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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 2020

FINANCIAL HIGHLIGHTS

The following table shows the comparison of the final results for the year ended 31 December 2020 (the "year") of China Foods Limited (the "Company" or "China Foods") and its subsidiaries (together the "Group") with the corresponding results for 2019:

	For the year ended 31 December 2020 (RMB million)	For the year ended 31 December 2019 (RMB million)	Changes
● Revenue	**17,249.1**	17,172.0	+0.4%
● Gross profit margin	**39.6%**	36.5%	+3.1ppt
● Adjusted EBIT*	**1,242.7**	1,025.2	+21.2%
● Adjusted EBITDA^	**1,817.6**	1,544.9	+17.6%

The board of directors (the "Board") of the Company has resolved to recommend to shareholders the payment of final dividend of RMB0.089, equivalent to HK10.6 cents for the year (2019: RMB0.044, equivalent to HK4.8 cents).

Adjusted EBIT* represents:

	For the year ended 31 December 2020 (RMB million)	For the year ended 31 December 2019 (RMB million)
Profit before tax	**1,253.2**	1,012.6
Reconciliation:		
Finance costs	**25.1**	53.6
Share of profits of associates	**(35.6)**	(41.0)
Adjusted EBIT*	**1,242.7**	1,025.2

Adjusted EBITDA^ represents:

	For the year ended 31 December 2020 (RMB million)	For the year ended 31 December 2019 (RMB million)
Adjusted EBIT*	**1,242.7**	1,025.2
Reconciliation:		
Provision against inventories	**30.4**	31.9
Depreciation of property, plant and equipment	**546.1**	399.2
Depreciation of right-of-use assets	**59.2**	39.7
Incentive income	**(89.6)**	-
Impairment of property, plant and equipment	**25.9**	46.5
Impairments of account receivables	**2.9**	2.4
Adjusted EBITDA^	**1,817.6**	1,544.9

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 2019 (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 2020

	NOTES	**Year ended 31/12/2020 RMB'000**	Year ended 31/12/2019 RMB'000
Revenue	4	**17,249,138**	17,172,027
Cost of sales	9	**(10,423,563)**	(10,898,054)
Gross profit		**6,825,575**	6,273,973
Other income, gains and losses	6	**245,328**	228,832
Distribution and selling expenses		**(5,257,982)**	(4,974,622)
Administrative expenses		**(482,703)**	(465,541)
Other expenses and losses		**(87,543)**	(37,440)
Finance costs	7	**(25,059)**	(53,626)
Share of profits of associates		**35,602**	41,033
Profit before tax		**1,253,218**	1,012,609
Income tax expense	8	**(299,955)**	(236,773)
Profit for the year	9	**953,263**	775,836
Profit for the year attributable to			
-Owners of the Company		**498,734**	417,789
-Non-controlling interests		**454,529**	358,047
		953,263	775,836
Earnings per share			
Basic (cents)	11	**17.83**	14.94
Diluted (cents)		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Year ended 31 December 2020

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Profit and other comprehensive income for the year	**953,263**	775,836
Total comprehensive income for the year attributable to:		
-Owners of the Company	**498,734**	417,789
-Non-controlling interests	**454,529**	358,047
	953,263	775,836

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2020

	NOTE	**31 December 2020 RMB'000**	31 December 2019 RMB'000
Non-current Assets			
Property, plant and equipment		**4,972,941**	5,062,681
Right-of-use assets		**610,322**	622,093
Prepayments for property, plant and equipment		**2,888**	1,850
Intangible assets		**3,508,511**	3,508,312
Interests in associates		**792,164**	769,810
Deferred tax assets		**412,072**	373,327
		10,298,898	10,338,073
Current Assets			
Inventories		**1,834,340**	1,889,648
Accounts receivables	12	**305,674**	329,407
Prepayments, deposits and other receivables		**505,847**	548,746
Due from fellow subsidiaries		**86,961**	17,801
Due from the ultimate holding company		**1**	-
Due from non-controlling shareholders of subsidiaries		**2,461**	2,034
Due from associates		**24,865**	13,749
Due from a related company		**54,188**	369,844
Prepaid tax		**47,772**	75,801
Debt instruments at fair value through other comprehensive income		**34,714**	19,436
Pledged bank deposits		**10,540**	9,036
Bank balances and cash		**1,860,415**	834,789
		4,767,778	4,110,291
Assets classified as held for sale		**43,516**	-
		4,811,294	4,110,291

	NOTE	**31 December 2020 RMB'000**	31 December 2019 RMB'000
Current Liabilities			
Accounts and bills payables	13	**540,334**	760,381
Other payables and accruals		**3,757,501**	3,095,609
Borrowings		**-**	606,500
Lease liabilities		**37,554**	31,149
Contract liabilities		**1,767,588**	1,587,175
Due to fellow subsidiaries		**198,295**	176,253
Due to non-controlling shareholders of subsidiaries		**1,200**	1,200
Due to associates		**188,797**	157,250
Due to a related party		**2,334**	243,316
Tax liabilities		**58,012**	73,707
		6,551,615	6,732,540
Net Current Liabilities		**(1,740,321)**	(2,622,249)
Total Assets Less Current Liabilities		**8,558,577**	7,715,824
Non-Current Liabilities			
Borrowings		**20,000**	-
Deferred income		**215,560**	207,045
Deferred tax liabilities		**190,883**	131,950
Lease liabilities		**52,914**	64,474
		479,357	403,469
		8,079,220	7,312,355
Capital and Reserves			
Share capital		**293,201**	293,201
Share premium and reserves		**4,660,720**	4,247,266
Equity attributable to owners of the Company		**4,953,921**	4,540,467
Non-controlling interests		**3,125,299**	2,771,888
Total Equity		**8,079,220**	7,312,355

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year ended 31 December 2020

1. CORPORATE INFORMATION

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

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

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

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

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

Amendments to HKFRSs that are Mandatorily Effective for the Current Year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

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

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRSs	
HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKFRS 39, HKFRS 7, HKFRS 4, and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after 1 January 2022.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 June 2020.
[5] Effective for annual periods beginning on or after 1 January 2021.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared on a going concern basis notwithstanding that the Group had net current liabilities of RMB1,740,321,000 at the end of the reporting period. In preparing these consolidated financial statements, the Directors have given careful consideration to the current and anticipated future liquidity of the Group. Taking into account, inter alia, (i) the unutilised loan facilities at the end of the reporting period, and (ii) the expected net cash inflows generated from the Group's operations for the next twelve months. The Directors are of the opinion that the Group will be able to meet its liabilities as and when they fall due. Accordingly, the Directors consider that the preparation of these consolidated financial statements on a going concern basis is appropriate.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4. REVENUE

Disaggregation of revenue from contracts with customers

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Types of goods		
Sparkling drinks	**13,314,069**	12,798,506
Juices	**2,065,264**	2,317,038
Water	**1,300,738**	1,517,544
Others	**569,067**	538,939
Total	**17,249,138**	17,172,027
Timing of revenue recognition		
A point in time	**17,249,138**	17,172,027

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

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

5. OPERATING SEGMENT

The Group's revenue and consolidated results are mainly derived from processing, bottling and distribution of sparkling and still beverages, which is regarded as a single operating segment in a manner consistent with the nature of the products and production process, the types of customers for their products, the methods used to distribute their products, and the nature of the regulatory environment. Accordingly, no segment information is presented.

Geographical information

All revenue of the continuing operation of the Group is derived from customers operating in Mainland China and over 90% of the Group's non-current assets, other than deferred tax assets, are situated in Mainland China, hence no geographical information is presented in accordance with HKFRS 8 Operating Segments.

Information about major customers

During the current year, there was no revenue derived from a single customer which accounted for 10% or more of the Group's revenue (2019: Nil).

6. OTHER INCOME, GAINS AND LOSSES

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

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Other income		
Incentive income (note 1)	**89,635**	-
Government grants (note 2)	**65,171**	79,790
Sale of by-products and scrap items	**26,241**	23,064
Processing services	**23,408**	22,032
Bank interest income	**11,186**	5,100
Others	**34,582**	23,652
	250,223	153,638
Other gains and losses		
Net (loss)/gain on disposal of right-of-use assets and property, plant and equipment	**(4,895)**	75,194
	245,328	228,832

Note 1: The amount represented a performance related incentive income received from a holding company of the non-controlling shareholder of a subsidiary of the Company in the year.

Note 2: Various government grants were granted for investments in certain provinces in Mainland China in which the Company's subsidiaries operate. Government grants for which related expenditure has not yet been undertaken are included in deferred income (non-current portion) and other payables and accruals (current portion) in the consolidated statement of financial position, respectively. There are no unfulfilled conditions or contingencies relating to these grants.

7. FINANCE COSTS

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Interest on bank loans	**20,192**	50,823
Interest on lease liabilities	**4,867**	2,800
Other	**-**	3
	25,059	53,626

8. INCOME TAX EXPENSE

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Current tax		
PRC enterprise income tax	**274,181**	190,831
Under provision in prior years		
PRC enterprise income tax	**5,586**	3,595
Deferred tax	**20,188**	42,347
	299,955	236,773

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

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

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Pursuant to the approvals issued by the State Administration of Taxation of the PRC in 2013, the Company and certain of its subsidiaries are regarded as Chinese Resident Enterprises (collectively the "CREs") and relevant enterprise income tax policies of the PRC are applicable to the CREs commencing from 1 January 2013.

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

	Year ended 31/12/2020		Year ended 31/12/2019	
	RMB'000	**%**	RMB'000	%
Profit before tax	**1,253,218**		1,012,609	
Tax at the statutory tax rates	**313,304**	**25.0**	253,152	25.0
Tax effect of share of profit of associates	**(8,900)**	**(0.7)**	(10,258)	(1.0)
Tax effect of income not taxable for tax purpose	**(12,041)**	**(1.0)**	(12,208)	(1.2)
Tax effect of expenses not deductible for tax purpose	**3,790**	**0.3**	2,095	0.2
Under provision in respect of prior years	**5,586**	**0.4**	3,595	0.4
Utilisation of tax losses previously not recognised	**(4,409)**	**(0.4)**	(3,746)	(0.4)
Tax losses not recognised	**2,625**	**0.2**	4,143	0.4
Income tax expenses and effective tax rate for the year	**299,955**	**23.8**	236,773	23.4

The share of tax attributable to associates amounting to RMB8,900,000 (2019: RMB10,258,000) is included in "Share of profits of associates" in the consolidated statement of profit or loss.

9. PROFIT FOR THE YEAR

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

		Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
(a)	Cost of sales		
	Cost of inventories sold	**10,393,066**	10,866,176
	Provision against inventories	**30,497**	31,878
		10,423,563	10,898,054
(b)	Other items		
	Depreciation of property, plant and equipment	**546,101**	399,204
	Depreciation of right-of-use assets	**59,211**	39,697
	Amortisation of intangible assets	**461**	286
	Total depreciation and amortisation	**605,773**	439,187
	Capitalised in inventories	**(33,523)**	(22,898)
		572,250	416,289
	Employee benefit expense, including directors' and chief executive's remuneration		
	Wages and salaries	**2,009,430**	1,938,730
	Pension schemes contributions	**124,583**	243,514
	Total	**2,134,013**	2,182,244
	Auditor's remuneration	**2,800**	2,500
	Impairment of property, plant and equipment	**25,875**	46,515
	Impairment of receivables	**2,884**	2,440

10. DIVIDENDS

	Year ended **31/12/2020** **RMB'000**	Year ended 31/12/2019 RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year		
2019 final – HK4.8 cents (2019: final dividend of HK3.9 cents in respect of the year ended 31 December 2018) per ordinary share	**122,232**	96,234

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2020 of HKD10.6 cents (2019: HKD4.8 cents) per ordinary share, in an aggregate amount of HKD296,506,000 , equivalent to RMB248,953,000 (2019: HKD134,267,000, equivalent to RMB122,232,000), has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming general meeting.

11. EARNINGS PER SHARE

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

Earnings figures are calculated as follows:

	Year ended **31/12/2020** **RMB'000**	Year ended 31/12/2019 RMB'000
Profit for the year attributable to owners of the Company	**498,734**	417,789
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**2,797,223,396**	2,797,223,396

No diluted earnings per share for both 2020 and 2019 were presented as there are no potential ordinary shares in issue for both 2020 and 2019.

12. ACCOUNTS RECEIVABLES

	31/12/2020	31/12/2019
	RMB'000	RMB'000
Accounts receivables	**308,229**	330,521
Allowance	**(2,555)**	(1,114)
	305,674	329,407

The Group gives credit term to key customers, while for other customers, payment in advance or payment on delivery is normally required. The Group seeks to maintain strict control over its outstanding receivables and has a credit control commissioner to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivables are non-interest-bearing.

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

	31/12/2020	31/12/2019
	RMB'000	RMB'000
Within 6 months	**300,624**	318,106
6 to 12 months	**5,050**	11,301
	305,674	329,407

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

	31/12/2020	31/12/2019
	RMB'000	RMB'000
Within 1 year	**5,162**	21,232

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

13. ACCOUNTS AND BILLS PAYABLES

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

	31/12/2020	31/12/2019
	RMB'000	RMB'000
Within 3 months	**524,041**	647,059
3 to 12 months	**16,151**	105,525
1 to 2 years	**15**	5,813
Over 2 years	**127**	1,984
	540,334	760,381

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

Certain of the Group's bills payable are secured by the pledge of the Group's bank deposits amounting to RMB10,540,000 (2019: RMB9,036,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Current Status

China Foods exclusive franchise to manufacture, market and distribute products under the Coca-Cola series encompasses 19 provincial-level administrative regions, covering over 50% of mainland China's population. The Company provides consumers with ten 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 20 brands.

The Company has more than 10,000 salespersons to serve nearly 1.6 million customers. Our marketing network reaches 100% of the cities, 100% of the counties and more than 60% of the towns within our operating regions. Business under our control, being customer orders served directly by our sales representatives, accounts for more than 85% of our overall business.

Development Strategy

In line with its consistent ambition to be a "world-class bottler", China Foods this year continued to focus its efforts on "Business Optimisation, Globalisation and Risk Containment". While maintaining the pace of growth, it works to optimise product structure and further enhance production efficiency and profitability, and strictly manages potential safety, quality, environmental issues and operational risks, in an effort to keep abreast with and even surpass most outstanding Coca-Cola global bottlers and global beverage companies in all respects. In 2020, we have implemented eight key development strategies, being "accelerating revenue growth, improving routes to market, refining point-of-sale operations, boosting marketing efficiency, promoting operational excellence, expediting regional collaboration, building team capabilities and enhancing digital empowerment", details of which are set out below:

- *Accelerating revenue growth:* We have continued to implement strict price management and promoted product upgrades. Further improvements are being made to the management of packaging prices, and strictly controlling low-price sales by using a thorough management system so as to effectively increase overall prices. In terms of product upgrades, through launching new products and adopting new packaging, we continue to promote the expansion of new ranges of beverages such as ready-to-drink tea, ready-to-drink coffee and energy drinks, and the growth of new high margin products such as sugar-free and fiber+ series and mainstream brand "Chun Yue" water products; and continue to upgrade the packaging of existing products.

- *Improving routes to market:* Through our analysis of market potential, optimization of resource allocation, we have improved our network coverage in key regions and service coverage of high-quality points of sale through the use of digital tools such as electronic maps and collaboration with new retail platforms, with an aim to maintain and expand the advantages of existing sales network, so as to reach points of sale and consumers via more diversified sales channels.

- *Refining point-of-sale operations:* We have increased the frequency of inspection at points of sale, particularly newly opened points of sale and are exploring opportunities for product distribution; improving the image recognition system to monitor operations of self-owned points of sale and collect relevant data for analysis; and have strengthened product distribution and brand display on e-commerce channels, and we continue to increase distribution to O2O core online stores.

- *Boosting marketing efficiency:* We have reorganised our existing digital entrances for consumers, and improved the collection and management of future consumer information; we are also actively exploring the live-streaming business model to develop our own live-streaming team. Several live-streaming events were held during the year to reach more consumers directly. In addition, we have established online flagship stores and launched the "Joy Club" mini-program mall to further improve our B2C business model and process.

- *Promoting operational excellence:* We have encouraged our plants to share their experiences and exchange views with each other to learn and implement the best practices, thereby improving their input-output ratio and manpower efficiency on a continuing basis. "Joy Club" mini-program mall to further improve our B2C business model and process.

- *Expediting regional collaboration:* We are continuing to promote in-depth regional integration to ensure production and product supply during peak seasons; by drawing on our experience of promoting regional integration to formulate work plans for further promotion and a long-term plan for distribution of regional production capacities.

- *Building team capabilities:* The management believes that employees are the most important asset of the Group and an indispensable resource for its sustainable development. In order to ensure the sustainable development of its manpower, the Company has introduced an annual talent review programme to conduct a comprehensive evaluation on every employee. Development plans and corresponding training programmes are created for employees according to the evaluation results and personal development requirements. For every key position, a backup team has been selected for targeted training. During the outbreak of the COVID-19 pandemic, team training courses were provided via the online platforms of our online college.

- *Enhancing digital empowerment:* We have upgraded our sales system and tools, improved our retail customer system and developed specific plans to increase sales and service efficiency and quality. We have also developed an e-procurement information platform that enables the sharing of supplier and procurement information and thus better control our costs and expenses; and plan to build a consumer database to support business operations and decision-making.

Industrial environment

According to the statistics from the National Bureau of Statistics of the PRC, in 2020, China's GDP exceeded the size of RMB100 trillion for the first time, representing an increase of 2.3% year-on-year, and the national per capita consumption expenditure, after deducting price factors, increased by 2.1% year-on-year. In the first quarter, China's economy declined due to the severe blow dealt by the COVID-19 pandemic, and later rebounded from a bottom in the second quarter after the pandemic was quickly brought under control, with a number of national economic indicators resuming growth. The growth of China's GDP further accelerated in the second half of the year, increasing by 6.5% in the fourth quarter compared with the same period of last year, and basically returned to the same level before the pandemic, indicating that China's economy is growing steadily, and the recovery of overall revenue of the non-alcoholic ready-to-drink sector is satisfactory.

REVIEW OF RESULTS

Below is a summary comparison of 2020 and 2019 annual results:

	For the year ended 31 December 2020 (RMB million)	For the year ended 31 December 2019 (RMB million)	Change
Revenue	**17,249**	17,172	+0.4%
Sales volume			-2.9%
Gross profit margin			+3.1ppt

Due to the outbreak of the pandemic, the Company suffered a significant decline in revenue and profit for the first quarter. The management of the Company rapidly responded to changes in consumer market during the pandemic by taking the following actions:

1. The development of new retail business models and the promotion of sales through community channels.
2. Continuing with product upgrades in our sugar-free series, increasing the use of sleek cans, and making improvements to our mainstream brand "Chun Yue" water. This represents the core upgrade items in sparkling category, packaging and water category, respectively.
3. Actively launching new products. Despite the impact of the pandemic, the team still worked hard to prepare for the debut of new products as scheduled, and launched the new products immediately after the pandemic eased in order to capture the market.

In addition, benefiting from the reopening of the national economy, the Company's business resumed its growth momentum in April, and the operating results for the second quarter improved significantly, recovering much of the loss in revenue and profit caused by the outbreak of the pandemic. Despite the recurrence of the epidemic in some regions in the second half of the year, thanks to the leadership and efforts of the management and the team, the Company recorded the increase in both sales and revenue year-on-year in the second half of the year. In sum, China Foods' revenue for the year of 2020 essentially maintained the same level as last year, and its sales volume was slightly lower than that of last year, increased by 0.4% and down 2.9% year-on-year, respectively. During the year, the overall procurement costs of major raw materials registered a year-on-year decrease, mainly attributable to a marked decrease in the cost of PET as a result of the decline of global oil prices, which, coupled with the increase in sales volume of high-margin products and the improvement in our packaging structure, resulted in a significant year-on-year improvement in gross profit margin. Besides, the Company emphasised the management of capital expenditure and operating cash flows, and gradually reduced financial costs. Including the one-off incentive income during the year, profit margin was higher than that for the same period last year.

Business development by beverage category was as follows:

Sparkling drinks

As for product line expansion, in response to consumers' increasing demand for healthy and trendy products, apart from accelerating the growth of "Sugar-free" and "Fiber+" series, we also explored the soda water market and launched the "Schweppes peach-flavoured soda water" during the year. We cultivated the fruit-flavoured sparkling drinks market by launching two new products, the "Fanta Blue (「芬達藍」)" with jasmine and peach flavour and the "Smart Litchi (「醒目荔枝」)" in the three provinces of Northeast China to cater to the tastes of consumers in these regions, and achieved satisfactory results. In terms of our packaging, in addition to the continued promotion of sleek cans and mini cans, we also launched the large-sized packaged "Coke Zero" during the year to meet different consumption scenarios.

In 2020, “Sugar-free” and “Fiber+” series recorded a high growth rate of nearly 50%, far exceeding the growth rate of traditional sparkling beverages, and their revenue contribution ratio continued to increase, indicating further optimisation of the Company’s product structure. The market share of our sparkling drinks maintained a high market share of over 60% in our operating regions, continuously surpassing our main competitors’ products.

Juices

China’s juice sector remained depressed, and the overall revenue of the sector showed a marked decline year-on-year. As a result of the overall industry environment and the pandemic, revenue derived from our juice products also recorded a year-on-year decrease.

During the year, the Company launched the “Minute Maid peach juice (「美汁源汁汁桃桃」)”, as peach is a popular juice flavour with high market capacity and strong market recognition. The launch of the product adds a new member to the “Minute Maid” fruit-flavour family, enriching the juice series and enhancing brand advantage.

In 2020, despite the decline in sales volume and revenue in the juice category, the Company outperformed other competitors, with the market share of our juice products in terms of sales revenue and sales volume growing in our operating regions, maintaining our leading position in the industry.

Water

Due to the impact of the pandemic, the sales of “Ice Dew” water product declined, but the sales of our mainstream water brand “Chun Yue” product achieved double-digit growth thanks to our continued marketing efforts. During the year, a main competitor in the water category completed its IPO and is expected to invest more resources in the packaged water market in the future to cultivate consumers’ drinking habits, bringing new opportunities and challenges to all water brands. In view of the change in the water consumption scenario due to the pandemic this year, we tapped the potential of at-home consumption of packaged water and grasped the business opportunities arising from consumers’ daily consumption of water at home through e-commerce platforms, drinking water stations and community partners, resulting in increased revenue from our large-sized packaged products.

During the year, the market share of our water products in terms of sales revenue in our operating regions remained unchanged as compared with last year.

Energy drinks

For “Monster (「魔爪」)” energy drinks, the Group focused on online and offline distribution of products through key channels, and promoted channel-based sales through “uncapping with a reward” campaign and celebrity endorsements. During the year, two new products of “Monster Energy Dragon Tea (「魔爪龍茶」)” and “Monster Energy Ultra Gold (「魔爪龍之金」)” were launched. By combining the oriental tea with energy drinks, “Monster Energy Dragon Tea” has unique product characteristics and its packaging design is of traditional Chinese style and in line with local culture. “Monster Energy Ultra Gold (「魔爪龍之金」)” has a classic traditional flavour, targeting the core consumers of energy drinks and appealing to the existing consumer groups of the main competitors’ products. Both new products cater for local consumers’ drinking habits due to its delicate tastes and bubble-free feature.

During the year, the Company generated increased revenue from the "Monster" products as compared with last year.

Ready-to-drink teas

During the year, COFCO Coca-Cola introduced "Fuze Lemon Tea" and "Fuze Chrysanthemum Tea" in some operating regions for the first time. Compared with its competitors' products, they have more attractive packaging and rich content to meet the demand of young consumers for mid-to high-end ready-to-drink tea. Such products have achieved satisfactory sales performance and will be available in more regions in the future. In addition, "Yo! Tea", a western fruit-flavoured tea brand, was made available in lemon and white peach flavours during the year. Combined with brand new packaging, it creates a cool and fashionable fruity tea drink with different flavours for young consumers.

Ready-to-drink coffee

The domestic ready-to-drink coffee market grew rapidly, with a projected compound annual growth rate of approximately 13% for year 2017-2023, which is higher than the industry average and has considerable market potential. During the year, the Company launched brand new ready-to-drink coffee in cooperation with Costa Coffee. With selected coffee beans from stores and imported milk from New Zealand, the Company launched three high-end ready-to-drink coffee products, namely "mellow coffee latte", "pure American-style coffee" and "golden princess coffee latte", for consumers pursuing a pure coffee experience. Together with the "GEORGIA" ready-to-drink coffee targeting urban white-collar consumers, such products further enriched the Company's ready-to-drink coffee product line.

Channel development:

The Company continued to expand its customer base and adjust its customer structure. During the year, the number of customers served continued to increase. By developing business partners, expanding point-of-sale coverage and increasing point-of-sale penetration, the percentage of controllable revenue continued to increase during the year, which further strengthened the Company's market position.

Modern Trade channel: During the outbreak of the epidemic, we made considerable efforts to ensure product supply to safeguard front shop inventory and meet the consumers' demand. During the post-epidemic period, the delivery-to-home business conducted through the Modern Trade channel broadened the sales channels and accelerated product turnover. The Company recorded double-digit growth in revenue from the Modern Trade channel.

General Trade channels: Community stores became increasingly important during the outbreak of the epidemic. Through opening community stores and selecting community partners, the Company has controlled the core quality stores to ensure rapid turnover of products and improved revenue performance. The Company recorded double-digit growth in revenue from the General Trade channel.

New retail channels: In recent years, new retail channels have been developing rapidly in China, and the shopping patterns of consumers have also been changing. During the year, the Company established a new retail business team actively to explore the growth potential of new retail channels. During the year, the Company recorded a rapid growth in revenue from new retail channels, further increasing its share of revenue.

Eat and Dining channel: The performance of the eat and dining channel in the first half of the year was severely affected by the inability of many stores to provide dine-in services or operate normally during the outbreak of the epidemic. Although these sales channel began to recover rapidly in the second half of the year, the eat and dining channel still recorded a slight decline during the year.

Outlook

Although the COVID-19 pandemic is basically under control in China, some areas saw different degrees of the pandemic rebound in early 2021. However, under the new development pattern whereby domestic and foreign markets can boost each other, with domestic market as the mainstay, and coupled with the expectation that the government will further improve the tax and fee reduction policy, we believe that the domestic consumption will continue to be the main driving force of the economic growth in the future. Benefiting from the support of national policies, the beverage industry is expected to maintain stable growth.

As the first year of the Company's 14th Five-Year Plan, the Company will optimise growth momentum, transform development mode, enhance competitive advantages, deeply implement the three strategies of "balanced development, lean growth, transformation and upgrading" by actively grasping the historical opportunities of consumer upgrading and deepening reform, and implement the five new development concepts of "improving quality, enhancing efficiency, innovation, system, and openness". The Company will also focus on the consumer-oriented, customer-centric, contributor-oriented, innovation-driven, efficiency-driven and party-building-led development strategy to promote the development goal of "high quality and sustainability".

China Foods will place emphasis on resource investment in 2021 to guide the differentiated development of various business segments, continue to make efforts to upgrade its product mix, and focus on promoting the layout of the entire channel in order to achieve optimisation of business portfolio. The Company will also implement the supply chain integration, focus on efficiency improvement, and gradually improve the standardisation, intensification and flexibility of the supply chain system with standardized process construction; carry out digital transformation of the whole chain, and develop digital marketing projects, gain deep insight into consumer needs and consumption scenarios through big data technology to establish a client-oriented "Business-end" operation platform and a consumer-oriented "Consumer-end" operation platform, and develop digital factory projects to provide intelligent support for production and operation decisions.

The global pandemic is expected to ease in 2021 after the mass production of vaccines and the demand for bulk raw materials will return to growth. Coupled with the economic stimulus in Europe and the United States, under which the monetary expansion has led to the decrease in the value of the US dollar and the rise in commodity prices, the raw material costs are expected to increase year-on-year and the gross profit margin is likely to decrease in 2021. However, the management is confident that the Group's revenue as well as sales volume will grow in 2021. With further improvement in the product mix as well as the sales and supply efficiency, the Group is expected to maintain a healthy growth in results.

FINANCIAL REVIEW

REVENUE

In 2020, China Foods' revenue maintained the same level as last year, and its sales volume was slightly lower than that of last year, increased by 0.4% and down 2.9% year-on-year, respectively. The overall price was continuously increasing by improving price management and optimising product structure.

GROSS PROFIT MARGIN

The overall procurement costs of major raw materials registered a year-on-year decrease, mainly attributable to a marked decrease in the cost of PET as a result of the decline of global oil prices, which, coupled with the increase in sales volume of high-margin products and the improvement in our packaging structure, resulted in a significant year-on-year improvement in gross profit margin.

OTHER INCOME AND GAINS

There were no material year-on-year change in other income and gains.

DISTRIBUTION AND SELLING EXPENSES RATIO/ADMINISTRATIVE EXPENSES RATIO

The increase in distribution and selling expenses ratio for this year was mainly due to more marketing expenses was incurred to relieve the impact of pandemic. The administrative expenses ratio was basically unchanged.

FINANCE COSTS

Finance costs dropped by 53% as a result of the repayment of borrowings RMB1,127 million during the year.

INCOME TAX EXPENSES

Income tax expenses increased in line with profit growth.

LIQUIDITY AND FINANCIAL RESOURCES

The Company's treasury function operates as a centralised service for:
1. Reallocating financial resources within the Group;
2. Procuring cost-efficient funding for the Group;
3. Managing financial risks, including interest rate and foreign exchange rate risks; and
4. 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 2020, the Group's unpledged cash and cash equivalents totaled approximately RMB1,860 million (31 December 2019: approximately RMB835 million). Net current liabilities were approximately RMB1,740 million (31 December 2019: RMB2,622 million).

Having considered the (i) forecast cash flow from operating activities of continuing operation, (ii) existing financial resources and gearing level of the Group, and (iii) existing banking facilities available to the Group, the directors believe that the Group's financial resources are sufficient to fund its debt payments, day-to-day operations, contracted capital expenditures as at 31 December 2020.

CAPITAL STRUCTURE

As at and for the year ended 31 December 2020, 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 2020, the Group had interest-bearing bank borrowings of approximately RMB20 million (31 December 2019: approximately RMB607 million). As at 31 December 2020, all bank borrowings in Mainland China were denominated in Renminbi, carried at annual interest rate of loan prime rate -0.0125% (31 December 2019: carried at annual interest rate of loan prime rate -0.025%).

As at 31 December 2020, the Group had no other borrowings (31 December 2019: Nil). As at 31 December 2020, net assets attributable to owners of the parent were approximately RMB4,954 million (31 December 2019: approximately RMB4,540 million) and net cash position of the Group (unpledged cash and cash equivalents less interest-bearing bank and other borrowings) was approximately RMB1,840 million (31 December 2019: approximately RMB228 million) and the gearing ratio (ratio of borrowing position of the Group to equity attributable to owners of the parent) was less than 1% (31 December 2019: approximately 13%).

CONTINGENT LIABILITIES AND ASSETS PLEDGED

As at 31 December 2020, the Group has no significant contingent liabilities nor assets pledged (other than certain bills payable) (31 December 2019: Nil).

FOREIGN EXCHANGE MANAGEMENT

Majority of monetary assets, monetary liabilities and transactions of the Group were principally denominated in Renminbi and recorded in the books of subsidiaries operating in Mainland China (functional currency as Renminbi). In respect of interest-bearing borrowings as at 31 December 2020, all interest-bearing borrowings were denominated in Renminbi and recorded in the books of the subsidiaries operating in Mainland China.

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

HUMAN RESOURCES

As at 31 December 2020, the Group employed 19,076 staff in Mainland China and Hong Kong (31 December 2019: 19,681). Employees are paid according to their positions, performance, experience and prevailing market practices, and are provided with management and professional training.

Employees in Hong Kong are provided with retirement benefits, either under a Mandatory Provident Fund exempted ORSO scheme or under the Mandatory Provident Fund scheme, as well as life insurance and medical insurance. Employees in Mainland China are provided with pension insurance, medical insurance, employment injury insurance, unemployment insurance, maternity insurance and housing fund contributions in compliance with the requirements of the laws of China.

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 also adheres to the concept of "create a highly regarded professional team", and provides employees with a solid career development platform and a comprehensive training system. It has formulated relevant management systems and regulations such as the Training and Management System（《培訓管理制度》）, Training System（《培訓體系》） and Career Development System（《職業生涯發展體系》）and provides various training, including but not limited to management and professional training, for employees, which secures the common development of the Group as well as its employee.

The Company and its subsidiaries have no share option scheme.

FINAL DIVIDEND

On 23 March 2021, the Board recommended the payment of a final dividend of RMB0.089, equivalent to HK10.6 cents, (2019: RMB0.044, equivalent to HK4.8 cents) per ordinary share for the year ended 31 December 2020, subject to the approval obtained at the annual general meeting to be held on Tuesday, 1 June 2021 (the "2021 AGM"). The proposed final dividend for the year ended 31 December 2020 will be distributed on or around Friday, 2 July 2021 to shareholders of the Company (the "Shareholders") whose names appear on the Shareholders' register of the Company on Friday, 11 June 2021 (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 2020. 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 2020 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 2020 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 2020 payable to any natural person Shareholders whose names appear on the Company's register of members on the Record Date.

If any resident enterprise (as defined in the PRC's Enterprise Income Tax Law) listed on the Company's register of members which is duly incorporated in the PRC or under the laws of a foreign country (or a region) but with a PRC-based de facto management body, does not desire to have the Company withhold the said 10% enterprise income tax, it should lodge with the Company's branch share registrar and transfer office in Hong Kong, Tricor Progressive Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, documents from its governing tax authority confirming that the Company is not required to withhold and pay enterprise income tax in respect of the dividend that it is entitled at or before 4:30 p.m. on Wednesday, 9 June 2021.

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 2021 AGM, the register of members of the Company will be closed from Thursday, 27 May 2021 to Tuesday, 1 June 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2021 AGM, all transfer documents, accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Progressive Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 26 May 2021.

For determining the Shareholders' entitlement to the proposed final dividend for 2020, the register of members of the Company will be closed from Thursday, 10 June 2021 to Friday, 11 June 2021, both days inclusive, during which period no transfer of shares will be registered. The ex-dividend date will be Tuesday, 8 June 2021. In order to qualify for the proposed final dividend for 2020, all transfer documents, accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Progressive Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 9 June 2021.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with all the code provisions ("Code Provisions") of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year, except that the chairman of the board of directors was unable to attend the annual general meeting which held on 2 June 2020 as required under Code Provision E.1.2 due to the entry restrictions over the Novel Coronavirus.

SECURITIES TRANSACTIONS BY DIRECTORS

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

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

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

AUDIT COMMITTEE

The audit committee of the Company has reviewed the consolidated financial statements for the year ended 31 December 2020 and has discussed with the Company's auditor, about auditing, internal control and financial reporting matters including the review of the accounting practices and principles adopted by the Group.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the HKExnews website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.chinafoodsltd.com). The 2020 Annual Report of the Company will be published on the above websites and dispatched to the Shareholders in due course.

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

Hong Kong, 23 March 2021

As at the date of this announcement, the Board comprises: Mr. Chen Lang as the chairman of the Board and a non-executive director; Mr. Qing Lijun and Mr. Shen Peng as executive directors; Mr. Chen Zhigang and Ms. Xiao Jianping as non-executive directors; and Messrs. Stephen Edward Clark, Li Hung Kwan, Alfred and Mok Wai Bun, Ben as independent non-executive directors.