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**CHINA FOODS LIMITED**  
**中國食品有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 506)**

**ANNOUNCEMENT OF FINAL RESULTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**FINANCIAL HIGHLIGHTS**

The following table shows the comparison of the final results for the year ended 31 December 2023 (the “year”) of China Foods Limited (the “Company” or “China Foods”) and its subsidiaries (together the “Group”) with the corresponding results for 2022:

	<b>For the year ended 31 December 2023 (RMB million)</b>	<b>For the year ended 31 December 2022 (RMB million)</b>	<b>Changes</b>
• Revenue	<b>21,446</b>	20,968	+2.3%
• Gross profit margin	<b>35.2%</b>	35.8%	–0.6ppt
• Adjusted EBIT*	<b>1,757.4</b>	1,588.0	+10.7%
• Adjusted EBITDA^	<b>2,607.1</b>	2,301.6	+13.3%

The board of directors (the “Board”) of the Company has resolved to recommend to shareholders the payment of final dividend of RMB0.148 for the year (2022: RMB0.117).

Adjusted EBIT\* represents:

	<b>For the year ended 31 December 2023 (RMB million)</b>	For the year ended 31 December 2022 (RMB million)
Profit before income tax	<b>1,844.0</b>	1,614.4
Reconciliation:		
Finance costs	<b>5.0</b>	3.5
Share of net profit of associates accounted for using the equity method	–	(29.9)
Gains from disposal of investments previously accounted for using the equity method	<b>(91.6)</b>	–
Adjusted EBIT*	<b>1,757.4</b>	1,588.0

Adjusted EBITDA^ represents:

	<b>For the year ended 31 December 2023 (RMB million)</b>	For the year ended 31 December 2022 (RMB million)
Adjusted EBIT*	<b>1,757.4</b>	1,588.0
Reconciliation:		
Depreciation of property, plant and equipment	<b>756.6</b>	638.2
Depreciation of right-of-use assets	<b>78.9</b>	67.6
Amortisation of intangible assets	<b>14.2</b>	7.8
Adjusted EBITDA^	<b>2,607.1</b>	2,301.6

## **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 2022 (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 2023**

	Notes	2023 RMB'000	2022 RMB'000
Revenue	3	21,446,436	20,967,837
Cost of sales		<u>(13,902,630)</u>	<u>(13,469,507)</u>
Gross profit		7,543,806	7,498,330
Distribution and selling expenses		(5,469,877)	(5,539,212)
Administrative expenses		(530,444)	(505,876)
Net impairment losses on financial assets		(22,938)	(3,825)
Other income and other gains-net	6	<u>328,414</u>	<u>138,645</u>
Operating profit		1,848,961	1,588,062
Finance costs	7	(4,971)	(3,508)
Share of net profit of associates accounted for using the equity method		<u>–</u>	<u>29,894</u>
Profit before income tax	5	1,843,990	1,614,448
Income tax expense	8	<u>(458,428)</u>	<u>(404,022)</u>
<b>Profit for the year</b>		<b><u>1,385,562</u></b>	<b><u>1,210,426</u></b>
Profit is attributable to:			
– Owners of the Company		832,577	659,836
– Non-controlling interests		<u>552,985</u>	<u>550,590</u>
		<b><u>1,385,562</u></b>	<b><u>1,210,426</u></b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company:</b>			
Basic earnings per share (RMB cents)	9	29.76	23.59
Diluted earnings per share (RMB cents)	9	<u>29.76</u>	<u>23.59</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Note	2023 RMB'000	2022 RMB'000
<b>Profit for the year</b>		<b>1,385,562</b>	1,210,426
Other comprehensive income		—	—
<b>Total comprehensive income for the year</b>		<b><u>1,385,562</u></b>	<b><u>1,210,426</u></b>
<b>Total comprehensive income for the year attributable to:</b>			
– Owners of the Company		<b>832,577</b>	659,836
– Non-controlling interests		<b><u>552,985</u></b>	<u>550,590</u>
		<b><u>1,385,562</u></b>	<b><u>1,210,426</u></b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2023**

	Note	2023 RMB'000	2022 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		5,592,815	5,235,033
Right-of-use assets		568,581	564,247
Intangible assets		3,543,729	3,531,905
Deferred income tax assets		277,940	315,188
Prepayments and other assets		14,991	10,502
Investments accounted for using the equity method	10	252,371	839,787
<b>Total non-current assets</b>		<b>10,250,427</b>	<b>10,496,662</b>
<b>Current assets</b>			
Inventories		1,736,729	1,887,702
Prepayments, deposits and other receivables		1,073,175	855,885
Trade receivables	12	369,973	360,035
Amounts due from related parties		427,065	347,975
Cash and cash equivalents		2,293,015	1,037,408
Pledged bank deposits		11,275	2,916
Prepaid tax		55,634	69,163
Financial assets at fair value through other comprehensive income		8,314	5,209
<b>Total current assets</b>		<b>5,975,180</b>	<b>4,566,293</b>
<b>Total assets</b>		<b>16,225,607</b>	<b>15,062,955</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AS AT 31 DECEMBER 2023**

	Note	2023 RMB'000	2022 RMB'000
<b>Non-current liabilities</b>			
Lease liabilities		39,609	21,635
Deferred income tax liabilities		127,074	83,100
Deferred income		412,387	232,685
<b>Total non-current liabilities</b>		<b>579,070</b>	<b>337,420</b>
<b>Current liabilities</b>			
Trade and bills payables	13	774,354	689,980
Amounts due to related parties		222,252	439,239
Contract liabilities		1,284,413	987,013
Current income tax liabilities		109,915	74,987
Lease liabilities		39,768	36,074
Other payables and accruals		3,528,879	3,636,030
<b>Total current liabilities</b>		<b>5,959,581</b>	<b>5,863,323</b>
<b>Total liabilities</b>		<b>6,538,651</b>	<b>6,200,743</b>
<b>Net assets</b>		<b>9,686,956</b>	<b>8,862,212</b>
<b>Equity</b>			
Share capital		293,201	293,201
Share premium and reserves		5,722,231	5,227,015
<b>Equity attributable to owners of the Company</b>		<b>6,015,432</b>	<b>5,520,216</b>
Non-controlling interests		3,671,524	3,341,996
<b>Total equity</b>		<b>9,686,956</b>	<b>8,862,212</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 still beverage products.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the Company’s functional currency.

### 2 Basis of preparation

#### **Compliance with HKFRSs and the disclosure requirements of HKCO**

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) as issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance (“HKCO”) Cap. 622.

HKFRS comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants.

#### **Historical cost convention**

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets – measured at fair value

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2 Basis of preparation (Continued)

#### New and amended standards adopted by the Group

The Group has applied the following new and amended standards for its annual reporting period commencing 1 January 2023:

	Title	Effective Date
HKFRS 17	Insurance Contracts	1 January 2023
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
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules	1 January 2023

The amendments listed above did not have material 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 amendments to accounting standards and interpretation have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 Revenue

#### 3.1 Accounting policies of revenue recognition

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 Revenue (Continued)

#### 3.1 Accounting policies of revenue recognition (Continued)

##### Variable consideration

For contracts that contain variable consideration, such as volume related discount, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

##### Consideration payable to a customer

Consideration payable to a customer includes sales rebate that the Group pays, or expects to pay, to the customer which will be settled by transfers of goods or services or cash payment to the customer. Consideration payable to a customer also includes credit or other items that can be applied against amounts owed to the Group. The Group accounts for consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue as the consideration is not in exchange for distinct goods or services that the customer transfers to the Group. The Group recognises such reduction of revenue when (or as) the later of either of the following events occurs: (a) the Group recognises revenue for the transfer of the related goods or services to the customer; and (b) the Group pays or promises to pay the consideration.

##### Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 Revenue (Continued)

#### 3.2 Financial information of revenue

Disaggregation of revenue from contracts with customers

	2023 RMB'000	2022 RMB'000
<b>Types of goods</b>		
Sparkling drinks	15,973,126	15,875,110
Juices	3,386,144	3,001,855
Water	1,246,932	1,327,993
Others	840,234	762,879
	<u>21,446,436</u>	<u>20,967,837</u>
<b>Total</b>	<b><u>21,446,436</u></b>	<b><u>20,967,837</u></b>
<b>Timing of revenue recognition</b>		
A point in time	<u>21,446,436</u>	<u>20,967,837</u>

The Group sells sparkling and still beverage products to its customers, revenue is recognised when control of the goods has been 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4 Segment reporting

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, and the Group is regarded as a single reporting segment.

### 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 year, there was no revenue derived from a single customer which accounted for 10% or more of the Group's revenue (2022: Nil).

### 5 Profit and loss information

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

	2023	2022
	RMB'000	RMB'000
Cost of inventories sold	13,928,387	13,460,548
(Reversal of)/provision for impairment of inventories	(25,757)	8,959
Wages, salaries and bonuses	2,975,345	2,954,909
Depreciation of property, plant and equipment	756,615	638,175
Depreciation of right-of-use assets	78,873	67,638
Amortisation of intangible assets	14,276	7,807
Gains from disposal of investments previously accounted for using the equity method	91,606	–
Auditors' remuneration	4,250	3,900
Net impairment losses on financial assets	22,938	3,825

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6 Other income and other gains-net

An analysis of other income and other gains/(losses) is as follows:

	2023 RMB'000	2022 RMB'000
Other income		
Government grants (note)	175,737	89,393
Net income of sale of by-products and scrap items	16,863	14,577
Interest income	24,085	18,827
Others	47,673	39,612
	<u>264,358</u>	<u>162,409</u>
Other gains – net		
Losses on disposal of property, plant and equipment	(6,927)	(5,290)
Gains from disposal of investments previously accounted for using the equity method (note 10)	91,606	–
Impairment of property, plant and equipment	–	(579)
Donations	(6,000)	(16,050)
Foreign exchange differences, net	(7,639)	(488)
Others	(6,984)	(1,357)
	<u>64,056</u>	<u>(23,764)</u>
	<u><u>328,414</u></u>	<u><u>138,645</u></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6 Other income and other gains-net (Continued)

Note: Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

### 7 Finance costs

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	<u>4,971</u>	<u>3,508</u>

### 8 Income tax expense

#### 8.1 Accounting policies of income tax expense

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

#### Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 8 Income tax expense (Continued)

#### 8.1 Accounting policies of income tax expense (Continued)

##### Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current income tax assets and liabilities and where the deferred income tax balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 8 Income tax expense (Continued)

#### 8.2 Financial information of income tax expense

	2023 RMB'000	2022 RMB'000
Current income tax on profits for the year	377,206	413,066
Deferred income tax credit	<u>81,222</u>	<u>(9,044)</u>
Income tax expense	<u><b>458,428</b></u>	<u><b>404,022</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 9% and 15%.

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

	2023 RMB'000	2022 RMB'000
Profit before income tax ("PBT")	<u>1,843,990</u>	<u>1,614,448</u>
Tax at the statutory tax rates	460,998	403,612
Preferential tax rates on the profits of certain subsidiaries	(11,935)	(1,725)
Income not subject to tax	–	(7,474)
Tax effect of utilisation of previously unrecognised temporary differences	(1,424)	(1,674)
Tax effect of expenses not deductible for tax purpose	12,020	9,555
Utilisation of tax losses previously not recognised	(5,131)	(2,054)
Tax losses not recognised	<u>3,900</u>	<u>3,782</u>
Income tax expense for the year	<u><b>458,428</b></u>	<u><b>404,022</b></u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9 Earnings per share

#### 9.1 Accounting policies of earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (if any).

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

#### 9.2 Financial information of 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:

	2023	2022
Profit for the year attributable to owners of the Company (RMB'000)	<u>832,577</u>	<u>659,836</u>
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	<u>2,797,223,396</u>	<u>2,797,223,396</u>
Basic earnings per share (RMB cents)	<u>29.76</u>	<u>23.59</u>

There is no dilutive instrument held or issued by the Group, diluted earnings per share is therefore the same as basic earnings per share for the respective years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10 Investments accounted for using the equity method

	2023 RMB'000	2022 RMB'000
Investments accounted for using the equity method	<u>252,371</u>	<u>839,787</u>

The amounts due from/to associates included in current assets and current liabilities of RMB137,096,000 (2022: RMB42,617,000) and Nil (2022: RMB284,711,000), respectively are unsecured and interest-free.

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
		2023	2022	
Coca-Cola Bottlers Manufacturing Holdings Limited ("CCBMH") (i)	Hong Kong	21.0%	21.0%	Investment holdings
CBPC Limited*	Hong Kong	33.3%	33.3%	Price negotiation service

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

Aggregate information of associates as below:

	2023 RMB'000	2022 RMB'000
Opening carrying amount	839,787	812,362
The Group's share of profit	–	29,894
Elimination of transactions of associates, net of tax	–	(2,469)
Disposal of equity interest in associates**	<u>(587,416)</u>	<u>–</u>
Aggregate carrying amount at 31 December	<u><u>252,371</u></u>	<u><u>839,787</u></u>

- (i) As at 31 December 2022, there were eleven wholly-owned beverage production and oriental-equipment-manufacture subsidiaries (“Eleven Entities”) and one Beverage operation, sale and distribution subsidiary of CCBMH.

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

\*\* 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 five subsidiaries from CCBMH (note 11) 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 6).

### 11 Business combination

#### 11.1 Accounting policies of business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 11 Business combination (Continued)

#### 11.1 Accounting policies of business combination (Continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 11 Business combination (Continued)

#### 11.2 Financial information of 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 10), 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”).

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

	<b>As at 1 January 2023</b> RMB'000
Purchase consideration	554,179
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	554,179

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 11 Business combination (Continued)

#### 11.2 Financial information of business combination (Continued)

Cash inflow in the acquisition was as follows:

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

(v) Revenue and profit contribution

This acquisition was completed on 1 January 2023. The revenue and net profit included in the consolidated statement of profit or loss contributed by the Five Acquired Subsidiaries since 1 January 2023 were amounting to RMB32,000 and RMB15,290,000, respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12 Trade receivables

#### 12.1 Accounting policies of trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

#### 12.2 Financial information of trade receivables

	2023 RMB'000	2022 RMB'000
Trade receivables	404,506	374,082
Allowance for credit loss	(34,533)	(14,047)
	<u>369,973</u>	<u>360,035</u>

The Group gives credit term to key customers, which granted with credit term 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 aging analysis of trade receivables, presented based on the date of the delivery of goods:

	2023 RMB'000	2022 RMB'000
Within 6 months	368,913	358,616
6 to 12 months	35,593	15,466
	<u>404,506</u>	<u>374,082</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 13 Trade and bills payables

#### 13.1 Accounting policies of trade and bills payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortised cost using the effective interest method.

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

#### 13.2 Financial information of trade and bills payables

	2023 RMB'000	2022 RMB'000
Trade payables	751,893	674,780
Bills payable	22,461	15,200
	<u>774,354</u>	<u>689,980</u>

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

	2023 RMB'000	2022 RMB'000
Within 3 months	666,019	621,999
3 to 12 months	107,891	65,685
Over 1 year	444	2,296
	<u>774,354</u>	<u>689,980</u>

Certain of the Group's bills payable are secured by the pledge of the Group's bank deposits amounting to RMB11,275,000 (2022: RMB2,916,000).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 14 Dividends

	2023 RMB'000	2022 RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2022 final – RMB0.117 (2021: final – RMB0.102 in respect of the year ended 31 December 2021) per ordinary share	<u>337,361</u>	<u>297,051</u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2023 of RMB0.148 per ordinary share, has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming general meeting. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation from retained profits for the year ended 31 December 2024.

### 15 Subsequent Events

As of the date of this report, no significant subsequent event happened.

## **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 2.9 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 2023, the Company completed the acquisition of the whole equity interests in five subsidiaries of Coca-Cola Bottlers Manufacturing Holdings Limited (an associate of the Company before the acquisition) that engage in the production of non-sparkling beverages within our exclusive zone. The transaction is expected to enhance the supply chain capacity and quality of the Company, effectively reduce the costs of the Company's production and management of non-sparkling beverages and improve the overall profit margin of the Company.

Apart from products under the Coca-Cola series, the Company has also endeavored to develop the smart retail business in recent years, and with the efforts of the management and team, its scale (number of equipment) grew rapidly during the year, becoming an industry leader. In the future, we will aim to become a world-class food and beverage group and continue to offer more and better quality food and beverage products to consumers.

### **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:

## MANAGEMENT DISCUSSION AND ANALYSIS

### DEVELOPMENT STRATEGY (CONTINUED)

- *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 2023, the society was fully restored to its normal operation. Under the collaborative progress of macro policies, China's economy picked up, supply and demand improved steadily, and high quality development progressed solidly. According to the initial accounting of the National Bureau of Statistics, the GDP exceeded RMB126 trillion, representing a year-on-year growth of 5.2% (calculated at constant prices). For the full year, the retail sales of consumer goods grew by 7.2% year-on-year, of which the retail sales of consumer goods in rural region grew by 8.0% year-on-year, outstripping the retail sales of consumer goods in urban region by 7.1% year-on-year, indicating that the rural consumer market has great potential. The national per capita consumption expenditure, after deducting price factors, grew by 9.0% year-on-year, thus contributing to the stability maintained in the overall sales of the non-alcoholic ready-to-drink industry.

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW OF RESULTS

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

	<b>For the year ended 31 December 2023 (RMB million)</b>	For the year ended 31 December 2022 (RMB million)	Change
Revenue	<b>21,446.4</b>	20,967.8	+2.3%
Sales volume			+0.5%
Gross profit margin			-0.6 percentage points

In 2023, with the normal management of epidemic prevention and control, domestic daily economic activities gradually returned to normal, and consumption showed a good trend. China's food sales volume and income increased year-on-year. During the year, although the cost of fructose was decreased as a result of the increased production of corn, but the price of white sugar rose sharply due to the impact of reduced production, 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 selling expense rate and offset the impact of the increase in raw material costs. Meanwhile, the Company continued to focus on managing capital expenditure and operating cash flow to control risks.

#### Coca-Cola Series Products Business

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

##### Sparkling drinks

Traditional sparkling drinks revenue maintained year-on-year growth, but the sparkling drinks category recorded a slight year-on-year drop in revenue due to lower sugar-free sparkling drinks revenue. During the year, 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 year, “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 multilayered 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 year, 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.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **REVIEW OF RESULTS (CONTINUED)**

#### **Coca-Cola Series Products Business (continued)**

**Business development by beverage category was as follows (continued):**

##### **Juices**

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

During the year, 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.

##### **Water**

Due to product upgrades and price increases, the overall sales volume decreased slightly for the water category. During the year, 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. We will continue to enrich the flavour and 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.

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

During the year, 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW OF RESULTS (CONTINUED)

#### **Business development by development channels was as follows:**

The Company keeps expanding its customer base and adjusting customer structure, and has achieved significant increase in the number of customers it serves. During the year, we strengthened our partner development efforts, expanded our point-of-sale coverage and increased our point-of-sale penetration, and continued to increase the proportion of controllable revenue, further strengthening our core strengths.

**Modern channel:** Optimise product category and packaging structure, increase the sales share of other categories, vigorously develop multi-packaging, and gradually improve the gross profit margin and profitability of categories by adjusting promotional efforts;

**Traditional channel:** Improve the development capability of our new customers, increase the number of serving customers, and improve the efficiency of business visits through channel optimisation and the promotion of the “Coke GO” platform;

**New retail channel:** the number of active new customers continues to rise, and the full-year revenue of our self-operated stores recorded a more than double growth year-on-year, exceeding budget targets.

**Eating and drinking channel:** The channel maintained a rapid growth throughout the year, as the number of new active and serving customers increased significantly.

#### **Smart Retail Business**

With the continuous efforts of the management and team, the scale (number of equipment) of the smart retail business increased rapidly during the year, reaching a nationwide distribution of 30 provinces and covering more than 280 cities, with the revenue growth more than double over the same time.

The vending machines are not limited by time and place. The machines can effectively fill the sales vacuum area which is not covered by the retail store, and can continue to provide services for consumers during the vacuum period after the shop is closed, thus having great development potential. In addition to continuing to expand its business scale, we will also proactively diversify our product offerings and offer more quality choices to consumers in the future. We will also actively explore other related value-added services to increase the revenue from every vending machine and bring reasonable returns to our shareholders.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **REVIEW OF RESULTS (CONTINUED)**

#### **Outlook**

The world economy is gradually returning to be stable and policy effects are evident, global inflationary pressures are gradually easing, and the cooling of inflation has allowed countries to change monetary tightening policies. It is expected that the United States will have an opportunity to enter the interest rate reduction cycle in 2024. The U.S. dollar may follow the U.S. interest rate to soften, and the RMB will be relatively higher in the market outlook, which will provide more room for policy stimulus to China and have a positive impact on China's economy. It is expected that consumption will maintain a relatively good growth with the combination of urban and rural development, advancement of urbanization, and continuous upgrading of the consumption mix, however, sustained weakness in the real estate sector and external demand may negatively impact growth.

In 2024, it is expected that, apart from the price increase of cans which is affected by strong domestic demand for aluminum materials, the prices of other major raw materials will remain stable. In order to improve the gross profit margin, the management will proactively promote the key strategies of upgrading the product mix and optimizing the business portfolio. Meanwhile, the Company will work on integrating its supply chain and digital transformation to enhance efficiency and optimise the overall profit margin. To conclude, the management expects the domestic economy in 2024 to remain challenging and uncertain, but the team will remain fully and proactively committed to maintaining a stable development for the Company's annual results.

## **FINANCIAL REVIEW**

### **REVENUE**

In 2023, the business resumed its growth in both revenue and sales volume, with revenue growth exceeding sales volume growth, which are 2.3% and 0.5% year-on-year respectively.

### **GROSS PROFIT MARGIN**

Although the price of fructose dropped as affected by the increase in production of corn, the price of white sugar rose sharply due to the impact of reduced production, and as a result, the gross profit margin of the Company declined year-on-year.

### **OTHER INCOME AND OTHER GAINS-NET**

Other income and gains – net increased by 136.9% year-on-year, which is mainly due to increase in one-off gain on disposal of investments previously accounted for using the equity method and government grants.

### **DISTRIBUTION AND SELLING EXPENSES RATIO/ADMINISTRATIVE EXPENSES RATIO**

During the year, the Company effectively reduced the distribution and selling expenses ratio, while there was no significant change in the administrative expenses ratio compared with that of the previous year.

### **FINANCE COSTS**

Finance costs increased by 41.7% year-on-year mainly due to the increase in interest on lease liabilities.

### **INCOME TAX EXPENSE**

Income tax expense amounted to RMB460 million, representing an increase of 13.5%, which was in line with the profit growth.



## **FINANCIAL REVIEW**

### **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 2023, the Group's unpledged cash and cash equivalents totaled approximately RMB2,293 million (31 December 2022: approximately RMB1,037 million). Net current asset were approximately RMB16 million (31 December 2022: net current liabilities of approximately RMB1,297 million).

### **CAPITAL STRUCTURE**

As at and for the year ended 31 December 2023, 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 2023, the Group had no interest-bearing bank borrowings (31 December 2022: Nil).

As at 31 December 2023, the Group had no other borrowings (31 December 2022: Nil). As of 31 December 2023, net assets attributable to owners of the parent were approximately RMB6,015 million (31 December 2022: approximately RMB5,520 million), and net cash position of the Group (unpledged cash and cash equivalents less interest-bearing bank and other borrowings) was approximately RMB2,293 million and the gearing ratio was nil (31 December 2022: approximately RMB1,037 million and the gearing ratio (ratio of borrowing position of the Group to equity attributable to owners of the parent) of nil).

## **CONTINGENT LIABILITIES AND ASSETS PLEDGED**

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

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 foreign exchange risk exposure at the operational level is not significant.

## **HUMAN RESOURCES**

As at 31 December 2023, the Group employed 18,889 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.

## **FINAL DIVIDEND**

On 19 March 2024, the Board recommended the payment of a final dividend of RMB0.148 (2022: RMB0.117) per ordinary share for the year ended 31 December 2023, subject to the approval obtained at the annual general meeting to be held on Tuesday, 11 June 2024 (the “2024 AGM”). The proposed final dividend for the year ended 31 December 2023 will be distributed on or around Wednesday, 10 July 2024 to shareholders of the Company (the “Shareholders”) whose names appear on the Shareholders’ register of the Company on Friday, 21 June 2024 (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 2023. 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 2023 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 2023 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 2023 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 17/F, Far East Finance Centre, 16 Harcourt Road, 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, 19 June 2024.

## **FINAL DIVIDEND (CONTINUED)**

**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 2024 AGM, the register of members of the Company will be closed from Wednesday, 5 June 2024 to Tuesday, 11 June 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2024 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Tuesday, 4 June 2024.

For determining the Shareholders' entitlement to the proposed final dividend for 2023, the register of members of the Company will be closed from Thursday, 20 June 2024 to Friday, 21 June 2024, both days inclusive, during which period no transfer of shares will be registered. The ex-dividend date will be Tuesday, 18 June 2024. In order to qualify for the proposed final dividend for 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Wednesday, 19 June 2024.

## **CORPORATE GOVERNANCE CODE**

The Company has applied the principles and complied with all the applicable code provisions (the “Code Provisions”) of the Corporate Governance Code as set out in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year, save and except for the deviation from Code Provision C.2.1 which stipulated that the role of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Qing Lijun (the “Mr. Qing”) has assumed the roles of both the chairman of the Board and the managing director since 29 September 2022. The Board believes that it is in the interest of the Company and its shareholders for Mr. Qing to assume the responsibilities of such positions, given that Mr. Qing has extensive experience and management of the Group as an executive director and managing Director, and it will facilitate the execution of the Group’s business and boost effectiveness of its operations. The Board also considers that such arrangement will not impair the balance of power and authority between the Board and the management as the Board comprises six other experienced individuals including one executive director, two non-executive directors and three independent non-executive directors. In addition, for major transactions of the Group, the Company will consult Board committees and senior management as and when appropriate.

## **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 C3 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 2023 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 PRICEWATERHOUSECOOPERS**

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2023 as set out in this announcement of final results have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers 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 PricewaterhouseCoopers on this announcement.

## **PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT**

This results announcement is published on the 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 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**  
Chairman

Hong Kong, 19 March 2024

*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.*