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**CHINA FOODS LIMITED**  
**中國食品有限公司**  
*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 506)**

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023**

**Financial Highlights**

The following table shows the comparison of the interim results for the six-month period ended 30 June 2023 (the “**interim period**”) of China Foods Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) with the corresponding interim results for 2022:

	Six-month period ended 30 June		Changes
	<b>2023</b>	2022	
	(RMB million)	(RMB million)	
	(Unaudited)	(Unaudited)	
● <b>Revenue</b>	<b>12,455.9</b>	11,893.7	<b>+4.7%</b>
● <b>Gross profit margin</b>	<b>35.5%</b>	36.2%	<b>-0.7ppt</b>
● <b>Distribution and selling expenses margin</b>	<b>24.4%</b>	25.7%	<b>-1.3ppt</b>
● <b>Administrative expenses margin</b>	<b>1.9%</b>	2.0%	<b>-0.1ppt</b>
● <b>Adjusted EBIT*</b>	<b>1,329.3</b>	1,156.0	<b>+15.0%</b>
● <b>Adjusted EBITDA<sup>^</sup></b>	<b>1,662.8</b>	1,487.4	<b>+11.8%</b>

The board of directors (the “**Board**”) did not declare the payment of an interim dividend for the interim period (six-month period ended 30 June 2022: Nil).

Adjusted EBIT\* represents:

	Six-month period ended 30 June	
	<b>2023</b>	2022
	<b>(RMB million)</b>	(RMB million)
	<b>(Unaudited)</b>	(Unaudited)
Profit before tax	<b>1,327.6</b>	1,154.3
Reconciliation:		
Finance costs	<b>1.7</b>	1.7
Adjusted EBIT*	<b>1,329.3</b>	1,156.0

Adjusted EBITDA^ represents:

	Six-month period ended 30 June	
	<b>2023</b>	2022
	<b>(RMB million)</b>	(RMB million)
	<b>(Unaudited)</b>	(Unaudited)
Adjusted EBIT*	<b>1,329.3</b>	1,156.0
Reconciliation:		
Depreciation of property, plant and equipment	<b>383.3</b>	295.2
Depreciation of right-of-use assets	<b>34.9</b>	32.7
Amortisation of intangible assets	<b>6.9</b>	3.5
Gains from disposal of investments previously accounted for using the equity method	<b>(91.6)</b>	-
Adjusted EBITDA^	<b>1,662.8</b>	1,487.4

## INTERIM RESULTS

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the interim period together with the comparative figures of last year. The unaudited condensed consolidated interim results as at and for the six-month period ended 30 June 2023 have been reviewed by the audit committee of the Company.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

*For the six-month period ended 30 June 2023*

	Notes	Six-month period ended 30 June <b>2023</b> <b>RMB'000</b> <b>(Unaudited)</b>	2022 <b>RMB'000</b> <b>(Unaudited)</b>
Revenue	6	<b>12,455,896</b>	11,893,717
Cost of sales		<u><b>(8,037,522)</b></u>	<u>(7,582,538)</u>
<b>Gross profit</b>		<b>4,418,374</b>	4,311,179
Distribution and selling expenses		<b>(3,037,526)</b>	(3,051,348)
Administrative expenses		<b>(240,065)</b>	(233,170)
Net impairment losses on financial assets		<b>(25,560)</b>	(742)
Other income and other gains - net	7	<u><b>214,131</b></u>	<u>100,522</u>
<b>Operating profit</b>		<b>1,329,354</b>	1,126,441
Finance costs	8	<b>(1,743)</b>	(1,749)
Share of net profit of associates accounted for using the equity method		<u>-</u>	<u>29,597</u>
<b>Profit before income tax</b>		<b>1,327,611</b>	1,154,289
Income tax expense	9	<u><b>(310,735)</b></u>	<u>(274,520)</u>
<b>Profit for the period</b>		<u><b>1,016,876</b></u>	<u>879,769</u>
<b>Profit is attributable to:</b>			
- Owners of the Company		<b>600,610</b>	481,498
- Non-controlling interests		<u><b>416,266</b></u>	<u>398,271</u>
		<u><b>1,016,876</b></u>	<u>879,769</u>
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company:</b>			
Basic earnings per share (RMB cents)	12	<b>21.47</b>	17.21
Diluted earnings per share (RMB cents)	12	<u><b>21.47</b></u>	<u>17.21</u>

# INTERIIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six-month period ended 30 June 2023*

	Six- month period ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Profit for the period</b>	<b>1,016,876</b>	879,769
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b>1,016,876</b>	879,769
<b>Total comprehensive income for the period attributable to:</b>		
- Owners of the Company	<b>600,610</b>	481,498
- Non-controlling interests	<b>416,266</b>	398,271
	<b>1,016,876</b>	879,769

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2023*

	Notes	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		5,689,429	5,235,033
Right-of-use assets		565,188	564,247
Intangible assets		3,536,701	3,531,905
Deferred income tax assets		249,955	315,188
Prepayments and other assets		21,614	10,502
Investments accounted for using the equity method	14	252,371	839,787
<b>Total non-current assets</b>		<b>10,315,258</b>	<b>10,496,662</b>
<b>Current assets</b>			
Inventories		1,210,405	1,887,702
Prepayments, deposits and other receivables		812,450	855,885
Trade receivables	15	1,026,869	360,035
Amounts due from related parties		336,702	347,975
Cash and cash equivalents		2,276,257	1,037,408
Pledged bank deposits		33,762	2,916
Prepaid tax		66,799	69,163
Financial assets at fair value through other comprehensive income		10,948	5,209
<b>Total current assets</b>		<b>5,774,192</b>	<b>4,566,293</b>
<b>Total assets</b>		<b>16,089,450</b>	<b>15,062,955</b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(CONTINUED)**

*As at 30 June 2023*

	Notes	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
<b>Non-current liabilities</b>			
Lease liabilities		<b>32,763</b>	21,635
Deferred income tax liabilities		<b>81,545</b>	83,100
Deferred income		<b>462,300</b>	232,685
<b>Total non-current liabilities</b>		<b>576,608</b>	337,420
<b>Current liabilities</b>			
Trade and bills payables	16	<b>1,135,959</b>	689,980
Amounts due to related parties		<b>520,396</b>	439,239
Contract liabilities		<b>144,454</b>	987,013
Current income tax liabilities		<b>82,299</b>	74,987
Lease liabilities		<b>33,247</b>	36,074
Other payables and accruals		<b>4,190,879</b>	3,636,030
<b>Total current liabilities</b>		<b>6,107,234</b>	5,863,323
<b>Total liabilities</b>		<b>6,683,842</b>	6,200,743
<b>Net assets</b>		<b>9,405,608</b>	8,862,212
<b>Equity</b>			
Share capital		<b>293,201</b>	293,201
Share premium and reserves		<b>5,490,264</b>	5,227,015
<b>Equity attributable to owners of the Company</b>		<b>5,783,465</b>	5,520,216
Non-controlling interests		<b>3,622,143</b>	3,341,996
<b>Total equity</b>		<b>9,405,608</b>	8,862,212

## **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

*For the six-month period ended 30 June 2023*

### **1 General information**

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

The Company is a subsidiary of 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 six-month period ended 30 June 2023, the Group were involved in processing, bottling and distribution of sparkling beverage products and still beverage products.

The condensed consolidated interim financial information is presented in Renminbi (“**RMB**”), which is also the Company’s functional currency.

### **2 Basis of preparation**

The condensed consolidated interim financial information for the half-year reporting period ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

The condensed consolidated interim financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2022 and any public announcements made by the Group during the interim reporting period.

The condensed consolidated interim financial information have been prepared on a going concern basis notwithstanding that the Group had net current liabilities of RMB333,042,000 at the end of the reporting period. In preparing these condensed consolidated interim financial information, the Directors have given careful consideration to the current and anticipated future liquidity of the Group. Taking into account, inter alia, (i) the expected net cash inflows generated from the Group’s operations for the next twelve months, and (ii) the available credit facilities at the end of the reporting period. The Directors are of the opinion that the Group will be able to meet its liabilities as and when they fall due. Accordingly, the Directors consider that the preparation of these condensed consolidated interim financial information on a going concern basis is appropriate.

## 2 Basis of preparation (Continued)

### Amended standards adopted by the Group

The accounting policies adopted are consistent with those of 2022 and corresponding interim reporting period. The following amended standards became applicable for the current reporting period:

	Title	Effective Date
HKFRS 17	Insurance Contracts	1 January 2023 (deferred from 1 January 2021)
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

### New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the current reporting period and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

	Title	Effective Date
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024 (deferred from 1 January 2022)
Amendments to HKAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to HKFRS 16	Lease liability in sale and leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HK Int 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024



### 3 Estimates

The preparation of interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended 31 December 2022.

### 4 Financial risk management

#### 4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2022.

There have been no changes in the risk management policies since year end.

#### 4.2 Fair value estimation

##### (a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2023 and 31 December 2022 on a recurring basis:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2023				
Financial assets at fair value through other comprehensive income	-	10,948	-	10,948
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2022				
Financial assets at fair value through other comprehensive income	-	5,209	-	5,209
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## 4.2 Fair value estimation (Continued)

### (a) Fair value hierarchy (Continued)

The group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2023.

**Level 1:** The fair value of financial instruments traded in active markets (e.g. publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price.

**Level 2:** The fair value of financial instruments that are not traded in an active market (e.g. over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There were no transfers between levels 1, 2 and 3 during the six-month period ended 30 June 2023 (2022: Nil). The Group has no financial instruments in level 1 and level 3.

### (b) Valuation techniques used to determine fair values

The fair value of financial instruments in level 2 (net of provision for impairment) was estimated by discounting the future contractual cash flows at the current market interest rate that was available to the Group for similar financial instruments.

## 5 Segment information

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 reportable 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 the Group's non-current assets, other than deferred income tax assets, are primarily situated in Mainland China, hence no geographical information is presented in accordance with HKFRS 8 "Operating Segments".

### Information about major customers

During the current reporting period, there was no revenue derived from a single customer which amounted for 10% or more of the Group's revenue (2022: Nil).

## 6 Revenue

	Six-month period ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Types of goods</b>		
Sparkling drinks	9,305,769	9,035,110
Juices	1,931,396	1,656,066
Water	786,357	748,505
Others	432,374	454,036
<b>Total</b>	<b>12,455,896</b>	<b>11,893,717</b>
<b>Timing of revenue recognition</b>		
A point in time	12,455,896	11,893,717

## 7 Other income and other gains-net

	Six-month period ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Other income</b>		
Government grants (note i)	77,843	62,611
Net income from sale of by-products and scrap items	10,830	4,816
Interest income	9,045	11,348
Processing income, net	-	13,246
Others	26,267	15,265
	<b>123,985</b>	<b>107,286</b>
<b>Other gains and losses</b>		
Losses on disposal of property, plant and equipment	(3,595)	(1,902)
Gains from disposal of investments previously accounted for using the equity method (note 14)	91,606	-
Foreign exchange differences, net	(1,098)	151
Others	3,233	(5,013)
	<b>90,146</b>	<b>(6,764)</b>
<b>Total</b>	<b>214,131</b>	<b>100,522</b>

Note i: 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 in the interim condensed consolidated statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

## 8 Finance costs

	Six-month period ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on lease liabilities	<u>1,743</u>	<u>1,749</u>

## 9 Income tax expense

	Six-month period ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax on profits for the period	247,057	269,599
Deferred income tax expense	<u>63,678</u>	<u>4,921</u>
<b>Income tax expense</b>	<u><b>310,735</b></u>	<u><b>274,520</b></u>

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

The provision for PRC current income tax is based on a statutory income tax rate of 25% of the assessable income of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain entities of the Group in the PRC are taxed at preferential income tax rate of 15% and 9% for the current reporting period. During the current reporting period, the income tax rate of the Group was consistent with the year ended 31 December 2022.

The weighted average effective income tax rate for the six-month period ended 30 June 2023 is 23.4% (2022: 23.7%).

## 10 Profit and loss information

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

	Six-month period ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	8,067,854	7,580,453
(Reversal of)/provision for impairment of inventories	(30,332)	2,085
Wages, salaries and bonuses	1,036,583	996,747
Depreciation of property, plant and equipment	383,321	309,494
Depreciation of right-of-use assets	34,890	32,704
Amortisation of intangible assets	6,927	3,543
Gains from disposal of investments previously accounted for using the equity method (note 7)	91,606	-
Net impairment losses on financial assets	25,560	742

## **11 Dividends**

During the current reporting period, a final dividend of HK13.3 cents per share in respect of the year ended 31 December 2022 (2022: HK12.5 cents per share in respect of the year ended 31 December 2021) was declared to the owners of the Company. The aggregate amount of the final dividend declared in the current reporting period amounted to RMB337,361,000 (2021: RMB297,051,000).

## **12 Earnings per share**

### *(a) Basic earnings per share*

The calculation of basic earnings per share amount for the period ended 30 June 2023 is based on the profit for the period attributable to owners of the Company of RMB600,610,000 (six-month period ended 30 June 2022: RMB481,498,000), and the number of ordinary shares of 2,797,223,396 (six-month period ended 30 June 2022: 2,797,223,396) in issue during the period.

### *(b) Diluted earnings per share*

As at 30 June 2023, there is no dilutive instrument held or issued by the Group, diluted earnings per share is the same as basic earnings per share.

## **13 Business combination**

On 1 January 2023, the Group acquired 100% equity interests in five subsidiaries of Coca-Cola Bottlers Manufacturing Holdings Limited in the PRC (an associate of the Group, note 14), namely Coca-Cola Bottlers Manufacturing (Chengdu) Company Limited, Coca-Cola Bottlers Manufacturing (Changsha) Company Limited, Coca-Cola Bottlers Manufacturing (Jinan) Company Limited, Coca-Cola Bottlers Manufacturing (Shijiazhuang) Company Limited and Coca-Cola Bottlers Manufacturing (Yingkou) Company Limited (collectively named as the “Five Acquired Subsidiaries”).

### 13 Business combination (Continued)

Details of the purchase consideration and the net identifiable assets acquired were as follows:

	<b>As at 1 January 2023</b> <b>RMB'000</b>
Purchase consideration	<u>554,179</u>
Cash and cash equivalents	51,064
Trade receivables	44,883
Prepayments, deposits and other receivables	18,498
Inventories	15,155
Property, plant and equipment	541,535
Right-of-use assets	1,467
Intangible assets	3,990
Deferred income tax assets	2,432
Prepayments and other assets	67
Trade and bills payables	(70,375)
Other payables and accruals	(46,606)
Current income tax liabilities	(1,137)
Lease liabilities	(1,039)
Deferred income tax liabilities	(5,755)
Net identifiable assets acquired	<u><u>554,179</u></u>

Cash inflow in the acquisition was as follows:

	<b>As at 1 January 2023</b> <b>RMB'000</b>
Cash paid in the acquisition	-
Cash and cash equivalents in the Five Acquired Subsidiaries	51,064
Net cash inflow during the period	<u><u>51,064</u></u>

(i) Acquisition-related costs

There were no material acquisition-related costs in this acquisition.

(ii) Contingent consideration

There was no contingent consideration arrangement in this acquisition.

(iii) Acquired trade receivables

The fair value of trade receivables was RMB44,883,000. The gross contractual amount for trade receivables due was RMB44,883,000, none of which is expected to be uncollectible.

(iv) Non-controlling interest

There was no non-controlling interest recognised in this acquisition.

### 13 Business combination (Continued)

(v) Revenue and profit contribution

This acquisition was completed on 1 January 2023. The revenue and net profit included in the interim condensed consolidated statement of profit or loss contributed by the Five Acquired Subsidiaries since 1 January 2023 were amounting to RMB32,000 and RMB8,996,000, respectively.

### 14 Investments accounted for using the equity method

	<b>30 June 2023</b> <b>RMB'000</b> <b>(Unaudited)</b>	31 December 2022 <b>RMB'000</b> <b>(Audited)</b>
Investments accounted for using the equity method	<b>252,371</b>	839,787

Details of each of the Group's associates at the end of the reporting period are as follows:

Name of entity	Country of incorporation/ registration	Proportion of ownership interest/voting rights held by the Group		Principal activities
		<b>30 June 2023</b>	31 December 2022	
Coca-Cola Bottlers Manufacturing Holdings Limited ("CCBMH") (i)*	Hong Kong	<b>21.0%</b>	21.0%	Investment holdings
CBPC Limited**	Hong Kong	<b>33.3%</b>	33.3%	Price negotiation service

(i) As at 31 December, there were eleven wholly-owned beverage production and oriental-equipment-manufacture subsidiaries ("Eleven Entities") and one Beverage operation, sale and distribution subsidiary of CCBMH.

Aggregate information of associates as below:

	Six-month period ended 30 June <b>2023</b> <b>RMB'000</b> <b>(Unaudited)</b>	2022 <b>RMB'000</b> <b>(Unaudited)</b>
Opening carrying amount	<b>839,787</b>	812,362
The Group's share of profit	-	29,597
Elimination of transactions of associates, net of tax	-	(4,727)
Disposal of equity interest in associates*	<b>(587,416)</b>	-
Aggregate carrying amount	<b>252,371</b>	837,232

## 14 Investments accounted for using the equity method (Continued)

The Group is able to exercise significant influence over the associates as the boards of these companies comprise representatives of the Group, who participate in the decision making process. Accordingly, they are accounted for as associates of the Group. All of the above associates are indirectly held through a 65% owned subsidiary of the Company.

\* On 1 January 2023, the Group disposed the equity interests in the Eleven Entities at their fair values, at the same time the Group acquired 100% equity interests of the Five Acquired Subsidiaries from CCBMH (note 13) at fair value amounted to RMB554,179,000. As a result of the above restructuring, the Group was entitled with cash payment amounting to RMB124,843,000 from CCBMH and recorded a disposal gain of RMB91,606,000 (note 7).

\*\* The associate is wholly-owned by Coca-Cola Bottlers Manufacturing Holdings Limited.

## 15 Trade receivables

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Trade receivables	<b>1,064,971</b>	374,082
Allowance for credit loss	<b>(38,102)</b>	(14,047)
Total	<b><u>1,026,869</u></b>	<u>360,035</u>

The Group's sales to key customers are based on credit terms ranging from 7 to 90 days upon delivery. 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 trade receivables 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 trade receivable balances.

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

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Up to 6 months	<b>1,023,984</b>	352,902
6 to 12 months	<b>2,885</b>	7,133
Total	<b><u>1,026,869</u></b>	<u>360,035</u>



**16 Trade and bills payables**

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Trade payables	<b>1,095,381</b>	674,780
Bills payable	<b>40,578</b>	15,200
Total	<b><u>1,135,959</u></b>	<u>689,980</u>

The following is an ageing analysis of trade and bills payables presented based on the delivery date :

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Within 3 months	<b>928,102</b>	621,999
3 to 12 months	<b>206,097</b>	65,685
Over 1 years	<b>1,760</b>	2,296
Total	<b><u>1,135,959</u></b>	<u>689,980</u>

Certain of the Group's bills payable are secured by the pledge of the Group's bank deposits amounting to RMB33,762,000 (2022: RMB2,916,000).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **CURRENT STATUS**

China Foods exclusive franchise to manufacture, market and distribute products under the Coca-Cola series encompasses 19 provincial-level administrative regions, covering approximately 50% of mainland China's population. The Company provides consumers with 10 major types of beverages namely sparkling drinks, juices, water, milk drinks, energy drinks, tea, coffee, functional nutrition drinks, sports drinks and plant-based protein drinks under 24 brands.

The Company has approximately 10,000 salespersons to serve over 2.8 million customers, with the controllable business, being customer orders served directly by our sales representatives, accounting for nearly 90% of the overall business.

In early of the year, the Company completed the acquisition of the non-sparkling beverage production business of the tripartite joint venture formed by the Company, The Coca-Cola Company and Swire Pacific Limited, in our franchise area, which helped improve the supply chain capabilities and quality of the Company, effectively reduce the production and management costs of the Company's non-sparkling beverage, and contribute to the overall profit margin of the Company. Apart from operating the Coca-Cola series products business, the smart retail business also achieved satisfactory results during the period, with a more than double-increase in the revenue and ranking second in the industry in terms of the number of equipment. In the future, our vision is to become a world-class food and beverage group.

### **DEVELOPMENT STRATEGY**

In recent years, consumers have paid more and more attention to corporate social responsibility, environmental protection and sustainable development. In addition to concerns on product quality, nutritional value, packaging appearance and price, they also require enterprises to fulfill their social responsibilities in the process of production and logistics. China Foods has fully implemented the concept of green and sustainable development, and put forward challenging goals with a responsible attitude in aspects of carbon reduction, energy conservation and environmental protection, quality assurance and community responsibility, making contributions of a state-owned enterprise in building a beautiful homeland. During the year, we will remain focused on the business concept of "Improving quality, Enhancing efficiency, Innovation, System, Openness and Green", continue to implement the strategic layout of developing a full service beverage business while promoting innovative business and give full commitment to the entrepreneurial spirit of "Work! Work hard! Win!", and promote the realisation of the development goals of "High Quality and Sustainability". The details of operation concepts are set out below:

- **Improving quality:** Make further efforts to promote the sales of products with high price and high gross profit; further advance the optimisation of channel structure, strengthen the layout of new retail channels; and expand supply chain layouts to improve capacity and quality of the supply chain.
- **Enhancing efficiency:** Further deepen the regional integration of the supply chain, expand centralised procurement, and strengthen the accuracy and efficiency of resource investment.
- **Innovation:** Promote digital transformation in all respects, build digital marketing, digital supply chain and digital governance capabilities based on the blueprint plan, and continue to achieve results in data empowerment.

- System: Optimise the organisational structure and salary incentive mechanism in the contributor-oriented principle to provide guarantee for the rapid, healthy and sustainable development of the business.
- Openness: Adapt to the new era of consumer demand with model innovation and enhance the overall competitiveness of the value chain; explore and design innovative business models for key strategic projects and build an ecosystem layout.
- Green: Adopt a sustainable development model to enhance safety, quality and environmental protection and achieve low-carbon green development.

## INDUSTRY ENVIRONMENT

In the first half of 2023, as the economy and society fully resumed normal operation, with the synergy effect of the macroeconomic policies, the GDP amounted to RMB59,303.4 billion, representing a year-on-year increase of 5.5% if calculated at constant prices, of which the added value of the secondary industry was RMB23,068.2 billion, representing an increase of 4.3%. The national per capita consumption expenditure, after deducting price factors, grew by 7.6% year-on-year, thus contributing to the stability maintained in the overall sales of the non-alcoholic ready-to-drink industry.

## REVIEW OF RESULTS

Below is a summary comparison of 2023 and 2022 interim results:

	<b>As of 30 June 2023</b> <b>(RMB million)</b>	As of 30 June 2022 (RMB million)	Change
Revenue	<b>12,455.9</b>	11,893.7	+4.7%
Sales volume			+5.5%
Gross profit margin			-0.7ppt

In the first half of 2023, as domestic daily economic activities gradually returned to normal, and market demand also gradually recovered, the sales and revenue of China Foods both recorded a year-on-year increase. During the period, the price of the can fell, but the price of white sugar rose sharply due to the impact of reduced production and import inversion, and as a result, the gross profit margin of the Company declined year-on-year. The management actively implemented a series of optimisation and integration measures to improve efficiency, which effectively reduced the percentage of selling and administrative expenses over revenue, and improved the operating profit margin. Meanwhile, the Company continued to focus on managing capital expenditure and operating cash flow to control risks.

## **Business development by beverage category was as follows:**

### **Sparkling drinks**

During the period, the sparkling drinks industry in the franchise area experienced a sales decline and the revenue growth of our sparkling drinks segment slowed down. During the period, the Company launched a new product “Coca-Cola Strawberry Flavor” (「可口可樂草莓味」), which not only maintains the classic refreshing taste of traditional Coca-Cola but also has a sweet strawberry scent. It provides customers with a romantic taste experience, and adds more beautiful moments to work and life by keeping them happy and refreshed.

During the period, “Coca-Cola Creations” (「樂創無界」), the global creative platform of Coca-Cola, launched its first limited-edition product called "League of Legends" (「英雄登場」), a product inspired by games. The new product, “League of Legends” (「英雄登場」), is based on a sugar-free formula and features multi-layered flavors that create a mysterious taste, providing an all-dimensional new experience for gamers. This product is expected to expand our reach in the young consumer market and align with popular culture trends among young people.

During the period, the market share of our sparkling drinks maintained a high market share of more than 50% in our operating regions, continuously surpassing our major competitors' products.

### **Juices**

The domestic juice industry maintained its recovery momentum in recent years. The sales of key new sparkling drinks achieved satisfactory results, resulting a double-digit revenue growth for the Company's juices segment.

During the period, “Minute Maid” introduced a new flavor of their sparkling drink series called “Minute Maid Bergamot Sparkling Drink”, which is the fourth flavor in the series. The product is sugar-free and fat-free, and contains real fruit juice infused with sparkling to create a refreshing new taste. It is also enriched with zinc, niacin and other ingredients to supplement the daily nutrition intake. This juice is delicious, sweet and sour, healthy and free of burden. Minute Maid’s two zero-sugar juices, being “Tangerine Lemon” and “Osmanthus Pear”, have also been launched in some regions. The former is sweet and sour, while the latter is refreshing, sweet and good-tasting, providing more choices for health-conscious young consumers.

During the period, the market share of our juice products in terms of sales revenue in the Company’s operating regions maintained our leading position in the industry.

## **Water**

As the pandemic eases, the travel market is gradually recovering, and the revenue of water products is increasing. During the period, we launched the “Chun Yue pH9.0+ Lemon-flavored Soda Water”, which has a higher pH value, clear alkalinity, and is sugar-free, sparkling-free and fat-free. It is the fourth member of the “Chun Yue Soda Water” (「純悅蘇打水」) series. In the second half of the year, we will continue to enrich the packaging structure of soda water, broaden the drinking scene, and strengthen the communication of healthy drinking water.

In the future, we will remain committed to the strategy of promoting the transformation and upgrading of water segment. The Company plans to focus on promoting the mainstream water brand “Chun Yue” products, and actively develop high-end water products. The goal is to enhance the profitability of the water segment and drive the overall profit. However, it is acknowledged that the water segment is currently undergoing a painful updating and upgrading phase, which has resulted in a decline in market share during the period.

## **Ready-to-drink coffee**

During the period, the market share of “Costa”, the Company's ready-to-drink coffee brand, has exceeded 10%, maintaining the second largest brand of ready-to-drink coffee in key markets, achieving satisfactory results.

## **Outlook**

The global political and economic situation is expected to remain complicated and volatile in the second half of the year. High inflation and rising interest rates will continue to affect the global economy and business environment. As a result, the foundation for the continued recovery and development of the domestic economy remains unstable and there is insufficient domestic demand and pressure on growth. In this response, measures will be taken to prevent risks and macro-control efforts will be increased, so as to further boost market confidence.

In the second half of 2023, the price of major raw materials is expected to remain high. To mitigate the impact of high raw material costs on profits, the management actively promotes key strategies such as product structure upgrade and business portfolio optimization. Meanwhile, the Company will work on integrating its supply chain and digital transformation to enhance efficiency and the overall profit margin.

## **FINANCIAL REVIEW**

### **REVENUE**

Both the sales volume and the revenue recorded a year-on-year increase, of 5.5% and 4.7%, respectively. The revenue growth was mainly driven by the increased sales volume.

### **GROSS PROFIT MARGIN**

During the period, although the price of the can fell, the price of white sugar rose sharply due to the impact of reduced production and import inversion, and as a result, the gross profit margin of the Company declined year-on-year.

### **OTHER INCOME AND GAINS**

Other income and gains mainly include interest income and government subsidies, which increased by 113% year-on-year, mainly due to one-off gains of RMB91.61 million from disposal of investments previously accounted for using the equity method recorded during the period.

### **THE PERCENTAGE OF DISTRIBUTION AND SELLING EXPENSES OVER REVENUE / THE PERCENTAGE OF ADMINISTRATIVE EXPENSES OVER REVENUE**

During the period, the Company effectively reduced the percentage of distribution and selling expenses over revenue as well as the percentage of administrative expenses over revenue through the improvement in efficiency.

### **FINANCE COSTS**

Finance costs, mainly representing the interests on lease liabilities, with no significant change year-on-year.

### **INCOME TAX EXPENSE**

Income tax expense amounted to RMB310 million, representing an increase of 13%, which was in line with growth in profit before tax.

### **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 condensed consolidated statement of financial position as at 30 June 2023, the Group's unpledged cash and cash equivalents amounted to a total of approximately RMB2,280 million (31 December 2022: approximately RMB1,040 million). Net current liabilities were approximately RMB330 million (31 December 2022: approximately RMB1,300 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 and contracted capital expenditures as at 30 June 2023.

## **CAPITAL STRUCTURE**

As at and for the six-month period ended 30 June 2023, the total number of issued shares of the Company remained unchanged at 2,797,223,396. In the condensed consolidated statement of financial position as at 30 June 2023, the Group had no interest-bearing bank borrowings (31 December 2022: nil).

As at 30 June 2023, net assets attributable to owners of the parent were approximately RMB5,780 million (31 December 2022: approximately RMB5,520 million), and the Group's net cash position (unpledged cash and cash equivalents less interest-bearing bank and other borrowings) was approximately RMB2,280 million (31 December 2022: approximately RMB1,040 million) and gearing ratio (ratio of borrowing position of the Group to equity attributable to owners of the parent) was nil (31 December 2022: nil).

## **CONTINGENT LIABILITIES AND ASSETS PLEDGED**

As at 30 June 2023 and 31 December 2022, the Group had no significant contingent liabilities nor assets pledged (other than certain bills payable).

## **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 30 June 2023, 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 of the Group actively and closely monitors foreign exchange rate exposure. The exposure to foreign exchange rate risk is not significant.

## **HUMAN RESOURCES**

As at 30 June 2023, the Group employed 19,027 staff in Mainland China and Hong Kong (31 December 2022: 19,243). 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, work injury insurance, unemployment insurance, maternity insurance and housing fund contributions in compliance with the requirements of the laws of China.

The Group firmly believe that talent is the most valuable asset and the basis for its sustainable development of a corporation. The Group has established comprehensive policies and systems for employee recruitment, labour contracts, remuneration and benefits, attendance management, training and development, performance appraisal, disciplinary policies, protection of employee interests, etc, in order to protect the basic interests of employees, eliminate discrimination by nationality, age and gender, etc, and prohibit the employment of child labour and any form of forced labour.

The Group emphasizes a "contributor-oriented" talent development concept and provides employees with a robust career development platform and a comprehensive training system. The Group continuously enhance the personnel training mechanism and training course system to ensure the knowledge and skills of employees are enhanced, leading to the mutual development of the Group and its employees.

The Company and its subsidiaries have no share option scheme.

## **INTERIM DIVIDEND**

The Board did not declare the payment of an interim dividend for the interim period (30 June 2022: Nil).

## **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 interim period.

## **SECURITIES TRANSACTIONS BY DIRECTORS**

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



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

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

## **REVIEW OF INTERIM RESULTS**

The condensed consolidated interim financial information as at and for the six-month period ended 30 June 2023 have been reviewed by the Group's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, and the audit committee of the Company.

## **PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT**

This results announcement is published on the HKExnews website of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.chinafoodsltd.com](http://www.chinafoodsltd.com)). The 2023 interim report of the Company will be published on the above websites and dispatched to shareholders of the Company in due course.

By order of the Board  
**China Foods Limited**  
**Qing Lijun**  
*Managing Director*

Hong Kong, 28 August 2023

*As at the date of this announcement, the Board comprises: Mr. Qing Lijun as the chairman of the Board and an executive director; Mr. Shen Xinwen as an executive director; Mr. Chen Zhigang and Mr. Chen Gang as non-executive directors; and Mr. Li Hung Kwan, Alfred, Mr. Mok Wai Bun, Ben and Ms. Leung Ka Lai, Ada, SBS as independent non-executive directors.*