

H E C E H

w

If ou are in an doubt

If ou have sold or transferred

w

w



FCO

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

A

C

E

☒

A

25

2017

w

DEFINITIONS

E G G A
C

E 100% C F
C FC F & D C , .
☒ C

G C

FA C ,
☒ 1 (), ☒ 4 ()
) ☒ 6 ()
F

B C B C
A

B C B C
- w A

A C FC

D 14 2017,

C F 25 2017 ,
C

F G ☒
E H

- - 25 2017
C F C F

E (. .)
)

DEFINITIONS

C , C

C FC F H ,

w - w B C

☒ (• W z 4 \

C ☒ (C FC ☒ C 25

2017 F (E W ~) B

☒

B ☒ F (E W ~) F (E W ~)

B ☒ B

B , w C

F F (C 571

w H)

() () C

()

E ☒ E H

☒ B , - (

- , , ,

(G),)

☒ C C FC F F & D C , . (•

E W ~ . Ü V P " ® !) ,

C

☒ B ☒ F (E W ~)

C FC C

☒ A

☒ A F (E

W ~) B ☒ w C FC

C 25 2017

C FC F & D C , . (• . Ü

V P " ® !) ,

C w - w C F



w
C :

Before the Completion

COFCO

the Company

Target Company

Consideration

. [X] C A w , C w , A B1,050 w
C . C , D
w :

(1) [X] B
31 D 2015 2016;

(2) w A ;

(3) ;

(4) [X] B w w C w w

LETTER FROM THE BOARD

(6) D w A
A

Pa ment

C B1,050 w
w

B315 (30% C)
w , w w
, w
A .
B315
31 2017.

w w w
w, (1) (30%
C , . . . B315)
, ; (2)
B315 (30% C)
, :

(1) ,
A , ;

(2) C A
w ;

(3) -
A ()
w w ;

(4) C F C A ;

(5) - C FC A ;

(6) A
w C . C
.

A D , (1) (5)

LETTER FROM THE BOARD

Termination

A , ,
 . A , A w
 , A w
 , .

3. UNDERTAKINGS BY CHINA FOODS

C F () - ()
 25 2017.

(i) Non-competition Undertaking

- , C F
 B , C : C C . C F w
 (1) C F w w
 B C ;
 (2) C F , w
 B C ; w , w
 (3) C F (. .)
 10% ,
 C , C F , w B w
 C , C F C
 F - , C F
 C F ; () w , ()
 (50%) 50% , w ,
 w ,

(ii) Letter of Undertaking

, C F ,
 C w , ,

LETTER FROM THE BOARD

4. RELEVANT FORTUNE (E W ~) BRAND TRADEMARKS

The Registered Trademark License Contract

C w C FC C FC
 F (E W ~) B C , C FC
 w :

(1) C FC C B ;

(2) w C FC B .

C FC F (E W ~) B w
 C w :

(1) 0.02% ()
 / F (E W ~) B
 C , , .

(2) w C FC .

w
 C .
 25 2017 31 D 2020. C

, C FC
 C w w
 C C .

The Trademarks Option Agreement

C , C FC w C w
 F (E W ~) B :

(1) C ()
 w), C F (E W ~)
 C FC B C ;

(2) C FC C B
 C FC , C F (E W ~)
 C FC B C .

(iii) Product overview

Our B F (E W ~)
(C FC), w w - w -
C w w .
(. . .) , (. . . , , w) ,
- (. . . ,) -
(- , , G,) .
47.1% 1.3% , 31 D 2016. B 51.6%,
- - .

Our B , 87% w
F (E W ~) 98% w
- 31 D 2016.

(iv) Distribution channels

6 6.

,

- . E

LETTER FROM THE BOARD

Extensive sales network nationwide

550,000 - - C
, -C
G (B2C), w
w (B2B)
E G w
w .
G
B4.7 31 D 2016. A 31 D
2016, w 180,000 - - .
C ,
, w
H w , w
, w
D w . A A ,
w B
G ,
w
w
w .
G , A
G

Right to use the Fortune (E W ~) brand

C FC w F (E W ~) C
- .
C , F (E W ~)
w w
A A , C FC C
F (E W ~) B C FC
C B . G ,
w
B , D A
G ,

LETTER FROM THE BOARD

7. GENERAL INFORMATION ON THE PARTIES

The Group

G
C. C
w , , w

The Purchaser

w - w C

China Foods

C F H - (: 506).
w , -

The Vendor

C
w - w C F .
w , C , B , w
 B C .

8. LISTING RULES IMPLICATIONS

The Acquisition

A w
A 5%
25%, A
C C 14
A , C FC 58.02%
C C
w - w C F , w 74.1%
w C FC . , C
A , A C
C 14A

LETTER FROM THE BOARD

Registered Trademark License Contract

_____ B _____ C _____ A _____, C _____
C F _____, _____ C FC _____
C _____ C _____ 14A _____
_____.
_____ A _____ C _____ A _____, C _____
C _____, _____ C FC _____,
_____ C _____ (_____ C _____),
 C _____ w _____ C _____
C _____ 14A _____ . H w _____, _____ C _____
0.1% _____ F _____ (E W ~) B
 _____ w w _____ C FC _____ A _____,
 _____ C _____ w _____,
_____, _____
_____ C _____ 14A _____ .

Trademarks Option Agreement

_____ 14A.24(2), _____ _____ C FC _____ (_____
C _____) w _____ C _____
C _____ A _____ .
_____ 14A.79(2), _____ ,
_____ w _____ ,
_____, _____ ,
_____ A _____ _____ w _____ C FC _____ , _____ , _____ ,
 _____ C _____ , _____ , _____ , _____ ,
_____ 0.1% _____ _____
_____ C _____ w _____ , _____
_____, _____
_____ C _____ 14A _____ .

9. EXTRAORDINARY GENERAL MEETING

EG w _____ A _____ A _____ . _____ , _____ , _____
_____ EG _____ w _____ . EG _____ w _____
_____ , C FC _____ w _____
C _____ A _____ A _____ . A _____ D _____ , _____ w _____
_____ 58.02% _____ C _____ , C FC _____
_____ .
_____ A _____ A _____ A _____ , _____ - _____ D _____
_____ A _____ _____
_____ .

A EG C B , B3, H G
H , 50 , 45 46 , w , H F , 7 2017
10:00 . .

EG (),
w
H w C , 183 , E , H C , 22,



中糧
COFCO

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Optima Capital Limited to the Independent Board Committee and the independent shareholders of the Company, which has been prepared for the purpose of inclusion in this circular.



1501, 15 F
H

1 C
C
H

20 2017

To: The Independent Board Committee and
the independent shareholders of the Company

D ,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

B C w A
 . D A
 C 20 2017 (**Circular**), w .
 C w
 .
 25 2017, C FC F H (C FC F & D C ., .(w - w C F) A , w - w C F) A , w C E , B1,050 , .
 A A ()
 A 5% 25%,
 A C 14.06
 . , w 74.1% C FC , w
 C C 58.0%
 C A , C
 A C
 14A.25 , C 14A .

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

☒ B C , -
D , . H , A , . ☒
C ,
w A
w A G C
w , w B
C .
w C , ,
A ,
A . A
w w w w C , ,
 , .

BASIS OF OUR OPINION

A , C , w C w , ,
D 2015 (**FY2015**) 2016 (**FY2016**), 31
☒ B F 2015 F 2016, C .
G , , D
D
w ,
w. , w , w
G ☒ C .

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

, w w

:

A. INFORMATION ON THE GROUP

1. Principal business of the Group

☑ G , ,
w :

() , . ☑ G ,
, , ,
F (E []), (,),
(®®) G (€) (**Upstream Oilseeds Processing Business**);

() , w
(, , w),
(G), ,
w (**Biochemical and
Biofuel Business**);

() (**Rice Business**);

() (**Wheat Processing
Business**);

() (**Brewing Materials Business**).

☑ G w C F (**China Foods
Group**) 2007 C F 2016,

, w , w , C. ☑
B G

G .

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Financial performance of the Group

F 2015 F 2016 (w F 2016 FY2016 Annual Report):	C	G F 2015
		FY2016 HK\$' million	FY2015 HK\$' million
		89,163	82,548
<i>Upstream Oilseeds Processing Business</i>		50,434	41,053
<i>Biochemical and Biofuel Business</i>		11,526	14,622
<i>Rice Business</i>		9,196	9,986
<i>Wheat Processing Business</i>		8,946	8,528
<i>Brewing Materials Business</i>		2,685	2,617
<i>Corporate and others</i>		6,376	5,742
G		6,243	4,286
		1,530	1,675
		(6,284)	(6,177)
		296	162
		(253)	(323)
/()		1,532	(377)
/()		1,419	(333)
C		1,419	(333)
E / () (EPS) (HK\$)		0.270	(0.063)
G , F 2016 F 2015 w		56.6%	49.7%
B , . D			
G (. . B B B)			21.2%
, G			8.0%
F 2015. G F 2016 w			
B			22.9%
H \$41,053 H \$50,434			
w .			
G , w			
G ,			
		11.0%	F 2016. G
B			
D			
A w			
G .			

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

A F 2016 A , G ' w
 5.2% 7.0% w w
 F 2016.

B 45.7%
 , G w C
 H \$333 F 2015 w C
 H \$1,419 F 2016. E G F 2016 w
 H \$0.270.

3. Financial position of the Group

w F 2016 A :	G 31 D 2016
	As at 31 December 2016 <i>HK\$' million</i>
Non-current assets	28,576
,	21,790
-	6,786
Current assets	43,550
C	17,887
A	7,586
	2,903
	15,174
Current liabilities	39,193
-	21,594
A w	3,308
	14,291
Non-current liabilities	2,621
-	1,596
-	1,025
Total equity	30,312
E w C (NAV)	26,249
-	4,063
A (HK\$)	5.0

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Class of markets	Number of markets identified	Number of markets where the Target Company has presence through its sales outlets	Percentage of coverage of the Target Company
Class A market:			
2	41	41	100%
Class B market:			
278	278	278	100%
Class C market:			
2,000	1,600	80%	
Class D market:			
34,872	19,180	55%	

2. Financial information of the Target Business

(i) *Financial performance*

	FY2016 RMB' million	FY2015 RMB' million
G	9,279.3	8,199.3
	1,041.4	1,003.4
	80.0	93.3

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

B (. . .) w w B
 C F 25 2017.
 C w H
 F w C F . A w
 , w B F 2015 F 2016
 C B .
 D - F (E W
 ~) , , , ,
 B F 2016 13.2% F 2015. H w ,
 B 3.8% F 2016
 B -F
 (E W ~) - w w , w w
 F 2016.
 F 2015, B18.6
 w . C w C F '
 B . , B , F 2016,
 w B1.0 .
 B F 2016
 14.3% B93.3 B80.0 , w -
 B18.1 F 2016 w w
 C (**One-off Reorganisation Expense**). - E
 w
 A , B w
 B98.1 (**FY2016 Adjusted Profit**),
 5.1% B F 2015.
 B F 2016 w .

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) *Financial position*

	w	<input checked="" type="checkbox"/>	B	31
D	2016	:		
				As at
				31 December
				2016
				<i>RMB' million</i>
	Non-current assets			3.8
				3.2
				0.6
	Current assets			2,287.2
				1,286.0
	A			307.0
				414.2
	C			188.6
				91.4
	Current liabilities			2,248.3
	A			1,568.0
				680.3
	Non-current liabilities			
	NAV of the Target Business			42.7
	A	31 D	2016,	<input checked="" type="checkbox"/>
()				B
				B1,286.0 ; ()
				B721.2 ; ()
	B188.6 ; ()			-
A				<input checked="" type="checkbox"/>
				B
				31 D
				2016,
				4.3%.
	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	B	,
				B2,248.3
				B1,568.0
	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	B	-
				w
	A	31 D	2016,	<input checked="" type="checkbox"/>
B42.7	(B
				H \$49.3)
A). B
				F 2016
				2016,
	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	B	w
				229.7%, w
				w
<input checked="" type="checkbox"/>	B			.

D. REASONS FOR AND BENEFITS OF THE ACQUISITION

A
 C F G 2007. , G w ,
 B B
 B w -
 F (E W ~). C C 30%
 / 70% w .

A B , B w A
 C w w
 w:

1. Transformational integration of the edible oil business: A w
 G ,
 w w
 C , w ()
 , w , ,
 , ; () E G
 .

2. Extensive distribution network: A , E G w
 550,000
 C, w w G w ,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) *Payment and conditions precedent*

- C w w

:

() B315 (30%

C) , w

A .
- () B315 (30%

C) w C (

) w

A , ,

C ,

A A ,

C FC ,

C F C ,

A .
- () B420 (40%

C) w w

A , ,

w - w

C A , w

C A ,

,

.

(iii) *Consideration*

A , C w B1,050 . D

C

A C w.

(iv) *Undertakings b China Foods*

A B , C F
C C
B C (**Competing Business**) C w
C , C F G
C B . C F
C C F G 10%
C B 10% , C
,

(v) *Completion*

C w C
A w
A w
, A , A w
, w . C w
w C , C w w - w 7.9(C) 7.9(C)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(PE Ratio)
w (Comparable

Companies)

C . H w
w , - w -
;
E C C , w
H C

B ()
☒ B ; () E ,
w w ☒ B ,

(w) . w
(Edible Oil Segment)
E , w 50% E
w C H B , w
C H ☒ B C w
(SZSE) E (SGX).
50% C' w w
C C
w ☒ C ☒ B
B , w C C
E , E E G . ☒
C G H , w
E C C E, E G w
() 0.8274, H (HS Inde)
13.9 E C 16.8
B D ; () 0.5129, H
E C 27.1 B
D (SZSE Factor); () 1.0451, H
G ☒ 13.3 B
D (SGX Factor), .

C C C w
☒ B -A
A . G

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Compan name	Stock code	Businesses	Market Capitalisation (Note 1) HK\$' million	PE Ratio (Note 2) Times	Adjusted PE Ratio (Note 2) Times
(H)	411.H		2,633.1	9.9	9.9
C F C	1006.H		2,282.8	7.6	7.6
w F C (Note 3)	000639.		9,875.9	56.7	29.1
D G C (Note 4)	002852.		9,172.5	29.0	14.9
H C C (Note 5)	600127. H		4,127.0	474.4	392.5
(Note 6)			125,826.2	14.7	15.4
			(Note 5)	23.6	15.4
			(Note 5)	14.7	14.9
			(Note 5)	56.7	29.1
				7.6	7.6

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	Market Capitalisation <i>(Note 1)</i> HK\$' million	PE Ratio <i>(Note 2)</i> Times	Adjusted PE Ratio <i>(Note 2)</i> Times
E C F 2016	B1,050	13.1	13.1
E C F 2016 A (Implied PE Ratio)	B1,050	10.7	10.7

Source: Bloomberg and the Stock Exchange

Notes:

1. [] H \$ B .
 2. [] E C C B
D w E, E G H E D .
 3. w F C (Xi Wang) 2016
H C (Kerr), C - , w E
w 50% . H w , E B
(75.7%)
w 31 D 2016, w C
C . A w E, E w
E F .
 4. [] E D G C w E F .
 5. H C C . , . w
E A E C C E .
 6. [] E w G F .
- A , E C C
7.6 29.1 (Comparable Range), w
15.4 14.9 , .
- [] E 10.7 w C
w E C C . w
E C 12.4 D .
- B , w C .

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

G. FINANCIAL EFFECT OF THE ACQUISITION

1. Earnings

For the period from 1 January 2016 to 31 December 2016, the Group's earnings were \$113.3 million, compared with \$98.1 million for the corresponding period in 2015. This increase of 12.9% is primarily due to the acquisition of the Group's subsidiary, B, on 1 January 2016, which contributed \$229.7 million to the Group's earnings. The Group's earnings per share for the period from 1 January 2016 to 31 December 2016 were \$0.270, compared with \$0.288 for the corresponding period in 2015.

-A

2. Effect on gearing

The Group's gearing ratio at 31 December 2016 was 70%, compared with 30% at 31 December 2015. This increase is primarily due to the acquisition of the Group's subsidiary, B, on 1 January 2016, which contributed \$26,249.3 million to the Group's net assets. The Group's gearing ratio at 31 December 2016 was 59.2%, compared with 62.4% at 31 December 2015.

3. NAV

The Group's net asset value (NAV) at 31 December 2016 was \$49.3 million, compared with \$42.7 million at 31 December 2015. This increase of 15.5% is primarily due to the acquisition of the Group's subsidiary, B, on 1 January 2016, which contributed \$1,154.5 million to the Group's net assets. The Group's NAV at 31 December 2016 was \$1,000 million, compared with \$1,000 million at 31 December 2015.

A

E G w C .

4. Working capital

A C , 31 D 2016, C
 H \$90.0 . H
 H \$7,586 , H \$90.0 ,
 - w H \$23,190 , G ' ,
 H \$598.8 31 D 2016, C
 B1,050 (H \$1,212.2) w
 30% w 70% w , w
 G ' w .

RECOMMENDATION

H , w
 A C
 w . A
 . B
 C , EG A

Unless the context requires otherwise, all amounts in RMB are translated into HK\$ at an exchange rate of RMB1:HK\$1.1545. Such translation should not be construed as a representation that the amount in question has been, could have been or could be converted at an particular rate at all.

OPTIMA CAPITAL LIMITED
Ng Ka Po
Senior Director

Mr. Ng Ka Po is licensed person and responsible officer of Optima Capital Limited

1. RESPONSIBILITY STATEMENT

, w D
 , w C . D
 , w ,
 w w

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

A D w C
 w F ,
 D , C
 (w F) w
 C E D 7 8
 F (w w
 F), w , 352 F ,
 C , w w C
 E C D
 (, Discloseable Interests) w w :

Interests in the Shares and underlying shares of the Company

Name	Capacity	Number of Shares held in long position	Number of underlying Shares held in long position (Note 1)	Percentage (Note 2)
	B w	235,364	636,000	0.02%
	(Note 3)			
D G	B w		1,197,000	0.02%
A G H	B w	136,500	1,680,000	0.03%
H B	B w	48,000	1,680,000	0.03%
E	B w	100,000		0.00%

Interests in shares of associated corporation

Name	Name of associated corporation	Capacity	Number of shares held in long position	Percentage (Note 4)
A G H	C	B w	10,000	0.00%

Notes:

1. w 47 50 C ' 2016 C .
2. D , 5,249,880,788 C .
3. 235,364 w .
4. D , 14,231,124,858 C .
D , D D .

3. SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS

A D , w (D C) C C 336 F :

Name	Capacity	Number of shares held (Note 1)	Percentage (Note 2)
H	B w	2,681,315,430	51.07%
C FC (H)	B w	364,790,827	6.95%
		2,681,315,430	51.07%
		(Note 3)	
C FC C		3,046,106,257	58.02%
		(Note 4)	

Notes:

1. C .
 2. w D , 5,249,880,788 . C
 3. w H , w - w C FC (H) .
 4. w H C FC (H) , w - w C FC C .
- , w D
- C , D , C w w C D 2 3 F C 336 F .

4. DIRECTORS' SERVICE CONTRACTS

A D , D w C G w w () .

5. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENT

A D , D w 31 D 2016, w G w , G , w , G .

A D , D w , G w w w G .

6. LITIGATION

A D , w w D G .

7. COMPETING INTERESTS

8.10

G :

C FC

C FC

C FC

(1) C FC B (A) C ., . (**COFCO Biochemical**), w
w C . C FC
B ;

(2) C FC A (**COFCO Agri**), w
C C .
w

C FC A
(C) A : A , A , E , A
, w
(w , ,) (,
w , , , w , , ,
(, w , ,
));
, w , , ;
A , w - .

8. MATERIAL ADVERSE CHANGE

☐ w G

31 D 2016, w

G .

9. EXPERT'S QUALIFICATION AND CONSENT

w
:

Name **Qualification**

11. DOCUMENTS AVAILABLE FOR INSPECTION

- C w C , w 31 F , C FC w , 262 G ,
C w B , H EG :
- (1) A ;
 - (2) ;
 - (3) - ;
 - (4) C ;
 - (5) A ;
 - (6) B C , w
20 ;
 - (7) FA, w 21 38 ;
 - (8) FA E ,
C ;
 - (9) .

NOTICE OF THE EGM

Notes:

1. A C w
2. ☐ C w 4 2017 7 2017 (),
w
EG ,
C , ☐ 22, H w C , 183 , w
E , H 4:30 . . . 3 2017.
3. A EG
4. (), EG ,
w ,
EG , w
C
5. A EG . ☐ , w w
() w , w ,
- EG (. . . H 48 (10:00 . . . 5 2017))
6. C w EG
EG , EG
w
7. ☐ EG w EG .

As at the date of this notice, the Board comprises: Mr. YU Xubo as chairman of the Board and non-executive director; Mr. DONG Wei, Ms. YANG Hong and Mr. SHI Bo as executive directors; Mr. LI Jian and Mr. JIA Peng as non-executive directors; and Mr. LAM Wai Hon, Ambrose, Mr. Patrick Vincent VIZZONE and Mr. ONG Teck Ch e as independent non-executive directors.