

**China Foods Limited (00506.HK)**



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# **2008 Annual Results Announcement**

**9 April 2009**

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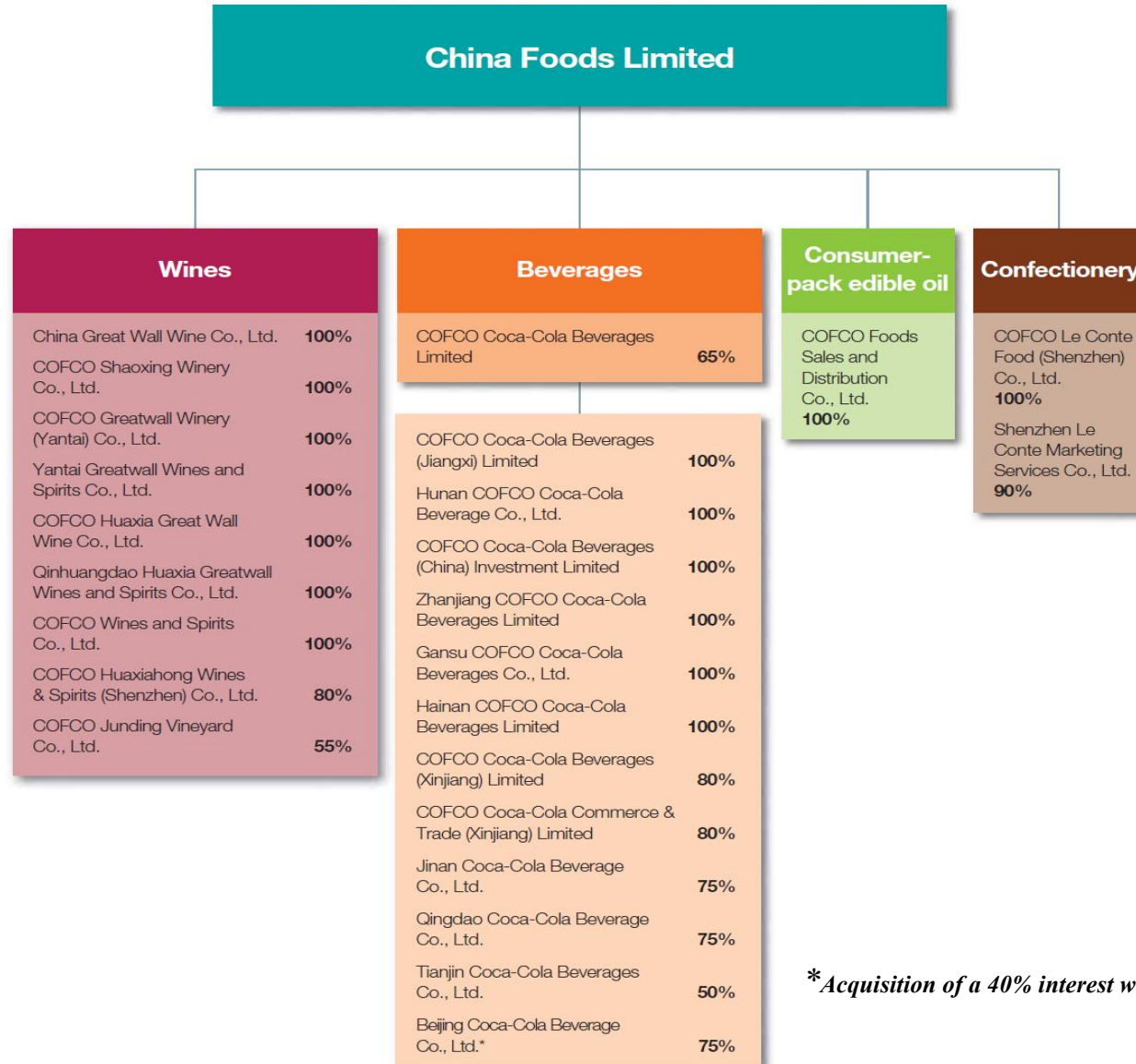


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## 2008 Financial Performance

# Business Structure



\*Acquisition of a 40% interest was completed on 9 January 2009

# Financial Results Highlights



	2008	2007 (Pro Forma) *
<b>Turnover</b>	<b>HK\$14,240mm</b>	<b>HK\$9,743mm</b>
<b>Operating Profit</b>	<b>HK\$663mm</b>	<b>HK\$544 mm</b>
<b>EBITDA</b>	<b>HK\$875mm</b>	<b>HK\$699mm</b>
<b>Profits after Tax &amp; MI</b>	<b>HK\$483mm</b>	<b>HK\$361 mm</b>
<b>Earnings per share</b>	<b>HK17.32 cents</b>	<b>HK12.9 cents</b>
<b>ROE</b>	<b>10%</b>	<b>8.6%</b>

\*Note: Excluding the expenses for the stamp duty (Approx. HK\$ 21 million) in connection with the Spin-off and the net gain from disposal of interests in certain bottlers and sharing by minority interests (Approx. HK\$ 257 million)

# Assets, Liabilities and Equities



	31 December 2008	31 December 2007
<b>Total Assets</b>	<b>HK\$10,448mm</b>	<b>HK\$8,993 mm</b>
<b>Total Liabilities</b>	<b>HK\$4,123mm</b>	<b>HK\$3,360 mm</b>
<b>Minority interests</b>	<b>HK\$1,233mm</b>	<b>HK\$1,075mm</b>
<b>Net Assets</b>	<b>HK\$5,092mm</b>	<b>HK\$4,558mm</b>
<b>Cash</b>	<b>HK\$1,547mm</b>	<b>HK\$1,396 mm</b>
<b>Total Liabilities/Total Assets</b>	<b>39.5%</b>	<b>37.4%</b>
<b>Interest Bearing Debt/Net Assets</b>	<b>4.9%</b>	<b>8.6%</b>
<b>No. of Shares Issued</b>	<b>2,791 mm shares</b>	<b>2,791 mm shares</b>

# Pro Forma Turnover Breakdown



<b>(HK\$mm)</b>	<b>2008</b>	<b>2007</b>	<b>+/-%</b>
<b>Wine</b>	<b>2,790</b>	<b>2,140</b>	<b>30.37%</b>
<b>Beverages</b>	<b>4,574</b>	<b>3,007</b>	<b>52.11%</b>
<b>Consumer-pack edible oil</b>	<b>6,512</b>	<b>4,158</b>	<b>56.61%</b>
<b>Confectionery</b>	<b>365</b>	<b>437</b>	<b>(16.48)%</b>
<b>Total</b>	<b>14,241</b>	<b>9,743</b>	<b>46.16%</b>



# Pro Forma Operating Profit and Net Profit



## Operating Profit

(HK\$mm)	2008	2007	+/-%
Wine	572	445	28.5%
Beverages	278	147	89.1%
Consumer-pack edible oil	6.4	(19.8)	-----
Confectionery	(121)	(29.9)	-----

## Net Profit

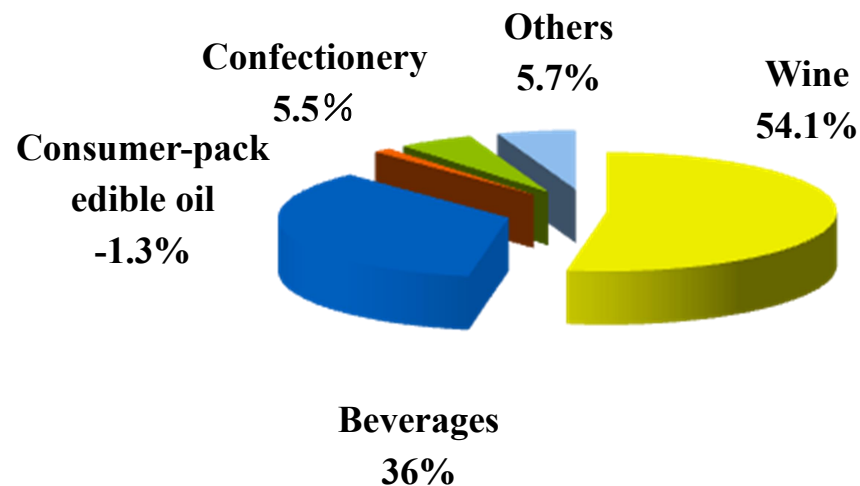
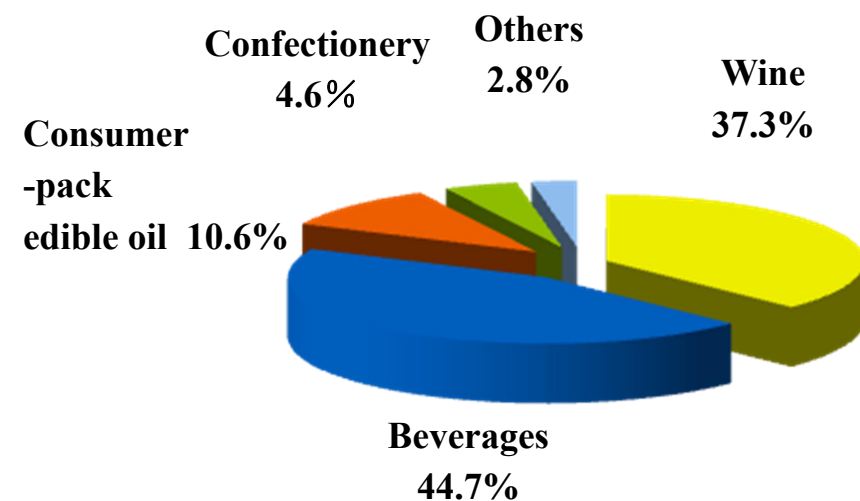
(HK\$mm)	2008	2007	+/-%
Wine	447.6	314.7	42.2%
Beverages	228.4	105.1	117.3%
Consumer-pack edible oil	3.3	(21.5)	-----
Confectionery	(126.8)	(36.5)	-----

# Total Assets and Net Assets by Business Units



## Total Assets

## Net Assets



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## **2008 Business Review and Analysis**

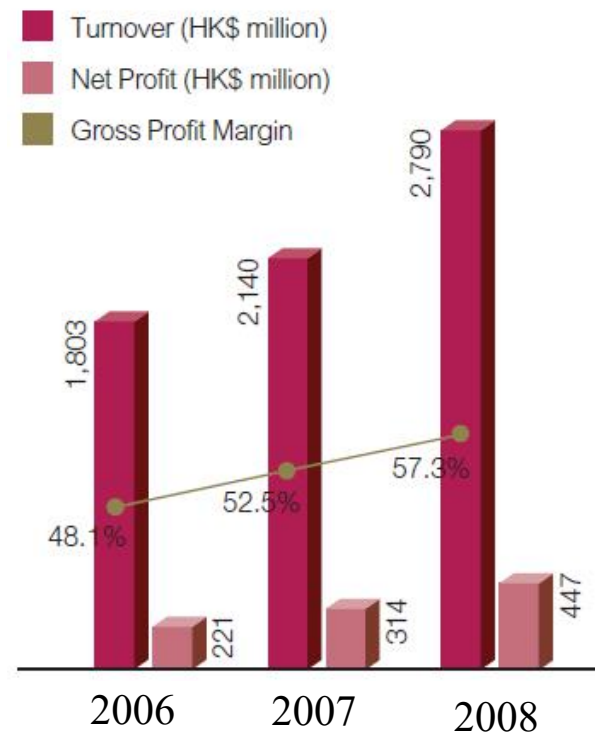
# Wine Business

- Turnover of the wine business in 2008 reached HK\$2,790 million, representing an increase of 30.4% over previous year. Sales volume of “Greatwall” wine in 2008 was 104,682 tonnes, 11.3% higher than that in 2007.

- Due to the optimization of our products portfolio and price increase, the gross profit margin of wine increased by 4.8% to 57.3%.

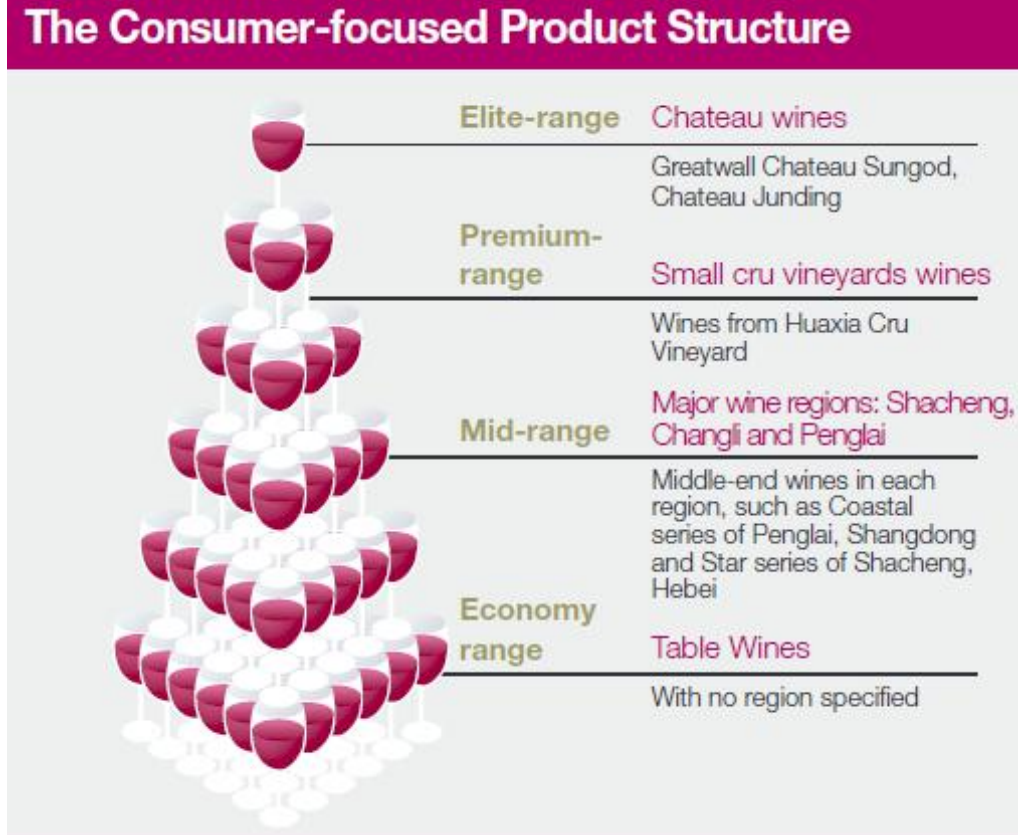
- Following the successful development of Chateau Junding, Chateau Sungod was completed as another elite-range chateau during the year. The company currently owns three vineries and two Chateaus with a total capacity amounted to 146,000 tonnes.

## Continuous Stable Upward Trend in Turnover and Gross Profit Margin



# Wine business (Cont')

● **Continuous enhancement of product portfolio**-----As a result of our effort to refine our portfolio over the past years, a well-defined products structure was established during the year. Our full range of products was categorized according to the grape species, production regions and wine-making methods employed. This new products structure helps consumers understand our products from a product positioning and quality perspective, and to enable us to undertake more precise brand building and marketing activities.



● **Leading player in the market**-----According to AC Nielsen, as at 31 December 2008, the market share of “Greatwall” and “長城” wines in the supermarkets and hypermarkets in 16 major cities in the PRC was 37.7%, securing a No.1 ranking in the wines category.

# Wine business (Cont')



- **Increased control over sales network**-----The sales platform in Beijing was successfully replicated in the north-western, south-western, and north-eastern regions of China as well as the Guangdong region. The number of sales personnel increased from more than 300 in 2007 to more than 600. These new sales platforms enabled us to reduce the reliance on distributors and improve the efficiency of our sales network and enhance our control over retail points of sales.
- **Outstanding performance in Olympic related marketing activities** -----As the exclusive supplier of wines for the 2008 Beijing Olympic games, we achieved a great success in Olympics-related marketing activities. “Greatwall wines were granted a “Special Contribution Award for the Beijing 2008 Olympic games” by the international Olympic Committee.
- **Seeking for acquisition opportunities** -----Under the global financial crisis, asset valuation has become more rational. We will seize suitable merger and acquisition opportunities to facilitate faster growth of our business.
- **Commencing imported wine agency business** -----To capitalize on our distribution channels, we commenced an imported wines agency business during the year. We imported wines from renowned regions around the world including France, Chile and Italy. Wines from different regions with different flavor profiles complement our existing product mix. We expect that imported wines will become another source of our future growth.

# Beverage Business

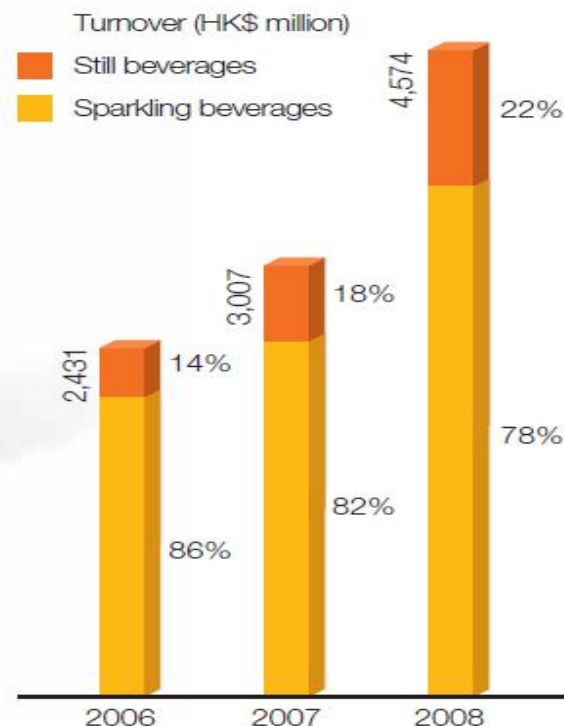


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- The beverage business recorded a turnover of \$4,574 million in 2008, increased by 52% compared with previous year. Our strong performance in this business underscores our continued efforts to develop distribution network, increase focus on revenue management and improve our product mix.

- Due to the growth of turnover, increased average selling price and economies of scale, operating profit increased 89.1% in 2008, up to HK\$ 278 million.

## Turnover of Sparkling and Still Beverages



# Beverage Business (Cont')

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- **Product Strategy** ----- In the first half of the year we launched the sparkling beverage Coca-Cola Zero, which was well-received in our market with the sales outperforming the launch budget. In addition, the market response was also very positive from the tea beverage “Original Leaf” after its launch. We will continue to promote “Original Leaf” and expect it to be another successful still beverage brand on top of the fruit juice beverage “Minute Maid”.
- **Channel Strategy** ----- We focus on restaurant and school channels development, while continued to improve our customer service quality and focus on store execution. In addition, we fostered business with distributors at the county, town and village level through cooperative arrangements, which brought about visible contribution to our growth.



# Beverage Business (Cont')



## ● Acquisition, Consolidation and Expansion

- Pursuant to a share sale and purchase master agreement entered into between COFCO Coca-Cola Beverages Limited ("COFCO Coca-Cola") and Coca-Cola China Industries Limited in August 2007 ("Share Transfer Master Agreement"), we completed the first phase transaction of the Share Transfer Master Agreement in October 2007 by disposing of our 100% interest in a bottler in Jilin and minority interests in five other bottlers, and acquiring the majority interests in two bottlers in Shandong. In January 2009, we completed the second phase transaction of the Share Transfer Master Agreement by acquiring a 40% interest in a bottler in Beijing, and accordingly our interest in the bottler in Beijing increased to 75% from 35%.
- The completion of the Share Transfer Master Agreement enabled our business to cover a contiguous bloc of territory with approximately 215 million people in Northern China, including Tianjin, Hebei, Inner Mongolia, Beijing, and Shandong.
- At the end of 2008, our new bottling plant in Jiangxi and another new bottling plant in Xinjiang commenced production. This enabled us to directly meet the demand of, and better serve, customers in the respective markets in Jiangxi and Xinjiang, and to effectively reduce transportation costs arising from allocating products from other markets.

Franchised Sale and Distribution  
Areas of the Group



# Consumer-pack edible oil business

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- **The consumer-pack edible oil business recorded a turnover of HK\$6,512million, an increase of 56.6% over previous year. Sales volume amount to 531,340 tonnes, representing a 23.2% increase over previous year.**
- **Due to the decrease of the raw material cost, the whole business turned to profit at the second half of 2008.**
- **Due to efforts in the expansion and penetration of our sales channel, according to AC Nielsen, our retail points of sales coverage has been improved from 57% in previous year to 70% in 2008.**
- **According to AC Nielsen, the market share of consumer-pack edible oil under “福臨門” brand has been increased from 7.8% in 2007 to 10% in 2008.**
- **The sales of seasoning sauces with “福臨門” brand amounted to around HK\$24.40 million in the year under review.**

# Confectionery business

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- Due to adverse impact from the severe storm and the melamine scandal, overall sales declined by 16.5% to \$365 million compared with the last year.
- Sales showed signs of growth after the restoration of consumer confidence in chocolate products during the year-end peak season.
- A new management team was appointed during the year. The new management are taking a series of measures including product portfolio optimizing, brand re-positioning and distributor policies adjustment to improve the management system and to enhance the management efficiency.

*Thank you !*