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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

FINANCIAL HIGHLIGHTS

- The turnover for the six months ended 30 June 2009 (the "interim period") was HK$8,191 million, representing an increase of 0.4% over the corresponding period of last year.
- Profit attributable to equity holders of the Company for the interim period amounted to HK$301 million, 24.5% more than that in the corresponding period of last year.
- Basic earnings per share for the interim period were HK10.77 cents, an increase of 24.5% compared with HK8.65 cents per share in the corresponding period of last year.
- The board of directors recommended the payment of an interim dividend of HK3.88 cents per share for the interim period to shareholders whose names appear on the register of members on 16 October 2009.

INTERIM RESULTS

The board of directors of China Foods Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (together the "Group") for the six months ended 30 June 2009 together with comparative figures for the corresponding period of last year. The unaudited condensed consolidated interim results as at and for the six months ended 30 June 2009 (the "interim financial information") have been reviewed by Ernst & Young, the auditors of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and by the audit committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

	Notes	For the six months ended 30 June 2009 HK$'000 (Unaudited)	2008 HK$'000 (Unaudited)
REVENUE	*4*	**8,191,014**	8,155,556
Cost of sales	*6*	**(5,853,341)**	(6,479,353)
Gross profit		**2,337,673**	1,676,203
Other income and gains	*4*	**61,351**	87,596
Selling and distribution costs		**(1,650,998)**	(1,194,671)
Administrative expenses		**(261,521)**	(196,978)
Other expenses		**(503)**	(11,251)
Finance costs	*5*	**(47,976)**	(14,158)
Share of profits of associates		**66,623**	61,545
PROFIT BEFORE TAX	*6*	**504,649**	408,286
Tax	*7*	**(110,808)**	(83,159)
PROFIT FOR THE PERIOD		**393,841**	325,127
Attributable to:			
Equity holders of the Company		**300,759**	241,567
Minority interests		**93,082**	83,560
		393,841	325,127
DIVIDENDS	*8*	**108,306**	66,993
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*9*		
Basic – For profit for the period		**HK10.77 cents**	HK8.65 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	For the six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**393,841**	325,127
Exchange differences on translation of foreign operations	**4,867**	259,637
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**4,867**	259,637
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**398,708**	584,764
Attributable to:		
Equity holders of the Company	**304,093**	445,139
Minority interests	**94,615**	139,625
	398,708	584,764

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2009

	Notes	**30 June 2009 HK$'000 (Unaudited)**	31 December 2008 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**2,914,591**	2,434,472
Investment properties		**69,925**	69,884
Prepaid land premiums		**205,344**	156,502
Deposits for purchase of items of property, plant and equipment		**63,870**	33,157
Goodwill		**1,610,208**	1,409,342
Other intangible assets		**41,139**	36,639
Interests in associates		**428,419**	411,951
Available-for-sale investments and related advances		**210,461**	211,355
Deferred tax assets		**28,890**	31,365
Biological assets		**86,694**	86,643
Held-to-maturity investments		**40,208**	–
Total non-current assets		**5,699,749**	4,881,310
CURRENT ASSETS			
Inventories		**2,248,530**	2,628,857
Accounts and bills receivable	*11*	**914,825**	884,499
Prepayments, deposits and other receivables		**538,058**	479,338
Due from fellow subsidiaries		**148**	230
Due from the ultimate holding company		**6,037**	5,994
Due from the immediate holding company		**165**	160
Due from associates		**4**	2,771
Due from investee companies		**20,853**	–
Tax recoverable		**10,845**	5,790
Investments at fair value through profit or loss		**12,746**	9,228
Pledged deposits		**32,234**	3,002
Cash and cash equivalents		**2,079,383**	1,546,684
Total current assets		**5,863,828**	5,566,553

	Note	**30 June 2009 HK$'000 (Unaudited)**	31 December 2008 HK$'000 (Audited)
CURRENT LIABILITIES			
Accounts and bills payable	*12*	**1,020,115**	860,851
Other payables and accruals		**1,615,161**	1,983,809
Due to fellow subsidiaries		**621,628**	440,993
Due to the ultimate holding company		**3,717**	13,731
Due to related companies		**348,941**	365,898
Due to associates		**112,776**	71,273
Interest-bearing bank and other borrowings		**437,463**	247,955
Tax payable		**48,136**	26,397
Total current liabilities		**4,207,937**	4,010,907
NET CURRENT ASSETS		**1,655,891**	1,555,646
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,355,640**	6,436,956
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**500,000**	–
Due to minority shareholders of subsidiaries		**130,666**	73,136
Due to the ultimate holding company		**22,692**	22,679
Deferred income		**8,203**	8,686
Deferred tax liabilities		**15,096**	7,481
Total non-current liabilities		**676,657**	111,982
Net assets		**6,678,983**	6,324,974
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**279,138**	279,138
Reserves		**4,906,072**	4,705,973
Proposed dividend		**108,306**	107,189
		5,293,516	5,092,300
Minority interests		**1,385,467**	1,232,674
Total equity		**6,678,983**	6,324,974

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2009

		For the six months ended 30 June	
		2009	2008
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		**627,224**	(71,681)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	*13, 14*	**(491,878)**	(254,714)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		**393,261**	(119,140)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**528,607**	(445,535)
Cash and cash equivalents at beginning of period		**1,546,684**	1,396,563
Effects of foreign exchange rate changes, net		**4,092**	49,979
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**2,079,383**	1,001,007
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**2,026,686**	918,025
Non-pledged time deposits with original maturity of less than three months when acquired		**52,697**	82,982
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**2,079,383**	1,001,007

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2009

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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 confirmation of the board of directors, the ultimate holding company of the Company is COFCO Corporation ("COFCO"), which is a state-owned enterprise registered in the People's Republic of China (the "PRC").

During the period, 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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial information is prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange. The accounting policies and basis of preparation adopted in the preparation of the interim financial information are the same as those used in the annual financial statements of the Group for the year ended 31 December 2008, except in relation to the following new Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) that affect the Group and are adopted by the Group for the first time for the current period's financial statements:

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement*
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation

The adoption of the above HKFRSs has had no impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated interim financial information.

HKFRS 8, which replaces HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine business reporting segments of the Group. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. Adoption of this standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously indentified under HKAS 14.

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

3. SEGMENT INFORMATION

The chief operating decision-makers of the Company review the Group's internal reports periodically in order to access performance and allocate resources of the operating segments.

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

Segment information is presented by the Group's operating segment. Details of the operating segments are summarised as follows:

(a) the wineries 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 kitchen foods 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.

No operating segments have been aggregated to form the above reportable operating segments.

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. During the period, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2009 and 2008.

Six months ended 30 June 2009

	Wineries	Beverages	Kitchen Foods	Confec-tionery	Corporate and others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:						
Sales to external customers	**1,570,602**	**3,861,041**	**2,587,868**	**171,503**	**–**	**8,191,014**
Other revenue	**12,154**	**14,139**	**12,042**	**2,242**	**4,807**	**45,384**
Segment results	**309,534**	**212,044**	**6,994**	**(37,654)**	**(20,883)**	**470,035**
Interest and dividend income						**15,967**
Finance costs						**(47,976)**
Share of profits of associates	**–**	**66,623**	**–**	**–**	**–**	**66,623**
Profit before tax						**504,649**
Tax						**(110,808)**
Profit for the period						**393,841**

Six months ended 30 June 2008

	Wineries	Beverages	Kitchen Foods	Confec-tionery	Corporate and others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:						
Sales to external customers	1,492,803	2,449,538	4,101,133	112,082	–	8,155,556
Other revenue	25,769	32,264	140	6,983	(3,572)	61,584
Segment results	315,287	159,566	(40,430)	(65,473)	(34,063)	334,887
Interest and dividend income						26,012
Finance costs						(14,158)
Share of profits of associates *(Note 13)*	–	61,545	–	–	–	61,545
Profit before tax						408,286
Tax						(83,159)
Profit for the period						325,127

4. REVENUE, OTHER INCOME AND GAINS

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

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Other income		
Gross rental income	**2,924**	5,025
Bank interest income	**9,954**	7,194
Dividend income from available-for-sale investments	**6,013**	18,763
Dividend income from investments at fair value through profit or loss	**–**	55
Government grants	**7,494**	23,327
Tax refunds	**1,396**	18,776
Reimbursement of advertising expense	**11,567**	–
Others	**15,310**	8,552
	54,658	81,692
Gains		
Gain on disposal of by-products and scrap items	**3,071**	5,015
Fair value gain on investments at fair value through profit or loss	**3,579**	–
Gain on foreign exchange, net	**–**	889
Others	**43**	–
	6,693	5,904
	61,351	87,596

5. FINANCE COSTS

	For the six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on:		
Bank loans and overdrafts wholly repayable within five years	**19,104**	14,292
Loans from a fellow subsidiary and minority shareholders of subsidiaries	**7,286**	5,227
Others *	**21,611**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**48,001**	19,519
Less: Interest capitalised	**(25)**	(5,361)
	47,976	14,158

* Others included cash discount of HK$15,531,000 offered to certain customers if their payment are made within a stipulated period.

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**5,831,211**	6,479,353
Provision against inventories	**22,130**	–
Cost of sales	**5,853,341**	6,479,353
Fair value loss on investments at fair value through profit or loss	**–**	6,775
Depreciation	**132,006**	109,060
Recognition of prepaid land premiums	**2,089**	1,272
Staff costs (including directors' remuneration)	**467,067**	270,020
Impairment/(reversal of impairment) of receivables	**(1,293)**	2,625
Loss on disposal of items of property, plant and equipment	**717**	1,851

7. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2008: Nil). 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.

	For the six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current – Mainland China		
Provision for the period	**108,455**	81,916
Deferred	**2,353**	1,243
Total tax charge for the period	**110,808**	83,159

On 30 April 2009, the Ministry of Finance and the State Administration of Taxation issued the Circular on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business – Cai Shui [2009] No. 59, which is effective from 1 January 2008. During the year ended 31 December 2008, the Group undertook certain intra-group restructuring activities (the "Restructuring"). Based on the above circular and other relevant tax regulations, the tax base and the tax exposure related to the Restructuring, if any, cannot be determined reliably in the view of the board of directors. Consequently, no provision thereon has been made in the interim financial statements.

8. DIVIDENDS

	For the six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interim – HK3.88 cents (2008: HK2.4 cents) per ordinary share	**108,306**	66,993

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

The calculation of basic earnings per share amount for the period is based on the profit for the period attributable to ordinary equity holders of the Company of HK$300,759,000 (2008: HK$241,567,000) and the weighted average of 2,791,383,356 ordinary shares (2008: 2,791,383,356) in issue during the period.

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

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2009, the Group acquired items of property, plant and equipment at a total cost of HK$212,048,000 (2008: HK$150,973,000), excluding property, plant and equipment acquired through business combination.

Items of property, plant and equipment with a net book value of HK$1,749,000 (2008: HK$3,686,000) were disposed of by the Group during the six months ended 30 June 2009, resulting in a net loss on disposal of HK$717,000 (2008: HK$1,851,000).

11. 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 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:

	30 June 2009	31 December 2008
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Outstanding balances with ages:		
Within 3 months	**778,962**	588,766
3 to 12 months	**132,788**	291,551
1 to 2 years	**3,075**	4,182
	914,825	884,499

12. ACCOUNTS AND BILLS PAYABLE

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

	30 June 2009	31 December 2008
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Outstanding balances with ages:		
Within 3 months	**996,209**	827,482
3 to 12 months	**22,267**	25,540
1 to 2 years	**1,532**	7,224
Over 2 years	**107**	605
	1,020,115	860,851

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

13. 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 condensed consolidated income statement.

14. BUSINESS COMBINATION

During the period ended 30 June 2009, a 65% equity interest owned subsidiary of the Company, COFCO Coca-Cola Beverages Limited ("CBL") acquired a 40% interest in Beijing Coca-cola Beverage Co. Ltd. ("Beijing Bottler") from Coca-Cola China Industries Limited at a cash consideration of RMB270,000,000 (equivalent to HK$307,479,000) (the "Acquisition"). Beijing Bottler was then a 35% equity interest owned associate of CBL.

A summary of the fair values of the identifiable assets and liabilities of Beijing Bottler as at the date of the Acquisition and the corresponding carrying amounts immediately before the Acquisition was as follows:

	Fair value recognised on acquisition	**Carrying amount**
	HK$'000	*HK$'000*
Property, plant and equipment	450,282	429,484
Inventories	120,767	110,688
Accounts receivable	112,220	112,220
Prepayments, deposits and other receivables	78,179	78,179
Cash and bank balances	16,903	16,903
Accounts and bills payable	(309,112)	(309,112)
Other payables and accruals	(96,331)	(96,333)
Interest-bearing bank borrowings	(147,514)	(147,514)
Tax payable	(3,141)	(3,141)
Deferred tax liabilities	(7,720)	–
Minority interests	(53,633)	(47,843)
	160,900	143,531
Goodwill on acquisition	200,409	
	361,309	
Satisfied by:		
Cash consideration	307,479	
Investment in an associate	53,830	
	361,309	

Out of the cash consideration equivalent to HK$307,479,000, an amount of HK$193,448,000 was paid during the period, and the remaining amount of HK$114,031,000 was directly settled by a minority shareholder of a subsidiary on behalf of CBL, which is determined as a non-cash item and included in the balance of due to minority shareholders of subsidiaries in non-current liabilities.

An analysis of the net outflow of cash and cash equivalents in respect of the Acquisition is as follows:

	HK$'000
Cash consideration paid	(193,448)
Cash and bank balances acquired	16,903
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(176,545)

MANAGEMENT DISCUSSION AND ANALYSIS

- The turnover for the six months ended 30 June 2009 (the "interim period") was HK$8,191 million, representing an increase of 0.4% over the corresponding period of last year.

- Profit attributable to equity holders of the Company for the interim period amounted to HK$301 million, 24.5% more than that in the corresponding period of last year.

- Basic earnings per share for the interim period were HK10.77 cents, an increase of 24.5% compared with HK8.65 cents per share in the corresponding period of last year.

- The board of directors recommended the payment of an interim dividend of HK3.88 cents per share for the interim period to shareholders whose names appear on the register of members on 16 October 2009.

WINES BUSINESSS

The Group's wine business is principally engaged in the production, marketing and sale of wines under the "Greatwall" and "長城" brands in China, as well as the brewing and processing, brand management and sales of yellow rice wine in a smaller scale. The business is vertically integrated, ranging from the management of vineyards, wine-making, marketing and sales to brand management and development. The Group currently owns three wineries and two chateaus in Yantai, Shacheng and Changli.

During the period under review, sales volume of "Greatwall" wine rose by 1.7% over the corresponding figure of the previous year from 57,700 tonnes to 58,700 tonnes. The sales turnover amounted to HK$1,571 million, representing an increase of 5.2% over the same period of the previous year. The gross profit margin improved to 57.9% when compared with the corresponding figure of last year of 56.1%.

Though a positive growth was recorded in sales volume and sales turnover, the growth rate was lower than that of the past year's figure. This setback in growth was attributable to the fact that the overall sales volume of the wine industry was hindered by the prevailing financial crisis. Since mid 2008, the sales volume of the industry began to grow at a slower pace. In particular, the sales of catering channels, including hotels and restaurants, were affected significantly. During the period from the end of last year to April this year, overall industry output reported a negative growth. Given that "Greatwall" has a nationwide sales network, the drop in sales along the coastal areas was offset by the promising growth in certain non-traditional regions including Central, Northern and Southwestern China. Accordingly, "Greatwall" maintained stable sales overall. It is encouraging to note from the latest industry statistics that the consumption demand of wine appears to have bottomed. Taking advantage of the improvement of macro-economic environment, the sales volume of "Greatwall" wine is expected to increase again in the second half of the year.

Although the short term results were hampered by a downturn in economic growth, the wine industry in China still holds substantial growth potential in the longer term. Consequently, we are considering the establishment of a vineyard and winery in Ningxia Hui Autonomous Region. With respect to brand tactics, we continue to put our marketing focus on an elite range of wine, with the intention of promoting

"Greatwall" brand as a whole. In order to further promote brand awareness and customers' loyalty, we began to advertising Chateau Sungod on CCTV in July. Our Chateau Junding range will also be promoted as a high quality, prestige brand targeting consumers with high disposable income through an exclusive club membership initiative. We have also been actively expanding into the imported wine business with a view to support our business growth.

In the Shaoxing wine category, in the first half of the year, the industry went through a five month period of low growth with an average sales increased by only 4.6%. Against this background, our Shaoxing wine sales stood out from its peers by increasing turnover by 46% over the corresponding period of last year to HK$19 million.

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 of ten bottling plants and hold minority interests in seven other bottling plants. The ten bottling plants are engaged in the production and bottling and sale and distribution of Coca-Cola sparkling beverages, as well as the sale and distribution of Coca-Cola still beverages such as juice beverages, water and tea in twelve provinces, autonomous regions and four other cities in the PRC under a franchise from The Coca-Cola Company.

During the period under review, the consolidated turnover of the business was HK$3,861 million, representing an increase of 57.6% over the corresponding period of last year. This strong growth was attributable to the consolidation of our Beijing bottling plant into the Group's beverages business earlier this year, as well as the further expansion of our distribution system and a corresponding increase in the number of accounts we service, which enabled us to achieve a continuous growth in our franchised territories and record an increase of 65% in sales volume.

In the first half of 2009, as a result of our marketing activities including outdoor displays, sampling and thematic activities, our sparkling beverages recorded a double-digit sales growth, outperforming the average sales growth for Coca-Cola sparkling beverages as well as that for all sparkling beverages in China. We saw a very strong growth in the sales of Coca-Cola Zero, which helped boost the overall growth in sales of sparkling beverages. In the still beverages category, our market share in the juice beverages segment has continued to increase. We introduced two new juice beverages under the "Minute Maid" brand, namely *Tropical* and *White Grape*, which were well received in the market. We expect that our market share in the tea beverages segment will grow further since we launched a summer promotion for "Original Leaf" in June and July 2009. We plan to keep us abreast of consumers' needs and diversify our product mix through the introduction of new products and flavors.

Our bottling plants in Jiangxi and Xinjiang were put into commission during the year. In addition, the bottling plant in Inner Mongolia commenced construction in June 2009. These new bottling plants will enable us to enjoy a stronger competitive edge through more efficient product and service delivery at lower costs, and they also provide a base from which to expand distribution and outlet coverage, in the bottling plants' respective regions.

KITCHEN FOODS BUSINESS

The kitchen foods business is mainly engaged in the distribution and sales of consumer-pack edible oil and seasoning sauces in the PRC under brand "福臨門". During the period under review, the sales volume of our kitchen foods business decreased by 13.5% over the previous corresponding figure to 270,000 tonnes. Sales turnover amounted to HK$2,588 million, representing a drop of 36.9% over the corresponding period last year.

The decrease in sales volume was mainly due to the inclusion last year of the sale of government reserved oil distributed through our sales channels to stabilise the price of edible oils in the market. During the period under review, both of the sales volume and gross margin returned to a normal level as the price restrictions on edible oil were lifted by the end of last year. As the prices of raw materials have remained stable and we have optimised our product range with the result that gross margin rose to 11.9% from the corresponding figure of last year of 3.6%.

During the period under review, we benefited from rising consumer demand for premium healthy edible oil, upgrading of the brand image of "福臨門" and effective promotion programme. Sales of our premium range of products with 20% average gross margin such as peanut oil, corn oil and sunflower oil grew at a much faster pace. The percentage of our premium range products against the overall sales was 42.2%. In addition, the Company had completed the development of and the preparation for a new line of corn oil products during the first half of the year. The product line will be launched into the market in the second half of the year and we target to establish it as an benchmark amongst products of a similar category.

Building on the widespread consumer acceptance of the "福臨門" brand, during the period under review, the sales volume of seasoning sauces reached 922 tonnes. The sales turnover of HK$19.73 millions was more than triple that of last year's corresponding figure. We are continuing to explore new sales channels for our range of seasoning sauces to improve our market penetration for this product.

We also expect to benefit from the expansion of our parent company's edible oil processing capacity in the future. The composite production base of COFCO Corporation in Tianjin which is expected to be completed by the end of 2010 will be equipped with a processing capability of 1.6 million tonnes of edible oil per annum. This will enable us to expand our presence in the markets of Northeast and Northern China.

CONFECTIONERY BUSINESS

The Group is engaged in the production and distribution of chocolate and confectionery products in the PRC under "金帝" and "Le Conte" brands. During the period under review, the performance improved considerably when compared with the same period of last year as the new management team has made considerable efforts in a number of areas to improve its managerial structure, operational efficiency, logistists and distribution system, product range and distributors' management. The turnover rose by 53% to HK$171 million when compared with the same period of last year.

During the period under review, the gross profit margin of our confectionery business increased from 39.3% to 44.1%. This was mainly due to lower raw material costs, increased product prices and improved product range. The high margin products accounted for an increasing proportion of the total sales turnover. In addition, the management placed much less reliance on providing large discounts to its customers, thereby improving the gross profit margin.

Our brand rebuilding project was launched during the period. We have collaborated with an internationally renowned advertising agency to reposition our "金帝" and "Le Conte" brand series: Whereas, "金帝" and "Le Conte" brands will be aimed at women in the 22 to 35 year age group, emphasising the mellow richness of pure cocoa in order to build a brand image of sincerity, elegance and quality. Our "Just Me" brand will focus on younger consumers in the 16 to 24 year age group and will present in a cheery, sweet, pleasurable and relaxing image. Meanwhile, we have reformulated the recipes of our four major products including milk chocolate, dark chocolate, nuts chocolate egg and "Just Me" products in order to improve the flavour of our existing range. In addition, we have also redesigned the packaging. The new range is expected to be launched in the market at the peak season in the second half of the year. This will be supported by a new branding advertisement aired at the same time, which is expected to improve the results for the second half of the year.

FINANCIAL REVIEW

Supplemental information to segment results of the Group for the six months ended 30 June 2009, with comparative figures, are set out below:

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	(%)	(%)
Growth of revenue by segment:		
– Wineries	**5.2**	38.1
– Beverages	**57.6**	56.0
– Kitchen Foods	**-36.9**	170.6
– Confectionery	**53.0**	-12.2
Contribution of revenue by segment:		
– Wineries	**19.2**	18.3
– Beverages	**47.1**	30.0
– Kitchen Foods	**31.6**	50.3
– Confectionery	**2.1**	1.4
Gross profit margin by segment (excluding Beverages):		
– Wineries	**57.9**	56.1
– Kitchen Foods	**11.9**	3.6
– Confectionery	**44.1**	39.3
Selling and distribution costs to revenue ratio by segment (excluding Beverages):		
– Wineries	**34.1**	32.8
– Kitchen Foods	**11.3**	4.2
– Confectionery	**58.1**	91.6
Segment result to revenue ratio:		
– Wineries	**19.7**	21.1
– Beverages	**5.5**	6.5
– Kitchen Foods	**0.3**	-1.0
– Confectionery	**-22.0**	-58.4
Effective tax rate of the Group *(Note 1)*	**25.6**	25.4

Note:

1. The calculation of effective tax rate of the Group is based on tax divided by adjusted profit before tax after excluding the contributions by share of profits of associates and dividend income.

Revenue

The Group's total revenue for the interim period increased slightly by 0.4% over the corresponding period of last year. It was mainly caused by the net impacts of 36.9% drop in revenue of Kitchen Foods segment and 57.6% growth in revenue of Beverage segment.

Cost of sales and gross profit

The Group's cost of sales for the interim period dropped by 9.7% over the corresponding period of last year. As a result, overall gross profit significantly increased by 39.5%, with overall gross profit margin improved from 20.6% to 28.5%. The improvement of overall gross profit margin was mainly due to the resumption of raw material cost to a relatively lower price level of Kitchen Foods segment and continuing enhancement of product mix in all segments.

Selling and distribution costs

Selling and distribution costs to revenue ratio of all segments of the Group rose for the interim period except for Confectionery segment, as driven by promotional related expenditures. The promotional related expenditures were mainly spent on the brands and the products, in an effective and efficient way, that were in line with the Group's long term, committed developing strategy.

Administrative expenses

Administrative expenses increased by 32.8% over the corresponding period of last year, which mainly driven by the increase in number of administrative headcounts and office expenditures, together with the effect of consolidation of Beijing bottling plant during the interim period.

Finance costs

Finance costs increased by 2.4 times over the corresponding period of last year, as driven by the addition of interest-bearing bank and other borrowings.

LIQUIDITY AND FINANCIAL RESOURCES

The Company's treasury function sets financial risk management procedures, which are also subject to periodic review by the Company's internal audit function. This treasury function operates as a centralized service for managing financial risks, including interest rate and foreign exchange rate risks, providing cost-efficient funding to the Group and targeting yield enhancement opportunities.

As at 30 June 2009, the Group's equity attributable to equity holders of the Company stood at HK$5,294 million, representing an increase of 4% compared with that as at 31 December 2008. As at 30 June 2009, the Group's unpledged cash and bank deposits totalled approximately HK$2,079 million (31 December 2008: approximately HK$1,547 million), and the Group's net current assets were approximately HK$1,656 million (31 December 2008: approximately HK$1,556 million).

Considered the unpledged cash and bank deposits and current bank and other borrowings and banking facilities available to the Group, the management believes that the Group's financial resources are sufficient for its debt payments, day-to-day operations and capital expenditures.

Held-to-maturity investments represented corporate bonds with expected redemption dates falling within the coming two years or three years. The Company has no exposure in mortgage-backed securities, collateralized debt obligations or similar asset classes.

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 exchange rate risk exposure of the Group is limited.

The Company cautiously uses derivatives principally interest rate swaps, for financial risk management purpose only, in hedging future cash flows against the exposure caused by interest rate volatility. Entering into derivative transactions for speculative purposes and investing liquidity resources in financial products with significant underlying leverage or derivative exposure are absolutely prohibited in the Company's treasury function.

CAPITAL STRUCTURE

During the period under review, there were no changes to the share capital of the Company. As at 30 June 2009, the total number of issued shares of the Company was 2,791,383,356 shares.

As at 30 June 2009, the Group had borrowings including certain interest-bearing bank and other borrowings and minority shareholders of subsidiaries totalling HK$1,068 million (31 December 2008: HK$321 million). HK$500 million of the bank loans drawn down during the current period bore an annual interest rate of HIBOR plus 0.85%, other borrowings of HK$114 million drawn down during the current period bore an annual interest rate of 2.78%. All other bank borrowings carried annual interest rates ranging between 1.71% and 4.86% (31 December 2008: between 4.54% and 6.48%).

As at 30 June 2009, net assets attributable to equity holders of the Company were HK$5,294 million (31 December 2008: HK$5,092 million) and net cash of the Group (unpledged cash and bank deposits less and interest-bearing bank and other borrowings and minority shareholders of subsidiaries) was HK$1,011 million (31 December 2008: HK$1,226 million).

CONTINGENT LIABILITIES AND ASSETS PLEDGED

As at 30 June 2009, the Group had no material contingent liabilities.

As at 30 June 2009, 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$215 million (31 December 2008: HK$88 million).

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2009, the Group employed approximately 14,200 staff in mainland China and Hong Kong (31 December 2008: 11,500). 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 in compliance with the requirements of the laws of China. Details concerning these employee benefit schemes are set out in the paragraph headed "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES" under sub-heading "Employee Benefits" in the 2008 Annual Report of the Company.

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 2008, a total of 18,708,000 options of the Company remained outstanding. During the period, no options were granted pursuant to the terms of the Option Scheme, while a total of 375,000 options were cancelled. Accordingly, as at 30 June 2009, the total number of outstanding options of the Company was 18,333,000. 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 period under review, a subsidiary of the Company completed the acquisition of a 40% interest in Beijing Coca-Cola Beverage Co., Ltd. on 9 January 2009. Details of the acquisition were set out in a circular of the Company dated 27 August 2007.

Save as the aforesaid, there were no material changes in the structure of the Group.

INTERIM DIVIDEND

The board of directors declared the payment of an interim dividend of HK3.88 cents per share in respect of the six months ended 30 June 2009, which will be payable on 29 October 2009 to shareholders whose names appear on the Register of Members of the Company on 16 October 2009.

CLOSURE OF REGISTERS OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 14 October 2009 to Friday, 16 October 2009, both days inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged at 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, no later than 4:00 p.m. on Tuesday, 13 October 2009.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, during the six months ended 30 June 2009, the Company complied with the principles and code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Listing Rules, except for the following deviation:

Code Provision E.1.2

Code provision E.1.2 provides that the chairman of the board should attend the Company's annual general meeting. The chairman of the board did not attend the annual general meeting of the Company held on 8 June 2009 due to other commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

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 during the six months ended 30 June 2009.

The Company has also adopted a code for securities transactions by relevant employees to govern securities transactions of those employees who may possess or have access to price sensitive information.

REMUNERATION COMMITTEE

A remuneration committee was established by the Company with specific written terms of reference in accordance with the requirements of the Code. The primary duties of the remuneration committee include, without limitation, establishing a formal and transparent procedure for developing policies on remuneration, determining the terms of the specific remuneration package of each executive director and senior management. The remuneration committee comprises two independent non-executive directors and one executive director. The remuneration committee is chaired by Mr. Yuen Tin Fan, Francis. The other committee members are Mr. Stephen Edward Clark and Mr. Qu Zhe.

AUDIT COMMITTEE

The Company has established an audit committee with specific written terms of reference in accordance with the requirements of the Code. The primary duties of the audit committee are to review and supervise the Group's financial reporting process and internal control procedures. During the period under review, the audit committee consists of three members who are independent non-executive directors. The audit committee is chaired by Mr. Stephen Edward Clark. The other committee members are Mr. Li Hung Kwan, Alfred and Mr. Yuen Tin Fan, Francis.

The audit committee has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2009 together with the management and the independent auditors of the Company and has reviewed the internal auditors' report for the period under review with the Company's internal auditor.

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 period under review.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM 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 2009 interim report will be published on the websites of the Stock Exchange and the Company and also dispatched to the shareholders of the Company in due course.

By Order of the Board
China Foods Limited
Qu Zhe
Managing Director

Hong Kong 11 September 2009

As at the date of this announcement, our executive directors are Mr. Ning Gaoning, Mr. Qu Zhe, Mr. Mak Chi Wing, William, Mr. Zhang Zhentao and Ms. Luan Xiuju; 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.