financial services. COFCO is the ultimate controlling shareholder of the Company.

Coca-Cola (Dongguan) is an indirect wholly owned subsidiary of The Coca-Cola Company. Coca-Cola (Dongguan) is principally engaged in the production of non-carbonated beverages under the trademarks of The Coca-Cola Company and/or its affiliates

RECOMMENDATION

Having considered the principal factors and reasons set out above, we consider that the terms and conditions of the Share Transfer Master Agreement, Continuing Connected Transactions and the proposed caps or revised caps are on a normal commercial basis, are fair and reasonable so far as the Company and the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore, advise the Independent Board Committee to recommend the independent Shareholders to vote in favour of the Share Transfer Master Agreement, Continuing Connected Transactions and the proposed caps or revised caps at the general meeting.

Yours faithfully,
For and on behalf of
SUN HUNG KAI INTERNATIONAL LIMITED
Eric Shum
Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm that, having made all reasonable enquiries, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the Directors and their associates in the Shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or were deemed to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register of members of the Company, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (together, “**Discloseable Interests**”) were as follows:

Name of director	Capacity	Number of Shares in long position	Total number of Shares	Approximate Percentage of shareholding (Note 2)
Mr. Qu Zhe	Beneficial owner	670,000 (Note 1)	670,000	0.024%

Notes:

1. Long position in the Shares of the Company (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. The percentages are calculated based on the total number of Shares of the Company in issue as at the Latest Practicable Date, i.e., 2,791,383,356 Shares.

Save as disclosed above, none of the Directors or their associates had any Discloseable Interests.

3. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as the Directors were aware or could ascertain after reasonable enquiry, the following persons, not being a Director of the Company, had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

3.1 Interests in the Company

Interests in Shares and underlying shares of the Company

Name of Shareholders	Capacity	Notes	Number of Shares held	Approximate percentage of shareholding (Note 4)
Wide Smart Holdings Limited	Beneficial owner	(1)	1,922,550,331	68.87%
COFCO (BVI) No.108 Limited	Beneficial owner	(1)	140,000,000	5.02%
COFCO (Hong Kong) Limited	Beneficial owner	(1)	10,138,000	0.36%
	Interest of controlled corporations	(1) & (2)	2,062,550,331	73.89%
COFCO	Interest of controlled corporations	(1) & (3)	2,072,688,331	74.25%

Notes:

1. Long positions in the Shares of the Company.
2. COFCO (Hong Kong) Limited (“COFCO (HK)”) is deemed to be interested in 2,062,550,331 Shares in aggregate held by Wide Smart Holdings Limited (“Wide Smart”) and COFCO (BVI) No. 108 Limited (“COFCO BVI”) since COFCO (HK) is entitled to control the exercise of or exercise one-third or more of the voting power at general meetings of Wide Smart and COFCO BVI.
3. COFCO is deemed to be interested in 2,072,688,331 Shares in aggregate held by Wide Smart, COFCO BVI and COFCO (HK) since COFCO is entitled to control the exercise of or exercise one-third or more of the voting power at general meetings of Wide Smart, COFCO BVI and COFCO (HK).
4. The percentages are calculated based on the total number of shares of the Company in issue as at the Latest Practicable Date, i.e., 2,791,383,356 Shares.

As at the Latest Practicable Date, each of the executive Directors and non-executive Director of the Company is either a director or an employee or both of the entities which had interests or short positions in Shares or underlying shares of the Company as disclosed above.

3.2 Interests in other members of the Group

Name of subsidiary of the Company	Name of the other shareholders	Approximate percentage of shareholding
COFCO Coca-Cola Beverages Limited	Coca-Cola Holdings (Asia) Limited	35%
COFCO Navavalley Jundung Vineyard Co., Ltd (中糧南王山頂酒莊有限公司)	Shandong Longhua Investment Company Limited (山東隆華投資有限公司)	45%
COFCO Huaxiahong Wines and Spirits (Shenzhen) Co., Ltd. (中糧華夏紅酒業(深圳)有限公司)	Shenzhen Hui Long Yuan Wines and Spirits Co., Ltd. (深圳市匯龍源酒業有限公司)	20%
Xinjiang Coca-Cola Beverages Co., Ltd. (新疆中糧可口可樂飲料有限公司)	Xinjiang Light Industry (Group) Co., Ltd. (新疆輕工(集團)有限公司)	20%
Tianjin Coca-Cola Beverages Co., Ltd. (天津可口可樂飲料有限公司)	Tianjin Shifa Group Co., Ltd. (天津實發集團有限公司)	35%
	China National Food Industry (Group) Co., Ltd. (中國食品工業(集團)有限公司)	12%

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, no person had an interest or a short position in Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. INTERESTS OF DIRECTORS

As at the Latest Practicable Date, no Directors or their associates are interested in any business which competes or is likely to compete, either directly or indirectly, with the Group's business.

No Director is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant to the business of the Group taken as a whole.

Since 31 December, 2006, the date up to which the latest published audited consolidated accounts of the Group have been made up, none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to, any member of the Group.

5. SERVICE CONTRACTS

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

6. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Enlarged Group.

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading positions of the Group since 31 December, 2006 the date up to which the latest published audited consolidated accounts of the Group were made up.

8. QUALIFICATION AND CONSENT OF THE EXPERT

The following are the qualifications of Sun Hung Kai (the "Expert") who has given its advice for inclusion in this circular:

Name	Qualifications
Sun Hung Kai International Limited	A corporation licensed under the SFO to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined in the SFO

The Expert has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter and reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, the Expert has no shareholding in the Company or any other member of the Group or right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.

As at the Latest Practicable Date, the Expert has no direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December, 2006 (the date up to which the latest published audited consolidated financial statements of the Company were made up) or proposed to be so acquired, disposed of or leased.

The Letter from the Independent Financial Adviser prepared by Sun Hung Kai set out on pages from 29 to 46 is given for incorporation in this circular.

9. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) entered into by any member of the Enlarged Group within two years preceding the Latest Practicable Date:

- (a) Share Transfer Master Agreement;
- (b) Beverage Base Purchase Agreements;
- (c) Concentrate Purchase Agreements;
- (d) Mutual Supply Agreement;
- (e) Non-carbonated Beverages Purchase Agreements;
- (f) the Amendment Agreement;
- (g) the Sale and Purchase Agreement dated 8 October, 2006 entered into between the Company and China Agri-Industries Limited, as detailed in the circular of the Company dated 28 October, 2006;
- (h) Master Sale and Purchase Agreement dated 8 October, 2006 entered into between the Company, China Agri-Industries Limited, COFCO (Hong Kong) Limited and COFCO, as detailed in the circular of the Company dated 28 October, 2006;
- (i) the non-competition deed dated 8 October, 2006 executed by COFCO and COFCO (Hong Kong) Limited in favour of the Company, as detailed in the circular of the Company dated 28 October, 2006;

- (j) the Share Sale and Purchase Agreement dated 10 January, 2007 entered into between the Company and China Agri-Industries Holdings Limited, as detailed in the circular of the Company dated 13 January, 2007;
- (k) the First Extension Agreement dated 15 May, 2006 in respect of the Master License Agreement entered into between the Company and COFCO and the Second Extension Agreement dated 15 May, 2006 in respect of the Option Agreement entered into between the Company and Grand Silver Holdings Limited, as detailed in the announcement of the Company dated 15 May, 2006; and
- (l) the Gold Fan Agreement and the Yantai Greatwall Agreement entered into by COFCO BVI No. 30 Limited and COFCO Wines and Spirits Co., Ltd., respectively, both dated 27 March, 2006, as detailed in the circular of the Company dated 18 April, 2006.

10. GENERAL

- (a) The Company's registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and its principal place of business in Hong Kong is at 33rd Floor, Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.
- (b) The secretary of the Company is Liu Kit Yee, Linda. Ms. Liu is an associate member of The Hong Kong Institute of Chartered Secretaries.
- (c) The qualified accountant of the Group is Man Kwok Leung. Mr. Man is a certified member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Progressive Limited whose business address is at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at 33rd Floor, Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong from the date of this circular up to and including the date of the SGM:—

- (a) the memorandum of association and bye-laws of the Company;
- (b) the material contracts which are referred to in paragraph 9 headed "Material Contracts" in this appendix;

- (c) the letter from the Independent Board Committee, the text of which is set out on pages 27 to 28 of this circular;
- (d) the letter from Sun Hung Kai, the text of which is set out on pages 29 to 46 of this circular;
- (e) the letter of consent from Sun Hung Kai referred to in paragraph 8 headed “Qualification and Consent of the Expert” in this appendix;
- (f) a copy of each notifiable transaction and connected transaction circular issued by the Company since 31 December, 2006, the date to which the latest published audited consolidated accounts of the Group; and
- (g) the annual reports of the Company for the two financial years ended 31 December, 2005 and 2006.

NOTICE OF SPECIAL GENERAL MEETING



CHINA FOODS LIMITED 中國食品有限公司

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

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a special general meeting (the “SGM”) of China Foods Limited (the “Company”) will be held at the Chairman Suite, World Trade Centre Club Hong Kong, 38/F, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong on Monday, 17 September, 2007 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

AS ORDINARY RESOLUTIONS

1. **“THAT**, the Share Transfer Master Agreement (as defined in the circular to Shareholders of the Company dated 27 August, 2007 (the “Circular”)) relating to the disposal of the entire issued share capital in, the shareholder’s loans owed by, the CBL Companies by CBL to CCCI and the acquisition of the entire issued share capital in, the shareholder’s loans owed by, the CCCI Company and CCCI Beijing by CBL from CCCI be and are hereby approved, confirmed and ratified, and that the Board or one or more than one member of the Board as the Board determines be and are hereby authorised to execute, perfect and deliver all documents and do all such further acts and things which in their opinion may be necessary, desirable or expedient for the purpose of giving effect to the terms of the Share Transfer Master Agreement and the transactions contemplated thereunder and to approve any changes and amendments thereto as they may consider necessary, desirable or expedient to carry the Share Transfer Master Agreement into effect.”
2. **“THAT**, conditional upon First Completion (as defined in the Circular) of the Share Transfer Master Agreement, the Concentrate Purchase Agreements (as defined in the Circular) relating to the purchase of concentrate from Coca-Cola China (as defined in the Circular) by Qingdao Bottler and Jinan Bottler (as defined in the Circular) be and are hereby approved, ratified and confirmed.”
3. **“THAT**, conditional upon First Completion of the Share Transfer Master Agreement, the Beverage Base Purchase Agreements (as defined in the Circular) relating to the purchase of beverage base from Jinmei (as defined in the Circular) by Qingdao Bottler and Jinan Bottler be and are hereby approved, ratified and confirmed.”

NOTICE OF SPECIAL GENERAL MEETING

4. “**THAT**, the Non-carbonated Beverages Purchase Agreements (as defined in the Circular) be and are hereby approved, ratified and confirmed and the maximum aggregate transaction value of the non-carbonated beverages to be purchased by the Company’s bottlers from Coca-Cola (Dongguan) (as defined in the Circular) pursuant to the Non-carbonated Beverages Purchase Agreements for each of the two years ending 31 December, 2007 and 2008 be fixed at RMB461.4 million and RMB877.1 million, respectively.”

5. “**THAT**, conditional upon First Completion of the Share Transfer Master Agreement, the
 - (a) maximum aggregate transaction value of the concentrate to be purchased by the bottlers of the Company from Coca-Cola China pursuant to the Concentrate Purchase Agreements for each of the two years ending 31 December, 2007 and 2008 be revised to be RMB676.5 million and RMB922.6 million, respectively; and
 - (b) maximum aggregate transaction value of the beverage base to be purchased by the bottlers of the Company from Jinmei pursuant to the Beverage Base Purchase Agreements for each of the two years ending 31 December, 2007 and 2008 be revised to be RMB61.5 million and RMB87.5 million, respectively.”

6. “**THAT**, conditional upon First Completion of the Share Transfer Master Agreement, the maximum aggregate transaction value of the sugar and bottle crowns by the bottlers of the Company from COFCO Group (as defined in the Circular) pursuant to the Mutual Supply Agreement (as defined in the Circular) for each of the two years ending 31 December, 2007 and 2008 be revised to be RMB87.9 million and RMB113.1 million, respectively.”

By Order of the Board
Qu Zhe
Managing Director

Beijing, 27 August, 2007

Notes:

1. The Registers of Members of the Company will be closed from 13 to 17 September, 2007, both days inclusive, during which period no transfer of Shares can be effected. In order to qualify for attendance and voting, all transfer documents should be lodged for registration with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Progressive Limited at 26/F Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong by 4:00 p.m. on Wednesday, 12 September, 2007.
2. Each of the resolutions set out in the Notice of SGM will be voted by poll.
3. Any member of the Company entitled to attend and vote at the SGM is entitled to appoint one or more proxies to attend and vote for him. A proxy need not be a member of the Company.
4. A form of proxy for use at the SGM is enclosed. To be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of that power of attorney or authority, must be deposited at the branch share registrar and transfer office of the Company in Hong Kong,

NOTICE OF SPECIAL GENERAL MEETING

Tricor Progressive Limited at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time scheduled for holding the SGM or any adjournment of it.

5. Where there are joint holders of any share, any one of such holders may vote at the SGM, either in person or by proxy, in respect of such shares as if he were solely entitled to vote, but if more than one of such joint holders are present at the SGM in person or by proxy, the person so present whose name stands first in the register of members of the Company in respect of such share shall alone be entitled to vote in respect of it.
6. Completion and return of the form of proxy will not preclude a member from attending the SGM and voting in person at the SGM or any adjourned meeting if he so desires. If a member attends the SGM after having deposited the form of proxy, his form of proxy will be deemed to have been revoked.