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CHINA FOODS LIMITED
中國食品有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 506)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL HIGHLIGHTS

The following table shows the comparison of the interim results for the six months ended 30 June 2016 (the "interim period") of China Foods Limited (the "Company") and its subsidiaries (together the "Group") with the corresponding interim results for 2015:

	For the six months ended 30 June 2016 *(HK$'million)*	For the six months ended 30 June 2015 *(HK$'million)* (restated)	Changes *(Note 2)*
Continuing operations *(Note 1)*:			
Revenue	**14,590.6**	14,882.9	-2.0%
Operating profit *	**427.5**	426.8	+0.2%
As percentage of revenue	**2.9%**	2.9%	
EBITDA^	**768.1**	784.8	-2.1%
As percentage of revenue	**5.3%**	5.3%	
Profit attributable to the owners of the parent (unadjusted)	**616.7**	114.0	+441.0%
In which:			
profits from continuing operation	**660.2**	167.3	+294.6%
In which:			
loss from discontinued operation	**(43.5)**	(53.3)	-18.4%
Adjusted profit attributable to the owners of the parent #	**134.2**	114.0	+17.7%

^ EBITDA (LBITDA) represents earnings (loss) before finance costs, income tax expense, depreciation, amortisation of other intangible assets, recognition of prepaid land premiums, impairment related to available-for-sale investments and receivables, provision against inventories, share of profits or losses of associates and the one-off income from the disposal of discontinued operation.

* Operating profit from continuing operations (excluding the one-off income from the disposal of discontinued operation) represents the aggregation of segment results from continuing operations less corporate and other unallocated expenses, while the operating loss of the discontinued segment represents the segment loss of the confectionery business segment.

Adjusted profit attributable to the owners of the parent represents the profit attributable to the owners of the parent (unadjusted) less the one-off income from the disposal of discontinued operation of approximately HK$523.0 million and its relevant tax of approximately HK$40.5 million.

(Note 1): Revenue, EBITDA^ and operating profit* exclude relevant figures of the confectionery business segment, a business segment categorized as a discontinued operation pursuant to the Hong Kong Financial Reporting Standard 5.

The disposal of the discontinued operation was successfully completed on 31 May 2016. For the five months ended 31 May 2016, the discontinued operation segment had revenue of HK$114.7 million (For the six months ended 30 June 2015: HK$197.7 million), operating loss* of HK$43.7 million (For the six months ended 30 June 2015: HK$53.1 million) and LBITDA^ of HK$38.6 million (For the six months ended 30 June 2015: HK$41.3 million).

(Note 2): The interim results in RMB for 2016 of the Group were translated at the average exchange rate for the first half of 2016 of HK$1: RMB0.84623, while the 2015 interim results in RMB were translated at the average exchange rate of HK$1: RMB0.78874. The results reported in HKD terms, when compared to the comparative results for 2015, include a 7.3% translation effect attributable to the depreciation of RMB.

If the impact of RMB depreciation was excluded by comparing the interim results in RMB for 2016 and the comparative interim results for 2015, revenue, operating profit*, EBITDA^, profit attributable to owners of the parent of the Company (unadjusted) and adjusted profit attributable to owners of the parent of the Company# increased by 5.2%, 7.5%, 5.0%, 480.4% and 26.3% respectively.

During the interim period for the six months ended 30 June 2016,

- Revenue from continuing operations of the Group decreased slightly by 2.0% in HKD terms, whereas the amount in RMB terms, increased by 5.2%. This is mainly due to the increase in revenue of the kitchen food business, which was partially offset by a decline in beverage segment revenue caused by changes in industry-wide consumer trends, and changes in sales mix of its business;

- Operating profits* from continuing operations of the Group was stable in HKD terms, whereas the amount in RMB terms, increased by 7.5%. This is mainly attributable to the slight growth in operating profits of the kitchen food, wine and beverage businesses;

- Margins of Operating profits* and EBITDA^ from continuing operations of the Group were basically unchanged compared to same period of 2015;

- Due to the one-off income from the disposal of discontinued operation recorded in the interim results for 2016, profits attributable to owners of the parent of the Group (unadjusted) increased significantly.

On 23 August 2016, the directors of the board (the "Board") of the Company declared an interim dividend of HK1.2 cent (for the six months ended 30 June 2015: nil) per ordinary share for the six months ended 30 June 2016 to shareholders whose names appear on the register of members of the Company on 9 September 2016.

INTERIM RESULTS

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the interim period together with the comparative figures of last year. The unaudited condensed consolidated interim results as at and for the six months ended 30 June 2016 (the "interim financial information") have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June 2016 HK$'000 (Unaudited)	2015 HK$'000 (Unaudited and restated)
CONTINUING OPERATIONS			
REVENUE	4	**14,590,646**	14,882,901
Cost of sales		**(11,134,307)**	(11,401,539)
Gross profit		**3,456,339**	3,481,362
Other income and gains	4	**667,760**	159,109
Selling and distribution expenses		**(2,761,856)**	(2,750,071)
Administrative expenses		**(341,042)**	(369,139)
Other expenses and losses		**(14,507)**	(29,301)
Finance costs	5	**(21,605)**	(32,111)
Share of profits of associates		**26,254**	53,481
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**1,011,343**	513,330
Income tax expense	7	**(193,627)**	(187,004)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**817,716**	326,326
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation	8	**(43,518)**	(53,272)
PROFIT FOR THE PERIOD		**774,198**	273,054
Attributable to:			
Owners of the parent		**616,677**	113,969
Non-controlling interests		**157,521**	159,085
		774,198	273,054
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic			
– For the profit for the period		**HK22.05 cents**	HK4.07 cents
– For the profit from continuing operations		**HK23.60 cents**	HK5.98 cents
Diluted			
– For the profit for the period		**HK22.05 cents**	HK4.07 cents
– For the profit from continuing operations		**HK23.60 cents**	HK5.98 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	For the six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited and restated)
PROFIT FOR THE PERIOD	**774,198**	273,054
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(188,544)**	(5,010)
Share of other comprehensive income of an associate	**–**	117
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(188,544)**	(4,893)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Gains on property revaluation	**–**	5,760
Income tax effect	**–**	(1,440)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**–**	4,320
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(188,544)**	(573)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**585,654**	272,481
Attributable to:		
Owners of the parent	**449,090**	114,329
Non-controlling interests	**136,564**	158,152
	585,654	272,481

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2016

	Notes	30 June 2016 HK$'000 (Unaudited)	31 December 2015 HK$'000 (Audited and restated)	1 January 2015 HK$'000 (Audited and restated)
NON-CURRENT ASSETS				
Property, plant and equipment		**4,579,801**	4,670,644	4,901,078
Investment properties		**34,048**	34,735	98,331
Prepaid land premiums		**543,779**	459,851	424,026
Prepayments for items of property, plant and equipment		**100,332**	15,500	14,286
Goodwill		**1,665,883**	1,684,061	1,742,224
Other intangible assets		**13,645**	15,610	27,370
Investments in associates		**779,085**	780,759	758,932
Available-for-sale investments		**209,356**	209,637	214,106
Deferred tax assets		**177,441**	182,837	184,521
Total non-current assets		**8,103,370**	8,053,634	8,364,874
CURRENT ASSETS				
Inventories		**3,533,270**	4,038,615	4,301,418
Accounts and bills receivables	*11*	**1,685,532**	1,376,410	1,771,192
Prepayments, deposits and other receivables		**1,072,263**	1,372,867	1,186,912
Due from fellow subsidiaries		**348,047**	351,977	578,278
Due from the ultimate holding company		**13,855**	14,157	15,202
Due from the immediate holding company		**162**	162	171
Due from non-controlling shareholders of subsidiaries		**16,322**	15,394	37,711
Due from associates		**12,708**	10,496	16,273
Prepaid tax		**29,298**	42,703	41,225
Available-for-sale investments		**–**	–	399,305
Equity investments at fair value through profit or loss		**–**	–	14,728
Restricted bank balances		**6,837**	6,974	–
Pledged deposits		**55,966**	64,980	162,947
Cash and cash equivalents		**1,813,810**	899,170	1,356,458
		8,588,070	8,193,905	9,881,820
Assets of a disposal group classified as held for sale	*8*	**–**	375,131	–
Total current assets		**8,588,070**	8,569,036	9,881,820

	Notes	**30 June 2016 HK$'000 (Unaudited)**	31 December 2015 HK$'000 (Audited and restated)	1 January 2015 HK$'000 (Audited and restated)
CURRENT LIABILITIES				
Accounts and bills payables	*12*	**1,516,188**	1,300,096	1,372,106
Other payables and accruals		**2,498,501**	3,246,483	3,368,978
Due to fellow subsidiaries		**2,052,613**	1,270,244	1,253,117
Due to the ultimate holding company		**25,160**	25,467	27,915
Due to related companies		**8,621**	9,817	88,765
Due to non-controlling shareholders of subsidiaries		**366,072**	553,991	48,103
Due to associates		**178,775**	176,405	154,453
Dividend payable		**27,977**	–	–
Interest-bearing bank and other borrowings		**1,175,311**	1,647,650	1,360,994
Tax payable		**107,817**	48,536	96,784
		7,957,035	8,278,689	7,771,215
Liabilities directly associated with the assets of a disposal group classified as held for sale	*8*	**–**	101,694	–
Total current liabilities		**7,957,035**	8,380,383	7,771,215
NET CURRENT ASSETS		**631,035**	188,653	2,110,605
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,734,405**	8,242,287	10,475,479
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings		**800,000**	1,000,000	2,100,000
Due to non-controlling shareholders of subsidiaries		**–**	–	28,446
Deferred income		**308,718**	155,888	160,613
Deferred tax liabilities		**35,190**	34,200	63,873
Total non-current liabilities		**1,143,908**	1,190,088	2,352,932
Net assets		**7,590,497**	7,052,199	8,122,547
EQUITY				
Equity attributable to owners of the parent				
Issued capital		**279,722**	279,722	279,722
Reserves		**5,634,300**	5,213,039	5,607,927
		5,914,022	5,492,761	5,887,649
Non-controlling interests		**1,676,475**	1,559,438	2,234,898
Total equity		**7,590,497**	7,052,199	8,122,547

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2016

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company is a subsidiary of COFCO (Hong Kong) Limited, a company incorporated in Hong Kong. Based on the confirmation of the Board, the ultimate holding company is COFCO Corporation, which is a state-owned enterprise registered in the People's Republic of China (the "PRC").

During the six months ended 30 June 2016, the Group was involved in the following principal activities:

- processing, bottling and distribution of sparkling beverage and distribution of still beverage;
- production, sale and trading of grape wine and other wine products;
- distribution of retail packaged cooking oil and seasoning products;
- production and distribution of chocolate and other related products; and
- distribution of other consumer food and beverage products that are not categorised under the aforementioned activities.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial information is prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial statements for the year ended 31 December 2015.

The accounting policies and basis of preparation adopted in the preparation of the condensed consolidated interim financial information are the same as those used in the annual financial statements for the year ended 31 December 2015, except in relation to the following revised Hong Kong Financial Reporting Standards ("HKFRSs") that affect the Group and are adopted for the first time for the current period's financial information:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amotisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements *2012-2014 Cycle*	*Amendments to a number of HKFRSs*

Other than as explained below regarding the impact of amendments to HKAS 16 and HKAS 41 *Agriculture: Bearer Plants*, the adoption of above revised HKFRSs has no material impact on the accounting policies of the Group.

The HKAS 16 and HKAS 41 Amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will be within the scope of HKAS 16 instead of HKAS 41. After initial recognition, bearer plants will be measured under HKAS 16 at accumulated cost before maturity. After the bearer plants mature, they will be measured either using the cost model or revaluation model in accordance with HKAS 16. The amendments also require that produce growing on the bearer plants will remain in the scope of HKAS 41 and is measured at fair value less costs to sell. Government grants relating to bearer plants will now be accounted for in accordance with HKAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*.

The application of amendments to HKAS 16 and HKAS 41 has affected the accounting for the Group's grape vines. Upon the adoption of amendments to HKAS 16 and HKAS 41 on 1 January 2016, retrospective adjustments have been made to the previous accounting and grape vines has been accounted for as properties, plant and equitment since 1 January 2015, using their corresponding fair values as at 1 January 2015 as their deemed costs at that date. The opening balances as at 1 January 2015 and comparative information for the six months ended 30 June 2015 have been restated in the financial information. The quantitative impact on the financial information is summarised below:

Impact on the condensed consolidated statement of profit or loss:

	Six months ended 30 June 2015 *HK$'000*
Increase in cost of sales	5,173
Decrease in gross profit and profit before tax from continuing operations	(5,173)
Decrease in income tax expense	507
Decrease in profit for the period from continuing operations and profit for the period	(4,666)
Decrease in profit for the period attributable to:	
Owners of the parent	(4,292)
Non-controlling interests	(374)
	(4,666)
Decrease in earnings per share attributable to ordinary equity holders of the parent:	
Basic and diluted	
– For the profit for the period	HK(0.16) cents
– For the profit from continuing operations	HK(0.16) cents

Impact on the condensed consolidated statement of comprehensive income:

	Six months ended 30 June 2015 *HK$'000*
Decrease in profit for the period	(4,666)
Decrease in exchange differences on translation of foreign operations	35
Decrease in net other comprehensive loss to be reclassified to profit or loss in subsequent periods and other comprehensive loss for the period, net of tax	35
Decrease in total comprehensive income for the period	(4,631)
Decrease in total comprehensive income for the period attributable to:	
Owners of the parent	(4,256)
Non-controlling interests	(375)
	(4,631)

Impact on the condensed consolidated statement of financial position:

	As at 31 December 2015 *HK$'000*	As at 1 January 2015 *HK$'000*
Increase in properties, plant and equipment	168,910	200,806
Decrease in biological assets	(198,172)	(200,806)
Decrease in total non-current assets	(29,262)	–
Decrease in deferred tax liabilities and total non-current liabilities	5,287	–
Decrease in net assets	(23,975)	–
Decrease in equity attributable to owners of the parent	(23,556)	–
Decrease in non-controlling interests	(419)	–
Decrease in total equity	(23,975)	–

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the nature of their products and has five reportable operating segments as follows:

(a) the beverage segment is engaged in the processing, bottling and distribution of sparkling beverage products and the distribution of still beverage products;

(b) the wine segment is engaged in the production, sale and trading of grape wine and other wine products;

(c) the kitchen food segment is engaged in the distribution of retail packaged cooking oil and seasoning products;

(d) the confectionery segment is engaged in the production and distribution of chocolate and other related products (discontinued operation (note 8)); and

(e) the "others" segment is engaged in the distribution of other consumer food and beverage products that are not categorised under the aforementioned segments.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit/(loss) before tax from continuing operations except that interest income, dividend income, gain on disposal of subsidiaries, finance costs, share of profits of associates, as well as unallocated head office and corporate results are all excluded from such measurement.

Segment assets exclude deferred tax assets, prepaid tax, restricted bank balances, pledged deposits, cash and cash equivalents, available-for-sale investments, investments in associates and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Six months ended 30 June 2016

	Beverage	Wine	Kitchen food	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:					
Sales to external customers	6,156,482	1,285,220	6,987,176	161,768	14,590,646
Other revenue	59,368	14,997	4,838	8,310	87,513
	6,215,850	1,300,217	6,992,014	170,078	14,678,159
Segment results	455,430	110,985	45,079	318	611,812
Reconciliation:					
Interest income					7,566
Dividend income					48,689
Gain on disposal of subsidiaries					522,969
Finance costs					(21,605)
Share of profits of associates					26,254
Corporate and other unallocated expenses					(184,342)
Profit before tax from continuing operations					1,011,343
30 June 2016					
Segment assets	5,957,636	4,836,663	2,571,278	229,004	13,594,581
Reconciliation:					
Investments in associates					779,085
Corporate and other unallocated assets					2,317,774
Total assets					16,691,440
Segment liabilities	3,289,448	747,408	2,893,046	–	6,929,902
Reconciliation:					
Corporate and other unallocated liabilities					2,171,041
Total liabilities					9,100,943

Six months ended 30 June 2015

	Beverage *HK$'000* (Unaudited and restated)	Wine *HK$'000* (Unaudited and restated)	Kitchen food *HK$'000* (Unaudited and restated)	Others *HK$'000* (Unaudited and restated)	Total *HK$'000* (Unaudited and restated)
Segment revenue:					
Sales to external customers	7,095,363	1,296,432	6,265,239	225,867	14,882,901
Other revenue	46,821	12,222	16,080	14,368	89,491
	7,142,184	1,308,654	6,281,319	240,235	14,972,392
Segment results	445,602	103,056	41,700	3,838	594,196
Reconciliation:					
Interest income					18,290
Dividend income					46,862
Finance costs					(32,111)
Share of profits of associates					53,481
Corporate and other unallocated expenses					(167,388)
Profit before tax from continuning operations					513,330

31 December 2015

	Beverage *HK$'000* (Audited)	Wine *HK$'000* (Audited and restated)	Kitchen food *HK$'000* (Audited)	Others *HK$'000* (Audited)	Total *HK$'000* (Audited and restated)
Segment assets	6,174,395	4,846,579	2,768,845	243,919	14,033,738
Reconciliation:					
Investments in associates					780,759
Corporate and other unallocated assets					1,433,042
Assets related to a discontinued operation					375,131
Total assets					16,622,670
Segment liabilities	3,537,542	767,142	2,426,477	680	6,731,841
Reconciliation:					
Corporate and other unallocated liabilities					2,736,936
Liabilities related to a discontinued operation					101,694
Total liabilities					9,570,471

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, during the period.

An analysis of the Group's other income and gains from continuing operations is as follows:

	For the six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited and restated)
Other income		
Gross rental income	**2,062**	4,403
Bank interest income	**7,566**	12,410
Interest income from financial products	**–**	5,880
Dividend income from available-for-sale investments	**48,689**	46,862
Government grants*	**38,876**	36,319
Compensation income	**554**	3,150
Sale of by-products and scrap items	**13,818**	8,605
Others	**32,203**	37,014
	143,768	154,643
Gains		
Foreign exchange differences, net	**1,023**	–
Gain on disposal of subsidiaries (note 13)	**522,969**	–
Gain on disposal of equity investments at fair value through profit or loss	**–**	4,466
	523,992	4,466
	667,760	159,109

* Various government grants were granted for investments in certain provinces in Mainland China in which the Company's subsidiaries operate. Government grants for which related expenditure has not yet been undertaken are included in deferred income (non-current portion) and other payables and accruals (current portion) in the statement of financial position, respectively. There are no unfulfilled conditions or contingencies relating to these grants.

5. FINANCE COSTS

An analysis of the Group's finance costs from continuting operations is as follows:

	For the six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on:		
Bank loans wholly repayable within five years	**19,654**	30,519
Loans from a non-controlling shareholder of subsidiaries	**1,468**	1,068
Others	**483**	524
	21,605	32,111

6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited and restated)
Cost of inventories sold	**11,115,545**	11,394,336
Provision against inventories	**18,762**	7,203
Cost of sales	**11,134,307**	11,401,539
Depreciation	**243,491**	247,422
Amortisation of other intangible assets	**2,270**	5,422
Recognition of prepaid land premiums	**6,874**	5,609
Loss on disposal/write-off of items of property, plant and equipment*	**1,493**	2,164
Impairment of receivables*	**13,014**	24,103
Impairment of available-for sale investments*	**–**	3,034
Foreign exchange differences, net	**(1,023)**	6,475

* These items are included in "other expenses and losses" on the face of the condensed consolidated statement of profit or loss.

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2015: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Pursuant to the approvals issued by the State Administration of Taxation of the PRC during 2013, the Company and certain of its subsidiaries are regarded as Chinese Resident Enterprises (collectively the "CREs") and relevant enterprise income tax policies of the PRC are applicable to the CREs commencing from 1 January 2013.

	For the six months ended 30 June	
	2016	2015
	HK$'000	HK$'000
	(Unaudited)	(Unaudited and restated)
Current charge for the period:		
Mainland China	**191,204**	179,432
Elsewhere	**57**	–
Deferred	**2,366**	7,572
Total tax charge for the period	**193,627**	187,004

The share of tax attributable to associates amounting to HK$7,936,000 (six months ended 30 June 2015: HK$17,995,000) is included in "Share of profits of associates" in the condensed consolidated statement of profit or loss.

8. DISCONTINUED OPERATION

Prized Developments Limited and its subsidiaries (the "Target Group") are engaged in the production of the Group's chocolate and other confectionery products, which are sold and distributed via COFCO Foods Sales & Distribution Co., Limited, a wholly-owned subsidiary of the Group. Together these two components comprise the Group's confectionery segment (the "Discontinued Segment").

On 31 December 2015, the Company announced the decision of its board of directors to dispose of the Target Group by entering into an equity transfer and debt assignment agreement with Tops Properties Limited, a wholly-owned subsidiary of COFCO Property (Group) Co., Ltd. which is a Shenzhen-listed company owned as to 45.67% by COFCO, for a total consideration of RMB611,000,000 (subject to certain potential adjustments). The Group has decided to exit the Discontinued Segment because it plans to focus its resources on its other business.

As a result, the Discontinued Segment was classified as a disposal group held for sale and as a discontinued operation. With the Discontinued Segment being classified as a discontinued operation, it is no longer included in the note for operating segment information.

The results of the Discontinued Segment for the period are presented below:

	For the six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Revenue	**114,747**	197,701
Cost of sales	**(77,377)**	(112,324)
Other income and gains	**1,917**	3,337
Selling and distribution expenses	**(77,576)**	(133,229)
Administrative expenses	**(5,218)**	(6,491)
Other expenses and losses	**(216)**	(2,092)
Loss before tax from a discontinued operation	**(43,723)**	(53,098)
Income tax credit/(expense) related to pre-tax loss	**205**	(174)
Loss for the period from a discontinued operation	**(43,518)**	(53,272)

The major classes of assets and liabilities of the Discontinued Segment classified as held for sale as the end of reporting period are as follows:

	30 June	31 December
	2016	2015
	HK$'000	*HK$'000*
Assets		
Property, plant and equipment	**–**	133,338
Investment properties	**–**	80,331
Inventories	**–**	89,043
Accounts and bills receivables	**–**	21,112
Prepayments, deposits and other receivables	**–**	15,661
Due from fellow subsidiaries	**–**	24,840
Prepaid tax	**–**	1,506
Cash and cash equivalents	**–**	9,300
Assets classified as held for sale	**–**	375,131
Liabilities		
Accounts and bills payables	**–**	(38,114)
Other payables and accruals	**–**	(46,379)
Due to fellow subsidiaries	**–**	(1,893)
Due to related companies	**–**	(62)
Deferred tax liabilities	**–**	(15,246)
Liabilities directly associated with the assets of a disposal group classified as held for sale	**–**	(101,694)
Net assets directly associated with the Discontinued Segment	**–**	273,437
Assets revaluation reserve of the Discontinued Segment	**–**	6,910

The net cash flows incurred by the Discontinued Segment are as follows:

	For the six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Operating activities	**9,612**	(1,955)
Investing activities	**(1,583)**	(1,520)
Net cash flow inflow/(outflow)	**8,029**	(3,475)
Loss per share:		
Basic, from the discontinued operation	**HK1.55 cents**	HK1.91 cents
Diluted, from the discontinued operation	**HK1.55 cents**	HK1.91 cents

The calculations of basic and diluted loss per share from the discontinued operation are based on:

	For the six months ended 30 June	
	2016	2015
Loss attributable to ordinary equity holders of the parent from the discontinued operation	**HK$43,518,000**	HK$53,272,000
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation *(note 10)*	**2,797,223,396**	2,797,223,396

9. DIVIDEND

	For the six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Interim – HK1.2 cents (six months ended 30 June 2015: Nil) per ordinary share	**33,567**	–

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amount for the period ended 30 June 2016 is based on the profit for the period attributable to ordinary equity holders of the parent of HK$616,677,000 (six months ended 30 June 2015: HK$113,969,000), and the weighted average number of ordinary shares of 2,797,223,396 (six months ended 30 June 2015: 2,797,223,396) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2015 and 2016 in respect of the dilution as the impact of the Company's share options outstanding had no dilutive effect on the basic profit per share amounts presented.

11. ACCOUNTS AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for one to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts and bills receivable balances. Accounts and bills receivables are non-interest-bearing.

An ageing analysis of the Group's accounts and bills receivables as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**1,555,270**	1,298,638
3 to 12 months	**107,415**	55,587
1 to 2 years	**13,665**	13,309
Over 2 years	**9,182**	8,876
	1,685,532	1,376,410

12. ACCOUNTS AND BILLS PAYABLES

An ageing analysis of the Group's accounts and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**1,364,355**	1,173,579
3 to 12 months	**142,170**	107,137
1 to 2 years	**4,300**	11,615
Over 2 years	**5,363**	7,765
	1,516,188	1,300,096

At 30 June 2016, certain of the Group's bills payable were secured by the Group's bank deposits amounting to HK$55,966,000 (31 December 2015: HK$64,980,000).

13. DISPOSAL OF SUBSIDIARIES

On 31 May 2016, the disposal transaction in relation to the Target Group was completed. Further details of the transaction are included in note 8 to the financial information.

The net assets disposed of as at the date of disposal were as follow:

	Note	*HK$'000* (Unaudited)
Property, plant and equipment		128,207
Investment properties		79,297
Inventories		43,891
Accounts and bills receivables		10,553
Prepayments, deposits and other receivables		1,878
Prepaid tax		1,490
Due from fellow subsidiaries		5,666
Cash and bank balances		17,329
Accounts and bills payables		(18,353)
Other payables and accruals		(23,474)
Due to fellow subsidiaries		(946)
Deferred tax liabilities		(14,879)
		230,659
Exchange differences on translation of foreign operations		(43,110)
Gain on disposal of subsidiaries	*4*	522,969
		710,518
Satisfied by:		
Cash		700,549
Due from fellow subsidiaries		9,969
		710,518

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	HK$'000 (Unaudited)
Cash consideration	700,549
Cash and bank balances disposed of	(17,329)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	683,220

14. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial information, due to the adoption of revised HKFRSs during the current period, the accounting treatment, presentation and disclosures of certain items and balances in the financial information have been revised to comply with the new requirements. Accordingly, certain prior period adjustments have been made, and certain comparative amounts have been reclassified and restated to conform with the current period's presentation and disclosures and accounting treatment, and a third statement of financial position as at 1 January 2015 has been presented. In addition, as further explained in note 8 to the financial information, due to the discontinuation of the Group's confectionery business, the comparative statement of profit or loss has been re-presented as if the operation discontinued had been discontinued at the beginning of the comparative period.

LETTER FROM THE MANAGING DIRECTOR

Review – First half of 2016

In the first half of 2016, the continued slow growth of the macro-economy in China, coupled with increasingly fierce competition, put pressure on the revenue growth of the Group's beverage and wine businesses.

Faced with unfavorable external challenges, the Group has followed the strategies formulated at the beginning of the year and adopted effective measures to implement various key areas of work.

During the period, the Group has made considerable effort to streamline its business, to optimize its business portfolio and to reallocate resources in order to enhance the return to our shareholders. In achieving that, the Company has taken the following actions during the period:

On 31 December 2015, the Company announced its intention to transfer its equity interest in Prized Developments Limited (a wholly-owned subsidiary of the Company and an investment holding company for the production assets of our confectionery business), and the shareholder's loans payable by Prized Developments Limited to the Company, to Tops Properties Limited. This transaction was a disclosable and connected transaction, which was duly approved by the independent shareholders of the Company by way of poll at the special general meeting held on 6 May 2016. The closing of the transaction was successfully completed on 31 May 2016. The transaction generated a one-off disposal income of approximately HK$523 million for the Company.

On 14 April 2016, the Company issued a voluntary announcement in relation to its intention to dispose of the Group's 55% equity interests in COFCO Junding Vineyard Co., Ltd., and its 55% equity interests of Shandong COFCO Junding Wines & Spirits Co., Ltd., respectively, by way of public auctions for sale on the China Beijing Equity Exchange on 15 April 2016. As at the date of this interim report, the Company has yet to find a qualified transferee and the public auctions are still ongoing.

Apart from these transactions, faced with a range of unfavorable external factors, the Company continued to implement a series of initiatives in order to improve our performance, which included (1) launching strategic products based on the Group's market insights and product innovation so as to lay a foundation for repositioning of brands and to boost sales growth; (2) continuing to increase brand investments strategically in order to enhance marketability of our brands; and (3) continuing to promote distribution channel diversification, by increasing penetration into county-level markets, and actively exploring other emerging channels such as electronic commerce and convenience stores, so as to increase the number of points of sale.

As a result, the overall operational efficiency of the Group continued to improve during the first half of 2016. Excluding the effect of the RMB depreciation, overall revenue of the continuing operations of the Group increased by 5.2%, which was mainly due to the increase in revenue of the kitchen food business, but the growth was partially offset by a decline in beverage segment revenue caused by a shift in industry-wide consumer trends, and by changes in sales mix. In respect of operating profit, the kitchen food, wine and beverage businesses experienced moderate improvements compared with that of the same period last year. During the period, including the one-off income from the disposal of discontinued operation, profit attributable to owners of the parent of the Group increased significantly by 441.0%. In respect of the financial situation, inventory levels, gearing ratio and net leverage ratio were lower compared with the same period last year.

Outlook – Second half of 2016

The economy in China is expected to be still under pressure in the second half of the year. The increasing competition in the food and beverage industry will continue to bring uncertainty to our business operations.

Under such circumstances, we will strive to improve our results for the full year of 2016 by implementing our key tasks laid down at the beginning of the year.

Finally, on behalf of China Food, I wish to express my sincere gratitude to our shareholders, customers and business partners for their continued support. I would also like to thank members of the Board, the entire management team and our employees for their devotion and hard work.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

BEVERAGE BUSINESS

Business Introduction

- The beverage business of the Company is primarily carried out by COFCO Coca-Cola Beverages Limited ("CCBL"), an entity jointly established by the Company and The Coca-Cola Company ("Coca-Cola Company"), in which the Company holds a 65% interest.

- CCBL has the exclusive right to manufacture, market and distribute Coca-Cola products in 15 provinces, municipalities and regions including Tianjin, Hebei, Beijing, Shandong, Hunan, Jiangxi, Guizhou, Hainan, Gansu, Ningxia, Qinghai, Tibet, Inner Mongolia, Xinjiang and Guangdong (Zhanjiang and Maoming). CCBL has minority equity stakes in Coca-Cola bottling companies located in Guangdong, Zhejiang and Jiangsu. CCBL also has associate interests in Coca-Cola Bottlers Manufacturing Holdings Limited, a manufacturing company which mainly supplies still beverages to all Coca-Cola franchisees in mainland China.

Development Strategy

The strategic goal of CCBL is to build a world-class bottling group with a well-regarded professional team, to build the most valuable sales and distribution network, and to become the most efficient beverage industry player in every region in which we operate. To this end, CCBL has been implementing the following strategies:

- Insistence on commitment to food safety and quality;

- The continued improvement of our product offering to the trade by ensuring that our core products have enduring appeal to consumers, and by introducing new higher margin products. At the same time, we will seek to develop strategic cooperative relationships with, and to raise gross margin for, both CCBL and its distributors through a reasonable margin sharing model, and accelarate the inventory turnover at point-of-sale;

- Strengthen our relationship with participants in our outlet delivery partners program, and provide support for the growth of our customers through product category management, and the application of route-to-market strategies for the sales and distribution network;

- Focus on further improving retail execution as this is our contact point with consumers;

- Effective control of costs and improvement of efficiency; and

- Encouragement of creative concepts and innovative ideas in business processes, marketing and management systems.

On 10 February 2016, the Company announced that: (1) the Company has entered into a letter of intent (by the Company, The Coca-Cola Company and Swire Beverages Holdings Limited) relating to the bottling operations of The Coca-Cola Company in mainland China, and (2) the letter of intent includes an expression of intent to negotiate the refranchising of the existing bottling operations of Coca-Cola to its existing partners, which include CCBL. As at the date of this interim report, no agreements have been entered into between the relevant parties and there is no assurance that such agreements will be entered into.

Industry Overview

Among the principal beverage product categories, CCBL is a major player in the Sparkling, Juice and Packaged Water categories. According to industry data in the first quarter of 2016, in terms of volume growth, the overall non-alcohol ready-to-drink (NARTD) beverages market (excluding white milk and bulk water) grew 3.2%, while the growth rates of the Sparkling and Juice categories decreased by 5.3% and 4.2% respectively while the Packaged Water category rose by 9.2%.

2016 Interim Results

A comparison of the 2016 interim results with those of the comparative period in 2015 of the beverage business segment is summarized below:

	For the six months ended 30 June 2016 ***(HK$' million)***	For the six months ended 30 June 2015 *(HK$' million)*	Changes *(note)*
Revenue	**6,156.5**	7,095.4	-13.2%
Segment result	**455.4**	445.6	+2.2%
As percentage of revenue	**7.40%**	6.28%	+1.12 percentage point
Percentage increase in sales volume			+2%
Percentage point increase of gross profit margin			+3.8 percentage point

(Note): In RMB terms, segment revenue declined by 6.9% while the segment result grew by 9.6%.

Sales volume of Sparkling and Juice products decreased by 5% and 18% respectively, while sales volume of Packaged Water products increased by 27%. As a result, overall sales volume only increased slightly by 2%. In RMB terms, overall sales revenue dropped by 6.9% with Packaged Water, on which net selling prices are relatively low failing, despite strong volume growth, to fully offset the decline in the revenue contribution from Sparkling and Juice products.

Benefiting from falling raw material prices, the overall gross profit margin increased by 3.8 percentage points. Meanwhile, the spending on marketing increased in response to increased competition. By continuing implementation of effective budget management, including effective control on expenses per unit case, and measures to enhance promotional efficiency, the ratio of selling and distribution expenses only increased 2.6 percentage points.

Attributable to above factors, segment profit in HKD terms increased 2.2% from HK$445.6 million to HK$455.4 million whereas the amount in RMB terms increased by 9.6% during the period.

Outlook

In view of the current economic situation and competition in the industry, overall sales volume and selling prices are still expected to be under pressure in the second half of 2016. Given falling raw material prices during the first half of 2016, and increased utilisation of production lines, it is expected that unit costs will fall compared with the corresponding period in 2015. However, marketing expenses will continue to increase in view of intensifying competition in the beverage market. Benefiting from the upcoming peak season and marketing activities in the second half of the year, we will strive to improve the sales mix in favour of increased sales of Sparkling beverages, promote the launch and sale of new guarana flavour in the Juice category and the new product of Ice Dew "Chun Yue" (冰露 • 純悅) in the Packaged Water category. In addition, we will continue to maintain tight control over expenses.

WINE BUSINESS

Business Introduction

- The Group's wine business is mainly based on its famous "Greatwall" brand, which has a fine tradition and has long been a leader in the China wine market. Due to the popularity of the brand and the high quality of its products, "Greatwall" wine is the top pick for state banquets.

- The "Greatwall" brand covers a variety of wines which include Cabernet Sauvignon, Merlot, Pinot Noir, Cabernet Franc, Shiraz for red wines; and Chardonnay, Riesling, Sauvignon Blanc for white wines. In addition, brandies and sparkling wines are also produced.

- "Greatwall" wine offers single varietal wines and blended wines using different grape varieties. The majority of the grapes that we use come from vineyards that are either managed by us or from sources with whom we have cooperative agreements. In our wine business, there are four wineries in China, namely Huaxia Wine Manor at Changli in Hebei, Chateau Sungod at Huailai in Hebei, Chateau Junding at Yantai in Shandong and Chateau YunMo in Ningxia, and two overseas wineries, namely Sas du Château de Viaud in France and Viña Santa Andrea Ltda in Chile.

- The Group is developing its imported wines platform, 中糧名莊薈, based on distribution cooperation with a number of well-known international wine companies, and well-known château brands from various countries, for the import of value-added wines into the PRC market.

Development Strategy

In order to raise the competitiveness of the "Greatwall" brand, our focus is to reposition "Greatwall" as a mid-to high-end quality wine icon in China. Our business strategies for the new brand positioning are described as follows:

- Products: to satisfy consumers' demand for healthy, mid-to high-end quality wine products and focus on developing "Greatwall" strategic products to developing "Greatwall" products that will attract consumers to upgrade to higher quality wines;

- Brand promotion strategy: to underscore Greatwall's national wine status with continuous promotions for important national events by promoting "Greatwall" strategic products; to promote experiential marketing and direct communication with consumers to effectively increase brand awareness and loyalty;

- Channel strategy: to streamline the distribution system of "Greatwall", actively seize sales growth opportunities in third-tier and fourth-tier cities, and enhance our channel penetration; strengthen customer management and enhance sales coverage; and

- Supply chain strategy: to strengthen supply chain management, and improve efficiency to lower costs.

Industry Overview

The wine industry has begun to recover slowly since the second half of 2014. Currently, official spending and banquet expenditures are at an historically low level. However, on premise and at home consumption are experiencing growth. Domestic wine consumers tend to favour better value-for-money wine products. Wine is becoming a trendy drink among young people, and with the rise of the middle class, long-term growth is expected for the wine industry.

The current wine market in China is mainly dominated by domestic wine. However, imported wine consumption is increasing rapidly, though no individual imported wine brand dominates the market.

2016 Interim Results

A comparison of the 2016 interim results with those of the comparative period of 2015 for the wine business segment is summarized below:

	For the six months ended 30 June 2016 ***(HK$' million)***	For the six months ended 30 June 2015 *(HK$' million)*	Changes *(note)*
Revenue	**1,285.2**	1,296.4	-0.9%
Segment results	**111.0**	103.1	+7.7%
As percentage of revenue	**8.64%**	7.95%	+0.69 percentage points
Percentage (decrease) in sales volume of "Greatwall" wine			-11%
Percentage point increase of gross profit margin			+6.4 percentage points

(Note): In RMB terms, segment revenue and segment results grew by 6.4% and 15.5%, respectively.

During the period, the repositioning of the "Greatwall" brand was implemented as scheduled and achieved initial success. In this respect, we focused on the optimization of our product mix by the launch of high-end products, raising ex-factory prices, and reducing the sales of low-end products. Although the overall sales volume of "Greatwall" wine decreased by 11%, the improvement in sales mix resulted in a slight revenue growth in RMB. In addition, the business of our imported wines platform 中糧名莊薈 grew substantially during the period, albeit from a low base. As a result, overall sales revenue grew by 6.4% in RMB terms.

Due to the enhancement of the product mix, and coupled with the decrease in the prices of raw wine, the gross profit margin increased by 6.4 percentage points, with the proportion of high-end products (that is, those products with a gross profit margin in excess of 60%) increasing by 9.7 percentage points to 28.4% of overall sales.

The ratio of selling and distribution expenses increased 7.0 percentage points mainly due to the the new positioning strategy of the "Greatwall" brand. To enhance the efficiency of promotions, we continued to cooperate with distributors by entering into jointly developed distribution plans, which strengthened our supervision and management in the formulation and implementation of promotional events. Meanwhile, we continued to implement benchmarking projects in order to reduce costs, and improve efficiency.

Segment profit in HKD terms increased 7.7% from HK$103.1 million to HK$111.0 million, whereas the amount in RMB terms increased by 15.5% during the period, mainly due to our strategy of enhancing the "Greatwall" wine product mix.

Outlook

In the second half of 2016, we will continue to reposition "Greatwall" as a high-end wine brand. To this end, we will launch a number of key products and substantially increase above-the-line promotion according to our brand promotion strategy; further streamline the distribution system; focus on brand promotion activities at points of sale so as to improve inventory turnover; further implement channel penetration; and enhance efficiency in the supply chain. With these initiatives, we will strive for the continuing growth of our wine business.

KITCHEN FOOD BUSINESS

Business Introduction

The Kitchen Food business covers the sale, distribution and marketing of edible oil which is the principal product category, as well as the sale, distribution and marketing of sugar, soy sauce, vinegar, MSG, seasoning sauce and cereals. "Fortune" brand is a well-known consumer-pack edible oil brand in China and is ranked number two nationwide in terms of market share.

Development Strategy

The Group's strategic objective in the kitchen food business is to remain one of the leading companies in the market. To this end, we will pursue the following strategies:

- Strengthen the "Fortune" brand value and improve the sales network for branded product portfolio;
- Conduct product research and development to respond effectively to changes consumer preferences;
- Enhance channel management to seize opportunities in rapid growing new channels;
- Enhance the supply chain system and save operation costs; and
- Continue to explore new business models to drive sales growth.

As part of our strategic development, since the second quarter of 2015, we have further expanded our sales and distribution of large-pack edible oil (8-20 litre per container) to meet the growing demand of the catering industry in China.

Industry Overview

During the period, the overall sales volume of packaged edible oil only grew slightly, while market prices remained relatively stable. According to industry data for the first quarter of 2016 on the sales volume consumer-pack edible oil, sunflower seed oil achieved a growth of 18%; corn oil reported a decline of up to 8% after several years of high growth; the growth of rapeseed oil and peanut oil was relatively stable at 5% and 4%, respectively and blended oil and soybean oil continued to decline with negative growth of 4% and 16%, respectively. Consumers tend to prefer a wider variety of nutritious and tasty oils, and increasing demand for products with unique aroma.

2016 Interim Results

A comparison of the 2016 interim results with those for the comparative period of 2015 for the kitchen food business segment is summarized below:

	For the six months ended 30 June 2016 ***(HK$' million)***	For the six months ended 30 June 2015 *(HK$' million)*	Changes *(note)*
Revenue	**6,987.2**	6,265.2	+11.5%
Segment results	**45.1**	41.7	+8.2%
As percentage of revenue	**0.65%**	0.67%	-0.02 percentage points
Percentage increase in sales volume			+20%
Percentage point (decrease) of gross profit margin			-1.1 percentage points

(Note): In RMB terms, segment revenue and segment results grew by 19.7% and 16.0%, respectively.

Overall sales volume increased by 20% (in which overall sales volume of "Fortune" branded consumer-pack edible oil increased by 13%), mainly attributable to the strong 34% volume growth of large-pack edible oil. In RMB terms, the average sales price remained stable and the overall sales revenue increased by 19.7%. Affected by changes in sales mix, the overall gross profit margin for oil products dropped by approximately 1.1 percentage point due to the relatively lower margins for the large-pack edible oil business.

Attributable to economies of scale, enhanced supply chain management, increased marketing efficiency and saving in administrative expenses, the overall expenses to revenue ratio improved by 1.2 percentage points, offsetting the effect of the decline in gross profit margin.

Segment profit in HKD terms increased 8.2%, from HK$41.70 million to HK$45.10 million, whereas the amount in RMB terms increased by 16.0%, mainly due to the growth of "Fortune" branded consumer-pack edible oil and the large-pack edible oil businesses.

Outlook

In the second half of 2016, it is expected that there will be no significant changes in supply and demand in the international and domestic markets of edible oils. Selling prices and gross profit margins for packaged edible oil products will remain relatively stable. Under intensified competition in the market, further increases in marketing expenses are expected. We will continue to enhance our product mix, increase marketing efficiency and implement effective expense controls. As a result of a planned increase in channel penetration, the overall ratio of expense to revenue is expected to further improve.

FINANCIAL REVIEW-CONTINUING OPERATIONS

REVENUE

(reported in HKD terms)	**For the six months ended 30 June 2016** *(HK$' million)*	**As percentage of total revenue** *%*	For the six months ended 30 June 2015 *(HK$' million)*	As percentage of total revenue *%*
Beverage segment	**6,156.5**	**42.2**	7,095.4	47.7
Wine segment	**1,285.2**	**8.8**	1,296.4	8.7
Kitchen Food segment	**6,987.2**	**47.9**	6,265.2	42.1
Others segment	**161.7**	**1.1**	225.9	1.5
Total	**14,590.6**	**100**	14,882.9	100

Revenue from continuing operations of the Group decreased slightly by 2.0% in HKD terms, whereas the amount in RMB terms, increased by 5.2%.

Revenue growth in RMB is mainly due to the strong revenue growth of the kitchen food segment, which was partially offset by a decline in beverage segment revenue caused by changes in industry-wide consumer trends, and changes in sales mix of its business.

GROSS PROFIT MARGIN

The overall gross profit margin from continuing operations increased from 23.4% to 23.7%, mainly attributable to the margin improvements in Beverage segment and Wine segment, which was partially offset by a decline in gross profit margin of Kitchen Food segment.

SELLING AND DISTRIBUTION EXPENSES/ADMINISTRATIVE EXPENSES

Aggregated amount of selling and distribution expenses and administrative expenses from continuing operations was HK$3,102.9 million, a decrease of 0.5%, mainly due to management's ongoing efforts to optimize supply chain management, enhance promotional efficiency and control expenses, in the midst of additional spending in advertising, brand promotion and marketing expenses as a result of intensifying market competition.

FINANCE COSTS

Finance costs were HK$21.6 million, a decrease of 32.7%, mainly due to lower outstanding loan balances during the period, compared to the same period of 2015.

SHARE OF PROFITS OF ASSOCIATES

Share of profits of associates were HK$26.3 million, a decrease of 50.9%, mainly attributable to drop in profitability of Beverage segment's associates.

INCOME TAX EXPENSES

Income tax expense was HK$193.6 million, an increase of 3.5%, after including the relevant tax of the one-off income from the disposal of a discontinued operation.

LIQUIDITY AND FINANCIAL RESOURCES

The Company's treasury function operates as a centralized service for:

- Reallocating financial resources within the Group;
- Procuring cost-efficient funding;
- Managing financial risks, including interest rate and foreign exchange rate risks; and
- Targeting yield enhancement opportunities.

The treasury function regularly and closely monitors its overall cash and debt positions, proactively reviews its funding costs and maturity profiles to facilitate timely refinancing, if appropriate. Cash pooling is applied in mainland China for more efficient utilization of cash. Also, the treasury function formulated financial risk management procedures, which are subject to periodic review by the senior management of the Company.

During the year, EBITDA from continuing operations decreased slightly by HK$16.7 million to HK$768.1 million. However, margin of EBITDA^ from continuing operations of the Group was basically unchanged compared to same period of 2015.

As at 30 June 2016, the Group's unpledged cash and cash equivalents totalled approximately HK$1,814 million (31 December 2015: approximately HK$899 million), mainly due to seasonal fluctuation of businesses. The amount of net current assets improved to approximately HK$631 million (31 December 2015: approximately HK$189 million).

Having considered (i) the budgeted cash flow from operating activities from continuing operations, (ii) existing financial resources and gearing level of the Group, and (iii) the existing banking facilities available to the Group, the management believes that the Group's financial resources are sufficient to fund its debt payments, day-to-day operations, and contracted capital expenditures of approximately HK$294 million as at 30 June 2016.

CAPITAL STRUCTURE

As at 30 June 2016 and for the interim period, the total number of issued shares of the Company remained unchanged at 2,797,223,396.

As at 30 June 2016, the Group had interest-bearing bank borrowings of approximately HK$1,937 million (31 December 2015: approximately HK$2,610 million). Bank borrowings carried annual interest rates ranging between 0.94% and 5.34% (31 December 2015: between 0.92% and 5.66%). Majority of bank borrowings carried at floating rates. As at 30 June 2016, the Group had other borrowings of approximately HK$38 million (31 December 2015: approximately HK$38 million), carried at fixed, annual interest rates ranging between 4.35% and 7.23% (31 December 2015: 5.60%).

As at 30 June 2016, maturity profile of interest-bearing bank and other borrowings is analyzed as:
- HK$1,175 million borrowings repayable within one year or on demand; and
- HK$800 million borrowings repayable in the second year.

As at 30 June 2016, net assets attributable to owners of the parent were approximately HK$5,914 million (31 December 2015: approximately HK$5,493 million (restated)) and net borrowing position of the Group (interest-bearing bank and other borrowings less unpledged cash and cash equivalents) was approximately HK$161.5 million (31 December 2015: approximately HK$1,748.5 million) and the net gearing ratio (ratio of net borrowing position of the Group to net assets attributable to owners of the parent) was approximately 2.7% (31 December 2015: approximately 31.8% (restated)).

CONTINGENT LIABILITIES AND ASSETS PLEDGED

As at 30 June 2016, the Group has no significant contingent liabilities.

As at 30 June 2016, certain bank borrowings of the Group were secured by charges over certain buildings, land use rights and time deposits of the Group with aggregate net book value of approximately HK$175 million (31 December 2015: approximately HK$188 million).

FOREIGN EXCHANGE MANAGEMENT

Majority of monetary assets, monetary liabilities and transactions of the Group were principally denominated in Renminbi and recorded in the books of subsidiaries operating in mainland China (functional currency as Renminbi), while majority of bank borrowings were denominated in Hong Kong dollar and recorded in the book of the Company (functional currency as Hong Kong dollars). For consolidated financial statements reporting of the Group (reporting currency as Hong Kong dollars), foreign exchange differences, arising from translation of financial statements of subsidiaries operating in mainland China, are directly recognized in other comprehensive income and accumulated in the exchange fluctuation reserve.

The foreign exchange risk exposure at the operational level is not significant. Nevertheless, the currency mismatch by using Hong Kong dollar borrowings to finance assets and businesses denominated in Renminbi, exposes the Group to the risk of unexpected cash outflows for repayment of such borrowings by realization of assets denominated in Renminbi, if any.

Although the Group has not used any financial instruments for hedging purpose, the treasury function actively and closely monitors foreign exchange rate fluctuation, particularly the exchange rate of Renminbi to Hong Kong dollar. Appropriate measures, including but not limited to entering of hedging agreements, will be critically considered to mitigate any significant foreign exchange risk exposure.

During the period, the Group repaid certain Hong Kong dollar borrowings from the proceeds from the disposal of a discontinued operation. Upon the maturity of existing bank borrowings denominated in Hong Kong dollars, the Group will gradually repay and/or refinance them by Renminbi financing, if it’s appropriate.

HUMAN RESOURCES

As at 30 June 2016, the Group employed 16,897 staff in Mainland China and Hong Kong (31 December 2015: 17,325). Employees are paid according to their positions, performance, experience and prevailing market practices, and are provided with management and professional training.

Employees in Hong Kong are provided with retirement benefits, either under a Mandatory Provident Fund exempted ORSO scheme or under the Mandatory Provident Fund scheme, as well as life insurance and medical insurance. Employees in Mainland China are provided with basic social insurance and housing fund in compliance with the requirements of the laws of China. Details of these benefit schemes are set out in the 2015 Annual Report.

The Company's share option scheme was adopted on 21 November 2006 for a term of ten years for the purpose of rewarding eligible employees of the Group (including executive directors and non-executive directors of the Company) based on individual merits.

As at 1 January 2016, a total of 25,080,000 share options of the Company remained outstanding. During the interim period, a total of 900,000 share options lapsed. Accordingly, as at 30 June 2016, a total of 24,180,000 share options of the Company remained outstanding.

CHANGE IN THE STRUCTURE OF THE GROUP

On 31 May 2016, the Company completed the disposal of its equity interests in Prized Developments Limited, a wholly-owned subsidiary of the Company and the investment holding company for production assets of our confectionery business, and the assignment of the shareholder's loans payable to Prized Developments Limited to the Company, to Tops Properties Limited, a connected person of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Details of the agreement in respect of the above disposal of equity interests and assignment of shareholder's loans and the transactions contemplated therein were disclosed in announcements of the Company dated 31 December 2015, 26 January 2016, 10 March 2016 and 30 March 2016, and a circular of the Company dated 19 April 2016.

INTERIM DIVIDEND

The Board declared the payment of an interim dividend of HK1.2 cents per share ("2016 Interim Dividend") for the six months ended 30 June 2016 (30 June 2015: Nil) to shareholders whose names appear at the register of members of the Company on Friday, 9 September 2016 (the "Record Date"). The ex-dividend date for the 2016 Interim Dividend will be on Tuesday, 6 September 2016.

The declared 2016 Interim Dividend will be distributed on or after Friday, 14 October 2016 to shareholders whose names appear on the register of members of the Company on the Record Date.

The “Notice Regarding Matters on Determination of Tax Residence Status of Chinese-controlled Offshore Incorporated Enterprises under Rules of Effective Management” was issued by the State Administration of Taxation of PRC (the “SAT”) on 22 April 2009 (the “Notice”). The implementation of the Notice commenced on 1 January 2008. In the first half of 2013, the Company received the SAT approvals which confirmed that (i) the Company is regarded as a Chinese Resident Enterprise; and (ii) relevant enterprise income tax policies shall be applicable to the Company starting from 1 January 2013. Pursuant to the Notice, the “Enterprise Income Tax Law of the People’s Republic of China” (the “Enterprise Income Tax Law”) and the “Detailed Rules for the Implementation of the Enterprise Income Tax Law of the People’s Republic of China” (the “Implementation Rules”), both implemented in 2008, the Company is required under the laws of the PRC to withhold and pay Enterprise Income Tax for its non-resident enterprise shareholders to whom the Company pays the 2016 Interim Dividend. The withholding and payment obligation lies with the Company.

Pursuant to (i) the Notice, (ii) the Enterprise Income Tax Law and the Implementation Rules, and (iii) the SAT approvals, the Company is required to withhold 10% enterprise income tax when it distributes the 2016 Interim Dividend to its non-resident enterprise shareholders. In respect of all shareholders whose names appear on the Company’s register of members as at the Record Date who are not individuals (including HKSCC Nominees Limited, corporate nominees or trustees such as securities companies and banks, and other entities or organisations, which are all considered as non-resident enterprise shareholders), the Company will distribute the 2016 Interim Dividend after deducting enterprise income tax of 10%. The Company will not withhold and pay the income tax in respect of the 2016 Interim Dividend payable to any natural person shareholders whose names appear on the Company’s register of members on the Record Date.

If any resident enterprise (as defined in the PRC’s Enterprise Income Tax Law) listed on the Company’s register of members which is duly incorporated in the PRC or under the laws of a foreign country (or a region) but with a PRC-based de facto management body, does not desire to have the Company withhold the said 10% enterprise income tax, it should lodge with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Progressive Limited, documents from its governing tax authority confirming that the Company is not required to withhold and pay enterprise income tax in respect of the dividend that it is entitled at or before 4:30 p.m. on Wednesday, 7 September 2016.

Investors should read the above carefully. If anyone would like to change the identity of the holders in the register of members, please enquire about the relevant procedures with the nominees or trustees. The Company will withhold for payment of the enterprise income tax for its non-resident enterprise shareholders strictly in accordance with the relevant laws and requirements of the relevant government departments and adhere strictly to the information set out in the Company’s register of members on the Record Date. The Company assumes no liability whatsoever and will not entertain any claims arising from any delay in, or inaccurate confirmation of, the status of the shareholders or any disputes over the mechanism of withholding.

CLOSURE OF REGISTER OF MEMBERS

For determining the shareholders' entitlement to the 2016 Interim Dividend, the register of members of the Company will be closed from Thursday, 8 September 2016 to Friday, 9 September 2016, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the 2016 Interim Dividend, all transfer documents, accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Progressive Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 7 September 2016.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the interim period.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Following specific enquiries by the Company, all directors of the Company confirmed that they have complied with the required standards set out in the Model Code throughout the interim period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the interim period.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated interim financial information of the Group for the interim period has been reviewed by the Audit Committee of the Board.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the HKExnews website of Hong Kong Exchanges and Clearing Limited *(www.hkexnews.hk)* and the website of the Company *(www.chinafoodsltd.com)*. The 2016 interim report of the Company will be published on the above websites and dispatched to the shareholders of the Company in due course.

By order of the Board
China Foods Limited
Jiang Guojin
Managing Director

Hong Kong, 23 August 2016

As at the date of this announcement, the Board comprises: Mr. Ma Jianping as the chairman of the Board and a non-executive director; Mr. Jiang Guojin and Ms. Wu Wenting as executive directors; Ms. Liu Ding and Mr. Wang Zhiying as non-executive directors; and Messrs. Stephen Edward Clark, Paul Kenneth Etchells, Li Hung Kwan, Alfred and Yuen Tin Fan, Francis as independent non-executive directors.