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CHINA FOODS LIMITED
中國食品有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 506)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

FINANCIAL HIGHLIGHTS

- The revenue of the Group for the year was HK$16,823 million, representing an increase of 18% over the last year.
- Profit attributable to owners of the Company for the year amounted to HK$568 million, 18% more than that for the last year.
- Basic earnings per share for the year were HK20.35 cents.
- The board recommended the payment of a final dividend of HK3.45 cents per share for the year to shareholders whose names appear on the register of members on Tuesday, 8 June 2010.

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 2009 together with the audited comparative figures for the year ended 31 December 2008. The audited consolidated results as at and for the year ended 31 December 2009 (the "financial information") have been reviewed by the audit committee of the Company and by Ernst & Young, the auditors of the Company, in accordance with Hong Kong Standard on Related Services (HKSRS) 4400 "Engagements to Perform Agreed-upon Procedures Regarding Financial Information" and with reference to Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
REVENUE	4	**16,823,475**	14,240,283
Cost of sales	5	**(12,122,493)**	(10,741,784)
Gross profit		**4,700,982**	3,498,499
Other income and gains	4	**176,954**	177,934
Selling and distribution costs		**(3,301,814)**	(2,543,377)
Administrative expenses		**(623,670)**	(451,247)
Other expenses		**(9,262)**	(19,093)
Finance costs	6	**(53,927)**	(31,382)
Share of profits of associates	3	**60,438**	124,996
PROFIT BEFORE TAX	5	**949,701**	756,330
Income tax	7	**(229,396)**	(136,251)
PROFIT FOR THE YEAR		**720,305**	620,079
Attributable to:			
Owners of the Company		**568,081**	483,427
Minority interests		**152,224**	136,652
		720,305	620,079
DIVIDENDS	8	**204,645**	174,182
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	9		
Basic and diluted:			
– For profit for the year		**HK20.35 cents**	HK17.32 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	2009 *HK$'000*	2008 *HK$'000*
PROFIT FOR THE YEAR	**720,305**	620,079
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**30,140**	285,234
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**30,140**	285,234
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**750,445**	905,313
Attributable to:		
Owners of the Company	**596,725**	716,119
Minority interests	**153,720**	189,194
	750,445	905,313

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,100,717**	2,434,472
Investment properties		**20,103**	69,884
Prepaid land premiums		**213,551**	156,502
Deposits for purchase of items of property, plant and equipment		**14,239**	33,157
Goodwill		**1,641,854**	1,409,342
Other intangible assets		**43,257**	36,639
Interests in associates		**446,952**	411,951
Available-for-sale investments and related advances		**206,596**	211,355
Held-to-maturity investments		**98,252**	–
Deferred tax assets		**26,811**	31,365
Biological assets		**92,242**	86,643
Total non-current assets		**5,904,574**	4,881,310
CURRENT ASSETS			
Inventories		**2,846,497**	2,628,857
Accounts and bills receivables	10	**1,080,537**	884,499
Prepayments, deposits and other receivables		**646,955**	479,338
Due from fellow subsidiaries		**4,417**	230
Due from the ultimate holding company		**5,314**	5,994
Due from the immediate holding company		**355**	160
Due from associates		**993**	2,771
Tax recoverable		**17,022**	5,790
Investments at fair value through profit or loss		**16,728**	9,228
Pledged time deposits		**29,345**	3,002
Cash and cash equivalents		**1,943,103**	1,546,684
Total current assets		**6,591,266**	5,566,553
CURRENT LIABILITIES			
Accounts and bills payables	11	**916,302**	860,851
Other payables and accruals		**2,288,087**	1,983,809
Due to fellow subsidiaries		**794,141**	440,993
Due to the ultimate holding company		**34,352**	13,731
Due to related companies		**455,766**	365,898
Due to minority shareholders of subsidiaries		**5,679**	–
Due to associates		**102,291**	71,273
Interest-bearing bank and other borrowings		**303,092**	247,955
Tax payable		**29,330**	26,397
Total current liabilities		**4,929,040**	4,010,907
NET CURRENT ASSETS		**1,662,226**	1,555,646
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,566,800**	6,436,956

	2009	2008
	HK$'000	*HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**7,566,800**	6,436,956
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**500,000**	–
Due to minority shareholders of subsidiaries	**128,508**	73,136
Due to the ultimate holding company	**22,715**	22,679
Deferred income	**13,334**	8,686
Deferred tax liabilities	**17,104**	7,481
Total non-current liabilities	**681,661**	111,982
Net assets	**6,885,139**	6,324,974
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**279,151**	279,138
Reserves	**5,107,408**	4,705,973
Proposed final dividend	**96,340**	107,189
	5,482,899	5,092,300
Minority interests	**1,402,240**	1,232,674
Total equity	**6,885,139**	6,324,974

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2009

	2009	2008
	HK$'000	*HK$'000*
NET CASH FLOWS FROM OPERATING ACTIVITIES	**1,060,224**	875,632
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(771,700)**	(557,319)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	**106,611**	(238,805)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**395,135**	79,508
Cash and cash equivalents at beginning of year	**1,546,684**	1,396,563
Effect of foreign exchange rate changes, net	**1,284**	70,613
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,943,103**	1,546,684
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**1,864,691**	1,523,927
Non-pledged time deposits with original maturity of less than three months when acquired	**78,412**	22,757
	1,943,103	1,546,684

NOTES TO THE FINANCIAL INFORMATION

31 December 2009

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 confirmation of the board, the ultimate holding company of the Company is COFCO Corporation (formerly known as COFCO Limited), which is a state-owned enterprise registered in the People's Republic of China (the "PRC").

During the year, the Group were 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 consumer food products; and
- production and distribution of chocolate and other related products.

2.1 BASIS OF PREPARATION

The financial information is 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 HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial information is prepared under the historical cost convention, except for investment properties, biological assets, certain available-for-sale investments and investments at fair value through profit or loss, which have been measured at fair value. The financial information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial information.

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 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
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*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – 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*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)	Amendments to a number of HKFRSs

* *Included in Improvements to HKFRSs 2009* (as issued in May 2009).

The principal effects of adopting these new and revised HKFRSs are as follows:

Other than as further explained below regarding the impact of HKAS 1 (Revised) and HKFRS 8, the adoption of these new and revised HKFRSs has had no significant financial effect on the financial information.

HKFRS 8 Operating Segments

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. 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. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 3 to the financial information.

HKAS 1 (Revised) Presentation of Financial Statements

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.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the financial information.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*[2]
HKFRS 1 Amendment	Amendment to HKFRS1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*[2]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKFRS 9	*Financial Instruments*[6]
HKAS 24 (Revised)	*Related Party Disclosures*[5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*[1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary*[1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*[2]

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2009 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the nature of their operations and the products and services they provided. 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.

The Group has five reportable operating segments as follows:

(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 kitchen foods segment is engaged in the distribution of retail packaged cooking oil and other consumer food 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.

The chief operating decision makers of the Company review the Group's internal reports periodically in order to monitor the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment result.

Segment assets exclude deferred tax assets, tax recoverable, pledged deposits, cash and cash equivalents, equity investments at fair value through profit or loss, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, the amount due to the ultimate holding company, tax payable, deferred tax liabilities and other unallocated head office and corporate assets as these liabilities are managed on a group basis.

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 2009	Wines HK$'000	Confectionery HK$'000	Beverages HK$'000	Kitchen Foods HK$'000	Corporate and others HK$'000	Total HK$'000
Segment revenue:						
Sales to external customers	3,196,819	519,699	7,098,488	6,008,469	–	16,823,475
Intersegment revenue	–	–	–	–	30,711	30,711
Other revenue	39,461	6,280	54,839	17,208	10,074	127,862
	3,236,280	525,979	7,153,327	6,025,677	40,785	16,982,048
Reconciliation:						
Elimination of intersegment revenue						(30,711)
						16,951,337
Segment results	585,697	(60,002)	386,956	18,644	(37,197)	894,098
Reconciliation:						
Interest income						17,356
Dividend income						31,736
Finance costs						(53,927)
Share of profits of associates	–	–	60,438	–	–	60,438
Profit before tax						949,701
Segment assets	3,700,619	456,873	4,662,377	1,477,517	3,850,136	14,147,522
Reconciliation:						
Elimination of intersegment receivables						(4,114,915)
Interests in associates	–	–	446,952	–	–	446,952
Unallocated assets						2,016,281
Total assets						12,495,840
Segment liabilities	2,479,050	310,641	3,760,652	1,821,246	504,501	8,876,090
Reconciliation:						
Elimination of intersegment payables						(4,114,915)
Unallocated liabilities						849,526
Total liabilities						5,610,701
Other segment information:						
Impairment losses recognised/ (reversed) in the income statement	(288)	1,591	2,080	(237)	–	3,146
Provision against (write-back of provision against) inventories	4,417	29,792	17,938	(215)	–	51,932
Fair value loss on investments at fair value through profit and loss	–	–	–	–	3,134	3,134
Depreciation and amortisation	95,946	17,867	179,640	2,886	4,876	301,215
Capital expenditure	149,432	6,266	345,868	13,796	31,566	546,928*

* *Capital expenditure consists of additions to property, plant and equipment, intangible assets and investment properties including assets from the acquisition of a subsidiary.*

Year ended 31 December 2008	Wines *HK$'000*	Confectionery *HK$'000*	Beverages *HK$'000*	Kitchen Foods *HK$'000*	Corporate and others *HK$'000*	Total *HK$'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
	2,839,201	379,274	4,620,988	6,522,102	(1,868)	14,359,697
Segment results	**569,024**	**(121,199)**	**228,534**	**4,869**	**(77,032)**	**604,196**
Reconciliation:						
Interest income						16,578
Dividend income						41,942
Finance costs						(31,382)
Share of profits of associates	–	–	124,996#	–	–	124,996
Profit before tax						756,330
Segment assets	3,603,620	465,662	3,763,022	906,726	3,789,941	12,528,971
Reconciliation:						
Elimination of intersegment receivables						(4,079,900)
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	7,920,956
Reconciliation:						
Elimination of intersegment payables						(4,079,900)
Unallocated liabilities						281,833
Total liabilities						4,122,889
Other segment information:						
Impairment losses recognised/ (reversed) in the income statement	(140)	3,169	1,040	588	–	4,657
Provision against inventories	1,181	28,776	10,300	8,361	–	48,618
Depreciation and amortisation	85,919	18,142	105,217	1,748	5,638	216,664
Capital expenditure	173,428	1,047	308,838	1,471	16,786	501,570

Included an income representing an excess of fair value of net assets acquired over cost of HK$40,902,000, in relation to an acquisition of an associate. Further details of this acquisition are set out in the Company's circular dated 21 February 2008.

Geographical information

Revenue from external customers

Over 90% of the Group's customers are located in mainland China and all revenue of the Group is derived from operations in mainland China. The board consider that it is impracticable to allocate the revenue and segment results to geographical locations.

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:

	2009	2008
	HK$'000	*HK$'000*
Other income		
Gross rental income	**4,307**	8,573
Bank interest income	**17,356**	16,578
Interest income from held-to-maturity investments	**3,761**	–
Dividend received from available-for-sale investments	**31,736**	41,850
Dividend received from investments at fair value through profit or loss	**581**	92
Government grants*	**33,049**	28,904
Compensation income	**34,150**	15,082
Tax refunds	**891**	28,106
Others	**32,548**	21,975
	158,379	161,160
Gains		
Gain on disposal of by-products and scrap items	**9,186**	9,815
Foreign exchange differences, net	**810**	2,303
Fair value gain on investments at fair value through profit or loss	**4,868**	–
Fair value gain on investment properties	**3,711**	4,656
	18,575	16,774
	176,954	177,934

* *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):

	2009	2008
	HK$'000	*HK$'000*
Cost of inventories sold	**12,076,052**	10,705,535
Provision against inventories	**51,932**	48,618
Net gain arising from changes in fair value of biological assets	**(5,491)**	(12,369)
Cost of sales	**12,122,493**	10,741,784
Auditors' remuneration	**3,800**	3,985
Depreciation	**291,369**	208,698
Amortisation of other intangible assets	**4,369**	3,312
Recognition of prepaid land premiums	**5,477**	4,654
Minimum lease payments under operating leases in respect of land and buildings	**98,708**	81,053
Employee benefits expenses (including directors' remuneration):		
Wages and salaries	**840,131**	613,970
Pension scheme contributions*	**80,502**	55,299
Equity-settled share option expense	**8,753**	10,135
	929,386	679,404
Other expenses include the following:		
Loss on disposal of items of property, plant and equipment	**2,328**	4,278
Fair value loss on investments at fair value through profit or loss	**3,134**	10,158
Impairment of items of property, plant and equipment	**1,510**	–
Impairment of accounts receivable	**1,324**	2,029
Impairment of other receivables	**177**	2,628
Others	**789**	–
	9,262	19,093

* *At 31 December 2009, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2008: Nil).*

6. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on:		
Bank loans wholly repayable within five years	**17,141**	23,538
Loans from a fellow subsidiary and a minority shareholder of a subsidiary	**8,895**	12,266
Others	**27,916**	9,067
Total interest expense on financial liabilities not at fair value through profit or loss	**53,952**	44,871
Less: Interest capitalised	**(25)**	(13,489)
	53,927	31,382

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2009	2008
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**–**	9
Current – Elsewhere in the PRC		
Charge for the year	**226,807**	154,529
Overprovision in prior years	**(3,900)**	(514)
Investment tax credits	**–**	(13,872)
Deferred	**6,489**	(3,901)
Total tax charge for the year	**229,396**	136,251

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. Consequently, no provision thereon has been made in the annual financial statements.

8. DIVIDENDS

	2009	2008
	HK$'000	*HK$'000*
Interim – HK3.88 cents (2008: HK2.40 cents) per ordinary share	**108,305**	66,993
Proposed final – HK3.45 cents (2008: HK3.84 cents) per ordinary share	**96,340**	107,189
	204,645	174,182

At a meeting held on 29 March 2010, the board proposed a final dividend of HK3.45 cents per share for the year. This recommended dividend is subject to the approval of the shareholders at the forthcoming general meeting and will be paid out of the Company's contributed surplus. It is not reflected as dividend payable in consolidated statement of financial position.

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share for the year ended 31 December 2009 is based on the profit for the year attributable to owners of the Company of HK$568,081,000 (2008: HK$483,427,000) and the weighted average number of 2,791,384,426 ordinary shares (2008: 2,791,383,356) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2009 and 2008 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. Therefore, diluted earnings per share amounts are based on the profit attributable to owners of the Company for the year of HK$568,081,000, and the weighted average number of ordinary shares of 2,791,384,426 ordinary shares in issue during the year.

10. ACCOUNTS AND BILLS RECEIVABLES

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 receivables are non-interest-bearing, they are normally settled within one to three months and one to six months, respectively.

An aged analysis of the accounts and bills receivables as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	2009	2008
	HK$'000	*HK$'000*
Outstanding balances with ages:		
Within 3 months	**797,080**	588,766
3 to 12 months	**279,216**	291,551
1 to 2 years	**2,653**	4,182
Over 2 years	**1,588**	–
	1,080,537	884,499

11. ACCOUNTS AND BILLS PAYABLES

An aged analysis of the accounts and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2009	2008
	HK\$'000	*HK\$'000*
Outstanding balances with ages:		
Within 3 months	**797,101**	827,482
3 to 12 months	**104,573**	25,540
1 to 2 years	**13,925**	7,224
Over 2 years	**703**	605
	916,302	860,851

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

MANAGEMENT DISCUSSION AND ANALYSIS

Wines Business

The Group's wines business is principally engaged in the production, marketing and sale of wines under the "長城" and "Greatwall" brands and sale and distribution of imported alcohol products in China, as well as the brewing and processing, brand management and sale of yellow rice wine on 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.

2009 was a year full of challenges, and the growth of turnover was slower in the first half of the year due to the financial crisis. With the recovery of economy in the second half of the year, the sales of wine grew more rapidly. Overall sales volume of wines for the year rose by 13.2% over of the previous year to 118,535 tonnes. Sales turnover of the business amounted to HK$3,197 million representing an increase of 14.6% over the previous year. The gross profit margin improved to 58.0% compared with the corresponding figure of last year of 57.3%.

During the year, with respect to brand strategy, we focused on the marketing of middle to high end products, such as "Greatwall" Chateau Sungod and "Greatwall" Small Cru Vineyard, aiming at enhancing "Greatwall" brand and driving the sales of the entire series of "Greatwall" products. In 2009, the sales turnover of the elite range of wine, such as "Greatwall" Chateau Sungod and Chateau Junding, reached HK$83 million, which was approximately 2.5 times that of the last year. By leveraging on the position of COFCO Corporation as a senior sponsor for the Expo 2010 Shanghai China, "Greatwall" wine becomes "the only officially designated wine for the Expo 2010 Shanghai China". "Greatwall" Chateau Sungod was proudly served in the state banquet, which is a recognition of the excellent quality and premium brand image of "Greatwall" wine.

In 2009, we seized the market opportunity that customers in coastal cities had an increasing interest in dry white wine, and developed two high-end dry white wines, Chardonnay and Riesling of "Greatwall" Chateau Sungod. The sales turnover of "Greatwall" dry white wine in 2009 reached HK$261 million, representing an increase of 43.8% over the last year.

In accordance with our strategy, we have expanded self-owned vineyards in Yantai and Changli by 1,200 mu* and 1,000 mu* respectively. We entered into a cooperative agreement with the Xinjiang Production and Construction Corps to jointly construct a vineyard with 30,000 mu*, and we also completed the site selection and planning for a 15,000 mu* base in Ningxia in December 2009. Up to now, the size of our self-owned vineyards and cooperative vineyards has reached 83,000 mu*. Meanwhile, we are also actively planning on the overseas vineyard locations.

We commenced an imported wines agency business in the second half of 2008. We imported wines from various renowned regions around the world including France, Chile and Italy. Wines from different regions with different flavor profiles complement our existing product mix. In 2009, the sales turnover of the imported wines agency business reached HK$33 million, and we expect that imported wines will become another source of our future growth.

* *1 mu equals to approximately 667 square metres.*

In 2010, we will promote the elite range wine represented by "Greatwall" Chateau Sungod and continue to improve product mix. Meanwhile, we will introduce new middle to high end products to increase the market share of middle to high end wine; with respect to the sales channels, we will mainly focus on expanding to the second and third-tier cities; in respect of products quality control, we have established a test laboratory with China National Wine Quality Supervision and Inspection Center, to optimize our product tracking system.

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 eleven bottling plants and hold minority interests in another nine bottling plants. The eleven bottling plants are engaged in the bottling production and sale and distribution of Coca-Cola sparkling beverages, as well as the sale and distribution of Coca-Cola still beverages, such as juices, tea and water, in sixteen provinces, cities and autonomous regions in the PRC under franchise agreements with The Coca-Cola Company.

During the year, the sales turnover of the business was HK$7,098 million, representing an increase of 55.2% over the last year. This strong growth was attributable to the consolidation of the bottling plant in Beijing into the Group's beverage business and our continuous efforts in business development.

Our growth in the sparkling beverages category maintained its strong pace. On the basis that the bottling plant in Beijing had been accounted for in 2008, our sparkling beverages sales volume in our territories would have increased by 14.2% on a year-on-year basis, significantly outperforming the average volume growth rate for Coca-Cola sparkling beverages as well as that for all sparkling beverages in the PRC. In the still beverages category, we launched various new products or new flavors under the "Minute Maid" brand, such as "Minute Maid Pulpy Super Milky", "Minute Maid Tropical Pulpy", "Minute Maid Refreshing Pulpy Grape" and "Minute Maid C Bits Lemon", which were well received in the market, and we recorded a significant volume increase of 44.3% in our "Minute Maid" juices sales in our territories. According to market research conducted by ACNielsen, in 2009, the "Minute Maid" brand secured a market share of more than 24% in juice beverages category in the PRC, ranking No.1.

Our bottling plants in Jiangxi and Xinjiang were put into full operation during the year, and the bottling plant in Inner Mongolia commenced construction in June 2009. These new bottling plants will enable us to enjoy a stronger competitive edge by directly satisfying customers' needs and providing efficient product delivery and services at more reasonable costs in their respective regions.

In the future, we will continue to launch and promote new products to the market, especially in the still beverages category. At the same time, we will continue to develop our sales infrastructure including cold-drink equipment, increase the coverage of points of sales, strengthen the merchandising execution at points of sales and enhance customer satisfaction.

Kitchen Foods Business

The kitchen foods business is mainly engaged in the sale and distribution of consumer-pack edible oil and seasoning sauces in the PRC under the "福臨門" and "Fortune" brands. During the year, the sales turnover of our kitchen foods business amounted to HK$6,008 million. The sales volume of the consumer-pack edible oil was 636,362 tonnes, with an annual growth rate of 20%, and its gross profit margin was 9.7%.

During the year, we actively pursued product innovation, among which was the successful launch of a new generation of corn oil rich in sterol. Attributable to the increasing customer demand for high-end healthy oil, the premium oil products with an average gross profit margin of 17%, such as peanut oil, corn oil and sunflower oil, grew at a faster pace, and the sales turnover reached HK$2,497 million, representing 41.5% of the overall sales. Due to the introduction of new products and the improvement of the retail coverage, the sales of seasoning sauces under the "福臨門" and "Fortune" brands, reached HK$45.51 million, representing an increase of 81% over the previous year.

In 2009, we continue to put more efforts on extension and penetration of our sales channels. We cover the supermarkets and the hypermarkets in the first and second-tier cities mainly by way of direct sales, and cover the sales channels in the third and fourth-tier cities through distributors. The number of retail points of sales reached 167,000 at the end of 2009.

In 2010, we will put more effort to promote "福臨門" brand with main focus on middle to high end products, such as seasoning oil and corn oil by leveraging the opportunity of the Expo 2010 Shanghai China. We will continue to enhance the development of retail points of sales and create an open sales platform. It is expected that more kitchen foods will be covered under the "福臨門" brand, and more categories of products will be included in the current channels.

Confectionery Business

The Group is engaged in the production and distribution of chocolates and confectionery products in the PRC under the "金帝" and "Le Conte" brands. During the year, the performance improved considerably compared with the last year as the new management team has made significant efforts in a number of areas to improve its management structure, operational efficiency, product range and flavor, as well as distributors' management. It recorded a sales turnover of HK$520 million, representing an increase of 42.5% over the previous year. The gross profit margin rose from 38% in the previous year to 48.9% in 2009. This was mainly due to lower raw material costs and increased product prices.

Our brand rebuilding project was launched during the year. We have collaborated with an internationally renowned advertising agency to reposition our "金帝" and "Le Conte" brand series. Meanwhile, we have reformulated the recipes of our four major products including milk chocolate, dark chocolate, nuts chocolate egg and "Just Me" series, and the ratings of these reformulated products in the customer flavor tests were improved. In addition, we have also redesigned the packaging for our whole product range, which contributed to the results of 2009.

In 2010, we will fully implement our brand strategy to promote "金帝" and "Just Me" brands. With respect to products, we will continue to introduce new products, such as jelly and toffee. With respect to sales channels, we intend to raise the coverage for medium and small sized wholesale supermarkets and convenience stores, with a focus on the campus channel, and improve the execution standard for the retail points of sales.

FINANCIAL REVIEW

Supplemental information to segment results of the Group for the year ended 31 December 2009, with comparative figures, are set out below:

	Year ended 31 December	
	2009	2008
	(Audited)	(Audited)
	(%)	(%)
Growth of revenue by segment:		
– Wines	**14.6**	30.4
– Beverages	**55.2**	52.1
– Kitchen Foods	**-7.7**	56.6
– Confectionery	**42.5**	-16.6
Contribution of revenue by segment:		
– Wines	**19.0**	19.6
– Beverages	**42.2**	32.1
– Kitchen Foods	**35.7**	45.7
– Confectionery	**3.1**	2.6
Gross profit margin by segment (excluding Beverages):		
– Wines	**58.0**	57.3
– Kitchen Foods	**9.7**	7.9
– Confectionery	**48.9**	38.0
Selling and distribution costs to revenue ratio by segment (excluding Beverages):		
– Wines	**35.5**	33.9
– Kitchen Foods	**8.5**	7.4
– Confectionery	**54.1**	66.2
Segment result to revenue ratio:		
– Wines	**18.3**	20.4
– Beverages	**5.5**	5.0
– Kitchen Foods	**0.3**	0.1
– Confectionery	**-11.5**	-33.2
Effective tax rate of the Group *(Note 1)*	**25.8**	21.6

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.

REVENUE

The Group's total revenue for the year grew by 18% over the last year. The key contributors to the growth include (i) 55.2% strong growth in revenue of the beverages segment driven by the acquisition of controlling interest in the Beijing bottling plant, (ii) 14.6% recovering growth in revenue of the wines segment from the financial crisis during the first half of 2009, (iii) 42.5% exciting growth in revenue of the confectionery segment under the effort of its management team. The aggregate effect of the above mentioned segments offset the impact of 7.7% slight drop in revenue of the kitchen foods segment, with promising growth in sales volume but faced with moderate normalization of market price of edible oil products in 2009 when price level in raw material costs were adjusted from the short-term peak in 2008.

GROSS PROFIT

Overall gross profit amount increased by 34.4%, with overall gross profit margin improved from 24.6% to 27.9%. The encouraging improvement of overall gross profit margin was attributable to the adjustment of price level in raw material costs of the kitchen foods segment from the short-term peak in 2008 and the commitment to a development strategy of continuous enhancement of product mix.

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs to revenue ratio of all segments of the Group rose for the year except for the confectionery segment, which was driven by promotional related expenditures. The promotional related expenditures were mainly spent on the brands and the products, in an effective and efficient way under the closed supervision of management team, which was in line with the Group's commitment to its long-term, committed brand building strategy.

ADMINISTRATIVE EXPENSES

Overall administrative expenses increased by 38.2% over the last year which were driven by the increase in the number of administrative headcounts and office expenditures, together with the effect of consolidation of the Beijing bottling plant during the year.

FINANCE COSTS

Finance costs increased by 71.8% over the last year, which were driven by the addition of interest-bearing bank and other borrowings and the related cost of forward sale agreements of wines under Chateau Junding. The new borrowings were used to fund certain capital expenditures in the Mainland China and certain acquisition completed offshore. An adequate but not excessive financial resources buffer was maintained to support the Group's on-going business development strategy.

SHARE OF PROFITS OF ASSOCIATES

Share of profits of associates dropped by 52% from the last year, which were due to the non-recurrence of an income that represented an excess of fair value of net assets acquired over cost of approximately HK$41 million, in relation to an acquisition of an associate in the previous year, together with the fluctuation in profit contributions by certain associates.

INCOME TAX

Effective tax rate of the Group increased from 21.6% to 25.8%, which was due to the non-recurrence of investment tax credits, the completion of tax holiday enjoyed by certain subsidiaries, the provision of deferred taxation related to certain revalued assets and liabilities as well as the provision of withholding tax for distribution of earnings generated by certain subsidiaries and associates pursuant to the new corporate income tax law in the PRC.

LIQUIDITY AND FINANCIAL RESOURCES

The Company's treasury function sets financial risk management procedures, which are also subject to periodic review by the senior management of the Company. This treasury function operates as a centralized service for managing financial risks, including interest rate and foreign exchange rate risks, centralization of surplus financial resources, procuring cost-efficient funding and targeting yield enhancement opportunities. The treasury function regularly and closely monitors its overall cash and debt positions, reviews its funding costs and maturity profiles to facilitate refinancing, if appropriate.

As at 31 December 2009, the Group's equity attributable to owners of the Company stood at HK$5,483 million, representing an increase of 7.7% compared with that as at 31 December 2008. As at 31 December 2009, the Group's unpledged cash and cash equivalents totalled approximately HK$1,943 million (31 December 2008: approximately HK$1,547 million), and the Group's net current assets were approximately HK$1,662 million (31 December 2008: approximately HK$1,556 million).

Having 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 to fund its debt payments, day-to-day operations, capital expenditures and business development projects.

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 and United States dollars. The management is of the view that the exchange rate risk exposure of the Group is limited.

The Company cautiously uses derivatives principally in the form of interest rate swaps as appropriate 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.

CAPITAL STRUCTURE

During the year, the total number of issued shares of the Company increased by 128,720 shares as a result of certain employees of the Group exercising their share options granted in 2007. As at 31 December 2009, the total number of issued shares of the Company was 2,791,512,076.

As at 31 December 2009, the Group had borrowings including certain interest-bearing bank and other borrowings and minority shareholders of subsidiaries totalling HK$937 million (31 December 2008: HK$321 million). HK$500 million of the bank loans drawn down during the year bore an annual interest rate of HIBOR plus 0.85%, other borrowings of HK$114 million drawn down during the year bore an annual interest rate of 2.78%. All other borrowings carried annual interest rates ranging between 1.71% and 4.37% (31 December 2008: between 4.54% and 6.48%).

As at 31 December 2009, net assets attributable to owners of the Company were HK$5,483 million (31 December 2008: HK$5,092 million) and net cash of the Group (unpledged cash and cash equivalents less interest-bearing bank and other borrowings and minority shareholders of subsidiaries) was HK$1,006 million (31 December 2008: HK$1,226 million).

CONTINGENT LIABILITIES AND ASSETS PLEDGED

As at 31 December 2009, the Group had no material contingent liabilities.

As at 31 December 2009, certain bank loans of the Group were secured by charges over certain investment properties, property, plant, equipment, prepaid land premiums and time deposits of the Group with net book value of approximately HK$109 million (31 December 2008: HK$88 million).

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2009, the Group employed approximately 13,160 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 of these benefit schemes will be set out in the 2009 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 year, no options were granted pursuant to the terms of the Option Scheme, while a total of 524,500 options were cancelled, a total of 128,720 shares were issued and allotted by the Company upon the exercise of share options by certain employees. Accordingly, as at 31 December 2009, the total number of outstanding options of the Company was 18,054,780. 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, COFCO Coca-Cola Beverages (China) Investment Limited, a subsidiary of the Company, set up a wholly-owned subsidiary in Inner Mongolia named COFCO Coca Cola Beverages (Inner Mongolia) Limited which is engaged in beverages bottling production, sale and distribution.

During the year, China Great Wall Wine Co., Ltd., a wholly-owned subsidiary of the Company set up a wholly-owned subsidiary in Hebei named Huailai COFCO Greatwall Sungod Chateau Co., Ltd. which is engaged in research and development, production, sale and distribution of wines and spirits.

DIVIDENDS

The board recommended a final dividend of HK3.45 cents (2008: HK3.84 cents) per share in respect of the year. An interim dividend of HK3.88 cents per share was paid on 29 October 2009 (2008: HK2.4 cents), subject to shareholders' approval at the annual general meeting to be held on Tuesday, 8 June 2010, the total dividend in cash for the year would be HK7.33 cents (2008: HK 6.24 cents) per share, and the recommended final dividend will be payable on Friday, 18 June 2010, to shareholders of the company whose names appear on the register of members of the Company on Tuesday, 8 June 2010 (the "Record Date").

According to the Notice Regarding Matters on Determination of Tax Residence Status of Chinese-controlled Offshore Incorporated Enterprises under Rules of Effective Management dated 22 April 2009 issued by the State Administration of Taxation of the People's Republic of China, the Enterprise Income Tax Law of the People's Republic of China (the "Enterprise Income Tax Law") and the Detailed Rules for the Implementation of the Enterprise Income Tax Law of the People's Republic of China, all implemented from 1 January 2008, since the Company is an offshore incorporated company and is, among others, controlled by a Chinese enterprise, the Company is likely to be regarded as a Chinese resident enterprise and, if so, it could be required to withhold a 10% enterprise income tax when it distributes the final dividend to its enterprise shareholders other than those enterprises which are duly incorporated in the PRC or under the laws of foreign countries (or regions) but with PRC-based de facto management bodies (such enterprises are defined as resident enterprises in the Enterprise Income Tax Law). The withholding and payment obligation lies with the Company.

In respect of all shareholders whose names appear on the Company's register of members on the Record Date and who are not individuals (including HKSCC Nominees Limited, corporate nominees or trustees such as securities companies and banks, and other entities or organizations, which are all considered as enterprise shareholders), the Company will distribute the final dividend after deducting the enterprise income tax of 10%. The Company will not withhold and pay income tax in respect of the final dividend payable to any natural person shareholders whose names appear on the Company's register of members on the Record Date.

If any enterprise shareholder listed on the Company's register of members considers itself to be a resident enterprise and does not wish the Company to withhold the 10% enterprise income tax, it shall lodge 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, documents from its governing tax authority confirming that the Company is not required to withhold and pay the enterprise income tax in respect of the dividend to which it is entitled no later than 4:00 p.m. on Thursday, 3 June 2010.

If anyone would like to change the identity of the shareholders in the register of members, please enquire about the relevant procedures with the nominees or trustees. The Company will withhold for payment of the enterprise income tax for its non-resident enterprise shareholders strictly in accordance with the relevant laws and requirements of the relevant government authorities and adhere strictly to the information set out in the Company's register of members on the Record Date.

In the event that the Company is not regarded as a Chinese resident enterprise and hence no enterprise income tax should have been withheld, to the extent that such tax remains in the custody of the Company and so far as it is legally able to do so, the Company will procure such tax to be refunded to the relevant enterprise shareholders in respect of whom enterprise income tax had been withheld pursuant to the arrangements set out above. The Company would make a further announcement in such event.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 4 June 2010 to Tuesday, 8 June 2010, 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 Thursday, 3 June 2010.

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 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 2009. Details of our compliance with the Code will be set out in the corporate governance report in the 2009 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.

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 2009 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, 29 March 2010

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.