中粮
COFCO
自然之源 重塑你我

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

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

FINANCIAL HIGHLIGHTS

- The turnover for the year ended 31 December 2008 (the "year") was HK$14,240 million, representing an increase of 46% over the last year.
- Profit attributable to equity holders of the Company for the year amounted to HK$483 million, 39% less than that for the last year.
- Basic earnings per share for the year were HK17.32 cents, a decrease of 39% compared with HK28.36 cents per share for the last year.
- The board recommended the payment of a final dividend of HK3.84 cents per share for the year to shareholders whose names appear on the register of members on Monday, 8 June 2009.

During 2007, the Company declared a special interim dividend to distribute the Company's entire interest in the issued share capital of China Agri-Industries Holdings Limited ("CAIH"), for the purpose of a separate listing of the shares of CAIH on the main board of The Stock Exchange of Hong Kong Limited. The separate listing was completed on 21 March 2007 (the "Spin-off"). The result announcement for the year ended 31 December 2007 covers the financial results of CAIH up to 21 March 2007.

On the basis that the Spin-off was completed on 1 January 2007, the comparison of financial results of the Group during the year with the financial results of the continuing businesses of the Group (the "Pro Forma Group") for the last year are as follows:

- The turnover of the Group for the year amounted to HK$14,240 million, representing an increase of 46% compared with that of the Pro Forma Group in the amount of HK$9,743 million for the last year;
- According to the results announcement for the year ended 31 December 2007, core earnings of the Pro Forma Group attributable to equity holders of the Company, after deducting the net impact of (i) the gain on the disposal of equity interests in certain Coca-Cola bottlers amounting to HK$395 million and (ii) sharing this gain with minority interests in these Coca-Cola bottlers amounting to HK$138 million, and excluding the expenses for stamp duty in connection with the Spin-off, were HK$361 million (the "Core Earnings"). Profit attributable to equity holders of the Company for the year amounted to HK$483 million, 34% more than the Core Earnings for the last year.
- Basic earnings per share for the year amounted to HK17.32 cents, representing an increase of 34% or HK4.42 cents per share, compared with the basic earnings per share of the Core Earnings of HK12.9 cents for the last year.

AUDITED CONSOLIDATED RESULTS

The board of directors (the "board") of China Foods Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2008 (the "year") together with the audited comparative figures for the year ended 31 December 2007. The results have been reviewed by the audit committee of the Company.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CONTINUING OPERATIONS			
REVENUE	4	**14,240,283**	9,743,011
Cost of sales	5	**(10,741,784)**	(7,317,697)
Gross profit		**3,498,499**	2,425,314
Other income and gains	4	**177,934**	566,984
Selling and distribution costs		**(2,543,377)**	(1,669,313)
Administrative expenses		**(451,247)**	(396,380)
Other expenses		**(19,093)**	(9,252)
Finance costs	6	**(31,382)**	(33,078)
Share of profits of associates	14	**124,996**	49,167
PROFIT BEFORE TAX	5	**756,330**	933,442
Tax	7	**(136,251)**	(135,792)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**620,079**	797,650
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	8	**–**	239,769
		620,079	1,037,419
Attributable to:			
Equity holders of the Company		**483,427**	791,686
Minority interests		**136,652**	245,733
		620,079	1,037,419
DIVIDENDS	9	**174,182**	6,359,760
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	10		
Basic:			
– For profit for the year		**HK17.32 cents**	HK28.36 cents
– For profit from continuing operations		**HK17.32 cents**	HK21.35 cents
Diluted:			
– For profit for the year		**N/A**	HK28.35 cents
– For profit from continuing operations		**N/A**	HK21.34 cents

CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**2,434,472**	2,082,579
Investment properties		**69,884**	58,000
Prepaid land premiums		**156,502**	119,265
Deposits for purchase of items of property, plant and equipment		**33,157**	12,653
Goodwill		**1,409,342**	1,332,857
Other intangible assets		**36,639**	17,179
Interests in associates		**411,951**	156,233
Available-for-sale investments and related advances		**211,355**	213,455
Deferred tax assets		**31,365**	25,435
Biological assets		**86,643**	72,070
Total non-current assets		**4,881,310**	4,089,726
CURRENT ASSETS			
Inventories		**2,628,857**	1,968,321
Accounts and bills receivable	*12*	**884,499**	997,179
Prepayments, deposits and other receivables		**479,338**	494,795
Due from fellow subsidiaries		**230**	16,770
Due from the ultimate holding company		**5,994**	4,567
Due from the immediate holding company		**160**	160
Due from associates		**2,771**	–
Tax recoverable		**5,790**	4,077
Investments at fair value through profit or loss		**9,228**	16,825
Pledged time deposits		**3,002**	3,477
Cash and cash equivalents		**1,546,684**	1,396,563
Total current assets		**5,566,553**	4,902,734
CURRENT LIABILITIES			
Accounts and bills payable	*13*	**860,851**	815,315
Other payables and accruals		**1,983,809**	1,350,289
Due to fellow subsidiaries		**440,993**	346,592
Due to the ultimate holding company		**13,731**	12,040
Due to related companies		**365,898**	279,057
Due to minority shareholders of subsidiaries		**–**	1,113
Due to associates		**71,273**	–
Interest-bearing bank and other borrowings		**247,955**	284,960
Tax payable		**26,397**	50,484
Total current liabilities		**4,010,907**	3,139,850
NET CURRENT ASSETS		**1,555,646**	1,762,884
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,436,956**	5,852,610

	2008	2007
	HK$'000	*HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**6,436,956**	5,852,610
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**–**	106,792
Due to minority shareholders of subsidiaries	**73,136**	75,047
Due to the ultimate holding company	**22,679**	21,358
Deferred income	**8,686**	9,183
Deferred tax liabilities	**7,481**	6,729
Total non-current liabilities	**111,982**	219,109
Net assets	**6,324,974**	5,633,501
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	**279,138**	279,138
Reserves	**4,705,973**	4,153,901
Proposed final dividend	**107,189**	125,612
	5,092,300	4,558,651
Minority interests	**1,232,674**	1,074,850
Total equity	**6,324,974**	5,633,501

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2008

	2008	2007
	HK$'000	*HK$'000*
NET CASH INFLOW FROM OPERATING ACTIVITIES	**875,632**	548,566
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(557,319)**	(1,851,521)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	**(238,805)**	121,973
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**79,508**	(1,180,982)
Cash and cash equivalents at beginning of year	**1,396,563**	2,515,973
Effect of foreign exchange rate changes, net	**70,613**	61,572
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,546,684**	1,396,563
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**1,523,927**	820,377
Non-pledged time deposits with original maturity of less than three months when acquired	**22,757**	576,186
	1,546,684	1,396,563

NOTES:

1. CORPORATE INFORMATION

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

The Company is a subsidiary of COFCO (Hong Kong) Limited, a company incorporated in Hong Kong. Based on the directors' confirmation, the ultimate holding company of the Company is COFCO Limited, which is a state-owned enterprise registered in the People's Republic of China (the "PRC").

During the year, the Group was involved in the following principal activities:

- production, sale and trading of grape wine and other wine products;
- processing, bottling and distribution of sparkling beverages and distribution of still beverages;
- distribution of retail packaged cooking oil and other related products; and
- production and distribution of chocolate and other related products.

In 2007, pursuant to a reorganisation scheme (the "Reorganisation"), the Group spun off its interests in certain subsidiaries which are engaged in oilseed processing, wheat processing, the production and sale of brewing materials, rice trading and processing and the production and sale of biofuel and biochemicals through a separate listing on The Stock Exchange of Hong Kong Limited (the "Spin-off"). In respect of the Spin-off, the Company declared on 8 February 2007 a special interim dividend to distribute the Company's entire interest in the issued share capital of China Agri-Industries Holdings Limited ("CAIH"). The Spin-off and the listing of the shares of CAIH were completed on 21 March 2007.

Upon the completion of the Spin-off, the Group discontinued its oilseeds processing, wheat processing, the production and sale of brewing materials, rice trading and processing, and the production and sale of biofuel and biochemicals businesses carried out by CAIH and its subsidiaries (the "Spin-off Group").

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, biological assets, derivative financial instruments, certain available-for-sale investments and investments at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

As the Spin-off was completed on 21 March 2007, for the presentation of the Group's financial statements for the year ended 31 December 2007, the Spin-off Group was regarded as discontinued operations in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2007, with the addition of the accounting policies described below:

2.1 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and *HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC)-Int 11	HKFRS 2 – *Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	HKAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The adoption of these new interpretations and amendments has had no significant effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

3. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in mainland China, and over 90% of the Group's assets are located in mainland China.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

Continuing operations

(a) the wines segment is engaged in the production, sale and trading of grape wine and other wine products;

(b) the beverages segment is engaged in the processing, bottling and distribution of sparkling beverages and distribution of still beverages;

(c) the consumer-pack edible oil segment is engaged in the distribution of retail packaged cooking oil and other related products;

(d) the confectionery segment is engaged in the production and distribution of chocolate and other related products; and

(e) the corporate and others segment comprises the Group's corporate income and expense items.

Discontinued operations

(a) the oilseeds processing segment is engaged in the extraction, refining and trading of edible oil and related businesses;

(b) the wheat processing segment is engaged in the production of flour products and related businesses;

(c) the brewing materials segment is engaged in the processing and trading of malt;

(d) the rice processing and trading segment is engaged in the processing and trading of rice;

(e) the biofuel and biochemicals segment is engaged in the production and sale of biofuel and biochemicals and related products; and

(f) the others segment comprises the corporate income and expense items of the Spin-off Group.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2008	Wines	Confectionery	Beverages	Consumer–pack edible oil	Corporate and others	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:							
Sales to external customers	2,789,979	364,591	4,573,520	6,512,193	–	–	14,240,283
Other revenue	49,222	14,683	47,468	9,909	(1,868)	–	119,414
Segment results	569,024	(121,199)	228,534	4,869	(77,032)	–	604,196
Interest and dividend income							58,520
Finance costs							(31,382)
Share of profits of associates	–	–	124,996	–	–	–	124,996
Profit before tax							756,330
Tax							(136,251)
Profit for the year							620,079
Assets and liabilities							
Segment assets	3,603,620	465,662	3,763,022	906,726	3,789,941	(4,079,900)	8,449,071
Interests in associates	–	–	411,951	–	–	–	411,951
Unallocated assets							1,586,841
Total assets							10,447,863
Segment liabilities	(2,647,508)	(265,338)	(3,290,615)	(1,364,228)	(353,267)	4,079,900	(3,841,056)
Unallocated liabilities							(281,833)
Total liabilities							(4,122,889)
Other segment information:							
Depreciation and amortisation	85,919	18,142	105,217	1,748	5,638	–	216,664
Impairment losses/ (write-back of impairment losses) recognised in the income statement	(140)	3,169	1,040	588	–	–	4,657
Capital expenditures	173,428	1,047	308,838	1,471	16,786	–	501,570

Year ended 31 December 2007	Continuing operations							Discontinued operations									
	Wines	Confectionery	Beverages	Consumer– pack edible oil	Corporate and others	Eliminations	Total	Oilseeds processing	Wheat processing	Rice trading and processing	Biofuel and biochemical	Brewing materials	Trading of non-rice foodstuffs	Others	Eliminations	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:																	
Sales to external customers	2,140,284	437,398	3,007,261	4,158,068	–	–	9,743,011	2,681,473	503,922	869,428	319,069	220,177	–	–	–	4,594,069	14,337,080
Intersegment sales	–	–	–	–	–	–	–	19,487	–	7,977	1,209	–	–	–	(28,673)	–	–
Other revenue	43,386	9,651	21,258	(336)	15,926	–	89,885	54,511	1,292	1,405	42,276	(885)	–	168	(580)	98,187	188,072
Segment results	441,307	(29,983)	92,645	(20,847)	(42,868)*	–	440,254	128,716	2,188	80,629	26,348	36,784	–	(7,239)	–	267,426	707,680
Interest and dividend income							82,215									2,990	85,205
Gain on disposal of subsidiaries	–	–	394,884	–	–	–	394,884									–	394,884
Finance costs							(33,078)									(64,966)	(98,044)
Share of profits of associates	–	–	49,167	–	–	–	49,167	54,656	–	–	4,320	–	–	–	–	58,976	108,143
Profit before tax							933,442									264,426	1,197,868
Tax							(135,792)									(24,657)	(160,449)
Profit for the year							797,650									239,769	1,037,419
Assets and liabilities																	
Segment assets	2,926,436	604,909	3,016,917	861,313	2,879,024	(2,881,924)	7,406,675	–	–	–	–	–	–	–	–	–	7,406,675
Interests in associates	–	–	156,233	–	–	–	156,233	–	–	–	–	–	–	–	–	–	156,233
Unallocated assets							1,429,552									–	1,429,552
Total assets							8,992,460									–	8,992,460
Segment liabilities	(1,684,737)	(317,209)	(2,720,438)	(1,037,703)	(31,831)	2,881,924	(2,909,994)	–	–	–	–	–	–	–	–	–	(2,909,994)
Unallocated liabilities							(448,965)									–	(448,965)
Total liabilities							(3,358,959)									–	(3,358,959)
Other segment information:																	
Depreciation and amortisation	67,060	17,943	69,948	1,833	1,406	–	158,190	49,636	7,001	3,522	13,660	8,674	–	12	–	82,505	240,695
Impairment losses/(write-back of impairment losses) recognised in the income statement	2,812	(270)	3,206	–	–	–	5,748	59,386	–	–	4,268	–	–	–	–	63,654	69,402
Capital expenditures	270,776	3,548	164,137	3,249	12,194	–	453,904	9,511	9,682	–	694,600	21,127	2,184	127	–	737,231	1,191,135

* *Included a stamp duty expense of HK$20,771,000 arising from the distribution of the entire share capital of CAIH.*

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, during the year.

An analysis of other income and gains is as follows:

	2008	2007
	HK$'000	*HK$'000*
Other income		
Gross rental income	**8,573**	7,098
Bank interest income	**16,578**	44,037
Dividend income from available-for-sale investments	**41,850**	41,004
Dividend income from investments at fair value through profit or loss	**92**	164
Government grants*	**28,904**	67,711
Compensation income	**15,082**	13,545
Tax refunds	**28,106**	37,947
Others	**21,975**	15,075
	161,160	226,581
Gains		
Gain on disposal of by-products and scrap items	**9,815**	11,429
Foreign exchange differences, net	**2,303**	18,748
Fair value gain on investments at fair value through profit or loss	**–**	14,587
Fair value gain on investment properties	**4,656**	1,727
Gain on disposal of subsidiaries (note 15)	**–**	394,884
Others	**–**	205
	16,774	441,580
	177,934	668,161
Represented by:		
Other income and gains attributable to discontinued operations (note 8)	**–**	101,177
Other income and gains attributable to continuing operations reported in the consolidated income statement	**177,934**	566,984
	177,934	668,161

* *There are no unfulfilled conditions or contingencies relating to these grants.*

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting): #

	2008	2007
	HK$'000	*HK$'000*
Cost of inventories sold	**10,705,535**	11,432,837
Provision against inventories	**48,618**	3,808
Realised fair value losses of derivative instrument transactions	**–**	7,789
Unrealised fair value losses of derivative instrument transactions	**–**	31,494
Net gain arising from changes in fair value of biological assets	**(12,369)**	(10,555)
Cost of sales	**10,741,784**	11,465,373
Auditors' remuneration	**3,985**	5,214
Depreciation	**208,698**	235,332
Amortisation of other intangible assets	**3,312**	272
Minimum lease payments under operating leases in respect of land and buildings	**81,053**	57,790
Recognition of prepaid land premiums	**4,654**	5,091
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**613,970**	454,062
Pension scheme contributions*	**55,299**	36,244
Equity-settled share option expense	**10,135**	3,060
	679,404	493,366
Other expenses include the following:		
Loss on disposal of items of property, plant and equipment	**4,278**	3,261
Fair value loss on investments at fair value through profit or loss	**10,158**	–
Impairment of items of property, plant and equipment	**–**	58,621
Impairment of accounts receivable	**2,029**	273
Impairment of other receivables	**2,628**	10,508

* *At 31 December 2008, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2007: Nil).*

The disclosures presented in this note include those amounts charged/credited in respect of discontinued operations.

6. FINANCE COSTS

	Group 2008 HK$'000	2007 HK$'000
Interest on:		
Bank loans wholly repayable within five years	**23,538**	73,256
Loans from a fellow subsidiary and a minority shareholder of a subsidiary	**12,266**	30,251
Others	**9,067**	287
Total interest expense on financial liabilities not at fair value through profit or loss	**44,871**	103,794
Less: Interest capitalised	**(13,489)**	(5,750)
	31,382	98,044
Attributable to discontinued operations (note 8)	**–**	64,966
Attributable to continuing operations reported in the consolidated income statement	**31,382**	33,078
	31,382	98,044

7. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 December 2008. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2008 *HK$'000*	2007 *HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**9**	2,457
Current – Elsewhere in the PRC		
charge for the year	**154,529**	216,100
Overprovision in prior years	**(514)**	(3,063)
Investment tax credits	**(13,872)**	(31,195)
Deferred	**(3,901)**	(23,850)
Total tax charge for the year	**136,251**	160,449
Represented by:		
Tax charge attributable to discontinued operations (note 8)	**–**	24,657
Tax charge attributable to continuing operations reported in the consolidated income statement	**136,251**	135,792
	136,251	160,449

8. DISCONTINUED OPERATIONS

The results of the Spin-off Group for the year of 2007 are presented below:

	2007
	HK$'000
Revenue	4,594,069
Cost of sales	(4,147,676)
Gross profit	446,393
Other income and gains	101,177
Expenses	(277,154)
Finance costs	(64,966)
Share of profits of associates	58,976
Profit before tax from the discontinued operations	264,426
Tax related to pre-tax profit	(24,657)
Profit for the year from the discontinued operations	239,769
Attributable to:	
Equity holders of the Company	195,832
Minority interests	43,937
	239,769

A summary of assets and liabilities of the Spin-off Group distributed by the Company as a result of the Spin-off is as follows:

	HK$'000
Net assets distributed:	
Total non-current assets	8,175,766
Total current assets	8,110,213
Total current liabilities	(7,953,863)
Total non-current liabilities	(917,582)
Minority interests	(1,180,386)
Special interim dividend	6,234,148

The net cash flows incurred by the Spin-off Group are as follows:

	2007
	HK$'000
Operating activities	31,667
Investing activities	(375,340)
Financing activities	325,417
Net cash outflow	(18,256)

	2007
Earnings per share	
Basic from discontinued operations	HK7.02 cents
Diluted from discontinued operations	HK7.01 cents

The calculation of basic and diluted earnings per share from discontinued operations was based on:

	2007
Profit attributable to ordinary equity holders of the Company from discontinued operations	HK$195,832,000
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	2,791,383,356
Weighted average number of ordinary shares used in the diluted earnings per share calculation	2,792,103,066

9. DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
Interim – HK2.4 cents (2007: Nil) per ordinary share	**66,993**	–
Proposed final – HK3.84 cents (2007: HK4.5 cents) per ordinary share	**107,189**	125,612
Special interim (notes 1 and 8)	**–**	6,234,148
	174,182	6,359,760

At a meeting held on 9 April 2009, the board proposed a final dividend of HK3.84 cents per share for the year. This recommended dividend is subject to the approval of the shareholders at the forthcoming general meeting and it is not reflected as dividend payable in these accounts, but will be paid out of the Company's contributed surplus.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amount for the year is based on the profit for the year attributable to ordinary equity holders of the Company of HK$483,427,000 (2007: HK$791,686,000) and the weighted average number of 2,791,383,356 ordinary shares (2007: 2,791,383,356) in issue during the year.

The calculation of basic earnings per share amount from continuing operations for the year is based on the profit for the year attributable to ordinary equity holders of the Company of HK$483,427,000 (2007: HK$595,854,000) and the weighted average number of 2,791,383,356 ordinary shares (2007: 2,791,383,356) in issue during the year.

No amount of diluted earnings per share for the year has been disclosed as no diluting effect existed during the year.

The calculation of diluted earnings per share amount for the year ended 31 December 2007 was based on the profit for that year attributable to ordinary equity holders of the Company of HK$791,686,000. The calculation of diluted earnings per share amount from continuing operations for the year ended 31 December 2007 was based on the profit for that year attributable to ordinary equity holders of the Company of HK$595,854,000. The weighted average number of 2,792,103,066 ordinary shares used in the calculations is the number of 2,791,383,356 ordinary shares in issue during that year, as used in the basic earnings per share calculation, and the weighted average number of 719,710 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

11. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired items of property, plant and equipment with total cost of HK$452,241,000 (2007: HK$1,176,572,000), excluding property, plant and equipment acquired through business combination.

In addition, items of property, plant and equipment with an aggregate amount of approximately HK$6,047,549,000 were distributed on 21 March 2007 as a result of the Spin-off.

Items of property, plant and equipment with a net book value of HK$22,675,000 (2007:HK$18,886,000) were disposed of by the Group during the year, resulting a net loss on disposal of HK$4,278,000 (2007: HK$3,261,000).

12. ACCOUNTS AND BILLS RECEIVABLE

The Group’s trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for 30 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group’s accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Accounts and bills receivable are non-interest-bearing and are normally settled within one to three months and one to six months, respectively.

An aged analysis of the accounts and bills receivable as at the balance sheet date, based on the invoice date and net of impairment, is as follows:

	2008	2007
	HK$'000	*HK$'000*
Outstanding balances with ages:		
Within 3 months	**588,766**	635,103
3 to 12 months	**291,551**	357,641
1 to 2 years	**4,182**	4,430
Over 2 years	**–**	5
	884,499	997,179

13. ACCOUNTS AND BILLS PAYABLE

An aged analysis of the accounts and bills payable as at the balance sheet date, based on the invoice date, is as follows:

	2008	2007
	HK$'000	*HK$'000*
Outstanding balances with ages:		
Within 3 months	**827,482**	708,303
3 to 12 months	**25,540**	98,024
1 to 2 years	**7,224**	7,744
Over 2 years	**605**	1,244
	860,851	815,315

Accounts and bills payable are non-interest-bearing and are normally settled on one to three months, and one to six months, respectively.

14. ACQUISITION OF AN ASSOCIATE

On 31 January 2008, the Group entered into a sale and purchase agreement with a connected party, Coca-Cola South Asia Holdings, Inc., to acquire a 21% share interest in Coca-Cola Bottlers Manufacturing Holdings Limited ("CCBMH"), at a cash consideration of RMB148,280,000 (approximately HK$161,057,000). CCBMH holds a 100% equity interest in Coca-Cola Bottlers Manufacturing (Dongguan) Co., Ltd., which is principally engaged in the production of still beverages under the trademarks of The Coca-Cola Company and its affiliates. The acquisition was completed on 21 February 2008. Further details of this acquisition are set out in the Company's circular dated 21 February 2008.

The Group's share of the fair values of the identifiable assets and liabilities of CCBMH as at the date of acquisition is HK$201,959,000, which resulted in an excess of fair value of net assets acquired over cost of HK$40,902,000 recognised as an income included in the "share of profits of associates" on the face of the consolidated income statement.

15. BUSINESS COMBINATION

Business combination in 2007

On 6 August 2007, COFCO Coca-Cola Beverages Limited ("CBL"), a 65%-owned subsidiary of the Company, entered into a conditional share transfer master agreement with Coca-Cola China Industries Limited ("CCCI"), a connected person of the Company, pursuant to which:

(i) CBL will transfer to CCCI all the issued share capital in, and all the outstanding shareholder's loans owed by, COFCO Beverages (Chengdu) Limited, COFCO Beverages (Harbin) Limited, COFCO Beverages (Kunming) Limited, COFCO Beverages (Taiyuan) Limited, COFCO Beverages (Wuhan) Limited, and COFCO Beverages (Jilin) Limited (collectively the "CBL Companies"), all being wholly-owned subsidiaries of CBL, for an aggregate consideration of RMB571,000,000 (approximately HK$591,710,000) (the "Disposal");

(ii) CCCI will transfer to CBL all the issued share capital in, and all the outstanding shareholder's loans owed by, Coca-Cola China Industries Beverages (Qingdao) Ltd. ("CCCI Qingdao"), a wholly-owned subsidiary of CCCI, for an aggregate consideration of RMB521,000,000 (approximately HK$539,910,000) (the "Acquisition"); and

(iii) CBL will acquire from CCCI all the issued share capital in, and all the outstanding shareholder's loans owed by, Coca-Cola China Industries (Beijing) Limited ("CCCI Beijing"), a wholly-owned subsidiary of CCCI, for an aggregate consideration of RMB270,000,000 (the "Beijing Transaction").

The consideration for the Disposal was settled by the Acquisition plus RMB50,000,000 (approximately HK$51,800,000) paid by CCCI in cash at completion on 26 October 2007.

The CBL Companies, CCCI Qingdao and CCCI Beijing are all investment holding companies with equity interests in subsidiaries or long-term investments engaged in the production, bottling, sale and distribution of Coca-Cola beverages in certain areas of the PRC.

Details of the above transactions were disclosed by the Company in an announcement dated 6 August 2007 and a circular dated 27 August 2007.

A summary of the fair values of the identifiable assets and liabilities of CCCI Qingdao as at the date of the Acquisition and the corresponding carrying amounts immediately before the Acquisition were as follows:

	Fair value recognised on acquisition	Carrying amount
	HK$'000	*HK$'000*
Total non-current assets	**388,046**	337,062
Total current assets	**210,487**	210,487
Total current liabilities	**(342,422)**	(342,422)
Minority interests	**(113,636)**	(93,233)
	142,475	111,894
Reclassification of available-for-sale investments	**(16,579)**	
Goodwill on acquisition	**414,014**	
	539,910	
Satisfied by:		
Consideration payable	**591,710**	
Cash received	**(51,800)**	
	539,910	

A summary of the assets and liabilities of the Disposal is as follows:

	HK$'000
Total non-current assets	253,090
Total current assets	70,063
Total current liabilities	(126,327)
	196,826
Gain on disposal of subsidiaries (note 4)	394,884
	591,710
Satisfied by:	
Cash	51,800
Consideration receivable	539,910
	591,710

16. POST BALANCE SHEET EVENTS

The Beijing Transaction mentioned in 15(iii) above was completed on 9 January 2009. Furthermore, to determine the fair value of assets acquired at the date of completion, the Group has appointed an external valuer to carry a valuation of CCCI Beijing at the date of completion. As at the date of this report, the valuation has not yet completed. Therefore, it is not practicable to disclose further details about the Beijing Transaction.

MANAGEMENT DISCUSSION AND ANALYSIS

- The turnover for the year was HK$14,240 million, representing an increase of 46% over the last year.

- Profit attributable to equity holders of the Company for the year amounted to HK$483 million, 39% less than that for the last year.

- Basic earnings per share for the year were HK17.32 cents, representing a decrease of 39% compared with HK28.36 cents per share for the last year.

- The board recommended the payment of a final dividend of HK3.84 cents per share for the year to shareholders whose names appear on the register of members on Monday, 8 June 2009.

During 2007, the Company declared a special interim dividend to distribute the Company's entire interest in the issued share capital of China Agri-Industries Holdings Limited ("CAIH"), for the purpose of a separate listing of the shares of CAIH on the main board of The Stock Exchange of Hong Kong Limited. The separate listing was completed on 21 March 2007 (the "Spin-off"). The results announcement for the year ended 31 December 2007 covers the financial results of CAIH up to 21 March 2007.

On the basis that the Spin-off was completed on 1 January 2007, the comparison of financial results of the Group during the year with the financial results of the continuing businesses of the Group (the "Pro Forma Group") for the last year are as follows:

- The turnover of the Group for the year amounted to HK$14,240 million, representing an increase of 46% compared with that of the Pro Forma Group in the amount of HK$9,743 million for the last year.

- According to the results announcement for the year ended 31 December 2007, core earnings of the Pro Forma Group attributable to equity holders of the Company, after deducting the net impact of (i) the gain on the disposal of equity interests in certain Coca-Cola bottlers amounting to HK$395 million and (ii) sharing this gain with minority interests in these Coca-Cola bottlers amounting to HK$138 million, and excluding the expenses for stamp duty in connection with the Spin-off, were HK$361 million (the "Core Earnings"). Profit attributable to equity holders of the Company for the year amounted to HK$483 million, 34% more than the Core Earnings for the last year.

- Basic earnings per share for the year amounted to HK17.32 cents, representing an increase of 34% or HK4.42 cents per share, compared with the basic earnings per share of the Core Earnings of HK12.9 cents for the last year.

WINES BUSINESS

The Group's wines business is principally engaged in the production, marketing and sale of wines under the "Greatwall" and "長城" brands in China. It is a vertically integrated business spanning the entire value chain from management of vineyards, wine-making, marketing and sales to brands management and development. The Group currently owns three wineries and two chateaus in Yantai, Shacheng and Changli.

During the year, the sales volume of "Greatwall" wines increased by 11.3% from 94,019 tonnes in 2007 to 104,682 tonnes. The turnover of the business was HK$2,790 million, representing an increase of 30.4% over the last year. The gross profit margin increased to 57.3% from 52.5% in 2007, which was attributable to the enhancement of the product mix and the increase in product prices.

As a result of our effort to refine our product portfolio over the past years, a well-defined products structure was established during the year. Our full range of products was categorized according to the production regions, grape species and wine-making methods employed. The primary purpose of this new products structure is to help consumers understand our products from a product positioning and quality perspective, and to enable us to undertake more precise brand building and marketing activities.

Based on the new products structure, we modified our wine labels to enable consumers to have a better understanding of the characteristics of the wines including the grade, production year and grape species. Our promotion strategy on high-end products enhanced brand awareness and resulted in an increase in the overall sales. Sales of high-end wines increased by 38% compared with the last year, which was a much greater growth rate than the overall sales growth. As the exclusive supplier of wines for the Beijing 2008 Olympic Games, we achieved a great success in Olympics-related marketing activities. "Greatwall" wines were granted a "Special Contribution Award for the Beijing 2008 Olympic Games" by the International Olympic Committee.

Following the successful development of Chateau Junding, Chateau Sungod was completed as another elite-range chateau during the year. We expect that chateau wines will further improve our product portfolio and enhance our brand image in the future.

To capitalize on our distribution channels, we commenced an imported wines agency business during the year. We imported wines from renowned regions around the world including France, Chile and Italy. Wines from different regions with different flavor profiles complement our existing product mix. We expect that imported wines will become another source of our future growth.

During the year, our channel consolidation achieved considerable progress. The sales platform in Beijing was successfully replicated in the north-western, south-western, and north-eastern regions of China as well as the Guangdong region. The number of sales personnel increased from more than 300 in 2007 to more than 600. These new sales platforms enabled us to reduce the reliance on distributors and improve the efficiency of our sales network and enhance our control over retail points of sales. According to ACNielsen, as at 31 December 2008, the market share of "Greatwall" and "長城" wines in the supermarkets and hypermarkets in 16 major cities in the PRC was 37.7%, securing a No.1 ranking in the wines category.

Under the global financial crisis, asset valuation has become more rational. We will seize suitable merger and acquisition opportunities to facilitate faster growth of our business.

BEVERAGES BUSINESS

The Group's Coca-Cola beverages bottling group is one of the three principal Coca-Cola beverages bottling groups in the PRC. We currently operate a total number of ten bottling plants and hold minority interests in a further seven bottling plants. The ten bottling plants of the Group are engaged in the production and bottling and sale and distribution of Coca-Cola sparkling beverages and the sale and distribution of Coca-Cola still beverages such as fruit juices, water and tea in twelve provinces, autonomous regions and four other cities in the PRC under franchise agreements with The Coca-Cola Company.

During the year, the consolidated turnover of the business was HK$4,574 million, representing an increase of 52% over the last year, and accounting for 32% of the Group's turnover. This strong growth reflects our dedication to business development and management improvement, as well as the positive contributions by the two bottlers in Shandong attributable to their successful integration into our bottling group since November 2007. In addition to the further development of still beverages, we continued to see significant growth in sparkling beverages. On the basis that the two bottlers in Shandong were integrated into our bottling group and a bottler in Jilin was disposed of in January 2007, our sparkling beverages sales volume would have increased by 16% on a year-to-year basis, and together with juice and tea beverages, the volume growth rate of non-water beverages would be 21%. It is the third consecutive year for us to top the non-water beverages growth rankings among the three principal Coca-Cola beverages bottling groups in the PRC.

Our strong performance in this business underscores our continued efforts during the year to develop our distribution network, increase focus on revenue management, improve our product mix, and launch new products. Our marketing activities in support of the sponsorship of the Beijing 2008 Olympic Games have strengthened the awareness of the Coca-Cola brands in the PRC, which is expected to benefit continuous growth of our business in the future. In respect of new products launch, in the first half of 2008 we launched the sparkling beverage Coca-Cola Zero, which was well-received in our market with the sales outperforming the launch budget. In addition, the market response was also very positive to the tea beverage "Original Leaf" after its launch. We will continue to promote "Original Leaf" and expect it to be another successful still beverage brand on top of the fruit juice beverage "Minute Maid".

In respect of the development of our distribution network, we continued to develop high value customers based on our multi-channel strategy, and target, in particular, our execution on restaurant and school channels, while continued to improve our customer service quality and focus on store execution. In addition, we fostered business with distributors at the county, town and village level through cooperative arrangements, which brought about visible contribution to our growth.

Our execution of acquisition and investment strategies during the last couple of years has laid a solid foundation for our future growth. At the end of 2008, our new bottling plant in Jiangxi and another new bottling plant in Xinjiang commenced production. This enabled us to directly meet the demand of, and better serve, customers in the respective markets in Jiangxi and Xinjiang, and to effectively reduce transportation costs arising from allocating products from other markets.

Pursuant to a share sale and purchase master agreement entered into between COFCO Coca-Cola Beverages Limited ("COFCO Coca-Cola") and Coca-Cola China Industries Limited in August 2007 ("Share Transfer Master Agreement"), we completed the first phase transaction of the Share Transfer Master Agreement in October 2007 by disposing of our 100% interest in a bottler in Jilin and minority interests in five other bottlers, and acquiring the majority interests in two bottlers in Shandong. In January 2009, we completed the second phase transaction of the Share Transfer Master Agreement by acquiring a 40% interest in a bottler in Beijing, and accordingly our interest in the bottler in Beijing increased to 75% from 35%. Details of the Share Transfer Master Agreement were disclosed in a circular of the Company dated 27 August 2007. The completion of the Share Transfer Master Agreement enabled our business to cover a contiguous bloc of territory with approximately 215 million people in Northern China, including Tianjin, Hebei, Inner Mongolia, Beijing, and Shandong.

After COFCO Coca-Cola completed the acquisition of a 21% interest in Coca-Cola Bottlers Manufacturing Holdings Limited in February 2008, we acquired a stake in the business of The Coca-Cola Company in the production and supply of Coco-Cola still beverages in the PRC, and we received satisfactory equity returns for 2008. Details of the acquisition were disclosed in a circular of the Company dated 21 February 2008.

Looking forward, we will continue to expand our distribution network, strengthen cost control, improve management tools, and at the same time accelerate talent development in order to meet our business expansion needs. We will strive to maintain our leading position in the sparkling beverages categories while aim to achieve a leading position in the still beverages categories by continuing to expand our market share in the still beverages categories, such as fruit juices and tea beverages.

CONSUMER-PACK EDIBLE OIL BUSINESS

The consumer-pack edible oil business is engaged principally in the distribution and sale of consumer-pack edible oil in the PRC under the "福臨門" brand. During the year, the sales volume of the business was 531,340 tonnes, an increase of 23.2% over the last year, and the revenue was HK$6,512 million, an increase of 56.6% over the last year. Due to the decease in the raw materials costs in the second half of 2008, the business was restored to profitability in the second half of the year.

Due to efforts in the expansion and penetration of our sales channels, according to ACNielsen, our retail points of sales coverage increased from 57% in 2007 to 70%. The market share of consumer-pack edible oil under the "福臨門" brand increased from 7.8% in 2007 to 10%. During the year, we leveraged on the market awareness of the "福臨門" brand and launched a series of "福臨門" seasoning sauces. Sales of these new products amounted to HK$24.40 million. Our "福臨門" seasoning sauces won the golden prize at the 2008 China International Condiments and Food Additives Expo.

CONFECTIONERY BUSINESS

The Group produces and distributes chocolates and confectionery products in China under the "金帝" and "Le Conte" brands. During the year, due to adverse impact from the severe storm and the melamine scandal, overall sales declined by 16.5% to HK$365 million compared with the last year. Though the overall sales for the year were not satisfactory, sales showed signs of growth after the restoration of consumers' confidence in chocolate products during the year-end peak season.

A new management team was appointed during the year. The management is undertaking a series of reforms and adopting measures for improvement, including repositioning brands, optimizing product portfolio, and adjusting distributor policies, in order to improve management systems and enhance management efficiency.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Group's equity attributable to equity holders of the Company stood at HK$5,092 million, representing an increase of 12% compared with that of the Group as at 31 December 2007. As at 31 December 2008, the Group's unpledged cash and bank deposits totalled approximately HK$1,547 million (31 December 2007: approximately HK$1,397 million), and the Group's net current assets were approximately HK$1,556 million (31 December 2007: approximately HK$1,763 million).

Based on the above and the current bank and other borrowings and banking facilities available to the Group, the management believes that the Group's financial resources are sufficient for debt repayments, day-to-day operations and capital expenditures.

The Group's monetary assets, liabilities and transactions are principally denominated in Renminbi, Hong Kong dollars, United States dollars and Pounds Sterling. The management is of the view that the current mild changes in the exchange rate of Renminbi do not have any material effect on the Group and the exchange rate risk exposure of the Group is limited.

CAPITAL STRUCTURE

During the year, there were no changes to the share capital of the Company. As at 31 December 2008, the total number of issued shares of the Company was 2,791,383,356.

As at 31 December 2008, the Group had no significant borrowings apart from certain bank loans and loans from a fellow subsidiary totalling HK$248 million (31 December 2007: HK$392 million). All the Group's bank borrowings carried annual interest rates ranging between 4.54% and 6.48% (31 December 2007: between 3.00% and 6.50%), while other borrowings carried annual interest rates ranging from 5.04% to 6.57% (31 December 2007: from 5.02% to 5.83%).

As at 31 December 2008, net assets attributable to equity holders of the Company were HK$5,092 million (31 December 2007: HK$4,559 million) and net cash of the Group (unpledged cash and bank deposits less interest-bearing bank and other borrowings) was HK$1,299 million (31 December 2007: HK$1,005 million).

CONTINGENT LIABILITIES AND ASSETS PLEDGED

As at 31 December 2008, the Group had no material contingent liabilities.

As at 31 December 2008, certain bank loans of the Group were secured by charges over certain investment properties, property, plant, equipment and time deposits of the Group with net book value of approximately HK$88 million (31 December 2007: HK$107 million).

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2008, the Group employed approximately 11,500 staff in mainland China and Hong Kong (31 December 2007: 11,000). 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 basic social insurance and housing fund contributions in compliance with the requirements of the laws of China. Details of these benefit schemes will be set out in the 2008 annual report.

The Company adopted a share option scheme on 21 November 2006 (the "Option Scheme") for a term of ten years and the purpose of the Option Scheme is to reward eligible employees of the Group (including executive directors and non-executive directors of the Company) based on individual merits.

As at 31 December 2007, a total of 20,477,600 options of the Company remained outstanding. During the year, no options were granted pursuant to the terms of the Option Scheme, while a total of 1,769,600 options cancelled. Accordingly, as at 31 December 2008, the total number of outstanding options of the Company was 18,708,000. Share options granted under the Option Scheme are valid for seven years, exercisable in five years after 24 months from the date on which they are granted subject to the satisfaction of certain requirements under the Option Scheme.

CHANGE IN THE STRUCTURE OF THE GROUP

During the year, on 21 February 2008, COFCO Coca-Cola Beverages Limited ("CBL"), a subsidiary of the Company, completed the acquisition of a 21% interest in Coca-Cola Bottlers Manufacturing Holdings Limited. Details of the acquisition are set out in a circular of the Company dated 21 February 2008.

During the year, COFCO Wines and Spirits Co., Ltd. ("COFCO Wines"), a wholly owned subsidiary of the Company, and Longhua Group Company Limited established a joint venture company in Shandong, i.e., Shandong COFCO Junding World Famous Chateaus Club Co., Ltd. ("Junding Chateaus Club"), in which COFCO Wines holds a 55% equity interest. Junding Chateaus Club is engaged in the import, export, sales and storage of wines and spirits and related products.

On 9 January 2009, CBL completed the acquisition from Coca-Cola China Industries Limited ("CCCI") of a 40% interest in Beijing Coca-Cola Beverage Co., Ltd. pursuant to a share transfer master agreement entered into between CBL and CCCI on 6 August 2007. Details of the acquisition are set out in a circular of the Company dated 27 August 2007.

CHANGES IN THE PRC FOOD SAFETY REGULATIONS

The Company's business is subject to various laws and regulations in the PRC including the PRC Food Safety Law (the "Food Safety Law"), which was passed by the PRC legislature in February 2009 and shall take effect on 1 June 2009. The Food Safety Law provides for certain new measures meant to tighten the supervision and regulation of the PRC food industry.

In light of the recent changes in the PRC food safety regulations, we will dedicate ourselves to managing more rigorously our operation processes involving procurement, production, logistics and transportation, storage and distribution, strengthen our food safety regulations training, enhance employee awareness of social responsibilities, and improve our management process and procedures, to ensure that we comply with the new regulatory requirements in our operations and serve our customers with safe, nutritious, healthy and quality food products. While the new requirements may result in the increase in compliance costs and financial and other operational obligations for our operations in the future, we, as always, are committed to strictly complying with applicable laws and regulations which will enable us to secure competitive advantages in the PRC food industry with sustainable development.

PROSPECTS

To conclude, the wines and beverages businesses continued to deliver strong performance for the year, while the consumer-pack edible oil business achieved a turnaround in its performance by the end of the year after experiencing turbulent trading conditions. The year was most difficult for the confectionery business due to external factors beyond our control, but we believe the worst is now behind us.

In 2009 we continue to face a tough macroeconomic environment, which poses both challenges and opportunities. We must work harder to achieve better results. For our wines business, we will continue to execute our brands and channels strategies, as we believe the future of the business is in moving consumers towards higher quality offerings. For our beverages business, we are confident that rapid growth will persist for the next few years as our franchised distribution and sale territories possess enormous growth potential and our beverages team has strong execution capability. For our consumer-pack edible oil business, we will focus on volume growth and achieve economies of scale, while continue to enhance our brand image and to extend into new products. For our confectionery business, with the new management team's effort, we expect to see a recovery and growth in sales in 2009.

The Company target to realize synergies in the sales channels of our different business units. In 2009 we will form a marketing and sales department at the company level to implement this strategy. We believe that, with improvement in brand management capability and realization of synergies in sales channels, the Company will be well positioned to become an effective platform to carry a wide range of consumer food and beverages products in the future.

DIVIDENDS

The board recommended a final dividend of HK3.84 cents (2007: HK 4.5 cents) per share in respect of the year. An interim dividend of HK2.4 cents per share was paid on 13 November 2008 (2007: Nil). Subject to shareholders' approval at the annual general meeting to be held on Monday, 8 June 2009, the total dividend in cash for the year would be HK6.24 cents (2007: HK 4.5 cents) per share, and the recommended final dividend will be payable on Friday, 26 June 2009 to shareholders of the Company whose names appear on the register of members of the Company on Monday, 8 June 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 3 June 2009 to Monday, 8 June 2009, both days inclusive, during which period no share transfer will be effected. To qualify for the above final dividend, all transfers, accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Progressive Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later that 4:00 p.m. on Tuesday, 2 June 2009.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the view of the board, the Company complied with the principles and code provisions set out in the Code on Corporate Governance Practices (the "Code") contained 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 for (i) the deviation from code provision E.1.2 of the Code as explained in the Company's interim report for the six months ended 30 June 2008; and (ii) the insufficient number of independent non-executive directors during the period from 14 August to 13 November 2008. Due to a vacancy left following the decease of Mr. Tan Man Kou, an independent non-executive director, there were only two independent non-executive directors. Mr. Li Hung Kwan, Alfred, the third independent non-executive director, was appointed on 13 November 2008 in compliance with Rule 3.10 of the Listing Rules which requires that the board should include at least three independent non-executive directors.

Details of our compliance with the Code will be set out in the corporate governance report in the 2008 annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listing Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Upon specific enquiries of all directors, each of them confirmed that he/she complied with the required standards set out in the Model Code throughout the year.

The Company has also adopted a code for securities transactions by relevant employees (the “Employees Trading Code”) based on the Model Code concerning dealings by relevant employees in the securities of the Company. Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are required to comply with the Employees Trading Code in respect of their dealings in the securities of the Company. The terms of the Employees Trading Code are no less exacting than the required standards set out in the Model Code. No non-compliance reports were received from any such employees during the year.

REMUNERATION COMMITTEE

A remuneration committee was established by the Company in April 2005 with specific written terms of reference which set out its authorities and duties in accordance with the requirements of the Code. The remuneration committee comprises two independent non-executive directors and one executive director.

AUDIT COMMITTEE

An audit committee was established by the Company in 1999 with specific written terms of reference which set out its authorities and duties in accordance with the requirements of the Code. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and to review the Company's interim and annual reports and financial statements.

There were an insufficient number of audit committee members during the period from 14 August to 13 November 2008. Due to a vacancy left following the decease of Mr. Tan Man Kou, the ex-chairman of the audit committee with professional qualification as required under Rule 3.10(2) of the Listing Rules, there were only two members on the audit committee. Mr. Li Hung Kwan, Alfred, who is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of Scotland, was appointed as a member of the audit committee on 13 November 2008 and Mr. Stephen Edward Clark, an independent non-executive director and a member of the audit committee, was appointed as the chairman of the audit committee with effect from 13 November 2008 in compliance Rule 3.21 of the Listing Rules which requires that the audit committee should include at least three members, at least one of whom is an independent non-executive director with appropriate professional qualification or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The audit committee currently comprises three independent non-executive directors. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters including the review of the audited financial statements for the year.

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

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

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (http//www.hkex.com.hk) and the website of the Company (http//www.chinafoodsltd.com). The 2008 annual report will be published on the websites of the Stock Exchange and the Company and also to be dispatched to the shareholders of the Company in due course.

By order of the board
China Foods Limited
Qu Zhe
Managing Director

Hong Kong, 9 April 2009

As at the date of this announcement, our executive directors are Mr. Ning Gaoning, Mr. Qu Zhe, Mr. Mak Chi Wing, William, Ms. Luan Xiuju and Mr. Zhang Zhentao; our non-executive directors are Mr. Ma Jianping and Ms. Wu Wenting; and our independent non-executive directors are Messrs. Stephen Edward Clark, Li Hung Kwan, Alfred and Yuen Tin Fan, Francis.