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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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

The following table shows the comparison of the final results for the year ended 31 December 2017 (the "year") of China Foods Limited (the "Company") and its subsidiaries (together the "Group") as compared with 2016:

	For the year ended 31 December 2017 *(HK$' million)*	For the year ended 31 December 2016 *(HK$' million)* (restated)	Changes *(note 2)*
(As reported)			
Continuing operation *(note 1)*:			
• Revenue	**15,461.3**	11,290.5	+37%
• Gross profit margin	**35.3%**	36.0%	-0.7 ppt
Profit attributable to the owners of the parent	**1,774.7**	499.7	+255%
– in which, attributable from the continuing operation	**1,341.1**	287.1	+367%
(Recurring basis)			
Continuing operation *(note 1)*			
• Adjusted EBIT*	**806.2**	686.1	+17.5%
• Adjusted EBITDA^	**1,333.3**	1,032.2	+29.2%

The board of directors (the "Board") of the Company has resolved to recommend to shareholders the payment of a final dividend of HK2.4 cents per share for the year (2016: interim dividend of HK1.2 cents per share and final dividend of HK1.2 cents per share) to the shareholders of the Company whose names appear on the register of members on Friday, 15 June 2018.

Adjusted EBIT* from the continuing operation represents:

	For the year ended 31 December 2017 ***(HK$' million)***	For the year ended 31 December 2016 *(HK$' million)* (restated)
Profit before tax from the continuing operation – as reported	**2,511.9**	718.3
Reconciliation:		
Finance costs	**102.1**	25.1
Share of profits of associates	**(47.5)**	(73.0)
Disposal gains related to refranchising of bottling interests	**(1,897.8)**	–
Non-recurring expenses	**137.5**	15.7
Adjusted EBIT*	**806.2**	686.1

Adjusted EBITDA^ from the continuing operation represents:

	For the year ended 31 December 2017 ***(HK$' million)***	For the year ended 31 December 2016 *(HK$' million)* (restated)
Adjusted EBIT*	**806.2**	686.1
Reconciliation:		
Provision against inventories	**14.5**	7.0
Depreciation	**489.9**	324.9
Amortisation of other intangible assets	**–**	0.1
Recognition of prepaid land premiums	**11.7**	9.0
Loss on disposal/write-off of items of property, plant and equipment	**4.9**	5.2
Impairments, net of reversal of impairment	**6.1**	(0.1)
Adjusted EBITDA^	**1,333.3**	1,032.2

(Note 1): Financial numbers of continuing operation exclude relevant figures of the discontinued operations pursuant to the Hong Kong Financial Reporting Standard 5. Details are disclosed in note 8 of financial information.

(Note 2): The results in RMB for the year of the Group were translated at the average exchange rate of 2017 of HK$1: RMB 0.86521, while the 2016 comparative results in RMB were translated at the average exchange rate of HK$1: RMB 0.86615.

CONSOLIDATED RESULTS

The Board is pleased to announce the consolidated results of the Group as at and for the year, together with the comparative figures as at and for the year ended 31 December 2016 (the "financial information"). The financial information has been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
CONTINUING OPERATION			
REVENUE	4	**15,461,320**	11,290,514
Cost of sales		**(10,010,429)**	(7,223,496)
Gross profit		**5,450,891**	4,067,018
Other income and gains	4	**2,190,701**	211,760
Selling and distribution expenses		**(4,354,573)**	(3,171,680)
Administrative expenses		**(709,581)**	(431,681)
Other expenses and losses		**(10,984)**	(5,054)
Finance costs	6	**(102,107)**	(25,081)
Share of profits of associates		**47,541**	73,010
PROFIT BEFORE TAX FROM THE CONTINUING OPERATION	5	**2,511,888**	718,292
Income tax expense	7	**(680,514)**	(166,903)
PROFIT FOR THE YEAR FROM THE CONTINUING OPERATION		**1,831,374**	551,389
DISCONTINUED OPERATIONS			
Profit for the year attributable to discontinued operations	8	**440,317**	192,446
PROFIT FOR THE YEAR		**2,271,691**	743,835
Attributable to:			
Owners of the parent		**1,774,686**	499,735
Non-controlling interests		**497,005**	244,100
		2,271,691	743,835
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic			
– For profit for the year		**HK 63.44 cents**	HK 17.87 cents
– For profit from the continuing operation		**HK 47.94 cents**	HK 10.26 cents
Diluted			
– For profit for the year		**HK 63.44 cents**	HK 17.87 cents
– For profit from the continuing operation		**HK 47.94 cents**	HK 10.26 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
PROFIT FOR THE YEAR	**2,271,691**	743,835
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**267,074**	(543,168)
Share of other comprehensive income/(loss) of an associate	**(1,786)**	548
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**265,288**	(542,620)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**265,288**	(542,620)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,536,979**	201,215
Attributable to:		
Owners of the parent	**1,903,339**	32,690
Non-controlling interests	**633,640**	168,525
	2,536,979	201,215

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	31 December 2017 HK$'000	31 December 2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**5,572,414**	4,012,050
Investment properties		**24,046**	32,644
Prepaid land lease payments		**648,673**	472,574
Prepayments for items of property, plant and equipment		**8,840**	54,304
Goodwill		**3,696,729**	1,522,354
Other intangible assets		**–**	11,272
Investments in associates		**791,854**	726,412
Available-for-sale investments		**–**	12,975
Deferred tax assets		**324,790**	154,964
Total non-current assets		**11,067,346**	6,999,549
CURRENT ASSETS			
Inventories		**1,546,135**	4,007,825
Accounts and bills receivables	*11*	**360,557**	1,319,672
Prepayments, deposits and other receivables		**1,168,992**	1,269,455
Due from fellow subsidiaries		**27,061**	321,552
Due from the immediate holding company		**165**	162
Due from the ultimate holding company		**85**	13,037
Due from non-controlling shareholders of subsidiaries		**6,078**	946
Due from associates		**11,132**	26,297
Prepaid tax		**30,082**	26,722
Pledged deposits		**7,685**	51,607
Cash and cash equivalents		**995,398**	1,120,224
		4,153,370	8,157,499
Assets of a disposal group classified as held for sale	*8*	**–**	958,220
Total current assets		**4,153,370**	9,115,719

	Notes	**31 December 2017 HK$'000**	31 December 2016 HK$'000
CURRENT LIABILITIES			
Accounts and bills payables	*12*	**1,331,411**	1,199,220
Other payables and accruals		**3,657,930**	3,146,051
Due to fellow subsidiaries		**107,077**	1,885,271
Due to the ultimate holding company		**1,598**	23,989
Due to related companies		–	6,232
Due to non-controlling shareholders of subsidiaries		**21,502**	64,612
Due to associates		**143,634**	124,753
Interest-bearing bank and other borrowings		–	820,000
Tax payable		**588,686**	78,371
		5,851,838	7,348,499
Liabilities directly associated with the assets classified as held for sale	*8*	–	329,299
Total current liabilities		**5,851,838**	7,677,798

	31 December 2017 HK$'000	31 December 2016 HK$'000
NET CURRENT ASSETS/(LIABILITIES)	**(1,698,468)**	1,437,921
TOTAL ASSETS LESS CURRENT LIABILITIES	**9,368,878**	8,437,470
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**2,101,446**	825,086
Deferred income	**251,350**	294,719
Deferred tax liabilities	**45,690**	25,545
Total non-current liabilities	**2,398,486**	1,145,350
Net assets	**6,970,392**	7,292,120
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**279,722**	279,722
Reserves	**4,168,832**	5,181,359
	4,448,554	5,461,081
Non-controlling interests	**2,521,838**	1,831,039
Total equity	**6,970,392**	7,292,120

NOTES TO FINANCIAL INFORMATION

31 December 2017

1. CORPORATE AND GROUP 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.

During the year, the Group was involved in the following principal activities:

- processing, bottling and distribution of sparkling beverage products, and distribution of still beverage products;
- production, sale and trading of grape wine and other wine products, which have been discontinued during the year (note 8);
- distribution of packaged cooking oil and seasoning products, which have been discontinued during the year (note 8); and
- distribution of other consumer food and beverage products that are not categorised under the aforementioned activities, which have been discontinued during the year (note 8).

The immediate holding company of the Company is China Foods (Holdings) Limited, a company incorporated in the British Virgin Islands, and the ultimate holding company of the Company is COFCO Corporation ("COFCO"), which is a state-owned enterprise registered in the People's Republic of China (the "PRC").

2.1 BASIS OF PREPARATION

This financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. It has been prepared under the historical cost convention, except for investment properties which have been measured at fair value. As at 31 December 2016, a disposal group held for sale is stated at the lower of its carrying amount and fair value less cost to sell. This financial information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

This financial information has been prepared on a going concern basis notwithstanding that the Group had net current liabilities of HK$1,698,468,000 at the end of the reporting period. In preparing this financial information, the directors have given careful consideration to the current and anticipated future liquidity of the Group. Taking into account, inter alia, (i) the expected net cash inflows generated from the Group's operations for the next twelve months; and (ii) the unutilised loan facilities at the end of the reporting period, the directors are of the opinion that the Group will be able to meet its liabilities as and when they fall due. Accordingly, the directors consider that the preparation of the financial information on a going concern basis is appropriate.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial information.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

The nature and the impact of the amendments are described below:

(a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group had no disposal group held for sale as at 31 December 2017 and so no additional information is required to be disclosed.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and has four reportable 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 (discontinued operation (note 8));

(c) the kitchen food segment is engaged in the distribution of packaged cooking oil and seasoning products (discontinued operation (note 8)); and

(d) the "others" segment is engaged in the distribution of other consumer food and beverage products that are not categorised under the aforementioned segments (discontinued operation (note 8)).

After the wine segment, kitchen food segment and the others segment were discontinued during the current year, the Group's revenue and contribution to consolidated results are mainly derived from the beverage segment, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior manager for purpose of resource arrangement and performance assessment. Accordingly, no segment information by profit, assets and liabilities is presented.

Geographical information

All revenue of the continuing operation of the Group is derived from customers operating in Mainland China and over 90% of the Group's non-current assets, other than financial instruments and deferred tax assets, are situated in Mainland China.

Information about major customers

During the year, there was no revenue derived from a single customer which accounted for 10% or more of the Group's revenue (2016: Nil).

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold during the year, after allowances for returns and trade discounts.

An analysis of other income and gains from the continuing operation is as follows:

	Note	**2017** ***HK$'000***	2016 *HK$'000* (Restated)
Other income			
Gross rental income		**3,394**	1,526
Bank interest income		**13,116**	8,258
Dividend income from available-for-sale investments		**49,944**	48,689
Government grants*		**98,593**	92,807
Compensation income		**1,047**	1,828
Sale of by-products and scrap items		**21,628**	16,380
Commission income		**97,446**	31,718
Others		**5,911**	10,554
		291,079	211,760
Gains			
Gain on disposal of subsidiaries	*14*	**907,159**	–
Gain on disposal of equity interest in associates		**493,679**	–
Gain on disposal of available-for-sale investments		**496,987**	–
Fair value gains on investment properties		**231**	–
Foreign exchange differences		**1,566**	–
		1,899,622	–
		2,190,701	211,760

* 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. PROFIT BEFORE TAX

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

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Cost of inventories sold	**9,995,958**	7,216,450
Provision against inventories	**14,471**	7,046
Cost of sales	**10,010,429**	7,223,496
Auditor's remuneration	**4,221**	3,037
Depreciation	**489,875**	324,854
Amortisation of other intangible assets	**–**	140
Recognition of prepaid land premiums	**11,695**	9,009
Minimum lease payments under operating leases:	**121,300**	85,115
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**1,068,790**	1,050,400
Equity-settled share option expense	**(1,154)**	(2,821)
Pension schemes contributions*	**119,274**	123,136
	1,186,910	1,170,715
Foreign exchange differences, net	**(1,566)**	(2,661)
Other expenses and losses include the following:		
Loss on disposal/write-off of items of property, plant and equipment	**4,917**	5,191
Impairment property, plant and equipment	**7,279**	524
Reversal of impairment of accounts receivable	**(1,415)**	(84)
Impairment/(reversal of impairment) of other receivables	**203**	(577)

* At 31 December 2017, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2016: Nil).

6. FINANCE COSTS

An analysis of finance costs from the continuing operation is as follows:

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Interest on:		
Bank loans wholly repayable within five years	**101,187**	24,564
Loans from non-controlling shareholders of subsidiaries	**920**	517
	102,107	25,081

7. INCOME TAX

Hong Kong profits tax was provided at the rate of 16.5% (2016: 16.5%) on estimated assessable profits arising in Hong Kong during the year. 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 in 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.

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Current		
Charge for the year	**693,776**	169,659
Underprovision/(overprovision) in prior years	**1,649**	(2,670)
Deferred	**(14,911)**	(86)
Total tax charge for the year from the continuing opertaion	**680,514**	166,903

The share of tax attributable to associates amounting to HK$15,814,000 (2016: HK$21,374,000) is included in "Share of profits of associates" in the consolidated statement of profit or loss.

8. DISCONTINUED OPERATIONS

(1) Disposal of the kitchen food segment

On 25 May 2017, COFCO Food Sales & Distribution Co., Ltd., a wholly-owned subsidiary of the Company, entered into an equity transfer and debt assignment agreement with COFCO Fortune Holdings Limited, a wholly-owned subsidiary of China Agri-Industries Holdings Limited ("China Agri"), a fellow subsidiary of the Company, pursuant to which the Company agreed to transfer its entire equity interest in COFCO Fortune Food Sales & Distribution Co., Ltd., a subsidiary of the Group's kitchen food segment for a total consideration of RMB1,050 million (the "Transaction"). The Transaction was completed in September 2017.

The net assets of the kitchen food segment as at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	6,371
Inventories	983,193
Accounts and bills receivables	586,219
Prepayments, deposits and other receivables	235,607
Due from fellow subsidiaries	96,113
Cash and bank balances	29,759
Accounts and bills payables	(64,702)
Other payables and accruals	(693,739)
Due to fellow subsidiaries	(1,137,628)
	41,193
Exchange fluctuation reserve	(2,736)
	38,457
Gain on disposal of the discontinued operation	1,197,331
Related income tax expense	–
Post-tax gain on disposal of the discontinued operation	1,197,331
	1,235,788
Satisfied by:	
Cash	1,235,788

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

	HK$'000
Cash consideration	1,235,788
Cash and bank balances disposed of	(29,759)
Net inflow of cash and cash equivalents in respect of the disposal of the discontinued operation	1,206,029

The results of the kitchen food segment for the year are presented below:

	2017	2016
	HK$'000	*HK$'000*
Revenue	**9,830,384**	13,963,214
Cost of sales	**(8,941,658)**	(12,746,472)
Other income and gains	**3,609**	35,584
Selling and distribution expenses	**(863,464)**	(1,153,731)
Administrative expenses	**(8,119)**	(4,697)
Other expenses and losses	**(40)**	(1,163)
Profit before tax from the discontinued operation	**20,712**	92,735
Income tax expense related to pre-tax loss	**(4,840)**	–
Profit for the year from the discontinued operation	**15,872**	92,735
Post-tax gain on disposal of the discontinued operation	**1,197,331**	–
Profit for the year attributable to the discontinued operation	**1,213,203**	92,735
Profit before tax attributable to the discontinued operation	**1,218,043**	92,735
Income tax expense attributable to the discontinued operation	**(4,840)**	–
Profit for the year attributable to the discontinued operation	**1,213,203**	92,735

	2017	2016
Earnings per share:		
Basic, attributable to the discontinued operation	**HK43.37 cents**	HK3.32 cents
Diluted, attributable to the discontinued operation	**HK43.37 cents**	HK3.32 cents

The calculations of basic and diluted earnings per share attributable to the discontinued operation are based on:

	2017	2016
Profit attributable to ordinary equity holders of the parent attributable to the discontinued operation	**HK$1,213,203,000**	HK$92,735,000
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation *(note 10)*	**2,797,223,396**	2,797,223,396

(2) Disposal of the wine segment and the others segment

On 16 October 2017, the Company entered into an equity transfer agreement with China Foods (Holdings) Limited, the immediate holding company of the Company, pursuant to which the Company agreed to transfer its entire equity interest in COFCO Wines & Spirits Holdings Limited, COFCO Premier Brands Limited, Global Lander Limited and Superb Vision Limited, subsidiaries comprising of the wine segment and the others segment for a total consideration of HK$1,400 million (the "Disposal"), and the Company would receive payment of HK$3,669 million from China Foods (Holdings) Limited before the date of completion of the Disposal for the settlement of loans owned to the Company by the relevant members of those companies to be disposed. The Disposal was completed in December 2017.

The net assets of the wine segment and the others segment as at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	1,595,440
Investment properties	10,981
Prepaid land premiums	167,633
Prepayments for items of property, plant and equipment	1,473
Other intangible assets	9,020
Investments in associates	13,056
Deferred tax assets	5,527
Inventories	1,783,065
Accounts and bills receivables	611,800
Prepayments, deposits and other receivables	508,044
Due from fellow subsidiaries	76,185
Due from the ultimate holding company	3,229
Prepaid tax	4,477
Pledged deposits	13,733
Cash and bank balances	1,817,990
Accounts and bills payables	(353,736)
Other payables and accruals	(434,262)
Due to fellow subsidiaries	(100,847)
Tax payable	(6,111)
Deferred income	(90,318)
Deferred tax liabilities	(26,225)
Non-controlling interests	(60,785)
	5,549,369
Exchange fluctuation reserve	(331,158)
	5,218,211
Loss on disposal of the discontinued operations	(149,319)
Related income tax expense	–
Post-tax loss on disposal of the discontinued operations	(149,319)
	5,068,892
Satisfied by:	
Cash	5,068,892

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

	HK$'000
Cash consideration	5,068,892
Cash and bank balances disposed of	(1,817,990)
Net inflow of cash and cash equivalents in respect of the disposal of the discontinued operations	3,250,902

The results of the wine segment and the others segment for the year are presented below:

	2017	2016
	HK$'000	*HK$'000*
Revenue	**2,711,548**	2,732,153
Cost of sales	**(1,639,043)**	(1,498,928)
Other income and gains	**130,328**	241,920
Selling and distribution expenses	**(961,053)**	(1,314,088)
Administrative expenses	**(243,357)**	(278,768)
Finance costs	**(166)**	(10,669)
Other expenses and losses	**(580,655)**	(34,691)
Loss before tax from the discontinued operations	**(582,398)**	(163,071)
Income tax expense related to pre-tax loss	**(41,169)**	(59,182)
Loss for the year from the discontinued operations	**(623,567)**	(222,253)
Post-tax loss on disposal of the discontinued operations	**(149,319)**	–
Loss for the year attributable to the discontinued operations	**(772,886)**	(222,253)
Loss before tax attributable to the discontinued operations	**(731,717)**	(163,072)
Income tax expense attributable to the discontinued operations	**(41,169)**	(59,181)
Loss for the year attributable to the discontinued operations	**(772,886)**	(222,253)

	2017	2016
Loss per share:		
Basic, attributable to the discontinued operations	**HK27.63 cents**	HK7.95 cents
Diluted, attributable to the discontinued operations	**HK27.63 cents**	HK7.95 cents

The calculations of basic and diluted loss per share attributable to the discontinued operations are based on:

	2017	2016
Loss attributable to ordinary equity holders of the parent attributable to the discontinued operations	**HK$779,644,000**	HK$202,077,000
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

(3) Disposal of the confectionery segment

Prized Developments Limited and its subsidiaries (the "Target Group") are engaged in the production of the Group's chocolate and other confectionary products, which are sold and distributed via COFCO Food Sales & Distribution Co., Ltd., a wholly-owned subsidiary of the Group. Together these two components comprise the Group's confectionery 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 cease the confectionery segment because it plans to focus its resources on its other business.

As a result, the confectionery segment was classified as a disposal group held for sale and as a discontinued operation. With the confectionery segment being classified as a discontinued operation, it is no longer included in the note for operating segment information. The disposal transaction in relation to the Target Group was completed in May 2016.

The net assets of the confectionery segment as at the date of disposal were as follows:

	HK$'000
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 fluctuation reserve	(43,110)
	187,549
Gain on disposal of the discontinued operation	418,242
Related income tax expense	(52,760)
Post-tax gain on disposal of the discontinued operation	365,482
	553,031
Satisfied by:	
Cash	677,997
Due to fellow subsidiaries	(94,758)
Tax payable	(30,208)
	553,031

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

	HK$'000
Cash consideration	700,549
Related income tax paid	(22,552)
	677,997
Cash and bank balances disposed of	(17,329)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	660,668

The results of the confectionery segment for the year are presented below:

	2017	2016
	HK$'000	*HK$'000*
Revenue	–	114,747
Cost of sales	–	(77,377)
Other income and gains	–	1,917
Selling and distribution expenses	–	(77,576)
Administrative expenses	–	(5,218)
Other expenses and losses	–	(216)
Loss before tax from a discontinued operation	–	(43,723)
Income tax credit related to pre-tax loss	–	205
Loss for the year from the discontinued operation	–	(43,518)
Post-tax gain on disposal of the discontinued operation	–	365,482
Profit for the year attributable to disposal of the discontinued operation	–	321,964
Profit before tax attributable to the discontinued operations	–	374,519
Income tax expense attributable to the discontinued operations	–	(52,555)
Profit for the year attributable to the discontinued operations	–	321,964

	2017	2016
Earnings per share:		
Basic, attributable to the discontinued operation	–	HK11.51 cents
Diluted, attributable to the discontinued operation	–	HK11.51 cents

The calculations of basic and diluted earnings per share attributable to the discontinued operation are based on:

	2017	2016
Profit attributable to ordinary equity holders of the parent attributable to the discontinued operation	–	HK$321,964,000
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earning per share calculation *(note 10)*	**2,797,223,396**	2,797,223,396

(4) Disposal group classified as held for sale

On 16 December 2016, COFCO Coca-Cola Beverages Limited ("CCBL"), a 65%-owned subsidiary of the Company, and the Company entered into the public sale equity transfer master agreement with Swire Beverages Holdings Limited ("Swire") pursuant to which the Company agreed to dispose of its entire investments in subsidiaries in Hainan COFCO Coca-Cola Beverages Limited, COFCO Coca-Cola Beverages (Jiangxi) Limited and Zhanjiang COFCO Coca-Cola Beverages Limited, and its investments in associates in Swire Coca-Cola Beverages Jiangsu Limited, Swire Coca-Cola Beverages Zhejiang Limited and Swire Coca-Cola Beverages Wenzhou Limited, and its available-for-sale investments in Swire Guangdong Coca-Cola Limited, Swire Guangdong Coca-Cola (Huizhou) Limited and The Coca-Cola Bottling Unit of Shanghai Shen-Mei Beverage and Food Co., Ltd. (collectively referred to as the "Public Sale Companies") to Swire for an aggregate consideration of approximately RMB2,122 million.

The Public Sale Companies are engaged in the processing, bottling and distribution of sparkling beverage products, and the distribution of still beverage products in various regions in Mainland China, which are part of the Group's beverage segment. The above transactions, which are expected to be completed within one year, together with the acquisitions of various beverage companies from The Coca-Cola Company ("KO") and Swire as well as the disposal of the Discontinued Segment, form part of the Group's overall strategy of concentrating on expanding its core activities.

On 1 April 2017, the disposal in relation to the Public Sale Companies was completed, except the disposal in relation to The Coca-Cola Bottling Unit of Shanghai Shen-Mei Beverage and Food Co., Ltd., which was completed on 1 July 2017.

	31 December 2017 *HK$'000*	31 December 2016 *HK$'000*
Assets		
Property, plant and equipment	–	316,405
Prepaid land premiums	–	34,043
Prepayments for items of property, plant and equipment	–	25
Goodwill	–	102,782
Investments in associates	–	88,148
Available-for-sale investments	–	195,393
Deferred tax assets	–	9,946
Inventories	–	150,516
Accounts and bills receivables	–	25,134
Prepayments, deposits and other receivables	–	20,504
Due from associates	–	1
Prepaid tax	–	175
Pledged deposits	–	2,376
Cash and cash equivalents	–	12,772
Assets classified as held for sale	–	958,220
Liabilities		
Accounts and bills payables	–	(115,879)
Other payables and accruals	–	(182,881)
Due to associates	–	(26,972)
Tax payable	–	(3,567)
Liabilities directly associated with the assets classified as held for sale	–	(329,299)
Net assets directly associated with the Public Sale Companies	–	628,921
Exchange fluctuation reserve of the Public Sale Companies	–	35,100

9. DIVIDENDS

	2017 ***HK$'000***	2016 *HK$'000*
Interim – Nil (2016: HK 1.2 cents) per ordinary share	–	33,572
Proposed final – HK 2.4 cents (2016: HK 1.2 cents) per ordinary share	**67,133**	33,567
Special – HK$1.03 (2016: Nil) per ordinary share	**2,881,141**	–
	2,948,274	67,139

The board has resolved to recommenced to shareholders the payment of a final dividend of HK 2.4 cents per share for the year (2016: interim dividend of HK1.2 cents per share and final dividend of HK1.2 cents per share) to the shareholders of the Company whose names appear on the register of members on 15 June 2018.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,797,223,396 (2016: 2,797,223,396) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2017 and 2016 in respect of a dilution because the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

The calculation of basic and diluted earnings per share is based on:

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From the continuing operation	**1,341,127**	287,113
From discontinued operations	**433,559**	212,622
	1,774,686	499,735
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**2,797,223,396**	2,797,223,396

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 accounts and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 3 months	**150,296**	1,039,048
3 to 6 months	**31,998**	252,501
6 to 12 months	**178,248**	–
1 to 2 years	**15**	19,296
Over 2 years	**–**	8,827
	360,557	1,319,672

12. ACCOUNTS AND BILLS PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
Within 3 months	**1,274,071**	1,114,518
3 to 12 months	**49,377**	75,035
1 to 2 years	**5,403**	1,251
Over 2 years	**2,560**	8,416
	1,331,411	1,199,220

The accounts and bills payables are non-interest-bearing and are normally settled in one to three months and one to six months, respectively.

Certain of the Group's bills payable are secured by the pledge of the Group's bank deposits amounting to HK$7,685,000 (2016: HK$51,607,000).

13. BUSINESS COMBINATIONS

On 17 November 2016, CCBL entered into the sale equity transfer master agreement with KO and Swire pursuant to which:

(i) KO procured its subsidiaries to transfer to CCBL all the issued share capital in Coca-Cola (Chongqing) Beverages Ltd., Coca-Cola (Jilin) Beverages Ltd., Coca-Cola Liaoning (Central) Beverages Ltd., and Coca-Cola (Heilongjiang) Beverages Ltd., 93.75% of the issued share capital in Coca-Cola Liaoning (North) Beverages Ltd., 89.3% of the issued share capital in Coca-Cola (Sichuan) Beverages Ltd., 75% of the issued share capital in Coca-Cola (Shanxi) Beverages Ltd., and 60% of the issued share capital in Coca-Cola Liaoning (South) Beverages Ltd., (the "CBL Companies"), for an aggregate base consideration of RMB2,900,000,000;

(ii) Swire procured its subsidiaries to transfer to CCBL all the issued share capital in Swire Coca-Cola Shaanxi Beverages Ltd. ("Coca-Cola Shaanxi") for an aggregate base consideration of RMB487,000,000; and

(iii) Such base considerations shall be subject to customary closing accounts adjustments by reference to the net cash balance and the working capital level of each entities as at the date of completion.

The CBL Companies and Coca-Cola Shaanxi are engaged in the processing, bottling and distribution of sparkling beverage products, and the distribution of still beverage products in various regions in Mainland China.

On 1 April 2017, the aforementioned acquisitions in relation to the CBL Companies and Coca-Cola Shaanxi were completed.

The Group has elected to measure the non-controlling interest in the CBL companies at the non-controlling interest's proportionate share of respective identifiable net assets.

The fair values of the identifiable assets and liabilities of the CBL Companies and Coca-Cola Shaanxi as at the date of acquisition were as follows:

	Fair value recognised on acquisition *HK$'000*
Property, plant and equipment	2,524,841
Prepaid land premiums	337,120
Deferred tax assets	108,096
Inventories	512,744
Accounts receivable	470,391
Prepayments, deposits and other receivables	273,760
Cash and cash equivalents	666,603
Accounts payable	(962,702)
Other payables and accruals	(1,047,888)
Interest-bearing bank borrowings	(1,123,740)
Tax payable	(20,713)
Deferred income	(29,521)
Deferred tax liabilities	(13,646)
Total identifiable net assets at fair value	1,695,345
Non-controlling interests	(166,335)
	1,529,010
Goodwill on acquisition	2,456,442
	3,985,452
Satisfied by:	
Cash	3,985,452

The fair values of the accounts receivables and other receivables as at the date of acquisition amounted to HK$470,391,000 and HK$273,760,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK$479,283,000 and HK$274,074,000, respectively, of which accounts receivables of HK$8,892,000 and other receivables of HK$314,000 are expected to be uncollectible.

The Group incurred transaction costs of HK$49,668,000 for this acquisition. These transaction costs have been expensed and are included in profit or loss.

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition is follows:

	HK$'000
Cash consideration	(3,985,452)
Cash and bank balances acquired	666,603
Net outflow of cash and cash equivalents in respect of the acquisition	(3,318,849)

Since the acquisition, the CBL Companies and Coca-Cola Shaanxi contributed HK$5,287,909,000 to the Group's revenue and profit of HK$154,505,000 to the consolidated profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of the reporting period, the revenue from the continuing operation of the Group and the profit of the Group for the year would have been HK$17,183,763,000 and HK$2,315,530,000, respectively.

14. DISPOSAL OF SUBSIDIARIES

The details of disposal of subsidiaries, other than those related to the discontinued operations included in note 8 to the financial information during the years ended 31 December 2017 and 2016 are as follows:

	Note	**2017** **HK$'000**	2016 HK$'000
Net assets disposed of:			
Property, plant and equipment		**318,570**	319,067
Prepaid land premiums		**34,673**	14,419
Prepayments for items of property, plant and equipment		**28**	31
Goodwill		**102,897**	–
Deferred tax assets		**9,825**	–
Inventories		**91,270**	101,613
Accounts and bills receivables		**24,136**	4,503
Prepayments, deposits and other receivables		**18,145**	462,610
Due from fellow subsidiaries		**2,952**	–
Prepaid tax		**3,334**	83
Pledged deposits		**2,702**	6,694
Cash and cash equivalents		**51,278**	13,232
Accounts and bills payables		**(149,714)**	(11,095)
Other payables and accruals		**(149,072)**	(119,894)
Interest-bearing bank and other borrowings		**–**	(378,108)
Due to a non-controlling shareholder of subsidiaries		**–**	(321,437)
Tax payable		**–**	122
Due to fellow subsidiaries		**(83,776)**	–
Due to associates		**(6,872)**	–
Deferred tax liabilities		**–**	(7,333)
Non-controlling interests		**–**	162,629
		270,376	247,136
Exchange fluctuation reserve		**(22,983)**	(25,499)
		247,393	221,637
Gain on disposal of subsidiaries	*4*	**907,159**	118,774
		1,154,552	340,411

	2017	2016
	HK$'000	*HK$'000*
Satisfied by:		
Cash	**1,154,552**	–
Due to fellow subsidiaries	**–**	340,411
	1,154,552	340,411

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

	2017	2016
	HK$'000	*HK$'000*
Cash consideration	**1,154,552**	–
Cash and cash equivalents disposed of	**(51,278)**	(13,232)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**1,103,274**	(13,232)

15. COMPARATIVE AMOUNTS

The comparative statement of profit or loss has been re-presented as if the operations discontinued during the current year had been discontinued at the beginning of the comparative period (note 8).

LETTER FROM THE MANAGING DIRECTOR

Dear Shareholders,

2017 REVIEW: New development, reach new height

The year 2017 marked the 17th anniversary of establishment of COFCO Coca-Cola Beverages Limited ("CCBL").

In the past 17 years:

CCBL's sales volume growth has led the Coca-Cola systems in China, becoming a driver to Coca-Cola sales volume growth in China and internationally. Rapid growth in sales volume brought CCBL into the top 10 Coca-Cola bottler groups globally since the 10th anniversary of its establishment.

CCBL has continued to outperform and achieve a leadership position in the market in which it operates. CCBL also reversed the sluggish performance of six markets after their acquisition by the Group. As of the end of 2017, CCBL ranked first in the industry in terms of the market share in the whole industry sector, sparkling beverage and juice products in its operation regions.

CCBL's profitability has increased steadily. Its operating profit margin, ROE and EBITDA margin have all improved, making it the best performing segment of the China Foods. From 2006 (being the year of injection of CCBL's business into China Foods) to 2017:

- CCBL made a cash bonus distribution of over RMB2 billion to its shareholders; and

- An appreciation in business value of nearly HK$10 billion, as reflected in the recent market capitalisation of China Foods, when compared to the injection consideration of approximately HK$1.8 billion.

CCBL is managed by a professional and passionate team. Core management staff boast an average of 20 years' experience in the fast-moving consumer goods industry, an average of 16 years' working experience in the Coca-Cola's system, and have worked with CCBL for an average of 10 years. With the establishment and development of CCBL, and two restructurings of Coca-Cola bottling systems in China in the past, they have accumulated valuable experience in operations and business integration. Their understanding of the China market and their world-class management concepts have enabled them to undertake well-targeted, differentiated planning, development and implementation for tier-1 markets, remote areas and other markets. The employee engagement has maintained world-class level for many years and staff members have growth with the company through appropriate talent development planning.

CCBL achieved two milestones in 2017. First, as part of the restructuring of Coca-Cola's businesses in China completed on 1 April, CCBL obtained a bigger operational platform and became Coca-Cola's fifth largest bottling plant partner globally. Second, China Foods completed the sale of all its non-beverage businesses on 18 December, and subsequently becoming the only focused sole beverage platform of COFCO Corporation ("COFCO"). To this end, China Foods will develop its full potential in the beverage market in China, by further optimising its beverage portfolio and enhancing its profitability.

Thanks to the sound development of CCBL's original bottling plants, the smooth transitions of newly acquired bottling plants and one-off disposal gain on asset sales as the bottling plants disposed of had generated positive operating results in the past, as a result, CCBL's results reach new heights in 2017.

2018 Outlook: The start of a new journey

In 2018, marks the first full year for China Foods to operate as a focused beverage business platform. It is a new chapter for China Foods, and it presents several development opportunities for us:

- Substantial consumption potential in the beverage sector. Compared to the rest of the world and neighboring countries in Asia, average consumption of non-alcoholic ready-to-drink beverages in China is still at a relatively low level and offers huge development potential.

- Becoming a beverage company with a product portfolio covering a full spectrum of beverage products. In terms of market share, CCBL currently enjoys a dominated position in sparkling beverage products within its areas of operation. Its juice products also rank first in terms of market share, with marginal advantages over competing products. Water products account for the highest proportion of sales in the industry overall and have maintained double-digit growth while CCBL has maintained only a single-digit market share in this product category. In addition, CCBL has only just initiated development of energy beverages, ready-to-drink coffees, Chinese drinks and other high-growth products. Our development in these new product categories is expected to accelerate.

- Exploiting regional advantages after restructuring to promote greater integration. The restructuring has enabled CCBL to link up its operational areas and plan for greater regional integration. CCBL will coordinate its operation in the areas of procurement, production and logistics to reduce costs and improve efficiency. Meanwhile, it will continue to lower the relatively high level of administrative expenses related to newly acquired bottling plants and improve profitability.

On behalf of the Company, I wish to thank our shareholders for their trust and confidence, and our business partners for their excellent effort and support. Finally, I express gratitude to our staff members for their diligence and enthusiasm.

MANAGEMENT DISCUSSION AND ANALYSIS

Review – Restructuring Projects

Refranchising of bottling operations in China (the "Refranchising")

On 17 November 2016, CCBL (a 65%-owned joint venture of the Company), The Coca-Cola Company and Swire Beverages Holdings Limited ("Swire") entered into an inter-conditional non-public sale master agreement, pursuant to which: (i) CCBL shall acquire the bottling operations of The Coca-Cola Company in six regions including Heilongjiang, Jilin, Liaoning, Shanxi, Sichuan and Chongqing for an aggregate base consideration (subject to adjustment) of approximately RMB2,900 million; and (ii) CCBL shall acquire the bottling operation of Swire in Shaanxi for a base consideration (subject to adjustment) of approximately RMB487 million (collectively, the "Acquisitions").

On the same day, according to relevant requirements for the sale of state-owned assets, CCBL and the Company decided to publish formal disclosures on the website of the China Beijing Equity Exchange relating to the company's proceeding with the public sale of its entire interests in the bottling operations in Jiangxi, Hainan and Guangdong (Zhanjiang and Maoming) and its associated and minority interests in the bottling operations of six other regions (including Jiangsu, Zhejiang, Shanghai, Wenzhou, Huizhou and Guangdong). On 16 December 2016, CCBL, the Company and Swire (being the successful bidder in the public sale) entered into a public sale equity transfer master agreement for the disposal of equity interests in the abovementioned bottling operations at an aggregate consideration of RMB2,122 million (collectively, the "Disposals").

The Acquisitions and Disposals represent part of the Company's overall strategy to concentrate on expanding its core activities, and reflect its long-term commitment to the Coca-Cola beverages bottling business in China. The Acquisitions are expected to further deepen this important strategic partnership through more cooperation opportunities between the Company and The Coca-Cola Company. The Acquisitions are also an important step for repositioning the Company as one of the largest beverage bottlers in China, presenting a significant opportunity for the Company to scale-up its beverage business, expand its geographical coverage, create economies of scale and capitalise on the attractive long-term growth trends in China's beverage market.

With over 17 years of experience in the Coca-Cola bottling business of CCBL, the Company's senior management team has a proven track record and demonstrated capability in the running of the business. After the completion of the Acquisition, the bottling operations acquired in the new territories have been successfully integrated into the Group's existing operation. With a more geographically cohesive Coca-Cola bottling franchise in China, it will enable us to achieve cost synergies, optimise capacity utilisation, streamline certain operations and achieve cost savings from distribution and transportation. We anticipate the significant increase in production capacity will enable us to achieve future volume growth.

Except for the disposal of the interest in The Coca-Cola Bottling Unit of Shanghai Shen-Mei Beverage and Food Co., Ltd to Swire by the Group under the public sale equity transfer master agreement (the "Shen-Mei Disposal"), the Acquisitions and the Disposals were completed on 1 April 2017. The Shen-Mei Disposal was then completed on 1 July 2017.

Disposal of COFCO Fortune Food Sales & Distribution Co., Ltd.

On 25 May 2017, COFCO Food Sales & Distribution Co., Ltd., a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with COFCO Fortune Holdings Limited, a connected person of the Company, pursuant to which COFCO Food Sales & Distribution Co., Ltd. sold its 100% equity interest in a wholly-owned subsidiary, namely COFCO Fortune Food Sales & Distribution Co., Ltd. ("Fortune Food Sales & Distribution") to COFCO Fortune Holdings Limited for a consideration of RMB1,050 million (the "Fortune Food Sales & Distribution Disposal Transaction").

Fortune Food Sales & Distribution is primarily engaged in the sale, distribution and marketing of consumer-pack edible oil and other kitchen food products under the "Fortune" (福臨門) brand (including consumer-pack sugar, soy sauce, vinegar, MSG, seasoning sauce and cereals).

The Group has always been dedicated to the improvement of its business operations and the maximisation of returns to its shareholders. Through the disposal of Fortune Food Sales & Distribution, the Group has been able to improve its strategic focus and business portfolio optimisation, so that the Group can become more focused on its core businesses, enhance its professionalism in business operation, and thereby increase the overall profitability of the Group.

The Fortune Food Sales & Distribution Disposal Transaction was approved by independent shareholders of the Company at the special general meeting held on 4 July 2017, and was completed in September 2017.

At the Board meeting held on 10 November 2017, the Board resolved to declare a special dividend of HK$0.1 per share in connection with the Fortune Food Sales & Distribution Disposal Transaction ("Kitchen Food Special Dividend"). On 18 December 2017, the Company paid the Kitchen Food Special Dividend to shareholders of the Company registered as such on 29 November 2017.

Disposal of Non-beverage Target Companies

On 16 October 2017, the Company entered into a sale and purchase agreement with China Foods (Holdings) Limited, a connected person of the Company, pursuant to which the Company conditionally agreed to sell, and China Foods (Holdings) Limited conditionally agreed to acquire, the entire equity interest of four wholly-owned subsidiaries (the "Non-beverage Target Companies") for a consideration of HK$1,400 million in aggregate (the "Non-beverage Target Companies Disposal Transaction"). The Non-beverage Target Companies hold all the wine business and other non-beverage business of the Company, which mainly comprises the production and distribution of the "Greatwall" brand wines.

The Company received payments from China Foods (Holdings) Limited before the completion of the Non-beverage Target Companies Disposal Transaction for settlement of loans owed to the Company by the Non-beverage Target Companies and/or their respective relevant subsidiaries of approximately HK$3,669 million in aggregate, together with the consideration of the Non-beverage Target Companies Disposal Transaction of HK$1,400 million in aggregate. The value in relation to the Non-beverage Target Companies Disposal Transaction was approximately HK$5,069 million.

As part of use of proceeds from the Non-beverage Target Companies Disposal Transaction and a return to the shareholders of the Company, the Company has proposed to pay a special dividend of HK$0.93 per Share ("Non-beverage Target Companies Special Dividend") to its shareholders.

After taking into account that (1) the wine industry in the PRC has faced increasing competition and is expected to remain in a slow growth rate in the next three to five years similar to the 2011 to 2016 period; (2) the external factors have had a significant negative impact on the Company's wine business, resulting in a decline in operating and financial performance, and notwithstanding the Group has implemented a number of measures to boost the sales of wine and improve the operating results of the wine business segment, the outcome of the measures remains uncertain; and (3) the beverage business operated by CCBL is the Company's strongest performing business in terms of profitability, the Board was in view that professional operation would be the most favorable way of development and decided to focus on the beverage business.

The Board considered that the disposal of the Non-beverage Target Companies to China Foods (Holdings) Limited for the consideration together with full repayment of the loans to the Company is in the best interests of the Company and the its shareholders as a whole. The Non-beverage Target Companies Disposal Transaction has enabled shareholders to invest in a transparent and focused beverage business. Following the completion of the Non-beverage Target Companies Disposal Transaction, the Group has been able to concentrate its business focus and resources on its beverage business and thereby becoming the only focused beverage platform of COFCO which is expected to enhance our cooperation with The Coca-Cola Company. This transaction has provided the Company an opportunity to recoup its shareholder's loan(s) and investments in the non-beverage businesses of the Group. Moreover, given the continued business loss recorded by the Non-beverage Target Companies, it is unlikely that the Company would recover its shareholder's loan(s) in full in near term in the absence of the Non-beverage Target Companies Disposal Transaction.

At the Special General Meeting held on 23 November 2017, both the Non-beverage Target Companies Disposal Transaction and the Non-beverage Target Companies Special Dividend were approved by the independent shareholders of the Company.

The Non-beverage Target Companies Disposal Transaction was completed on 18 December 2017, and on the same day, the Company paid the Non-beverage Target Companies Special Dividend to its shareholders registered as such on 29 November 2017.

CONTINUING OPERATION – BEVERAGE BUSINESS

Business profile

The Company is the only focused beverage business platform of COFCO. Our beverage business primarily operates via CCBL, the joint venture we established with The Coca-Cola Company in which ours and The Coca-Cola Company's respective interests are 65% and 35%. As one of the fastest growing bottling operation among the Coca-Cola bottling systems, CCBL became one of Coca-Cola's global top 10 bottling system within 10 years of the establishment.

During the year, upon the completion of refranchising project, our Company has the exclusive franchise right to manufacture, market and distribute products under the Coca-Cola series in a total of 19 provinces, municipalities and regions in China, including Heilongjiang, Jilin, Liaoning, Inner Mongolia, Hebei, Beijing, Tianjin, Shandong, Shanxi, Shaanxi, Gansu, Qinghai, Ningxia, Tibet, Xinjiang, Sichuan, Chongqing, Guizhou and Hunan, and provide consumers with eight major types of beverages including sparkling drinks, juices, juice milks, water, functional water, coffee, ready-to-drink tea and energy drinks, under 16 brands. CCBL is currently the 5th largest bottling partner of The Coca Cola Company in the world. We also hold an associated interest in a manufacturing company of The Coca-Cola Company in the PRC, namely Coca-Cola Bottlers Manufacturing Holdings Limited, which primarily supplies non-sparkling beverages to all franchisees of Coca-Cola in the Mainland China.

Development strategies

Our goal is to foster the development of a world-class bottling group with the best 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, we have adopted the following strategies:

- Demonstrate a firm commitment to food safety and quality, and full compliance with quality standards required by the government and by The Coca-Cola Company, using a tracking system and an enhancement mechanism to become a safe and environmental-friendly enterprise;

- Continue to optimise the product structure to offer appealing, high quality beverages that bring consumers enjoyment, refreshment and energy;

- Enhance our business partnership's customer management to establish a friendly and long standing alliance of interests with our customers, and provide for the growth of our customers through strengthening our product category management, and the applying more efficient route-to-market strategies for our sales and distribution network;

- Focus on improving retail execution, and brand promotion to drive the sales turnover at the point-of-sale with consumers;

• Continue to manage effectively costs and improve efficiency, encourage innovation and initiate concepts, foster novelty in workflow, means, marketing and management; and

• Maintain a team of talented staff who demonstrate passion, professionalism and perseverance, and are willing to serve CCBL in the long term.

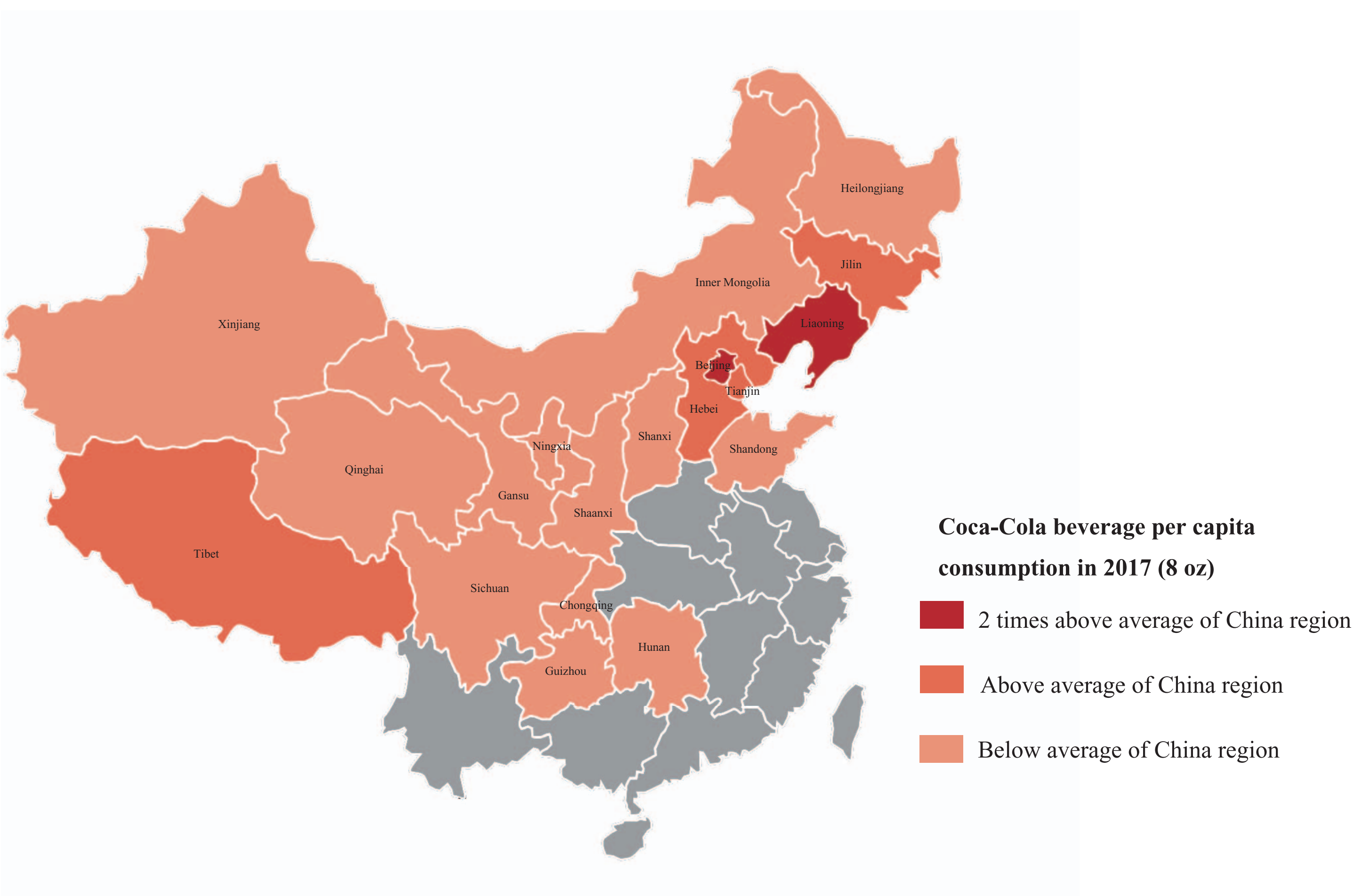
Current status

Currently, our operations cover 81% of the territory of Mainland China and 51% of its population.

We have over 11,000 sales personnel serving up to 1.4 million customers, of which an average 900,000 of customers place orders on monthly basis.

Our distribution has reached 100% of cities, 97% of counties and 65% of towns within our operating regions, representing 50% of all retail points in the region. The sales of controllable distribution accounted for 80% of total sales.

Within the operating regions, the aggregate market share of major product types of CCBL, namely sparkling drinks, juices, water, juice milk and functional water – ranks first in the industry.



Industry Overview

In respect to beverage consumption trends, the post-80s and post-90s generations have become, and the millennials will soon become, the mainstream of our consumer group. These age groups have a preference for more diversified products. Thus, novelty, uniqueness and functionality have become the main criteria in their beverage selections. They are willing to pay a premium for healthy and safe products. Overall the beverage industry is trending towards high value-added and diversified products.

Regarding the performance of different beverage products in 2017, traditional beverage products such as sparkling, juices and ready-to-drink teas still represent a relatively large shares of the sector and their scale of business remains stable. The growth of traditional beverage products in 2017 accelerated compared with the previous year. Since the upgrading of consumption has begun to replace price elasticity of demand, as the major driver of growth. Variety and originality have become crucial to product growth. They have also resulted in a more intensely competitive market. However, as our consumers tend to place a high value on qualities such as health, trendiness and convenience, beverages such as water products, energy drinks and ready-to-drink coffee continue to experience faster growth than the industry average.

In 2017, the overall volume growth for non-alcohol ready-to-drink (NARTD) beverages in Mainland China (excluding white milk and bulk water) reached 4.6%. The sparkling category recorded a positive sales volume growth of 2.7% (volume share of 12.3%); the juice category (including 100% juice, high concentrate juice and mid concentrate juice beverages) recorded a positive sales volume growth of 3.6% (volume share of 9%); and sales volume of bottled water products grew by 8.2% (volume share of 37%).

Regarding beverage industry development trends, the China market has lower per capita consumption than other developed country as well as neighboring countries, indicating a huge growth potential. The increase of consumption has resulted in an increase of gross margins in the industry, while intense market competition has spurred innovation. Driven by newly innovated products and upgraded traditional products, the industry is ready for further growth.

REVIEW OF 2017 RESULTS

Below is a summary comparison of the beverage business's 2017 and 2016 annual results:

	For the year ended 31 December 2017 *(HK$ million)*	For the year ended 31 December 2016 *(HK$ million)*	Change
Revenue	**15,461**	11,291	+37%
Sales volume growth rate			+41%
Percentage point decrease of gross profit margin			-0.7 ppt

In 2017, our Company's sales volume growth amounted to 41% while revenue growth reached 37%. These figures are mainly attributable to the stable results from eight bottling plants, together with the smooth transition and improved results of newly acquired bottling plants after Refranchising, and the efficiencies brought by supply chain optimisation after the regional integration of The Coca-Cola Company's franchises in China. Key indicators such as sales volumes, sales revenues, and aggregate profits of our original plants all exceeded 2016 levels. Various indicators pertaining to the new plants were also greatly improved compared to 2016. Through regional integration of production and logistics, the expenses associated with them were also effectively reduced.

About the development by beverage categories:

Sparkling drinks

Among the core brands, The Coca-Cola Company continued to lead the market with the launch of the 'Whisper of Summer Bottles' (夏日密語瓶) campaign. Sprite's collaboration with the popular 'King of Glory' (王者榮耀) mobile game included the depiction of game characters on product packaging, encouraging its appeal among younger customers. A two-digit increase in percentage of sales volume was achieved during the campaign period.

To meet the consumer interest in health and trendiness, we upgraded the product structure through launching Coca-Cola Zero products and modern can products, and as a result, our product profitability was enhanced. The new cherry flavored Coca-Cola product which used the image of Warren Buffett on its packaging as a special selling point has been successfully launched.

In 2017, the market share by value for sparkling products in our operating regions increased by 0.3 percentage points.

Juices

The newly launched ready-to-drink packaged juice, with product and packaging upgraded from the conventional type, brought a double-digit percentage increase in sales volume of ready-to-drink packaged products and reviving overall growth in the category. During the year, the market share by value increased by 0.3 percentage points in our operating regions.

Water

Leveraging on the upgrading trend of product consumption, we promoted the launch of the Chun Yue water at RMB2 price point in 2017. Product penetration and advertising of the brand have been strengthened and all sales indicators had fulfilled our expectations for the year.

Energy drinks

Monster Energy drink was launched across our operating regions in 2017. Precisely targeted marketing to our consumer groups aided in achieving a steady rate of development for the product.

About profitability

In respect to costs, we works closely with the CBPC procurement platform of The Coca-Cola Company in China that regularly tracks raw material prices and manages procurement of raw materials to purchase the most competitive prices for raw materials. At the same time, we lowered manufacturing costs per unit by leveraging on the advantages from the use of new equipment for production and strengthening the vertical integration of the supply chain. Notwithstanding the rising prices of international commodities and raw material prices (apart from fructose) in 2017, we managed to achieve a slight overall reduction in costs.

In the area of expense control, CCBL continued to demonstrate its management capability by tightly controlling administrative expenses and optimising the expense efficiency ratio. Despite being affected by the Refranchising project, expense ratio almost kept at the comparable level as before. In addition to strictly controlling capital expenditures, we reduced the working capital used to finance receivables and inventories and thereby improved our operating cash flow. With the benefit of good credit standing of CCBL over the past years, we have succeeded to obtain bank borrowings on favorable terms.

Also, the bottling plants under the Disposal had generated positive operating results in the past, CCBL recorded a substantial disposal gain of approximately HK$1.9 billion as investment return.

Outlook for 2018

In 2018, our results are expecting to deliver steady growth.

Overall, the industry as a whole will grow in line with the development of China's economy. Products such as sparkling beverages and juices are anticipated to continue to lead the industry growth. Their profitability will be boosted by measures such as the introduction of modern cans and Coca-Cola Zero products, as well as upgrading their packaging. Regarding water products, in addition to continuing the promotion of the Chun Yue branded product, we will develop new products while seeking acquisition opportunities in China and in overseas, with an aim to enhance our market position. In the energy drinks sector, we will strengthen our communication with Monster and formulate a tailor-made development plan in China market. As to the launch of new product categories, we plan to launch new offerings in ready-to-drink tea and coffee categories to meet consumer demand.

From a regional perspective, our original bottling plants will continue to grow steadily. The newly acquired plants are expected continue to offer opportunities to raise profitability. The process of regional integration will be further promoted.

By further enhancement of product category portfolio and further improvement in cost and expense controls, our aim is to achieve the sustainable growth of overall results.

Discontinued operations

Wine Business and the Other Business

2017 Annual Results

From the beginning of the year to the date of the completion of the Non-beverage Target Companies Disposal Transaction, the wine business and the other business segment generated an aggregated revenue of HK$2,712 million.

During the year, the repositioning exercise for the "Greatwall" brand has been executed as scheduled and began to take effect. As part of the repositioning the "Greatwall" brand, we focused our efforts on brand promotion and the optimisation of our product mix. Such initiatives, together with our strategies of raising ex-factory prices, scaling down the sales of low-end SKU with low profit margin and rigorously promoting mid-to high-end products, raised the overall gross profit margin of "Greatwall" wine. However, given the significant decrease in sales revenue of the low-end products, the overall sales revenue of the "Greatwall" wine decreased. Furthermore, due to the growth of the imported wine business and the increased sales contributions from our imported wine, which had a relatively lower gross profit margin than the "Greatwall" wine, the segment's overall gross profit margin decreased. During the period, in order to underscore the new status of the "Greatwall" brand, "Greatwall wine for national celebrations" promotions were held during important national events to emphasise "Greatwall"'s status as "the designated wine for serving at state banquets". Meanwhile, we continued to increase "Greatwall" brand's online advertising investment, with an aim to enhance the brand's popularity and reputation. As a result, marketing expenses increased.

Kitchen Food Business

2017 Annual Results

From the beginning of the year to the date of the completion of the Fortune Food Sales & Distribution Disposal Transaction, the kitchen food business segment recorded a revenue of HK$9,830 million.

Despite the ongoing intensified market competition, the kitchen food business had its supply chain efficiency further enhanced and its operating costs systematically reduced through the optimisation of its supply chain system.

FINANCIAL REVIEW

CONTINUING OPERATION

REVENUE

In 2017, sales volume growth amounted to 41% while revenue growth reached 37%, mainly attributable to the stable results from existing bottling plants, together with the stable transition and improved results of newly acquired bottling plants after the Refranchising, and the efficiencies brought by supply chain optimisation through regional integration.

GROSS PROFIT MARGIN

The overall gross profit margin from continuing operation decreased by 0.7 percentage point mainly due to the market competition and continued rise in the price of international commodities and raw material prices (apart from fructose) in 2017, though we lowered manufacturing costs per unit by leveraging on the advantages from the use of new equipment for production and strengthening the vertical integration of the supply chain.

OTHER INCOME AND GAINS

One-off gains on disposal of cerain subsidiaries, associates and available-for-sale investment of approximately HK$1,897.8 million in aggregate were recorded, in relation to the disposals of equity interests in certain bottling plants in the Refranchising project.

SELLING AND DISTRIBUTION EXPENSES RATIO/ADMINISTRATIVE EXPENSES RATIO

Selling and distribution expenses ratio of continuing operations was almost the same as the comparable level in 2016, despite being affected by the Refranchising project.

The administrative expenses ratio of continuing operations increased mainly due to the professional fees. CCBL continued to demonstrate our management capability by tightly controlling administrative expenses and optimising the expense efficiency ratio, particularly for our newly acquired bottling plants.

FINANCE COSTS

Finance costs rose substantially due to debt financing for the acquisition of newly acquired bottling plants of the beverage business as part of the Refranchising project.

SHARE OF PROFITS OF ASSOCIATES

Share of profits of associates substantially decreased due to the disposal of certain equity interests in associates.

INCOME TAX EXPENSES

Income tax expense substantially increased due to the relevant tax of the gain on disposal of cerain subsidiaries, associates and available-for-sale investments of the beverage business as part of the Refranchising project.

LIQUIDITY AND FINANCIAL RESOURCES

The Company's treasury function operates as a centralised 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, reviews its funding costs and maturity profiles to facilitate timely refinancing. Cash pooling is applied in Mainland China for more efficient utilisation 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, Adjusted EBITDA^ from continuing operations grew from HK$1,032.2 million to HK$1,333.3 million or +29.2%, mainly driven by the contribution of newly acquired bottlers.

In the consolidated statement of financial position as at 31 December 2017, the Group's unpledged cash and cash equivalents totalled approximately HK$995 million (31 December 2016: approximately HK$1,120 million). Net current liabilities, which was affected by the seasonality of the business caused by purchases in advance of the Chinsee New Year, were approximately HK$1,698 million (31 December 2016: net current assets of approximately HK$1,438 million). The year-on-year change is mainly related to the special dividends paid by the Company after the completion of the disposal of non-beverage businesses in December 2017.

Having considered the (i) forecast cash flow from operating activities of continuing operation, (ii) existing financial resources and gearing level of the Group, and (iii) existing banking facilities available to the Group, the directors believe that the Group's financial resources are sufficient to fund its debt payments, day-to-day operations, contracted capital expenditures as at 31 December 2017.

CAPITAL STRUCTURE

As at and for the year ended 31 December 2017, the total number of issued shares of the Company remained unchanged at 2,797,223,396.

In the consolidated statement of financial position as at 31 December 2017, the Group had interest-bearing bank borrowings of approximately HK$2,089 million (31 December 2016: approximately HK$1,620 million).

As at 31 December 2017, all bank borrowings in Mainland China were denominated in Renminbi, carried at annual fixed interest rate of 4.28% (31 December 2016: all of the Group's bank loans were denominated in Hong Kong Dollars, carried at annual interest rates, floating in nature, ranging between 0.92% and 1.75%).

As at 31 December 2017, the Group had other borrowings in Mainland China (denominated in Renminbi) of approximately HK$12 million, carried at fixed, annual interest rate of 4.28% (31 December 2016: approximately HK$25 million, carried at fixed, annual interest rate of 4.28%).

All interest-bearing bank and other borrowings as at 31 December 2017 will be repayable in 2019.

As at 31 December 2017, net assets attributable to owners of the parent were approximately HK$4,449 million (31 December 2016: approximately HK$5,461 million) and net borrowing position of the Group (interest-bearing bank and other borrowings less unpledged cash and cash equivalents) was approximately HK$1,106 million (31 December 2016: approximately HK$525 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 25 % (31 December 2016: approximately 9.6%).

CONTINGENT LIABILITIES AND ASSETS PLEDGED

As at 31 December 2017, the Group has no significant contingent liabilities nor assets pledged (other than certain bills payable) (31 December 2016: Nil).

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). In respect of interest-bearing borrowings as at 31 December 2017, all interest-bearing borrowings were denominated in Renminbi and recorded in the books of the subsidiaries operating in Mainland China. 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 recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

Although the Group has not used any financial instruments for hedging purposes, the treasury function actively and closely monitors foreign exchange rate fluctuation, particularly the exchange rate of Renminbi to the Hong Kong dollar. The foreign exchange risk exposure at the operational level is not significant.

During the year, the Group used Renminbi bank borrowings to finance the acquisition of certain bottling plants of beverage business and repaid all Hong Kong dollar borrowings of the Company.

HUMAN RESOURCES

As at 31 December 2017, the Group employed 20,293 staff in Mainland China and Hong Kong (31 December 2016: 14,015). 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 will set out in the 2017 Annual Report.

The share option scheme adopted by the Company on 21 November 2006 (the "Share Option Scheme") expired on 20 November 2016. Currently, the Company has not adopt any new share option scheme. The last batch of share options was granted on 29 March 2011 pursuant to the terms of the Share Option Scheme, and the last exercise day of all outstanding options shall be 28 March 2018.

As at 1 January 2017, a total of 22,120,000 share options of the Company remained outstanding. During the year, 40,000 unvested options lapsed upon retirement of an employee and 1,180,000 vested options lapsed upon the expiry of stipulated period in accordance with term of the Share Option Scheme. On 30 September 2017, all share option holders confirmed in writing that all their vested options had lapsed. Hence, there is no outstanding share option as at 31 December 2017.

CHANGE IN THE STRUCTURE OF THE GROUP

During the year, COFCO Food Sales & Distribution Co., Ltd., a wholly-owned subsidiary of the Company, has disposed all the equity interest in COFCO Fortune Food Sales & Distribution Co., Ltd. which primarily engage in the sale, distribution and marketing of consumer-pack edible oil and other kitchen food products under “Fortune” brand.

In addition, the Company has disposed the entire equity interest of each of COFCO Wines & Spirits Holdings Limited, COFCO Premier Brands Limited, Global Lander Limited and Superb Vision Limited to China Foods (Holdings) Limited and these companies together with their subsidiaries hold all wine business and other non-beverage business of the Company which mainly comprises the production and distribution of the “Greatwall” brand wines.

FINAL DIVIDEND

On 27 March 2018, the Board recommended the payment of a final dividend of HK2.4 cents (2016: HK1.2 cents) per ordinary share for the year ended 31 December 2017, subject to the approval obtained at the annual general meeting to be held on Friday, 1 June 2018 (the “2018 AGM”). The proposed final dividend for the year ended 31 December 2017 will be distributed on or after Friday, 6 July 2018 to shareholders of the Company (the “Shareholders”) whose names appear on the Shareholders’ register of the Company on Friday, 15 June 2018 (the “Record Date”).

The implementation of the “Notice Regarding Matters on Determination of Tax Residence Status of Chinese-controlled Offshore Incorporated Enterprises under Rules of Effective Management” issued by the State Administration of Taxation of PRC (the “SAT”) on 22 April 2009 (the “Notice”) commenced on 1 January 2008 and 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 final dividend for 2017. 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 final dividend for 2017 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 final dividend for 2017 after deducting enterprise income tax of 10%. The Company will not withhold and pay the income tax in respect of the final dividend for 2017 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, 13 June 2018.

SHAREHOLDERS AND POTENTIAL INVESTORS SHOULD READ THE ABOVE CAREFULLY. IF THE STATUS OF THE SHAREHOLDERS IN THE REGISTER OF MEMBERS NEEDS TO BE AMENDED ACCORDINGLY, PLEASE ENQUIRE ABOUT THE RELEVANT PROCEDURES WITH THE RESPECTIVE NOMINEES OR TRUSTEES IMMEDIATELY. THE COMPANY WILL STRICTLY WITHHOLD AND PAY THE ENTERPRISE INCOME TAX FOR ITS NON-RESIDENT ENTERPRISE SHAREHOLDERS IN ACCORDANCE WITH THE APPLICABLE LAWS AND REQUIREMENTS OF THE RELEVANT GOVERNMENT DEPARTMENTS IN THE PRC, BASED ON 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 INACCURATE INFORMATION OR DELAY IN AMENDMENT OF THE RELEVANT INFORMATION OR THE STATUS OF THE SHAREHOLDERS OR DISPUTES REGARDING THE MECHANISM OF WITHHOLDING.

CLOSURE OF REGISTER OF MEMBERS

For determining the shareholders' eligibility to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Tuesday, 29 May 2018 to Friday, 1 June 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2018 AGM, 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, no later than 4:30 p.m. on Monday, 28 May 2018.

For determining the shareholders' entitlement to the proposed final dividend for 2017, the register of members of the Company will be closed from Thursday, 14 June 2018 to Friday, 15 June 2018, both days inclusive, during which period no transfer of shares will be registered. The ex-dividend date will be Tuesday, 12 June 2018. In order to qualify for the proposed final dividend for 2017, 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, no later than 4:30 p.m. on Wednesday, 13 June 2018.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year.

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 own 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 year.

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 year.

AUDIT COMMITTEE

The Audit Committee has reviewed the consolidated financial statements for the year ended 31 December 2017 and has discussed with the Company's auditors, about auditing, internal control and financial reporting matters including the review of the accounting practices and principles adopted by the Group.

SCOPE OF WORK OF THE COMPANY'S AUDITOR ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, statement of comprehensive income, and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary results announcement have been agreed by the Company's auditor to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2017. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standard on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Company's auditor on the preliminary results announcement.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL 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 2017 Annual 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
Luan Xiuju
Managing Director

Hong Kong, 27 March 2018

As at the date of this announcement, the Board comprises: Mr. Ma Jianping as the chairman of the Board and a non-executive director; Ms. Luan Xiuju and Mr. Shen Peng as executive directors; Mr. Qin Yelong and Ms. Xiao Jianping as non-executive directors; and Messrs. Stephen Edward Clark, Li Hung Kwan, Alfred and Mok Wai Bun, Ben as independent non-executive directors.