Chinese Olympic Committee Official Partner
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**CHINA FOODS LIMITED**
**中國食品有限公司**

*(Incorporated in Bermuda with limited liability)*
**(Stock Code: 00506)**

# ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

**KEY FINANCIAL INFORMATION**

Following is a summary of the performance of China Foods Limited (the "Company") and its subsidiaries (together the "Group") for the six months ended 30 June 2015 (the "interim period") together with comparative figures for the corresponding period of last year.

- Our Revenue increased by 9.54% to HK$15,081 million.
- Our EBITDA^ increased by HK$297.4 million to HK$743.5 million.
- Our Operating Profit * increased by 433% to HK$379 million.
- Our Profit attributable to the Owners of the Parent was HK$118 million, as compared to our Loss attributable to the Owners of the Parent of HK$135 million for the same period last year.

^ EBITDA represents earnings before finance costs, income tax expense, depreciation, amortisation of other intangible assets, recognition of prepaid land premiums, impairment related to goodwill, available-for-sale investments, items of property, plant and equipment and receivables, provision against inventories and share of profits in associates.

* Operating Profit of the Group represents the aggregation of segment results less corporate and other unallocated expenses.

## INTERIM RESULTS

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the interim period together with the comparative figures of last year. The unaudited condensed consolidated interim results as at and for the six months ended 30 June 2015 (the "interim financial information") have been reviewed by the audit committee of the Company.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 June 2015*

| | *Notes* | **For the six months ended 30 June** | |
|---|---|---|---|
| | | **2015** | 2014 |
| | | ***HK$'000*** | *HK$'000* |
| | | **(Unaudited)** | (Unaudited) |
| **REVENUE** | *4* | **15,080,602** | 13,767,100 |
| Cost of sales | | **(11,508,690)** | (10,570,187) |
| Gross profit | | **3,571,912** | 3,196,913 |
| Other income and gains | *4* | **162,446** | 125,446 |
| Selling and distribution expenses | | **(2,883,300)** | (2,839,664) |
| Administrative expenses | | **(375,630)** | (352,638) |
| Other expenses and losses | | **(31,393)** | (10,278) |
| Finance costs | *5* | **(32,111)** | (35,272) |
| Share of profits of associates | | **53,481** | 69,914 |
| **PROFIT BEFORE TAX** | *6* | **465,405** | 154,421 |
| Income tax expense | *7* | **(187,685)** | (128,639) |
| **PROFIT FOR THE PERIOD** | | **277,720** | 25,782 |
| Attributable to: | | | |
| Owners of the parent | | **118,261** | (134,996) |
| Non-controlling interests | | **159,459** | 160,778 |
| | | **277,720** | 25,782 |
| **EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | *9* | | |
| Basic and diluted | | **HK4.23 cents** | HK(4.83) cents |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2015*

| | For the six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| **PROFIT FOR THE PERIOD** | **277,720** | 25,782 |
| **OTHER COMPREHENSIVE INCOME/(LOSS)** | | |
| Other comprehensive loss to be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | **(5,045)** | (89,775) |
| Share of other comprehensive income of an associate | **117** | – |
| Net other comprehensive loss to be reclassified to profit or loss in subsequent periods | **(4,928)** | (89,775) |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods: | | |
| Gains on property revaluation | **5,760** | – |
| Income tax effect | **(1,440)** | – |
| Net other comprehensive income not to be reclassified to profit or loss in subsequent periods | **4,320** | – |
| **OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX** | **(608)** | (89,775) |
| **TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD** | **277,112** | (63,993) |
| Attributable to: | | |
| Owners of the parent | **118,585** | (205,321) |
| Non-controlling interests | **158,527** | 141,328 |
| | **277,112** | (63,993) |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*30 June 2015*

| | Note | 30 June 2015 HK$'000 (Unaudited) | 31 December 2014 HK$'000 (Audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **4,874,867** | 4,700,272 |
| Investment properties | | **120,173** | 98,331 |
| Prepaid land premiums | | **419,067** | 424,026 |
| Deposits for purchase of items of property, plant and equipment | | **13,415** | 14,286 |
| Goodwill | | **1,742,015** | 1,742,224 |
| Other intangible assets | | **21,566** | 27,370 |
| Investments in associates | | **760,704** | 758,932 |
| Available-for-sale investments | | **211,077** | 214,106 |
| Deferred tax assets | | **178,302** | 184,521 |
| Biological assets | | **199,508** | 200,806 |
| Total non-current assets | | **8,540,694** | 8,364,874 |
| **CURRENT ASSETS** | | | |
| Inventories | | **3,950,586** | 4,301,418 |
| Accounts and bills receivables | *10* | **1,551,128** | 1,771,192 |
| Prepayments, deposits and other receivables | | **1,091,480** | 1,186,912 |
| Due from fellow subsidiaries | | **603,157** | 578,278 |
| Due from the ultimate holding company | | **15,972** | 15,202 |
| Due from the immediate holding company | | **162** | 171 |
| Due from non-controlling shareholders of subsidiaries | | **16,458** | 37,711 |
| Due from associates | | **15,956** | 16,273 |
| Prepaid tax | | **30,173** | 41,225 |
| Available-for-sale investments | | – | 399,305 |
| Equity investments at fair value through profit or loss | | – | 14,728 |
| Pledged deposits | | **177,034** | 162,947 |
| Cash and cash equivalents | | **2,463,932** | 1,356,458 |
| Total current assets | | **9,916,038** | 9,881,820 |

| | Note | 30 June 2015 HK$'000 (Unaudited) | 31 December 2014 HK$'000 (Audited) |
|---|---|---|---|
| **CURRENT LIABILITIES** | | | |
| Accounts and bills payables | 11 | **1,945,255** | 1,372,106 |
| Other payables and accruals | | **3,061,103** | 3,368,978 |
| Due to fellow subsidiaries | | **981,484** | 1,253,117 |
| Due to the ultimate holding company | | **28,866** | 27,915 |
| Due to related companies | | **43,557** | 88,765 |
| Due to non-controlling shareholders of subsidiaries | | **806,499** | 48,103 |
| Due to associates | | **196,936** | 154,453 |
| Interest-bearing bank and other borrowings | | **1,664,554** | 1,360,994 |
| Tax payable | | **43,638** | 96,784 |
| Total current liabilities | | **8,771,892** | 7,771,215 |
| **NET CURRENT ASSETS** | | **1,144,146** | 2,110,605 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **9,684,840** | 10,475,479 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank borrowings | | **1,800,000** | 2,100,000 |
| Due to non-controlling shareholders of subsidiaries | | **28,455** | 28,446 |
| Deferred income | | **160,441** | 160,613 |
| Deferred tax liabilities | | **66,088** | 63,873 |
| Total non-current liabilities | | **2,054,984** | 2,352,932 |
| Net assets | | **7,629,856** | 8,122,547 |
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Issued capital | | **279,722** | 279,722 |
| Reserves | | **5,727,338** | 5,607,927 |
| | | **6,007,060** | 5,887,649 |
| **Non-controlling interests** | | **1,622,796** | 2,234,898 |
| Total equity | | **7,629,856** | 8,122,547 |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*30 June 2015*

## 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 six months ended 30 June 2015, the Group was involved in the following principal activities:

- processing, bottling and distribution of sparkling beverage and distribution of still beverage;
- production, sale and trading of grape wine and other wine products;
- distribution of retail packaged cooking oil and seasoning products;
- production and distribution of chocolate and other related products; and
- distribution of other consumer food and beverage products that are not categorised under the aforementioned activities.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial information is prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial statements for the year ended 31 December 2014.

The accounting policies and basis of preparation adopted in the preparation of the condensed consolidated interim financial information are the same as those used in the annual financial statements for the year ended 31 December 2014, except in relation to the following revised Hong Kong Financial Reporting Standards ("HKFRSs") that affect the Group and are adopted for the first time for the current period's financial information:

| | |
|---|---|
| Amendments to HKAS 19 | *Defined Benefit Plans: Employee Contributions* |
| *Annual Improvements 2010-2012 Cycle* | Amendments to a number of HKFRSs |
| *Annual Improvements 2011-2013 Cycle* | Amendments to a number of HKFRSs |

The adoption of the above revised HKFRSs has no material impact on the accounting policies of the Group.

## 3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

(e) the "others" segment is engaged in the distribution of other consumer food and beverage products that are not categorised under the aforementioned segments.

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

Segment assets exclude deferred tax assets, prepaid tax, restricted bank balances, pledged deposits, cash and cash equivalents, available-for-sale investments, 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, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

**Six months ended 30 June 2015**

| | Beverage *HK$'000* (Unaudited) | Wine *HK$'000* (Unaudited) | Kitchen food *HK$'000* (Unaudited) | Confec-tionery *HK$'000* (Unaudited) | Others *HK$'000* (Unaudited) | Total *HK$'000* (Unaudited) |
|---|---|---|---|---|---|---|
| **Segment revenue:** | | | | | | |
| Sales to external customers | 7,095,363 | 1,296,432 | 6,265,239 | 197,701 | 225,867 | 15,080,602 |
| Other revenue | 46,821 | 12,222 | 16,080 | 3,308 | 14,368 | 92,799 |
| | 7,142,184 | 1,308,654 | 6,281,319 | 201,009 | 240,235 | 15,173,401 |
| **Segment results** | 445,602 | 108,229 | 41,700 | (53,127) | 3,838 | 546,242 |
| *Reconciliation:* | | | | | | |
| Interest income | | | | | | 18,319 |
| Dividend income | | | | | | 46,862 |
| Finance costs | | | | | | (32,111) |
| Share of profits of associates | | | | | | 53,481 |
| Corporate and other unallocated expenses | | | | | | (167,388) |
| Profit before tax | | | | | | 465,405 |
| **30 June 2015** | | | | | | |
| **Segment assets** | 5,959,820 | 5,017,676 | 2,863,296 | 351,103 | 398,392 | 14,590,287 |
| *Reconciliation:* | | | | | | |
| Investments in associates | | | | | | 760,704 |
| Corporate and other unallocated assets | | | | | | 3,105,741 |
| Total assets | | | | | | 18,456,732 |
| **Segment liabilities** | 4,274,649 | 825,739 | 2,114,821 | 39,527 | 735 | 7,255,471 |
| *Reconciliation:* | | | | | | |
| Corporate and other unallocated liabilities | | | | | | 3,571,405 |
| Total liabilities | | | | | | 10,826,876 |

**Six months ended 30 June 2014**

| | Beverage *HK$'000* (Unaudited) | Wine *HK$'000* (Unaudited) | Kitchen food *HK$'000* (Unaudited) | Confec-tionery *HK$'000* (Unaudited) | Others *HK$'000* (Unaudited) | Total *HK$'000* (Unaudited) |
|---|---|---|---|---|---|---|
| **Segment revenue:** | | | | | | |
| Sales to external customers | 6,897,063 | 1,084,042 | 5,375,740 | 217,403 | 192,852 | 13,767,100 |
| Other revenue | 48,061 | 23,670 | 1,672 | 3,407 | – | 76,810 |
| | 6,945,124 | 1,107,712 | 5,377,412 | 220,810 | 192,852 | 13,843,910 |
| **Segment results** | 391,253 | (55,885) | (61,207) | (74,004) | 9,459 | 209,616 |
| *Reconciliation:* | | | | | | |
| Interest income | | | | | | 11,538 |
| Dividend income | | | | | | 37,098 |
| Finance costs | | | | | | (35,272) |
| Share of profits of associates | | | | | | 69,914 |
| Corporate and other unallocated expenses | | | | | | (138,473) |
| Profit before tax | | | | | | 154,421 |

**31 December 2014**

| | Beverage *HK$'000* (Audited) | Wine *HK$'000* (Audited) | Kitchen food *HK$'000* (Audited) | Confec-tionery *HK$'000* (Audited) | Others *HK$'000* (Audited) | Total *HK$'000* (Audited) |
|---|---|---|---|---|---|---|
| **Segment assets** | 6,023,145 | 5,238,102 | 3,007,841 | 395,873 | 392,677 | 15,057,638 |
| *Reconciliation:* | | | | | | |
| Investments in associates | | | | | | 758,932 |
| Corporate and other unallocated assets | | | | | | 2,430,124 |
| Total assets | | | | | | 18,246,694 |
| **Segment liabilities** | 3,355,346 | 716,457 | 2,354,381 | 73,794 | 778 | 6,500,756 |
| *Reconciliation:* | | | | | | |
| Corporate and other unallocated liabilities | | | | | | 3,623,391 |
| Total liabilities | | | | | | 10,124,147 |

## 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 period.

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| **Other income** | | |
| Gross rental income | **7,318** | 6,197 |
| Bank interest income | **12,439** | 10,647 |
| Interest income from financial products | **5,880** | 891 |
| Dividend income from available-for-sale investments | **46,862** | 37,033 |
| Dividend income from equity investments at fair value through profit or loss | **–** | 65 |
| Government grants* | **36,408** | 38,427 |
| Compensation income | **3,152** | 3,988 |
| Sale of by-products and scrap items | **8,630** | 8,183 |
| Others | **37,291** | 20,015 |
| | **157,980** | 125,446 |
| **Gains** | | |
| Gain on disposal of equity investments at fair value through profit or loss | **4,466** | – |
| | **162,446** | 125,446 |

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

## 5. FINANCE COSTS

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Interest on: | | |
| Bank loans wholly repayable within five years | **30,519** | 34,019 |
| Loans from a non-controlling shareholder of subsidiaries | **1,068** | 1,253 |
| Others | **524** | – |
| | **32,111** | 35,272 |

## 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

| | For the six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Cost of inventories sold | **11,498,698** | 10,517,527 |
| Provision against inventories | **9,992** | 52,660 |
| Cost of sales | **11,508,690** | 10,570,187 |
| Depreciation | **249,787** | 253,740 |
| Amortisation of other intangible assets | **5,422** | 5,687 |
| Recognition of prepaid land premiums | **5,609** | 6,293 |
| Loss on disposal/write-off of items of property, plant and equipment* | **2,764** | 1,292 |
| Fair value losses on equity investments at fair value through profit or loss* | **–** | 1,067 |
| Impairment of items of property, plant and equipment* | **–** | 6,280 |
| Impairment of receivables* | **25,595** | 1,639 |
| Impairment of available-for sale investments* | **3,034** | – |
| Foreign exchange differences, net | **6,606** | 15,390 |

* These items are included in "other expenses and losses" on the face of the condensed consolidated statement of profit or loss.

## 7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profit arising in Hong Kong during the period (six months ended 30 June 2014: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Current charge for the period: | | |
| Mainland China | **179,432** | 127,449 |
| Deferred | **8,253** | 1,190 |
| Total tax charge for the period | **187,685** | 128,639 |

The share of tax attributable to associates amounting to HK$17,995,000 (six months ended 30 June 2014: HK$17,856,000) is included in "Share of profits of associates" in the condensed consolidated statement of profit or loss.

## 8. DIVIDEND

No dividend has been paid or declared by the Company during the period (six months ended 30 June 2014: Nil).

## 9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amount for the period ended 30 June 2015 is based on the profit for the period attributable to ordinary equity holders of the parent of HK$118,261,000 (six months ended 30 June 2014: loss of HK$134,996,000), and the weighted average number of ordinary shares of 2,797,223,396 (six months ended 30 June 2014: 2,797,223,396) in issue during the period.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the six months ended 30 June 2014 and 2015 in respect of the dilution as the impact of the Company's share options outstanding had no dilutive effect on the basic profit/(loss) per share amounts presented.

## 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 one to three months. 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. The Group does not hold any collateral or other credit enhancements over its accounts and bills receivable balances. 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:

| | **30 June 2015** | 31 December 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Within 3 months | **1,336,020** | 1,486,684 |
| 3 to 12 months | **167,461** | 227,432 |
| 1 to 2 years | **25,018** | 26,930 |
| Over 2 years | **22,629** | 30,146 |
| | **1,551,128** | 1,771,192 |

## 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:

| | **30 June 2015** | 31 December 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Within 3 months | **1,553,620** | 1,304,299 |
| 3 to 12 months | **376,357** | 50,266 |
| 1 to 2 years | **4,012** | 10,667 |
| Over 2 years | **11,266** | 6,874 |
| | **1,945,255** | 1,372,106 |

At 30 June 2015, certain of the Group's bills payable were secured by the Group's bank deposits amounting to HK$60,761,000 (31 December 2014: HK$46,674,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

In the first half of 2015, the Group was successful in achieving a turnaround in profitability, achieving a profit attributable to the Owners of the Parent, compared with a loss attributable to the Owners of the Parent in the first half of 2014. This turnaround was mainly attributable to an improvement in the overall operating efficiency of the Group, and a significantly better operating result for the wine business.

A comparison of the 2015 interim results with that of the same period of 2014 is shown below:

- Our Revenue increased by 9.54% to HK$15,081 million.

- Our EBITDA^ increased by HK$297.4 million to HK$743.5 million.

- Our Operating Profit * increased by 433% to HK$379 million.

- Our Profit attributable to the Owners of the Parent was HK$118 million, as compared to our Loss attributable to the Owners of the Parent of HK$135 million for the same period last year.

^ EBITDA represents earnings before finance costs, income tax expense, depreciation, amortisation of other intangible assets, recognition of prepaid land premiums, impairment related to goodwill, available-for-sale investments, items of property, plant and equipment and receivables, provision against inventories and share of profits of associates.

* Operating Profit of the Group represents the aggregation of segment results less corporate and other unallocated expenses.

In the first half of 2015, the growth rate of the food and beverage industry in Mainland China continued to trend down following a slowdown of the domestic macro economy in the country. As a result, the Group's food and beverage businesses were presented with considerable challenges.

In the face of this unfavourable external environment, the Group nevertheless succeeded in implementing a series of initiatives in accordance with management plans formulated at the beginning of the year.

During the period, the Group continued to foster its "entrepreneurial culture" in order to improve operational efficiency. Measures were also taken to increase the number of points of sale by developing additional channels, and by penetrating markets at the county level. In addition, supervision and audit of marketing expenses, and execution at point of sale, were strengthened, with shortcomings identified, and successfully addressed, in order to improve the cost effectiveness of marketing expenditures. Specific incentive policies were also introduced to promote product innovation, and to enhance the efficiency of brand marketing. Training for business teams was improved, and the business team for each product category conducted a benchmarking project as against the best industry practice in relation to operational procedures, and supply chain and sales management. The Group's organizational structure has been further streamlined. Active steps were taken to optimize headcount, and to reduce staff costs. The performance evaluation system was reviewed and more specific incentive measures were deployed to further improve the efficiency and competitiveness of our workforce. In addition, the internal control system was further strengthened to reduce operational risks. As a result of these measures, the Group has made significant improvements in its overall operational quality and efficiency.

In the second half of 2015, the Group will continue in implementing the above mentioned initiatives. We will focus on promoting performance evaluation system reform and innovation in order to enhance the initiative, sense of responsibility, and performance of our workforce. In addition, the Group will further initiate innovative marketing campaigns, accelerate new product innovation to cater for consumers' demands, and further explore sales opportunities in emerging distribution channels such as e-commerce. With these initiatives, we will strive to improve our results for the full year 2015.

## BEVERAGE BUSINESS

### Business Overview

- The beverage business of the Company is primarily carried out by COFCO Coca-Cola Beverages Limited ("CCBL"), an entity jointly established by the Company and The Coca-Cola Company, in which the Company holds a 65% interest.

- Coca-Cola bottling companies in which CCBL owns equity are granted franchises to manufacture, market and distribute Coca-Cola products in 15 provinces, municipalities and regions including Tianjin, Hebei, Beijing, Shandong, Hunan, Jiangxi, Guizhou, Hainan, Gansu, Ningxia, Qinghai, Tibet, Inner Mongolia, Xinjiang and Guangdong (Zhanjiang and Maoming). CCBL has minority equity stakes in Coca-Cola bottling companies located in Guangdong, Zhejiang and Jiangsu.

### Development Strategy

The strategic goal of CCBL is to build a world-class bottling group with the most admired professional team, to build the most valuable sales and distribution network, and to become the most efficient beverage industry player in every region in which we operate. To this end, CCBL has been implementing the following strategies:

- Insistence on a commitment to food safety and quality;

- Continuing to improve our product offerings to the trade by ensuring that our core products have enduring appeal to consumers, and by introducing new higher margin products. At the same time, we will seek to develop strategic relationships with, and offer better margins to, our distributors, and speed up the inventory turnover at point-of-sale;

- Strengthen our relationship with participants in our outlet delivery partners program, and provide support for the growth of customers through product category management and the application of route-to-market strategies in the sales and distribution network;

- Focus on further improving retail execution as this is our contact point with consumers;

- Constantly and effectively control costs and improve efficiency; and

- Encourage creative concepts and innovative ideas in business processes, marketing and management systems.

**Industry Overview**

The beverage industry is one of the main growth drivers in China's overall consumer staples sector. During China's "Twelfth Five-Year Plan" from 2011 to 2015 the average volume growth rate has been in excess of 10%.

According to industry data in the first quarter of 2015, the principal beverage categories and their relative share of the overall soft drinks market (excluding white milk and bulk water) in China are Packaged Water (28.7% share), Milk Beverages (excluding white milk) (15.8% share), Sparkling (14.9% share), Juice (12% share), and Ready-to-drink Tea (9.8% share). Among these main product categories, CCBL is a major player in the Sparkling, Juice and Packaged Water categories.

In terms of volume growth, the overall soft drinks market (excluding white milk and bulk water) grew 6.1%, while the growth rates of the Sparkling, Juice and Packaged Water categories were 6.9%,-2.5% and 8.1%, respectively.

**2015 Interim Results**

In the first half of 2015, CCBL achieved an overall volume growth of 8% compared with the same period last year, with continuing growth in core product categories, especially the Sparkling category. The principal drivers of this growth were increased consumer preference for our products, enhanced sales execution, and introduction of new products in the rapidly growing Ready-to-drink Coffee and Sports Drink categories under the brands Georgia Coffee and Aquarius respectively. In addition, we launched Schweppes+C, a Sparkling beverage. However, the decline in our Juice business in the period, and the corresponding reduction in its share of our sale, had an adverse impact on overall selling price per unit. During the period, overall revenue increased by 2.9% as a result. A cost reduction strategy was initiated to improve the profitability of our Packaged Water business.

Benefiting from falling raw material prices, the gross profit margin increased by 2 percentage points. Meanwhile, the ratio of selling and distribution expense to revenue rose by 1.3 percentage points, which was mainly attributable to the increase in storage and delivery costs for wider channel penetration, as well as increases in marketing expenses to achieve more effective communication with consumers in view of intensifying market competition.

For the reasons stated above, our segment profit increased from HK$391.25 million to HK$445.60 million.

**Outlook**

In the second half of 2015, it is expected that the beverage market will continue to be highly competitive. Consumer marketing expenses will continue to grow while greater channel penetration will lead to growth in storage and delivery costs. To cope with this, CCBL will improve its package mix in order to raise the average per unit selling price, lower per unit production costs with enhanced production efficiency, accelerate inventory turnover, and enhance the efficiency of marketing expenditures. We are confident of being able to maintain the operating profit margin of this segment for the full year 2015.

**WINE BUSINESS**

**Business Overview**

- The Group's wine business has as its foundation the famous Greatwall brand, which has a fine tradition and has long been a leader in the middle-to high-end wine market. Various types of wines are produced from a number of high quality grapes, which include Cabernet Sauvignon, Merlot, Pinot Noir, Cabernet Franc and Shiraz for red wines; and Chardonnay, Riesling and Sauvignon Blanc for white wines. We also produce brandies and sparkling wines.

- The Group offers single varietal wines, as well as blended wines using different grape varieties. The majority of the grapes that we use come from vineyards that are either managed by us, or from sources with whom we have cooperative agreements. Production, storage and aging are carried out at our four wineries and plants in China, namely Huaxia Wine Manor at Changli in Hebei, Chateau Sungod at Huailai in Hebei, Chateau Junding at Yantai in Shandong, and Chateau YunMo in Ningxia. There are also two overseas wineries: Sas du Château de Viaud in Bordeaux, France and Viña Santa Andrea Ltda located in the Central Valley, Chile.

- The Group also imports wines in collaboration with a number of well-known international wine companies for distribution in China.

**Development Strategy**

The Group will raise the competitiveness of its products in a systematic way as described below:

- Brand – to promote consumer understanding of the role moderate wine consumption can play as part of a healthy lifestyle, highlighting the fact that Greatwall is the wine for state banquets, and enhance the communication regarding the Greatwall brand.

- Promotion – to integrate online and offline marketing resources, and promote experiential marketing activities such as winery tours, wine tasting events at community and office buildings in order to enhance brand recognition by communicating directly with consumers.

- Products – to emphasize the special features of the different wine-growing regions and the variety of our wine products; and establish project teams to focus on the development of key products.

- Distribution – to establish closer relationships and cooperation with distributors under jointly developed distribution plans.

- Channels – to promote comprehensive channel development and actively explore new channels.

- Regions – to increase distribution and coverage in regions in which we currently have a limited presence, actively penetrate into county-level markets and improve retail execution at point-of-sales in order to drive up our sales.

**Industry Overview**

As a result of the ongoing government controls over spending, continued restrictions on consumption at official functions, high-end business spending and banqueting expenditures remained weak, particularly in relation to the high-end wine category. Consumers tended to favour better value-for-money products. As a result, middle-end, and middle-to low-end products became relatively more popular. Another industry trend was the rapid development of wine consumption in third-tier and fourth-tier cities and in county and township markets. The industry's growth was mainly the result of the rapid growth in sales of middle-end, and middle-to low-end wine products.

Currently, domestically-produced wine is the mainstream of the wine industry. However, imported wines are growing strongly and taking a higher share of the overall market. In response to this development, domestic wine producers need to upgrade the quality and branding of their wine products. The industry is entering into a new developing phase with constructive competition.

**2015 Interim Results**

In the first half of 2015, as a result of the execution of our development strategies, offtake at retail and on premise of Greatwall wine grew, and the confidence of distributors to replenish stocks was thus restored. Our revenue and volume grew 19.6% and 26.2%, respectively.

The programme in 2014 to reduce inventory in the distribution pipeline gave rise to sales volume growth in the period. As a consequence, there was also an increase in production volumes which led to a reduction in per unit fixed production costs. Also, benefiting from falling bulk wine costs, the gross profit margin improved by 3.9 percentage points as a result.

Due to distributors' cooperation, and better planning and supervision of promotional events, we successfully reduced promotional expenses. Meanwhile, we have continued to optimize supply chain management by increasing the use of direct delivery. We have also tightened the control of general and administrative expenses. For the reasons stated above, we were successful in achieving a turnaround from a segment loss of HK$55.89 million to a segment profit of HK$108.23 million.

**Outlook**

In the second half of 2015, with the implementation of development strategies and with improvements in our internal management, we are optimistic that our wine business will continue to grow while the segment results will continue to improve.

## KITCHEN FOOD BUSINESS

**Business Overview**

The Kitchen Food business covers the sale, distribution and marketing of edible oil which is the key product category, as well as the sale, distribution and marketing of sugar, soy sauce, vinegar, MSG, seasoning sauce and cereals. The "Fortune" brand is a leading consumer-pack edible oil brand in China and is ranked number two nationwide in terms of market share.

**Development Strategy**

The Group's strategic objective in the Kitchen Food business is to maintain its position as a strong player in the market. To this end, we will pursue the following strategies:

- Focus on top-tier, high-margin oil types, promote the "Fortune" brand name, focus on "Golden Family Series" sunflower seed oil and corn oil products, monitor in-outlet availability and merchandising, enhance channel penetration, strengthen our relationship with distributors, improve market share, and increase overall gross profit margin and business performance by benchmarking with key competitors, and by constantly improving operational efficiency; and

- Increase the efficiency of the supply chain and reduce operating costs, control marketing and promotion costs, and enhance promotional efficiency, and the efficiency of the workforce while reducing administrative expenses.

**Industry Overview**

While the commodity price of bulk oil, our key raw material, fluctuated at a relatively low price level, the growth rate of the edible oil industry trended down during the first half of 2015. With regard to sales volume, blended oil continued to decline; soybean oil and corn oil experienced modest growth while sunflower seed oil and rapeseed oil grew relatively fast. According to consumer research, the future trend in edible oil consumption will continue towards more nutritious oil products such as corn oil and sunflower seed oil.

**2015 Interim Results**

In the first half of 2015, the overall sales volume of consumer-pack edible oil increased by 13.8% mainly due to enhanced channel penetration. In particular, the sales volume of Fortune-brand peanut and sunflower seed oil increased by 85.7% and 54.5% respectively. However, their share of the sales mix remained relatively small. Due to declining prices in the domestic edible oil market, revenue of consumer-pack edible oil increased slightly by 1.3%. We continued to control our inventory level, accelerate inventory turnover, and improve our sales mix. As a result, the gross profit margin of consumer-pack edible oil increased by 1.1 percentage points.

For strategic development, since the second quarter of 2015, we have further expanded our sales and distribution of large-pack edible oil (8-20 litre per container) to meet the growing demand of the catering industry in China. Given the large scale of the business, sales revenue of large-pack edible oil increased sharply, and accounted for approximately 17% of the segment's revenue.

As a result, overall sales revenue of this segment increased by 16.55%, while overall gross profit margin fell by approximately 0.7 percentage point due to low gross profit margin of large-pack edible oil in its early stage of development. As a result of the segment's revenue growth, improvement in efficiency of supply chain management and savings in overall operating costs, we were successful in achieving a turnaround from a segment loss of HK$61.21 million to a segment profit of HK$41.70 million despite increases in marketing expenses during the Spring Festival, under highly competitive market conditions.

**Outlook**

In the second half of 2015, it is expected that supply and demand in the international and domestic edible oil markets will be stable. The commodity price of bulk oil will fluctuate at a relatively low price level. As a result, the selling prices of our edible oil products will remain relatively stable. Competition in the consumer-pack edible oil market is expected to remain keen.

To cope with these factors, we will continue to enhance the sales mix of consumer-pack edible oil products, promote the growth of high-end, high-margin oil products, and focus on the development of differentiated products by benchmarking with key competitors in order to improve the gross profit margin, while ensuring reasonable margins are offered to distributors. Meanwhile, we will continue to enhance the efficiency of brand building activities. For channel development, we will enhance our channel penetration into counties and villages. Together with our strengthened expense controls and enhanced expense efficiency, we will strive to achieve sustainable improvements in the results of this segment for the full year 2015.

## CONFECTIONERY BUSINESS

### Business Overview

The confectionery business covers the development, production, distribution and marketing of a range of snack foods including chocolates, candies and nuts. The Company operates two major brands, namely Le conté and Merveille.

### Development Strategy

The strategic objective of the confectionery business is to become one of the key players in the confectionery industry in China and provide consumers with high quality and delicious confectionery and snack products. To this end, we will pursue the following strategies:

- Commit to obtain more in-depth understanding of consumers, offer innovative products and, through effective brand communication, convey to consumers our objectives of creating high quality and delicious products and good experience for them;

- Expand into other confectionery product types gradually, lower fixed cost per unit, grow revenue and enhance profitability; and

- Continue to enhance the productivity and efficiency of the supply chain, sales management and distribution systems to reduce operating and marketing costs effectively and improve competitiveness.

### Industry Overview

In the first half of 2015, due to the impact from the overlapping of Valentine's Day and the Spring Festival, the chocolate industry (including chocolate by-products) declined by 10% as compared with the same period last year. It is expected that the industry growth rate in 2015 will slow down but will continue to run at about 10% per annum. Competition continued to be very intense, with major brands increasing their marketing expenditures and spending on media. Meanwhile, imported chocolates continued to make inroads into the Mainland China market. The candy category continued to grow as category players refined the flavor and packaging of their product offerings, and upgraded their marketing.

Chocolates and candies continued to penetrate into the third-and fourth-tier cities, counties and towns, and this continued to pose new requirements and challenges to sales and distribution, warehousing and logistics systems.

**2015 Interim Results**

In the first half of 2015, under the effect of the overlapping of Valentine's Day and the Spring Festival, our confectionery business recorded a decline of 9.06% in sales revenue. The gross profit margin increased by approximately 6.1 percentage points, mainly due to the optimization of sales mix, and strict control of sales discounts for low-margin products. Thanks to savings in operating expenses, the segment loss decreased from HK$74.00 million to HK$53.13 million.

**Outlook**

In order to achieve the target of steadily increasing sales revenue and improving profitability in the confectionery business, we will continue to develop new differentiated product series compared to competitors, expand overseas cooperation with partners in research, development and production, actively implement product category management, develop star products and optimize product mix. We will also carry out brand marketing in an innovative way, improve performance at retail point-of-sale, and continue to focus on core regions, achieve channel penetration into third-tier, fourth-tier and fifth-tier markets, and continue to develop traditional channels such as snack shops and emerging channels such as e-commerce.

## FINANCIAL REVIEW

Supplemental information to segment results of the Group for the six month ended 30 June 2015 (the "interim period") with comparative figures, are set out below:

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2015** | 2014 |
| | **%** | % |
| Growth of revenue by Segment: | | |
| – Beverage | **2.9** | 15.0 |
| – Wine | **19.6** | -4.2 |
| – Kitchen Food | **16.6** | -16.1 |
| – Confectionery | **-9.1** | -13.7 |
| – Others | **17.1** | 46.5 |
| Segment results to revenue ratio: | | |
| – Beverage | **6.3** | 5.7 |
| – Wine | **8.4** | -5.2 |
| – Kitchen Food | **0.7** | -1.1 |
| – Confectionery | **-26.9** | -34.0 |
| – Others | **1.7** | 4.9 |

## REVENUE

The Group's total revenue for the interim period amounted to HK$15,081 million, increased by 9.54% from HK$13,767 million in the same period last year. Except for the Confectionery segment, each of the Beverage, Wine, Kitchen Food and Others segment recorded increases in revenue.

With respect to the Beverage segment, it achieved an overall volume growth of 8% while the decline in sales of Juice category had an adverse impact on overall selling price per unit. As a result, its overall revenue increased by 2.9%.

With respect to the Wine segment, revenue and volume grew 19.6% and 26.2%, respectively. Due to the execution of our development strategies, offtake at retail and on premise of Greatwall wine grew, and the confidence of distributors to replenish stocks was thus restored.

With respect to the Kitchen Food segment, since the second quarter of 2015, it has further expanded sales and distribution of large-pack edible oil (8-20 litre per container) to meet the growing demand of the catering industry in China. Given the large scale of the business, sales revenue of large-pack edible oil increased sharply, and accounted for approximately 17% of the segment's revenue. As a result, overall sales revenue increased by 16.6%.

With respect to the Others segment, it achieved 17.1% revenue growth given it's low-base comparative number in the early stage of development of this business.

With respect to the Confectionery segment, under the effect of the overlapping of Valentine's Day and the Spring Festival, it recorded a decline of 9.1% in sales revenue.

## GROSS PROFIT MARGIN

The overall gross profit margin increased from 23.2% in the corresponding period last year to 23.7% during the interim period, mainly attributable to the Beverage segment, Wine segment and Confectionery segment, which offset the drop in gross profit margin of Kitchen Food segment.

With respect to the Beverage segment, the improvement in gross profit margin of 2 percentage points was mainly attributable to the lower raw material prices.

With respect to the Wine segment, the improvement in gross profit margin of 3.9 percentage points was mainly attributable to lower bulk wine costs and an increase in production volumes which led to a reduction in per unit allocated fixed production costs.

With respect to the Confectionery segment, the improvement in gross profit margin of 6.1 percentage points was mainly attributable to the optimization of sales mix, and strict control of sales discounts for low-margin products.

With respect to the Kitchen Food segment, the decline in gross profit margin of 0.7 percentage points was mainly attributable to the low gross profit margin of large-pack edible oil in its early stage of development.

## SELLING AND DISTRIBUTION EXPENSES/ADMINISTRATIVE EXPENSES

Beverage segment reported a 9% increase in aggregate amount of selling and distribution expenses and administrative expenses, mainly attributable to the increase in storage and delivery costs for wider channel penetration, as well as increases in marketing expenses to achieve more effective communication with consumers in view of intensifying market competition.

The Non-Beverage segments, as a whole, reported a 5.8% decrease in aggregate amount of selling and distribution expenses and administrative expenses, mainly attributable to the effective expense controls and cost cut.

## FINANCE COSTS

During the interim period, finance costs were HK$32 million, decreased by 9%, mainly due to lower outstanding loan balance on average, compared to the same period last year.

## SHARE OF PROFITS OF ASSOCIATES

Share of profits of associates were HK$53 million, decreased by 23.5%, mainly attributable to a decrease in profitability of associates of Beverage segment.

## INCOME TAX EXPENSES

Income tax expense was HK$188 million, increase by 46%, mainly due to the improvements in profitability of Beverage segment and certain subsidiaries of Wine segment, while Kitchen Food business still utilised certain tax loss brought forward from previous years.

## 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 30 June 2015, the Group's unpledged cash and cash equivalents totalled approximately HK$2,464 million (31 December 2014: approximately HK$1,356 million), and the Group's net current assets were approximately HK$1,144 million (31 December 2014: approximately HK$2,111 million).

During the interim period, EBITDA increased by HK$297.4 million, mainly due to improvement in the overall profitability of the Group.

Having considered the expected cash flow from operating activities according to budget, existing financial resources, gearing and banking facilities available to the Group and loan repayment schedules, the management believes that the Group's financial resources are sufficient to fund its debt payments, day-to-day operations and committed capital expenditures.

Majority of monetary assets, monetary liabilities and transactions of the Group were principally denominated in Renminbi, while majority of bank borrowings were denominated in Hong Kong dollars or United States dollars. The overall risk exposure of the Group in relation to exchange rate risk and interest rate risk was limited during the interim period. Upon the maturity of existing bank borrowings denominated in Hong Kong dollars or United States dollars, the Group will gradually repay these borrowings and/or refinance them by Renminbi financing.

## CAPITAL STRUCTURE

As at 30 June 2015 and for the interim period, the total number of issued shares of the Company remained unchanged at 2,797,223,396.

As at 30 June 2015, the Group had certain interest-bearing bank borrowings of approximately HK$3,424.6 million (31 December 2014: approximately HK$3,424.6 million) and other borrowing of approximately HK$39.9 million (31 December 2014: approximately HK$36.4 million).

Bank borrowings carried annual interest rates ranging between 0.73% and 6.30% (31 December 2014: between 0.68% and 6.72%). Other borrowing carried an annual interest rate of 5.60% (31 December 2014: 5.60%).

As at 30 June 2015, net assets attributable to owners of the parent were approximately HK$6,007 million (31 December 2014: approximately HK$5,888 million) and net borrowing position of the Group (interest-bearing bank and other borrowings less unpledged cash and cash equivalents) was approximately HK$1,001 million (31 December 2014: approximately HK$2,105 million) and the net gearing ratio (ratio of net borrowing position of the Group to net assets attributable to owners of the parent) was approximately 16.7% (31 December 2014: approximately 35.7%).

## CONTINGENT LIABILITIES AND ASSETS PLEDGED

As at 30 June 2015, the Group has no significant contingent liabilities at the end of the reporting period.

As at 30 June 2015, certain bank borrowings of the Group were secured by charges over certain buildings, land use rights and time deposits of the Group with aggregate net book value of approximately HK$373 million (31 December 2014: approximately HK$316 million).

## HUMAN RESOURCES

As at 30 June 2015, the Group employed 17,090 staff in Mainland China and Hong Kong (31 December 2014: 17,285). 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 are set out in the 2014 Annual Report.

The Company's share option scheme was adopted on 21 November 2006 for a term of ten years for the purpose of rewarding eligible employees of the Group (including executive directors and non-executive directors of the Company) based on individual merits.

As at 1 January 2015, a total of 25,700,000 share options of the Company remained outstanding. During the interim period, a total of 620,000 share options lapsed. Accordingly, as at 30 June 2015, a total of 25,080,000 share options of the Company remained outstanding.

## INTERIM DIVIDEND

The Board did not declare the payment of an interim dividend for the interim period (30 June 2014: Nil).

## CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the interim period.

## 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 code of conduct regarding directors' securities transactions. Following specific enquiries by the Company, all directors of the Company confirmed that they have complied with the required standards set out in the Model Code throughout the interim period.

## 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 interim period.

## REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated interim financial information of the Group for the interim period has been reviewed by the Audit Committee of the Board.

## PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the HKExnews website of Hong Kong Exchanges and Clearing Limited *(www.hkexnews.hk)* and the website of the Company *(www.chinafoodsltd.com)*. The 2015 interim report of the Company 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**
**Jiang Guojin**
*Managing Director*

Hong Kong, 25 August 2015

*As at the date of this announcement, the Board comprises: Mr. Yu Xubo as the chairman of the Board and a non-executive director; Mr. Jiang Guojin, Ms. Wu Wenting and Mr. Lu Xiaohui as executive directors; Mr. Ning Gaoning, Ms. Liu Ding, Mr. Ma Jianping and Mr. Wang Zhiying as non-executive directors; and Messrs. Stephen Edward Clark, Paul Kenneth Etchells, Li Hung Kwan, Alfred and Yuen Tin Fan, Francis as independent non-executive directors.*