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CHINA FOODS LIMITED
中國食品有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 506)

PROFIT WARNING

This announcement is made by the Company pursuant to Rule 13.09(2)(a) of the Listing Rules and Inside Information Provisions under Part XIVA of the SFO.

Reference is made to the June Profit Warning Announcement. The Board wishes to update the shareholders of the Company and potential investors that the Group recorded a net loss for the six months ended 30 June 2013 as compared to the profit for the six months ended 30 June 2012. As the unfavourable market conditions as set out in the June Profit Warning Announcement continued during the period from 1 May 2013 to 30 June 2013, the Group continued to record a loss during such period, which resulted in the Group's net loss for the six months ended 30 June 2013.

Also, the Board would like to inform shareholders of the Company and potential investors that:

- (i) the reduction in the Group's profitability raises the question as to whether there is a need to record an impairment in certain deferred tax assets as at 31 December 2012 and certain potential deferred tax assets arising in the first half of 2013. The Board is currently undertaking a review of this matter in order to decide the appropriate course of action. If the Board determines that it is appropriate to record such impairment, it is likely that this will significantly increase the loss of the Group for the period; and
- (ii) while there are indications that there may be some improvement in trading conditions in the second half of 2013 and regardless of whether an impairment of the deferred tax assets as set out in paragraph (i) above will be recorded, the net results of the Group for the year ending 31 December 2013 are likely to be significantly lower as compared to the net results for the year ended 31 December 2012 and based on present estimates, there will be a loss for the full year.

The Board will provide further update to the market as and when appropriate.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by China Foods Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the “**SFO**”).

Reference is made to the announcement of the Company dated 3 June 2013 (the "**June Profit Warning Announcement**"), whereby it was stated that the Group recorded a net loss for the four months ended 30 April 2013 compared to a profit for the same period of 2012 and that the net loss for the four months ended 30 April 2013 was attributable to a substantial decrease in the operating profits of the Group’s wine and kitchen food business caused by unfavourable market conditions.

Based on the information currently available to the board of directors of the Company (the "**Board**"), the Board wishes to update the shareholders of the Company and potential investors that the Group recorded a net loss for the six months ended 30 June 2013 as compared to the profit for the six months ended 30 June 2012. As the unfavourable market conditions as set out in the June Profit Warning Announcement continued during the period from 1 May 2013 to 30 June 2013, the Group continued to record a loss during such period, which resulted in the Group's net loss for the six months ended 30 June 2013.

As the Group is still finalizing its unaudited interim results for the six months ended 30 June 2013, the information contained in this announcement is only based on the assessment by the Board in accordance with the unaudited consolidated management accounts of the Group for the six months ended 30 June 2013, and is not based on any information or figures which have been audited or reviewed by the Company’s auditors.

Also, the Board would like to inform shareholders of the Company and potential investors that:

- (i) the reduction in the Group's profitability raises the question as to whether there is a need to record an impairment in certain deferred tax assets as at 31 December 2012 and certain potential deferred tax assets arising in the first half of 2013. The Board is currently undertaking a review of this matter in order to decide the appropriate course of action. If the Board determines that it is appropriate to record such impairment, it is likely that this will significantly increase the loss of the Group for the period; and
- (ii) while there are indications that there may be some improvement in trading conditions in the second half of 2013 and regardless of whether an impairment of the deferred tax assets as set out in paragraph (i) above will be recorded, the net results of the Group for the year ending 31 December 2013 are likely to be significantly lower as compared to the net results for the year ended 31 December 2012 and based on present estimates, there will be a loss for the full year..

The Board will provide further update to the market as and when appropriate.

Shareholders of the Company and potential investors are advised to read carefully the interim results announcement of the Company for the six months ended 30 June 2013 which will be published before end of August 2013.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
China Foods Limited
Luan Xiuju
Managing Director

Beijing, 3 August 2013

As at the date of this announcement, the Board comprises: Mr. Yu Xubo as the chairman of the Board and a non-executive director; Ms. Luan Xiuju, Mr. Ning Gaoning and Mr. Mak Chi Wing, William as executive directors; Mr. Chi Jingtao, Ms. Liu Ding, Mr. Ma Jianping and Ms. Wu Wenting as non-executive directors; and Messrs. Stephen Edward Clark, Paul Kenneth Etchells, Li Hung Kwan, Alfred and Yuen Tin Fan, Francis as independent non-executive directors.