中粮
COFCO
自然之源 重塑你我

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 2018

FINANCIAL HIGHLIGHTS

The following table shows the comparison of the final results for the year ended 31 December 2018 (the "year") of China Foods Limited (the "Company") and its subsidiaries (together the "Group") with the corresponding results for 2017:

	For the year ended 31 December 2018 *(RMB$' million)*	For the year ended 31 December 2017 *(RMB$' million)*	Changes
Continuing operations:			
• Revenue	**15,648.1**	13,358	+17%
• Gross profit margin	**35.4%**	35.2%	+0.2ppt
• Distribution and selling expenses and administrative expenses margin	**31.4%**	32.8%	-1.4ppt
• Adjusted EBIT*	**768.8**	535.3	+44%
• Adjusted EBITDA^	**1,259.9**	1,078.4	+17%

The board of directors (the "Board") of the Company has resolved to recommend to shareholders the payment of final dividend of RMB0.034 (HK3.9 cents) for the year (2017: HK2.4 cents).

Adjusted EBIT* from the continuing operation represents:

	For the year ended 31 December 2018 *(RMB' million)*	For the year ended 31 December 2017 *(RMB' million)*
Profit before tax from continuing operations	**738.2**	2,211.3
Reconciliation:		
Finance costs	**74.8**	88.3
Share of profits of associates	**(44.2)**	(41.1)
Dividend income from available-for-sale investments	**–**	(44.0)
Gains on disposals of Public Sale Bottling Interests *(Note i)*	**–**	(1,679.2)
Adjusted EBIT*	**768.8**	535.3

^ EBITDA from continuing operations represents:

	For the year ended 31 December 2018 *(RMB' million)*	For the year ended 31 December 2017 *(RMB' million)*
Adjusted EBIT*	**768.8**	535.3
Reconciliation:		
Provision against inventories	**24.7**	12.5
Depreciation of property, plant and equipment	**414.8**	515.2
Amortisation of prepaid lease payments	**15.1**	10.1
Gain on disposal of property, plant and equipment	**(4.3)**	–
Impairments of property, plant and equipment	**38.2**	6.3
Impairment/(reversal) of receivables	**2.6**	(1.0)
Adjusted EBITDA^	**1,259.9**	1,078.4

(Note i): One-off gains on disposal of certain subsidiaries, associates and available-for-sale investment of approximately RMB$1,679.2 million in aggregate (note 6 of financial information) were recorded in 2017, in relation to the disposals of equity interests in certain bottling plants, which were completed on 1 April 2017 and the disposal of the interest in The Coca-Cola Bottling Unit of Shanghai Shen-Mei Beverage and Food Co., Ltd. which was completed on 1 July 2017 (together "Public Sale Bottling Interests").

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 2017 (the "financial information"). The financial information has been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the Year ended 31 December 2018

	NOTES	**Year ended 31/12/2018** ***RMB'000***	Year ended 31/12/2017 *RMB'000* (Restated)
Continuing operation			
Revenue	*4*	**15,648,051**	13,357,992
Cost of sales		**(10,106,740)**	(8,661,123)
Gross profit		**5,541,311**	4,696,869
Other income and gains	*6*	**228,637**	1,952,739
Distribution and selling expenses		**(4,467,172)**	(3,767,620)
Administrative expenses		**(450,848)**	(613,937)
Other expenses and losses		**(83,106)**	(9,503)
Finance costs	*7*	**(74,835)**	(88,344)
Share of profits of associates		**44,168**	41,133
Profit before tax from continuing operation		**738,155**	2,211,337
Income tax expense	*8*	**(161,790)**	(588,788)
Profit for the year from continuing operation	*10*	**576,365**	1,622,549
Discontinued operations			
Profit for the year from discontinued operations	*9*	**–**	380,127
Profit for the year		**576,365**	2,002,676

	NOTE	Year ended 31/12/2018 RMB'000	Year ended 31/12/2017 RMB'000 (Restated)
Profit for the year attributable to owners of the Company			
– from continuing operation		**320,858**	1,185,354
– from discontinued operations		**–**	374,293
Profit for the year attributable to owners of the Company		**320,858**	1,559,647
Profit for the year attributable to non-controlling interests			
– from continuing operation		**255,507**	437,195
– from discontinued operations		**–**	5,834
Profit for the year attributable to non-controlling interests		**255,507**	443,029
Earnings per share	*12*		
From continuing and discontinued operations			
Basic (cents)		**11.47**	55.76
Diluted (cents)		**N/A**	55.76
From continuing operation			
Basic (cents)		**11.47**	42.38
Diluted (cents)		**N/A**	42.38

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 31 December 2018

	Year ended 31/12/2018 *RMB'000*	Year ended 31/12/2017 *RMB'000* (Restated)
Profit for the year	**576,365**	2,002,676
Other comprehensive expense		
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive loss of associates, net of related income tax	–	(1,546)
Other comprehensive expense for the year, net of income tax	–	(1,546)
Total comprehensive income for the year	**576,365**	2,001,130
Total comprehensive income for the year attribute to:		
Owners of the Company	**320,858**	1,558,642
Non-controlling interests	**255,507**	442,488
	576,365	2,001,130

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTE	31 December 2018 RMB'000	31 December 2017 RMB'000 (Restated)
Non-current Assets			
Property, plant and equipment		**4,886,534**	4,658,037
Investment properties		**20,100**	20,100
Prepaid lease payments		**529,445**	542,232
Prepayments for property, plant and equipment		**4,126**	7,389
Intangible assets		**3,506,274**	3,506,274
Interests in associates		**742,028**	708,360
Deferred tax assets		**379,390**	271,495
		10,067,897	9,713,887
Current Assets			
Inventories		**1,650,318**	1,292,430
Accounts receivables	*13*	**304,788**	299,480
Prepayments, deposits and other receivables		**566,129**	497,356
Due from fellow subsidiaries		**23,892**	22,621
Due from the immediate holding company		**138**	138
Due from the ultimate holding company		**71**	71
Due from non-controlling shareholders of subsidiaries		**359**	5,081
Due from associates		**19,743**	9,305
Due from other related party		**385,665**	481,729
Prepaid tax		**18,254**	25,146
Pledged bank deposits		**7,961**	6,424
Bank balances and cash		**243,235**	832,063
		3,220,553	3,471,844

	NOTE	31 December 2018 RMB'000	31 December 2017 RMB'000 (Restated)
Current Liabilities			
Accounts and bills payables	*14*	**606,811**	930,858
Other payables and accruals		**2,695,379**	3,090,958
Borrowings		**580,000**	–
Contract liabilities		**1,341,686**	–
Due to fellow subsidiaries		**152,685**	89,507
Due to the ultimate holding company		**1,336**	1,336
Due to non-controlling shareholders of subsidiaries		**6,749**	17,974
Due to associates		**163,330**	120,066
Due to other related party		**110,539**	185,993
Tax liabilities		**29,978**	492,089
		5,688,493	4,928,781
Net Current Liabilities		**(2,467,940)**	(1,456,937)
Total Assets Less Current Liabilities		**7,599,957**	8,256,950
Non-Current Liabilities			
Borrowings		**586,500**	1,756,620
Deferred income		**204,355**	210,106
Deferred tax liabilities		**95,666**	38,193
Total non-current liabilities		**886,521**	2,004,919
Net assets		**6,713,436**	6,252,031
Capital and Reserves			
Share capital		**293,201**	293,201
Share premium and reserves		**3,925,711**	3,663,305
Equity attributable to owners of the Company		**4,218,912**	3,956,506
Non-controlling interests		**2,494,524**	2,295,525
Total equity		**6,713,436**	6,252,031

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the Year ended 31 December 2018

1. CORPORATE INFORMATION

China Foods Limited (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 China Foods (Holdings) Limited, a company incorporated in the British Virgin Islands. In the opinion of the directors of the Company (the "Directors"), the ultimate holding company is COFCO Corporation, which is a state-owned enterprise registered in the Peoples Republic of China (the "PRC").

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in processing, bottling and distribution of sparkling beverage products, and distribution of still beverage products.

The primary economic environment for the Group entities is Mainland China. It is Renminbi ("RMB") that mostly influences the performance of the Group entities and the underlying transactions, events and conditions relevant to the Group entities. Accordingly, the functional currency of the Company has been changed from Hong Kong Dollar ("HKD") into RMB retrospectively. The presentation currency of the consolidated financial statements is also changed from HKD to RMB in the current year. Comparative figures have been re-presented in RMB.

2. Basis of preparation

This financial information have been prepared on a going concern basis notwithstanding that the Group had net current liabilities of RMB2,467,940,000 at the end of the reporting period. In preparing these consolidated financial statements, the Directors have given careful consideration to the current and anticipated future liquidity of the Group. Taking into account, inter alia, (i) the unutilised loan facilities at the end of the reporting period, and (ii) the expected net cash inflows generated from the Group's operations for the next twelve months. 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 these consolidated financial statements on a going concern basis is appropriate.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs, that are Mandatorily Effective for the Current Year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and the related interpretations.

The Group recognises revenue from sale of beverage products. Information about the Group's performance obligation resulting from application of HKFRS 15 is disclosed in note 4.

Summary of effects arising from initial application of HKFRS 15

The following adjustment was made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	**Reclassification**	**Carrying amounts under HKFRS 15 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
Other payables and accruals	3,090,958	(1,029,638)	2,061,320
Contract liabilities	–	1,029,638	1,029,638

Previously included in other payables and accruals, RMB1,029,638,000 related to advance payment received from customer for purchase of the Group's products. This balance is reclassified to contract liabilities upon application of HKFRS 15.

The following table summaries the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of profit or loss for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

		As reported	**Adjustment**	**Amounts without application of HKFRS 15**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Other payables and accruals	*(a)*	2,695,379	1,341,686	4,037,065
Contract liabilities		1,341,686	(1,341,686)	–

Impact on the consolidated statement of profit and loss

	Note	**As reported** *RMB'000*	**Adjustment** *RMB'000*	**Amounts without application of HKFRS 15** *RMB'000*
Revenue		15,648,051	143,303	15,791,354
Distribution and selling expenses	*(b)*	4,464,389	(143,303)	4,321,086
Profit for the year		576,365	–	576,365

Impact on the consolidated statement of cash flows

	Note	**As reported** *RMB'000* *(c)*	**Adjustment** *RMB'000*	**Amounts without application of HKFRS 15** *RMB'000*
OPERATING ACTIVITIES				
Increase other payables and accruals	*(a)*	634,059	312,048	946,107
Increase in contract liabilities		312,048	(312,048)	–
Cash generated from operations		1,499,269	–	1,499,269

(a) RMB1,341,686,000 related to advance payment received from customer for purchase of the Group's products would have been included in other payables and accruals prior to application of HKFRS 15. Under HKFRS 15, this balance is classified as contract liabilities in the consolidated statement of financial position as at 31 December 2018. Cash flow movements have been adjusted accordingly.

(b) RMB143,303,000 related to promotion expense for promotion activities performed by the distributors would have been included in distribution and selling expenses prior to application of HKFRS 15. Under HKFRS 15, this amount reduces revenue in the consolidated statement of profit or loss for the year ended 31 December 2018.

(c) For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening statement of financial position as at 1 January 2018 as disclosed above.

HKFRS 9 Financial Instruments and the Related Amendments

In the current year, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for i) the classification and measurement of financial assets and financial liabilities, ii) expected credit losses ("ECL") for financial assets and, iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

Impairment under ECL model

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The application of ECL model has no material impact on retained profits or other comprehensive income at 1 January 2018.

Summary of effect arising from initial application of HKFRS 9

The application of HKFRS 9 has no material impact on the classification and measurement (including impairment) of financial assets and financial liabilities at 1 January 2018.

Amendments to HKAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existing at that date. There is no impact to the classification at 1 January 2018.

4. REVENUE

A. For the year ended 31 December 2018

Disaggregation of revenue from contracts with customers

	For the year ended 31/12/2018 *RMB'000*
Types of goods	
Sparkling drinks	**11,427,782**
Juices	**2,255,625**
Water	**1,319,519**
Others	**645,125**
Total	**15,648,051**
Timing of revenue recognition	
A point in time	**15,648,051**

The Group sells sparkling and still beverage products to its customers, revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customer's specific location. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility on selling the goods and bears the risks of obsolescence and loss in relation to the goods. Payment in advance or payment on delivery is typically required from customers, except for certain customers granted with credit term ranging from 7 to 90 days upon delivery.

All Group's sale of goods are for periods of one year or less, as permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

B. For the year ended 31 December 2017

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

5. OPERATING SEGMENT

After the wine segment, kitchen food segment and the others segment were disposed of during 2017, the Group's revenue and consolidated results are mainly derived from processing, bottling and distribution of sparkling and still beverages, which is regarded as a single operating segment in a manner consistent with the nature of the products and production process, the types of customers for their products, the methods used to distribute their products, and the nature of the regulatory environment. Accordingly, no segment information 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 deferred tax assets, are situated in Mainland China, hence no geographical information is presented in accordance with HKFRS 8 Operating Segments.

Information about major customers

During the current year, there was no revenue derived from a single customer which accounted for 10% or more of the Group's revenue (2017: Nil).

6. OTHER INCOME AND GAINS

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

	Year ended 31/12/2018 *RMB'000*	Year ended 31/12/2017 *RMB'000* (Restated)
Continuing operation		
Other income		
Government grants *(Note 1)*	**93,501**	85,304
Compensation income *(Note 2)*	**52,933**	906
Sale of by-products and scrap items	**23,831**	18,713
Commission income	**23,286**	84,311
Bank interest income	**5,023**	11,348
Gross rental income	**2,356**	2,937
Dividend income from available-for-sale investments	**–**	44,011
Others	**23,354**	24,411
	224,284	271,941
Gains		
Gain on disposal of subsidiaries	**–**	805,367
Gain on disposal of equity interests in associates	**–**	438,106
Gain on disposal of available-for-sale investments	**–**	435,735
Gain from changes in fair value of investment property	**–**	200
Gain on disposal of property, plant and equipment	**4,353**	–
Net foreign exchange gains	**–**	1,390
	4,353	1,680,798
	228,637	1,952,739

Note 1: 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 consolidated statement of financial position, respectively. There are no unfulfilled conditions or contingencies relating to these grants.

Note 2: Compensation income represents amount received from the holding company of non-controlling shareholder of a subsidiary of the Company for system related expenses incurred.

7. FINANCE COSTS

	Year ended 31/12/2018 *RMB'000*	Year ended 31/12/2017 *RMB'000* (Restated)
Continuing operation		
Interest on bank loans	**74,835**	87,548
Interest on loans from non-controlling shareholders of a subsidiary	**–**	796
	74,835	88,344

8. INCOME TAX EXPENSE

	31/12/2018 Year ended *RMB'000*	31/12/2017 Year ended *RMB'000* (Restated)
Continuing operation		
Current tax		
PRC enterprise income tax	**213,295**	600,262
(Over)/under provision in prior years		
PRC enterprise income tax	**(1,083)**	1,427
Deferred tax		
Current year	**(50,422)**	(12,901)
	161,790	588,788

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HKD2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HKD2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HKD2 million.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

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.

The tax charge for the year can be reconciled to the profit before tax per consolidate statement of profit or loss as follows:

	Year ended 31/12/2018		Year ended 31/12/2017	
	RMB'000	*%*	*RMB'000* (Restated)	*%*
Profit before tax from continuing operation	**738,155**		2,211,337	
Profit before tax from discontinued operations	**–**		419,968	
	738,155		2,631,305	
Tax at the statutory tax rates	**184,539**	**25.0**	665,831	25.3
Income tax at concessionary rate	**(4,346)**	**(0.6)**	(7)	–
Tax effect of share of profit of associates	**(11,042)**	**(1.5)**	(10,102)	(0.4)
Tax effect of income not taxable for tax purpose	**(14,656)**	**(2.0)**	(17,933)	(0.7)
Tax effect of expenses not deductible for tax purpose	**1,821**	**0.2**	176,758	6.7
Under/(over) provision in respect of prior year	**(1,083)**	**(0.1)**	10,509	0.4
Adjustments of deferred tax of previous periods	**11,161**	**1.5**	10,866	0.4
Utilisation of tax losses previously not recognised	**(6,345)**	**(0.9)**	(216,270)	(8.2)
Tax losses not recognised	**1,741**	**0.2**	14,811	0.6
Income tax expenses and effective tax rate for the year	**161,790**	**21.9**	634,463	24.1
Tax charge from continuing operation at the effective rate	**161,790**	**21.9**	588,788	22.4
Tax charge from discontinued operations at the effective rate	**–**	**–**	45,675	1.7

The share of tax attributable to associates amounting to RMB11,042,000 (2017: RMB10,102,000) is included in "Share of profits of associates" in the consolidated statement of profit or loss.

9. DISCONTINUED OPERATIONS

(1) Disposal of the kitchen food segment

On 25 May 2017, COFCO Food Sales & Distribution Co., Ltd. ("COFCO Food Sales & Distribution"), a former wholly-owned subsidiary of the Company, entered into an equity transfer agreement with COFCO Fortune Holdings Limited, a wholly-owned subsidiary of China Agri-Industries Holdings Limited, a fellow subsidiary of the Company, pursuant to which COFCO Food Sales & Distribution agreed to transfer its entire equity interest in COFCO Fortune Food Sales & Distribution Co., Ltd., a subsidiary of the Group's then 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:

	RMB'000 (Restated)
Property, plant and equipment	5,054
Inventories	779,904
Accounts and bills receivables	465,010
Prepayments, deposits and other receivables	186,892
Due from fellow subsidiaries	76,240
Bank balances and cash	23,606
Accounts and bills payables	(51,324)
Other payables and accruals	(550,299)
Due to fellow subsidiaries	(902,407)
	32,676
Gain on disposal of discontinued operation	1,017,336
	1,050,012
Satisfied by:	
Cash	1,050,012

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

	Year ended 31/12/2017 *RMB'000* (Restated)
Cash consideration	1,050,012
Cash and cash equivalents disposed of	(23,606)
Net inflow of cash and cash equivalents in respect of the disposal of discontinued operation	1,026,406

The results of the kitchen food segment for the period from January 2017 to September 2017 are presented below:

	Year ended 31/12/2017 *RMB'000* (Restated)
Revenue	8,572,980
Cost of sales	(7,797,931)
Other income and gains	3,147
Distribution and selling expenses	(753,018)
Administrative expenses	(7,080)
Other expenses and losses	(35)
Profit before tax from discontinued operation	18,063
Income tax expense	(4,221)
Profit for the year from discontinued operation	13,842
Post-tax gain on disposal of discontinued operation	1,017,336
Profit for the year attributable to discontinued operation	1,031,178
Profit before tax attributable to discontinued operation	1,035,399
Income tax expense attributable to discontinued operation	(4,221)
Profit for the year attributable to discontinued operation	1,031,178

The net cash flows incurred by the kitchen food segment for the period from January 2017 to September 2017 are as follows:

	Year ended 31/12/2017 *RMB'000* (Restated)
Operating activities	(164,297)
Investing activities	(3,291)
Net cash inflow	(167,588)

Earnings per share:	
Basic, attributable to discontinued operation	RMB36.86 cents
Diluted, attributable to discontinued operation	N/A

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

	Year ended 2017
Profit for the year attributable to owners of the Company from discontinued operation	RMB1,031,178,000
Weighted average number of ordinary shares for the purpose of basic earnings per share *(Note 12)*	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, comprising of the wine segment and the others segment for a total consideration of RMB1,187 million (the "Disposal"), and the Company would receive payment of RMB3,107 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 of. The Disposal was completed in December 2017.

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

	RMB'000 (Restated)
Property, plant and equipment	1,351,536
Investment properties	9,300
Prepaid lease payments	141,970
Prepayments for property, plant and equipment	1,173
Other intangible assets	7,183
Interests in associates	10,397
Deferred tax assets	4,680
Inventories	1,345,465
Accounts and bills receivables	487,220
Prepayments, deposits and other receivables	404,591
Due from fellow subsidiaries	60,672
Due from the ultimate holding company	2,571
Prepaid tax	3,565
Pledged bank deposits	10,937
Bank balances and cash	1,447,794
Accounts and bills payables	(281,705)
Other payables and accruals	(351,574)
Due to fellow subsidiaries	(80,312)
Tax liabilities	(4,867)
Deferred income	(71,927)
Deferred tax liabilities	(22,210)
Non-controlling interests	(54,373)
	4,422,086
Loss on disposal of discontinued operations	(129,192)
	4,292,894
Satisfied by:	
Cash	4,292,894

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:

	Year ended 31/12/2017 *RMB'000* (Restated)
Cash consideration	4,292,894
Cash and cash equivalents disposed of	(1,447,794)
Net inflow of cash and cash equivalents in respect of disposal of discontinued operations	2,845,100

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

	Year ended 31/12/2017 *RMB'000* (Restated)
Revenue	2,363,717
Cost of sales	(1,418,116)
Other income and gains	112,761
Distribution and selling expenses	(831,513)
Administrative expenses	(210,555)
Finance costs	(144)
Other expenses and losses	(502,389)
Loss before tax from discontinued operations	(486,239)
Income tax benefit	(35,620)
Loss for the year from discontinued operations	(521,859)
Post-tax loss on disposal of discontinued operations	(129,192)
Loss for the year attributable to discontinued operations	(651,051)
Loss before tax attributable to discontinued operations	(615,431)
Income tax benefit attributable to discontinued operations	(35,620)
Loss for the year attributable to discontinued operations	(651,051)

The net cash flows incurred by the wine segment and the others segment are as follows:

	Year ended 31/12/2017 *RMB'000* (Restated)
Operating activities	28,835
Investing activities	(16,308)
Financing activities	1,078,864
Net cash inflow	1,091,391

Loss per share:	
Basic, attributable to discontinued operations	RMB23.27 cents
Diluted, attributable to discontinued operations	N/A

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

	Year ended 31/12/2017 (Restated)
Loss for the year attributable to owners of the Company from discontinued operations	RMB651,051,000
Weighted average number of ordinary shares for the purpose of basic earnings per share *(Note 12)*	2,797,223,396

10. PROFIT FOR THE YEAR

Profit for the year from continuing operation has been arrived at after charging/(crediting):

	Year ended 31/12/2018 *RMB'000*	Year ended 31/12/2017 *RMB'000* (Restated)
(a) Cost of sales		
Cost of inventories sold	**10,082,052**	8,648,603
Provision against inventories	**24,688**	12,520
	10,106,740	8,661,123
(b) Other items		
Depreciation of property, plant and equipment	**414,843**	515,154
Amortisation of prepaid lease payments	**15,121**	13,261
Total depreciation and amortisation	**429,946**	525,273
Capitalised in inventories	**(25,240)**	(8,299)
	404,746	516,974
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**1,652,192**	924,728
Equity-settled share option expense	**–**	(1,017)
Pension schemes contributions	**230,423**	103,197
Auditor's remuneration	**1,887**	3,652
Impairment property, plant and equipment	**38,181**	6,298
Impairment/(reversal) of receivables	**2,568**	(1,048)

11. DIVIDENDS

	Year ended 31/12/2018 *RMB'000*	Year ended 31/12/2017 *RMB'000* (Restated)
Dividends for ordinary shareholders of the Company recognised as distribution during the year		
2017 final-HK2.4 cents (2016 final-HK1.2cents) per ordinary share	**58,452**	28,926
2017 special-HKD1.03 per ordinary share	**–**	2,437,389
	58,452	2,466,315

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of RMB0.034, equivalent to HK3.9 cents (2017: HK2.4 cents) per ordinary share, in an aggregate amount of RMB95,106,000, equivalent to HKD109,092,000 (2017: RMB58,452,000, equivalent to HKD67,133,000), has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

12. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the following data:

Earnings figures are calculated as follows:

	Year ended 31/12/2018 *RMB'000*	Year ended 31/12/2017 *RMB'000* (Restated)
Profit for the year attributable to owners of the Company	**320,858**	1,559,647
Less: Profit for the year from discontinued operations	**–**	374,293
Earnings for the purpose of basic earnings per share from continuing operation	**320,858**	1,185,354
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share from continuing operations	**2,797,223,396**	2,797,223,396

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

From discontinued operations

Basic and diluted earnings per share for the discontinued operations is RMB nil cent per share (2017: RMB13.38 cents per share) based on the profit for the year from the discontinued operations of RMB nil (2017: RMB374,293,000) and the denominators detailed above for both basic and diluted earnings per share.

13. ACCOUNTS RECEIVABLES

	31/12/2018 *RMB'000*	31/12/2017 *RMB'000* (Restated)
Accounts receivables	**307,073**	301,307
Allowance	**(2,285)**	(1,827)
	304,788	299,480

The Group gives credit term to key customers, while for other customers, payment in advance or payment on delivery is normally required. The Group seeks to maintain strict control over its outstanding receivables and has a credit control commissioner 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 receivable balances. Accounts receivables are non-interest-bearing.

The following is an aged analysis of accounts receivables, net of allowance for credit loss, presented based on the date of the delivery of goods:

	31/12/2018	31/12/2017
	RMB'000	*RMB'000*
		(Restated)
Within 6 months	**297,106**	150,469
6 to 12 months	**7,682**	148,998
1 to 2 years	**–**	13
	304,788	299,480

Ageing of accounts receivables which are past due but not impaired:

	31/12/2018	31/12/2017
	RMB'000	*RMB'000*
		(Restated)
Within 1 year	**29,027**	41,230

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Movement in the allowance for doubtful debts during the year ended 31 December 2017:

	31/12/2017
	RMB'000
	(Restated)
1 January	112,401
Impairment losses recognised	19,928
Acquisition of subsidiaries	7,894
Written-offs	(3,014)
Disposal of subsidiaries	(135,382)
31 December	1,827

In 2017, included in the above provision for impairment of accounts receivable is a provision for individually impaired accounts receivable of with a carrying amount before provision of RMB3,998,000.

14. ACCOUNTS AND BILLS PAYABLES

The following is an aged analysis of accounts payables presented based on the invoice date.

	31/12/2018	31/12/2017
	RMB'000	*RMB'000*
		(Restated)
Within 3 months	**535,792**	882,921
3 to 12 months	**53,777**	41,281
1 to 2 years	**10,651**	4,516
Over 2 years	**6,591**	2,140
	606,811	930,858

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 RMB7,961,000 (2017: RMB6,424,000).

15. BUSINESS COMBINATIONS

On 17 November 2016, COFCO Coca-Cola Beverages Limited ("CCBL"), a 65%-owned subsidiary of the Company, entered into the non-public sale equity transfer master agreement with The Coca-Cola Company ("KO") and Swire Beverages Holdings Limited ("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., (collectively the "CBL Companies"), for an aggregate base consideration of RMB2,900,000,000; and

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

(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 *RMB'000* (Restated)
Property, plant and equipment	2,241,529
Intangible assets	1,240,100
Prepaid lease payments	299,292
Deferred tax assets	95,967
Inventories	452,450
Accounts receivable	417,608
Prepayments, deposits and other receivables	243,041
Bank balances and cash	591,803
Accounts payable	(854,677)
Other payables and accruals	(930,303)
Bank borrowings	(997,645)
Tax liabilities	(18,389)
Deferred income	(26,208)
Deferred tax liabilities	(12,115)
Total identifiable net assets at fair value	2,742,453
Non-controlling interests	(269,941)
	2,472,512
Goodwill arising on acquisition	1,065,733
Satisfied by:	
Cash	3,538,245

The fair value of the accounts receivable and other receivables as at the date of acquisition amounted to RMB417,608,000 and RMB243,041,000, respectively. The gross contractual amounts receivable and other receivables were RMB425,502,000 and RMB243,320,000, respectively, of which accounts receivable of RMB7,894,000 and other receivables of RMB278,766 are expected to be uncollectible.

The Group incurred transaction costs of RMB44,095,000 for this acquisition. These transaction costs were expensed and included in profit or loss during the year ended 31 December 2017.

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

	RMB'000 (Restated)
Cash consideration	(3,538,245)
Cash and cash equivalents acquired	591,803
Net outflow of cash and cash equivalents in respect of the acquisition	(2,946,442)

Since the acquisition, the CBL Companies and Coca-Cola Shaanxi contributed RMB4,557,384,000 to the Group's revenue and profit of RMB133,160,000 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 2017 would have been RMB14,867,564,000 and RMB2,003,420,000, respectively.

16. DISPOSAL OF SUBSIDIARIES

The details of disposal of subsidiaries, (other than those related to the discontinued operations included in note 9 to the consolidated financial statements), during the year ended 31 December 2017 are as follows:

	31/12/2017
	RMB'000
	(Restated)
Net assets disposed of:	
Property, plant and equipment	282,823
Prepaid lease payments	30,782
Prepayments for property, plant and equipment	25
Goodwill	91,351
Deferred tax assets	8,723
Inventories	81,029
Accounts and bills receivables	21,428
Prepayments, deposits and other receivables	16,109
Due from fellow subsidiaries	2,621
Prepaid tax	2,960
Pledged deposits	2,399
Bank balance and cash	45,524
Accounts and bills payables	(132,915)
Other payables and accruals	(132,345)
Due to fellow subsidiaries	(74,375)
Due to associates	(6,101)
	240,038
Gain on disposal of subsidiaries	805,367
	1,045,405
Satisfied by	
Cash	1,045,405
Net cash inflow arising on disposal:	
Cash consideration	1,045,405
Less: Cash and cash equivalents disposed of	(45,524)
	999,881

MANAGEMENT DISCUSSION AND ANALYSIS

Current status

In 2017, China Foods disposed of its businesses in consumer-pack edible oils, other kitchen food products, wine and other non-beverage products, enabling it to focus on its beverage business through its control and operation of COFCO Coca-Cola Beverages limited ("CCBL"), Coca-Cola's sixth largest global bottling partner.

Currently, the Company's exclusive franchise right to manufacture, market and distribute products under the Coca-Cola series encompasses 19 provincial-level administrative regions covering 50.4% of mainland China's population. The Company provides consumers with nine major types of beverages – namely sparkling drinks, juices, milk drinks, waters, enhanced waters, coffees, ready to-drink teas, energy drinks and plant-based protein drinks – under 18 brands.

Today, the Company employs more than 10,000 salespeople to serve over million customers. Our marketing network reaches 100% of the cities, 100% of the counties and more than 60% of the towns within our operating regions, representing more than half of all retail points in the region. Controllable distribution accounted for the majority of total sales.

Development strategy

As the only focused beverage business within the COFCO group, and following The Coca-Cola Company's strategy for the development of a total beverage business with "Total Quality Improvement and Efficiency Enhancement, Achieving Innovation and Win-win Results", in 2018 China Foods followed the industrial development trend of meeting consumer demand, boosting market status and shareholder returns, and striving to become a world-class bottler. Specific strategies are as follows:

- Quality systems: Demonstrate a firm commitment to food safety, quality and full compliance with quality standards required by the government, COFCO and The Coca-Cola Company. Implement a tracking system and enhancement mechanism to become a safe and environmentally-friendly enterprise.

- Product structure: Continue to optimise and diversify the product structure to offer appealing, high quality beverages that bring consumers enjoyment, refreshment, health and energy.

- Sales and distribution network: Provide sustainable and stable high-quality customer services in operating regions, with the most extensive geographical coverage to support a growing number of customers and robust business activities, and maintain high sales revenue growth. Meanwhile, continue to improve distribution efficiency and reduce the distribution cost of each unit case, continue to improve the productivity and adaptability of the network, and expand new sales channels based on consumption trends and retail industry developments.

- Best benefits: Maintain the Group's higher than average profit growth among the sector than average growth for the Group; continuously increase the net cash flows generated from operating and investment activities, exceeding the Group's average profit growth, and return on shareholders' equity higher than the Group's average, and create returns for society via tax contributions, employment opportunities and charitable activities; share the enterprise's success with employees through the simultaneous realisation of individual value and enterprise development.

- Teambuilding: Employees are integrated into highly efficient, interactive teams under a corporate culture that stresses honesty, professional dedication and development, innovation and responsibility. Our culture is recognised and respected by other bottlers in the system, the industry, our business partners and shareholders.

Industrial environment

Based on statistics from the National Bureau of Statistics of the PRC, China's GDP achieved a year-on-year growth of 6.6% in 2018. The national economy was stable on the whole. The economy's stable development and the growth and upgrading of consumer demand contributed to high single-digit sales volume growth in the non-alcoholic ready-to-drink industry in 2018 as compared to the same period in 2017. This was mainly driven by sparkling, energy drinks and dairy products.

According to data released by Nielsen, China Foods maintained its leading position in the industry and the regions in which it operates. The total sales volume and market share by value of sparkling drinks, juices, bottled water, milk drinks and enhanced water reached 24% and 21% respectively. Sparkling drinks and juices continued to maintain a leading position, and market share of bottled water continuously improved with a year-on-year growth of 0.5 percentage points.

REVIEW OF 2018 RESULTS

Below is a summary comparison of the beverage business's 2018 and 2017 annual results:

	For the year ended 31 December 2018 ***(RMB million)***	For the year ended 31 December 2017 *(RMB million)*	Change
Revenue	**15,648**	13,358	+17.1%
Sales volume growth rate			+17.0%
Percentage point change of gross profit margin			+0.2ppt

In 2018, China Foods achieved growth of 17.0% in sales volume to 1.25 billion unit cases and 17.1% in revenue to approximately RMB15,648 million compared with last year with gross revenue growth surpassing sales volume growth. Among them, the new products contributed 3.5% to total sales volume and 7.2% of revenue respectively. Sales volume and revenue in original franchised territories increased by 7.4% and 8.0% respectively. Prices of our main raw materials, except white sugar, increased substantially during the year, but the sales growth of new products with higher gross profits and improvements in production efficiency offset these adverse factors, allowing for an essentially unchanged year-on-year gross profit margin.

In the first full year after China Foods completed the restructuring of its Coca-Cola businesses in China, benefits integration and restructuring of businesses continued. Efficiencies were achieved through the improvement of capacity utilisation rates at newly acquired bottlers and from the increased proportion of self-production to reduce cost of subcontracting. Optimising adjacent operating areas effectively reduced product transportation distances and saved logistics costs. The cost savings were also made through the synergistic effects of increasing warehouse utilisation rates and improving storage capacity to reduce external warehouse rental expenses. Through these measures, newly acquired bottlers significantly improved their before-tax profit margins.

In 2018, China Foods exerted tighter control over various fees and expenses, leading to its overall expense ratio decreasing by approximately 1.6%. The Company also focused on managing capital expenditures and operating cash flow to gradually reduce finance costs. The operating profit margin was higher than that of last year. Four additional production lines were put into operation during the year. At present, the Company's annual production capacity for sparkling beverages and water is approximately 1.8 billion unit cases, a year-on-year increase of approximately 10%.

China Foods' beverage business has maintained a solid and sustainable pace of development in terms of total volume and structure.

Business development by beverage category was as follows:

Sparkling drinks

While maintaining the stable development of its core brands, China Foods also promoted new products with a higher gross profit, creating sustainable development opportunities for sparkling drinks. Among the core brands, Coca-Cola led the market in 2018 with the launch of "Nickname Bottle", "Lyric Bottle", "Lines Bottle", "Code Bottle" to "Bracelet Bottle" summer promotion campaigns. With these, Coca-Cola closely followed current beverage consumption behavior and trends. Sprite's collaboration with the popular "King of Glory" mobile game and Marvel's The Avengers movie included the depiction of game and movie characters on product packaging, increasing their appeal among younger consumers. Responding to consumer health trends and modern design, we upgraded product packaging, introduced sleek canned products and increased the proportion of sugar-free series products in the sparkling category. Building on the success of "Coca-Cola Zero" and "Sprite Zero", we introduced "Sprite Fiber +" and "Coca-Cola Fiber+", both of which use "body shaping and slimming" as their selling point, and which have maintained a high reorder rate since their debut. With the debut of "Fanta Zero" in March, a total of five new sugar-free series products were launched in 2018.

In 2018, sparkling products' market share by value in our operating regions increased by 0.6 of a percentage point, with a market share of over 60%, further surpassing its main competitors' products.

Juices

In 2018, the Company continued to strengthen the distribution of its new Flower series products. A "Spy Bottle" campaign and themed roadshows with free drinks for consumers helped to significantly increase the frequency of product consumption. Through its sponsorship of the popular Ultimate Challenge TV variety show and cooperation with popular IP dramas, the Company enhanced audience recognition of its Minute Maid Triple Fruit and Flower series products and influenced consumer preferences. At the level of retail execution, the Company increased the number of shops displaying our juice rainbow and reinforced the promotion of juice products through catering channels.

Two strategically packaged juice products were launched in 2018. To meet demand for household consumption, a new generation of one-litre products of pulpy tropical fruit, pulpy grape and rose grape flavors was debuted. To meet growing demand for multi-packaged beverages, a 12-pack 300ml pulpy orange was also launched.

In 2018, the market share by value for juices in our operating regions was approximately 20%, which was largely unchanged on a year-on-year basis while maintaining our leading position in the industry.

Water

Leveraging on market demand for water products, and separate from Ice Dew's positioning in the RMB1 water market, the Company launched Chun Yue water at the RMB2 price point. In June 2018, we also launched the new Chun Yue Shenxian Water in original, lime and cucumber flavors. The product targets urban youth and addresses their health and quality of life concerns by containing no sugar or calories. These products can provide 28% of the recommended daily dietary fiber intake for adults, and satisfy the demands of newly dominant urban consumer groups. At the same time, the Company explored the source water market in preparation for entering the medium-and high-end water industry. In the second half of 2018, the Company launched two Russian source waters – ZhongKe Kamchatka and ZhongKe Baikal.

In 2018, the market share by value for water in our operating regions increased by 0.5%, year-on-year.

Energy drinks

In 2018, Monster (魔爪) energy drink initiated an award-winning national uncapping campaign that ran throughout the year. Monster was also integrated as a prop in the popular "Player Unknown's Battlegrounds" game. The Company used the same theme for in-store displays and promotions to consolidate online and offline marketing. Targeting key customer channels, we continued to strengthen cooperation with petrol stations, internet cafes and gymnasiums to carry out continuous consumer promotion, gift-giving and model shop construction. In November 2018, one of the best-selling products in developed markets such as the United States – "Monster Beyond (魔爪超越)" – was launched in China, bringing consumers a whole new experience in sugar and calory free energy drinks.

Ready-to-drink teas

In May 2018, the Company introduced Yo! Tea, a Western tea drink available in iced black tea with kumquat, black tea with blended berry, and green tea with apple and kiwi flavors. "Magic" (魔性), "take off" (起飛) and "fly, don't be restrained" positioning, a uniquely cool multilayered flavor and fashionable product packaging design based on hand gestures all aimed at giving the product youth appeal. A multimedia marketing campaign incorporating short videos, close-ups and other interactions emphasised the product's hip-hop style. Annual sales volume results exceeded expectations.

Coffee drinks

In May 2018, the Company launched two new GEORGIA products – rich aroma American coffee and mellow latte flavors – to create a new market segment of high-end ready-to-drink coffees. These freshly ground coffee products offered consumers appealing new tastes and high-end packaging, and their sales volume was better than expected.

Channel development

Building on its traditional channels, the Company has developed new retail channels and established an e-commerce division responsible for communication and cooperation with different e-commerce platforms. In B2B, we began cooperation with a number of major e-commerce platforms during the year and achieved good results. At the same time, a Coca-Cola operational platform was established to monitor various major indicators. We used B2C as a window for brand-building, recruiting new consumers, and nurturing and developing new products. We also cooperated with a number of e-business operators, including JD, Tmall, and He Ma, to increase our products availability, launch Double Eleven promotion activities, and increase online sales. Finally, we set up teams to provide catering and take-out services to help establish a leading position for Coca-Cola products in the O2O catering segment.

Outlook for 2019

China's economy will maintain a stable rate of growth in 2019, and driven by strong domestic demand, GDP growth is expected to continue to be higher than the global average. The reform of the individual income tax system will further increase the per capita disposable income available to citizens. These factors, along with the upgrading of consumption, are expected to contribute to steady growth for the beverage industry.

In sparkling beverage products, we will maintain the advantages of our traditional products while also developing healthy and fashionable products to both maintain our leadership and enhance profitability. We will integrate "Zero Sugar" series, "Fiber +" series and other new products and continue to promote the rapid growth of modern cans and multi-packaging products.

For juice products, we will fully upgrade existing products in 2019 to consolidate our leading industry position with a more fashionable and attractive appearance and a wide range of flavors.

For water products, we will continue to encourage consumer preference for the "Yi Lu Chun Yue" brand through themed activities and major events. We will also continue to improve the packaging structure, and exploit water use opportunities in different occasions with different-packaged products, and enhance our market share.

In the energy drinks sector, we will strengthen our communication with Monster, formulate a development plan for the China market, launch new products catering to Chinese consumers, and increase the expansion of key channels and in-store promotions.

As to the expansion of new retail channels, we will further refine our channel portfolio based on the development of the market channel structure, promote trial programs on B2B cooperation, and further expand customer service coverage through e-commerce partners. For B2C, we will increase the number of e-commerce partners and expand the proportion of online sales and overall beverage products and a continuous online and offline integrated strategy. In terms of OTO, we will increase the online and offline distribution of goods through catering channels, promote the display of essential packaged products, improve the tracking appraisal system, and seize business opportunities in new retail channels in the catering sector.

In 2018, the average consumption of Coca-Cola beverages in our operation regions was approximately 43 cups per capita, which is approximately 5.6% lower than the average in China and far below the global average. The Company sees a great potential for future development. China has become the largest contributor to Coca-Cola's global growth, and CCBL is an important engine driving it. The management believes that through continuous new product promotion, improved execution, channel expansion, deepening and enhancing regional integration, it will continue to boost the Company's overall performance. In summary, the Company is expected to maintain healthy growth in 2019.

FINANCIAL REVIEW

REVENUE

In 2018, sales volume growth amounted to 17.0% while revenue growth reached 17.1%, 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 project completed in April 2017.

GROSS PROFIT MARGIN

Prices of our main raw materials, except white sugar, increased substantially during the year, but the sales growth of new products with higher gross profits and improvements in production efficiency offset this adverse effect of higher prices, allowing for a basically uncharged year-on-year gross profit margin.

OTHER INCOME AND GAINS

One-off gains on disposal of certain subsidiaries, equity interests in associates and available-for-sale investment of approximately RMB1,679 million in aggregate were recorded in 2017, which was in relation to the disposals of equity interests in certain bottling plants in the refranchising project. There were no material change in other income and gains after excluding the one-off gains mention above.

DISTRIBUTION AND SELLING EXPENSES RATIO/ADMINISTRATIVE EXPENSES RATIO

More marketing expenses to promote new products incurred in current year led to a slightly higher distribution and selling expenses ratio.

Significant one-off professional fees related to the refranchising project were recorded in the corresponding results for 2017. The administrative expenses ratio of continuing operations decreased by 1.7 percentage points was mainly due to the decrease in professional fees and gradual gains in efficiency from the business integration in current year.

FINANCE COSTS

Finance costs dropped by 15% as a result of the repayment of borrowings RMB590 million during 2018.

INCOME TAX EXPENSES

Significant income tax expense related to the gain on disposal of certain subsidiaries, equity interests in associates and available-for-sale investments of the beverage business as part of the refranchising project was recorded in the corresponding results for 2017. Income tax expenses increased in line with profit in the absence of the exceptional factors mentioned above.

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 the 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.

In the consolidated statement of financial position as at 31 December 2018, the Group's unpledged cash and cash equivalents totaled approximately RMB243 million (31 December 2017: approximately RMB832 million). Net current liabilities were approximately RMB2,468 million (31 December 2017: RMB1,457 million). The year-on-year change is mainly related to reclassification of bank borrowings RMB580 million from non-current to current liability due to approaching of its maturity date.

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 2018.

CAPITAL STRUCTURE

As at and for the year ended 31 December 2018, 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 2018, the Group had interest-bearing bank borrowings of approximately RMB1,167 million (31 December 2017: approximately RMB1,747 million). As at 31 December 2018, all bank borrowings in Mainland China were denominated in Renminbi, carried at annual interest rate of loan prime rate -0.25% (31 December 2017: carried at annual interest rate of loan prime rate -0.25%).

As at 31 December 2018, the Group had no other borrowings (31 December 2017: approximately RMB10 million, carried at fixed, annual interest rate of 4.28%).

As at 31 December 2018, net assets attributable to owners of the parent were approximately RMB4,219 million (31 December 2017: approximately RMB3,957million) and net borrowing position of the Group (interest-bearing bank and other borrowings less unpledged cash and cash equivalents) was approximately RMB923 million (31 December 2017: approximately RMB925 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 22% (31 December 2017: approximately 23%).

CONTINGENT LIABILITIES AND ASSETS PLEDGED

As at 31 December 2018, the Group has no significant contingent liabilities nor assets pledged (other than certain bills payable) (31 December 2017: 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 2018, all interest-bearing borrowings were denominated in Renminbi and recorded in the books of the subsidiaries operating in Mainland China.

Although the Group has not used any financial instruments for hedging purposes, the treasury function actively and closely monitors foreign exchange rate exposure. The foreign exchange risk exposure at the operational level is not significant.

HUMAN RESOURCES

As at 31 December 2018, the Group employed 19,910 staff in Mainland China and Hong Kong (31 December 2017: 20,293). 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 pension insurance, medical insurance, employment injury insurance, unemployment insurance, maternity insurance and housing fund contributions in compliance with the requirements of the laws of China. Details of these benefit schemes will set out in the 2018 Annual Report.

The Company and its subsidiaries have no share option scheme.

FINAL DIVIDEND

On 26 March 2019, the Board recommended the payment of a final dividend of RMB0.034, equivalent to HK3.9 cents, (2017: HK2.4 cents) per ordinary share for the year ended 31 December 2018, subject to the approval obtained at the annual general meeting to be held on Tuesday, 4 June 2019 (the "2019 AGM"). The proposed final dividend for the year ended 31 December 2018 will be distributed on or after Friday, 5 July 2019 to shareholders of the Company (the "Shareholders") whose names appear on the Shareholders' register of the Company on Friday, 14 June 2019 (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 2018. 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 2018 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 2018 after deducting enterprise income tax of 10%. The Company will not withhold and pay the enterprise income tax in respect of the final dividend for 2018 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, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, 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, 12 June 2019.

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 2019 AGM, the register of members of the Company will be closed from Thursday, 30 May 2019 to Tuesday, 4 June 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2019 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 Wednesday, 29 May 2019.

For determining the Shareholders' entitlement to the proposed final dividend for 2018, the register of members of the Company will be closed from Thursday, 13 June 2019 to Friday, 14 June 2019, both days inclusive, during which period no transfer of shares will be registered. The ex-dividend date will be Tuesday, 11 June 2019. In order to qualify for the proposed final dividend for 2018, 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, 12 June 2019.

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 of the Company has reviewed the consolidated financial statements for the year ended 31 December 2018 and has discussed with the Company's auditor, 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 MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary 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 2018 Annual Report of the Company will be published on the above websites and dispatched to the Shareholders in due course.

By order of the Board
China Foods Limited
Luan Xiuju
Managing Director

Hong Kong, 26 March 2019

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