

China Foods Limited (00506.HK)



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2009 Annual Results Announcement

29 March 2010

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2009 Financial Performance

Business Structure



Financial Results Highlights



	2009	2008	+/-
Turnover	HK\$16,823mm	HK\$14,240mm	+18%
EBITDA	HK\$1,239mm	HK\$875mm	+42%
Aggregated Segment Result	HK\$894mm	HK\$604mm	+48%
Profit after Tax & MI	HK\$568mm	HK\$483mm	+18%
Earnings per Share	HK20.35cents	HK17.32cents	+18%
ROE	10.7%	10%	+0.7ppt
Effective Tax Rate*	25.8%	21.6%	+4.22ppt

*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.

NOTE:

(HK\$'mm)	2009	2008	+/-
Dividend Income	32	42	-24%
Finance Costs	53.9	31.4	+72%
Share of profits of associates	60	125	-52%

Assets, Liabilities and Equities



	31 December 2009	31 December 2008
Total Assets	HK\$12,496mm	HK\$10,448mm
Total Liabilities	HK\$5,611mm	HK\$4,123mm
Minority Interests	HK\$1,402mm	HK\$1,233mm
Net Assets	HK\$5,483mm	HK\$5,092mm
Cash	HK\$1,943mm	HK\$1,547mm
Total Liabilities/Total Assets	44.9%	39.5%
Interest Bearing Debt/Net Assets	17.1%	4.9%
No. of Shares Issued	2,792mm shares	2,791mm shares

Turnover Breakdown



(HK\$ mm)	2009	2008	+/-%
Wines	3,197	2,790	+14.6%
Beverages	7,098	4,574	+55.2%
Kitchen Foods	6,008	6,512	-7.7%
Confectionery	520	365	+42.5%
Total	16,823	14,241	+18.1%

Segment Results



(HK\$ mm)	2009	2008	+/-
Wines	586	569	+0.3%
Beverages	387	228	+69.7%
Kitchen Foods	18	5	+260%
Confectionery	(60)	(121)	-50.4%
Corporate	(37)	(77)	-51.9%
Total	894	604	+48%

Segment Results = Gross profit – Selling Expenses – Administration Expenses +/- Other Operating Income. (Exclude dividend and interest income)

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2009 Business Review and Analysis

Wines Business



HK\$ mm	2009	2008	+/-
Revenue	3,197	2,790	14.6%
Tax Refunds in Other Revenue	---	27	-100%
Gross Profit Margin	58.0%	57.3%	0.7ppt
Segment Result / Revenue Ratio	18.3%	20.4%	-2.1ppt
Selling and Distribution Costs / Revenue Ratio	35.3%	33.9%	1.4ppt

- Due to the economic recovery, sales growth rate accelerated in the second half of 2009. Overall sales volume of wines for the year rose by 13.2% over of the previous year to 118,535 tonnes.

Wines Business (Cont')



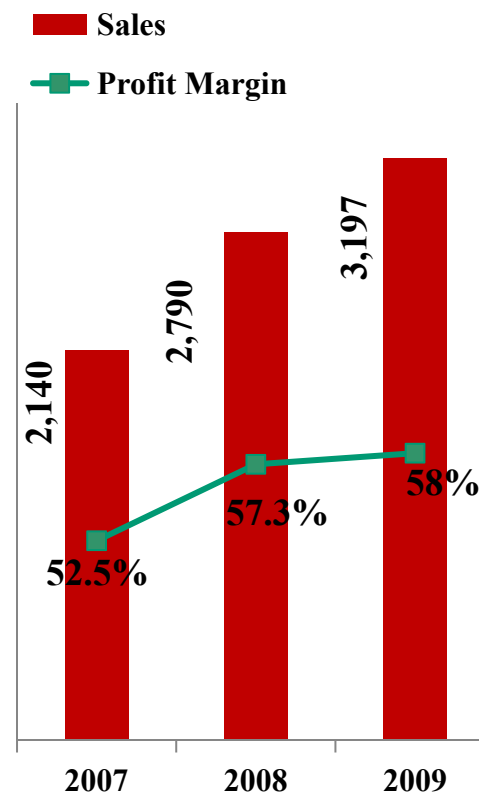
● Brand strategy

- We focused on the marketing of middle to high end products, such as “Greatwall” Chateau Sungod and “Greatwall” Small Cru Vineyard, aiming at enhancing “Greatwall” brand and driving the sales of the entire series of “Greatwall” products.
- Sales turnover of “Greatwall” Chateau Sungod and Chateau Junding, reached HK\$83 million, which was approximately 2.5 times that of the last year.

● Excellent quality & premium brand image are widely-recognized

- “Greatwall” wine becomes “the only officially designated wine for the Expo 2010 Shanghai China”.
- “Greatwall” Chateau Sungod was proudly served in the state banquet.

Continuous Stable Upward Trend in Turnover and Gross Profit Margin



Wines Business (Cont')



● Enriched product portfolio

- Customers in coastal cities had an increasing interest in dry white wine. Newly developed two high-end dry white wines, that is Chardonnay and Riesling are well received by the market.
- The sales turnover of “Greatwall” dry white wine in 2009 reached HK\$261 million, representing an increase of 43.8% over the last year.

● Vineyards expansion

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

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

Wines Business (Cont')



● **Engaging in imported wines agency business**

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

Wines Business (Cont')



● 2010 Prospect

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

Beverages Business



HK\$ mm	2009	2008	+/-
Revenue	7,098	4,574	55.2%
Segment Result / Revenue Ratio	5.5%	5.0%	0.5ppt

- During the year, the sales turnover of the business was HK\$7,098 million, representing an increase of 55.2% over the last year.
- This strong growth was attributable to the consolidation of the bottling plant in Beijing into the Group's beverage business and our continuous efforts in business development. (Organic growth is 19%)

Beverages Business (Cont')



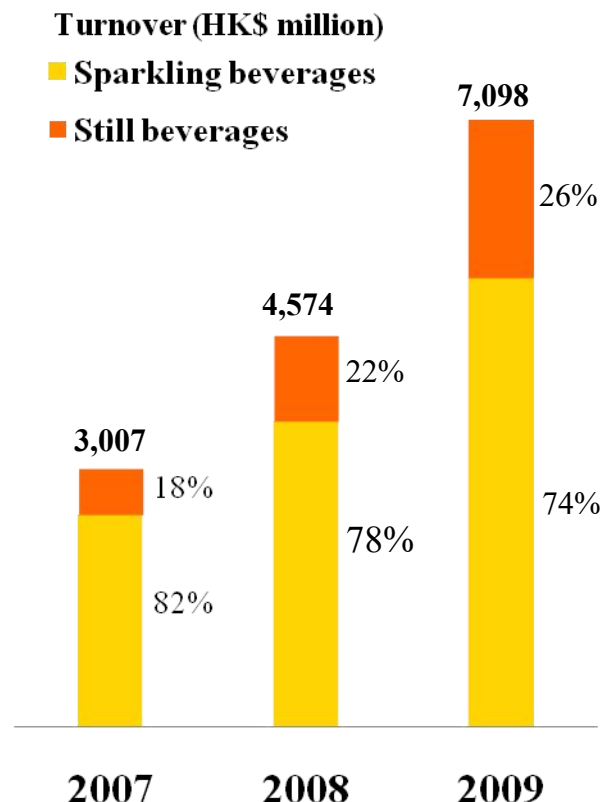
● Strong growth in sparkling beverages

- On the basis that the bottling plant in Beijing had been accounted for in 2008, our sparkling beverages sales volume in our territories would have increased by 14.2% on a year-on-year basis, significantly outperforming the average volume growth rate for Coca-Cola sparkling beverages as well as that for all sparkling beverages in the PRC.

● New products in still beverages

- New products or new flavors under the “Minute Maid” brand were launched, such as “Minute Maid Pulpy Super Milky”, “Minute Maid Tropical Pulpy”, “Minute Maid Refreshing Pulpy Grape” and “Minute Maid C Bits Lemon”, which were well received in the market.
- We recorded a significant volume increase of 44.3% in our “Minute Maid” juices sales in our territories.
- According to market research conducted by ACNielsen, in 2009, the “Minute Maid” brand secured a market share over 24% in juice beverages category in the PRC, ranking No.1.

Turnover of Sparkling and Still Beverages



Beverages Business (Cont')



● Consolidation & expansion of bottling plants

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

Franchised Sale and Distribution
Territories of the Group



Beverages Business (Cont')



● 2010 Prospect

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

Kitchen Foods Business



HK\$mm	2009	2008	+/-
Revenue	6,008	6,512	-7.7%
Gross Profit Margin	9.7%	7.9%	1.8ppt
Segment Result / Revenue Ratio	0.3%	0.1%	0.2ppt
Selling and Distribution Costs / Revenue Ratio	8.5%	7.4%	1.1ppt

- The sales turnover of our kitchen foods business amounted to HK\$6,008 million. The sales volume of the consumer-pack edible oil was 636,362 tonnes, with an annual growth rate of 20%, and its gross profit margin was 9.7%.

Kitchen Foods Business (Cont')



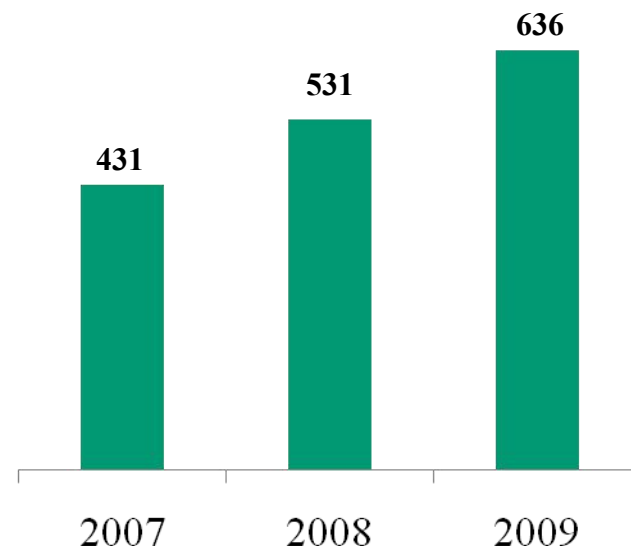
● Product innovation

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

● Sales channel enhancement

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

Sales Volume of “福臨門” Consumer-pack Edible Oil ('000 tonnes)



Kitchen Foods Business (Cont')



● 2010 Prospect

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

Confectionery Business



HK\$ mm	2009	2008	+/-
Revenue	520	365	42.5%
Gross Profit Margin	48.9%	38.0%	10.9ppt

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

Confectionery Business (Cont')



● Brand rebuilding

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

● 2010 Prospect

- We will fully implement our brand strategy to promote “金帝” and “Le Conte” brands.
- We will continue to introduce new products, such as jelly and toffee.
- We intend to raise the coverage for medium and small sized wholesale supermarkets and convenience stores, with a focus on the campus channel, and improve the execution standard for the retail points of sales.

Thank you !