DaChan Food (Asia) Limited
大成食品(亞洲)有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 3999

Annual Report 2008

Contents

Corporate Profile

DaChan Food (Asia) Limited (the “Company”) is a conglomerate based in the People’s Republic of China (“PRC”), Vietnam and Malaysia and was successfully listed on the Stock Exchange of Hong Kong Limited (“Stock Exchange”) on 4 October 2007. The Company, its subsidiaries and its jointly-controlled entities (collectively as the “Group”) provide a full vertically integrated food supply chain, from advanced formulation of animal nutrition for swine, poultry and aquatic to ready-to-eat processed foods for consumer-end customers.

The Group has more than 30 factories located in the PRC, Vietnam and Malaysia, selling feeds mainly under the “DaChan” (大成) and “Dr. Nupak” (補克博士) brands, chicken meats mainly under the “大成雞寶寶” brand and processed foods mainly under the “Sisters’ Kitchen” (姐妹廚房) brand.

The Group distributes its products through nationally and internationally renowned food chain stores, distributors, super-and hypermarkets as well as the Group’s own retail outlets. The Group also maintains sales offices in major strategic cities in the PRC to coordinate sales and marketing activities. Through the continued development of comprehensive sales channels, the Group is well positioned for rapid growth.

The Group maintains high standards in hygiene and quality control and has earned numerous awards and accreditations. Most of our feed production facilities have received ISO 9001:2000 certifications and most of our chicken meat production facilities have obtained ISO 9001:2000 and HACCP certifications.

The Group constantly develops new and value-added products with the aid of the latest food science and technology. By responding to the ever-changing needs of the market in a timely manner, the Group has greatly enhanced its level of service to customers.

Mission and Competitive Advantages

Mission

To become a dominant player in the chicken meat, processed foods and feed markets in the PRC by enhancing healthiness through competitive animal protein supply chain of total traceability with dedication to product safety, reliability and quality.

Competitive Advantages

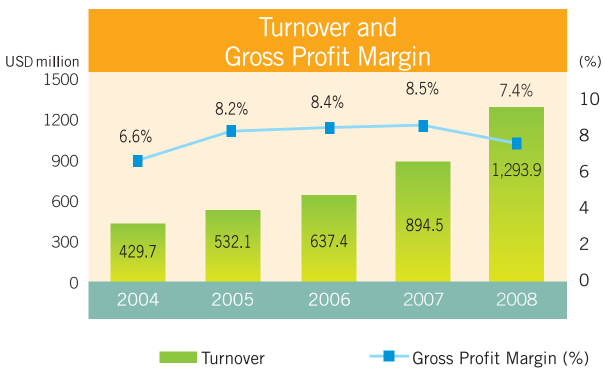
- Market leader with well-recognised brand names
- Highly integrated and efficient business model
- Stringent quality and hygiene control
- Stable and long-standing relationship with nationally and internationally renowned customers
- Scalable production capability with facilities in strategic locations around the PRC, Vietnam and Malaysia
- Experienced and dedicated management team

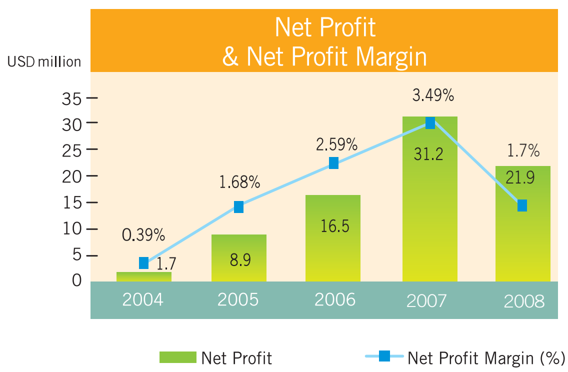
Financial Highlights

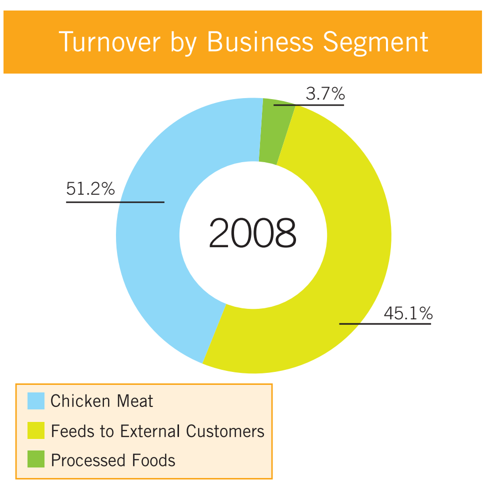
Year ended 31 December 2008

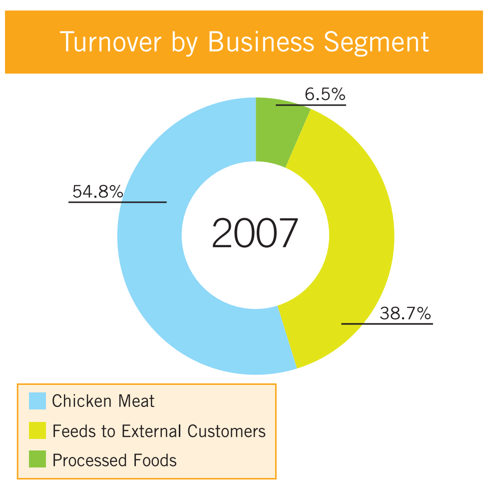
(USD'000)	2008	2007	Changes
Turnover	1,293,995	894,491	44.7%
Profit attributable to shareholders of the Company	19,675	26,238	-25.0%
Total assets	369,131	378,272	-2.4%
Net assets	244,256	212,698	14.8%
Basic earnings per share (US cents)	1.95	3.23	-39.7%
Return on total assets (%)	5.8%	10.7%	-4.9%
Return on equity (%)	9.6%	20.7%	-11.1%
*Gearing ratio	12.8%	39.1%	-26.3%
Net assets per share (USD)	0.24	0.19	26.3%

*Gearing ratio = Interest bearing debt/Average net assets.









Han Jia-Hwan
Chairman

Dear shareholders:

DaChan continued to grow its business in 2008. Total turnover of the Group increased by 44.7% to USD1,294.0 million from USD894.5 million in 2007. The Group's high standards of product safety and quality were highly recognized as it was selected as one of the chicken meat suppliers to both the 2008 Olympic Games and the 2008 Paralympic Games in Beijing.

Despite the adverse operating environment resulted from the global financial crisis in the second half of last year, the Group achieved a satisfactory 25.8% growth in gross profit to USD95.3 million in 2008, thanks to our proven integrated business model and stringent cost management. Profit attributable to shareholders after excluding the non-recurring income was however negatively affected and was down by 12.9% to USD18.2 million. As a gesture of appreciation to our shareholders' long-standing support, the board of directors (the "Board") recommended a final dividend of HK3.77 cents per share.

Overall, the market and operating environment in 2008 was unusually difficult. The financial crisis has undermined public confidence in the economy and slowed down the growth in consumption. There were also incidents of animal diseases last year, posting additional challenges to the industry in general. Raw material costs including that of corn and soyabean meal soared to record high during 2008.

Looking ahead, we expect the operating environment for our core businesses to remain challenging in 2009. The Chinese government is implementing an extensive stimulus package across a wide range of industries and we believe they will be effective in sustaining a modest growth in the economy. As a result, we expect domestic consumption in the PRC, our key market, to grow but probably at a slower pace.

However, we also see encouraging developments unfolding. The PRC government has set clear priorities to support a steady growth in rural income and to ensure a sufficient supply of protein foods to the public. This will help sustain and shape market demand for chicken products in the long run, given that chicken meat is considered as one of the most economic sources of animal protein.

Health conscious consumers in the PRC are increasingly concerned about food safety. With our comprehensive product traceability system to ensure the highest quality and safety standards, DaChan's products command very favorable position in the market.

We are launching a brand building program for our chicken products, which takes advantage of our unique, well-developed product traceability system across the entire production value chain to address consumers' growing concern about food safety. The program will engage consumers by inviting them to trace, over the Internet, quality and safety information of our products at each stage of the production process. The Group strongly believes that this strategic initiative is a key step towards building a strong consumer platform to support growth in the future.

The Group has laid down clear plans to guide its development. We will continue to expand our capacity prudently and execute our stated growth strategy. Managing raw material costs has been and will remain a top priority for the Group to improve its operating margin.

The current financial crisis is certain a test of strength and there are enormous market and operating challenges ahead; and yet, track record has demonstrated the resilience and strength of our strategy and integrated business model. Through our increased capabilities, I have every confidence that DaChan will be able to deliver stable returns and increase values further for its shareholders in the times ahead.

On behalf of the Board, I would like to extend my sincere gratitude to our shareholders, customers and business partners for their unwavering support. In addition, I would also like to take this opportunity to thank all my colleagues and staff for their contribution and commitment to DaChan.

Han Jia-Hwan
Chairman
Hong Kong, 27 March 2009

Huang Shih-Kun
Chief Operation Officer

Chang Tiee-Shen
Chief Executive Officer & Executive Director

Chen Fu-Shih
Chief Administrative Officer & Executive Director

The PRC market continued to experience strong growth in the demand for meat products driven by increased economic prosperity and continued population growth. Rising living standards have led to a growing awareness about food safety, fuelling further the demand for higher quality food products.

As a leading chicken meat products and feed suppliers in the PRC, our strong brand recognition, vertically integrated business model and our stringent quality control through our traceability system have ensured the sustainable growth of our business. Despite the deteriorating operating environment in the latter half of 2008, the Group managed to grow its business and market share.

	2008	2007	change
Turnover (USD'000)	1,293,995	894,491	44.7%
Gross profit (USD'000)	95,291	75,749	25.8%
Gross profit margin (%)	7.4	8.5	
Profit attributable to shareholders (USD'000)	19,675	26,238	-25.0%
Profit attributable to shareholders after excluding the non-recurring income (USD'000)	18,176	20,874	-12.9%

For the year ended 31 December 2008, total turnover for the Group reached USD1,294.0 million, up 44.7% from the previous year, primarily as a result of increase in sales volume in our chicken meat and feeds to external customers segments. The chicken meat business contributed the most to the Group's business in 2008, accounting for 51.2% of total turnover. Feeds to external customers and processed foods accounted for 45.1% and 3.7% of total turnover, respectively.

We continuously monitor changes in our product mix and their respective contributions that helps maintain a relatively stable gross profit growth. Our gross profit in 2008 reached USD95.3 million, a year-on-year increase of 25.8%. Gross profit margin in 2008 was at 7.4% compared to 8.5% in 2007 as a result of rising raw material costs and a substantial drop in the selling price of chicken meat in the last quarter of 2008. Profit from operations, excluding the USD5.8 million exchange loss recognized for our business in Vietnam, increased 4.4% to USD39.6 million.

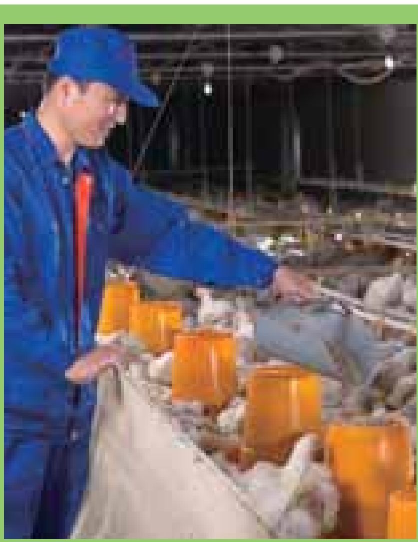
Profit attributable to shareholders in 2008 was USD19.7 million, down 25.0% from that of 2007. Excluding the USD1.5 million non-recurring income, the compensation from the PRC Government for the relocation of a Group's factory and the government subsidies, our profit attributable to shareholders was USD18.2 million, a decrease of 12.9%. The decline was attributable to the exchange loss of USD5.8 million in our Vietnam operation and volatility in selling price of the chicken meat products.

Feed Safety

Segmental Results

Chicken Meat





	2008	2007	change
Turnover (USD'000)	661,946	489,743	35.2%
Gross profit (USD'000)	36,002	39,667	-9.2%
Gross profit margin (%)	5.4	8.1	

Our chicken meat business comprises three products: chilled and frozen chicken, feeds to contract farmers and chicks to contract farmers. Total turnover from our chicken meat business amounted to USD661.9 million, an increase of 35.2% over 2007. Quick service restaurants ("QSRs") and other leading domestic food producers accounted for approximately 46% of the segment turnover. Organic sales growth from existing customers and new client acquisitions were the drivers of the segment turnover's growth. We have successfully diversified our distribution to cover high-end hotel chains, local QSRs and airline meal service agents.

The average selling price of our chilled and frozen chicken in 2008 rose by 17.1% to USD1,517 per tonne (2007: USD1,295 per tonne). The total number of chickens slaughtered in 2008 increased to 133.7 million (2007: 115 million).

Despite the higher than average selling price in the first three quarters, there was a significant price drop in the last quarter of 2008. The combined effect of falling pork prices, an oversupply of chicken meat and the economic slowdown brought about by the global financial crisis have made a negative impact on the gross profit and gross profit margin of this segment. Gross profit was USD36.0 million, a year-on-year decrease of 9.2% while the gross profit margin was decreased to 5.4% in 2008 from a year earlier.

Farm Safety

Segmental Results

Chicken Meat

Selected as one of the chicken meat suppliers to both the 2008 Olympic and Paralympic Games in Beijing was a strong vote of confidence in our high quality products and a recognition of our adherence to stringent hygiene control measures.

In April 2008, the Group also launched a series of new products including marinated products to answer customer needs and achieve margin growth. The new products were well received by the market and enhance our penetration in both the business to business ("B2B") and business to consumers ("B2C") markets.

We continued to maintain growth-conducive relations with contract farmers to ensure a stable and cost-competitive supply of raw materials for chicken products. Average size of contract farms increased to 10,000-12,000 grown chickens per batch. In December 2008, we established the first highly-automated demo farm in the PRC to encourage contract farmers migrate to larger and more technologically advanced farms. The 27-acre farm in Dalian employs the latest technologies in areas including energy conservation and feeding logistics to significantly improve operational efficiency.

Chicken Safety

Segmental Results

Feeds to External Customers

	2008	2007	change
Turnover (USD'000)	584,064	346,747	68.4%
Gross profit (USD'000)	58,415	30,433	91.9%
Gross profit margin (%)	10.0	8.8	

Our feeds segment performed satisfactorily on the back of rising commodity prices in 2008. Turnover rose sharply to USD584.0 million in 2008, representing an increase of 68.4% from the same period last year. Total volume of feeds sold was 1,258,795 tonnes, an increase of 19.1% over 2007.

Rising raw material costs continued to be the major challenge for our feeds products. Thanks to the superior quality of our products valued by our customers, we were able to transfer the higher raw material cost. The average selling price of our feeds products achieved a 41.5% increase at USD464 per tonne in 2008 compared to USD328 per tonne last year.

The Group has continued to focus on improving the gross profit margin for this segment. A number of strategic initiatives were adopted to successfully return the margin to a healthy level at 10.0% in 2008 (2007: 8.8%). They also helped consolidate our leading position in the feeds markets of the PRC and Vietnam and position us well for further expansion and growth.

In the wake of the outbreak of blue-ear disease, we embarked on a program at the end of 2007 to optimize our sales channels for sizeable swine farms in the PRC by adding more direct sales teams. The implementation was successful in generating higher turnover and gross margin for this segment in 2008 as customers were able to directly experience product advantage in enhancing immunity of their swine. The program also helped us to understand more about customer needs for future product development.

We have also stepped up our efforts in the development of functional feeds in the PRC. Our focus in 2008 was on the immunity of piglets, sows, hogs and chickens. Products were designed and formulated to enhance immunity against blue-ear disease for hogs and avian flu for chickens. As a result, sales of swine feeds and chicken feeds were up 75.3% and 67.0% to USD298.5 million and USD237.4 million respectively in 2008.

Last year, we continued to gain share in the fast-growing aquatic feeds market in Vietnam. Sales volume rose to 50,561 tonnes from 37,397 tonnes in 2007, representing an increase of 35.2%. Enjoying an advantageous geographical location and water conditions, Vietnam is one of the world's fastest growing aquatic food export countries. The Group has established a solid position in this market for future development.

Food Safety

Segmental Results

Processed Foods



	2008	2007	change
Turnover (USD'000)			
– Mainland China	32,215	25,168	28.0%
– Export	15,770	32,833	-52.0%
Total	47,985	58,001	-17.3%
Gross profit (USD'000)			
– Mainland China	4,715	3,472	35.8%
– Export	-3,841	2,177	n/a
Total	874	5,649	-84.5%
Gross profit margin (%)			
– Mainland China	14.6	13.8	
– Export	-24.4	6.6	
Overall	1.8	9.7	

Our processed foods segment had a challenging year in 2008. Series of food safety incidents have undermined the confidence of overseas consumers in Chinese processed foods. As a result of that, our processed foods export was significantly affected. Turnover of export business declined by 52.0% to USD15.8 million in 2008 from USD32.8 million in 2007. Total turnover of this segment decreased 17.3% to USD48.0 million from USD58.0 million in 2007. Gross profit declined by 84.5% to USD0.9 million as a result of impairment loss recognized for the export goods.

In response to that, the Group made a decision to expand its processed foods business in the PRC market at a faster pace. In May 2008, we acquired from our business partner the remaining stake in Miyasun-Great Wall (BVI) Co., Ltd., the holding company of a jointly-controlled production plant for processed foods for exports, and converted it into a plant to produce solely for the domestic market.

We have achieved initial success in expanding to the domestic market with our solid experience in stringent product quality control accumulated through producing processed foods for export. As a result, turnover from the PRC increased 28.0% to USD32.2 million in 2008, accounting for 67.1% of total processed foods sales (2007: 43.4%), and surpassing the turnover from overseas markets for the first time. We have concentrated on developing the B2B market across the PRC in 2008 for faster volume penetration. B2B accounted for more than half of the total turnover of domestic sales in 2008.

For the B2C market, we have restructured and optimized our sales channels to increase its cost and operational efficiencies for faster expansion in the next three years. By the end of 2008, we have put our products on the shelves of most of the major super-and hypermarkets in Shanghai and Tianjin, including Tesco, Auchan, Trustmart, E-Mart and Wal-mart.

In spite of the challenging environment in export markets, we managed to develop new products to test the market in Japan. Strategically, we have started to shift to ODM products. With our strong product development capabilities, we believe we will be able to differentiate ourselves and seize growth opportunities when the market recovers in 2009.

Last but not least, we were actively exploring opportunities in the area of local retail chain restaurants and super-and hypermarkets in both Singapore and Hong Kong. Product testings were initiated in the second half of 2008 and continued into 2009.

Awards and Recognitions

In addition to being selected as one of the chicken meat suppliers to both the 2008 Olympic and Paralympic Games in Beijing, we were awarded "Key Enterprise of Agricultural Industrialization" ("國家重點龍頭企業") by the Chinese Government and "Outstanding Enterprise with Advanced Technologies" ("優秀外商投資企業") and "The Role Model Enterprise for Improving Employment" ("遼寧省工會促進就業工作模範單位") by Liaoning Province Workers' Association.

OUTLOOK & FUTURE PLANS

While the world economy is set to slow further in 2009, the PRC, accounting for over 80% of our business, is expected to grow its economy by about 8%. The living standards in the PRC are expected to continue to rise, albeit at a slower rate in 2009.

Chicken Meat

We expect the demand for chicken meat to increase in 2009, but at a slower rate. In anticipation of sharp fluctuations in chicken prices this year, we will closely monitor and manage our risk exposure systematically. Our plant in Cangzhou, Hebei will commence operation in early 2009, and that will increase our total annual production capacity of chicken meat by 40 million birds.

To drive more efficiency into our chicken meat operations, we are setting up a new business division to focus on helping our contract farmers and to further improve productivity and quality. We will also launch experimental projects to help selected farmers to design and build larger and more technologically advanced farms to meet the increasing demand.

There are also plans to increase our focus on higher value marinated products and small packaged meat products branded with our private label to improve the profit margin of our chicken meat business.

Feeds to External Customers

Despite a slow recovery of the PRC swine market from the blue-ear disease outbreak in 2007, we expect the sales of our feeds to continue to grow steady in 2009. Blue-ear disease is still considered as a major threat by farmers. Our feeds products for piglets and sows are specifically designed with enhanced nutrition value for immunity and growth.

We will continue to cultivate and expand our channels to sizeable swine farms to gain market share and improve margin. In order to respond faster to customer needs for product development, we are establishing a larger research farm and call centers in provinces including Liaoning and Jilin.

The aquatic feeds market in Vietnam will continue to be a key growth driver for our feeds business in 2009. Our production plant in Long An, which is one of the largest feeds mills in southern Vietnam with an annual capacity of 252,000 tonnes, are capable of producing both swine feeds and aquatic feeds. Utilization of this newly-built feeds mill has been increasing since early 2008 and we expect the utilization rate to exceed 80% by the end of 2009.

Processed Foods

For processed foods, we will be primarily focusing on expansion in the PRC domestic market. A new production plant has been scheduled for construction in Tianjin and is expected to commence operation in the second half of this year. This facility will add an annual capacity of 18,000 tonnes to supply the domestic market. Total annual capacity of processed foods is expected to reach 39,840 tonnes by the end of 2009.

Other business developments

We are embarking on building consumer awareness of the "Sisters' Kitchen" brand in the PRC market. Our plan is to adopt the "Sisters' Kitchen" brand for all our chicken products sold directly to end-consumers. A complementary initiative is to operate a few Sisters' Kitchen stores to test the market.

A brand building program, which is supported by our extensive product traceability system, is expected to be launched in the first half of 2009. To address the growing concerns on food safety, a tracking code will be printed on processed foods products to invite consumers to trace over the Internet the origins of their purchased products for the entire production cycle.

For exports, we will continue to focus on the Japan market. To diversify potential market risk, we have plans to explore new markets including Singapore and Hong Kong.

The global financial crisis in 2008 may accelerate the consolidation in the chicken meat and feeds markets as smaller players are likely to encounter cash flow issues in a tightened credit market.

With a net cash position of USD31.2 million (2007: USD39.0 million) and unused banking facilities of USD67.7 million as at 31 December 2008, we are in a very solid financial position to expand through leasing or merger and acquisitions. This allows us to quickly and more cost-effectively increase our capacity to capture growth opportunities when the market recovers. In line with this expansion strategy, we have slowed down the construction of our production plant in Cangshan, Shandong to re-allocate our capital resources.

The Group will continue to expand its production capacity prudently, improve on operational efficiency, maintain the highest standards of product quality, and enhance our brand in the market. Through the improved capabilities, we have every confidence in achieving stable and respectable growth for our business in the PRC and in other Asian markets.

Financial Review

1) Other Income and Operating Expenses

In 2008, the Group has derived USD10.3 million from other income (2007: USD11.1 million). Other income mainly composed of exchange gain on appreciation of RMB, interest income, income from scraps sales and government subsidies.

Distribution costs accounted for 2.3% of turnover, down from 2.5% in 2007. The decrease was primarily due to economies of scale.

Administrative expenses accounted for 2.5% of turnover in 2008, decreased slightly from 2.8% in 2007. The decrease was primarily due to stringent cost control implemented by the Group.

Other operating expenses for 2008 increased by USD5.3 million to USD7.8 million mainly as a result of realized exchange loss recognized for our operation in Vietnam. Our subsidiaries in Vietnam have borrowed USD to finance part of the working capital of the new Long An feedmill. The Vietnamese Dong ("Dong") devaluated in the first half of 2008. In order to minimize the impact from any unexpected devaluation of the Dong in the future, we had settled most of our bank loans in USD and as a result, an exchange loss of USD5.8 million was realized in the consolidated income statement.

2) Liquidity, Financial Resources and Capital Structure

As at 31 December 2008, the Group's cash and bank balance amounted to USD60.5 million, representing a decrease of USD37.2 million from 31 December 2007. Our bank loans decreased by USD29.5 million to USD29.3 million (2007: USD58.8 million). The net cash position was USD31.2 million (2007: USD39.0 million) and the gearing ratio was 12.8% (2007: 39.1%). The current ratio was maintained at a healthy level at 1.7 (2007: 1.7).

3) Capital Expenditure

In 2008, the Group spent USD61.8 million towards the purchase of property, plants and equipment. Planned capital expenditure for 2009 is USD51.0 million which will be mainly funded by the Group's internal resources. This will mainly be used for the construction of integrated production facilities in Shandong and Hebei, and a processed foods plant in Tianjin as well as the expansion of our existing facilities.

4) Exchange Rate

The Group's transactions are mainly conducted in USD, RMB and Dong. During the year under review, the RMB appreciated by 6.4% and had a negative impact on our export business. Although the extent of the Group's export business is insignificant, representing only 1.2% of the Group's total revenue in 2008, we have taken measures to mitigate the negative impact by increasing our effort to increase the local sales of processed foods.

5) Dividend

The Board recommends the payment of final dividend of HK3.77 cents (2007: nil) per share, amounting to approximately USD4,918.8 thousand (2007: nil) or approximately HKD38,102.0 thousand (2007: nil) in total, to shareholders whose names appear on the register of members on 22 May 2009. The proposed final dividend will be voted by shareholders at the Annual General Meeting ("AGM") of the Company to be held on 22 May 2009.

6) Charge on Assets

As at 31 December 2008, bank deposits of USD1.3 million, land and buildings and plant and machinery equating to approximately USD4.5 million were pledged as security against bank facilities of USD10.0 million, of which USD1.1 million was utilized as at 31 December 2008.

7) Capital Commitment and Contingent Liabilities

As at 31 December 2008, our total capital commitment amounted to USD29.4 million. The Company is not aware of any material contingent liabilities or off-balance sheet obligations as at 31 December 2008.

Use of Proceeds from the Initial Public Offering

The net proceeds from the initial public offering in October 2007 amounted to approximately HK$687.9 million or USD88.2 million. As at 31 December 2008, the Company had used USD51.2 million for the expansion of production capacity by procurement of additional equipment and machinery and improvement of existing production facilities. After deducting the above-mentioned capital expenditure and working capital for USD7.7 million, the balance of the net proceeds was USD29.3 million and this sum was placed in short-term deposit bank accounts.

Employee Remuneration and Training

As at 31 December 2008, the Group had a total of 13,105 employees (2007: 12,454 employees). The Group's employees are remunerated in accordance with industry practices, the financial performance of the Group and their performance. Other competitive fringe benefits, such as insurance, medical benefits and provident fund, are provided to employees to retain loyal employees.

We place great emphasis on the training and development of our employees. We invest in various training programs for our management staff and other employees with a view to constantly upgrading their skills and knowledge. We implement these programs with a view to enhancing the qualities of our employees and providing them with the best opportunities for career development. We believe that these programs will be mutually beneficial to the Group and the employees.

Directors

Executive Directors

Mr. Han Jia-Hwan (韓家寰), aged 53, is the Chairman of the Company since 2007. He is also a member of the remuneration committee, nomination committee and the Chairman of the executive committee since 2007. He is responsible for the overall corporate strategies, planning and business development of the Group.

Mr. Han has over 28 years experience in feeds and food production business in the Asia Pacific region. In recognition of his contributions to the agricultural industry, Mr. Han was one of the Ten Outstanding Young Persons (十大傑出青年) in Taiwan in 1994. Mr. Han received his bachelor's degree in business administration from National Cheng-chi University (國立政治大學) and a master's degree in business administration from the University of Chicago in 1977 and 1983 respectively. He is a brother of Mr. Han Chia-Yau and Mr. Harn Jia-Chen.

Mr. Chang Tiee-Shen (張鐵生), aged 62, is the Chief Executive Officer and is also a member of the executive committee of the Company since 2007. He is responsible for the management of daily operations of the Group. Mr. Chang has over 37 years of experience in meat processing and feeds industry.

Mr. Chang obtained a bachelor's degree in oriental languages and literature from the Chinese Culture University (中國文化大學) in 1969.

Mr. Chen Fu-Shih (陳福獅), aged 58, is the Chief Administrative Officer and is a member of the executive committee of the Company since 2007. Mr Chen has over 21 years of experience in meat processing and feeds industry.

Mr. Chen obtained a bachelor's degree in agronomics economics from the National Chung-Hsin University (國立中興大學) in 1973.

Non-executive Directors

Mr. Chao Tien-Shin (趙天星), aged 62, is an non-executive Director of the Company since 2007 and the chairman and a director of Qiao Tai Xing Investment Co. Ltd. He is also a director of Bright View Electronics Co. Ltd., (致福投資股份有限公司) and Red Cross Organization (Regional Operations Centre).

Mr. Chao graduated from Tamkang University (淡江大學) with a bachelor's degree in irrigation engineering with extensive business management experience in both the information technology industry and the traditional industry, such as food and services.

Mr. Han Chia-Yau (韓家宇), aged 59, is a member of the remuneration committee of the Company since 2007. Mr. Han is also the chairman of Great Wall Enterprise since 2001. He joined Great Wall Enterprise in 1992. Since 1992, he has been a director of Great Wall Enterprise. From 1993 to 2001, he was the vice chairman of Great Wall Enterprise.

He obtained a bachelor's degree from Chung Yuan Christian University (中原大學) and a master's degree in science from the University of Connecticut in 1973 and 1981 respectively. He is a brother of Mr. Han Jia- Hwan and Mr. Harn Jia-Chen.

Mr. Harn Jia-Chen (韓家宸), aged 54, is a member of nomination committee of the Company since 2007. Mr. Harn is also the vice chairman and director of Great Wall Enterprise. Since 1995, he has been the chairman of 大成食品(天津)有限公司 (Great Wall Food (Tianjin) Co., Ltd.), a subsidiary of Great Wall Enterprise engaged in flour production. Since 2001, he has been the chairman of 北京大成永和食品有限公司 (Great Wall Yung Huo Food (Beijing) Co., Ltd.). Since 1999, he is the chairman of Great Wall Food (Tianjin) Co., Ltd.. From 1997 to 2006, he was the director of 大成食品(蛇口)有限公司 (Great Wall Food (Shekou) Co., Ltd.). Since 2006, he is the chairman of Greatwall Food (Shekou) Co., Ltd. From 2003 until present, he is the chairman of 大成昭和食品(天津)有限公司 (DaChan Showa Food (Tianjin) Co., Ltd.). In May 2006, he was elected as the director of Taiwan Asset Enterprise Association of Tianjin (天津市台灣同胞投資企業協會).

He obtained his master's degree in business administration from the University of New Haven in 1986. He is a brother of Mr. Han Jia-Hwan and Mr. Han Chia-Yau.

Mr. Nicholas William Rosa, aged 56, is a non-executive Director of the Company since 2007 and is also a director of Continental Enterprise Ltd.

Mr. Rosa has been in the agricultural industry, particularly the poultry business, for over 30 years. He joined the animal feed division of Continental Grain Company in 1975, and held positions in credit, marketing and sales management, prior to becoming vice president and general manager of Wayne Feed Division in Chicago, Illinois. In 1997, he became the vice president of International Industries for Continental Grain Company in New York. He relocated to Beijing, China in 2007 and became the senior vice president and managing director of ContiAsia division of Continental Grain Company. Mr. Rosa was the director and a member of the executive committee of the American Feed Industry Association from 1997 to 2000 and has been a director in poultry companies in Europe and South America.

Mr. Rosa received his bachelor's degree in economics in 1974 and a master's degree in business adminstration in 1975, both from Arizona State University.

Independent non-executive Directors

Dr. Chen Chih (陳治), aged 55, is the Chairman of the nomination committee and a member of the audit committee and remuneration committee of the Company since 2007. Dr. Chen has been serving as the president of GE Medical Systems China since 1996 and has been promoted to vice president of General Electric Company since November 2001.

Dr. Chen received his Ph.D. degree in mechanical engineering from Lehigh University in 1984.

Mr. Liu Fuchun (劉福春), aged 62, is the Chairman of the remuneration committee and a member of the audit committee and nomination committee of the Company since 2007. Mr. Liu is also an independent director of China Aviation Oil (Singapore) Corporation Ltd, which is listed on Singapore Stock Exchange. He has more than 20 years of experience in international trade and management and has worked in Europe for several years.

Mr. Liu obtained his Institute Certificate for the English program from Beijing Institute of Foreign Trade (北京外貿學院) in 1975.

Mr. Way Yung-Do (魏永篤), aged 63, was appointed as an independent non-executive Director of the Company on 4 February 2008. He is also the Chairman of the audit committee and a member of the nomination committee and the remuneration committee. Mr. Way has over 33 years of experience in financial advisory, accounting and auditing and have worked for two international accounting firms for over 28 years and was retired in 2007.

Mr. Way graduated from Soochow University (東吳大學) with a bachelor's degree in accounting and obtained a master's degree in business administration from The Republic of China and Georgia, United States of America. He is also a certified internal auditor of the Institute of Internal Auditors.

Senior Management Team

Mr. Huang Shih-Kun (黃士坤), aged 61, is the Chief Operation Officer and the President of the Company. He is also a member of the executive committee of the Company. He is responsible for the processed food business in the domestic market. He has over 16 years of experience in food industry. He joined the Group in January 2007. Prior to joining the Group, he worked in Tingyi (Cayman Islands) Holding Corp. as a vice president and the general manager of beverage business division from 2001 to 2002. Before that, he held various positions in Tingyi (Cayman Islands) Holding Corp..

Mr. Huang obtained a college degree in technology from Cheng Shiu University (正修科技大學) in 1970.

Mrs. Chu Chen Li-Chin (陳禮琴), aged 51, was appointed as the Chief Finance Officer of the Company on 16 February 2009. She is also a member of the executive committee of the Company. She is responsible for the Group's overall financial management, capital planning and allocation and investor relationship. Prior to joining the Company, she was the Vice President of TSRC Corporation, a listed company in Taiwan. She had over 20 years of experience in finance and investor relationship, with senior roles of large and renounced multinational corporations, including Intel Microelectronic Asia Ltd. (美商英特爾亞太科技有限公司), Johnson & Johnson Medical Taiwan and Siemens Telecommunication System (Taiwan).

Mrs. Chu is an EMBA holder in National Taiwan University (國立台灣大學). She received her bachelor's degree's in accounting from Tamkang University (淡江大學) and a master's degree in international business management from Chinese Culture University (中國文化大學) in 1980 and 1990 respectively.

Mr. Ou Chang-Jou (歐倉舟), aged 57, is a Vice President of the Company. He is responsible for the procurement of raw materials including commodity procurement and trading business operation. He has over 26 years of experience in commodity procurement and trading business operation.

Mr. Ou obtained a bachelor's degree in business management from the National Cheng-Kung University (國立成功大學) in 1974.

Mr. Lee Yi-Ming (李益銘), aged 48, is a Vice President of the Company. He is responsible for meat business in the PRC. He has over 20 years of experience in meat industry.

Mr. Lee obtained a bachelor's degree in industrial engineering from the Chung Yuan Christian University (中原大學) in 1983.

Dr. Yang Chun-Yung (楊鈞雍), aged 49, is the Director of the Research and Development Department of the Company. He is responsible for production, research and development and quality control since February 2007. He has over 9 years of experience in further processing meat produces. He is the Vice General Manager of international food business of the Company.

Dr. Yang obtained his M.S. and Ph.D. from the Ohio State University in 1987 and 1994 respectively.

Mr. Wong Hing Keung (黃興強), aged 47, is the Financial Controller of the Company. Mr. Wong has over 20 years of experience in auditing, accounting and financing. He is also an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Mr. Wong graduated from the Hong Kong Polytechnic University with a master's degree in professional accounting in 2002.

Corporate Governance Report

The Board of the Company is pleased to present the Corporate Governance Report for the year ended 31 December 2008.

The Board is committed to enhancing the Group's corporate governance standards by improving corporate transparency through effective channels of information disclosure. The Board believes that good corporate governance is beneficial for maintaining close and trustful relationships with its employees, business partners, shareholders and investors.

Code on Corporate Governance Practices

The Board adopted the code provisions (the "Code Provisions") of the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") as the guidelines for corporate governance of the Group, and has taken steps to comply with the CG Code wherever appropriate.

In the opinion of the Board, the Company has complied with all the Code Provisions set out in the CG Code throughout the year ended 31 December 2008 except for certain deviations as specified with considered reasons as explained below.

The Board

(1) The Board of Directors

The Board currently comprises 10 directors, 3 of whom are executive directors, 4 are non-executive directors and 3 are independent non-executive directors ("INEDs"). The composition of the Board is set out as follows:

Executive directors:	Han Jia-Hwan *(Chairman)* Chang Tiee-Shen *(Chief Executive Officer)* Chen Fu-Shih *(Chief Administrative Officer)*
Non-executive directors:	Han Chia-Yau Harn Jia-Chen Nicholas William Rosa Chao Tien-Shin
Independent non-executive directors:	Chen Chih Liu Fuchun Way Yung-Do

The biographies of the directors are set out in the "Directors and Senior Management Profile" section on pages 21 to 23 of this annual report.

The members of the Board are responsible to the shareholders for formulating the overall business development targets and long-term company strategies, assessing results of management policies and monitoring performance of the management.

The non-executive directors play an important role on the Board. Accounting for more than half of the Board members, they are experienced professionals in their respective fields. They are responsible for ensuring that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interest of shareholders and the Group as a whole.

As noted in the annual report of the Company for the year ended 31 December 2007, after Mr. Pai Nai-Yu's resignation on 8 January 2008, the Board had only 2 INEDs constituting a breach of the Listing Rule 3.10(1) which stipulates that every board of directors of a listed issuer must include at least three INEDs. Mr. Way Yung-Do was subsequently appointed by the Company on 4 February 2008 to fill in the vacancy and elected at the annual general meeting of the Company on 23 May 2008.

Pursuant to the Listing Rule 3.13, the Group has received written confirmations from each INED of his independence to the Group. The Group considers all of the INEDs to be independent in accordance with the Listing Rules.

Save as disclosed in the Directors and senior management profile of this annual report, there are no other relationships (including financial, business, family or other material or relevant relationships) among members of the Board.

The directors meet regularly to review the Group's financial and operational performance and to discuss and formulate future development plans. Regular Board meetings are attended by a majority of the directors in person or through other electronic means of communication.

During 2008, the Board held five regular meetings and three additional meetings (two of which were held regarding special matters which required the Board's decisions, whereas the remaining one meeting was held regarding operational matters involving the attendance of executive directors only).

The attendance records of each director at the said Board meetings are set out below:

	Number of Board Meeting attended/eligible to attend*		
Directors	**Regular Board Meetings**	**Attendance / Board Meetings concerning special matters requiring the Board's decisions**	**Additional Board Meeting concerning operational matters only**
Executive Directors			
Han Jia-Hwan	5/5	2/2	1/1
Chang Tiee-Shen	2/5	2/2	0/1
Chen Fu-Shih	5/5	2/2	1/1
Non-executive Directors			
Han Chia-Yau	5/5	1/2	N/A
Harn Jia-Chen	3/5	2/2	N/A
Chao Tien-Shin	5/5	2/2	N/A
Nicholas William Rosa	5/5	2/2	N/A
Independent Non-executive Directors			
Liu Fuchun	5/5	2/2	N/A
Chen Chih	4/5	1/2	N/A
Way Yung-Do (appointed on 4 February 2009)	5/5	1/2	N/A
Pai Nai-Yu (resigned on 8 January 2008)	0/0	0/0	N/A

* Attendance counts only the Board meeting held during the period when a director holds such office.

(2) Management Functions

The types of decisions which are to be taken by the Board include those relating to:

- corporate and capital structure;
- corporate strategy;
- significant policies affecting the Group as a whole;
- business plan including major production and marketing plans, budgets and public announcements;
- delegation to the Chairman, and delegation to and by Board Committees;
- key financial matters;
- appointment, removal or reappointment of Board members, senior management and auditors;
- remuneration of directors and senior management; and
- communication with key stakeholders, including shareholders and regulatory bodies.

The types of decisions that the Board has delegated to management include:

- approving the extension of the Group's activities not in a material manner into a new geographic location or a new business;
- approving assessing and monitoring the performance of all business units and ensuring that all necessary corrective actions have been taken;
- approving expenses up to a certain limit;
- approving entering into any connected transactions not requiring disclosure under the Listing Rules;
- approving the nomination and appointment of personnels;
- approving of press release concerning matters decided by the Board;
- approving any matters related to the routine matters or day-to-day operation of the Group (including the entering into of any transaction not requiring disclosure under the Listing Rules and the cease of non-material part of the Group's business); and
- carrying out any other duties as the Board may delegate from time to time.

(3) Appointment, Re-election and Removal

Under article 108 of the Company's Articles of Association, at each AGM, not less than one-third of the directors for the time being shall retire from office by rotation and every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every 3 years while those retiring directors shall be eligible for re-election.

Under the Code Provision A4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election.

In accordance with the said provision of the Articles of Association and the Code Provision A4.1, the following re-election arrangement was made in the AGM held on 23 May 2008:

- Mr. Han Jia-Hwan, an executive director, was re-elected.
- All non-executive directors, being Mr. Han Chia-Yau, Mr. Harn Jia-Chen, Mr. Nicholas William Rosa and Mr. Chao Tien-Shen were elected/re-elected to hold office until the conclusion of the AGM of the Company to be held in 2010.
- Mr. Way Yung-Do, an independent executive director, was elected to hold office until the conclusion of the AGM of the Company to be held in 2010.

(4) Roles of Chairman and Chief Executive Officer

The positions of the Chairman and the chief executive officer are held respectively by Mr. Han Jia-Hwan and Mr. Chang Tiee-Shen. This ensures a clear distinction between the Chairman's duty to manage the Board and the chief executive officer's duty to oversee the overall internal operation of the Group.

(5) Directors' Securities Transactions

The Board has adopted a code of conduct regarding directors' securities transaction on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made with all directors who have confirmed that throughout the year ended 31 December 2008, they complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

The directors' interests in shares of the Group as at 31 December 2008 are set out on page 36 of this annual report.

Board Committees

The Board has set up 4 Board Committees, namely the Remuneration Committee, the Audit Committee, the Nomination Committee and the Executive Committee to oversee particular aspects of the Group's affairs.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

(1) Remuneration Committee

The Remuneration Committee currently comprises an executive director, 3 INEDs and a non-executive director, namely:

- Liu Fuchun *(Chairman)*
- Chen Chih
- Han Jia-Hwan
- Han Chia-Yau
- Way Yung-Do

The Remuneration Committee is governed by its terms of reference, which are available at the Company's website at www.dfa3999.com.

The primary functions of the Remuneration Committee include:

- making recommendation on the establishment of procedures for developing remuneration policy and structure of the executive directors and the senior management;
- making recommendation to the Board on the Company's policy and structure for all remuneration of directors and senior management;
- establishment of a formal and transparent procedure for developing policy on such remuneration; and
- review and approval of the performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

During 2008, one Committee meeting was held on 27 October 2008 which all the current 5 members attended. During the meeting, the Remuneration Committee performed the following:

- review and making recommendation of the policy of granting share options by the Company; and
- review and making recommendation of the remuneration packages of directors and senior management.

(2) Audit Committee

The Audit Committee currently comprises 3 INEDs, namely:

- Way Yung-Do *(Chairman)*
- Chen Chih
- Liu Fuchun

The Chairman of the Audit Committee is a professional accountant with profound financial and accounting expertise.

The Audit Committee is accountable to the Board and assists the Board in meeting its responsibilities in ensuring an effective and adequate system of internal controls and for meeting its external financial reporting obligations and compliance with other legal and regulatory requirements. The Audit Committee also oversees the scope of work of external auditors.

The main duties of the Audit Committee include the following:

- review of the financial statements and reports;
- review of the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and making recommendation to the Board on the appointment, re-appointment and removal of external auditors;
- monitoring the Group's compliance with statutory and regulatory requirements;
- review of developments in accounting standards and the effect on the Group;
- review of the effectiveness of the system of internal control of the Group; and
- making proposal to the Board in relation to enhancement of the internal control system of the Group.

During 2008, five Committee meetings were held.

The attendance records of each member of the Committee at the said Committee meetings are set out below:

Directors	Attendance/ Number of Meeting(s)
Executive Directors	
Way Yung-Do *(Chairman)*	5/5
Liu Fuchun	5/5
Chen Chih	2/5

During the meetings, the Audit Committee reviewed the following:

- the financial statements of the Company for different accounting periods during the year;
- the accounting principles and practices adopted by the Company;
- statutory compliance;
- other financial reporting matters; and
- internal control system.

Remuneration of Auditors

A summary of audit and non-audit services provided by KPMG, the Company's auditors for the year ended 31 December 2008 and their corresponding remuneration is as follows:

Nature of services	Amount (HK$'000)
Audit services	6,000
Non-audit services	
• Tax services	20.2

(3) Nomination Committee

The Nomination Committee currently comprises an executive director, 3 INEDs and a non-executive director, namely:

- Chen Chih *(Chairman)*
- Liu Fuchun
- Han Jia-Hwan
- Harn Jia-Chen
- Way Yung-Do

The main duties of the Nomination Committee include the following:

- reviewing and supervising the structure, size and composition of the Board;
- identifying qualified individuals to become members of the Board;
- assessing the independence of the INEDs; and
- making recommendations to the Board on the appointment or re-appointment of directors.

During 2008, no meeting of the Nomination Committee was held.

(4) Executive Committee

The Board has delegated responsibilities to the Executive Committee for making certain decisions for the management of the Group. In accordance with its terms of reference, members of the Executive Committee shall be appointed by the Board from amongst the executive directors and senior management of the Company only. The Executive Committee shall consist of 5 members and, must include 3 executive directors, the chief executive officer, the chief operation officer and the chief finance officer of the Company as members. The Executive Committee currently comprises the following members:

- Han Jia-Hwan *(Chairman)*
- Chang Tiee-Shen
- Chen Fu-Shih
- Huang Shih-Kun
- Chu Chen Li-Chin *(appointed on 16 February 2009)*

Financial Reporting

The Board is responsible for the integrity of financial information. The directors acknowledge their responsibility for the preparation of the accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period.

The directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

Internal Controls

The Company has employed its own internal auditors to perform regular and systemic reviews of the Group's internal control system. The reviews provide reasonable assurance that the internal control system continues to operate satisfactorily and effectively within the Group and the Company.

The Board acknowledges the importance of an effective internal control system in the Company. The Company engaged Messrs. Ernst & Young to conduct an independent review of the internal control system of the Company as a measurement to enhance the system.

With the assistance of the professional advisers, the in-house internal auditors and the Audit Committee, the Board annually conducts a review on the effectiveness of the Group's internal controls, particularly in respect of the controls on financial, operational, compliance and risk management, to safeguard shareholders' investment and the Group's assets.

After the annual review in 2008, the Board is satisfied with the adequacy of the system of internal control of the Company and the adequacy of resources, qualifications and experience of staff of issuer's accounting and financial reporting function, and their training programmes and budget.

Investor Relations

All published information, including all the statutory announcements, press releases and event calendars, is promptly posted on the Company's website at www.dfa3999.com. Viewers can also send enquiries to the Board or senior management by email at investment@dachanfoodasia.com or directly by raising questions at the AGM of the Company.

Report of the Directors

The Board has pleasure in submitting the annual report together with the audited financial statements for the year ended 31 December 2008.

Principal Activities

The principal activities of the Company are investment holding, and through its subsidiaries, operate a highly vertically integrated business model encompassing feeds production, chicken meat processing and supply of processed foods.

Subsidiaries

A list of subsidiaries together with their places of operations and incorporation and particulars of their issued share capital/registered capital, is set out in note 17 to the financial statements.

Results and Appropriations

The profit of the Group for the year ended 31 December 2008 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 42 to 129.

Profits attributable to equity shareholders of the Company of USD19,675,000 (2007: USD26,238,000) have been transferred to reserves. Other movements in reserves of the Group and of the Company are set out on page 48 of the annual report and note 27(c) to the financial statements.

The Board recommends the payment of final dividend of HK3.77 cents (2007: nil) per share, amounting to approximately USD4,918.8 thousand (2007: nil) or approximately HKD38,102.0 thousand (2007: nil) in total, to shareholders whose names appear on the register of members on 22 May 2009. The proposed final dividend will be voted by shareholders at the AGM to be held on 22 May 2009.

Share Capital

Details of movements in share capital of the Company during the year are set out in note 27(a) to the financial statements.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders.

Donations

Donations made by the Group during the year amounted to USD177,540.

Fixed Assets

Details of movements in fixed assets during the year are set out in note 16 to the financial statements.

Bank Loans and Overdrafts

Particulars of bank loans and overdrafts of the Group as at 31 December 2008 are set out in note 23 to the financial statements.

Listing of Shares

The shares of the Company was listed on the Main Board of the Stock Exchange on 4 October 2007.

Directors

The directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Han Jia-Hwan, (*Chairman*)
Mr. Chang Tiee-Shen, (*Chief Executive Officer*)
Mr. Chen Fu-Shih, (*Chief Administrative Officer*)

Non-Executive Directors:

Mr. Han Chia-Yau
Mr. Harn Jia-Chen
Mr. Nicholas William Rosa
Mr. Chao Tien-Shin

Independent Non-Executive Directors:

Dr. Chen Chih
Mr. Liu Fuchun
Mr. Way Yung-Do (appointed on 4 February 2008)
Mr. Pai Nai-Yu (resigned on 8 January 2008)

Directors' Service Contracts

Each of the executive directors has entered into a service contract with the Company for an initial term of three years commencing from the listing date of the Company's shares on 4 October 2007 (the "Listing Date") and renewable automatically for successive terms of one year each commencing from the day following the expiry of the then current term unless and until (i) terminated by either party thereto giving not less than three month prior written notice, with the last day of the notice falling on the last day of the initial term or any time thereafter; or (ii) the director not being re-elected as a director or being removed by shareholders at AGM of the Company in accordance with the Articles of Association.

Each of the non-executive Directors and INEDs is appointed for a fixed term of two years commencing from the Listing Date. On 4 February 2008, Mr. Way Yung-Do has been appointed as an INED of the Company for a term of 2 years.

In accordance with the Articles of the Company, Mr. Chang Tiee-Shen, Mr. Chen Fu-Shih, Dr. Chen Chih and Mr. Liu Fuchun will retire at the forthcoming AGM and being eligible, offer themselves for re-election. Details of their biographies have been set out in the circular to shareholders dated on 22 April 2009.

No director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Emoluments of Directors and the Five Highest-Paid Individuals

The emoluments of directors and the five highest-paid individuals are set out in notes 9 and 10 to the financial statements.

Directors' Interests in Contracts

None of the directors or their associates had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries, holding companies or fellow subsidiaries was a party during the year.

Restricted Share Award Scheme

The Restricted Share Award Scheme (the "RSAS") was adopted by the Board on 23 December 2008 (the "Adoption Date"). Unless terminated earlier by the Board, the RSAS shall be valid and effective for a term of ten years commencing on the Adoption Date. As at 31 December 2008, no award was granted by the Company since the Adoption Date.

The purpose of the RSAS is to recognize the contributions by certain employees (including without limitation employees who are also directors) of the Group and to give incentive to them in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

Pursuant to the terms of the RSAS, the Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each employee determined by the Board from time to time) to select an employee for participation in the RSAS and determine the number of shares to be awarded. The Board shall not grant any award of shares which would result in the total number of shares which are the subject of awards granted by the Board under the RSAS (but not counting any which have lapsed or have been forfeited) representing in aggregate over 2% of the issued share capital of the Company as at the date of such grant.

Share Option Schemes

The Company operates a share option scheme ("Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. In accordance with the Option Scheme, the Company may grant up to 100,000,000 share options within 10 years from its adoption date, 14 September 2007. The following share options were granted and outstanding under the Option Scheme during the year.

Name or Category of Participant	As at 1 January 2008	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2008	Date of grant of share options	Exercise period of share options (both dates inclusive)	Exercise price of share options (HK$)
Executive directors:									
Han Jia-Hwan	-	850,000	-	-	-	850,000	28-Oct-08	28-Oct-09 to 27-Oct-12	1.088
Chang Tiee-Shen	-	300,000	-	-	-	300,000	28-Oct-08	28-Oct-09 to 27-Oct-12	1.088
Chen Fu-Shih	-	500,000	-	-	-	500,000	28-Oct-08	28-Oct-09 to 27-Oct-12	1.088
Non-Executive Directors:									
Han Chia-Yau	-	650,000	-	-	-	650,000	28-Oct-08	28-Oct-09 to 27-Oct-12	1.088
Harn Jia-Chen	-	500,000	-	-	-	500,000	28-Oct-08	28-Oct-09 to 27-Oct-12	1.088
Chao Tien-Shin	-	300,000	-	-	-	300,000	28-Oct-08	28-Oct-09 to 27-Oct-12	1.088
Independent Non-Executive Directors:									
Chen Chih	-	300,000	-	-	-	300,000	28-Oct-08	28-Oct-09 to 27-Oct-12	1.088
Liu Fuchun	-	300,000	-	-	-	300,000	28-Oct-08	28-Oct-09 to 27-Oct-12	1.088
Way Yung-Do	-	300,000	-	-	-	300,000	28-Oct-08	28-Oct-09 to 27-Oct-12	1.088
Employees in Aggregate	-	7,500,000	-	-	-	7,500,000	28-Oct-08	28-Oct-09 to 27-Oct-12	1.088
Total	-	11,500,000	-	-	-	11,500,000			

Directors' and Chief Executive's Interests And Short Positions in Shares, Underlying Shares and Debentures

At 31 December 2008, the interests and short positions of the directors and chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules ("Model Code"), were as follows:

(a) Long positions in shares of the Company:

Name of Director	Nature of interest	Interests in Shares held	% of Issued Capital
Chao Tien-Shin	Interests of controlled corporation (Note)	3,534,000(L)	0.35%

Note: Mr. Chao Tien-Shin is deemed to be interested in 3,534,000 Shares held by Hannibal International Limited, a subsidiary of CTS Capital Group Limited which is controlled by Mr. Chao and his spouse.

(b) Long positions in shares of associated corporations of the Company:

Name of Directors	Name of associated corporation (Note 1)	Nature of interest	Interests in shares held	Approximate % of the relevant associated corporation's issued share capital
Han Chia-Yau	Great Wall Enterprise Co. Ltd.	Beneficial owner	33,506(L)	0.007%
Harn Jia-Chen	Great Wall Enterprise Co. Ltd.	Beneficial owner	35,988(L)	0.008%
Chao Tien-Shin	Great Wall Enterprise Co. Ltd.	Interest of controlled corporation (Note 3)	3,596,555(L)	0.802%

Note 1: Great Wall Enterprise Co. Ltd. ("Great Wall Enterprise"), a company incorporated in Taiwan and listed on Taiwan Stock Exchange Corporation, is the controlling shareholder of the Company.

Note 2: Subsequent to 31 December 2008, the company was informed by Mr. Han Chia-Yau, Mr. Harn Jia-Chen and Mr. Chao Tien-Shin that a bonus issue of shares had been made by Great Wall Enterprise to its shareholder in 2008. As a result, the interests in shares of Great Wall Enterprise held by Mr. Han Chia-Yau, Mr. Harn Jia-Chen and Mr. Chao Tien-Shin as at 31 December 2008 were 35,159(L), 37,763(L), 3,773,991(L) respectively, amounting to approximately 0.008%, 0.008% and 0.841% of its issued share capital.

Note 3: Mr. Chao Tien-Shin is deemed to be interested in 3,596,555 shares and 177,436 bonus shares held by Qiao Tai Xing Investment Co. Limited which is controlled by Mr. Chao and his spouse.

Save as disclosed above, as at 31 December 2008, none of the directors and chief executive and their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or his spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial Shareholders of the Company

At 31 December 2008, the interests and short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in shares of the Company:

Name	Nature of interests	Number of shares	Approximate %
Waverley Star Limited	Beneficial interests	375,899,946(L)	37.19%
Asia Nutrition Technologies Corporation	Beneficial interests	152,924,906(L)	15.13%
Great Wall Enterprise Co., Ltd.	Interests of controlled corporation	528,824,852(L)	52.32%
Great Wall International (Holdings) Ltd.	Interests of controlled corporation	528,824,852(L)	52.32%
GMT Capital Corp.	Beneficial interests	70,739,400(L)	7.00%
Prowell Ventures Pte. Ltd.	Beneficial interests	59,400,059(L)	5.88%
Government of Singapore Investment Corporation (Ventures) Pte. Ltd.	Interests of controlled corporation	59,400,059(L)	5.88%
GIC Special Investment Pte. Ltd.	Interests of controlled corporation	59,400,059(L)	5.88%
Government of Singapore Investment Corp. Pte. Ltd.	Interests of controlled corporation	59,400,059(L)	5.88%
Minister of Finance (Incorporated)	Interests of controlled corporation	59,400,059(L)	5.88%
Continental Enterprises Ltd.	Beneficial interests	59,700,029(L)	5.91%
ContiGroup Companies Inc.	Interests of controlled corporation	59,700,029(L)	5.91%
Fribourg Grandchildren Family L.P.	Interests of controlled corporation	59,700,029(L)	5.91%
Fribourg Enterprises, LLC	Interests of controlled corporation	59,700,029(L)	5.91%
Declaration of Trust dated May 31, 1957, for the benefit of Robert Fribourg	Interests of controlled corporation	59,700,029(L)	5.91%

Name	Nature of interests	Number of shares	Approximate %
Declaration of Trust dated May 31, 1957, for the benefit of Paul Jules Fribourg	Interests of controlled corporation	59,700,029(L)	5.91%
Declaration of Trust dated May 31, 1957, for the benefit of Nadine Louise Fribourg	Interests of controlled corporation	59,700,029(L)	5.91%
Declaration of Trust dated May 31, 1957, for the benefit of Charles Arthur Fribourg	Interests of controlled corporation	59,700,029(L)	5.91%
Trust Agreement Dated September 16, 1963, for the benefit of Caroline Renee Fribourg	Interests of controlled corporation	59,700,029(L)	5.91%
Fribourg Charles Arthur	Trustee	59,700,029(L)	5.91%
Sosland Morton Irvin	Trustee	59,700,029(L)	5.91%
Fribourg Paul Jules	Trustee	59,700,029(L)	5.91%

Save as disclosed above, as at 31 December 2008, no person, other than the directors and chief executive of the Company whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Connected Transactions

During the year, the Group entered into a number of continuing connected transactions with the following connected persons (as defined in the Listing Rules), namely

(1) Great Wall Enterprise (being the ultimate controlling shareholder of the Company) and its subsidiaries (being an associate of Great Wall Enterprise) excluding the Group (the "Excluded Group"); and

(2) Marubeni Corporation ("Marubeni", being a substantial shareholder of a non wholly-owned subsidiary of the Company) and its subsidiaries (being an associate of Marubeni).

The Group entered into the following continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.33 of the Listing Rules) during the year ended 31 December 2008:

(a) On 14 September 2007, the Group entered into a master supply agreement with Great Wall Enterprise in respect of selling raw materials for manufacturing animal feeds and chicken meat products to the Excluded Group. The quoted prices are based on normal commercial terms and terms are no less favourable to the members of the Company than terms given by such members of our Group to independent third parties. During the year, the Group sold products to Great Wall Enterprise with a total value of USD351,000 approximately. For further details of the master supply agreement, please refer to pages 168 to 169 of the prospectus of the Company dated 20 September 2007 (the "Prospectus").

(b) On 14 September 2007, the Group entered into a master purchase agreement with Great Wall Enterprise in respect of purchase of ingredients for feed production from the Excluded Group. The quoted prices are based on normal commercial terms and terms are no less favourable to the members of the Group than terms available from independent third parties. For further details of the master purchase agreement, please refer to pages 169 to 170 of the Prospectus.

On 5 June 2008, the Group entered into a modification agreement with Great Wall Enterprise extending the term of the master purchase agreement to 31 December 2010. The annual caps for the transactions thereunder for the three years ending 31 December 2010 had been revised and/or approved on 18 July 2008. For further details of the modification agreement, please refer to the Company's announcement dated 13 June 2008 and circular dated 30 June 2008.

During the year, the total procurement from Great Wall Enterprise by the Group amounted to USD1,525,000 approximately.

(c) On 14 September 2007, the Group entered into a trademark licence deed with Great Wall Enterprise. Pursuant to the trademark licence deed, Great Wall Enterprise grants to the Group an exclusive and non-transferable licence to use the trademarks owned by Great Wall Enterprise, with a right to sub-license to any of our Company's subsidiaries. Under the trademark licence deed, the royalties payable to Great Wall Enterprise are charged at the rate of 0.1% of the total net sales of the products of the Group attributable to the trademarks licensed by Great Wall Enterprise since 4 October 2007, the Listing Date.

During the year, the Group paid a sum of USD867,000 as royalties to Great Wall Enterprise. For further details of the trademark license deed, please refer to pages 171 to 172 of the Prospectus.

(d) On 14 September 2007, the Group entered into a master supply agreement with Marubeni in respect of selling of processed food by the Group to Marubeni. The pricing of the goods sold was determined by reference to the actual cost of the goods sold plus a reasonable profit. The quoted price is not less than the price charged to an independent third party. If no such comparable reference price is available, the quoted price was based on normal commercial terms which were considered fair and reasonable by the Group and Marubeni.

During the year, the Group sold processed food to Marubeni with a total value of USD8,860,000 approximately. For further details of the agreement, please refer to pages 173 to 174 of the Prospectus.

(e) On 5 June 2008, the Group entered into a master purchase agreement with Marubeni (China) Co., Ltd. ("Marubeni PRC", being a subsidiary of Marubeni) in respect of purchasing products (mainly soybean meal for chicken feeds production) by the Group from Marubeni PRC and its subsidiaries. The pricing policy is to adhere to the fair market price ranges of products comparable to the products to be purchased as offered in the PRC market as at the time when the relevant sale and purchase is performed. If no comparable prices from independent third parties are available for references, the terms shall be determined by agreement between the parties based on normal commercial terms that are considered to be fair and reasonable by both parties. Due to inadvertent oversight, the transactions under the agreement were not disclosed when they occurred. As a result, certain provisions of the Listing Rules had not been complied with in relation to the purchases of the products by the Group for the period from 4 October 2007 (the Listing Date of the Company) to 31 May 2008.

During the year, the Group purchased products from Marubeni PRC with a total value of USD4,074,000 approximately. For further details of the master purchase agreement, please refer to the Company's announcement dated 13 June 2008 and circular dated 30 June 2008.

Save as disclosed above, there are no other transactions which require disclosure in the annual report in accordance with the Listing Rules.

The directors confirm that save as disclosed above, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The independent non-executive directors of the Company have confirmed that the above-mentioned continuing connected transactions were entered into: (i) in the ordinary and usual course of the Group's business; (ii) either on normal commercial terms or on terms no less favorable to the Group than those available to or from independent third parties; and (iii) in accordance with the terms of the respective agreements governing such transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company has reviewed the above-mentioned continuing connected transactions pursuant to rule 14A.38 of the Listing Rules and advised the Board in writing with a copy provided to the Stock Exchange that the transactions: (i) have been approved by the Board; (ii) have been entered into in accordance with the relevant agreements governing the transactions; and (iii) have not exceeded the cap disclosed previously.

Purchase, Sale or Redemption of Listed Securities

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Major Customers and Suppliers

The aggregate sales attributable to the group's five largest customers in 2008 and 2007 were 9.3% and 11.2% respectively. The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of total purchases for both years ended 31 December 2007 and 2008.

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had any interest in the five largest customers or suppliers.

Emolument Policy

The emolument policy of the Group is set up by its human resources department and seeks to provide remuneration packages on the basis of the merit, qualifications and competence of the employees.

The emoluments of the Directors and senior management of the Company will be reviewed by the Remuneration Committee, having regard to factors including the Group's operating results, responsibilities required of the Directors and senior management and comparable market information.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

Five Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 132 of the annual report.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming AGM.

On behalf of the Board
Chang Tiee-Shen
Chief Executive Officer

Hong Kong, 27 March 2009

Independent Auditor's Report

Independent auditor's report to the shareholders of DaChan Food (Asia) Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of DaChan Food (Asia) Limited (the "Company") and its subsidiaries (hereafter collectively referred to as the "Group") set out on pages 44 to 129, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 March 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Note	2008 USD'000	2007 USD'000
Turnover	5	1,293,995	894,491
Cost of sales		(1,198,704)	(818,742)
Gross profit		95,291	75,749
Change in fair value of biological assets less estimated point-of-sale costs	20	(365)	472
Fair value of agricultural produce on initial recognition	19(e)	7,839	7,586
Reversal of fair value of agricultural produce due to sales and disposals	19(e)	(8,220)	(7,230)
Other income	6	10,283	11,092
Distribution costs		(30,369)	(22,117)
Administrative expenses		(32,858)	(25,050)
Other operating expenses		(7,798)	(2,543)
Profit from operations		33,803	37,959
Finance costs	7(a)	(5,196)	(4,162)
Share of losses of jointly controlled entities	18	(989)	(229)
Profit before taxation	7	27,618	33,568
Income tax	8(b)	(5,763)	(2,374)
Profit for the year		21,855	31,194
Attributable to:			
Equity shareholders of the Company	11	19,675	26,238
Minority interests		2,180	4,956
Profit for the year		21,855	31,194
Dividends payable to equity shareholders of the Company attributable to the year:			
Final dividend proposed after the balance sheet date	12	4,919	–
Earnings per share			
– Basic (cents)	13	1.95	3.23
– Diluted (cents)	13	N/A	N/A

The notes on pages 51 to 129 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2008

	Note	2008 USD'000	2007 USD'000
Non-current assets			
Fixed assets	16		
– property, plant and equipment		145,593	92,410
– lease prepayments		17,999	11,490
Interests in jointly controlled entities	18	–	3,828
Deferred tax assets	25	759	638
		164,351	108,366
Current assets			
Inventories	19	73,825	95,777
Biological assets	20	1,841	1,718
Trade and other receivables	21	66,377	70,404
Amounts due from related parties	29(d)	–	2,700
Income tax recoverable	8(a)	979	22
Pledged bank deposits		1,253	1,562
Cash and cash equivalents	22	60,505	97,723
		204,780	269,906
Current liabilities			
Interest-bearing borrowings	23	23,145	52,759
Trade and other payables	24	91,364	104,452
Amounts due to related parties	29(e)	867	188
Income tax payable	8(a)	3,332	2,147
		118,708	159,546
Net current assets		86,072	110,360
Total assets less current liabilities		250,423	218,726
Non-current liabilities			
Interest-bearing borrowings	23	6,145	6,001
Deferred tax liabilities	25	22	27
		6,167	6,028
Net assets		244,256	212,698

Consolidated Balance Sheet

At 31 December 2008

	Note	2008 USD'000	2007 USD'000
Capital and reserves			
Share capital	27(a)	12,957	12,957
Reserves	27(b)	203,959	179,680
Total equity attributable to equity shareholders of the Company		216,916	192,637
Minority interests		27,340	20,061
Total equity		244,256	212,698

Approved and authorised for issue by the board of directors on 27 March 2009

Han Jia-Hwan
Chairman

Chen Fu-Shih
Executive director

The notes on pages 51 to 129 form part of these financial statements.

Balance Sheet

At 31 December 2008

	Note	2008 USD'000	2007 USD'000
Non-current assets			
Investments in subsidiaries	17	109,233	98,562
Current assets			
Other receivables, deposits and prepayments	21	227	1,004
Amounts due from subsidiaries		90,078	16,991
Amount due from a jointly controlled entity		–	19
Cash and cash equivalents	22	2,559	71,516
		92,864	89,530
Current liabilities			
Interest-bearing borrowings	23	2,000	–
Other payables and accruals	24	2,429	1,945
Amount due to ultimate holding company		867	187
		5,296	2,132
Net current assets		87,568	87,398
Net assets		196,801	185,960
Capital and reserves			
Share capital	27(a)	12,957	12,957
Reserves	27(c)	183,844	173,003
Total equity		196,801	185,960

Approved and authorised for issue by the board of directors on 27 March 2009

Han Jia-Hwan
Chairman

Chen Fu-Shih
Executive director

The notes on pages 51 to 129 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity shareholders of the Company									
	Share capital (Note 27(a)) USD'000	Share premium (Note 27(b)(i)) USD'000	Merger reserve (Note 27(b)(ii)) USD'000	Statutory reserves (Note 27(b)(iii)) USD'000	Translation reserve (Note 27(b)(iv)) USD'000	Share-based payment reserve (Note 27(b)(v)) USD'000	Retained profits USD'000	Total USD'000	Minority interests USD'000	Total equity USD'000
At 1 January 2008	12,957	76,121	52,653	4,973	5,541	–	40,392	192,637	20,061	212,698
Capital contributed from minority interests	–	–	–	–	–	–	–	–	3,571	3,571
Disposal of partial interest in a subsidiary	–	–	–	–	–	–	–	–	1,228	1,228
Equity settled share-based transactions	–	–	–	–	–	63	–	63	–	63
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	–	4,541	–	–	4,541	300	4,841
Appropriations	–	–	–	1,307	–	–	(1,307)	–	–	–
Profit for the year	–	–	–	–	–	–	19,675	19,675	2,180	21,855
At 31 December 2008	12,957	76,121	52,653	6,280	10,082	63	58,760	216,916	27,340	244,256
At 1 January 2007	52,678	–	–	2,500	1,987	–	16,627	73,792	14,303	88,095
Arising from Reorganisation	(52,678)	–	52,678	–	–	–	–	–	–	–
Issuance of shares	25	–	(25)	–	–	–	–	–	–	–
Capitalisation issue	9,590	(9,590)	–	–	–	–	–	–	–	–
Issuance of shares for placing and public offering	3,342	93,571	–	–	–	–	–	96,913	–	96,913
Share issuing cost	–	(7,860)	–	–	–	–	–	(7,860)	–	(7,860)
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	–	3,554	–	–	3,554	802	4,356
Appropriations	–	–	–	2,473	–	–	(2,473)	–	–	–
Profit for the year	–	–	–	–	–	–	26,238	26,238	4,956	31,194
At 31 December 2007	12,957	76,121	52,653	4,973	5,541	–	40,392	192,637	20,061	212,698

The notes on pages 51 to 129 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 USD'000	2007 USD'000
Operating activities			
Profit before taxation		27,618	33,568
Adjustments for:			
– Change in fair value of biological assets less estimated point-of-sale costs		365	(472)
– Fair value of agricultural produce on initial recognition		(7,839)	(7,586)
– Reversal of fair value of agricultural produce due to sales and disposals		8,220	7,230
– Share of losses of jointly controlled entities		989	229
– Depreciation and amortisation		12,330	9,743
– Net (gain)/loss on disposals of fixed assets		(75)	2,603
– Impairment loss on trade and other receivables		173	209
– Write-down of inventories		3,607	550
– Reversal of impairment loss on trade and other receivables		(31)	–
– Reversal of write-down of inventories		(33)	(692)
– Interest income		(1,257)	(1,564)
– Interest expense		5,196	4,162
– Share-based payments		63	–
– Negative goodwill arising on acquisition		(109)	–
– Provision for onerous contracts		–	1,812
– Utilisation of onerous contracts provision		(1,812)	(1,511)
– Net foreign exchange gain		(591)	(1,104)
Operating cash flows before changes in working capital		46,814	47,177
Decrease/(increase) in inventories		20,064	(40,854)
Increase in biological assets		(488)	(448)
Decrease/(increase) in trade and other receivables		4,852	(13,862)
(Decrease)/increase in trade and other payables		(10,995)	36,985
Increase in net amounts due from/to related parties		(2,308)	(3,583)
Cash generated from operations		57,939	25,415
Income tax paid		(5,661)	(2,844)
Net cash generated from operating activities		52,278	22,571

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 USD'000	2007 USD'000
Investing activities			
Interest received		1,623	1,198
Purchases of fixed assets		(61,172)	(37,791)
Dividend received from a jointly controlled entity		300	150
Deposit paid for purchase of fixed assets		(1,012)	(1,674)
Proceeds on disposals of fixed assets		2,474	359
Acquisition of a subsidiary, net of cash acquired		481	–
Disposal of partial interest in a subsidiary		1,228	–
Changes in advances to related parties		1,700	(1,922)
Changes in pledged bank deposits		309	(773)
Net cash used in investing activities		(54,069)	(40,453)
Financing activities			
Interest paid		(5,068)	(4,237)
Changes in advances from related parties		679	(4,511)
Proceeds from new bank loans		67,413	81,937
Proceeds from capital contribution		–	89,053
Repayment of bank loans		(99,342)	(67,379)
Net cash (used in)/generated from financing activities		(36,318)	94,863
Net (decrease)/increase in cash and cash equivalents		(38,109)	76,981
Cash and cash equivalents at beginning of the year		97,640	19,696
Effect of foreign exchange rate changes		898	963
Cash and cash equivalents at the end of the year	22	60,429	97,640

The notes on pages 51 to 129 form part of these financial statements.

1 General information and group reorganisation

DaChan Food (Asia) Limited (the "Company") was incorporated in the Cayman Islands on 18 May 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The consolidated financial statements for the year ended 31 December 2008 comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interests in jointly controlled entities.

The companies comprising the Group underwent a reorganisation (the "Reorganisation") to rationalise the Group's structure in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). On 14 September 2007, the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the Prospectus of the Company dated 20 September 2007 (the "Prospectus").

The Company's shares were listed on the Stock Exchange on 4 October 2007.

2 Basis of presentation

The Group is regarded as a continuing entity resulting from the Reorganisation under common control. The consolidated financial statements have been prepared on the basis that the Company was the holding company of the Group for both years presented, rather than from the date of the Reorganisation. Accordingly, the consolidated results of the Group for the year ended 31 December 2007 included the results of the Company and its subsidiaries with effect from 1 January 2007 or since their respective dates of incorporation or at the date that common control was established, if later, as if the current group structure had been in existence throughout the year presented. All material intra-group transactions and balances have been eliminated on consolidation. In the opinion of the directors, the consolidated financial statements prepared on this basis present fairly the results of operations and the state of affairs of the Group as a whole.

3 Significant accounting policies

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set below.

IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 4 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

3 Significant accounting policies (Cont'd)

(b) Basis of preparation of the financial statements

The financial statements are presented in United States Dollars ("USD"). Most of the companies comprising the Group are operating in a Renminbi ("RMB") environment. The functional currency of most of the companies comprising the Group is RMB. All financial information presented in USD has been rounded to the nearest thousand.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

– biological assets and agricultural produce (note 3(j)); and

– derivative financial instruments (note 3(q)).

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed in note 31.

(c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

3 Significant accounting policies (Cont'd)

(c) Subsidiaries and minority interests (Cont'd)

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loan from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 3(n) and 3(o).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 3(i)).

(d) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the jointly controlled entity's net assets. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the jointly controlled entities for the year.

When the Group's share of losses exceeds its interest in the jointly controlled entities, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entities. For this purpose, the Group's interest in the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated income statement.

3 Significant accounting policies (Cont'd)

(e) Property, plant and equipment

Items of property, plant and equipment are stated in the consolidated balance sheet at cost less accumulated depreciation and impairment losses (see note 3(i)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the consolidated income statement on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings held for own use	20 years
Plant and machinery	10 years
Furniture, fittings and equipment	5 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) Construction in progress

Construction in progress represents office buildings, various infrastructure projects under construction and equipment pending installation, and is stated at cost less impairment losses (see note 3(i)). Cost comprises direct costs of construction and the initial estimate, where relevant, of the costs of dismantling and removing the item and restoring the site on which it is located during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use, notwithstanding any delays in the issue of the relevant commissioning certificates by the relevant authorities.

No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

3 Significant accounting policies (Cont'd)

(g) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the consolidated income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the consolidated income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the consolidated income statement in the accounting period in which they are incurred.

(h) Lease prepayments

Lease prepayments represent the purchase costs of land use rights and are amortised on a straight-line basis over the period of land use rights. Land use rights are carried at cost less accumulated amortisation and impairment losses (see note 3(i)).

(i) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other receivables that are carried at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the consolidated income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

3 Significant accounting policies (Cont'd)

(i) Impairment of assets (Cont'd)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– construction in progress;

– lease prepayments; and

– investments in subsidiaries and jointly controlled entities.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in the consolidated income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated income statement in the year in which the reversals are recognised.

3 Significant accounting policies (Cont'd)

(j) Biological assets and agricultural produce

Biological assets are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognised in the consolidated income statement. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market. The fair value of livestock is determined based on the current market price of livestock of similar age, breed and genetic merit.

Agricultural produce, which comprises broiler breeder eggs is initially measured at its fair value less estimated point-of-sale costs at the point of lay. The fair value of agricultural produce is determined based on market prices in the local area, any resultant gain or loss recognised in consolidated income statement.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Agricultural produce is included under inventories at its fair value less estimated point-of-sale costs at the point of lay in accordance with note 3(j), subsequently included under inventory and stated at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 3(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

3 Significant accounting policies (Cont'd)

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the consolidated income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost, except where the payables are interest-free loans from related parties without any fixed repayment terms or the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Provisions for onerous contracts

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

(q) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value on trade date. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to consolidated income statement.

3 Significant accounting policies (Cont'd)

(r) Derecognition of financial assets/liabilities

The Group's financial assets include cash and cash equivalents, pledged deposits, trade and other receivables, and amounts due from related parties. Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in the consolidated income statement.

Financial liabilities of the Group include interest-bearing borrowings, trade and other payables, and amounts due to related parties. Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the consolidated income statement.

(s) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations are recognised as an expense in the consolidated income statement when they are due.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share-based payment reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into accounts the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the consolidated income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based payment reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based payment reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based payment reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

3 Significant accounting policies (Cont'd)

(s) Employee benefits (Cont'd)

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the consolidated income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from differences which arose on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

3 Significant accounting policies (Cont'd)

(t) Income tax (Cont'd)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3 Significant accounting policies (Cont'd)

(v) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated income statement as follows:

(i) Sales of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax ("VAT") or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Government grants

Government grants are recognised in the consolidated balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in consolidated income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted in arriving at the carrying amount of the asset and consequently are recognised in the consolidated income statement over the useful life of the asset.

(iv) Management fees

Revenue is recognised when the services are rendered.

(w) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency"). The financial statements are presented in USD ("presentation currency").

3 Significant accounting policies (Cont'd)

(w) Foreign currencies (Cont'd)

(ii) Transactions and balances

Foreign currency transactions during the year are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Income statements and cash flows of foreign entities are translated into the Group's presentation currency at the average exchange rates for the financial year and their balance sheets are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising from the translation of net investment in foreign subsidiaries are taken directly to reserves.

(x) Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Company's or the Group's research and development activities, no development costs satisfy the criteria for the recognition of such costs as an asset. Both research and development costs are therefore recognised as expenses in the period in which they are incurred.

(y) Borrowing costs

Borrowing costs are expensed in the consolidated income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition or construction of an asset which necessarily takes a substantial period of time to get ready for its intended use.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

3 Significant accounting policies (Cont'd)

(z) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individual;

(v) the party is a close family member of a party referred in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(aa) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services ("business segment"), or in providing products or services within a particular economic environment ("geographical segment"), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Sales from livestock feeds segment to chicken meat segment are charged at cost while sales from chicken meat segment to processed foods segment is based on similar terms as those available to other external parties.

3 Significant accounting policies (Cont'd)

(aa) Segment reporting (Cont'd)

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

4 Changes in accounting policies

The IASB has issued the following new Interpretations and an amendment to IFRSs that are first effective for the current accounting period of the Group and the Company:

- International Financial Reporting Interpretations Committee ("IFRIC") 11, IFRS 2 – *Group and treasury share transactions*
- IFRIC 12, *Service concession arrangements*
- IFRIC 14, IAS 19 – *The limit on a defined benefit asset, minimum funding requirements and their interaction*
- Amendment to IAS 39, *Financial instruments: Recognition and measurement,* and IFRS 7, *Financial instruments: Disclosures – Reclassification of financial assets*

These IFRSs developments have had no material impact on the Group's financial statements as either they were consistent with accounting policies already adopted by the Group or they were not relevant to the Group's and the Company's operations.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 34).

5 Turnover

The principal activities of the Group include manufacturing and trading of livestock feeds, poultry and chilled meats and processed foods.

Revenue mainly represents the sales value of goods sold to customers but excludes VAT or other sales taxes and is after allowance for goods returned and deduction of any trade discounts. The amount of each significant category of revenue recognised in revenue during the year is as follows:

	2008 USD'000	2007 USD'000
Sales of chicken meat	661,946	489,743
Sales of livestock feeds	584,064	346,747
Sales of processed foods	47,985	58,001
	1,293,995	894,491

6 Other income

	2008 USD'000	2007 USD'000
Interest income	1,257	1,564
Foreign exchange gain	5,493	2,696
Management fees (note 29(b))	123	187
Government subsidies (i)	777	1,691
Compensations received (ii)	722	3,673
Realised gain on commodity derivative contracts	256	–
Gain on disposals of fixed assets	78	2
Recognition of negative goodwill (note 15(a))	109	–
Others	1,468	1,279
	10,283	11,092

(i) The Group reinvested the dividends from certain subsidiaries by way of capital injection. Pursuant to approval from respective local tax authorities, the Group is eligible to receive refunds of certain income tax paid by the subsidiaries in previous years. The approvals from relevant tax authorities in connection with the refunds were obtained during the year. Government subsidies received in 2007 represented subsidies approximating the aggregate amount of VAT and interest expense incurred in prior years.

(ii) The compensations received for the years ended 31 December 2007 and 2008 were compensations given to a subsidiary of the Group as a result of relocation of factory as required by the local government.

7 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	2008 USD'000	2007 USD'000
(a) Finance costs		
Interest on bank borrowings wholly repayable within five years	5,196	4,105
Interest on other loans (note 29(b))	–	57
	5,196	4,162
(b) Staff costs		
Salaries, wages, bonuses and other benefits	51,970	39,831
Contributions to retirement schemes	3,159	3,444
Equity-settled share-based payment expenses	63	–
	55,192	43,275

The Group is required to participate in pension schemes organised by the respective municipal governments of the People's Republic of China ("PRC") whereby the Group is required to pay annual contributions for PRC based employees at rates ranging from 19% to 25.5% (2007: 19% to 25.5%) of the standard wages determined by the relevant authorities in the PRC during the year. The Group has no other material obligation for payment of retirement benefits to the PRC based employees beyond the annual contributions described above.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the Group and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of Hong Kong Dollar ("HKD") 20,000. Contributions to the scheme vest immediately.

Contribution made to Malaysia's Employees Provident Fund is based on 12% (2007: 12%) of the eligible employees' salaries.

The Group also made contribution on the statutory social security and health insurance in Vietnam at 17% (2007: 17%) of the eligible employees' salaries.

Save for the above schemes, the Group has no other material obligation for payment of retirement benefits beyond the contributions.

7 Profit before taxation (Cont'd)

Profit before taxation is arrived at after charging/(crediting): (Cont'd)

	2008 USD'000	2007 USD'000
(c) Other items		
Auditors' remuneration	902	655
Amortisation of lease prepayments	395	155
Depreciation of property, plant and equipment	11,935	9,588
Net (gain)/loss on disposals of fixed assets	(75)	2,603
Net impairment losses on trade and other receivables	142	209
Net foreign exchange loss/(gain)	1,486	(2,278)
Operating lease charges		
– plant and machinery	2,510	1,527
– others	717	545
Provision for onerous contracts (note 24(c)(iii))	–	1,812
Utilisation of onerous contracts provision (note 24(c)(iii))	(1,812)	(1,511)
Net realised (gain)/loss on derivative contracts	(256)	138
Research and development costs	56	192

8 Income tax

(a) Current taxation in the consolidated balance sheet represents:

	The Group	
	2008	2007
	USD'000	USD'000
At beginning of the year	(2,125)	(1,978)
Provision for enterprise income tax for the year	(5,889)	(2,991)
Enterprise income tax paid	5,661	2,844
At end of the year	(2,353)	(2,125)
Represented by:		
Income tax recoverable	979	22
Income tax payable	(3,332)	(2,147)
	(2,353)	(2,125)

(b) Taxation in the consolidated income statement represents:

	2008	2007
	USD'000	USD'000
Current tax – overseas		
Provision for the year	4,711	2,991
Under provision in respect of prior years	1,178	–
	5,889	2,991
Deferred tax		
Origination and reversal of temporary differences (note 25)	(126)	(617)
	5,763	2,374

8 Income tax (Cont'd)

(b) Taxation in the consolidated income statement represents: (Cont'd)

(i) Pursuant to the rules and regulations of the Cayman Islands, British Virgin Islands ("BVI") and Samoa, the Group is not subject to any income tax in the Cayman Islands, BVI and Samoa.

(ii) In February 2008, the Hong Kong Government announced a decrease in the Profits Tax rate from 17.5% to 16.5% applicable to the Group's operations in Hong Kong as from the year ended 31 December 2008. However, no provision has been made for Hong Kong Profits Tax as the Group did not earn any income subject to Hong Kong Profits Tax during the years.

(iii) Pursuant to the income tax rules and regulations of the PRC, the companies comprising the Group in the PRC are liable to PRC enterprise income tax at a rate of 25% (2007: 33%), except for the following:

(a) Great Wall Agri (Yingkou) Co., Ltd. ("Yingkou Great Wall") is a foreign investment enterprise incorporated in Liaoning. Yingkou Great Wall was qualified as an Advanced Technology Enterprise ("先進技術型企業") which entitled it to an extension of the period of 50% reduction in the enterprise income tax rate for three years (since 2005). The tax relief was subject to approval by the relevant PRC government authorities on an annual basis. For the year ended 2008, the tax relief is no longer granted and the applicable tax rate is 25% (2007: 13.5%).

(b) DaChan Wanda (Tianjin) Co., Ltd. ("Tianjin DaChan") and Greatwall Agri (Heilongjiang) Co., Ltd. ("Heilongjiang Greatwall") are entitled to a full exemption from the PRC Foreign Enterprise Income Tax for the two years beginning from 2006, their first profit-making year after offsetting all tax losses carried forward from the previous years, followed by a 50% reduction in the PRC Foreign Enterprise Income Tax for the next three years. The applicable tax rate for the year ended 31 December 2008 is 12.5% (2007: Nil).

(iv) Pursuant to the income tax rules and regulations of Malaysia, the subsidiary in Malaysia was liable to Malaysian income tax rate of 27% for the year ended 31 December 2007. In September 2007, the Malaysian government announced a reduction in the income tax rate from 27% to 26% for the year of assessment in 2008. Accordingly, the provision for Malaysian income tax for the year ended 31 December 2008 is calculated at 26% of the estimated assessable profits for the year.

(v) Pursuant to the Amended Investment Licence No. 1219/GPDC1-BKH-KCN-DN dated 23 September 2003, issued by Dong Nai Industrial Zone Authority, Asia Nutrition Technologies (VN) Co., Ltd. ("ANT-VN") is subject to Corporate Income Tax of Vietnam at a preferential rate of 15%.

8 Income tax (Cont'd)

(b) Taxation in the consolidated income statement represents: (Cont'd)

(vi) Asia Nutrition Technologies (HN) Co., Ltd. ("ANT-HN") is subject to Corporate Income Tax of Vietnam at the rate of 10% for the first 15 years commencing from its first year of operation and 25% for the succeeding years. However, ANT-HN is entitled to a full tax exemption for four years starting from 2005 being the first profit-making year pursuant to the Minutes of Inspection by Tax Department of Hai Duong Province dated 24 November 2006 and a 50% reduction in tax rate for the next four years. Therefore, the applicable tax rate of ANT-HN is nil for the years ended 31 December 2007 and 2008.

(vii) Asia Nutrition Technologies (LA) Co., Ltd. ("ANT-LA") is subject to Corporate Income Tax of Vietnam at the rate of 20% for the first 10 years commencing from its first year of operation and 25% for the succeeding years. However, ANT-LA is entitled to a full tax exemption for 2 years starting from 2008 being the first profit-making year and a 50% reduction in tax rate for the next three years. Therefore, the applicable tax rate of ANT-LA is nil for the years ended 31 December 2007 and 2008.

(viii) Under the new PRC tax law, dividends received by foreign investors from their investment in foreign-invested enterprises are subject to withholding tax at a rate of 10% unless reduced by treaty. Pursuant to a tax treaty between the PRC and Hong Kong, the investment holding companies established in Hong Kong are subject to a reduced withholding tax rate of 5% on dividends they receive from their PRC subsidiaries. Pursuant to the grandfathering treatments of the new PRC tax law, dividends receivable by the Group from its PRC subsidiaries in respect of its undistributed profits prior to 31 December 2007 are exempted from the withholding tax. Dividends receivable by the Group from its PRC subsidiaries in respect of its profits earned since 1 January 2008 will be subject to the withholding tax. Accordingly, deferred tax would be recognised for undistributed retained earnings of the PRC subsidiaries to the extent that the earnings would be distributed in the foreseeable future. The aggregate amounts of temporary differences associated with undistributed retained earnings and the related deferred tax liabilities which have not been recognised amount to USD10,725,000 (2007: nil) and USD617,000 (2007: nil) respectively.

8 Income tax (Cont'd)

(c) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2008 USD'000	2007 USD'000
Profit before taxation	27,618	33,568
Income tax using PRC's Enterprises Income Tax rate of 25% (2007: 27%) (note)	6,905	9,063
Tax effect of non-deductible expenses	2,730	1,697
Tax effect of non-taxable revenue	(659)	(3,354)
Effect of tax exemptions granted to subsidiaries	(3,312)	(3,528)
Under provision in respect of prior years	1,178	–
Effect of different tax rates of subsidiaries operating in different tax jurisdiction	(1,074)	(1,497)
Others	(5)	(7)
Actual tax expense	5,763	2,374

Note: The income tax rate of 25% (2007: 27%) represents the domestic tax rate in the jurisdiction where the operations of the Group are substantially based.

9 Directors' remuneration

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	2008					
	Directors' fees USD'000	Salaries, allowances and benefits in kind USD'000	Discretionary bonuses USD'000	Share-based payments (note) USD'000	Retirement scheme contribution USD'000	Total USD'000
Executive directors						
Han Jia-Hwan	–	205	82	5	4	296
Chang Tiee-Shen	–	58	66	2	2	128
Chen Fu-Shih	–	105	66	3	3	177
Independent non-executive directors						
Liu Fuchun	26	–	–	2	–	28
Chen Chih	26	–	–	2	–	28
Pai Nai-Yu	–	1	–	–	–	1
Way Yung-Do	23	–	–	2	–	25
Non-executive directors						
Harn Jia-Chen	19	–	–	3	–	22
Han Chia-Yau	19	–	–	4	–	23
Nicholas William Rosa	19	–	–	–	–	19
Chao Tien-Shin	19	–	–	2	–	21
	151	369	214	25	9	768

Note:

These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 3(s)(ii).

The details of these benefits in kind, including principal terms and number of options granted, are disclosed under the paragraph "share options scheme" in the directors' report and note 26.

9 Directors' remuneration (Cont'd)

	2007					
	Directors' fees USD'000	Salaries, allowances and benefits in kind USD'000	Discretionary bonuses USD'000	Share-based payments (note) USD'000	Retirement scheme contribution USD'000	Total USD'000
Executive directors						
Han Jia-Hwan	–	85	–	–	–	85
Chang Tiee-Shen	–	46	15	–	1	62
Chen Fu-Shih	–	95	57	–	2	154
Independent non-executive directors						
Liu Fuchun	6	–	–	–	–	6
Chen Chih	6	–	–	–	–	6
Pai Nai-Yu	6	1	–	–	–	7
Non-executive directors						
Harn Jia-Chen	5	–	–	–	–	5
Han Chia-Yau	5	–	–	–	–	5
Nicholas William Rosa	5	–	–	–	–	5
Chao Tien-Shin	1	–	–	–	–	1
	34	227	72	–	3	336

During the year, no director received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office, no director waived or has agreed to waive any emoluments.

10 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2007: one) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other three (2007: four) individuals are as follows:

	2008 USD'000	2007 USD'000
Salaries and other emoluments	354	592
Retirement scheme contributions	9	7
Share-based payments	6	–
Discretionary bonuses	278	151
	647	750

The emoluments of the three (2007: four) individuals with the highest emoluments are within the following bands:

	2008 Number of individuals	2007 Number of individuals
Nil to USD128,000 (equivalent to HKD1,000,000)	–	–
USD128,001 to USD192,000 (equivalent to HKD1,000,001 to HKD1,500,000)	1	2
USD192,001 to USD256,000 (equivalent to HKD1,500,001 to HKD2,000,000)	1	1
USD256,001 to USD321,000 (equivalent to HKD2,000,001 to HKD2,500,000)	1	1

No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

11 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of USD10,841,000 and a loss of USD1,655,000 which have been dealt with in the financial statements of the Company for the years ended 31 December 2008 and 2007 respectively.

12 Dividends

	2008 USD'000	2007 USD'000
Final dividend proposed after the balance sheet date of HK3.77 cents per share (2007: nil)	4,919	–

On 27 March 2009, the directors proposed a final dividend of HK3.77 cents (2007: nil) per share to all equity shareholders of the Company for the shareholders' approval at the forthcoming annual general meeting.

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

13 Earnings per share

The calculation of basic earnings per share for the year ended 31 December 2008 is based on the profit attributable to equity shareholders of the Company of USD19,675,000 (2007: USD26,238,000) and the weighted average number of 1,010,662,000 (2007: 812,260,000) shares in issue during the year.

Diluted earnings per share for the current year has not been disclosed as the outstanding share options have no dilutive effects on the basic earnings per share for the current year, as their exercise prices were above the average market price of the shares during the current year. Diluted earnings per share for the prior year has not been disclosed as there were no potential dilutive shares as at the year end.

14 Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Primary reporting format – business segments

The Group comprises the following main business segments:

Chicken meat	:	The chicken meat segment carries on business of breeding and hatching of broiler breeder eggs, contract farming, processing and marketing of chicken meat products.
Livestock feeds	:	The livestock feeds segment manufactures and distributes complete feed, base mix and pre-mix for swine, layer, broiler, dairy, duck, and breeder poultry.
Processed foods	:	The processed foods segment produces and distributes pickled, pre-fried, and roasted foods.

14 Segment reporting (Cont'd)

Primary reporting format – business segments (Cont'd)

	2008				
	Chicken meat USD'000	Livestock feeds USD'000	Processed foods USD'000	Inter-segment elimination USD'000	Consolidated USD'000
Revenue from external customers	661,946	584,064	47,985	–	1,293,995
Inter-segment revenue	10,981	179,171	–	(190,152)	–
Total	672,927	763,235	47,985	(190,152)	1,293,995
Segment result	18,645	29,216	(8,394)	–	39,467
Unallocated operating income and expenses					(5,664)
Profit from operations					33,803
Finance costs					(5,196)
Share of losses of jointly controlled entities	–	–	(989)	–	(989)
Income tax					(5,763)
Profit for the year					21,855
Depreciation and amortisation for the year	3,155	6,879	2,296	–	12,330
Segment assets	147,987	134,539	20,470	–	302,996
Unallocated assets					66,135
Total assets					369,131
Segment liabilities	(38,108)	(43,845)	(5,452)	–	(87,405)
Unallocated liabilities					(37,470)
Total liabilities					(124,875)
Capital expenditure incurred during the year	40,901	18,246	2,661	–	61,808

14 Segment reporting (Cont'd)

Primary reporting format – business segments (Cont'd)

	2007				
	Chicken meat USD'000	Livestock feeds USD'000	Processed foods USD'000	Inter-segment elimination USD'000	Consolidated USD'000
Revenue from external customers	489,743	346,747	58,001	–	894,491
Inter-segment revenue	–	126,542	–	(126,542)	–
Total	489,743	473,289	58,001	(126,542)	894,491
Segment result	22,397	14,066	454	–	36,917
Unallocated operating income and expenses					1,042
Profit from operations					37,959
Finance costs					(4,162)
Share of losses of jointly controlled entities	–	–	(229)	–	(229)
Income tax					(2,374)
Profit for the year					31,194
Depreciation and amortisation for the year	2,634	6,087	1,022	–	9,743
Segment assets	113,862	138,217	16,993	–	269,072
Interests in jointly controlled entities	–	–	3,828	–	3,828
Unallocated assets					105,372
Total assets					378,272
Segment liabilities	(41,216)	(51,930)	(6,951)	–	(100,097)
Unallocated liabilities					(65,477)
Total liabilities					(165,574)
Capital expenditure incurred during the year	8,155	28,607	2,473	–	39,235

14 Segment reporting (Cont'd)

Secondary reporting format – geographical segments

The Group's business operates in four principal economic environments. Mainland China is the major market for all of the Group's businesses.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	2008				
	Mainland China USD'000	Japan USD'000	Vietnam USD'000	Rest of Asia Pacific USD'000	Consolidated USD'000
Revenue from external customers	1,069,284	15,770	205,215	3,726	1,293,995
Segment assets	252,026	–	48,906	2,064	302,996
Capital expenditure incurred during the year	58,050	–	3,729	29	61,808

	2007				
	Mainland China USD'000	Japan USD'000	Vietnam USD'000	Rest of Asia Pacific USD'000	Consolidated USD'000
Revenue from external customers	713,918	42,458	135,732	2,383	894,491
Segment assets	196,787	–	70,124	2,161	269,072
Capital expenditure incurred during the year	27,048	–	12,071	116	39,235

15 Acquisition and disposal of subsidiaries

(a) Miyasun-Great Wall (BVI) Co., Ltd. ("Miyasun-Great Wall")

On 1 May 2008, the Group acquired the remaining 50% equity interest of Miyasun-Great Wall from an independent third party at a cash consideration of USD2,581,000. Details of Miyasun-Great Wall at 31 December 2008 are as follows:

Name of company	Paid up capital	Principal activity	Result contributed by the company from the date of acquisition to 31 December 2008
			USD'000
Miyasun-Great Wall	USD2,000,000	Investment holding	2,949

This entity is an investment holding company established in the BVI. Its sole subsidiary is established in the PRC and is principally engaged in foods processing.

The acquisition had the following effect on the Group's assets and liabilities.

	Recognised values on acquisition
	USD'000
Property, plant and equipment	8,638
Lease prepayments	225
Cash and cash equivalents	3,062
Other net current liabilities	(6,545)
Net identifiable assets acquired	5,380
Negative goodwill arising on acquisition (note 6)	(109)
	5,271
Total purchase price paid	2,581
Reclassified from interests in jointly controlled entities	2,690
	5,271
Analysis of net inflow of cash and cash equivalents:	
Net cash and cash equivalents acquired	481

If the acquisition has occurred on 1 January 2008, management estimates that consolidated revenue would have been USD1,297,347,000 and consolidated profit for the year would have been USD22,538,000.

15 Acquisition and disposal of subsidiaries (Cont'd)

(b) Disposal of partial interest in a subsidiary

On 1 May 2008, the Group disposed of 3% equity interest in its 60% owned subsidiary, Great Wall Dalian Investment Co., Ltd. ("Dalian Investment"), a subsidiary principally engaged in investment holding to an independent third party at a consideration of USD1,228,000. Its sole subsidiary is established in the PRC and is principally engaged in the manufacturing and trading of animal feeds, husbandry and trading of poultry and livestock, processing and trading of meat and meat products and foods processing. No significant gain or loss arose from the disposal of this partial interest in Dalian Investment.

As a result of the disposal, the Group's interest in Dalian Investment was reduced from 60% to 57%.

16 Fixed assets

The Group

	Construction in progress USD'000	Buildings USD'000	Plant and machinery USD'000	Furniture, fittings and equipment USD'000	Motor vehicles USD'000	Sub-total USD'000	Lease prepayments USD'000	Total USD'000
Cost:								
At 1 January 2008	8,973	12,480	115,720	9,107	3,042	149,322	12,654	161,976
Additions	36,107	828	13,785	3,494	1,303	55,517	6,291	61,808
Acquired through business combination	28	–	8,158	411	41	8,638	225	8,863
Transfers	(25,074)	4,976	19,973	125	–	–	–	–
Disposals	–	–	(1,526)	(1,584)	(1,045)	(4,155)	–	(4,155)
Exchange differences	(26)	(466)	6,136	351	21	6,016	435	6,451
At 31 December 2008	20,008	17,818	162,246	11,904	3,362	215,338	19,605	234,943
Accumulated depreciation and amortisation:								
At 1 January 2008	–	962	49,999	4,831	1,120	56,912	1,164	58,076
Charge for the year	–	732	9,656	1,125	422	11,935	395	12,330
Disposals	–	–	(352)	(921)	(483)	(1,756)	–	(1,756)
Exchange differences	–	(77)	2,430	282	19	2,654	47	2,701
At 31 December 2008	–	1,617	61,733	5,317	1,078	69,745	1,606	71,351
Carrying values:								
At 31 December 2008	20,008	16,201	100,513	6,587	2,284	145,593	17,999	163,592

16 Fixed assets(Cont'd)

The Group (Cont'd)

	Construction in progress USD'000	Buildings USD'000	Plant and machinery USD'000	Furniture, fittings and equipment USD'000	Motor vehicles USD'000	Sub-total USD'000	Lease prepayments USD'000	Total USD'000
Cost:								
At 1 January 2007	2,257	8,921	93,455	7,390	2,377	114,400	6,316	120,716
Additions	9,685	6,676	14,031	1,928	1,012	33,332	5,903	39,235
Transfers	(3,050)	487	2,439	124	–	–	–	–
Disposals	–	(3,839)	(691)	(871)	(496)	(5,897)	–	(5,897)
Exchange differences	81	235	6,486	536	149	7,487	435	7,922
At 31 December 2007	8,973	12,480	115,720	9,107	3,042	149,322	12,654	161,976
Accumulated depreciation and amortisation:								
At 1 January 2007	–	2,247	38,873	4,426	1,097	46,643	914	47,557
Charge for the year	–	443	8,078	741	326	9,588	155	9,743
Disposals	–	(1,818)	(57)	(664)	(396)	(2,935)	–	(2,935)
Exchange differences	–	90	3,105	328	93	3,616	95	3,711
At 31 December 2007	–	962	49,999	4,831	1,120	56,912	1,164	58,076
Carrying values:								
At 31 December 2007	8,973	11,518	65,721	4,276	1,922	92,410	11,490	103,900

16 Fixed assets (Cont'd)

Certain buildings and lease prepayments are pledged to banks for banking facilities granted to the Group as disclosed in note 23(c).

The carrying amounts of the Group's lease prepayments are situated in the following locations:

	The Group	
	2008	2007
	USD'000	USD'000
The PRC	15,064	8,848
Vietnam	2,626	2,314
Malaysia	309	328
	17,999	11,490

An analysis of net book value of the lease prepayments is as follows:

	The Group	
	2008	2007
	USD'000	USD'000
Expiring:		
Between 26 to 50 years	17,906	11,377
Between 10 to 25 years	93	113
	17,999	11,490

17 Investments in subsidiaries

	The Company 2008 USD'000	The Company 2007 USD'000
Unlisted shares, at cost	109,233	98,562

Details of the subsidiaries are set out below. The class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of incorporation/ establishment and operation	Issued and fully paid up/ registered capital	Attributable equity interest Direct %	Attributable equity interest Indirect %	Principal activities
Great Wall Northeast Asia Corporation ("NAC")	Cayman Islands 3 December 1996	USD68,855,251	100	–	Investment holding
Impreza Investments Ltd. ("Impreza")	BVI 7 November 1996	USD14,700,000	–	100	Investment holding
Dalian Investment	BVI 23 February 1995	USD24,500,000	–	57	Investment holding
Dalian Great Wall (notes (1) and (2)) 大成食品(大連)有限公司	PRC 6 December 1995	USD26,600,000	–	57	Manufacturing and trading of animal feeds, husbandry and trading of poultry and livestock, processing and trading of meat and meat products and foods processing
Great Wall Agritech (Liaoning) Co., Limited ("Liaoning Greatwall (BVI)")	BVI 13 September 1990	USD9,026,381	–	100	Investment holding
Global Food Corporation ("Global Food") 環球食品有限公司	Samoa 23 January 2003	USD1	–	100	Trading of meat and meat products
Great Wall Agritech (Liaoning) Co., Limited ("Liaoning Greatwall (HK)") 大成長城農技(遼寧)有限公司	Hong Kong 24 July 1990	HKD31,400,000	–	100	Investment holding

17 Investments in subsidiaries (Cont'd)

Name of company	Place and date of incorporation/ establishment and operation	Issued and fully paid up/ registered capital	Attributable equity interest Direct %	Indirect %	Principal activities
Liaoning Great Wall Agri-Industrial Co., Ltd. ("Liaoning Greatwall") (notes (1) and (2)) 遼寧大成農牧實業有限公司	PRC 19 July 1990	USD15,480,000	–	100	Manufacturing and trading of animal feeds, husbandry and trading of poultry and livestock, processing and trading of meat and meat products
Great Wall Agrotech Feed (Shenyang) Co., Ltd. ("Shenyang Great Wall") (note (2)) 大成農技飼料(瀋陽)有限公司	PRC 16 May 2007	USD3,038,000	–	100	Manufacturing and trading of animal feeds, husbandry and trading of poultry and livestock, processing and trading of meat and meat products
Heilongjiang Greatwall (notes (1) and (2)) 大成農牧(黑龍江)有限公司	PRC 25 May 2005	USD1,000,000	–	100	Manufacturing and trading of animal feeds
Dongbei Agri Corporation ("Dongbei Agri")	BVI 27 November 1996	USD11,910,000	–	100	Investment holding
Yingkou Great Wall (notes (1) and (2)) 大成農牧(營口)有限公司	PRC 1 April 1997	USD8,200,000	–	100	Manufacturing and trading of animal feeds, husbandry and trading of poultry and livestock, processing and trading of meat and meat products
Greatwall Agri (Tieling) Co., Ltd. ("Tieling Greatwall") (notes (1) and (2)) 大成農牧(鐵嶺)有限公司	PRC 16 May 1997	USD9,180,000	–	100	Manufacturing and trading of animal feeds, husbandry and trading of poultry and livestock, processing and trading of meat and meat products
Dongbei Agri (Changchun) Co., Ltd. ("Changchun Agri") (notes (1) and (2)) 東北農牧(長春)有限公司	PRC 28 August 2006	USD1,093,000	–	100	Manufacturing and trading of animal feeds

17 Investments in subsidiaries (Cont'd)

Name of company	Place and date of incorporation/ establishment and operation	Issued and fully paid up/ registered capital	Attributable equity interest Direct %	Indirect %	Principal activities
Hunan Greatwall Technologies & Feeds Co., Ltd. ("Hunan Greatwall") (notes (1) and (2)) 湖南大成科技飼料有限公司	PRC 8 October 2006	USD2,200,000	–	100	Manufacturing and trading of animal feeds
Tieling Greatwall Trade Co., Ltd. ("Tieling Trade") (notes (1) and (3)) 鐵嶺大成商貿有限公司	PRC 23 June 2004	RMB2,000,000	–	100	Trading of animal feeds
Beijing Han Ya Trade Co., Ltd. ("Beijing Trade") (notes (1) and (3)) 北京漢亞商貿有限公司	PRC 21 May 1998	RMB1,000,000	–	100	Manufacturing and trading of animal feeds
Hwabei Agri Corporation ("Hwabei Agri")	BVI 23 December 1998	USD3,000,001	–	100	Investment holding
DaChan Wanda (HK) Limited ("Hong Kong DaChan") 大成萬達(香港)有限公司	Hong Kong 26 June 1984	USD5,892,000	–	100	Investment holding
Tianjin DaChan (notes (1) and (2)) 大成萬達(天津)有限公司	PRC 26 October 1992	RMB188,938,206	–	100	Manufacturing and trading of animal feeds, husbandry and trading of poultry and livestock, processing and trading of meat and meat products
Union Manufacturing Limited ("Union Manufacturing")	BVI 7 February 1996	USD4,800,000	–	100	Investment holding
Greatwall Gourmet (Shanghai) Co., Ltd. ("Shanghai Gourmet") (notes (1) and (2)) 大成美食(上海)有限公司	PRC 5 September 1996	USD6,940,000	–	100	Foods processing
Great Wall Kuang-Ming Investment (BVI) Co., Ltd. ("Kuang-Ming Investment")	BVI 17 March 1995	USD1,000,000	–	100	Investment holding

17 Investments in subsidiaries (Cont'd)

Name of company	Place and date of incorporation/ establishment and operation	Issued and fully paid up/ registered capital	Attributable equity interest Direct %	Attributable equity interest Indirect %	Principal activities
Asia Nutrition Technologies (VN) Investment Co., Ltd. ("ANTIC-VN")	BVI 7 September 1998	USD7,615,590	–	65.51	Investment holding
ANT-HN	Vietnam 22 January 2003	Vietnamese Dong ("VND") 89,600,000,000	–	65.51	Manufacturing and trading of animal feeds
ANT-VN	Vietnam 29 April 1995	VND190,836,294,000	–	65.51	Manufacturing and trading of animal feeds
ANT-LA	Vietnam 13 April 2007	VND48,000,000,000	–	65.51	Manufacturing and trading of feed meal and related additives, aquatic products, veterinary and aquatic medicine
Golden Harvest Inc. ("Golden Harvest")	Samoa 25 November 2003	USD1	–	65.51	Trading of feed ingredients
Great Wall Nutrition Technologies Sdn. Bhd. ("Great Wall Malaysia")	Malaysia 3 August 1990	Malaysian Ringgit 4,373,770	–	100	Manufacturing and sales of animal feeds
Marksville Corporation ("Marksville")	BVI 15 June 2007	USD1	–	100	Investment holding
Huludao DaChan Food Co., Ltd. ("Huludao DaChan") (notes (1) and (3)) 葫蘆島大成食品有限公司	PRC 22 April 2008	RMB7,000,000	–	100	Manufacturing and trading of animal feeds
Dalian Tiancheng Broiler Development Co., Ltd. ("Dalian Tiancheng") (notes (1) and (3)) 大連天成肉雞發展有限公司	PRC 15 September 2008	RMB7,000,000	–	100	Technical reseach and development in breeding broilers
DaChan Agricultural Technogies (Sichuan) Co., Ltd. ("Sichuan DaChan") (notes (1) and (3)) 四川大成農牧科技有限公司	PRC 25 August 2008	RMB20,000,000	–	100	Manufacturing and trading of animal feeds and related additives, research and consultation on husbandry

17 Investments in subsidiaries (Cont'd)

Name of company	Place and date of incorporation/ establishment and operation	Issued and fully paid up/ registered capital	Attributable equity interest Direct %	Indirect %	Principal activities
DaChan Food (Shandong) Co., Ltd. ("Shandong DaChan") (notes (1) and (2)) 大成食品(山東)有限公司	PRC 5 May 2008	USD4,000,000	–	100	Manufacturing and trading of animal feeds
DaChan Food (Hebei) Co., Ltd. ("Hebei DaChan") (notes (1) and (2)) 大成食品(河北)有限公司	PRC 28 February 2008	USD4,000,000	–	100	Manufacturing and trading of animal feeds
Dongbei (Beijing) Consultant Co., Ltd. ("Dongbei Consultant") (notes (1) and (2)) 北京東北亞諮詢有限公司	PRC 30 October 2008	USD500,000	–	100	Management services
DaChan Food (Panjin) Co., Ltd. ("Panjin DaChan") (notes (1) and (2)) 大成食品(盤錦)有限公司	PRC 28 November 2008	USD2,000,000	–	100	Trading of poultry and livestock, processing and trading of meat and meat products
Beijing Sisters Kitchen Food and Beverage Management Co., Ltd. ("Beijing Sisters") (notes (1) and (3)) 北京姐妹廚房餐飲管理有限公司	PRC 16 October 2008	RMB500,000	–	100	Food and beverage management
Yanzhou DaChan Food Co., Ltd. ("Yanzhou DaChan") (notes (1) and (3)) 兖州大成食品有限公司	PRC 20 March 2008	RMB50,000,000	–	51	Manufacturing and trading of animal feeds, husbandry and trading of poultry and livestock, processing and trading of meat and meat products
Bengbu DaChan Food Co., Ltd. ("Bengbu DaChan") (notes (1) and (3)) 蚌埠大成食品有限公司	PRC 3 December 2008	RMB70,000,000	–	100	Manufacturing and trading of animal feeds, husbandry and trading of poultry and livestock, processing and trading of meat and meat products

17 Investments in subsidiaries (Cont'd)

Name of company	Place and date of incorporation/ establishment and operation	Issued and fully paid up/ registered capital	Attributable equity interest Direct %	Indirect %	Principal activities
Qingdao DaChan Technologies Feed Co., Ltd. ("Qingdao DaChan") (notes (1) and (2)) 青島大成科技飼料有限公司	PRC 14 November 2008	USD3,300,000	–	100	Manufacturing and trading of animal feeds
Miyasun-Great Wall	BVI 17 March 1995	USD2,000,000	–	100	Investment holding
Miyasun-Great Wall Foods (Dalian) Co., Ltd. ("Miyasun Foods") (notes (1) and (2)) 大成宮產食品(大連)有限公司	PRC 20 May 1995	USD4,500,000	–	100	Foods processing
Universal Food Corporation ("Universal Foods") 環宇食品有限公司	Samoa 23 January 2003	USD1	–	100	Trading of meat and meat products

Notes:

(1) The English translation of the company names is for reference only. The official names of these companies are in Chinese.

(2) These entities established in PRC are wholly foreign-owned enterprises.

(3) These entities established in PRC are limited liability companies.

18 Interests in jointly controlled entities

	The Group	
	2008 USD'000	2007 USD'000
Share of net assets	–	3,828

Summary financial statements on jointly controlled entities – Group's effective interest:

	2008 USD'000	2007 USD'000
Non-current assets	–	4,387
Current assets	–	4,401
Current liabilities	–	(4,960)
Net assets	–	3,828
Income	5,312	16,645
Expenses	(6,301)	(16,874)
Loss for the year	(989)	(229)

On 1 May 2008, the Group acquired the remaining 50% equity interest in jointly controlled entities as disclosed in note 15(a).

19 Inventories

(a) Inventories in the consolidated balance sheet comprise:

	The Group	
	2008	2007
	USD'000	USD'000
Animal feeds	**41,927**	64,861
Poultry and chilled meats	**20,670**	22,153
Processed foods	**4,205**	3,274
Agricultural produce	**514**	895
Consumables	**6,509**	4,594
	73,825	95,777

(b) A provision of USD4,466,000 (2007: USD892,000) was made against those inventories with net realisable value lower than the carrying values as at 31 December 2008. Other than this provision, none of the inventories as at 31 December 2007 and 2008 were carried at net realisable value.

(c) The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2008	2007
	USD'000	USD'000
Carrying amount of inventories sold	**1,125,740**	765,209
Write-down of inventories	**3,607**	550
Reversal of write-down of inventories	**(33)**	(692)
Fair value of agricultural produce on initial recognition	**7,839**	7,586
Reversal of fair value of agricultural produce due to sales and disposals	**(8,220)**	(7,230)
	1,128,933	765,423

19 Inventories (Cont'd)

(d) Production quantities of agricultural produce:

	The Group	
	2008	2007
Broiler breeder eggs (units)	25,112,000	25,090,000

(e) Movements of the agricultural produce, representing broiler breeder eggs, are summarised as follows:

	The Group	
	2008	2007
	USD'000	USD'000
At 1 January	895	539
Increase due to lay	7,839	7,586
Decrease due to sales and disposals	(8,220)	(7,230)
At 31 December	514	895

20 Biological assets

Movements of the biological assets, representing immature and mature breeders, are summarised as follows:

	The Group	
	2008	2007
	USD'000	USD'000
At 1 January	1,718	798
Increase due to purchases	909	687
Decrease due to retirement and deaths	(421)	(239)
Change in fair value less estimated point-of-sale costs	(365)	472
At 31 December	1,841	1,718

20 Biological assets (Cont'd)

The number of biological assets is summarised as follows:

	The Group	
	2008	2007
	Units	Units
Chickens bred for growth into mature breeders	118,480	67,865
Mature breeders	98,611	170,948
	217,091	238,813

The immature breeders are primarily bred for further growth into mature breeders. The mature breeders are primarily held to produce agricultural produce.

The Group's breeders were revalued at each balance sheet date by the directors on a fair value basis. The fair value less estimated point-of-sale costs of the biological assets is determined using the sales comparison approach. The sales comparison approach estimates value by comparing biological assets with similar size, species and age in the relevant market, and takes into account factors such as differences in characteristics or features of value, in breeder market, and in time.

21 Trade and other receivables

	The Group		The Company	
	2008	2007	2008	2007
	USD'000	USD'000	USD'000	USD'000
Trade receivables	27,787	27,876	–	–
Amounts due from related parties (note 29(d))	1,452	3,881	–	–
Advances to staff	648	659	–	–
VAT recoverable (i)	25,524	21,987	–	–
Deposits paid for purchase of fixed assets	1,012	1,674	–	–
Suppliers' deposits	367	2,597	–	–
Deposits and prepayments ((ii)and (iii))	7,528	7,516	–	138
Other receivables	2,059	4,214	227	866
	66,377	70,404	227	1,004

21 Trade and other receivables (Cont'd)

The Group normally allows a credit period ranging from 30 days to 60 days to its customers.

(i) The VAT recoverable represents the unutilised input VAT eligible for offset against future output VAT. The unutilised input VAT arose mainly due to the insufficient output VAT on sales of chicken meat to offset the input VAT on purchases of live chickens from contract farmers. The directors of the Company are of the opinion that the VAT recoverable as at 31 December 2008 will be utilised progressively in accordance with the Group's future plan.

(ii) Prepayments consist of advance payments made to suppliers for purchases of raw materials and other prepaid expenses.

(iii) As at 31 December 2008, the Group has deposits of USD287,000 with independent future trading agents for commodity derivative contracts entered into in the normal course of business primarily to protect the Group from the impact of price fluctuations in corn and soybean meal commodities. The aggregate notional amounts of the Group's outstanding future commodity contracts as at 31 December 2008 totalled USD1,108,000 (2007: Nil).

As at 31 December 2008, the Directors of the Company have assessed the fair value of the outstanding commodity derivative contracts with reference to a market quotation from independent trading agents and considered there was no material difference between the book value and the current market value. Hence, no change in the fair value of outstanding commodity derivative contracts was made in the consolidated income statement.

All of the trade and other receivables (including amounts due from related parties), apart from the VAT recoverable are expected to be recovered within one year.

(a) Ageing analysis

Included in trade and other receivables are trade receivables (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	The Group	
	2008 USD'000	2007 USD'000
Current	24,582	24,559
Less than 30 days past due	2,668	1,494
31-60 days past due	198	993
61-90 days past due	77	365
More than 90 days past due	262	465
Total	27,787	27,876

21 Trade and other receivables (Cont'd)

(b) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group	
	2008	2007
	USD'000	USD'000
At 1 January	**1,414**	1,305
Charged to consolidated income statement	**173**	209
Reversal of impairment loss	**(31)**	–
Uncollectible amounts written off	**(425)**	(100)
At 31 December	**1,131**	1,414

At 31 December 2008, the Group's trade and other receivables of USD1,131,000 (2007: USD1,414,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, allowances for doubtful debts of USD1,131,000 (2007: USD1,414,000) were recognised. The Group does not hold any collateral over these balances.

(c) Trade receivables that are not impaired

Receivables that were neither past due nor impaired (disclosed as current in the table given in note 21(a)) relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired (as shown in the table in note 21(a)) related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Further details on the Group's credit policy are set out in note 30(a).

22 Cash and cash equivalents

	The Group		The Company	
	2008	2007	2008	2007
	USD'000	USD'000	USD'000	USD'000
Cash at bank and in hand	60,505	97,723	2,559	71,516
Bank overdrafts (note 23(a))	(76)	(83)	–	–
Cash and cash equivalents in the consolidated cash flow statement	60,429	97,640	2,559	71,516

As at 31 December 2008, cash at bank and in hand in the PRC included in the cash and cash equivalents for the Group amounted to USD47,384,714 (2007: USD19,232,000). The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

23 Interest-bearing borrowings

(a) Bank loans and overdrafts were repayable as follows:

	The Group		The Company	
	2008	2007	2008	2007
	USD'000	USD'000	USD'000	USD'000
Bank overdrafts (note 22)	76	83	–	–
Bank loans				
– repayable within one year	23,069	52,676	2,000	–
– repayable after 1 year but within 2 years	3,013	2,010	–	–
– repayable after 2 years but within 5 years	3,132	3,991	–	–
	29,214	58,677	2,000	–
Total bank loans and overdrafts	29,290	58,760	2,000	–
Less: bank loans and overdrafts repayable within one year classified as current liabilities	(23,145)	(52,759)	(2,000)	–
	6,145	6,001	–	–

23 Interest-bearing borrowings (Cont'd)

(b) Terms

	The Group		The Company	
	2008	2007	2008	2007
	USD'000	USD'000	USD'000	USD'000
Secured bank overdrafts:				
– Floating interest rate at 8% per annum (2007: 8.5%-8.8% per annum)	76	83	–	–
Secured bank loans:				
– Floating interest rate ranging from 5.4%-20.0% per annum (2007: 6.2%-7.1% per annum)	3,655	13,556	–	–
Unsecured bank loans:				
– Fixed interest rate at 8.2% per annum	2,926	–	–	–
– Floating interest rate ranging from 3.6%-21.0% per annum (2007: 5.4%-7.9% per annum)	22,633	45,121	2,000	–
	25,559	45,121	2,000	
Total bank loans and overdrafts	29,290	58,760	2,000	–

(c) The secured bank loans and overdrafts are secured by the following assets:

	The Group	
	2008	2007
	USD'000	USD'000
Land and buildings	3,245	2,386
Lease prepayments	–	5,716
Plant and machinery	1,257	1,863
Motor vehicles	–	55
	4,502	10,020

24 Trade and other payables

	The Group		The Company	
	2008	2007	**2008**	2007
	USD'000	USD'000	**USD'000**	USD'000
Trade payables	**52,268**	59,855	**–**	–
Bills payable	**97**	1,685	**–**	–
Amounts due to related parties (note 29(e))	**527**	2,335	**–**	–
Receipts in advance	**3,180**	3,701	**–**	–
Other payables and accruals	**35,292**	36,876	**2,429**	1,945
	91,364	104,452	**2,429**	1,945

All of the trade and other payables are expected to be settled within one year.

(a) An ageing analysis of the trade payables is analysed as follows:

	The Group	
	2008	2007
	USD'000	USD'000
Within 30 days	**50,762**	55,879
31 days to 60 days	**938**	2,184
61 days to 90 days	**229**	927
91 days to 180 days	**339**	865
	52,268	59,855

(b) Bills payable are normally issued with a maturity date ranging from 30 to 90 days.

24 Trade and other payables (Cont'd)

(c) An analysis of the other payables and accruals is analysed as follows:

	The Group		The Company	
	2008	2007	2008	2007
	USD'000	USD'000	USD'000	USD'000
Salaries, wages, bonus and other benefits payable	13,648	12,326	1,838	884
Payables for purchase of fixed assets	1,276	4,211	–	–
Security deposits (i)	5,333	5,721	–	–
Accrued expenses (ii)	5,281	5,125	591	56
Provision for onerous contracts (iii)	–	1,812	–	–
Other payables	9,754	7,681	–	1,005
	35,292	36,876	2,429	1,945

(i) Security deposits referred mainly to deposits received from contract farmers in respect of performance of contracts entered into with these farmers.

(ii) Accrued expenses comprised mainly accruals for advertising and marketing costs, utilities charges and transportation costs.

(iii) Movements of provision for onerous contracts are summarised as follows:

	The Group	
	2008	2007
	USD'000	USD'000
At beginning of the year	1,812	1,511
Provision for the year (note 7(c))	–	1,812
Utilisation during the year (note 7(c))	(1,812)	(1,511)
At end of the year	–	1,812

No provision for onerous contracts has been recognised during the year. The provision as at 31 December 2007 has been fully utilised during the year.

25 Deferred taxation

Recognised deferred tax assets and (liabilities)

The components of deferred tax assets and (liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

	Property, plant and equipment USD'000	**Provision for stock** USD'000	**Impairment loss – receivables** USD'000	**Others** USD'000	**Total** USD'000
At 1 January 2008	(27)	64	166	408	611
Recognised in consolidated income statement (note 8(b))	5	416	54	(349)	126
At 31 December 2008	(22)	480	220	59	737
At 1 January 2007	(35)	–	19	10	(6)
Recognised in consolidated income statement (note 8(b))	8	64	147	398	617
At 31 December 2007	(27)	64	166	408	611

Deferred tax assets and (liabilities) as at 31 December 2007 and 2008 are attributable to the following:

	The Group	
	2008 USD'000	2007 USD'000
Net deferred tax assets recognised on the balance sheet	**759**	638
Net deferred tax liabilities recognised on the balance sheet	**(22)**	(27)
	737	611

26 Shared-based payments

On 14 September 2007, the Group established a share option scheme that entitles employees of the Group, including directors of any company in the Group, to take up options at consideration of HKD1 to subscribe for shares of the Company.

(a) The terms and conditions of the grants that existed during the years are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments
Options granted on 28 October 2008 to:	
– directors	4,000,000
– senior management	4,050,000
– other employees	3,450,000
Total	11,500,000

The options have a contractual life of four years. Options granted are subject to a vesting scale in tranches of 33% each per annum.

(b) The number and weighted average exercise prices of share options are as follows:

	2008	
	Weighted average exercise price	Number of options '000
Outstanding at the beginning of the year		–
Granted during the year	HKD1.088	11,500
Outstanding at 31 December	HKD1.088	11,500
Exercisable at 31 December		–

The options outstanding at 31 December 2008 had an exercise price of HKD1.088 (2007: not applicable) and a weighted average remaining contractual life of 3.8 years (2007: not applicable).

26 Shared-based payments (Cont'd)

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share options is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value of share options and assumptions

	2008
Fair value at measurement date	HKD0.3882 – HKD0.4013
Share price	HKD0.96
Exercise price	HKD1.088
Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model)	57.51%
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	4 years
Expected dividends	Nil
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	1.98%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

27 Capital and reserves

(a) Share capital

Authorised and issued share capital

	2008		2007	
	Number of shares '000	Amount USD'000	Number of shares '000	Amount USD'000
Authorised:				
At 1 January	10,000,000	128,205	–	–
Ordinary shares of HKD0.1 each at date of incorporation	–	–	3,800	49
Increase during the year (ii)	–	–	9,996,200	128,156
At 31 December	10,000,000	128,205	10,000,000	128,205
Ordinary shares, issued and fully paid:				
At 1 January	1,010,662	12,957	–	–
Shares issued upon incorporation (i)	–	–	1	–
Issuance of new shares on Reorganisation (iii)	–	–	1,999	25
Capitalisation issue (iv)	–	–	748,000	9,590
Issuance of shares for placing and public offering (v)	–	–	260,662	3,342
At 31 December	1,010,662	12,957	1,010,662	12,957

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(i) The Company was incorporated on 18 May 2007 with an authorised share capital of HKD380,000 divided into 3,800,000 ordinary shares of HKD0.1 each. On the same day, one subscriber's share in the Company was allotted and issued to Reid Services Limited and then was transferred to its immediate holding company, Waverley Star Limited at a consideration of HKD0.1.

(ii) At the extraordinary shareholders' meeting held on 14 September 2007, the Company's authorised share capital was increased from HKD380,000 to HKD1,000,000,000 by the creation of an additional 9,996,200,000 ordinary shares of HKD0.1 each, ranking pari passu with the existing ordinary shares of the Company in all aspects.

27 Capital and reserves (Cont'd)

(a) Share capital (Cont'd)

(iii) Pursuant to the Reorganisation, the Company allotted and issued, credited as fully paid, a total of 1,114,605, 318,458, 159,230 and 407,706 ordinary shares of HKD0.1 each to Waverley Star Limited, Prowell Ventures Pte. Limited, Continental Enterprises Limited and Asia Nutrition Technologies Corporation respectively, as consideration for the acquisition of the entire share capital of NAC, which owned and controlled all the then operating subsidiaries.

(iv) On 14 September 2007, an amount of HKD74,800,000 (approximately USD9,590,000) standing to the credit of the share premium account was applied in paying up in full 748,000,000 shares of HKD0.1 each. The shares were allotted and distributed as fully paid to the then shareholders of the Company in the proportion of their respective shareholdings.

(v) On 14 September 2007, 260,662,000 additional ordinary shares were issued and offered for subscription at an issue price of HKD2.90 per share upon the listing of the Company's shares on the main board of the Stock Exchange. The proceeds of HKD26,066,200 (approximately USD3,342,000) representing the par value were credited to the Company's share capital. The remaining proceeds of HKD729,853,600 (approximately USD93,571,000) were credited to the share premium account.

(b) Nature and purpose of reserves

(i) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company. Under the Companies Law of Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debt as they fall due in the ordinary course of business.

(ii) Merger reserve

Pursuant to the Reorganisation, the Company issued 1,999,999 ordinary shares of HKD0.1 each to the then shareholders of NAC in consideration of acquiring their equity interests held in NAC. The difference between the then shareholders' total capital contributions to NAC over the nominal value of the shares issued by the Company in exchange thereof was transferred to the merger reserve in the consolidated financial statements as at the date of Reorganisation.

27 Capital and reserves (Cont'd)

(b) Nature and purpose of reserves (Cont'd)

(iii) PRC statutory reserves

Transfers from retained earnings to PRC statutory reserves are made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

General reserve fund

The subsidiaries in the PRC are required to appropriate 10% of their after-tax profit, as determined in accordance with the PRC accounting rules and regulations, to general reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Enterprise development fund

Certain subsidiaries in the PRC are required to set up an enterprise development fund. Transfers to this fund are made at the discretion of the board of directors of the subsidiaries. This fund can only be utilised on capital items for the collective benefit of the subsidiaries' employees such as the construction of dormitories, canteens and other staff welfare facilities. This fund is non-distributable other than on liquidation. The transfer to this fund must be made before distribution of a dividend to shareholders.

(iv) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

(v) Share-based payment reserve

The share-based payment reserve comprises the fair value of the actual or estimated number of unexercised options granted to employees of the Group recognised in accordance with the accounting policy for share-based payments in note 3(s)(ii).

27 Capital and reserves (Cont'd)

(c) The Company

	Note	Share premium USD'000	Contributed surplus USD'000	(Accumulated loss)/Retained Profit USD'000	Total USD'000
At 1 January 2008		76,121	98,537	(1,655)	173,003
Profit for the year		–	–	10,841	10,841
At 31 December 2008		76,121	98,537	9,186	183,844
At date of incorporation		–	–	–	–
Arising from Reorganisation	(i)	–	98,537	–	98,537
Capitalisation issue	27(a)(iv)	(9,590)	–	–	(9,590)
Issuance of shares for placing and public offering	27(a)(v)	93,571	–	–	93,571
Share issuing cost		(7,860)	–	–	(7,860)
Loss for the period		–	–	(1,655)	(1,655)
At 31 December 2007		76,121	98,537	(1,655)	173,003

Note (i): Contributed surplus represents the excess of the fair value of the shares of NAC determined based on the basis of the consolidated net assets of NAC at the date of the Reorganisation over the nominal value of the shares issued by the Company in exchange thereof.

(d) Distributability of reserves

At 31 December 2008, the aggregate amount of reserves available for distribution to equity shareholders of the Company, including the distributable amounts disclosed in note 27(b)(i), was USD183,844,000 (2007: USD173,003,000).

27 Capital and reserves (Cont'd)

(e) Capital management

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose the Group defines net debt as total debt (which includes interest-bearing borrowings, trade and other payables) plus unaccrued proposed dividends, less cash and cash equivalents. Capital comprises all components of equity.

During 2008, the Group's strategy, which was unchanged from 2007, was to maintain the net debt-to-capital ratio at not more than 50%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends payable to shareholders, issue new shares or return capital to shareholders.

The net debt-to-adjusted capital ratio at 31 December 2007 and 2008 was as follows:

		The Group	
	Note	**2008**	2007
		USD'000	USD'000
Current liabilities:			
– Trade and other payables	24	**91,364**	104,452
– Interest-bearing borrowings	23	**23,145**	52,759
– Amounts due to related parties	29(e)	**867**	188
		115,376	157,399
Non-current liabilities:			
– Interest-bearing borrowings	23	**6,145**	6,001
Total debt		**121,521**	163,400
Less: Cash and cash equivalents	22	**(60,505)**	(97,723)
Pledged bank deposits		**(1,253)**	(1,562)
Net debt		**59,763**	64,115
Capital		**244,256**	212,698
Net debt-to-capital ratio		**24%**	30%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

28 Commitments

(a) Capital commitments outstanding at 31 December 2008 not provided for in the consolidated financial statements were as follows:

	The Group	
	2008	2007
	USD'000	USD'000
Contracted for	**9,614**	3,397
Authorised but not contracted for	**19,815**	54,691
	29,429	58,088

(b) At 31 December 2008, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2008	2007
	USD'000	USD'000
Within 1 year	**1,102**	1,379
After 1 year but within 5 years	**2,168**	1,071
After 5 years	**4,655**	3,947
	7,925	6,397

The Group leases a number of properties under operating leases. The leases run for an initial period of one to seven years, with an option to renew the leases when all terms are renegotiated. None of the leases includes contingent rentals.

(c) The Group entered into one-year contracts (renewable and reviewed annually) with certain selected farmers ("Contract Farmers") under which the Group agrees to purchase live chickens, upon fulfilment of certain quality requirements, from the Contract Farmers at an agreed price determined based on the then prevailing market prices. The amounts of live chickens contracted to be purchased from the Contract Farmers at each balance sheet date were as follows:

	The Group	
	2008	2007
	USD'000	USD'000
Contracted for	**30,112**	29,283

28 Commitments (Cont'd)

(d) The Group entered into one-year contracts (renewable and reviewed annually) with certain customers under which the Group agrees to sell chicken meat at an agreed price determined based on the then prevailing market prices. The pre-determined price typically agreed on a semi-annually basis. The amounts of chicken meat contracted to be sold to these customers at each balance sheet date were as follows:

	The Group	
	2008	2007
	USD'000	USD'000
Contracted for	35,723	13,729

29 Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions.

(a) Name and relationship with related parties

During the year, transactions with the following parties are considered as related party transactions:

Name of party	Relationships
Great Wall Enterprise Co., Ltd. ("GWE") 大成長城企業股份有限公司 *	Ultimate holding company
Great Wall International (Holdings) Ltd ("GWIH")	Intermediate holding company
Beijing Han Ya Feed Nutrition Technologies Co., Ltd. ("Beijing Han Ya") 北京漢亞飼料營養科技有限公司 *	Subsidiary of GWIH, intermediate holding company of the Company
Land O' Lakes/Great Wall Enterprise Nutrition Technologies (Beijing) Co., Ltd. ("LOL-BJ") 大成藍雷營養科技（北京）有限公司 *	Associate of GWIH, intermediate holding company of the Company
Great Wall Yung Huo Food (Beijing) Co., Ltd. ("GWYHB") 北京大成永和餐飲有限公司 *	Subsidiary of GWE, ultimate holding company of the Company
Beijing Universal Chain Food Co., Ltd. ("BUCF") 北京寰城季諾餐飲有限公司 *	Subsidiary of GWE, ultimate holding company of the Company
Total Nutrition Technologies Co., Ltd. ("TNT") 全能營養技術股份有限公司 *	Subsidiary of GWE, ultimate holding company of the Company

29 Related party transactions (Cont'd)

(a) Name and relationship with related parties (Cont'd)

Name of party	Relationships
Great Wall Food (Tianjin) Co., Ltd. ("GWF-TJ") 大成食品(天津)有限公司 *	Subsidiary of GWIH, intermediate holding company of the Company
Dachan Showa Foods (Tianjin) Co., Ltd. ("DSF") 大成昭和食品(天津)有限公司 *	Subsidiary of GWIH, intermediate holding company of the Company
Kota Temasik Sdn. Bhd. ("Kota")	Subsidiary of GWIH, intermediate holding company of the Company
Miyasun-Great Wall **	Jointly controlled entity
Miyasun Foods ** 大成宮產食品(大連)有限公司 *	Subsidiary of Miyasun – Great Wall, jointly controlled entity of the Company
Asia Nutrition Technologies Corporation ("ANTC")	Minority shareholder
Marubeni Corporation ("Marubeni")	Minority shareholder
Food China Global Co., Ltd. ("FCG")	Associate of GWIH, intermediate holding company of the Company
Shanghai Universal Chain Food Co., Ltd. ("SUCF")	Subsidiary of GWE, ultimate holding company of the Company
Marubeni (Beijing) Co., Ltd. ("Marubeni Beijing")	Subsidiary of Marubeni, minority shareholder
Marubeni (Dalian) Co., Ltd. ("Marubeni Dalian")	Subsidiary of Marubeni, minority shareholder
Marubeni (Qingdao) Co., Ltd. ("Marubeni Qingdao")	Subsidiary of Marubeni, minority shareholder

* The English translation of the company names is for reference only. The official names of these companies are in Chinese.

** The companies have become the wholly owned subsidiaries of the Group since 1 May 2008.

29 Related party transactions (Cont'd)

(b) Significant related party transactions

Particulars of significant related party transactions during the year are as follows:

	Note	2008 USD'000	2007 USD'000
Recurring			
Sales to:			
Ultimate holding company			
– GWE		24	–
A jointly controlled entity			
– Miyasun Foods		4,795	14,348
A minority shareholder			
– Marubeni	(vi)	8,860	22,697
Fellow subsidiaries			
– Beijing Han Ya		–	121
– BUCF		6	6
– SUCF		4	–
– GWYHB		330	65
– Kota		–	178
– TNT		11	15
	(vi)	351	385
Other related parties			
– FCG		600	–
– LOL-BJ		–	1
		600	1
		14,630	37,431

29 Related party transactions (Cont'd)

(b) Significant related party transactions (Cont'd)

Particulars of significant related party transactions during the year are as follows: (continued)

	Note	2008 USD'000	2007 USD'000
Recurring (Cont'd)			
Purchases from:			
A jointly controlled entity			
– Miyasun Foods		394	1,793
Ultimate holding company			
– GWE		–	174
Fellow subsidiaries			
– Beijing Han Ya		–	25
– GWF-TJ		198	202
– DSF		1,055	674
– TNT		113	108
	(vi)	1,366	1,009
Other related party			
– LOL-BJ	(vi)	159	34
A minority shareholder			
– Marubeni	(vi)	8	–
Subsidiaries of a minority shareholder			
– Marubeni Beijing		3,721	–
– Marubeni Dalian		123	–
– Marubeni Qingdao		222	–
	(vi)	4,066	–
		5,993	3,010

29 Related party transactions (Cont'd)

(b) Significant related party transactions (Cont'd)

Particulars of significant related party transactions during the year are as follows: (continued)

	Note	2008 USD'000	2007 USD'000
Recurring (Cont'd)			
Management fee received from:			
Jointly controlled entities			
– Miyasun-Great Wall	(i)	80	118
– Miyasun Foods	(i)	43	69
		123	187
Management fee paid to:			
Ultimate holding company			
– GWE	(iv), (vi)	867	187
A minority shareholder			
– Marubeni	(ii), (vi)	100	100
		967	287
Rent paid to:			
A fellow subsidiary			
– GWF-TJ	(vi)	9	8
Non-recurring			
Management fee paid to:			
Intermediate holding company			
– GWIH	(iii)	–	1,740
A jointly controlled entity			
– Miyasun Foods		–	128
		–	1,868
Processing expense paid to:			
A jointly controlled entity			
– Miyasun Foods		75	–

29 Related party transactions (Cont'd)

(b) Significant related party transactions (Cont'd)

Particulars of significant related party transactions during the year are as follows: (continued)

	Note	2008 USD'000	2007 USD'000
Non-recurring (Cont'd)			
Interest received from:			
A jointly controlled entity			
– Miyasun-Great Wall		44	28
Interest paid to:			
Intermediate holding company			
– GWIH		–	7
A minority shareholder			
– ANTC		–	50
		–	57

Notes:

(i) The management fee received from a jointly controlled entity in 2007 and up to the date of acquisition was principally for the reimbursement of staff cost.

(ii) The management fee paid to a minority shareholder was primarily for the technical assistance rendered to a subsidiary in respect of its food processing activities.

(iii) Included in the management fee was an amount of USD1.7 million being reimbursement of staff costs for the year ended 31 December 2007 to the intermediate holding company which was included in "staff costs" (see note 7(b)). Such arrangement was terminated in September 2007.

(iv) The management fee paid to the ultimate holding company was primarily for the payment of royalties in respect of the use of trademarks.

(v) During the year, the Company used the technology know-how owned by GWIH free of charge.

(vi) These significant related party transactions constitute connected transactions for the Company which have been disclosed in the annual report under the section headed "Connected Transactions". The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The directors of the Company are of the opinion that the above transactions with related parties, except for the use of technology know-how owned by GWIH, were conducted on normal commercial terms and in the ordinary course of business and the terms are fair and reasonable so far as the shareholders of the Company are concerned.

29 Related party transactions (Cont'd)

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2008 USD'000	2007 USD'000
Short term employee benefits	**1,850**	1,347
Post-employment benefits	**44**	16
Share-based payments	**37**	–
	1,931	1,363

Total remuneration was included in "staff costs"(note 7(b)).

(d) Amounts due from related parties

As at balance sheet dates, the Group had the following balances with related parties:

	Note	2008 USD'000	2007 USD'000
Trade receivables from:	(i)		
A jointly controlled entity			
– Miyasun Foods		**–**	1,490
Fellow subsidiaries			
– BUCF		**1**	1
– GWYHB		**55**	7
		56	8
A minority shareholder			
– Marubeni		**1,396**	2,383
Included in trade and other receivables (note 21)		**1,452**	3,881

29 Related party transactions (Cont'd)

(d) Amounts due from related parties (Cont'd)

As at balance sheet dates, the Group had the following balances with related parties: (Cont'd)

	Note	2008 USD'000	2007 USD'000
Advances to:			
A jointly controlled entity			
– Miyasun-Great Wall	(ii)	–	200
Loan to:			
A jointly controlled entity			
– Miyasun-Great Wall	(iii)	–	2,500
		–	2,700

Notes:

(i) Trade receivables from related parties are unsecured, interest free and are expected to be recovered within one year. There was no impairment loss made against these amounts at 31 December 2007 and 2008.

(ii) Advances to a jointly controlled entity as at 31 December 2007 represented management fee received from the jointly controlled entity.

(iii) The loan to a jointly controlled entity as at 31 December 2007 was unsecured, bearing interest at 6.8% per annum and repayable on demand.

(e) Amounts due to related parties

As at balance sheet dates, the Group had the following balances with related parties:

	Note	2008 USD'000	2007 USD'000
Trade payables to:	(i)		
Fellow subsidiaries			
– DSF		109	30
– GWF-TJ		36	25
– Kota		–	11
		145	66
A jointly controlled entity			
– Miyasun Foods		–	2,267

29 Related party transactions (Cont'd)

(e) Amounts due to related parties (Cont'd)

As at balance sheet dates, the Group had the following balances with related parties: (Cont'd)

	Note	2008 USD'000	2007 USD'000
Trade payables to: (Cont'd)	(i)		
Other related party			
– LOL-BJ		–	2
Subsidiaries of minority shareholder			
– Marubeni Beijing		334	–
– Marubeni Dalian		19	–
– Marubeni Qingdao		29	–
		382	–
Included in trade and other payables (note 24)		527	2,335
Advances from:	(ii)		
Ultimate holding company			
– GWE		867	187
A jointly controlled entity			
– Miyasun-Great Wall		–	1
		867	188

Notes:

(i) Trade payables from related parties are unsecured, interest free and are expected to be paid within one year.

(ii) Advances from related parties represent payment made on behalf by related parties.

30 Financial risk management and fair values

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, interest-bearing borrowings and trade and other payables. Exposure to credit, interest rate, currency, business, liquidity and commodity price risks arise in the normal course of the Group's business.

(a) Credit risk

It is the risk that a counterparty is unable to pay amount in full when due. It arises primarily from the Group's trade receivables and amounts due from related parties. The Group limits its exposure to credit risk by rigorously selecting counterparties. The Group mitigates its exposure to risk relating to trade receivables by dealing with diversified customers with sound financial standing. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. In addition, all receivable balances are monitored on an ongoing basis and overdue balances are followed up by senior management. The Group's diversified business base ensures that there are no significant concentrations of credit risk for a particular customer. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

(b) Interest rate risk

The interest rates and terms of repayment of the interest-bearing borrowings of the Group are disclosed in note 23. The Group's variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings (as defined above) at the balance sheet date.

	The Group			
	2008		2007	
	Effective interest rate %	USD'000	Effective interest rate %	USD'000
Floating rate borrowings:				
– Bank overdrafts	8.0%	76	8.5%-8.8%	83
– Bank loans	3.6%-21.0%	26,288	5.4%-7.9%	58,677
		26,364		58,760
Fixed rate borrowing:				
– Bank loans	8.2%	2,926		–
Total net borrowings		29,290		58,760

30 Financial risk management and fair values (Cont'd)

(b) Interest rate risk (Cont'd)

(ii) Sensitivity analysis

At 31 December 2008, it is estimated that a general increase/decrease of 100 basis points in interest rates, which other variables held constant, would decrease/increase the Group's profit after tax and retained profits by approximately USD264,000 (2007: USD584,000), and there is no impact on other components of the consolidated equity, except for retained profits of the Group.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

(c) Currency risk

Substantially all of the revenue-generating operations of the Group are transacted in RMB, which is not freely convertible into foreign currencies. On 1 January 1994, the PRC government abolished the dual rate system and introduced a single rate of exchange as quoted by the People's Bank of China (the "PBOC"). However, the unification of the exchange rate does not imply convertibility of RMB into other foreign currencies. All foreign exchange transactions involving RMB must take place through the PBOC or other institutions authorised to buy and sell foreign currencies.

As Hong Kong dollar is pegged with United States dollar, the Group considers the currency risk of Hong Kong dollar position is insignificant.

30 Financial risk management and fair values (Cont'd)

(c) Currency risk (Cont'd)

(i) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

The Group

	2008		2007	
		European		European
	USD	Euro	USD	Euro
	'000	'000	'000	'000
Trade and other receivables	264	–	2,788	770
Cash and cash equivalents	7,670	–	50	–
Trade and other payables	(346)	–	(12)	(9)
Interest-bearing borrowings	(12,751)	–	(31,883)	–
Gross exposure arising from recognised assets and liabilities	(5,163)	–	(29,057)	761

30 Financial risk management and fair values (Cont'd)

(c) Currency risk (Cont'd)

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax and retained profits and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower.

The Group

	2008		2007	
	Increase/ (decrease) in foreign exchange rate	Effect on profit after tax and retained profits USD'000	Increase/ (decrease) in foreign exchange rate	Effect on profit after tax and retained profits USD'000
USD	8%	413	8%	2,324
	(8%)	(413)	(8%)	(2,324)
European Euro	8%	–	8%	(61)
	(8%)	–	(8%)	61

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the Group entities' exposure to currency risk for non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007.

30 Financial risk management and fair values (Cont'd)

(d) Business risk

The Group is exposed to financial risks arising from changes in prices of livestock and livestock's agricultural produce and the change in cost and supply of feed ingredients, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and livestock diseases. The Group has little or no control over these conditions and factors.

The Group is subject to risks relating to its ability to maintain animal health status. Livestock health problems could adversely impact production and consumer confidence. The Group monitors the health of its livestock on a regular basis and has procedures in place to reduce potential exposure to infectious diseases. Although policies and procedures have been put into place, there is no guarantee that the Group will not be affected by epidemic diseases.

The Group manages its exposure to fluctuation in the price of the key raw materials used in the operations by maintaining a large number of suppliers so as to limit high concentration in a particular supplier.

(e) Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of short-term fluctuations in cash flows. The Group's treasury department is responsible for maintaining a balance between continuity and flexibility of funding through the use of banking facilities in order to meet the Group's liquidity requirements.

30 Financial risk management and fair values (Cont'd)

(e) Liquidity risk (Cont'd)

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group

	2008				
	Carrying amount USD'000	Total contractual undiscounted cash flow USD'000	Within 1 year or on demand USD'000	More than 1 year but less than 2 years USD'000	More than 2 years but less than 5 years USD'000
Bank overdrafts	76	76	76	–	–
Bank loans	29,214	31,248	24,044	3,450	3,754
Trade and other payables	91,364	91,364	91,364	–	–
Amounts due to related parties	867	867	867	–	–
	121,521	123,555	116,351	3,450	3,754

	2007				
	Carrying amount USD'000	Total contractual undiscounted cash flow USD'000	Within 1 year or on demand USD'000	More than 1 year but less than 2 years USD'000	More than 2 years but less than 5 years USD'000
Bank overdrafts	83	83	83	–	–
Bank loans	58,677	62,593	55,375	2,414	4,804
Trade and other payables	104,452	104,452	104,452	–	–
Amounts due to related parties	188	188	188	–	–
	163,400	167,316	160,098	2,414	4,804

30 Financial risk management and fair values (Cont'd)

(e) Liquidity risk (Cont'd)

The Company

	2008		
	Carrying amount USD'000	Total contractual undiscounted cash flow USD'000	Within 1 year or on demand USD'000
Interest bearing borrowings	2,000	2,051	2,051
Other payables and accruals	2,429	2,429	2,429
Amount due to ultimate holding company	867	867	867
	5,296	5,347	5,347

	2007		
	Carrying amount USD'000	Total contractual undiscounted cash flow USD'000	Within 1 year or on demand USD'000
Other payables and accruals	1,945	1,945	1,945
Amount due to ultimate holding company	187	187	187
	2,132	2,132	2,132

30 Financial risk management and fair values (Cont'd)

(f) Commodity price risk

The Group is exposed to price risks arising from any unexpected increase in the prices of corn and soybean meal commodities before committing to purchase of raw materials and any unexpected decreases in the prices of corn and soybean meal commodities following completion of purchases. To protect the Group from the impact of price fluctuations in corn and soybean meal commodities, commodity derivative contracts are entered into with independent futures trading agents. Changes in the fair value of commodity derivative contracts that economically hedge the price fluctuations in corn and soybean meal commodities and for which no hedge accounting is applied are recognised in the consolidated income statement. Further details of these commodity derivative contracts are set out in note 21(iii) above.

(g) Fair value

The carrying amounts of significant financial assets and liabilities approximate their respective fair values as at 31 December 2007 and 2008.

(h) Estimation of fair values

The following summaries the major methods and assumptions used in estimating the fair values of financial instruments set out in note 30(g) above:

Short-term financial assets and liabilities

The carrying values of trade and other receivables, amounts due from/to related parties, pledged bank deposits, cash and cash equivalents, trade and other payables, and short-term bank loans are estimated to approximate their fair values based on the nature or short-term maturity of these instruments.

31 Accounting estimates and judgements

Key sources of estimation uncertainty

Note 30(h) contains information about the assumptions relating to the fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of changes in customer preference and competitor actions in response to severe industry cycles. Management reassesses these estimations at the balance sheet date to ensure inventory is shown at the lower of cost and net realisable value.

(ii) Impairment of trade receivables

The Group estimates impairment losses for bad and doubtful debts resulting from inability of the customers to make the required payments. The estimate is based on the ageing of the trade receivable balance, customer credit-worthiness, and historical write-off experience. If the financial conditions of the customers were to deteriorate, actual write-offs would be higher than estimated.

(iii) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during the year. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

31 Accounting estimates and judgements (Cont'd)

Key sources of estimation uncertainty (Cont'd)

(iv) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(v) Fair value of biological assets and agricultural produce

The Group's biological assets are valued at fair value less estimated point-of-sale costs and the Group's agricultural produce are measured at fair value less estimated point-of-sale costs at the time of lay.

The management considers that there is no active market, market-determined prices or values or professional valuers are not available to carry out the valuation of the biological assets. As such, management uses prices of recent market transactions, market prices for similar assets and sector benchmarks as a basis for measuring fair value. These prices are adjusted to reflect differences in characteristics and/or stages of growth of the assets.

In respect of agricultural produce, the management is of the view that there is no quoted price in the market and the fair value is determined based on the most recent market transaction price in the local area.

32 Contingent liabilities in respect of financial guarantees issued

As at the balance sheet date, the Company is one of the entities covered by a cross guarantee arrangement issued by the Company and its subsidiaries to a bank in respect of banking facilities granted to the Group which remains in force so long as the Group has drawn down under the banking facilities. Under the guarantee, the Company and all the subsidiaries that are a party to the guarantee are jointly and severally liable for all and any of the borrowings of each of them from the bank which is the beneficiary of the guarantee. As at the balance sheet date, the directors do not consider it probable that a claim will be made against the Company under this guarantee. The maximum liability of the Company at the balance sheet date under the cross guarantee is the amount of the facilities drawn down by a subsidiary that is covered by the cross guarantee, being nil (2007: USD1.3 million).

The Group has not recognised any deferred income in respect of the cross guarantee as its fair value cannot be reliably measured and its transaction price is nil for both years.

33 Immediate and ultimate holding company

At 31 December 2008, the directors consider the immediate parent and ultimate controlling party of the Group to be Waverley Star Limited and GWE respectively, which are incorporated in British Virgin Islands and the Republic of China respectively.

GWE, which is listed on the Taiwan Stock Exchange, produces consolidated financial statements in accordance with accounting principles generally accepted in the Republic of China, which are available for public use.

34 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2008

Up to the date of issue of the financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2008 and which have not been adopted in the financial statements. Of these developments, the following relate to matters that may be relevant to Group's operations and the financial statements:

		Effective for accounting periods beginning on or after
IAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
IAS 23 (Revised)	Borrowing Costs	1 January 2009
IAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
IFRS 2 (Amendment)	Vesting Conditions and Cancellations	1 January 2009
IFRS 3 (Revised)	Business Combination	1 July 2009
IFRS 8	Operating Segments	1 January 2009

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

Corporate Information

DIRECTORS

Executive Directors

Mr. Han Jia-Hwan *(Chairman)*
Mr. Chang Tiee-Shen *(Chief Executive Officer)*
Mr. Chen Fu-Shih *(Chief Administrative Officer)*

Non-executive Directors

Mr. Han Chia-Yau
Mr. Harn Jia-Chen
Mr. Nicholas William Rosa
Mr. Chao Tien-Shin

Independent Non-executive Directors

Dr. Chen Chih
Mr. Liu Fuchun
Mr. Way Yung-Do (appointed on 4 February 2008)
Mr. Pai Nai-Yu (resigned on 8 January 2008)

AUDIT COMMITTEE

Mr. Way Yung-Do *(Chairman)*
Dr. Chen Chih
Mr. Liu Fuchun

REMUNERATION COMMITTEE

Mr. Liu Fuchun *(Chairman)*
Dr. Chen Chih
Mr. Han Chia-Yau
Mr. Han Jia-Hwan
Mr. Way Yung-Do

NOMINATION COMMITTEE

Dr. Chen Chih *(Chairman)*
Mr. Liu Fuchun
Mr. Harn Jia-Chen
Mr. Han Jia-Hwan
Mr. Way Yung-Do

EXECUTIVE COMMITTEE

Mr. Han Jia-Hwan *(Chairman)*
Mr. Chang Tiee-Shen
Mr. Chen Fu-Shih
Mr. Huang Shih-Kun
Mrs. Chu Chen Li-Chin (appointed on 16 February 2009)

COMPANY SECRETARY

Ms. Pang Siu Yin

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Five Years Financial Summary

	For the year ended 31 December				
	2008	2007	2006	2005	2004
Turnover (USD'000)	1,293,995	894,491	637,395	532,080	429,742
Gross profit (USD'000)	95,291	75,749	53,514	43,454	28,562
Gross profit margin	7.4%	8.5%	8.4%	8.2%	6.6%
Profit for the year (USD'000)	21,855	31,194	16,495	8,914	1,695
Net profit margin	1.7%	3.5%	2.6%	1.7%	0.4%
Profit attributable to equity shareholders (USD'000)	19,675	26,238	13,355	8,523	2,631
Earnings per share					
– basic (US cents)	1.95	3.23	1.78	1.14	0.35
– diluted (US cents)	N/A	N/A	N/A	N/A	N/A

	At 31 December				
	2008	2007	2006	2005	2004
	USD'000	USD'000	USD'000	USD'000	USD'000
Net assets	244,256	212,698	88,095	69,881	61,095
Total assets	369,131	378,272	204,966	178,000	159,502
Minority interests	27,340	20,061	14,303	10,867	10,330
Total liabilities	124,875	165,574	116,871	108,119	98,407

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