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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 2019

FINANCIAL HIGHLIGHTS

The following table shows the comparison of the final results for the year ended 31 December 2019 (the "year") of China Foods Limited (the "Company" or "China Foods") and its subsidiaries (together the "Group") with the corresponding results for 2018:

	For the year ended 31 December 2019 (RMB million)	For the year ended 31 December 2018 (RMB million)	Changes
Continuing operations:			
● Revenue	**17,172.0**	15,648.1	+10%
● Gross profit margin	**36.5%**	35.4%	+1.1ppt
● Adjusted EBIT*	**1,025.2**	768.8	+33%
● Adjusted EBITDA^	**1,544.9**	1,264.2	+22%

The board of directors (the "Board") of the Company has resolved to recommend to shareholders the payment of final dividend of RMB0.044, equivalent to HK4.8 cents for the year (2018: RMB0.034, equivalent to HK3.9 cents).

Adjusted EBIT* represents:

	For the year ended 31 December 2019 (RMB million)	For the year ended 31 December 2018 (RMB million)
Profit before tax	**1,012.6**	738.2
Reconciliation:		
Finance costs	**53.6**	74.8
Share of profits of associates	**(41.0)**	(44.2)
Adjusted EBIT*	**1,025.2**	768.8

Adjusted EBITDA^ represents:

	For the year ended 31 December 2019 (RMB million)	For the year ended 31 December 2018 (RMB million)
Adjusted EBIT*	**1,025.2**	768.8
Reconciliation:		
Provision against inventories	**31.9**	24.7
Depreciation of property, plant and equipment	**399.2**	414.8
Depreciation of right-of-use assets	**39.7**	-
Amortisation of prepaid lease payments	**-**	15.1
Impairment of property, plant and equipment	**46.5**	38.2
Impairments loss of account receivables	**2.4**	2.6
Adjusted EBITDA^	**1,544.9**	1,264.2

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 2018 (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 2019

	NOTES	**Year ended 31/12/2019 RMB'000**	Year ended 31/12/2018 RMB'000
Revenue	4	**17,172,027**	15,648,051
Cost of sales		**(10,898,054)**	(10,106,740)
Gross profit		**6,273,973**	5,541,311
Other income and gains	6	**228,832**	228,637
Distribution and selling expenses		**(4,974,622)**	(4,467,172)
Administrative expenses		**(465,541)**	(450,848)
Other expenses and losses		**(37,440)**	(83,106)
Finance costs	7	**(53,626)**	(74,835)
Share of profits of associates		**41,033**	44,168
Profit before tax		**1,012,609**	738,155
Income tax expense	8	**(236,773)**	(161,790)
Profit for the year	9	**775,836**	576,365
Profit for the year attributable to			
-Owners of the Company		**417,789**	320,858
-Non-controlling interests		**358,047**	255,507
		775,836	576,365
Earnings per share			
Basic (cents)	11	**14.94**	11.47
Diluted (cents)		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Year ended 31 December 2019

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
Profit and other comprehensive income for the year	**775,836**	576,365
Total comprehensive income for the year attributable to:		
-Owners of the Company	**417,789**	320,858
-Non-controlling interests	**358,047**	255,507
	775,836	576,365

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2019

	NOTE	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Non-current Assets			
Property, plant and equipment		**5,062,681**	4,886,534
Right-of-use assets		**622,093**	-
Prepaid lease payments		**-**	529,445
Investment properties		**-**	20,100
Prepayments for property, plant and equipment		**1,850**	4,126
Intangible assets		**3,508,312**	3,506,274
Interests in associates		**769,810**	742,028
Deferred tax assets		**373,327**	379,390
		10,338,073	10,067,897
Current Assets			
Inventories		**1,889,648**	1,650,318
Accounts receivables	12	**329,407**	304,788
Prepayments, deposits and other receivables		**548,746**	566,129
Due from fellow subsidiaries		**17,801**	23,892
Due from the immediate holding company		-	138
Due from the ultimate holding company		-	71
Due from non-controlling shareholders of subsidiaries		**2,034**	359
Due from associates		**13,749**	19,743
Due from other related party		**369,844**	385,665
Prepaid tax		**75,801**	18,254
Debt instruments at fair value through other comprehensive income		**19,436**	-
Pledged bank deposits		**9,036**	7,961
Bank balances and cash		**834,789**	243,235
		4,110,291	3,220,553

	NOTE	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Current Liabilities			
Accounts and bills payables	13	**760,381**	606,811
Other payables and accruals		**3,095,609**	2,695,379
Borrowings		**606,500**	580,000
Lease liabilities		**31,149**	-
Contract liabilities		**1,587,175**	1,341,686
Due to fellow subsidiaries		**176,253**	152,685
Due to the ultimate holding company		**-**	1,336
Due to non-controlling shareholders of subsidiaries		**1,200**	6,749
Due to associates		**157,250**	163,330
Due to other related party		**243,316**	110,539
Tax liabilities		**73,707**	29,978
		6,732,540	5,688,493
Net Current Liabilities		**(2,622,249)**	(2,467,940)
Total Assets Less Current Liabilities		**7,715,824**	7,599,957
Non-Current Liabilities			
Borrowings		**-**	586,500
Deferred income		**207,045**	204,355
Deferred tax liabilities		**131,950**	95,666
Lease liabilities		**64,474**	-
		403,469	886,521
		7,312,355	6,713,436
Capital and Reserves			
Share capital		**293,201**	293,201
Share premium and reserves		**4,247,266**	3,925,711
Equity attributable to owners of the Company		**4,540,467**	4,218,912
Non-controlling interests		**2,771,888**	2,494,524
Total Equity		**7,312,355**	6,713,436

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year ended 31 December 2019

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 People's 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 consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional currency.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared on a going concern basis notwithstanding that the Group had net current liabilities of RMB2,622,249,000 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 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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 positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;
ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of buildings, machinery and equipment in the PRC was determined on a portfolio basis; and
v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

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

HKFRS 16 Leases - continued

As a lessee - continued

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.3%.

	Note	**At 1 January 2019 RMB'000**
Operating lease commitments disclosed as at 31 December 2018		**80,911**
Lease liabilities discounted at relevant incremental borrowing rates		**67,205**
Add: Lease liabilities resulting from lease modifications of existing leases	(a)	**3,963**
Recognition of lease liabilities		**20,011**
Less: Recognition exemption - short-term leases		**32,954**
Recognition exemption - low value assets		**41**
Lease liabilities upon application of HKFRS16 as at 1 January 2019		**58,184**
Analysed as		
Current		**18,806**
Non-current		**39,378**
		58,184

(a) The Group renewed the leases by entering into new lease contracts which commence after date of initial application, these new contracts are accounted as lease modifications of the existing contracts upon application of HKFRS 16.

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Note	**Right-of-use assets RMB'000**
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		**58,184**
Reclassified from prepaid lease payments	(a)	**544,566**
		602,750

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

HKFRS 16 Leases - continued

As a lessee - continued

(a) Upfront payments for leasehold lands in the PRC for own used properties were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB15,121,000 and RMB529,445,000, respectively were reclassified to right-of-use assets.

At the date of initial application, the adoption of HKFRS 16 leases has no impact to the retained earnings of the Group as at 1 January 2019. The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
		RMB'000	RMB'000	RMB'000
Current Assets				
Prepayments, deposits and other receivables	(a)	566,129	(15,121)	551,008
Non-current Assets				
Prepaid lease payments	(a)	529,445	(529,445)	-
Right-of-use assets		-	602,750	602,750
Current Liabilities				
Lease liabilities		-	(18,806)	(18,806)
Non-Current Liabilities				
Lease liabilities		-	(39,378)	(39,378)

(a) For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

New and amendments to HKFRSs in issue but not yet effective

HKFRSs	
HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. REVENUE

Disaggregation of revenue from contracts with customers

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
Types of goods		
Sparkling drinks	**12,621,050**	11,427,782
Juices	**2,269,742**	2,255,625
Water	**1,507,733**	1,319,519
Others	**773,502**	645,125
Total	**17,172,027**	15,648,051
Timing of revenue recognition		
A point in time	**17,172,027**	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 of the Group's contracts for sale of goods are for periods of one year or less, as permitted under HKFRS 15, the transaction price allocated to unsatisfied contracts is not disclosed.

5. OPERATING SEGMENT

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 (2018: Nil).

6. OTHER INCOME AND GAINS

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

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
Other income		
Government grants (note 1)	**79,790**	93,501
Processing services	**22,032**	23,286
Sale of by-products and scrap items	**23,064**	23,831
Bank interest income	**5,100**	5,023
Compensation income (note 2)	**-**	52,933
Others	**23,652**	25,710
	153,638	224,284
Gains		
Gain on disposal of right-of-use assets and property, plant and equipment (note 3)	**75,194**	4,353
	228,832	228,637

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 in 2018 represents amount received from the holding company of non-controlling shareholder of the Company for system related expenses incurred.

Note 3: During the year, COFCO Coca-Cola Huazhong Beverages Limited disposed of its right-of-use assets and property, plant and equipment in relation to its old factory at a gain of RMB63,686,000.

7. FINANCE COSTS

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
Interest on bank loans	**50,823**	74,835
Interest on lease liabilities	**2,800**	-
Other	**3**	-
	53,626	74,835

8. INCOME TAX EXPENSE

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
Current tax		
PRC enterprise income tax	**190,831**	213,295
Under/(over) provision in prior years		
PRC enterprise income tax	**3,595**	(1,083)
Deferred tax		
Current year	**42,347**	(50,422)
	236,773	161,790

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, 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 31/12/2019		Year ended 31/12/2018	
	RMB'000	**%**	RMB'000	%
Profit before tax	**1,012,609**		738,155	
Tax at the statutory tax rates	**253,152**	**25.0**	184,539	25.0
Income tax at concessionary rate	**-**	**-**	(4,346)	(0.6)
Tax effect of share of profit of associates	**(10,258)**	**(1.0)**	(11,042)	(1.5)
Tax effect of income not taxable for tax purpose	**(12,208)**	**(1.2)**	(14,656)	(2.0)
Tax effect of expenses not deductible for tax purpose	**2,095**	**0.2**	1,821	0.2
Under/(over) provision in respect of prior year	**3,595**	**0.4**	(1,083)	(0.1)
Adjustments of deferred tax of previous periods	**-**	**-**	11,161	1.5
Utilisation of tax losses previously not recognised	**(3,746)**	**(0.4)**	(6,345)	(0.9)
Tax losses not recognised	**4,143**	**0.4**	1,741	0.2
Income tax expenses and effective tax rate for the year	**236,773**	**23.4**	161,790	21.9

The share of tax attributable to associates amounting to RMB10,258,000 (2018: RMB11,042,000) is included in "Share of profits of associates" in the consolidated statement of profit or loss.

9. PROFIT FOR THE YEAR

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

		Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
(a)	Cost of sales		
	Cost of inventories sold	**10,866,176**	10,082,052
	Provision against inventories	**31,878**	24,688
		10,898,054	10,106,740
(b)	Other items		
	Depreciation of property, plant and equipment	**399,204**	414,843
	Depreciation of right-of-use assets	**39,697**	-
	Amortisation of prepaid lease payments	-	15,121
	Total depreciation and amortisation	**438,901**	429,964
	Capitalised in inventories	**(22,898)**	(25,240)
		416,003	404,724
	Employee benefit expense, including directors' and chief executive's remuneration		
	Wages and salaries	**1,938,730**	1,652,192
	Pension schemes contributions	**243,514**	230,423
	Total	**2,182,244**	1,882,615
	Auditor's remuneration	**2,343**	1,887
	Impairment of property, plant and equipment	**46,515**	38,181
	Impairment of receivables	**2,440**	2,568

10. DIVIDENDS

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year		
2018 final – HK3.9 cents (2018: final dividend of HK2.4 cents in respect of the year ended 31 December 2017) per ordinary share	**96,234**	58,452

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2019 of HKD4.8 cents (2018: HKD3.9 cents) per ordinary share, in an aggregate amount of HKD134,267,000, equivalent to RMB123,078,000 (2018: HKD109,092,000, equivalent to RMB96,234,000), has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming general meeting.

11. 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 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
Profit for the year attributable to owners of the Company	**417,789**	320,858
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,797,223,396**	2,797,223,396

No diluted earnings per share for both 2019 and 2018 were presented as there are no potential ordinary shares in issue for both 2019 and 2018.

12. ACCOUNTS RECEIVABLES

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Accounts receivables	**330,521**	307,073
Allowance	**(1,114)**	(2,285)
	329,407	304,788

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 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:

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Within 6 months	**318,106**	297,106
6 to 12 months	**11,301**	7,682
	329,407	304,788

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

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Within 1 year	**21,232**	29,027

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.

13. ACCOUNTS AND BILLS PAYABLES

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

	31/12/2019 RMB'000	31/12/2018 RMB'000
Within 3 months	**647,059**	535,792
3 to 12 months	**105,525**	53,777
1 to 2 years	**5,813**	10,651
Over 2 years	**1,984**	6,591
	760,381	606,811

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 RMB9,036,000 (2018: RMB7,961,000).

14. EVENTS AFTER THE REPORTING PERIOD

Assessment of 2020 coronavirus impact

Since the outbreak of coronavirus in China in January 2020, the prevention and control of the epidemic has continued throughout the country. The epidemic has impact certain provinces, cities and industries, especially the enterprises in Hubei Province, the epidemic also impacted the overall economic environment of China, which may affect the normal sales of the Group in certain parts of China to a certain extent. The degree of impact will depend on the duration of the epidemic and prevention and control activities taken by the government.

The Group will continue to pay close attention to the development of the epidemic and assess its impact on a continue basis, at the date of this announcement, as the outbreak of the coronavirus which is having a severe impact on the world economy adds to the present uncertainties, the evaluation is still in progress.

Except for the possible impact of the above-mentioned coronavirus epidemic, the Group has no other material subsequent event up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Current Status

China Foods currently holds and operates COFCO Coca-Cola Beverages Limited ("COFCO Coca-Cola") and is an important global bottling partner of The Coca-Cola Company.

The Company's exclusive franchise to manufacture, market and distribute products under the Coca-Cola series encompasses 19 provincial-level administrative regions, covering over 50% of the 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 19 brands.

The Company has more than 10,000 salespersons to serve over 1.5 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. Business under our control, being customer orders served directly by the Group's sales representatives, accounts for more than 80% of our overall business.

Development Strategy

Under the theme for 2019 of "Business Optimisation, Globalisation and Risk Containment", China Foods plans to optimise product structure, rationalise network planning, strengthen teamwork and accelerate innovation while maintaining pace of growth, so as to achieve increases in profitability and industries status within the industry, In addition, the Group intends to manage strictly potential safety and environmental issues as well as financial and management risks, and to improve the construction of its risk control system, in an effort to keep abreast with and even surpass the outstanding Coca-Cola global bottler and global beverage companies in all respects. Our main development strategy for 2019 was known as 3R2S, being Revenue Growth, Route to Market, Right Execution Daily, Supply Chain Excellence and System Capability Building, the details of which are as follows:

- Revenue Growth: Improving price management and optimising product structure to promote sustained revenue growth. In 2019, main packaging prices were systematically managed, and targeted increase in the product unit price and the adoption of system strictly to control low-price sales helped effectively to increase the overall price. In terms of product structure optimisation, we continued to promote the expansion of new ranges of beverages such as ready-to-drink tea, ready-to-drink coffee and sports drinks. We also promoted further the growth of new high-margin products such as a series of sugar-free sparkling products, Chun Yue brand water products; and continued our efforts upgrade the packaging of existing products such as sleek can, multi-packs, mini cans and new packaging for juice and other products. As a result, our revenue recorded significant growth in 2019, and the growth rate is even higher than the sales volume growth rate.

- Route to Market: Collaboration through digital tools such as electronic maps and with new retail platforms such as B2B to improve network coverage and efficiency. With the aid of sales system tools, we improved the efficiency of business visits and customer service quality, in order to maintain and continuously expand the effectiveness of existing channels. Meanwhile, we also actively developed sales channels for immediate consumption such as restaurants, hotels, tourism attractions and gas stations, we strengthened distribution and promotion activities; accelerated the development of new retail channels such as B2C, O2O and intelligent automatic vending machines, so as to increase the proportion and share of revenue contributed by these new channels. Further improvement of the marketing network has enabled the Company to reach more points-of-sale and consumers through these diversified channels.

- Right Execution Daily: In 2019, we continued to strengthen our services to key customers and expand our service coverage to ensure the enhancement of market execution standards and sales to key customers. We made use of image recognition technology to improve the management quality and efficiency of points-of-sales. We adjusted our sales strategy to the change in consumer shopping behaviors which resulted in the development of key projects such as super cities and catering model streets. We also strengthened the market performance of new retail channels and the opportunities for increasing online sales and O2O distribution, while putting more effort towards consumption digital marketing to reach more consumers and drive consumption.

- Supply Chain Excellence: We continued to promote the construction of a dual prevention mechanism, improve the system standards of all links, enhance mechanism-based protection over working safety and risk management and control efforts, and provided employees with training in production safety to raise employees' awareness of safety. We continued to improve resource output efficiency, so that the two indicators of efficient water consumption and energy consumption were maintained at among the best in the global Coca-Cola system. By improving logistics distribution network efficiency and inventory management level through upgrading and promotion of our transportation and warehouse management information system, we continued to improve uniform the standard(s) for our logistics operations, so as to improve staff efficiency and throughput. As a result, the average per unit logistics cost recorded a year-on-year decrease in 2019.

- System Capability Building: The management continues to believe that employees are the most valuable assets and an indispensable resource for the Group's sustained development. In order to ensure the continued development of the team, the Group has introduced an annual talent review programme to conduct a comprehensive evaluation on every employee. Development plans and corresponding training programmes were organised for them according to their evaluation results and personal development interests. For every key position, a backup team was selected for targeted training. In addition to regular management training and professional training, in 2019, the manager-level backup team was specially trained to benchmark general manager, director and other main positions in accordance with the programme. At the same time, we actively encouraged innovation, made effective use of our internal "Constructive Suggestions" platform to encourage innovation in routine work and took advantage of the establishment of annual innovation awards to stimulate major innovations.

Industrial environment

According to statistics from the National Bureau of Statistics of the PRC, China's GDP achieved a year-on-year growth of 6.1% and the per capita consumption expenditure recorded a year-on-year growth of 8.6% in 2019. With the steady development of the national economy and the continuous improvement of the level of urbanisation, the overall revenue of the non-alcoholic ready-to-drink industry maintained a year-on-year growth in 2019. The three main product categories of the Group, namely sparkling drinks, juice and packaged water, demonstrated different industry development trends, among which, sparkling drinks and packaged water had more rapid growth in revenue, which is higher than the average for the non-alcoholic ready-to-drink industry, and the juice category recorded negative growth in revenue.

REVIEW OF RESULTS

Below is a summary comparison of the beverage business's 2019 and 2018 annual results:

	For the year ended 31 December 2019 (RMB million)	For the year ended 31 December 2018 (RMB million)	Change
Revenue	**17,172**	15,648	+10%
Sales volume			+6%
Gross profit margin			+1.1ppt

In 2019, China Foods continued to maintain growth in revenue and sales volume, representing an increase of 10% and 6% as compared with last year, among which new products contributed more than 8% of the revenue. The overall average price of raw materials for the year was similar to that of last year. With the increase in sales volume of high-margin products and the improvement of the packaging structure, combined with the decreased of the VAT rate, the gross profit margin improved over the same period last year. Meanwhile, the Company concentrated on the management of capital expenditures and operating cash flow, and gradually reduced the financial costs, resulting in higher profit margin than last year.

Business development by beverage category was as follows:

Sparkling drinks

As to the expansion of product lines, we actively accelerated the growth of "Zero Sugar" and "Fiber +" series in response to the trend of consumers' towards healthy and fashionable products, and strengthened the promotion of modern cans and mini cans to attract consumers with more contemporary packaging. During the year, we launched a number of new flavours of sparkling drinks to provide consumers with more choices.

As to brand promotion, we leveraged the cooperation of "Coca-Cola Zero" and the popular movie "The Avengers 4" to packages products incorporating images of the movie characters to attract target customers, which achieved good results. The *Fanta* brand launched a limited-edition "FANTA Dark Mystery" (芬達黑魔錀) for the Halloween season, and strengthened its brand proposition of "enjoy good drinks with more fun (好喝好玩)".

In 2019, the market share by value for sparkling drinks in our operating regions increased by 0.6 percentage point, and the market share continued to be maintained at over 60%, surpassing its main competitors' products further.

Juices

Although the overall revenue of the juice sector recorded a year-on-year decline affected by the upgrading of consumption and rising self-made beverage stores, its revenue performance outperformed its main competitive products, representing a year-on-year growth in sales revenue, mainly driven by the comprehensive upgrading of new products of the Company.

During the year, *Minute Maid* carried out a large-scale product upgrade since its debut, with larger fruit pellets bringing consumers a pleasant taste and more colourful packaging bringing a full range of dazzling visual effects. It also captured more potential customers by its packaging, online and physical stores through new brand endorsers and marketing campaigns on different platforms. As for new products, the launch of "Minute Maid Passion Fruit" and "Minute Maid Hawthorn" further stimulated consumers' consumption.

In 2019, the market share by value for juices in our operating regions increased by 0.2 percentage point, still maintaining our leading position in the category.

Water

We focused on the promotion of *Chun Yue* water at the RMB2 price point, and recorded a rapid growth in revenue during the year thanks to our continuous investment in marketing which gradually produced positive results. With the improvement of our channel distribution capacity, *Ice Dew* water at the RMB1 price point also recorded a year-on-year growth in revenue.

In 2019, in addition to the sales volume, the average price per unit case for our water category also recorded an increase, and the market share by value in our operating regions remained at last year's level.

Energy drinks

During the year, *Monster (魔爪)* energy drink cooperated with PetroChina and Sinopec to create more than 2,000 image stores in petrol stations and service areas. In addition, through shelf displays in key channels such as gas stations, schools, Internet cafes and supermarkets, consumer free drinks and various forms of consumer promotion activities, we strove to broaden the consumer base, strengthen brand construction for the product's steady development, and achieved substantial growth in revenue.

Ready-to-drink teas

In 2019, COFCO Coca-Cola introduced the sugar-free tea brand *Authentic Tea House (淳茶舍)* in the region for the first time, and launched "Pu'er Xiao Tea" (普洱消茶) under the *Authentic Tea House (淳茶舍)* brand with specially selected Yunnan Pu'er Tea as a raw material and providing simple and mellow Chinese tea flavor. The tea is carefully brewed, sugar-fee and has its own sweetness. Premium tea leaves are used and each bottle contains dietary fiber that meets approximately 32% of adults' daily needs and helps to maintain normal intestinal function.

The western fruit tea brand *Yo! Tea* launched last year, added tequila flavor during the year, combined with the original iced black tea with kumquat, blended berry, apple and kiwi flavours, created four cool and fashionable fruity tea drinks with different flavours for young consumers.

Ready-to-drink coffee

The domestic ready-to-drink coffee market grew rapidly with estimated annual sales of US$2 billion and a projected compound annual growth rate of approximately 13% for 2017-2023. The Company launched a new *GEORGIA* high-end ready-to-drink coffee last year, which received an excellence response from the market. During the year, we organised a number of GEORGIA coffee gift-drinking activities in office buildings targeted consumer group which comprises the urban white-collar workers, which reached more than 100,000 target consumers through the campaign.

Sport drinks

In May 2019, the Company launched two sport drinks: the "POWERADE Ran" designed for explosive sports and the "POWERADE Nai" designed for endurance sports, providing different formulations for different sports to improve the sport performance of consumers. The *POWERADE* brand has recorded annual sales of more than US$2 billion in over 80 countries worldwide.

Channel development:

The Group continued to expand its customer base and adjust its customer structure. During the year, the number of customers served increased by more than 40,000, mainly from Modern Trade channels (MT) (+17,000) and catering channels (+63,000) which were our focus of development. The number of customers from General Trade (GT) channel has decreased due to urban transformation and after-sale upgrades.

Catering channel: During the year, the Company established a full-time catering team to actively develop new catering customers. Through the integration of online and offline activities, it cultivated consumer consumption habits in the dining scene and increased channel revenue.

MT channel: The Group sought to exploit the opportunities arising from the rapid development of subdivision channels such as convenience stores and small supermarkets and integrated such customers into its overall management of key customers. The double-digit growth in revenue was achieved in part by a more specialised and personalized management model for this segment of the market;

GT channel: We adopted tools such as electronic maps to improve our service to high-quality sales points. Through the increase in the number of contracted customers, single-store sales increased significantly, and channel revenue also achieved double-digit growth;

E-commerce channel: The product strategy for this channel different from that of GT channels. Channel product structure was optimised by the vigorous promoting new products and high-margin products to improve profitability. Cooperation with major e-commerce platforms has driven consumption through diversified means of marketing, contributing to a revenue growth of over 50%.

Outlook

China's economy will face huge challenges in 2020. Although China and the United States have signed the first phase of a trade agreement, the economic and trade relations between the two countries are still full of uncertainties. The outbreak of the coronavirus which is having a severe impact on the world economy adds to the present uncertainties. The pressure of slowing economic growth is still high. The pace of economic development will shift from high-speed to medium-high speed, and the mode of development will shift to focus on quality. Domestic consumption has become the main driving force for China's economic growth. The beverage industry is expected to continue to maintain steady growth in the longer term, benefiting from support of national policies.

In 2020, China Foods will continue to implement its total beverage strategy. While actively maintaining the advantages of its core categories, it will continue to increase the promotion of new products together with existing products. The growth of energy beverages and coffee is expected to continue to lead other categories in the coming few years. In addition to continuing to cultivate the development potential of *Monster (魔爪)* and *GEORGIA* brands, the Company will also cooperate with Costa Coffee in 2020 to launch high-end ready-to-drink coffee targeted at consumers pursuing a pure coffee experience, and further enrich its ready-to-drink coffee product line. For water category, we will continue our efforts to upgrade our products, increase the proportion of water products at the RMB2 price point, and accelerate the revenue and profitability growth of this category.

Furthermore, the Group will strive to achieve a revenue growth higher than the average of the industry through continuous investment in marketing, constant expansion of new products and new channels and continuous improvement of its internal management. Except the PET price fluctuate with oil price, it is expected that the prices of raw materials will fluctuate within a narrow range, and our gross profit margin will remain stable. Besides, driven by regional integration and enhanced market execution, it is expected that the overall expense ratio and profit margin of the Company will achieve continuous improvement, and healthy growth in its performance will be maintained.

FINANCIAL REVIEW

REVENUE

In 2019, sales volume growth amounted to 6% while revenue growth reached 10%. The growth of revenue and sales volume were maintained. In 2019, the overall price was effectively increased by improving price management and optimising product structure.

GROSS PROFIT MARGIN

The overall average price of raw materials throughout the year remained similar to that of the previous year. The gross profit margin improved slightly year-on-year due to the increase in sales volume of high-margin products and the improvement in our packaging structure, as well as a decrease in the VAT rate.

OTHER INCOME AND GAINS

In 2019, one-off gains on disposal of certain right-of-use assets and property, plant and equipment of approximately RMB75 million in aggregate were recorded. There were no material year-on-year change in other income and gains excluding the one-off gain mention above.

DISTRIBUTION AND SELLING EXPENSES RATIO/ADMINISTRATIVE EXPENSES RATIO

The distribution and selling expenses ratio for this year was basically unchanged. With the synergy effect of business integration upon the consolidation of the bottlers in our sales regions, the administrative expenses ratio further decreased.

FINANCE COSTS

Finance costs dropped by 28% as a result of the repayment of borrowings RMB760 million during 2019.

INCOME TAX EXPENSES

The overall tax rate of 2018 was relatively lower, which was mainly due to the fact that part of the taxable income of bottling plants for that year was set-off by losses in the previous years. 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 for the Group;
- 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 2019, the Group's unpledged cash and cash equivalents totaled approximately RMB835million (31 December 2018: approximately RMB243 million). Net current liabilities were approximately RMB2,622 million (31 December 2018: RMB2,468 million).

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 2019.

CAPITAL STRUCTURE

As at and for the year ended 31 December 2019, 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 2019, the Group had interest-bearing bank borrowings of approximately RMB607 million (31 December 2018: approximately RMB1,167 million). As at 31 December 2019, all bank borrowings in Mainland China were denominated in Renminbi, carried at annual interest rate of loan prime rate -0.25% (31 December 2018: carried at annual interest rate of loan prime rate -0.25%).

As at 31 December 2019, the Group had no other borrowings (31 December 2018: Nil). As at 31 December 2019, net assets attributable to owners of the parent were approximately RMB4,540 million (31 December 2018: approximately RMB4,219 million) and net cash position of the Group (unpledged cash and cash equivalents less interest-bearing bank and other borrowings) was approximately RMB228 million (31 December 2018: net borrowing of approximately RMB923 million) and the gearing ratio (ratio of borrowing position of the Group to equity attributable to owners of the parent) was approximately 13% (31 December 2018: approximately 28%).

CONTINGENT LIABILITIES AND ASSETS PLEDGED

As at 31 December 2019, the Group has no significant contingent liabilities nor assets pledged (other than certain bills payable) (31 December 2018: 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 2019, 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 2019, the Group employed 19,681 staff in Mainland China and Hong Kong (31 December 2018: 19,910). 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 2019 Annual Report.

The Company and its subsidiaries have no share option scheme.

FINAL DIVIDEND

On 24 March 2020, the Board recommended the payment of a final dividend of RMB0.044, equivalent to HK4.8 cents, (2018: RMB0.034, equivalent to HK3.9 cents) per ordinary share for the year ended 31 December 2019, subject to the approval obtained at the annual general meeting to be held on Tuesday, 2 June 2020 (the "2020 AGM"). The proposed final dividend for the year ended 31 December 2019 will be distributed on or around Friday, 3 July 2020 to shareholders of the Company (the "Shareholders") whose names appear on the Shareholders' register of the Company on Friday, 12 June 2020 (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 2019. 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 2019 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 2019 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 2019 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 54, 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, 10 June 2020.

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 2020 AGM, the register of members of the Company will be closed from Thursday, 28 May 2020 to Tuesday, 2 June 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2020 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 27 May 2020.

For determining the Shareholders' entitlement to the proposed final dividend for 2019, the register of members of the Company will be closed from Thursday, 11 June 2020 to Friday, 12 June 2020, both days inclusive, during which period no transfer of shares will be registered. The ex-dividend date will be Tuesday, 9 June 2020. In order to qualify for the proposed final dividend for 2019, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 10 June 2020.

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 2019 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 and other comprehensive income and the related notes thereto for the year ended 31 December 2019 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 2019 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
Qing Lijun
Managing Director

Beijing, 24 March 2020

As at the date of this announcement, the Board comprises: Mr. Chen Lang as the chairman of the Board and a non-executive director; Mr. Qing Lijun 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.