



China Foods Limited (00506.HK) 2013 Interim Results Announcement

27 August 2013



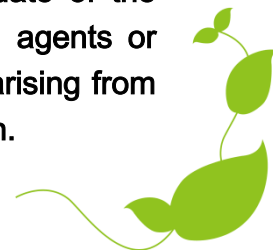
中粮
COFCO
自然之源 重要你我



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Corporate Background - China Foods



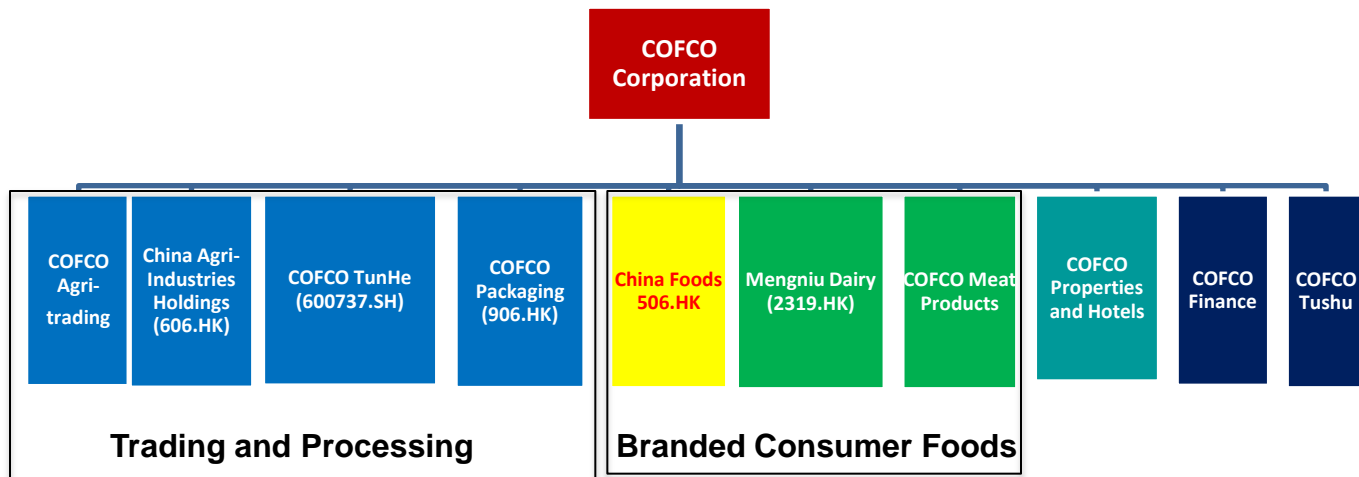
- China Foods Limited (hereinafter the “Company” or “CFL”) is a branded consumer foods company listed on the main board of the Stock Exchange of Hong Kong (Stock Code: HK 00506). With a total number of 2,797.2M issued shares, the Company’s market capitalization approximated to HK\$8.2 billion (based on stock price of HK\$2.94 as at 28 June 2013).
- The primary businesses of CFL and its subsidiary (“CF Group”) include wine, beverage, kitchen food and confectionery, with sales regions covering the entire nation (except that beverage business operates within franchise region). The Company has self-owned production plants and strategic OEM production plants in 21 provinces, cities and autonomous regions in China, as well as self-owned wineries in Chile and France. Number of employees was approximately 18,000 at 30 June 2013.
- The products of CF Group are sold under a number of well-known, leading brands in China such as “Greatwall” wine, “孔乙己” and “黄中皇” Shaoxing rice wine, “Fortune” consumer-pack edible oil and seasoning, “Le conté” chocolate, “Merveille” candy and peanut. As a strategic partner of The Coca-Cola Company in China, CF Group also bottles and distributes Coca-Cola sparkling beverage and distributes Coca-Cola still beverage within franchise region in China. Today, China Foods is one of the top 10 global bottlers of the Coca-Cola Company.
- During the interim period 2013, China Foods is ranked No. 187, up from No. 191 in prior year, on the list of Top 500 Chinese Enterprises.



Corporate Background – COFCO



- COFCO, as the majority shareholder, holds 74.1% stake in China Foods Limited (as at 30 June 2013).
- COFCO, founded in 1949, is a leading conglomerate engaged in agricultural products and related products and services in foods industry.
- With outstanding business performance, COFCO has continuously been on the list of Fortune Global 500 and is the leader among F&B enterprises in China.



China Foods' Strategic Positioning



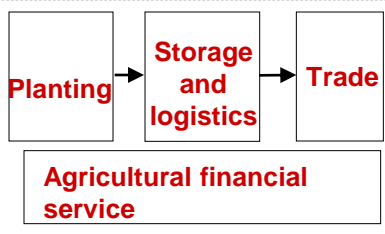
- COFCO's complete value chain strategy is centered on consumer demand. It encompasses controls to be exercised over the entire value chain from origination to consumption (e.g. covers key processes from agricultural raw materials to the final consumer products). Overall core competitiveness is established via systematic management of the entire value chain, effective controls over critical processes, as well as effective coordination among different value chains. This strategy enables us to provide safe, nutritious and healthy foods to the consumers and to realize sustainable future development in a well coordinated manner.
- Leveraging on COFCO group's fully integrated value chain strategic business model, the Company clearly positions itself as a large scale downstream branded consumer foods player with a key responsibility to create demand pull for the entire upstream value chain. Our aim is to become a leading branded consumer foods conglomerate in China of international standard.

Origination

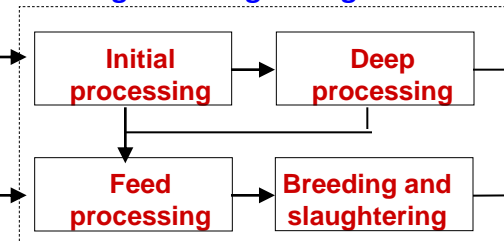


Consumption

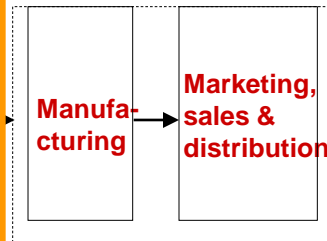
Agricultural service and foodstuff circulation



Agricultural product processing; Breeding and slaughtering



Branded consumer foods



- Safe, reliable and healthy foods to consumers
- Create demand pull for entire upstream value chain

Origination



Consumption

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1H2013 Key Operational Review

Beverage

- YTD June market share of sparkling (50.6%) and juice (20.4%) maintained their leading position, with improvement in the brand health index
- New products include Minute Maid Pulpy Pear and Pulpy Mango



Wine

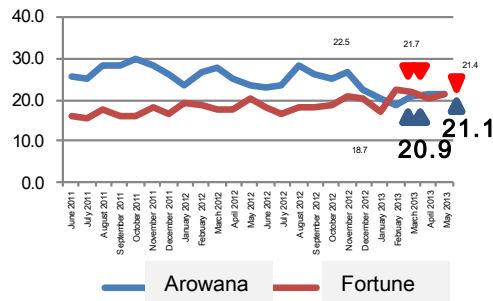
- Successfully launched the new Greatwall Classic Series (retails RMB 50-100) to target the mass consumption market, and continued to improve our product structure
- Sponsored the Boao Forum to further strengthen brand publicity



Kitchen Food

- Fortune sunflower seed oil market share by sales volume exceeded Arowana for three months

Sunflower seed oil market share by sales volume



Confectionery

- Continue to improve product competitiveness
- New products launched included Enchante blueberry filled chocolate and preserved plum flavor jelly candies

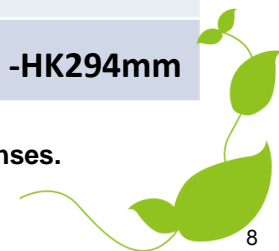


1H2013 Financial Results Highlights



	2013 1H	2012 1H	Change
Revenue	HK\$13,921mm	HK\$15,579mm	-10.6%
EBITDA	HK\$294mm	HK\$1,008mm	-70.8%
Operating Profit (Loss) ^Δ	-HK\$9mm	HK\$694mm	-101.3%
Profit before Tax & MI	HK\$39mm	HK\$756mm	-94.9%
Net Profits (Loss)	-HK\$304mm	HK\$474mm	-164.1%
Earnings per Share (Loss)	-HK10.88Cents	HK16.97Cents	-HK27.85Cents
ROE (6-mth)	-4.5%	6.9%	-165.2%
Operating Cash flow	-HK\$456mm	-HK\$1,017mm	+HK\$561mm
CAPEX	HK\$356mm	HK\$650mm	-HK294mm

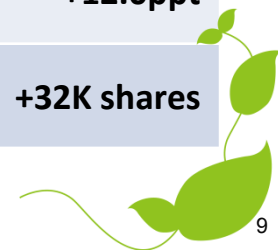
^Δ Operating profit is aggregation of segment results minus corporate and other unallocated expenses.



Assets, Liabilities and Equities

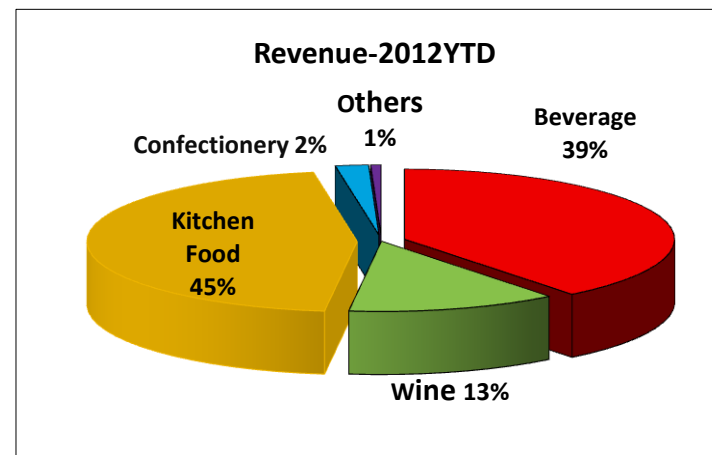
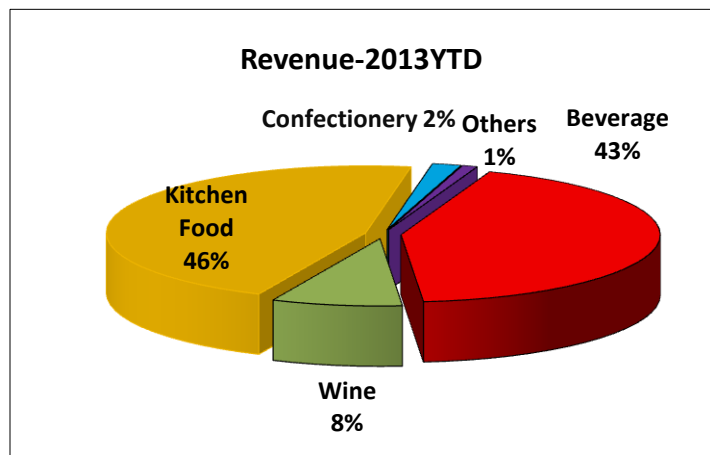


	30 June 2013	31 December 2012	Change
Total Assets	HK\$18,353mm	HK\$20,212mm	-9.2%
Total Liabilities	HK\$9,689mm	HK\$11,514mm	-15.9%
Minority Interests	HK\$2,036mm	HK\$1,893mm	+7.6%
Equity	HK\$6,627mm	HK6,805mm	-2.6%
Total Liabilities/Total Assets	52.8%	57.0%	-4.2ppt
Net Interest-Bearing Debts / Equity	29.6%	17.6%	+12.0ppt
No. of Shares Issued	2,797.2mm shares	2,797.2mm shares	+32K shares



Sales Revenue By Segment

(In HK\$ mm)	2013 1H	2012 1H	Growth Rate
Beverage	5,995	6,134	-2.3%
Wine	1,131	1,956	-42.2%
Kitchen Food	6,411	7,085	-9.5%
Confectionery	252	308	-18.3%



Segment Result & Segment Result Margin



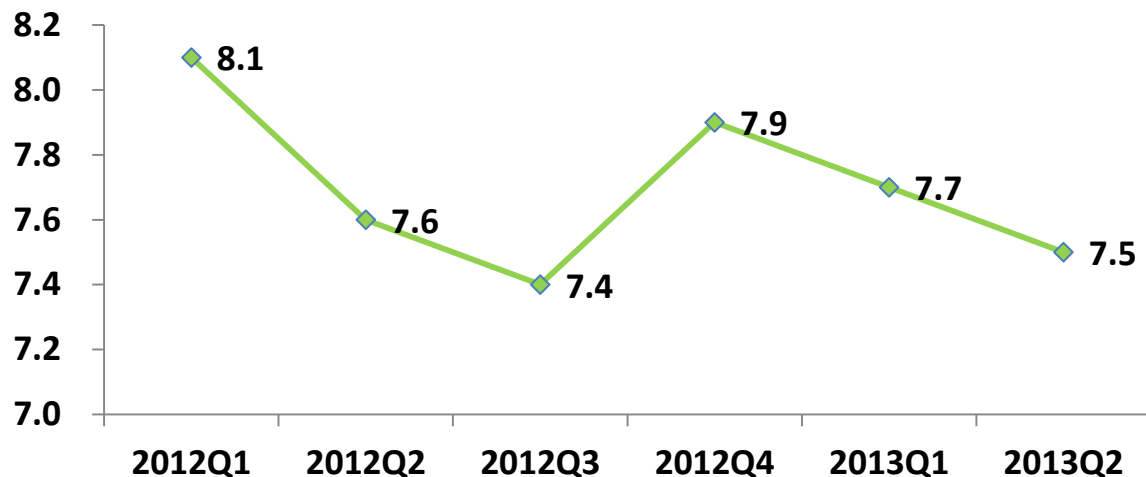
(In HK\$ mm)	Segment Result			Segment Result Margin		
	2013 1H	2012 1H	Change	2013 1H	2012 1H	Change / ppt +/-
Beverage	326.0	311.0	+4.8%	5.4%	5.1%	+0.3ppt
Wine	-86.0	450.0	-119.2%	-7.6%	23.0%	-30.6ppt
Kitchen Food	-126.0	46.0	-372.0%	-2.0%	0.7%	-2.7ppt
Confectionery	-70.5	-13.0	Losses +446.5%	-28.0%	-4.2%	-23.8ppt



Key Factors Affecting 1H2013 Results



Overall : Slowdown of Overall Macroeconomic Growth



■ China's gross domestic product growth slipping from 7.9% in the fourth quarter of 2012 to 7.7% in the first quarter of 2013, and further declining to 7.5% in the second quarter of 2013.



Key Factors Affecting 1H2013 Results

Negative Impacts on the Wine Industry



- Stringent government's controls on official spending
- Alcoholic consumption restrictions at official government functions
- Intense competition from imported wines

Improvement Plan

- Reduce channel inventory: Work with customers to formulate tailor-made inventory clearance plans to reduce channel stock during the peak seasons.
- Established dedicated team to improve upon Greatwall's Traditional Products, and sales and marketing strategy.
- Shift focus from high-end to mass consumption via the launching and promotion of the affordably priced Greatwall Classic Series.



Key Factors Affecting 1H2013 Results



Impact of Bulk Oil's Price Volatility on Cost



- Early in the period a declining trend in the market price of edible oil led distributors to defer replenishing stocks in the expectation of further price reductions, thus adversely affecting our sales volume, and leaving us with high inventories. The fact that the cost of some of these inventories was high relative to selling prices put pressure on gross profit margins and negated the beneficial effect of an improvement in product mix.

Improvement Plan

- Changed purchase transaction point from “the time upstream factories starts production” to “the time of physical delivery of inventory” to reduce inventory holding risk .
- Managing Director involved in price settlement and procurement decisions, as well as selling price and promotional strategies of the kitchen food business.
- Upstream production footprint (consumer-pack oil bottling capacity) to consider downstream market needs. Benchmark and reduce packaging and bottling costs. Improve order fulfillment rate. Reduce transportation cost. Improve gross profit margin.



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Key Tasks of Each Product Category in 2H 2013



•Beverage

- Improve product competitiveness: Drive the growth of family pack and new juice flavors
- Strengthen brand communication: Coke Nickname promotion
- Improve the gross profit margin: Continue to improve pack mix, lock-in costs of key raw materials at a lower price, and focus on improving the sales of new products

•Wine

- Focus on mass consumption market. Roll out comprehensive marketing program for the new Greatwall Classic series in the second half of 2013 with an aim to promote brand recognition and improve channel distribution, and sales
- Consolidate Greatwall's Traditional Product Lines (Shacheng Star Series, Huaxia Vintage, Yantai, Coast Series), and distributor layout with a view to reduce channel stock

•Kitchen Food

- Strengthen product competitiveness: Launch the "Jiu Tiao" balanced blended oil
- Strengthen brand promotion: Leverage on theme marketing programs and campaigns for festival sales. Boost sales during peak seasons such as Mid-Autumn Festival and National Day, and pre-stocking for New Year's Day and the Spring Festival
- Strengthen supply chain management: Leverage upstream capacity to prepare inventories for peak seasons. Strict qualification requirements for OEM factories

•Confectionery

- Enhance product competitiveness: Launch small packaged jelly candies
- Increase brand promotion, reposition our brand
- Channel promotion via setting up "image stores"





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