

We envisage that the Group will become a market leader in the consumer foods business in the PRC.



烟台长城系列
GREATWALL

金色庄园 高级干红葡萄酒

The dry red wine is made from
Cabernet Sauvignon in Yantai Spa valley
Greatwall vineyard of China

1998 珍藏版

Chairman's Statement



Ning Gaoning
Chairman

I am pleased to present the annual results of COFCO International Limited (to be renamed as China Foods Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2006.

REORGANISATION

During the past year, the Group completed the acquisition of certain food and beverage businesses and agri-industrial businesses from COFCO (Hong Kong) Limited ("COFCO (HK)"), and disposal of certain non-core businesses including non-rice food stuffs trading business to COFCO (HK) ("Reorganisation"). On 21 March 2007, the Company spun off China Agri-Industries Holdings Limited ("China Agri Holdings") which owns the agri-industrial businesses by way of distribution in specie and listed China Agri Holdings shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange") by way of introduction ("Spin-off") and China Agri Holdings issued new shares through a global offering. After the Spin-off, the Company will focus on the branded food and beverage businesses, and China Agri will focus on the agri-industrial businesses. We are confident that, through the Reorganisation and the Spin-off, the business focus of each of the companies will become much clearer, enabling the realization of their respective market value and, ultimately, bringing more value to the shareholders.

RESULTS

For the year ended 31 December 2006, the enlarged Group's consolidated turnover was HK\$26,012 million, representing an increase of 20.9% over 2005 (restated). Profit attributable to shareholders reached HK\$990 million, representing a 75.9% increase from 2005 (restated). Basic earnings per share during the year under review were HK37.28 cents, an increase of HK15.94 cents, compared with HK21.34 cents per share (restated) in the previous year.

The businesses of the Group after the Spin-off include four branded food and beverage businesses, namely, wine business (including wines and Shaoxing wines), beverage business, consumer-pack edible oil business and confectionery business.

DIVIDEND

An interim dividend for 2006 of HK 4.5 cents had been paid by the Company. The directors recommend that no payment of any final dividend will be made for the year ended 31 December 2006. The directors will review the dividend policy and dividend payment proposal in the future.

BUSINESS REVIEW AND PROSPECTS

In 2006, apart from reorganisation, the Group also underwent structural changes in operations and management. During the past year, we have gradually implemented a process under which regular reviews are conducted on the strategies for each of our businesses, in order to make quick responses to changes in the market and the industry. We have identified brand building and sales channel consolidation as our key tasks in the coming few years. The Group plans to systematically extract synergies from different businesses, with a view to increase the overall value of the Group.

During the past year, turnover and operating profit of the wine business achieved reasonable growth, although somewhat affected by the initial phase of sales channel consolidation. However, we believe that upon completion of this initiative, a solid foundation will be laid enabling further and continuous growth. The beverage business was recently injected into the Group. By leveraging on its management experience and extensive sales network, as well as the strong growth trend in the beverages market in the PRC, we believe we will achieve outstanding performance. Despite the fact that contributions to earnings by the consumer-pack edible oil business and confectionery business were limited, the management still view these businesses as an important part of the Group. Measures are being put in place to ensure that they will become sources of future growth for the Group.

Upon completion of the Spin-off, the Company applied to the Registrar of Companies in Bermuda for change of its name to "China Foods Limited" on 21 March 2007. We are in a position to capitalize on the huge growth potential in the food and beverage market in the PRC. We envisage that the Group will become a market leader in the consumer foods business with an extensive sales network, a portfolio of influential brands and a highly professional management team.

Upon completion of the Spin-off, Messrs. Liu Fuchun, Xue Guoping, Liu Yongfu and Yu Xubo resigned as executive directors of the Company. The directors wish to thank for their work and contribution for the past years. We warmly welcome Mr. Ma Jianping, Mr. Mak Chi Wing, William, Ms. Luan Xiuju, Mr. Zhang Zhentao and Ms. Wu Wenting to the Board. We believe that they will make constructive contribution to the future development of the Group.

Last but not least, we would like to thank each of our shareholders for their continuous support and we also offer our heartfelt gratitude to each member of our staff for their hard work over the past year.

Ning Gaoning
Chairman

Hong Kong, 19 April 2007