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 2010

FINANCIAL HIGHLIGHTS

- The revenue of the Group for the year was approximately HK$19,956 million, representing an increase of 18.6% over the previous year.
- Profit attributable to ordinary equity holders of the parent for the year amounted to HK$428 million, 24.7% less than that for the last year.
- Basic earnings per share for the year were HK15.31 cents.
- The board of directors recommended the payment of a final dividend of HK3.21 cents per share for the year to shareholders whose names appear on the register of members on Wednesday, 8 June 2011.

CONSOLIDATED RESULTS

The board of directors (the "board") of China Foods Limited (the "Company") is pleased to present the consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2010 together with the comparative figures for the year ended 31 December 2009. The consolidated results as at and for the year ended 31 December 2010 (the "financial information") have been reviewed by the audit committee of the Company.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010

	Notes	**2010**	2009
		HK$'000	*HK$'000*
REVENUE	*4*	**19,955,984**	16,823,475
Cost of sales	*5*	**(14,874,639)**	(12,122,493)
Gross profit		**5,081,345**	4,700,982
Other income and gains	*4*	**305,791**	176,954
Selling and distribution costs		**(3,769,669)**	(3,301,814)
Administrative expenses		**(748,202)**	(623,670)
Other expenses		**(6,830)**	(9,262)
Finance costs	*6*	**(45,425)**	(53,927)
Share of profits of associates		**64,038**	60,438
PROFIT BEFORE TAX	*5*	**881,048**	949,701
Income tax expense	*7*	**(260,326)**	(229,396)
PROFIT FOR THE YEAR		**620,722**	720,305
Attributable to:			
Owners of the parent		**427,567**	568,081
Non-controlling interests		**193,155**	152,224
		620,722	720,305
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic		**HK15.31 cents**	HK20.35 cents
Diluted		**HK15.30 cents**	HK20.35 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2010

	2010	2009
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**620,722**	720,305
OTHER COMPREHENSIVE INCOME		
Gains on property revaluation	**9,092**	–
Income tax effect	**(2,182)**	–
	6,910	–
Exchange differences on translation of foreign operations	**214,339**	30,140
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**221,249**	30,140
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**841,971**	750,445
Attributable to:		
Owners of the parent	**609,152**	596,725
Non-controlling interests	**232,819**	153,720
	841,971	750,445

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2010

	Note	**2010**	2009
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**3,548,038**	3,100,717
Investment properties		**73,966**	20,103
Prepaid land premiums		**247,174**	213,551
Deposits for purchase of items of property, plant and equipment		**31,783**	14,239
Goodwill		**1,680,015**	1,641,854
Other intangible assets		**67,955**	43,257
Investments in associates		**545,201**	446,952
Available-for-sale investments		**209,387**	206,596
Held-to-maturity investments		**57,915**	98,252
Deferred tax assets		**35,003**	26,811
Biological assets		**119,263**	92,242
Total non-current assets		**6,615,700**	5,904,574
CURRENT ASSETS			
Inventories		**3,490,337**	2,846,497
Accounts and bills receivables	*10*	**1,616,059**	1,080,537
Prepayments, deposits and other receivables		**1,269,875**	646,955
Due from fellow subsidiaries		**28,418**	4,417
Due from the ultimate holding company		**11,190**	5,314
Due from the immediate holding company		**165**	355
Due from associates		**1,680**	993
Tax recoverable		**28,831**	17,022
Held-to-maturity investments		**25,217**	–
Equity investments at fair value through profit or loss		**19,199**	16,728
Pledged deposits		**127,096**	29,345
Cash and cash equivalents		**1,741,203**	1,943,103
Total current assets		**8,359,270**	6,591,266

	Note	**2010**	2009
		HK$'000	*HK$'000*
CURRENT LIABILITIES			
Accounts and bills payables	*11*	**999,864**	916,302
Other payables and accruals		**2,663,330**	2,288,087
Due to fellow subsidiaries		**1,089,857**	794,141
Due to the ultimate holding company		**31,337**	34,352
Due to related companies		**692,062**	455,766
Due to non-controlling shareholders		**8,926**	5,679
Due to associates		**233,626**	102,291
Interest-bearing bank and other borrowings		**1,021,152**	303,092
Tax payable		**94,217**	29,330
Total current liabilities		**6,834,371**	4,929,040
NET CURRENT ASSETS		**1,524,899**	1,662,226
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,140,599**	7,566,800
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**495,000**	500,000
Due to non-controlling shareholders		**38,123**	128,508
Due to the ultimate holding company		**–**	22,715
Deferred income		**31,146**	13,334
Deferred tax liabilities		**26,920**	17,104
Total non-current liabilities		**591,189**	681,661
Net assets		**7,549,410**	6,885,139
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**279,246**	279,151
Reserves		**5,578,010**	5,107,408
Proposed final dividend		**89,638**	96,340
		5,946,894	5,482,899
Non-controlling interests		**1,602,516**	1,402,240
Total equity		**7,549,410**	6,885,139

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 is COFCO Corporation, which is a state-owned enterprise registered in the People's Republic of China (the "PRC").

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

- processing, bottling and distribution of sparkling beverages and distribution of still beverages;
- production, sale and trading of grape wine and other wine products;
- 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

This 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 Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

This financial information is prepared under the historical cost convention, except for investment properties, biological assets and equity 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 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments 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*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009* and HK Interpretation 4 (Revised in December 2009), the adoption of these new and revised HKFRSs has had no significant financial effect on the financial information.

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

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

- HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

- HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

  The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows:* Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 17 *Leases:* Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

  Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

  The Group has reassessed its leases in Mainland China upon the adoption of the amendments and the classification of leases in Mainland China remained as operating leases.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the nature of their products and services and has four reportable operating segments as follows:

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

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

(c) the kitchen foods segment is engaged in the distribution of retail packaged cooking oil and other consumer food products; and

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

Management monitors the results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment results. Segment results are measured consistently with the Group's profit before tax except that interest income, dividend income, finance costs, share of profits of associates, as well as unallocated head office and corporate results (net of expense) are all excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, pledged deposits, cash and cash equivalents, equity investments at fair value through profit or loss, investments in associates 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 liabilities as these liabilities are managed on a group basis.

Year ended 31 December 2010

	Beverages *HK$'000*	Wines *HK$'000*	Kitchen foods *HK$'000*	Confectionery *HK$'000*	Total *HK$'000*
Segment revenue:					
Sales to external customers	**7,920,983**	**3,114,386**	**8,344,341**	**576,274**	**19,955,984**
Other revenue	**165,096**	**46,169**	**10,831**	**6,375**	**228,471**
	8,086,079	**3,160,555**	**8,355,172**	**582,649**	**20,184,455**
Segment results	**523,725**	**365,313**	**33,587**	**(79,472)**	**843,153**
Reconciliation:					
Interest income					**25,209**
Dividend income and unallocated gains					**48,948**
Finance costs					**(45,425)**
Share of profits of associates					**64,038**
Corporate and other unallocated expenses					**(54,875)**
Profit before tax					**881,048**
Segment assets	**5,437,688**	**4,492,200**	**2,178,630**	**487,305**	**12,595,823**
Reconciliation:					
Elimination of intersegment receivables					**(4,977,394)**
Investments in associates					**545,201**
Corporate and other unallocated assets					**6,811,340**
Total assets					**14,974,970**
Segment liabilities	**4,001,412**	**2,633,069**	**2,425,076**	**377,964**	**9,437,521**
Reconciliation:					
Elimination of intersegment payables					**(4,977,394)**
Corporate and other unallocated liabilities					**2,965,433**
Total liabilities					**7,425,560**
Other segment information:					
Impairment losses recognised/(reversed) in the income statement	**122**	**1,520**	**(1,262)**	**1,557**	**1,937**
Provision against inventories	**17,084**	**5,982**	**–**	**10,135**	**33,201**
Depreciation and amortisation	**198,882**	**105,998**	**5,291**	**22,191**	**332,362**
Unallocated amounts					**13,835**
					346,197
Capital expenditure	**447,123**	**307,950**	**3,846**	**18,923**	**777,842**
Unallocated amounts					**20,060**
					797,902*

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

Year ended 31 December 2009

	Beverages *HK$'000*	Wines *HK$'000*	Kitchen foods *HK$'000*	Confectionery *HK$'000*	Total *HK$'000*
Segment revenue:					
Sales to external customers	7,098,488	3,196,819	6,008,469	519,699	16,823,475
Other revenue	54,839	39,461	17,208	6,280	117,788
	7,153,327	3,236,280	6,025,677	525,979	16,941,263
Segment results	386,956	585,697	18,644	(60,002)	931,295
Reconciliation:					
Interest income					21.117
Dividend income and unallocated gains					38,049
Finance costs					(53,927)
Share of profits of associates					60,438
Corporate and other unallocated expenses					(47,271)
Profit before tax					949,701
Segment assets	4,662,377	3,700,619	1,477,517	456,873	10,297,386
Reconciliation:					
Elimination of intersegment receivables					(4,114,915)
Investments in associates					446,952
Corporate and other unallocated assets					5,866,417
Total assets					12,495,840
Segment liabilities	3,760,652	2,479,050	1,821,246	310,641	8,371,589
Reconciliation:					
Elimination of intersegment payables					(4,114,915)
Corporate and other unallocated liabilities					1,354,027
Total liabilities					5,610,701
Other segment information:					
Impairment losses recognised/(reversed) in the income statement	2,080	(288)	(237)	1,591	3,146
Provision against/(write-back of provision against) inventories	17,938	4,417	(215)	29,792	51,932
Depreciation and amortisation	179,640	95,946	2,886	17,867	296,339
Unallocated amounts					4,876
					301,205
Capital expenditure	345,868	149,432	13,796	6,266	515,362
Unallocated amounts					31,566
					546,928*

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

Geographical information

Revenue from external customers

Over 90% of the Group's revenue is derived from customers in Mainland China and over 90% of the Group's non-current assets, other than financial instruments and deferred tax assets, are situated in Mainland China.

Information about a major customer

During the year, there was no external customer accounted for 10% or more of the Group's total revenue (2009: Nil).

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 the Group's other income and gains is as follows:

	2010	2009
	HK$'000	*HK$'000*
Other income		
Gross rental income	**2,047**	4,307
Bank interest income	**17,983**	17,356
Interest income from held-to-maturity investments	**7,226**	3,761
Dividend income from available-for-sale investments	**43,963**	31,736
Dividend income from equity investments at fair value through profit or loss	**210**	581
Government grants	**32,595**	33,049
Compensation income	**35,529**	34,150
Tax refunds	**5,138**	891
Others	**55,025**	32,548
	199,716	158,379
Gains		
Realised gains on derivative instruments – transactions not qualifying as hedges	**85,690**	–
Sale of by-products and scrap items	**10,856**	9,186
Foreign exchange differences, net	**896**	810
Fair value gains on equity investments at fair value through profit or loss	**4,775**	4,868
Fair value gains on investment properties	**3,858**	3,711
	106,075	18,575
	305,791	176,954

5. PROFIT BEFORE TAX

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

	2010	2009
	HK$'000	*HK$'000*
Cost of inventories sold	**14,848,530**	12,076,052
Provision against inventories	**33,201**	51,932
Fair value gains on biological assets	**(7,092)**	(5,491)
Cost of sales	**14,874,639**	12,122,493
Auditors' remuneration	**4,130**	3,800
Depreciation	**333,792**	291,369
Amortisation of other intangible assets	**6,472**	4,369
Recognition of prepaid land premiums	**5,933**	5,477
Minimum lease payments under operating leases in respect of land and buildings	**112,032**	98,708
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	**894,091**	840,131
Pension scheme contributions*	**93,696**	80,502
Equity-settled share option expense	**3,677**	8,753
	991,464	929,386
Other expenses include the following:		
Loss on disposal of items of property, plant and equipment	**4,440**	2,328
Fair value losses on equity investments at fair value through profit or loss	**–**	3,134
Impairment of items of property, plant and equipment	**–**	1,510
Impairment of accounts receivable	**1,634**	1,324
Impairment of other receivables	**303**	177
Loss on disposal of available-for-sale investments	**453**	–

* At 31 December 2010, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2009: Nil).

6. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2010	2009
	HK$'000	*HK$'000*
Interest on:		
Bank loans wholly repayable within five years	**24,159**	17,141
Loans from a fellow subsidiary and a non-controlling shareholder of a subsidiary	**2,551**	8,895
Others	**18,715**	27,916
Total interest expense on financial liabilities not at fair value through profit or loss	**45,425**	53,952
Less: Interest capitalised	**–**	(25)
	45,425	53,927

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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.

	2010	2009
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**1,267**	–
Current – Mainland China		
Charge for the year	**256,147**	226,807
Underprovision/(overprovision) in prior years	**3,166**	(3,900)
Deferred	**(254)**	6,489
Total tax charge for the year	**260,326**	229,396

The share of tax attributable to associates amounting to HK$16,328,000 (2009: HK$12,987,000) is included in "Share of profits of associates" in the consolidated income statement.

Since 2009, the Ministry of Finance and the State Administration of Taxation have issued a series of regulations and rules, with retroactive effect on 1 January 2008, concerning group restructuring (collectively, the "Group Restructuring Tax Rules"). During the year ended 31 December 2008, the Group undertook certain intra-group restructuring activities (the "Restructuring"). Should the basis set forth in the Group Restructuring Tax Rules be adopted, there might be relevant tax exposure to the Group. After giving due consideration of key factors including the relevant legal interpretation and opinion about the Group Restructuring Tax Rules and the prevailing tax practices, the Company considers that it is more likely than not that the Restructuring will not give rise to the relevant tax exposure to the Group, if any. Accordingly, no provision thereon has been made in this financial information.

8. DIVIDENDS

	2010	2009
	HK$'000	*HK$'000*
Interim – HK2.30 cents (2009: HK3.88 cents) per ordinary share	**64,227**	108,305
Proposed final – HK3.21 cents (2009: HK3.45 cents) per ordinary share	**89,638**	96,340
	153,865	204,645

At a meeting held on 28 March 2011, the board proposed a final dividend of HK3.21 cents per share for the year. This recommended dividend is subject to the approval of the Company's shareholders at the forthcoming annual 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 ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amount for the year ended 31 December 2010 is based on the profit for the year attributable to ordinary equity holders of the parent of HK$427,567,000 (2009: HK$568,081,000) and the weighted average number of ordinary shares of 2,792,434,710 (2009: 2,791,384,426) in issue during the year.

The calculation of diluted earnings per share amount for the year is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2010	2009
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**427,567**	568,081

	Number of shares	
	2010	2009
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,792,434,710**	2,791,384,426
Effect of dilution-weighted average number of ordinary shares:		
Share options	**2,599,733**	–
	2,795,034,443	2,791,384,426

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.

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

	2010	2009
	HK$'000	*HK$'000*
Within 3 months	**1,216,256**	797,080
3 to 12 months	**396,730**	279,216
1 to 2 years	**2,898**	2,653
Over 2 years	**175**	1,588
	1,616,059	1,080,537

11. ACCOUNTS AND BILLS PAYABLES

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

	2010	2009
	HK$'000	*HK$'000*
Within 3 months	**825,497**	797,101
3 to 12 months	**161,753**	104,573
1 to 2 years	**11,879**	13,925
Over 2 years	**735**	703
	999,864	916,302

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

MANAGEMENT DISCUSSION AND ANALYSIS

Beverages Business

The Group's Coca-Cola beverages bottling group is 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, juice milk, tea and water, in sixteen provinces, cities and autonomous regions in the PRC under franchise agreements with The Coca-Cola Company.

In 2010, our beverages business achieved outstanding results despite the negative impacts of extreme cold weather in northern China in the beginning of the year, severe rainstorms and floods in central China in the mid-year, keen competition in the industry and a significant increase in sugar prices. The business recorded a sales revenue of approximately HK$7,921 million, an increase of 11.6% over the previous year, and a segment result of approximately HK$524 million, an increase of 35.3%. The sales volume was 486 million unit cases, representing a growth rate of 14%, which propelled us into the league of global top 10 Coca-Cola bottling groups.

In the still beverages category, our annual sales volume for Minute Maid juices increased 26% from previous year. In the first half of the year we launched various new flavors and new products, such as "Minute Maid" 10 Super V juice drink, "Yuan Ye" Light Aromatic Jasmine tea flavored beverage and "Yuan Ye" Honey Aromatic Jasmine tea flavored beverage, which were all well perceived by consumers. According to market research by AC Nielsen at the end of December 2010, the Minute Maid brand continues to be ranked No. 1 in the juice category in China.

In respect of marketing, we captured growth opportunities by fully leveraging on Chinese New Year, 2010 FIFA World Cup, Mid-Autumn Festival and National Day holidays through various effective marketing campaigns. We will continue our work on effective mechandising execution and promotion of products at points of sale. We will continue to expand our distribution network through developing markets at county, town and village level, fostering strategic partnerships with our key customers, improving product category management, establishing regional logistics centers, and maintaining quality customer services.

In respect of production capacity expansion, our new production line in the Beijing bottling plant and newly-built bottling plant in Inner Mongolia were commissioned in the mid-year and at the end of the year, respectively, which will help extend our sales coverage and enhance our operating efficiency. Currently our annual sparkling beverages bottling capacity is approximately 583 million unit cases, an increase of 27% over the previous year.

In 2011 the beverages industry will continue to be pressured by the rising costs of raw materials. We plan to manage our costs through improvements in production efficiency and use of more light-weight packaging materials.

Wines Business

The Group's wines business is principally engaged in the production, marketing and sales of wine under the "長城" and "Greatwall" brands, in addition to importing wine and the production and marketing of yellow rice wine. The business is vertically integrated, encompassing the management of vineyards, wine-making, marketing and sales, brand management and development. In addition to its three wineries and two chateaux in Yantai, Shacheng and Changli, the Group acquired a vineyard and production base in Chile during the year as a source of good quality, competitively priced wine for importation into China. The construction of a fourth domestic winery in Ningxia is currently in progress, which will help extend our sales coverage and enhance our operational efficiency.

The year was a difficult one for our wines business. In particular during the first-half of the year, the business was heavily involved in the strategic restructuring of the sales and distribution model including re-engineering of the model. In-depth negotiations with certain large distributors over new distribution agreement terms resulted in a negative growth of 7.3% of sales revenue and a decline in segment result of 46.5% during the first-half of the year. Subsequently, following the successful conclusion of negotiations in late third quarter, sales revenue began to improve. Annual sales revenue amounted to approximately HK$3,114 million, down by only 2.6%, and there was an encouraging improvement in gross profit margin from 58.0% to 59.9%. However, the disruption to the business in the earlier part of the year resulted in a decline in segment results to HK$365 million.

With regards to the wine market, consumption patterns reveal a gradual switch away from on-premise channels to off-premise channels. In response, we have made appropriate adjustments to our channel and brand marketing strategies, while at the same time migrating to a new sales and distribution model with a view to achieving:

- Improvements of distribution agreement terms including increasing ex-factory selling price.

- Rationalization of multi-layered sales and distribution system.

- Optimal management of existing distribution territories of certain distributors.

- Greater control over use of brand and marketing resources.

In addition to the orderly implementation of the above, we are executing a strategy of continual optimisation of our wine product mix in favour new medium-to high-end key wine series, and the strengthening of brand recognition. The Group is looking forward to the ultimate goal of a dynamic balance of the three key elements in the wine business – effective branding and marketing, continuing product mix enhancement and efficient channel management – and strongly believes that this balance will create a solid foundation for growth momentum and profitability in the long run.

During the year, a pilot project version of our new sales and distribution model was adopted to promote our premium "Greatwall Chateau Sungod" series. The new model was validated and demonstrated its effectiveness as this series successfully gained a sizable market share in the premium wine market, with annual sales revenue generated from "Greatwall Chateau Sungod" increasing by approximately 4.3 times, with good acceptance by consumers. At present, we are actively preparing the launch of a new medium- to high-end key wine series with a unified marketing plan covering the whole country based on a similar sales and distribution model to "Greatwall Chateau Sungod" series. Besides, our imported wines business is also growing at a high rate as we have accelerated the pace of building sales channels for these products. Sales revenue from this imported wines business recorded a growth of 60% over the previous year.

In respect to brand building, we have capitalised on the prestige of our "Greatwall" product's identification as "The Only Official Wine of Shanghai World Expo 2010" ("Shanghai Expo") and its presence in state banquets. We participated in the relevant food expo displays and sales activities and relevant roadshow in six major cities organised by the Shanghai Expo, and a wide range of other sales and promotional activities which effectively maximise our brand's exposure and reputation.

In respect of vineyard diversification, in addition to the acquisition of a vineyard and production base in Chile, we are also actively pursuing other acquisition opportunities for targeted overseas vineyards with similar strategic goals.

As the fruition of the efforts made in 2010, we expect to see a strong rebound in the result of our wines business.

Kitchen Foods Business

Our kitchen foods business principally engages in sales and distribution of consumer-pack edible oil, seasoning sauces and related products in the PRC under the "福臨門", "Fortune", "四海", "五湖" and "家禾" brands.

In 2010, annual sales revenue amounted to approximately HK$8,344 million, representing a 38.9% increase over previous year. Sales volume reached 803,000 tonnes, an increase of 25.6% over the previous year. The increase was primarily due to the successful implementation of new measures by the management team in product innovation, sales channel building and foundation work at distribution and display. The gross profit margin decreased from 9.7% to 8.5% due to rising raw material cost pressure, that call for efficient procurement of bulk oil and continuing enhancement of product mix.

In keeping with the trend of increasing health awareness among consumers and consumer demand for enhanced product types, we are continuously pursuing product innovation and the launch of delicious, nutritious and healthy edible oils. During the year, we focused on promoting "Natural Grain Blended Oil" and a number of key products such as "DHA Grain Blended Oil", "家香味壓榨一級花生油", further enhancing our high-end healthy oil product line and satisfying the demand of general consumers in China.

Leveraging on the opportunity of Shanghai Expo as our products under the Fortune brand were the only official oil products of Shanghai Expo", we organised a series of relevant public relations activities under the themes of "Year of Shanghai Expo, Joyful Year" and "DHA for the Shanghai Expo". Through the themes of Shanghai Expo and the promotion of our mission and contribution to healthy dining, the reputation of our "Fortune brand" was effectively raised.

We increased our efforts to extend the penetration and building of our sales channels. With the urbanisation of China accelerating, momentum in this region is increasingly being devoted to third-and fourth-tier cities by strengthening our cooperative relationships with county distributors.

In response to increased market demand for our edible oils our parent COFCO group, as our key supplier, has embarked on a program to expand its crushing and processing capacity. Gradual completion of projects in Shandong, Guangxi, Tianjin and Jiangxi will enable us to further capitalise on our cost advantages, develop new sales regions, and increase market share, thus providing additional growth momentum to our kitchen foods business.

Confectionery Business

The confectionery business is mainly engaged in the production and distribution of chocolates and other confectionery products in the PRC under the "金帝", "Le Conte" and "Merveille" brands.

Despite such adverse factors as stiffening competition and the impact of Chinese New Year and Valentine's Day (both traditional chocolate-giving days) falling on the same date, we managed to achieve a record sales revenue of approximately HK$576 million, representing an increase of 10.9% over the previous year. Gross profit margin decreased from 48.9% to 46.8% due to rising raw material cost pressure, that call for continuing enhancement of product mix and improvement in production efficiency according to our management plan.

A number of new products were launched in 2010. Most notable were "Le Conte" aerated chocolate and "cupcolate" chocolate drinks, both of which were "first of their kind" new products which have gone on to redefine the taste of chocolate in China. Another new product – "Merveille" fruit juice jelly candies – was launched to a similarly positive reception in the market.

Considerable resources were invested in brand building over the course of 2010. "金帝" launched a promotion early in the year using the theme of "Le Conte, My Love, So Smooth and Rich", appearing in 13 cities across China. Television advertisements for "金帝" were broadcast on channels such as Beijing Satellite TV and outdoor media in a bid to favorably reposition the brand and enhance brand awareness. The "Merveille" brand also collaborated with Hunan Television's *Blooming of Spring Flowers* programme through product placement as an effective means of conveying the "Merveille" core message.

Looking ahead in 2011, the Company will strengthen the classic image of "金帝" chocolate, and expand upon the "Brightening up your happy life" core message of the "Merveille" brand. Our general aim, as always, is to solidify the competitiveness of our existing products, design new products, expand coverage of retail outlets and enhance control over distribution channels so as to further improve the results of our business.

FINANCIAL REVIEW

Supplemental information to segment results of the Group for the year ended 31 December 2010 with comparative figures, are set out below:

	For the year ended 31 December	
	2010	2009
	%	%
Growth of revenue by segment:		
– Beverages	**11.6**	55.2
– Wines	**-2.6**	14.6
– Kitchen Foods	**38.9**	-7.7
– Confectionery	**10.9**	42.5
Contribution of revenue by segment:		
– Beverages	**39.7**	42.2
– Wines	**15.6**	19.0
– Kitchen Foods	**41.8**	35.7
– Confectionery	**2.9**	3.1
Gross profit margin by segment (excluding Beverages):		
– Wines	**59.9**	58.0
– Kitchen Foods	**8.5**	9.7
– Confectionery	**46.8**	48.9
Selling and distribution costs to revenue ratio by segment (excluding Beverages):		
– Wines	**43.5**	35.5
– Kitchen Foods	**7.1**	8.5
– Confectionery	**53.0**	54.1
Segment result to revenue ratio:		
– Beverages	**6.6**	5.5
– Wines	**11.7**	18.3
– Kitchen Foods	**0.4**	0.3
– Confectionery	**-13.8**	-11.5
Effective tax rate of the Group *(Note 1)*	**31.9**	25.8

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 approximately 18.6% over the last year, as the combined effects of:

- approximately 38.9% revenue growth rate of Kitchen Foods segment, with continuing growth in sales volume attributable to increasing coverage of retail sales outlets and general increase in market price of edible oil products;

- approximately 11.6% revenue growth rate of Beverages segment, with strong recovery in sales volume during the second half of the year under review that outweighed the impact of cold weather during January to April of the year under review;

- approximately 10.9% revenue growth rate of Confectionery segment, with normalized growth under the effort of its management team; and

- a slight decline in revenue of approximately 2.6% of Wines segment, primarily caused by the fact that wines segment has been in the process of a strategic restructuring exercise on its sales and distribution model. Consequently, orders from certain distributors involved in the restructuring have decreased resulting in decline in sales volume.

GROSS PROFIT MARGIN

Overall gross profit margin dropped slightly from approximately 27.9% to approximately 25.5%. Improvement of gross profit margin in wines segment is a result of our general increase in selling price to distributors and continuing product mix enhancement, together with maintenance of gross profit margin in Beverages segment that is attributable to the great effort of management team in effective procurement of raw material and production cost saving. But the aggregate effects of improvements were entirely offset by the drop in gross profit margins of Kitchen Foods segment and Confectionery segment under the raw material cost pressure and intensified market competition of products.

SELLING AND DISTRIBUTION COSTS

Overall selling and distribution costs sharply rose by approximately 14.2% for the year over the previous year, mainly driven by the approximately 8 percentage point increment of selling and distribution costs to revenue ratio in Wines segment. As Wines segment has been in the process of a strategic restructuring exercise on its sales and distribution model, the relevant costs and the general increase branding expenses of "Greatwall", especially for premium types of product categories, were incurred together during the year under review.

ADMINISTRATIVE EXPENSES

Overall administrative expenses increased by approximately 20.0% for the year over the last year which was attributable by the general expansion of management functions of each business division and corporate level, recording of full-year office expenditures after relocation to new office premise and pre-operating expenses of new subsidiaries in China and in overseas.

FINANCE COSTS

Overall finance costs cut by approximately 15.8% for the year over the last year which was mainly due to the combined effects of less cash discount given to certain distributors of wines segment in 2010 that outweighed the higher finance costs caused by the increase in outstanding balance of bank loans.

SHARE OF PROFITS OF ASSOCIATES

Share of profits of associates increased by approximately 6.0% for the year over the previous year which was due to moderate increase in net profits of certain associates.

INCOME TAX EXPENSE

Effective tax rate of the Group substantially increased from approximately 25.8% to approximately 31.9%, which was mainly due to uncertainty of tax deductibility of prolonged losses of certain subsidiaries.

LIQUIDITY AND FINANCIAL RESOURCES

The Company's treasury function formulated 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, reallocating surplus financial resources within the Group, procuring cost-efficient funding and targeting yield enhancement opportunities. The treasury function regularly and closely monitors its overall cash and debt positions, proactively reviews its funding costs and maturity profiles to facilitate timely refinancing, if appropriate.

As at 31 December 2010, the Group's unpledged cash and cash equivalents totalled approximately HK$1,741 million (31 December 2009: approximately HK$1,943 million), and the Group's net current assets were approximately HK$1,525 million (31 December 2009: approximately HK$1,662 million). Due to working capital changes during the year, the net cash inflow from operating activities of approximately HK$125 million (2009: approximately HK$1,060 million) was recorded whereas the earnings before finance cost, income tax expense, depreciation, amortization of other intangible assets, recognition of prepaid land premium and share of profits of associates amounted to approximately HK$1,209 million (2009: approximately HK$1,244 million).

Having considered the normalized cash flow from operating activities, 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 prospective business development projects.

Held-to-maturity investments represented corporate bonds with expected redemption dates falling within the coming two years or three years at dates of purchase. 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 future contracts and interest rate swaps as appropriate for financial risk management purpose only, in hedging cash flows against the exposure caused by sharp rise raw material price and 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 947,680 shares as a result of certain employees of the Group exercising their share options granted in 2007. As at 31 December 2010, the total number of issued shares of the Company was 2,792,459,756.

As at 31 December 2010, the Group had certain interest-bearing bank borrowings of approximately HK$1,487 million (31 December 2009: approximately HK$788 million) and other borrowing of approximately HK$29 million (31 December 2009: approximately HK$15 million). A loan from a non-controlling shareholder of approximately HK$114 million was early repaid during the year.

Bank borrowings carried annual interest rates ranging between 0.72% and 5.31% (31 December 2009: between 1.1% and 4.37%). Other borrowing carried annual interest rate of 4.59% (31 December 2009: 4.86%). A loan from a non-controlling shareholder carried annual interest rate at 2.78% as at 31 December 2009.

As at 31 December 2010, net assets attributable to owners of the parent were approximately HK$5,947 million (31 December 2009: approximately HK$5,483 million) and net cash position of the Group (unpledged cash and cash equivalents less interest-bearing bank and other borrowings and a loan from a non-controlling shareholder) was approximately HK$225 million (31 December 2009: approximately HK$1,026 million).

CONTINGENT LIABILITIES AND ASSETS PLEDGED

As at 31 December 2010, the Group had no material contingent liabilities.

As at 31 December 2010, certain bank borrowings of the Group were secured by charges over certain investment properties, property, plant, equipment, prepaid land premiums and bank deposits of the Group with aggregate net book value of approximately HK$168 million (31 December 2009: approximately HK$109 million).

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2010, the Group employed approximately 16,027 staff in Mainland China and Hong Kong (31 December 2009: 13,160). 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 2010 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 2009, a total of 18,054,780 share options of the Company remained outstanding. During the year, no share options were granted pursuant to the terms of the Option Scheme, while a total of 573,922 share options were cancelled and a total of 188,678 share options lapsed. In addition, a total of 947,680 shares were issued and allotted by the Company upon the exercise of share options by a director of the company and certain employees of the Group. Accordingly, as at 31 December 2010, the total number of outstanding share options of the Company was 16,344,500. Share options granted under the Option Scheme are valid for seven years, exercisable over 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, two new wholly-owned subsidiaries namely 中糧長城葡萄酒(寧夏)有限公司 (COFCO Greatwall Wine (Ningxia) Co., Ltd.) and 中糧(寧夏)葡萄種植有限公司 (COFCO (Ningxia) Vine Plantation Co., Ltd.) were established in the PRC and a new wholly-owned subsidiary namely Vina Santa Andrea Limitada was incorpoated in Chile by the Group. The Group's total capital commitments of these three new companies amounted to approximately USD31.16 million.

On 10 January 2011, a new wholly-owned subsidiary namely Top Glory Wines & Spirits Europe SAS was incorporated in France. The Group's capital commitments of this new company amounted to approximately EUR4.15 million.

DIVIDENDS

The board recommended a final dividend of HK3.21 cents (2009: HK3.45 cents) per share in respect of the year. An interim dividend of HK2.30 cents per share was paid on 22 October 2010 (2009: HK3.88 cents). Subject to shareholders' approval at the annual general meeting to be held on Wednesday, 8 June 2011, the total dividend in cash for the year would be HK5.51 cents (2009: HK7.33 cents) per share, and the recommended final dividend will be payable on Friday, 17 June 2011, to shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 8 June 2011 (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, 2 June 2011.

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, 3 June 2011 to Wednesday, 8 June 2011, both days inclusive, for the purposes of determining shareholders' entitlements to attend and vote at the forthcoming annual general meeting and the proposed final dividend, during which period no transfer of shares will be registered.

The ex-dividend date will be Wednesday, 1 June 2011.

To qualify for attending and voting at the forthcoming annual general meeting and the proposed final dividend, all transfer documents, 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 than 4:00 p.m. on Thursday, 2 June 2011.

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 2010. Details of our compliance with the Code will be set out in the corporate governance report in the 2010 annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

The Company has established a remuneration committee with specific written terms of reference in accordance with the requirements of the Code. The role of the remuneration committee is to review and make recommendations to the board on the Company's policy and structure for remuneration of directors and senior management. The remuneration committee currently consists of two independent non-executive directors, namely, Mr. Yuen Tin Fan, Francis (committee chairman) and Mr. Stephen Edward Clark and an executive director, namely, Mr. Chi Jingtao.

AUDIT COMMITTEE

The Company has established an audit committee with specific written terms of reference in accordance with the requirements of the Code. The role of the audit committee is to assist the board in fulfilling its corporate governance and oversight responsibilities in relation to financial reporting, internal control, risk management and external audit functions. The audit committee currently consists of three independent non-executive directors, namely, Messrs. Stephen Edward Clark (committee chairman), Li Hung Kwan, Alfred and Yuen Tin Fan, Francis. All of them have extensive experience in the accounting, financial and commercial sectors.

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

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

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the designated issuer website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.chinafoodsltd.com).

The 2010 annual report will be published on the above websites and dispatched to the shareholders of the Company in due course.

By order of the board
China Foods Limited
Luan Xiuju
Managing Director

Hong Kong, 28 March 2011

As at the date of this announcement, our executive directors are Mr. Ning Gaoning, Mr. Chi Jingtao, Ms. Luan Xiuju, Mr. Mak Chi Wing, William and Mr. Zhang Zhentao; our non-executive directors are Ms. Liu Ding, 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.