



**CHINA FOODS LIMITED**  
**中國食品有限公司**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 0506)

## CONTENTS

	Pages
REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION	3
UNAUDITED INTERIM FINANCIAL STATEMENTS	
Condensed consolidated:	
Income statement	5
Balance sheet	6
Statement of changes in equity	8
Cash flow statement	10
Notes to the condensed consolidated interim financial statements	11
Management Discussion and Analysis	36

## CORPORATE INFORMATION

### DIRECTORS

#### Executive Directors

Mr. Ning Gaoning (*Chairman*)  
Mr. Qu Zhe (*Managing Director*)  
Mr. Mak Chi Wing, William  
Mr. Ma Jianping  
Ms. Luan Xiuju  
Mr. Zhang Zhentao

#### Non-executive Director

Ms. Wu Wenting

#### Independent Non-executive Directors

Mr. Stephen Edward Clark  
Mr. Tan Man Kou  
Mr. Yuen Tin Fan, Francis

### AUDIT COMMITTEE

Mr. Tan Man Kou (*Committee Chairman*)  
Mr. Stephen Edward Clark  
Mr. Yuen Tin Fan, Francis

### REMUNERATION COMMITTEE

Mr. Yuen Tin Fan, Francis (*Committee Chairman*)  
Mr. Stephen Edward Clark  
Mr. Qu Zhe

### COMPANY SECRETARY

Ms. Liu Kit Yee, Linda

### SOLICITORS

Herbert Smith  
Michael Cheuk, Wong & Kee  
Conyers, Dill & Pearman

### AUDITORS

Ernst & Young

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
Bank of Communications Company Limited  
Hang Seng Bank Limited

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### HEAD OFFICE

33rd Floor  
Top Glory Tower  
262 Gloucester Road  
Causeway Bay  
Hong Kong

### BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Progressive Limited  
26/F Tesbury Tower  
28 Queen's Road East  
Wanchai  
Hong Kong

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the board of directors of China Foods Limited  
**(Formerly known as COFCO International Limited)**  
*(Incorporated in Bermuda with limited liability)*

### Introduction

We have reviewed the interim financial information set out on pages 4 to 35 which comprises the condensed consolidated balance sheet of China Foods Limited as at 30 June 2007 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**Ernst & Young**  
*Certified Public Accountants*

Hong Kong  
19 September 2007

## CONDENSED CONSOLIDATED INTERIM RESULTS

The board of directors (the "Directors") of China Foods Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (together the "Group") for the six months ended 30 June 2007 together with the comparative figures for the six months ended 30 June 2006. The interim results as at and for the six months ended 30 June 2007 ("interim financial statements") have been reviewed by Ernst & Young, the auditors of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and by the audit committee of the Company.

**CONDENSED CONSOLIDATED INCOME STATEMENT**

		<b>For the six months ended 30 June</b>	
	<i>Notes</i>	<b>2007</b>	2006
		<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Unaudited)
			(Restated)
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>	4	<b>4,294,268</b>	3,133,740
Cost of sales		<b>(3,138,996)</b>	(2,166,277)
Gross profit		<b>1,155,272</b>	967,463
Other income and gains		<b>73,109</b>	58,788
Selling and distribution costs		<b>(764,114)</b>	(581,677)
Administrative expenses		<b>(161,109)</b>	(132,012)
Other expenses		<b>(2,135)</b>	(16,388)
Finance costs	5	<b>(19,125)</b>	(21,468)
Share of profits of associates		<b>24,214</b>	33,875
<b>PROFIT BEFORE TAX</b>	6	<b>306,112</b>	308,581
Tax	7	<b>(72,944)</b>	(47,963)
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>233,168</b>	260,618
<b>DISCONTINUED OPERATIONS</b>			
Profit for the period from discontinued operations	8	<b>239,769</b>	386,713
<b>PROFIT FOR THE PERIOD</b>		<b>472,937</b>	647,331
Attributable to:			
Equity holders of the Company		<b>377,274</b>	532,841
Minority interests		<b>95,663</b>	114,490
		<b>472,937</b>	647,331
<b>DIVIDENDS</b>	9	<b>6,234,148</b>	81,575
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	10		
Basic:			
– For profit for the period		<b>HK13.52 cents</b>	HK20.20 cents
– For profit from continuing operations		<b>HK6.50 cents</b>	HK7.11 cents
Diluted:			
– For profit for the period		<b>N/A</b>	HK20.15 cents
– For profit from continuing operations		<b>N/A</b>	HK7.09 cents

## CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	1,553,452	6,783,261
Investment properties		54,062	52,389
Prepaid land premiums		98,642	466,500
Deposits for purchase of property, plant and equipment		6,005	337,482
Goodwill		918,843	1,477,691
Interests in associates		134,207	1,236,441
Available-for-sale investments and related advances		346,551	332,685
Deferred tax assets		13,697	15,565
Biological assets		56,551	53,584
<b>Total non-current assets</b>		<b>3,182,010</b>	<b>10,755,598</b>
<b>CURRENT ASSETS</b>			
Inventories		1,301,209	4,886,914
Accounts and bills receivable	12	678,686	1,576,728
Prepayments, deposits and other receivables		319,902	1,726,087
Investments at fair value through profit or loss		47,615	48,300
Derivative financial instruments		–	537
Due from fellow subsidiaries		60,009	202,236
Due from the ultimate holding company		12,765	29,013
Due from the immediate holding company		165	165
Tax recoverable		1,356	2,563
Pledged deposits		3,339	54,183
Cash and cash equivalents		1,334,754	2,515,973
<b>Total current assets</b>		<b>3,759,800</b>	<b>11,042,699</b>
<b>CURRENT LIABILITIES</b>			
Accounts and bills payable	13	561,556	1,376,557
Other payables and accruals		653,085	1,605,625
Interest-bearing bank and other borrowings		609,080	3,898,629
Due to fellow subsidiaries		44,457	526,769
Due to the immediate holding company		–	460
Due to the ultimate holding company		19,064	20,137
Due to related companies		60,796	379,925
Due to minority shareholders of subsidiaries		11,511	15,122
Deferred income		–	1,726
Tax payable		31,870	91,595
<b>Total current liabilities</b>		<b>1,991,419</b>	<b>7,916,545</b>
<b>NET CURRENT ASSETS</b>		<b>1,768,381</b>	<b>3,126,154</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>4,950,391</b>	<b>13,881,752</b>

**CONDENSED CONSOLIDATED BALANCE SHEET (continued)**

	Notes	<b>30 June 2007 HK\$'000 (Unaudited)</b>	31 December 2006 HK\$'000 (Audited)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>4,950,391</b>	13,881,752
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		<b>71,898</b>	2,065,085
Due to minority shareholders of subsidiaries		<b>37,695</b>	147,496
Due to the ultimate holding company		<b>20,542</b>	19,906
Deferred income		<b>4,107</b>	57,754
Deferred tax liabilities		<b>6,281</b>	29,382
<b>Total non-current liabilities</b>		<b>140,523</b>	2,319,623
<b>Net assets</b>		<b>4,809,868</b>	11,562,129
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Issued capital	14	<b>279,138</b>	279,138
Reserves		<b>3,779,945</b>	9,475,270
		<b>4,059,083</b>	9,754,408
<b>Minority interests</b>		<b>750,785</b>	1,807,721
<b>Total equity</b>		<b>4,809,868</b>	11,562,129



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

		Attributable to equity holders of the Company											
		Employee			Exchange			Investment		Proposed		Minority interests	Total equity
		Issued capital	Share premium	Share-based compensation reserve	Capital reserve	Reserve funds	fluctuation reserve	revaluation reserve	Retained profits	final dividend	Total		
Notes		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2007		279,138	3,660,432	-	2,482,197	193,282	275,427	-	2,863,932	-	9,754,408	1,807,721	11,562,129
Exchange resignation and total income and expense for the period recognised directly in equity		-	-	-	-	-	161,549	-	-	-	161,549	27,785	189,334
Profit for the period		-	-	-	-	-	-	-	377,274	-	377,274	95,663	472,937
Total income and expense for the period		-	-	-	-	-	161,549	-	377,274	-	538,823	123,448	662,271
Transfer from retained profits		-	-	-	-	16,620	-	-	(16,620)	-	-	-	-
Contribution from a minority shareholder		-	-	-	-	-	-	-	-	-	-	1,057	1,057
Release of reserves upon distribution of China Agri-Industries Holdings Limited		-	-	-	(2,902,104)	(98,147)	(281,979)	-	3,282,230	-	-	-	-
Dividends paid to minority shareholders		-	-	-	-	-	-	-	-	-	-	(1,055)	(1,055)
Special interim dividend		9, 16	-	-	-	-	-	-	(6,234,148)	-	(6,234,148)	(1,180,386)	(7,414,534)
At 30 June 2007		279,138	3,660,432	-	(419,907)	111,755	154,997	-	272,668	-	4,059,083	750,785	4,809,868

30 June 2007

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2006

Notes	Attributable to equity holders of the Company											Minority interests	Total equity
	Issued capital	Employee share-based		Capital reserve	Reserve funds	Exchange fluctuation reserve	Investment revaluation reserve	Retained profits	Proposed dividend	Total			
		premium account	compensation reserve										
		HK\$'000	HK\$'000										
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)		
At 1 January 2006 (As restated)	263,819	2,776,042	31,093	727,917	152,644	54,810	(2,077)	1,749,065	76,614	5,829,927	1,644,509	7,474,436	
Exchange realignment and total income and expense for the period recognised directly in equity	-	-	-	-	-	69,857	-	-	-	69,857	11,954	81,811	
Profit for the period	-	-	-	-	-	-	-	532,841	-	532,841	114,490	647,331	
Total income and expense for the period	-	-	-	-	-	69,857	-	532,841	-	602,698	126,444	729,142	
Issue of shares pursuant to a share option scheme	14	279	8,647	-	-	-	-	-	-	8,926	-	8,926	
Capitalisation of amounts due to the immediate holding company	-	-	-	243,293	-	-	-	-	-	243,293	-	243,293	
Contributions from the immediate holding company	-	-	-	1,093,302	-	-	-	-	-	1,093,302	-	1,093,302	
Contributions from minority shareholders	-	-	-	-	-	-	-	-	-	-	46,917	46,917	
Acquisition of additional interest in existing subsidiaries	-	-	-	-	-	-	-	-	-	-	(66,638)	(66,638)	
Acquisition of subsidiaries	15	-	-	-	-	-	-	-	-	-	4,729	4,729	
Transfer from retained profits	-	-	-	-	17,602	-	-	(17,602)	-	-	-	-	
Equity-settled share option arrangements	-	-	3,150	-	-	-	-	-	-	3,150	-	3,150	
Change in fair value of available-for-sale investments	-	-	-	-	-	-	(876)	-	-	(876)	-	(876)	
Final 2005 dividend declared	-	-	-	-	-	-	-	(76,614)	(76,614)	-	-	(76,614)	
Dividends paid by the subsidiaries acquired under the Acquisition to their then shareholders	9	-	-	-	-	-	-	(2,319)	-	(2,319)	-	(2,319)	
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	-	-	(95,653)	(95,653)	
At 30 June 2006	264,098	2,784,689	34,243	2,064,512	170,246	124,667	(2,953)	2,261,985	-	7,701,487	1,660,308	9,361,795	

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	For the six months ended 30 June	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited) (Restated)
NET CASH INFLOW FROM OPERATING ACTIVITIES	115,924	342,060
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	(472,002)	53,730
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	(870,848)	133,122
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(1,226,926)	528,912
Cash and cash equivalents at beginning of period	2,515,973	1,202,504
Effects of foreign exchange rate changes, net	45,707	16,121
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,334,754	1,747,537
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	747,020	1,162,505
Non-pledged time deposits with original maturity of less than three months when acquired	587,734	585,032
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,334,754	1,747,537

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. REORGANISATION AND BASIS OF PRESENTATION

China Foods Limited (formerly known as COFCO International Limited) (the "Company") is a limited liability company incorporated in Bermuda.

The Company's immediate holding company is COFCO (Hong Kong) Limited ("COFCO (HK)"), a company incorporated in Hong Kong. The ultimate holding company of the Company is COFCO Limited ("COFCO"), which is registered in the People's Republic of China (the "PRC").

Pursuant to the reorganisation as detailed in the Company's circular dated 28 October 2006 (the "Circular"), the Company (1) acquired from COFCO (HK) Jumbo Team Group Limited and its subsidiaries (collectively as "Jumbo Team Group") and Full Extent Group Limited and its subsidiaries (collectively as "Full Extent Group") at an aggregate consideration of HK\$5,333,700,000 (the "Acquisition"); and (2) disposed to COFCO (HK) of Seabase International (B.V.I.) Limited, COFCO (BVI) No. 99 Limited and First Reward Limited, and their respective subsidiaries (collectively the "Disposal Group") (the "Disposal") at an aggregate consideration of HK\$715,100,000. After completion of the Acquisition and the Disposal, the Company spun off China Agri-Industries Holdings Limited ("CAIH") which holds the Group's existing interests in oilseed processing, wheat processing and rice trading businesses together with the businesses carried out by Full Extent Group, and separately listed the CAIH shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") ("Spin-off"). Further details of the Acquisition, Disposal and Spin-off are set out in the Circular (as amended).

As the Company, Jumbo Team Group and Full Extent Group are all ultimately controlled by COFCO, before and after the Acquisition, the condensed consolidated interim financial statements of the Group have been prepared based on the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG5") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), as if the Acquisition had occurred from the date when the combining entities first came under the control of COFCO because the Acquisition should be regarded as a business combination under common control.

In accordance with AG 5, the comparative amounts of the condensed consolidated interim financial statements of the Group have been restated to include the financial statement items of Jumbo Team Group and Full Extent Group.

## 1. REORGANISATION AND BASIS OF PRESENTATION (continued)

The effects of the Acquisition to the Group's comparative income statement for the six months ended 30 June 2006 were as follows:

	As previously reported	Jumbo Team Group	Full Extent Group	Total	Consolidation adjustments	Reclassi- fications	Discontinued operations	As restated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
							(note 8)	
<b>CONTINUING OPERATIONS</b>								
REVENUE	8,535,407	1,297,023	1,769,957	11,602,387	(199,663)		(8,268,984)	3,133,740
Cost of sales	(7,566,524)	(942,077)	(1,555,709)	(10,064,310)	199,663		7,698,370	(2,166,277)
Gross profit	968,883	354,946	214,248	1,538,077				967,463
Other income and gains	114,910	50,760	163,189	328,859	(582)	14,695	(284,184)	58,788
Selling and distribution costs	(500,147)	(206,327)	(89,101)	(795,575)			213,898	(581,677)
Administrative expenses	(143,546)	(64,954)	(67,044)	(275,544)			143,532	(132,012)
Other expenses	(8,053)	(3,743)	(1,222)	(13,018)		(14,695)	11,325	(16,388)
Finance costs	(82,210)	(1,273)	(33,084)	(116,567)	582		94,517	(21,468)
Share of profits of associates	60,360	33,875	13,864	108,099			(74,224)	33,875
PROFIT BEFORE TAX	410,197	163,284	200,850	774,331				308,581
Tax	(100,755)	(8,204)	(18,041)	(127,000)			79,037	(47,963)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	309,442	155,080	182,809	647,331				260,618
<b>DISCONTINUED OPERATIONS</b>								
Profit for the period from discontinued operations	-	-	-	-			386,713	386,713
	309,442	155,080	182,809	647,331				647,331
Attributable to:								
Equity holders of the Company	282,505	84,330	166,006	532,841				532,841
Minority interests	26,937	70,750	16,803	114,490				114,490
	309,442	155,080	182,809	647,331				647,331
DIVIDENDS	79,256	-	2,319	81,575				81,575

**1. REORGANISATION AND BASIS OF PRESENTATION (continued)**

In respect of the Spin-off, on 8 February 2007, the Company declared a special interim dividend to distribute the Company's entire interest in the issued share capital of China Agri-Industries Holdings Limited ("China Agri-Industries"), a subsidiary incorporated in Hong Kong on 18 November 2006, for the purpose of acting as the investment holding company of the subsidiaries under the Spin-off (the "Spin-Off Group") and for the purpose of separate listing on the Stock Exchange. The special interim dividend was conditional upon approval by the Stock Exchange. Following the approval by the Stock Exchange, the Spin-off and the listing of the shares of China Agri-Industries was completed on 21 March 2007.

**2. ACCOUNTING POLICIES**

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2006, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosure
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 " <i>Financial Reporting in Hyperinflationary Economies</i> "
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the above HKFRSs has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated interim financial statements.

### 3. SEGMENT INFORMATION

The Group's operating business are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments.

Details of the business segments are summarised as follows:

#### **Continuing operations**

- (a) the wineries segment engages in the production, sale and trading of grape wine and other relevant beverage products;
- (b) the confectionery segment engages in the production and distribution of chocolate and other related products;
- (c) the beverages segment engages in the processing and distribution of carbonated beverages and other relevant beverages;
- (d) the consumer-pack edible oil segment engages in the distribution of retail package cooking oil;
- (e) the corporate and others segment comprises the Group's corporate income and expense items;

#### **Discontinued operations**

- (f) the oilseed processing segment engages in the extraction, refining and trading of edible oils and the related businesses;
- (g) the wheat processing segment engages in the production of flour products and related businesses;
- (h) the rice processing and trading segment engages in the processing and trading of rice;
- (i) the biofuel and biochemical segment engages in the production and sale of bio-ethanol and related products;
- (j) the brewing materials segment engages in the processing of malt;
- (k) the trading of non-rice foodstuffs segment engages in the trading of food commodities, animal feedstock, and agricultural and aquatic products; and
- (l) the "others" segment comprises the Group's management services business, which provides management services relating to imports and exports, together with corporate income and expense items of the Spin-off Group.

30 June 2007

### 3. SEGMENT INFORMATION (continued)

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The following table presents revenue and profit information regarding the Group's business segments for the six months ended 30 June 2007 and 2006, respectively.

#### Six months ended 30 June 2007

	Continuing operations					Discontinued operations										
	Confect- ionery		Beverages		Corporate edible oil and others	Total	Oilseed processing	Wheat processing	Rice processing and trading	Biofuel and biochemical	Brewing materials	Trading of non-rice foodstuffs		Others	Eliminations	Total Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Segment revenue:</b>																
Sales to external customers	1,081,079	127,597	1,569,955	1,515,637	-	4,294,268	2,681,473	503,922	869,428	319,069	220,177	-	-	-	4,594,069	8,888,337
Intersegment sales	-	-	-	-	-	-	19,487	-	7,977	1,209	-	-	-	(28,673)	-	-
Other revenue	8,155	4,150	2,666	74	2,766	17,811	54,511	1,292	1,405	42,276	(885)	-	168	(580)	98,187	115,998
<b>Segment results</b>	<b>210,635</b>	<b>(14,458)</b>	<b>80,824</b>	<b>(1,074)</b>	<b>(30,202)*</b>	<b>245,725</b>	<b>128,716</b>	<b>2,188</b>	<b>80,629</b>	<b>26,348</b>	<b>36,784</b>	<b>-</b>	<b>(7,239)</b>	<b>-</b>	<b>267,426</b>	<b>513,151</b>
Interest and dividend income						55,298									2,990	58,288
Finance costs						(19,125)									(64,966)	(84,091)
Share of profits of associates	-	-	24,214	-	-	24,214	54,656	-	-	4,320	-	-	-	-	58,976	83,190
Profit before tax						306,112									264,426	570,538
Tax						(72,944)									(24,657)	(97,601)
Profit for the period						233,168									239,769	472,937

\* Included a stamp duty expense of HK\$20,771,000 arising from the distribution of the entire share capital of China Agri-Industries.



### 3. SEGMENT INFORMATION (continued)

#### Six months ended 30 June 2006

	Continuing operations						Discontinued operations								Total	Consolidated	
	Confect- ionery		pack Beverages		Corporate edible oil and others		Olseed processing	Wheat processing	Rice processing and trading	Biofuel and biochemical	Brewing materials	Trading of non-rice foodstuffs		Others			Eliminations
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
<b>Segment revenue:</b>																	
Sales to external customers	900,964	150,863	1,289,139	792,774	-	3,133,740	4,792,918	828,898	878,695	571,130	455,086	742,257	-	-	-	8,268,984	11,402,724
Intersegment sales	-	-	-	-	-	-	39,528	-	-	-	-	-	-	-	(39,528)	-	-
Other revenue	955	4,527	3,549	290	13	9,334	57,761	62,229	1,196	97,543	387	14,994	35,134	-	-	269,244	278,578
<b>Segment results</b>	162,860	(144)	84,907	11,594	(12,497)	246,720	98,898	63,630	98,585	117,528	34,242	36,171	22,049	-	-	471,103	717,823
Interest and dividend income							49,454									14,940	64,394
Finance costs							(21,468)									(94,517)	(115,985)
Share of profits of associates	-	-	33,875	-	-	33,875	61,841	1,581	-	10,802	-	-	-	-	-	74,224	108,099
Profit before tax							308,581									465,750	774,331
Tax							(47,963)									(79,037)	(127,000)
Profit for the period							260,618									386,713	647,331

**4. REVENUE**

Revenue, which is the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the period.

**5. FINANCE COSTS**

	<b>For the six months ended 30 June</b>	
	<b>2007</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2006 <i>HK\$'000</i> (Unaudited) (Restated)
Interest on:		
Bank loans and overdrafts wholly repayable within five years	<b>68,461</b>	62,281
Loans from the ultimate holding company, the immediate holding company and a fellow subsidiary	<b>22,359</b>	53,704
Total interest	<b>90,820</b>	115,985
Less: Interest capitalised	<b>(6,729)</b>	–
	<b>84,091</b>	115,985
Attributable to discontinued operations ( <i>note 8</i> )	<b>64,966</b>	94,517
Attributable to continuing operations reported in the condensed consolidated income statement	<b>19,125</b>	21,468
	<b>84,091</b>	115,985

## 6. PROFIT BEFORE TAX

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

	<b>For the six months ended 30 June</b>	
	<b>2007</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2006 <i>HK\$'000</i> (Unaudited) (Restated)
Cost of inventories sold	<b>7,243,659</b>	9,907,852
Fair value losses/(gains) of derivative instrument transactions not qualifying as hedges	<b>39,283</b>	(44,428)
Provision against inventories	<b>3,730</b>	1,223
	<b>7,286,672</b>	9,864,647
Cost of sales	<b>7,286,672</b>	9,864,647
Gross rental income	<b>(9,965)</b>	(4,944)
Fair value gains on investments at fair value through profit or loss	<b>(1,306)</b>	(14,308)
Bank interest income	<b>(18,344)</b>	(18,148)
Interest income from a fellow subsidiary	–	(577)
Dividend income from available-for-sale investments and listed securities	<b>(39,944)</b>	(45,669)
Government grants	<b>(69,450)</b>	(88,932)
Compensation income	–	(56,607)
Gain on foreign exchange, net	<b>(19,268)</b>	(15,329)
Depreciation	<b>151,615</b>	217,499
Recognition of prepaid land premiums	<b>3,764</b>	4,798
Staff costs (including directors' remuneration)	<b>213,514</b>	238,210
Impairment of goodwill	–	10,669
Impairment of receivables	<b>6,693</b>	1,589
Impairment of items of property, plant and equipment*	<b>58,520</b>	–
Loss on disposal of items of property, plant and equipment	<b>356</b>	16,789

# The disclosures presented in this note include those amounts charged/credited in respect of the discontinued operations.

\* During the current period, impairment was recognised in the condensed consolidated income statement in respect of certain items of property, plant and equipment as a result of closure of a production line.

**7. TAX**

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2006: 17.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	<b>For the six months ended 30 June</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited) (Restated)
Current–Hong Kong		
Provision for the period	–	2,761
Current–Mainland China		
Provision for the period	<b>134,997</b>	118,030
Underprovision in prior periods	<b>(1,340)</b>	–
Tax rebate	<b>(22,684)</b>	–
Deferred	<b>(13,372)</b>	6,209
Total tax charge for the period	<b>97,601</b>	127,000
Represented by:		
Tax charge attributable to discontinued operations ( <i>note 8</i> )	<b>24,657</b>	79,037
Tax charge attributable to continuing operations reported in the condensed consolidated income statement	<b>72,944</b>	47,963
	<b>97,601</b>	127,000

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC corporate income tax ("CIT") law ("the New CIT Law") was approved and will become effective on 1 January 2008. The New CIT Law introduces a wide range of changes which include, but are not limited to, the unification of the CIT rate for domestic-invested and foreign-invested enterprises at 25%. The New CIT Law is expected to have no significant impact to the Group.

## 8. DISCONTINUED OPERATIONS

Pursuant to the Reorganisation as detailed in note 1 to the condensed consolidated interim financial statements, the Group (1) discontinued its trading of non-rice foodstuffs businesses and provision of management services to COFCO carried out by the Disposal Group; and (2) discontinued its oilseed processing, wheat processing, rice trading and processing, biofuel and biochemical and brewing materials businesses carried out by the Spin-off Group. These transactions were completed on 31 December 2006 and 21 March 2007, respectively.

The results of the Disposal Group and the Spin-off Group for the periods are presented below:

	<b>For the six months ended 30 June</b>	
	<b>2007</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>2006</b> <i>HK\$'000</i> <b>(Unaudited)</b>
Revenue	<b>4,594,069</b>	8,268,984
Cost of sales	<b>(4,147,676)</b>	(7,698,370)
Gross profit	<b>446,393</b>	570,614
Other income and gains	<b>101,177</b>	284,184
Expenses	<b>(277,154)</b>	(368,755)
Finance costs	<b>(64,966)</b>	(94,517)
Share of profits of associates	<b>58,976</b>	74,224
Profit before tax from the discontinued operations	<b>264,426</b>	465,750
Tax related to pre-tax profit	<b>(24,657)</b>	(79,037)
Profit for the period from the discontinued operations	<b>239,769</b>	386,713
Attributable to:		
Equity holders of the Company	<b>195,831</b>	345,379
Minority interests	<b>43,938</b>	41,334
	<b>239,769</b>	386,713

All assets and liabilities of the Disposal Group were disposed of in the previous year. The Spin-off Group was distributed by way of distribution in specie during the period under review. Further details of the assets and liabilities of the Spin-off Group distributed are set out in note 16 to the condensed consolidated interim financial statements.

**9. DIVIDENDS**

	<b>For the six months ended 30 June</b>	
	<b>2007</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2006 <i>HK\$'000</i> (Unaudited) (Restated)
Interim – Nil (2006: HK4.5 cents) per ordinary share	–	79,256
Special interim *	<b>6,234,148</b>	–
Dividends paid by the subsidiaries acquired under the Acquisition to their then shareholders **	–	2,319
	<b>6,234,148</b>	81,575

\* The special interim dividend paid in the current period represented the net assets distributed as a result of the distribution of the Company's entire equity interest in China Agri-Industries. Further details are set out in note 1 and 16 to the condensed consolidated interim financial statements.

\*\* The amounts represented dividends paid by the companies now comprising the Group to their then shareholders prior to the Acquisition.

## 10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

	<b>For the six months ended 30 June</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited) (Restated)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company, used in the earnings per share calculation:		
From continuing operations	<b>181,443</b>	187,462
From discontinued operations	<b>195,831</b>	345,379
	<b>377,274</b>	532,841
<b>Shares</b>		
Number of ordinary shares (2006: weighted average number of ordinary shares) in issue during the period used in the basic earnings per share calculation	<b>2,791,383,356</b>	2,637,794,052
Weighted average number of ordinary shares:		
Assumed issued at no consideration on deemed exercise of all share options outstanding during the period	–	6,134,015
Weighted average number of ordinary shares used in the diluted earnings per share calculation	<b>2,791,383,356</b>	2,643,928,067

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2007, the Group acquired items of property, plant and equipment with total cost of HK\$ 911,250,000 (2006 (restated): HK\$1,392,033,000), excluding property, plant and equipment acquired through business combination.

In addition, items of property, plant and equipment with an aggregate amount of approximately HK\$6,047,547,000 were distributed on 21 March 2007 as a result of the Spin-off.

Items of property, plant and equipment with a net book value of HK\$4,712,000 (2006: HK\$44,763,000) were disposed of by the Group during the six months ended 30 June 2007, resulting a net loss on disposal of HK\$356,000 (2006: HK\$16,789,000).

**12. ACCOUNTS AND BILLS RECEIVABLE**

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 to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned credit monitoring policies 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 receivable are non-interest-bearing.

An aged analysis of the accounts and bills receivable at the balance sheet date, based on invoice date, is as follows:

	<b>30 June 2007 HK\$'000 (Unaudited)</b>	31 December 2006 HK\$'000 (Audited)
Outstanding balances with ages:		
Within three months	<b>483,194</b>	1,511,028
Three to twelve months	<b>192,723</b>	68,084
One to two years	<b>7,766</b>	16,999
Over two years	<b>33,052</b>	19,096
Less: Impairment	<b>(38,049)</b>	(38,479)
	<b>678,686</b>	1,576,728

The carrying amounts of the accounts and bills receivable approximate to their fair values.



### 13. ACCOUNTS AND BILLS PAYABLE

An aged analysis of accounts and bills payable at the balance sheet date, based on invoice date, is as follows:

	<b>30 June 2007 HK\$'000 (Unaudited)</b>	31 December 2006 HK\$'000 (Audited)
Outstanding balances with ages:		
Within three months	<b>511,553</b>	1,335,812
Three to twelve months	<b>47,839</b>	35,562
One to two years	<b>1,516</b>	4,753
Over two years	<b>648</b>	430
	<b>561,556</b>	1,376,557

The accounts payable are non-interest-bearing and are normally settled on 90-day terms. The carrying amounts of the accounts and bills payable approximate to their fair values.

**14. SHARE CAPITAL****Shares**

## (a) Company

	<b>30 June 2007 HK\$'000 (Unaudited)</b>	31 December 2006 HK\$'000 (Audited)
Authorised:		
4,000,000,000 ordinary shares of HK\$0.10 each	<b>400,000</b>	400,000
Issued and fully paid:		
2,791,383,356 ordinary shares of HK\$0.10 each	<b>279,138</b>	279,138

The movements in share capital during the year ended 31 December 2006 were as follows:

- (i) Pursuant to an ordinary resolution passed on 21 November 2006, the authorised share capital of the Company was increased from HK\$250,000,000 to HK\$400,000,000 by the creation of 1,500,000,000 additional shares of HK\$0.10 each, ranking pari passu in all respects with the existing share capital of the Company.
- (ii) The subscription rights attaching to 53,194,000 share options were exercised at subscription prices ranging from HK\$3.05 to HK\$3.644 per share, resulting in the issue of 53,194,000 shares of HK\$0.10 each for a total cash consideration, before expenses, of HK\$177,848,000.
- (iii) Pursuant to a placing agreement dated 24 November 2006, 100,000,000 new ordinary shares of HK\$0.10 each were issued by the Company at a price of HK\$6.94 per share for a total cash consideration, before expenses, of HK\$694,000,000.

## 14. SHARE CAPITAL (continued)

### Shares (continued)

(a) Company (continued)

- (iv) Pursuant to the Reorganisation as detailed in note 1 to the condensed consolidated interim financial statements, 879,739,382 new ordinary shares of HK\$0.10 each were issued by the Company to its immediate holding company at a price of HK\$5.25 per share for an amount, before expenses, of HK\$4,618,632,000 for the Acquisition. The amount of approximately HK\$4,530,658,000 in excess of the nominal value of the shares issued was credited to the Company's contributed surplus.

A summary of the transactions during the prior year with reference to the above movements in the Company's issued share capital is as follows:

	Notes	Number of shares in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2006		1,758,449,974	175,845	2,776,042	2,951,887
Share options exercised, net of share issue expenses	(ii)	53,194,000	5,319	172,529	177,848
Placing of shares, net of share issue expenses	(iii)	100,000,000	10,000	675,072	685,072
Issue of shares, net of share issue expenses	(iv)	879,739,382	87,974	–	87,974
Transferred from employee share-based compensation reserve upon exercise of share options		–	–	36,789	36,789
At 31 December 2006 and 30 June 2007		2,791,383,356	279,138	3,660,432	3,939,570

(b) Group

For the purpose of presenting the condensed consolidated interim financial statements of the Group based on the principles of merger accounting as set out in note 1 to the condensed consolidated interim financial statements, the shares issued for the Acquisition were presented as if the Acquisition had occurred at the earliest date presented in the condensed consolidated interim financial statements.

**14. SHARE CAPITAL (continued)****Shares (continued)**

## (b) Group (continued)

A summary of the movements in the Group's issued share capital for the purpose of presentation in the condensed consolidated interim financial statements is as follows:

	<b>Number of shares in issue</b>	<b>Issued share capital <i>HK\$'000</i></b>
<hr/>		
At 1 January 2006:		
As previously reported	1,758,449,974	175,845
Issue of shares for the Acquisition	879,739,382	87,974
	<hr/>	<hr/>
At 1 January 2006 as restated	2,638,189,356	263,819
Share options exercised	53,194,000	5,319
Placing of shares	100,000,000	10,000
	<hr/>	<hr/>
At 31 December 2006 and 30 June 2007	2,791,383,356	279,138
	<hr/>	<hr/>

**Share options**

In previous years, the Company operated a share option scheme (the "Old Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Old Scheme include the Company's directors and other employees of the Group and other eligible individuals. The Old Scheme became effective on 23 June 1997 and, unless otherwise cancelled or amended, would remain in force for 10 years from that date and expired on 22 June 2007. All share options granted under the Old Scheme were either exercised, lapsed or forfeited in the previous year.

Pursuant to a ordinary resolution passed on 21 November 2006, the Company conditionally adopted a new share option scheme (the "New Scheme"), of which the terms of the New Scheme are set out in the Circular. The New Scheme will be in effect for 10 years from the effective date.

## 14. SHARE CAPITAL (continued)

### Share options (continued)

The maximum number of unexercised share options currently permitted to be granted under the New Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the New Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of offer of the share options or the expiry date of the New Scheme, if earlier.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

As at date of this report, no share option has been granted or agreed to be granted pursuant to the New Scheme.

**15. BUSINESS COMBINATION**

On 27 January 2006, the Group acquired from an independent third party a 100% interest in Techbo Limited, which has 100% and 65% interests in COFCO Bio-Energy (Zhaodong) Co., Ltd. ("Zhaodong Bio-Energy") (formerly known as China Resources (Heilongjiang) Alcohol Co., Ltd.) and China Resources Winery (Heilongjiang) Co., Ltd. ("Heilongjiang Winery"), respectively. Zhaodong Bio-Energy is engaged in the production and sale of biofuel and biochemical products and Heilongjiang Winery is engaged in wine brewery.

The fair values of the identifiable assets and liabilities of Techbo Limited and its subsidiaries (collectively the "Techbo Group") as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	<b>Fair value recognised on acquisition</b>	<b>Carrying amount</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	613,923	594,536
Prepaid land premiums	39,338	31,691
Inventories	194,844	194,844
Accounts and bills receivable	99,649	99,649
Prepayments, deposits and other receivables	74,223	74,223
Tax recoverable	2,054	2,054
Cash and cash equivalents	240,141	240,141
Interest-bearing bank and other borrowings	(615,029)	(615,029)
Accounts payable	(25,236)	(25,236)
Due to minority shareholders	(520)	(520)
Other payables and accruals	(65,747)	(65,747)
Deferred income	(10,995)	(10,995)
Due to fellow subsidiaries	(125,760)	(125,760)
Deferred tax liabilities	(12,029)	(12,029)
Minority interests	(4,729)	(2,578)
	404,127	379,244
Goodwill on acquisition	338,451	
	742,578	
Satisfied by:		
An amount due to immediate holding company	742,578	

## 15. BUSINESS COMBINATION (continued)

An analysis of the inflow of cash and cash equivalents in respect of the acquisition of the subsidiary is as follows:

	<i>HK\$'000</i>
Cash and bank balances acquired and net inflow of cash and cash equivalent in respect of the acquisition of the subsidiary	240,141

During the six months ended 30 June 2006, Techbo Group generated revenue and net profit of HK\$680,713,000 and HK\$105,379,000, respectively. Since the acquisition of Techbo Group, Techbo Group contributed HK\$571,130,000 to the Group's revenue and HK\$89,488,000 to the Group's consolidated profit for the six months ended 30 June 2006.

## 16. SPIN-OFF OF CHINA AGRI-INDUSTRIES

Pursuant to the Spin-off, on 21 March 2007, the Company spun off the Spin-off Group by way of a special interim dividend where the Company's interest in China Agri-Industries, representing the entire issued share capital of China Agri-Industries, was distributed to the shareholders of the Company. Further details of the Spin-off are set out in note 1 to the condensed consolidated interim financial statements.

A summary of assets and liabilities of the Spin-off Group distributed by the Company as a result of the Spin-off is as follows:

	<i>HK\$'000</i>
Net assets distributed:	
Total non-current assets	8,175,766
Total current assets	8,110,213
Total current liabilities	(7,953,863)
Total non-current liabilities	(917,582)
Minority interests	(1,180,386)
Special interim dividend	6,234,148

An analysis of the net outflow of cash and cash equivalents in respect of the distribution of the Spin-off Group is as follows:

	<i>HK\$'000</i>
Cash and bank balances distributed and net outflow of cash and cash equivalents in respect of the distribution of the Spin-off Group	(1,291,561)

**17. RELATED PARTY TRANSACTIONS****(a) Transactions with related parties**

The Group had the following transactions with related parties during the period:

	<b>For the six months ended 30 June</b>	
	<b>2007 HK\$'000 (Unaudited)</b>	<b>2006 HK\$'000 (Unaudited) (Restated)</b>
Transactions with fellow subsidiaries:		
Sales of goods	<b>99,605</b>	218,460
Purchases of goods	<b>397,739</b>	147,446
Operating lease rental paid	<b>2,284</b>	1,180
Interest expense	<b>22,359</b>	38,173
Interest income	–	1,160
Commission paid	<b>191</b>	3,713
Brokerage fee paid	<b>636</b>	310
Transactions with ultimate holding company:		
Interest expense	–	10,835
Royalty paid	–	6,529
Management fee income	–	16,263
Management fee paid	<b>755</b>	–
Transactions with associates:		
Sales of goods	<b>21,124</b>	29,498
Purchases of goods	<b>387,797</b>	71,180
Reimbursement of advertising expenses	–	1,667
Transactions with intermediate holding company:		
Sales of goods	–	9,387
Transactions with related companies <sup>#</sup> :		
Sales of goods	<b>13,566</b>	192,486
Purchases of goods	<b>1,843,958</b>	3,638,449
Storage and processing fees paid	–	2,181
Transactions with minority shareholders of subsidiaries:		
Purchases of goods	–	28,585

<sup>#</sup> Related companies are companies under significant influence by the Group's ultimate holding company.



## 17. RELATED PARTY TRANSACTIONS (continued)

### (b) Outstanding balances with related parties

Except for the following, the balances with the holding companies, fellow subsidiaries, related companies and minority shareholders of the Group's subsidiaries as at the balance sheet date are unsecured, interest-free and have no fixed terms of repayment:

- (1) the loans from a fellow subsidiary of HK\$504,314,000 (2006: loans from the ultimate holding company and a fellow subsidiary of HK\$1,615,929,000), which bear interest at rates ranging from 5.50% to 5.58% (2006: 4.86% to 6.30%) per annum;
- (2) amounts due to minority shareholders of subsidiaries of HK\$37,695,000 (31 December 2006: HK\$147,496,000), which are financing in nature and are not repayable within one year from the balance sheet date; and
- (3) amounts due to the ultimate holding company of HK\$20,542,000 (31 December 2006: HK\$19,906,000), which are not repayable within one year from the balance sheet date.

The carrying amounts of balances with related parties approximate to their fair values.

### (c) Compensation of key management personnel of the Group

	<b>For the six months ended 30 June</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited) (Restated)
Salaries, allowances and benefits in kind	<b>1,916</b>	876
Equity-settled share option expenses	–	96
Pension scheme contributions	<b>44</b>	29
Total compensation paid to key management personnel	<b>1,960</b>	1,001

**18. OPERATING LEASE ARRANGEMENTS**

The Group leases certain of its office properties and steel barrels under operating lease arrangements. Leases for office properties are negotiated for terms ranging from one to fifteen years and those for steel barrels for terms ranging from one to eleven years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2007 HK\$'000 (Unaudited)</b>	31 December 2006 HK\$'000 (Audited)
Within one year	<b>11,221</b>	43,588
In the second to fifth years, inclusive	<b>7,171</b>	39,292
After five years	<b>457</b>	70,468
	<b>18,849</b>	153,348

**19. COMMITMENTS****(a) Capital commitments**

In addition to the operating lease commitments detailed in note 18 above, the Group had the following capital commitments at the balance sheet date:

	<b>30 June 2007 HK\$'000 (Unaudited)</b>	31 December 2006 HK\$'000 (Audited)
Capital commitments in respect of property, plant and equipment:		
Authorised, but not contracted for	–	395,307
Contracted, but not provided for	<b>8,958</b>	869,064
	<b>8,958</b>	1,264,371

Other than disclosed above, the Group did not have any significant commitments or contingent liabilities as at the balance sheet date (31 December 2006: Nil).

## 20. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, on 6 August 2007, COFCO Coca-Cola Beverages Limited ("CBL"), a 65% owned subsidiary of the Company, entered into a conditional share transfer master agreement with Coca-Cola China Industries Limited ("CCCI"), pursuant to which:

- (i) CBL will transfer to CCCI all the issued share capital in COFCO Beverages (Chengdu) Limited, COFCO Beverages (Harbin) Limited, COFCO Beverages (Kunming) Limited, COFCO Beverages (Taiyuan) Limited, COFCO Beverages (Wuhan) Limited, and COFCO Beverages (Jilin) Limited (the "CBL Companies"), all being wholly-owned subsidiaries of CBL, and transfer to CCCI all the outstanding shareholder's loans totaling approximately HK\$145,800,000 owed to CBL by each of the CBL Companies, at an aggregate consideration of approximately RMB571,000,000;
- (ii) CCCI will transfer to CBL all the issued share capital in Coca-Cola China Industries Beverages (Qingdao) Ltd. (the "CCCI Company"), a wholly-owned subsidiary of CCCI, and transfer to CBL all the outstanding shareholder's loans totaling approximately HK\$54,900,000 owed to CCCI by the CCCI Company, at an aggregate consideration of approximately RMB521,000,000; and
- (iii) CBL will acquire from CCCI all the issued share capital in Coca-Cola China Industries (Beijing) Limited ("CCCI Beijing"), a wholly-owned subsidiary of CCCI, and acquire from CCCI all the outstanding shareholder's loans totaling approximately HK\$128,500,000 owed to CCCI by CCCI Beijing, at an aggregate consideration of approximately RMB270,000,000.

Details of the above transactions were disclosed by the Company in the announcement dated 6 August 2007 and a circular dispatched to shareholders on 27 August 2007.

**21. COMPARATIVE AMOUNTS**

As further explained in note 1 to the condensed consolidated interim financial statements, due to the adoption of AG 5 for the Acquisition during the prior period and to conform with the current period's presentation, comparative amounts have been restated and reclassified.

**22. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 19 September 2007.

## MANAGEMENT DISCUSSION AND ANALYSIS

After completion of the reorganization in 2006, on 21 March 2007, the Company spun off China Agri-Industries Holdings Limited (“CAIH”), which owns the agri-industrial businesses, by way of distribution in specie and listed CAIH shares on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) by way of introduction (the “Spin-off”) and CAIH issued new shares through a global offering. Upon completion of the Spin-off, the Company became a company that focuses on branded food and beverage businesses, and continues to operate four principal businesses including wine, beverage, consumer-pack edible oil and confectionery, and CAIH became a company that focuses on agri-industrial businesses.

During the period under review, the consolidated turnover of the Group was HK\$8,888 million compared with HK\$11,403 million in the same period of last year; profit attributable to shareholders reached HK\$377 million, 29% less than that in the same period of last year; basic earnings per share was HK13.52 cents, a decrease of HK6.68 cents compared with HK20.20 cents per share in the same period of last year.

The performances of CAIH during the period under review together with other information are detailed in the interim report of CAIH.

As if the Spin-off were completed on 1 January 2006, during the period under review, the consolidated turnover of the continuing businesses of the Group (the “Pro Forma Group”) was HK\$4,294 million, representing an increase of 37% over the same period of last year; profit attributable to shareholders of the Pro Forma Group reached HK\$202 million (excluding the expenses for the stamp duty in connection with the Spin-off), 7.9% more than that in the same period of last year; basic earnings per share of the Pro Forma Group were HK7.25 cents, an increase of 2% compared with HK7.11 cents per share in the same period of last year.

The performances of the Pro Forma Group during the period under review together with other information are set out below.

### WINE BUSINESS

The Group’s wine business is mainly engaged in the production, marketing and sale of wines under the “Greatwall” and “長城” brands in China. The business consists of the entire value chain from vineyards to wine-making to sale and marketing. During the period under review, the turnover of the business was HK\$1,081 million, representing an increase of 19.9% over the same period of last year, and operating profit was HK\$212 million, representing an increase of 29.2% over the same period of last year.

30 June 2007

Attributable to the increase in average selling price and the reduction of the cost of raw materials, the gross profit margin of the wine business increased to 50.5% from 47.4% in the same period of last year. The integration of production capacities of the three wineries has been completed. The introduction of balanced score card into the management of the wineries has enhanced the sophistication of the management. The first phase construction of a new vineyard in Yantai was completed in the first half of 2007. After the completion of the second phase construction, the vineyard will become a premium chateau encompassing research and development of premium wines, top-quality vine planting, promotion of oenology and vineyard resort. Since we became the exclusive supplier of wines for the Beijing 2008 Olympics, we have carried out a series of marketing activities, including sponsoring a premium golf tournament in China, the 2007 Pine Valley Beijing Open, participating in the first-ever Olympic collections China tour, organizing the Olympic Wine Label Competition, introducing an Olympic souvenir wine, Greatwall 2008 Cheers. We have introduced Italian ASTI sparkling wine and Spanish CAVA sparkling wine under "Greatwall" label, which further enhanced our product portfolio and brand image of "長城" and "Greatwall".

## BEVERAGE BUSINESS

The Group's Coca-Cola bottler group is one of the three key bottler groups in relation to Coca-Cola beverages in the PRC, which currently operates six bottling plants and holds minority interests in 14 bottling plants in the PRC. These six bottling plants are engaged in the production and bottling and sale and distribution of Coca-Cola beverages, including sparkling beverages and still beverages such as fruit juices, water and tea, in twelve provinces and three other cities in the PRC under franchise from The Coca-Cola Company. Under the current bottler's agreements with The Coca-Cola Company, the term of the franchise is not more than five years and may be renewed by the parties upon agreement.

During the period under review, attributable to strong consumption growth trends in the PRC beverages market, the turnover of this business was HK\$1,570 million, representing an increase of 21.8% over the same period of last year. Operating profit was HK\$125 million, representing a decrease of 5.5% over the same period of last year. The decrease was due to increased investments in marketing with a view to further strengthen market share and long-term profitable growth, as well as marginal increase in commodity costs.

During the first half of 2007, we set up a bottling plant in Jiangxi Province, which is expected to commence production in 2008. We also negotiated with Coca-Cola China Industries Limited a share transfer master agreement in respect of certain bottling plants. The agreement was announced on 6 August. We expect that the completion of the agreement will bring about positive impact on the beverages business over the longer term.

## CONSUMER-PACK EDIBLE OIL BUSINESS

The consumer-pack edible oil business is principally engaged in the distribution and sale of consumer-pack edible oil in the PRC under the “福臨門” and “Fortune” brands. During the period under review, the sales of the business were HK\$1,516 million, an increase of 91.2% over the same period of last year. Due to significant pressure from rising prices of raw materials, the business recorded loss during the period under review.

New visual identities for the “福臨門” and “Fortune” brands were launched in July 2007. Although the business recorded loss during the period under review, steps are being taken to enhance the brand image and to improve product structure. A new supplier has been secured in Southwest China to help further reduce cost.

## CONFECTIONERY BUSINESS

The Group produces and distributes chocolates and confectionery products in China mainly under the “Le Conte” and “金帝” brands. During the period under review, the turnover of this business was HK\$128 million, representing a decrease of 15.4% over the same period of last year. The decline was attributable to the tightening of credit policies towards distributors by controlling sales on credit. Due to the decrease in sales, this business recorded loss during the period under review.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2007, the Group's total shareholders' equity stood at HK\$4,059 million, representing an increase of 4.7% compared with that of the Pro Forma Group as at 31 December 2006. As at 30 June 2007, the Group's cash and bank deposits totaled HK\$1,338 million (31 December 2006: HK\$1,310 million (the Pro Forma Group)), and the Group's net current assets were approximately HK\$1,768 million (31 December 2006: HK\$1,637 million (the Pro Forma Group)).

Based on the aforesaid performance and the banking facilities available to the Group, the management believes that the Group's financial resources are sufficient for all debt payments, day-to-day operations and capital expenditures.

As 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 slight appreciation of Renminbi will have positive effect on the Group.

30 June 2007

## CAPITAL STRUCTURE

During the period under review, there were no changes in the share capital of the Company. As at 30 June 2007, the total number of issued shares of the Company was 2,791,383,356 shares.

As at 30 June 2007, the Group had no significant borrowings apart from certain bank loans and loans from a fellow subsidiary totaling HK\$681 million (31 December 2006: HK\$596 million (the Pro Forma Group)). During the period under review, all the Group's bank borrowings bore fixed annual interest rates ranging between 3.00% and 6.48% (31 December 2006: between 3.00% and 7.01% (the Pro Forma Group)), while other borrowings bore fixed annual interest rates ranging from 5.022% to 5.58% (31 December 2006: from 4.86% to 6.30% (the Pro Forma Group)).

As at 30 June 2007, net assets of the Group were HK\$4,059 million (31 December 2006: HK\$3,880 million (the Pro Forma Group)) and net cash of the Group (cash and bank deposits less total debts) was HK\$ 657 million (31 December 2006: HK\$714 million (the Pro Forma Group)).

## CONTINGENT LIABILITIES AND ASSETS PLEDGED

As at 30 June 2007, the Group had no material contingent liabilities.

As at 30 June 2007, certain bank loans of the Group were secured by charges over certain bank deposits, fixed assets and investment properties with net book value of approximately HK\$137 million (31 December 2006: HK\$148 million (the Pro Forma Group)).

## EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2007, the Group employed approximately 8,181 staff in mainland China and Hong Kong (31 December 2006: 8,145 (the Pro Forma Group)). Employees are paid according to their performance, experience and prevailing trade practices, and are provided with on-the-job and professional training. Employees in Hong Kong receive retirement benefits, either under the Mandatory Provident Fund exempted ORSO scheme or under the Mandatory Provident Fund scheme. There is a similar scheme for employees in mainland China. Details concerning employee benefit schemes are set out in the paragraph headed "Summary of Significant Accounting Policies" under sub-heading "Employee Benefits" of the 2006 Annual Report of the Company.

The Company has adopted a share option scheme (the "Scheme") to reward eligible employees (including executive directors and non-executive directors of the Company) according to individual merits. The share options granted under the Scheme is exercisable in five years according to the schedule after 24 months from the date they are granted subject to the satisfaction of certain performance requirements. During the period under review, the Company did not grant any share options to the executive directors and non-executive directors of the Company and other eligible employees of the Group under the Scheme. As at 30 June 2007, there were no outstanding share options.



## CHANGE IN THE STRUCTURE OF THE GROUP

During the period under review, on 21 March 2007 the Company completed the spin-off of its wholly-owned subsidiary CAIH. CAIH issued new shares through a global offering and listed its shares on the main board of the Stock Exchange on the same day. Details of the Spin-off were disclosed in the 2006 Annual Report of the Company.

The Company set up COFCO Coca-Cola Beverages (Jiangxi) Limited in Nanchang, Jiangxi Province. It will be engaged in the production and bottling and sale and distribution of certain Coca-Cola beverages under franchise from The Coca-Cola Company.

Save as the aforesaid, there were no other material changes in the structure of the Group during the period under review.

## PROSPECTS

In conclusion, during the period under review, the performance of the wine business was satisfactory. The operating profit of the beverage business declined, due to increased investments in marketing with a view to further increase market share over the longer term, as well as marginal increase in commodity costs. Management recognizes there is room for improvement in both the consumer-pack edible oil and confectionery businesses and are actively seeking ways to improve these businesses.

After the Spin-off, the business focus of the Group is branded foods and beverages. We will focus on the creation of valuable brands and the establishment of extensive sales network in the next few years. With this focus in mind, we will review and adjust our development strategies and enhance our execution capabilities in order to create greater value for our shareholders and employees.

## INTERIM DIVIDEND

Save for the special interim dividend paid in March 2007, the Directors does not declare the payment of any interim dividend in respect of the six months ended 30 June 2007 (2006: 4.50 HK cents).

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2007, the interests and short positions of the Directors and their associates in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or were deemed to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register of members of the Company, or which were required to be notified to the Company and the Stock Exchange pursuant to the

30 June 2007

Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") were as follows:

**(a) Aggregate long positions in the shares, underlying shares and debentures of the Company and its associated companies**

Name of director	Capacity of Shares	Number of Shares in long position	Total number	Approximate percentage of shareholding (Note 2)
Mr. Qu Zhe	Beneficial owner	670,000	670,000 (Note 1)	0.024%

Notes:

- (1) Long position in the shares of the Company (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
- (2) The percentages are calculated based on the total number of shares of the Company in issue as at 30 June 2007, i.e. 2,791,383,356 shares.

Save as disclosed above, none of the Directors or their associates had any other long positions in the shares, underlying shares and debentures of the Company and its associated companies.

**(b) Aggregate short positions in the shares, underlying shares and debentures of the Company and its associated companies**

As at 30 June 2007, none of the Directors and their associates had any short positions in the shares, underlying shares and debentures of the Company and its associated companies.

## SHARE OPTION SCHEME

The Company has adopted share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. The share option scheme adopted by the Company on 23 June 1997 ("Old Scheme") expired on 22 June 2007 and all share options granted under the Old Scheme were either exercised, lapsed or forfeited in 2006. On 21 November 2006, the Company adopted a new share option scheme ("New Scheme").

During the period under review, no share options were granted under the New Scheme.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The interests and short positions of substantial shareholders in the shares and underlying shares of the Company as at 30 June 2007, as recorded in the register required to be kept under section 336 of the SFO, were as follows:

### (a) Aggregate long positions in the shares and underlying shares of the Company

The Company had been notified of the following substantial shareholders' interests in the shares and underlying shares as at 30 June 2007:

Name of Shareholders	Capacity	Notes	Number of Shares held	Approximate percentage of shareholding <i>(Note 4)</i>
Wide Smart Holdings Limited ("Wide Smart")	Beneficial owner	(1)	1,922,550,331	68.87%
COFCO (BVI) No.108 Limited ("COFCO BVI")	Beneficial owner	(1)	140,000,000	5.02%
COFCO (Hong Kong) Limited ("COFCO (HK)")	Beneficial owner	(1)	10,138,000	0.36%
	Interest of controlled corporations	(1)&(2)	2,062,550,331	73.89%
COFCO ("COFCO")	Interest of controlled corporations	(1)&(3)	2,072,688,331	74.25%

Notes:

- Long positions in the shares of the Company.
- COFCO (HK) is deemed to be interested in 2,062,550,331 shares in aggregate held by Wide Smart and COFCO (BVI) since COFCO (HK) is entitled to control the exercise of or exercise one-third or more of the voting power at general meetings of Wide Smart and COFCO BVI.
- COFCO is deemed to be interested in 2,072,688,331 shares in aggregate held by Wide Smart, COFCO BVI and COFCO (HK) since COFCO is entitled to control the exercise of or exercise one-third or more of the voting power at general meetings of Wide Smart, COFCO BVI and COFCO (HK).
- The percentages are calculated based on the total number of shares of the Company in issue as at 30 June 2007, i.e., 2,791,383,356 shares.

Save as disclosed above, as at 30 June 2007, the Company had not been notified of any persons other than the substantial shareholders above who had long positions in the shares or underlying shares of the company, which are required to be recorded in the register required to be kept under Section 336 of the SFO.

**(b) Aggregate short positions in the shares and underlying shares of the Company**

As at 30 June 2007, the Company had not been notified of any short positions being held by any substantial shareholder in the shares or underlying shares of the Company.

## **CORPORATE GOVERNANCE**

In the opinion of the Directors, during the six months ended 30 June 2007, the Company complied with the principles and code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Listing Rules, except for the following deviation:

### **Code Provision E.1.2**

Code provision E.1.2 provides that the chairman of the board should attend the Company's annual general meeting. The chairman of the board did not attend the annual general meeting of the Company held on 22 May 2007 due to other commitment.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES**

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules. Upon specific enquiries of all directors, all Directors have confirmed that they fully complied with the required standards set out in the Model Code during the six months ended 30 June 2007.

The Company has also adopted a code of securities transactions by relevant employees to govern securities transactions of those employees who may possess or have access to price sensitive information.

## **REMUNERATION COMMITTEE**

The Company has established a remuneration committee with specific written terms of reference in accordance with the requirements of the Code. The primary duties of the remuneration committee include, without limitation, establishing a formal and transparent procedure for developing policies on remuneration, and determining the terms of the specific remuneration package of each executive director and senior management. The remuneration committee currently consists of three members and two of them are independent non-executive directors. The remuneration committee is chaired by Mr. Yuen Tin Fan, Francis. The other committee members are Mr. Stephen Edward Clark and Mr. Qu Zhe.

## AUDIT COMMITTEE

The Company has established an audit committee with specific written terms of reference in accordance with the requirements of the Code. The primary duties of the audit committee are to review and supervise the Group's financial reporting process and internal control procedures. The audit committee currently consists of three members who are independent non-executive directors. The audit committee is chaired by Mr. Tan Man Kou. The other committee members are Mr. Stephen Edward Clark and Mr. Yuen Tin Fan, Francis.

The audit committee has reviewed the unaudited interim financial statements for the six months ended 30 June 2007 together with the management and the independent auditors and has reviewed the internal auditors' report for the period under review with the Company's internal auditor.

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

Neither the Company nor any of its subsidiaries purchased, sold and redeemed any of the Company's listed securities during the period under review.

## APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank the shareholders for their continuing support and all the staff for their dedication and hard work.

By Order of the Board  
**China Foods Limited**  
**Qu Zhe**  
*Managing Director*

Hong Kong, 19 September 2007