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**中糧**  
**COFCO**

自然之源 重塑你我

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 506)

**ANNOUNCEMENT OF INTERIM RESULTS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024**

**FINANCIAL HIGHLIGHTS**

The following table shows the comparison of the interim results for the six-month period ended 30 June 2024 (the “**interim period**”) of China Foods Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) with the corresponding interim results for 2023:

	<b>Six-month period ended</b>		<b>Changes</b>
	<b>30 June</b>		
	<b>2024</b>	<b>2023</b>	
	<i>(RMB million)</i>	<i>(RMB million)</i>	
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	
• Revenue	<b>11,335.1</b>	12,455.9	-9.0%
• Gross profit margin	<b>34.6%</b>	35.5%	-0.9ppt
• Distribution and selling expenses margin	<b>22.5%</b>	24.4%	-1.9ppt
• Administrative expenses margin	<b>1.9%</b>	1.9%	–
• Adjusted EBIT*	<b>1,271.9</b>	1,237.7	+2.8%
• Adjusted EBITDA <sup>^</sup>	<b>1,682.5</b>	1,662.8	+1.2%

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 2023: Nil).

Adjusted EBIT\* represents:

	<b>Six-month period ended</b>	
	<b>30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>(RMB million)</b>	<b>(RMB million)</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit before tax	<b>1,269.3</b>	1,327.6
Reconciliation:		
Finance costs	<b>2.6</b>	1.7
Gains on disposal of investments in associates	–	(91.6)
Adjusted EBIT*	<b>1,271.9</b>	1,237.7

Adjusted EBITDA^ represents:

	<b>Six-month period ended</b>	
	<b>30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>(RMB million)</b>	<b>(RMB million)</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Adjusted EBIT*	<b>1,271.9</b>	1,237.7
Reconciliation:		
Depreciation of property, plant and equipment	<b>368.6</b>	383.3
Depreciation of right-of-use assets	<b>33.9</b>	34.9
Amortisation of intangible assets	<b>8.1</b>	6.9
Adjusted EBITDA^	<b>1,682.5</b>	1,662.8

## 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 2024 have been reviewed by the audit committee of the Company.

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six-month period ended 30 June 2024

	Notes	Six-month period ended	
		2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
<b>Revenue</b>	4	11,335,111	12,455,896
Cost of sales		<u>(7,417,286)</u>	<u>(8,037,522)</u>
<b>Gross profit</b>		3,917,825	4,418,374
Other income, gains and losses, net	5	125,499	214,131
Distribution and selling expenses		(2,555,538)	(3,037,526)
Administrative expenses		(217,881)	(240,065)
Impairment losses under expected credit loss model, net of reversal		<u>(960)</u>	<u>(25,560)</u>
<b>Operating profit</b>		1,268,945	1,329,354
Finance costs	6	(2,572)	(1,743)
Share of results of associates		<u>2,924</u>	<u>—</u>
<b>Profit before tax</b>	7	1,269,297	1,327,611
Income tax expense	8	<u>(303,757)</u>	<u>(310,735)</u>
<b>Profit and total comprehensive income for the period</b>		<u>965,540</u>	<u>1,016,876</u>
<b>Profit and total comprehensive income attributable to:</b>			
– Owners of the Company		565,232	600,610
– Non-controlling interests		<u>400,308</u>	<u>416,266</u>
		<u>965,540</u>	<u>1,016,876</u>
<b>EARNINGS PER SHARE</b>			
– Basic and diluted earnings per share (RMB cents)	10	<u>20.21</u>	<u>21.47</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		<b>30 June</b>	31 December
		<b>2024</b>	2023
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>5,509,962</b>	5,592,815
Right-of-use assets		<b>679,257</b>	568,581
Intangible assets		<b>3,545,640</b>	3,543,729
Investments in associates		<b>255,295</b>	252,371
Deferred tax assets		<b>338,496</b>	277,940
Prepayments and other assets		<b>9,696</b>	14,991
		<b>10,338,346</b>	10,250,427
<b>CURRENT ASSETS</b>			
Inventories		<b>1,041,171</b>	1,736,729
Trade receivables	<i>11</i>	<b>633,739</b>	369,973
Prepayments, deposits and other receivables		<b>860,669</b>	1,073,175
Prepaid tax		<b>44,786</b>	55,634
Financial assets at fair value through other comprehensive income		<b>9,293</b>	8,314
Amounts due from related parties		<b>408,569</b>	427,065
Pledged bank deposits		<b>13,623</b>	11,275
Cash and cash equivalents		<b>3,661,582</b>	2,293,015
		<b>6,673,432</b>	5,975,180

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***As at 30 June 2024*

		<b>30 June</b>	31 December
		<b>2024</b>	2023
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	12	974,887	774,354
Other payables and accruals		4,061,030	3,528,879
Amounts due to related parties		771,267	222,252
Current tax liabilities		161,275	109,915
Lease liabilities		45,366	39,768
Contract liabilities		232,138	1,284,413
		<u>6,245,963</u>	<u>5,959,581</u>
<b>NET CURRENT ASSETS</b>		<u>427,469</u>	<u>15,599</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>10,765,815</u>	<u>10,266,026</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		293,201	293,201
Share premium and reserves		5,873,474	5,722,231
<b>Equity attributable to owners of the Company</b>		<u>6,166,675</u>	<u>6,015,432</u>
Non-controlling interests		4,036,350	3,671,524
<b>TOTAL EQUITY</b>		<u>10,203,025</u>	<u>9,686,956</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		134,220	127,074
Lease liabilities		64,734	39,609
Deferred income		363,836	412,387
		<u>562,790</u>	<u>579,070</u>
		<u>10,765,815</u>	<u>10,266,026</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six-month period ended 30 June 2024*

## 1 GENERAL 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 interim period, 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 condensed consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the Company’s functional currency.

## 2 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## 3 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value, as appropriate.

Other than additional/change in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2023.

## Application of amendments to HKFRSs

In the interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the amendments to HKFRSs in the interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## 4 REVENUE AND SEGMENT INFORMATION

### Disaggregation of revenue from contracts with customers

	Six-month period ended	
	30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>Types of goods</b>		
Sparkling drinks	8,577,161	9,305,769
Juices	1,661,095	1,931,396
Water	532,392	786,357
Others	564,463	432,374
	<u>11,335,111</u>	<u>12,455,896</u>
<b>Total</b>	<b>11,335,111</b>	<b>12,455,896</b>
<b>Timing of revenue recognition</b>		
A point in time	<u>11,335,111</u>	<u>12,455,896</u>

### 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 Group's operation is derived from customers operating in Mainland China and the Group's non-current assets, other than deferred 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 interim period, there was no revenue derived from a single customer which amounted for 10% or more of the Group's revenue (six months ended 30 June 2023: Nil).

## 5 OTHER INCOME, GAINS AND LOSSES, NET

	Six-month period ended	
	30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Other income</b>		
Government grants ( <i>note</i> )	73,993	77,843
Net income from sale of by-products and scrap items	3,443	10,830
Interest income	17,281	9,045
Others	40,129	26,267
	<u>134,846</u>	<u>123,985</u>
<b>Other gains and losses</b>		
Losses on disposal of property, plant and equipment	(3,760)	(3,595)
Gains on disposal of investments in associates ( <i>Note 13</i> )	–	91,606
Foreign exchange differences, net	(1,915)	(1,098)
Others	(3,672)	3,233
	<u>(9,347)</u>	<u>90,146</u>
Total	<u><u>125,499</u></u>	<u><u>214,131</u></u>

*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.



## 6 FINANCE COSTS

	Six-month period ended	
	30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on lease liabilities	<u>2,572</u>	<u>1,743</u>

## 7 PROFIT BEFORE TAXATION

Profit before tax has been arrived at after charging/(crediting):

	Six-month period ended	
	30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Amortisation of intangible assets	8,136	6,927
Cost of inventories sold	7,423,252	8,067,854
Depreciation		
– Property, plant and equipment	368,539	383,321
– Right-of-use assets	33,932	34,890
Impairment losses under expected credit loss model, net of reversal		
– Trade receivables	927	26,740
– Other receivables	33	(1,180)
Reversal of write-down of inventories	(5,966)	(30,332)
Wages, salaries and bonuses	<u>1,027,389</u>	<u>1,036,583</u>

## 8 INCOME TAX EXPENSE

	Six-month period ended	
	30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax - PRC Enterprise Income Tax	357,167	247,057
Deferred tax	<u>(53,410)</u>	<u>63,678</u>
<b>Income tax expense</b>	<u><b>303,757</b></u>	<u><b>310,735</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 Enterprise 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 rates of 15% and 9% for the interim period.

## 9 DIVIDENDS

During the interim period, a final dividend of HK15.9 cents per share in respect of the year ended 31 December 2023 (six months ended 30 June 2023: HK13.3 cents per share in respect of the year ended 31 December 2022) was declared to the owners of the Company. The aggregate amount of the final dividend declared in the interim period amounted to RMB413,989,000 (six months ended 30 June 2023: RMB337,361,000).

## 10 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share amount for the interim period is based on the profit for the period attributable to owners of the Company of RMB565,232,000 (six months ended 30 June 2023: RMB600,610,000), and the weighted average number of ordinary shares of 2,797,223,396 (six months ended 30 June 2023: 2,797,223,396) in issue during the interim period.

### (b) Diluted earnings per share

There is no dilutive instrument held or issued by the Group, diluted earnings per share is therefore the same as basic earnings per share during the interim period and for the six months ended 30 June 2023.

## 11 TRADE RECEIVABLES

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Trade receivables	<b>659,819</b>	404,506
Less: Allowance for credit loss	<b>(26,080)</b>	(34,533)
Total	<b><u>633,739</u></b>	<u>369,973</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 credit control commissioners 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, presented based on the date of the delivery of goods:

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Within 6 months	<b>633,204</b>	368,913
6 to 12 months	<b>26,615</b>	35,593
Total	<b>659,819</b>	404,506

## 12 TRADE AND BILLS PAYABLES

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Trade payables	<b>924,735</b>	751,893
Bills payables ( <i>note</i> )	<b>50,152</b>	22,461
Total	<b>974,887</b>	774,354

*Note:* Certain of the Group's bills payables are secured by the pledge of the Group's bank deposits amounting to RMB13,623,000 (31 December 2023: RMB11,275,000).

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

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Within 3 months	<b>931,716</b>	666,019
3 to 12 months	<b>41,053</b>	107,891
Over 1 year	<b>2,118</b>	444
Total	<b>974,887</b>	774,354

## 13 BUSINESS COMBINATION

On 1 January 2023, the Group completed a restructuring with Coca-Cola Bottlers Manufacturing Holdings Limited (“CCBMH”), an associate, and other shareholders of CCBMH, in which equity interests in eleven beverage production and oriental-equipment-manufacture subsidiaries held by CCBMH were disposed of and the Group acquired equity interests in five of these subsidiaries, 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**”) at a fair value of RMB554,179,000. The Group was entitled with a cash payment of RMB124,843,000 from such restructuring, which was included in the Group’s “amounts due from related parties” as at 31 December 2023.

As a result of this restructuring, certain of the Group’s investments in associates with a fair value of RMB587,416,000 were derecognised and gains on disposal of investments in associates of RMB91,606,000 was recorded in profit or loss during the six months ended 30 June 2023 (*Note 5*).

During the interim period, the Group received partial settlement of RMB63,000,000 in respect of the above-mentioned cash payment.

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

	As at 1 January 2023 <i>RMB'000</i>
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 tax assets	2,432
Prepayments and other assets	67
Trade and bills payables	(70,375)
Other payables and accruals	(46,606)
Current tax liabilities	(1,137)
Lease liabilities	(1,039)
Deferred tax liabilities	(5,755)
Net identifiable assets acquired	554,179

Cash inflow in the acquisition was as follows:

*RMB'000*

Cash paid in the acquisition	—
Cash and cash equivalents in the Five Acquired Subsidiaries	<u>51,064</u>
Net cash inflow during the period	<u><u>51,064</u></u>

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 was expected to be uncollectible.

The revenue and net profit included in the condensed consolidated statement of profit or loss and other comprehensive income contributed by the Five Acquired Subsidiaries from 1 January 2023 to 30 June 2023 amount to RMB32,000 and RMB8,996,000, respectively.

## 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 25 brands.

The Company has approximately 10,000 salespersons to serve over 2.5 million customers, with the controllable business, being customer orders served directly by our sales representatives, accounting for nearly 90% of the overall business.

Apart from operating the Coca-Cola bottling business, the smart retail business also achieved satisfactory results during the interim period, with revenue maintaining rapid growth and the number of equipment units ranking among the best in the industry. Another innovative business, COFCO Yuexiang Club (中糧悦享會), also saw a year-on-year increase in revenue during the interim period, with gross profit margins continuing to improve, and its D2C business more than doubled. In the future, our vision is to become a world-class food and beverage group.

### DEVELOPMENT STRATEGY

China Foods will focus on the work theme “restructuring” in 2024, aiming to achieve better customer experience, superior operational efficiency, and higher profitability through the restructuring of product brands, marketing networks, value chains, supply systems, organisational structures, and execution culture, thereby ensuring sustainable high-quality development for the Company. 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: Actively promote the sales of key products, new products and products with high prices and high gross profit. Focus on optimising the channel structure, strengthening the development and establishment of new retail, catering and tourism channels. Continuously refine the supply chain layout to enhance overall supply chain management efficiency.
- Enhancing efficiency: Further advance the comprehensive integration of the supply chain across the region. Perform thorough analysis of raw material price trends, broaden the scope and scale of centralised procurement, and enhance the accuracy and effectiveness of resource allocation to maximise returns.

- **Innovation:** Foster improvements across all areas of technology. Continuously enhance digital marketing, digital supply chain and governance capabilities in digital initiatives, and persistently drive results through the effective utilisation of data to empower decision-making and innovation.
- **System:** Adhere to corporate governance standards as mandated by law, and focus on continuously improving compliance across all operational aspects. Persistently optimising the organisational structure and salary incentive mechanism based on the contributor-oriented principle to ensure a solid foundation for the rapid, healthy and sustainable development of the business.
- **Openness:** Strive to foster the development of the ecosystem by actively sharing information, inventory, and spare parts resources with upstream suppliers, so as to collectively lower costs and enhance efficiency. On the downstream side, leverage digital marketing tools to streamline the B2B2C chain. By partnering closely with customers, we can work together to serve consumers more effectively and efficiently.
- **Green:** Adhere to sustainable high-quality development by prioritising the reduction of unit energy consumption and emissions to strive for “zero deaths, zero serious injuries, zero exceedances, zero pollution” throughout the year.

## INDUSTRY ENVIRONMENT

In the first half of 2024, China’s economy demonstrated steady performance with notable advancements amid a stable environment. Production levels increased steadily, demand showed signs of recovery, and residents’ income continued to rise. New growth drivers were instrumental in accelerating economic expansion, while high-quality development achieved significant milestones. China’s GDP reached RMB61.68 trillion, representing a year-on-year increase of 5.0% when adjusted for constant prices. The secondary industry contributed RMB23.65 trillion, marking an increase of 5.8%. Furthermore, after accounting for price changes, the national per capita consumption expenditure grew by 6.7% year-on-year, which played a crucial role in sustaining overall sales in the non-alcoholic ready-to-drink sector.

## REVIEW OF RESULTS

Below is a summary comparison of 2024 and 2023 interim results:

	<b>As of 30 June 2024 (RMB million)</b>	<b>As of 30 June 2023 (RMB million)</b>	<b>Change</b>
Revenue	11,335.1	12,455.9	-9.00%
Sales volume			-15.7%
Gross profit margin			-0.9ppt

In the first half of 2024, the sparkling drinks category experienced an overall softening demand, leading to a year-on-year decline in China Foods' sales revenue. During the interim period, except for the procurement price of cans, which was higher than the same period last year due to the substantial increase in international and domestic aluminum prices, the procurement prices of other major raw materials remained largely unchanged from the same period last year. The gross profit margin of the Company declined year-on-year. Management actively implemented a series of optimisation and integration measures to improve efficiency, which effectively reduced sales and management expense rates while enhancing the operating profit margin. Additionally, the Company maintained a strong emphasis on managing capital expenditure and operating cash flow to mitigate risks effectively.

Business development by beverage category was as follows:

### **Sparkling drinks**

During the interim period, the revenue from the sparkling drink category experienced a year-on-year decline due to reduced demand for sparkling drinks within the franchise area. During the interim period, the Coca-Cola Dragon Year theme and Sprite Sofa Film Festival packaging were launched, which were well received by consumers. Fanta used the theme of "High Scores Must Achieve" to convey encouragement and positive energy to students and parents. Additionally, we were also speeding up the packaging process for all sugar-free products, resulting in a year-on-year increase in the proportion of revenue generated from these items.

During the interim 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**

During the interim period, the "Minute Maid" brand launched a new visual identity system, introducing a unified brand strategy, visual identity, and consumer activities to strengthen connections with consumers. It re-engages Chinese consumers with a refreshed brand image and updated product packaging.

The recent update to the "Minute Maid" brand label has resulted in a more streamlined and refreshed appearance. This redesign preserves the brand's original quality while emphasising its youth and vitality.



## **Water**

During the interim period, we introduced the “Chun Yue pH9.0+ White Peach Flavoured Soda Water”, characterised by its elevated pH level and clear alkalinity. This beverage offers a rich white peach flavour and a smooth, refreshing taste. Notably, it is sugar-free, sparkling-free and fat-free. During the interim period, our self-owned water brand “LOHAS” launched “LOHAS Natural Soda Water”. The product is sourced from a natural ecological reserve, boasting a superior geographical location, naturally pristine, pure and pollution-free. The water is naturally weakly alkaline and has a clear and smooth taste, with no additives. Within just a few months of its launch, it achieved remarkable results, with tens of millions of revenue. In the second half of the year, we will enhance the packaging of our water products, broaden the settings for drinking, and reinforce our messaging on the benefits of healthy drinking water.

In the future, we will continue to prioritise the strategy of advancing the transformation and enhancement of our water segment. The Company intends to emphasise the promotion of the mainstream water brand “Chun Yue” products, while actively developing premium water products. This approach aims to improve the profitability of the water segment and drive the overall profit growth.

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

During the interim period, two new flavoured products, Vanilla Cheesecake Latte and Hazelnut White Chocolate Latte, were introduced. They were developed from two consumers’ favourite flavours - vanilla and hazelnut. They use milk imported from New Zealand and the same coffee beans as those in “Costa Coffee” stores to meet consumers’ demand for high-quality ready-to-drink coffee. The revenue of the Company’s ready-to-drink coffee achieved a double-digit year-on-year increase, and the results are satisfactory.

## **Functional drink**

During the interim period, the newly launched energy drink brand “Predator (獵獸)” is packaged in plastic bottles and is non-carbonated, catering effectively to the preferences of its target customers. Meanwhile, the “Monster (魔爪)” brand has launched a new product featuring a passion fruit guava flavour, which artfully blends premium passion fruit with guava to deliver a delightful sweet and tangy experience. The striking pink can is designed to captivate both the taste buds and visual senses of consumers.

## **Smart Retail Business**

During the interim period, the scale of the smart retail business (number of devices) saw further growth, with the number of devices firmly establishing itself as a leader in the industry. The network achieved nationwide coverage across 31 provinces and extended its reach to over 280 cities. Additionally, year-on-year revenue continued to experience rapid growth.

The advantages of vending machines are that they are not restricted by time or location, allowing them to fill the sales vacant areas not covered by retail stores, where they can continue to provide services to consumers even after shops have closed for the day. Thus, the vending machine business has great development potential. In the future, we aim to not only expand our business scale but also to enhance the diversity of our product offerings, so as to provide consumers with a wider array of high-quality choices. Leveraging our existing scale advantages, we will continue to developing profitability strategies, that deliver improved returns to our shareholders.

## **Outlook**

In the second half of the year, external instability and uncertainty has escalated, compounded by numerous domestic challenges. Nevertheless, the overall favourable conditions for China's development outweigh the unfavourable factors. The trajectory of steady, long-term improvement and high-quality development is expect to persist. It is believed that key factors supporting stable growth in the second half include the ongoing expansion of the manufacturing capabilities, a consistent increase in its share of the economy, structural optimisation, and enhanced security of critical industrial and supply chains. These elements are anticipated to play a significant role in ensuring that the domestic economy continues to achieve qualitative improvement and reasonable quantitative growth in the future.

The prices of key raw materials are expected to remain stable in the second half of 2024. Management will persist in actively implementing essential strategies, including enhancements to product structure and optimisation of the business mix, aimed at boosting the gross profit margin. It is believe that through these restructuring efforts, the Company can create competitive advantages aligned with evolving consumption patterns, develop resilience in a future characterised by market volatility and complex, improve profitability to meet the standards of sustainable high-quality growth, and further enhance overall profit margins.

## **FINANCIAL REVIEW**

### **REVENUE**

Both the sales volume and the revenue recorded a year-on-year decrease, of 15.7% and 9.0%, respectively. The drop in revenue was mainly driven by the decreased sales volume.

### **GROSS PROFIT MARGIN**

During the interim period, except for the procurement price of cans, which was higher than the same period last year due to the substantial increase in international and domestic aluminum prices, the procurement prices of other major raw materials remained largely unchanged from the same period last year. 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 decreased by 41% year-on-year, mainly due to one-off gains on the disposal of an asset of RMB91.61 million recorded during last period.

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

During the interim period, the Company effectively reduced the distribution and selling expenses ratio through the improvement in efficiency. The administrative expenses ratio remain unchanged.

## **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 RMB304 million, representing a decrease of 2.3%, which was in line with decline 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 2024, the Group's unpledged cash and cash equivalents amounted to a total of approximately RMB3,662 million (31 December 2023: approximately RMB2,293 million). Net current assets were approximately RMB427 million (31 December 2023: approximately RMB16 million).

## **CAPITAL STRUCTURE**

As at and for the six-month period ended 30 June 2024, 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 2024, the Group had no interest-bearing bank borrowings (31 December 2023: nil).

As at 30 June 2024, net assets attributable to owners of the parent were approximately RMB6,167 million (31 December 2023: approximately RMB6,015 million), and the Group's net cash position (unpledged cash and cash equivalents less interest-bearing bank and other borrowings) was approximately RMB3,662 million (31 December 2023: approximately RMB2,293 million) and gearing ratio (ratio of borrowing position of the Group to equity attributable to owners of the parent) was nil (31 December 2023: nil).

## **CONTINGENT LIABILITIES AND ASSETS PLEDGED**

As at 30 June 2024 and 31 December 2023, 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).

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 2024, the Group employed 17,821 staff in Mainland China and Hong Kong (31 December 2023: 18,889). 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 2023: Nil).

## 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 (the “**CG 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 six months ended 30 June 2024, save and except for Code Provisions C.2.1 and F.2.2.

Code Provision C.2.1 of the CG Code stipulates that the role of chairman and chief executive should not be performed by the same individual. Currently, Mr. Qing Lijun, the managing director of the Company (“**Managing Director**”, being the chief executive of the Company) is also performed the role of the chairman of the Board (“**Chairman**”).

The Board believes that Mr. Qing Lijun, as an executive Director and Managing Director, has extensive experience in the operation and managing the Group, and as the Chairman, he will help to promote the execution of the Group’s business strategies and boost operating efficiency. Therefore, it is in the interest of the Company and its shareholders that Mr. Qing Lijun assume these duties concurrently.

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.

Code Provision F.2.2 stipulated that the Chairman should attend the annual general meeting. The Chairman was unable to attend the annual general meeting of the Company held on 11 June 2024 due to other business occupation. Mr. Li Hung Kwan, Alfred, an independent non-executive Director of the Company, took the chair of the annual general meeting, in accordance with bye-law 73 of the bye-laws of the Company.

## **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 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 2024 have been reviewed by the Group’s auditor, Baker Tilly Hong Kong Limited, 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 2024 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 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. Cao Gaofeng 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.*