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

08 Interim Report

Contents

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

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
Mr. Chang Chin-Pyng

COMPANY SECRETARY

Ms. Pang Siu Yin

QUALIFIED ACCOUNTANT

Mr. Wong Hing Keung

LEGAL ADVISER

Cheung, Tong & Rosa
Rooms 1621-33, 16th Floor, Sun Hung Kai Centre
30 Harbour Road, Hong Kong

COMPLIANCE ADVISER

Cazenove Asia Limited
50th Floor, One Exchange Square
8 Connaught Place, Central, Hong Kong

AUDITORS

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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central, Central, Hong Kong

DBS Bank (Hong Kong) Limited
The Centre, 99 Queen's Road, Central, Hong Kong

REGISTERED OFFICE

Clifton House, 75 Fort Street, George Town
P.O. Box 1350, Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL OFFICE IN HONG KONG

Suite 1806, Tower 1, The Gateway
25 Canton Road, Tsimshatsui, Kowloon
Hong Kong

Corporate Information

HEAD OFFICE IN THE PRC

22nd Floor, Office Tower 1, Henderson Centre
18 Jianguomen Nei Avenue
Dong Cheng District Beijing, China

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705, Grand Cayman KYI-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26/F Tesbury Centre, 28 Queen's Road East
Wanchai, Hong Kong

WEBSITE

http://www.dfa3999.com

STOCK CODE

3999

INVESTOR RELATIONS

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Liaison Manager of Investor Relations
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Chairman's Statement

Dear Shareholders,

It is my pleasure to present to you the first interim results of DaChan Food (Asia) Limited (the "Company") since our listing on the Hong Kong Stock Exchange in October 2007. We achieved satisfactory operating results during the first half of 2008 with a turnover increase of 63.0% to USD639.7 million, compared to USD392.5 million for the corresponding period last year. Profits attributable to equity shareholders of the Company after excluding the non-recurring income increased by 31.0% to USD16.2 million.

Despite the negative impact of the US subprime crisis on global economic growth, the economy of Mainland China, our major market as well as the location of our production base, is still registering strong growth. It was unfortunate that China suffered natural catastrophes recently. The strong earthquake that badly hit Sichuan province in May took a terrible toll on human lives and properties. On behalf of our board (the "Board") and colleagues, I express my deep condolences to the victims.

The earthquake has no material impact on our production capacity because we only have a relatively small production plant in Sichuan province which is away from the quake-stricken area. The earthquake, however, not only claimed human lives but also those of the swine. The tense supply of pork in the aftermath, followed by the flooding that affected major provinces in Southern China gave expectation of higher food prices, which might maintain for some time.

Globally, the rise of commodity prices, including food prices, has continued to be a hot topic. Some economists believe the increasing food prices are triggered by the demand for alternative energy sources such as bio-fuel due to the sky-high oil prices and the speculation activities of commodity derivatives. We see this trend as an opportunity more than a threat to our business. Higher food prices probably denote the existence of a gap between supply and demand.

On animal protein supply, we noticed that the prices of pork and beef had risen sharply since last year, which would inevitably lift up demand and prices of other meats, including chicken meat. So far the production of chicken meat is more cost effective than any other types of meat due to its higher feed conversion rate. People may increase their consumption for chicken meat as one of the ways to combat inflating food prices. We believe the share of chicken meat in the animal protein supply would increase in future. Seeing this opportunity, our Company and its subsidaries (collectively referred to as the "Group") will continue to expand our existing production capacity and will consider every possible merger and acquisition that fits.

Although we believe that we could pass on the increase in raw material costs to our customers, we would not undermine any possible negative effects that come along with such a challenge. We are committed to impose stringent cost control of our production and distribution without conceding quality. Even though there is a sign of slowing down of the inflation rate in Mainland China from the 12- year- high 8.7% in February 2008 to 6.3% in July 2008, challenges are still lying ahead of us, and we shall not let up on the implementation of cost control.

Vietnam, where we also have a production base of animal feed, had gone through a miniature financial crisis in the first half of this year. During the first half of 2008, the Vietnamese Dong devaluated by approximately 5.2% officially. After some corrective steps taken by the Vietnamese government, including efforts to regulate and monitor its exchange rates to combat high inflation rate and local currency devaluation, the situation has recently become more stable. We had also taken immediate action to minimize our exposure on foreign exchange. We believe that the recent financial turmoil in Vietnam is transient, and that our operations in the country will continue to contribute with satisfactory investment returns in future.

Chairman's Statement

Finally, after almost a decade since China announced her intention to apply for hosting the Olympic Games, the dream has finally come true. It is largely believed that the Games would bring more business opportunities. We are convinced of this since Chinese people are becoming more and more health conscious and are demanding safer and healthier foods. It is an enormous market not only in Mainland China but also in the Southeast Asian countries that we have footholds. Enhancing our shareholders' wealth and value is our goal and we trust our efforts would well be recognized.

Han Jia-Hwan
Chairman

22 August 2008

Management Discussion and Analysis

OVERALL OPERATING RESULTS

	Six months ended 30 June		
	2008	**2007**	**% change**
Turnover (USD'000)	639,748	392,507	63.0%
Gross profit (USD'000)	57,563	35,297	63.1%
Gross profit margin (%)	9.0	9.0	
Profit attributable to equity shareholders of the Company (USD'000)	16,179	16,872	-4.1%
Profit attributable to equity shareholders of the Company after excluding the non-recurring income (USD'000)	16,179	12,350	31.0%

The Group achieved satisfactory operating results for the first six months of 2008. The Group's turnover increased to USD639.7 million, approximately 63.0% higher than the corresponding period last year. Gross profit margin was maintained at a healthy level of 9.0% (2007: 9.0%).

Profit attributable to equity shareholders of the Company reached approximately USD16.2 million, representing a decrease of 4.1% over the same period last year. Excluding USD4.5 million of non-recurring income, compensation received from PRC government for the relocation of factory as well as government subsidies, the profit attributable to the equity shareholders of the Company increased 31.0% over the same period last year. The satisfactory performance was mainly attributable to higher average selling prices and stronger sales volume, as well as improved operational efficiency.

SEGMENTAL RESULTS

Chicken meats

	Six months ended 30 June		
	2008	**2007**	**% change**
Turnover (USD'000)	321,712	237,920	35.2%
Gross profit (USD'000)	27,509	20,210	36.1%
Gross profit margin (%)	8.6	8.5	

This segment comprised three businesses, which are chilled and frozen chicken, feeds to contract farmers, and chicks to contract farmers. All three businesses recorded growth in the first six months of 2008. The turnover of the chicken meat segment for the first six months of 2008 rose to USD321.7 million, representing a year-on-year growth of 35.2% and accounting for 50.3% of the Group's total turnover.

The increase in turnover was due to higher selling prices of chicken meat and the number of chickens slaughtered. The average price of chilled and frozen chicken for the first six months of 2008 rose 23.0% to USD1,599 per tonne (for the corresponding period of 2007: USD1,300) and the number of chickens slaughtered rose to 62.2 million chickens (for the corresponding period of 2007: 57.1 million chickens). Since our chicken meat production almost reached its maximum capacity which hindered volume growth, we expect that there will be a noticeable increase in this area when our existing production facilities are upgraded and the new ones are launched in 2009.

Feeds to external customers

	Six months ended 30 June		
	2008	2007	% change
Turnover (USD'000)	291,419	128,769	126.3%
Gross profit (USD'000)	28,104	11,748	139.2%
Gross profit margin (%)	9.6	9.1	

It was a challenging year for our feeds segment because of rising raw material costs. The raw materials for feeds are mainly corn and soybean meal, and their prices rose significantly over the past year. However, we were able to transfer the rising costs to our customers and therefore our gross profit margin slightly improved to 9.6% for the first six months of 2008 (for the corresponding period of 2007: 9.1%).

The turnover for the first six months of 2008 increased dramatically to USD291.4 million, representing an increase by 126.3% compared with the same period last year. The increase was primarily due to the launch of new production facilities in the PRC and Vietnam, and the rise of the average selling price. For the first six months of 2008, we had sold 658,822 tonnes of feeds to external customers and this represented 41.1% increase over the same period last year (for the corresponding period of 2007: 466,931 tonnes). The average price of feeds for the first six months of 2008 rose 60.1% to USD442 per tonne (for the corresponding period of 2007: USD276 per tonne). The increase of the average price was mainly due to the higher raw material costs.

Processed Foods

	Six months ended 30 June		
	2008	2007	% change
Turnover (USD'000)			
- Mainland China	15,560	11,114	40.0%
- Export	11,057	14,704	-24.8%
Total	26,617	25,818	3.1%
Gross profit (USD'000)			
- Mainland China	2,266	1,705	32.9%
- Export	-316	1,634	
Total	1,950	3,339	-41.6%
Gross profit margin (%)			
- Mainland China	14.6	15.3	
- Export	-2.9	11.1	
Overall	7.3	12.9	

The Group's processed foods business relates to the production and distribution of pickled, pre-fried and roasted foods. The period under review was a difficult one for the Group's processed foods business, especially export, due to significant rising cost of its principal raw materials, chicken meat, and the appreciation of Renminbi. Although turnover grew by USD0.8 million to USD26.6 million, the gross profit decreased by USD1.4 million to USD2.0 million.

Management Discussion and Analysis

Notwithstanding the above, there are optimistic about the future development of the processed foods business in Mainland China due to the steady improvement of living standard and change in lifestyle. One of our main strategies is to increase the proportion of domestic sales, thereby boost the future turnover of the Group. In order to capture more domestic market sales, we have acquired the rest of the share of our jointly-controlled entity, Miyasun-Great Wall (BVI) Co., Ltd. ("Miyasun - Great Wall"), from our business partner in May 2008. The processed food products produced by Miyasun - Great Wall were formerly exported to Japan prior to our acquisition. Due to the difficult export market situation, Miyasun - Great Wall will shift its business to focus on the domestic market with high potential growth.

OUTLOOK & FUTURE PLANS

We believe the robust economic growth in China will continue in the coming years. In fact, despite the expected global economic slowdown in 2008, the economy of China is still forecast to have a growth rate of 9% or more. The living standards in China continue to improve at a fast pace, which lead to a consistent rising demand for meat products. For this reason, the Group expects high turnover growth in all segments for the second half of 2008.

With rapid production growth, we have become one of the leading meat and feed product suppliers in the PRC. The Group is confident to achieve our primary objective, maximizing shareholder's return through our vertically integrated model (from the chicken farms to the dining table) and retaining a dominant edge against competition in the feeds, chicken meat and processed foods markets of the PRC.

In this endeavor, we will prudently expand existing production facilities and establish new ones in locations that offer a high potential for growth. As such, we expect our chicken slaughtering capacity to expand to approximately 300 million chickens by the end of 2009. Geographically, we will strengthen our leading position in northeast China while strategically enlarging our supply to the fast-growing Yangtze River Delta area. Our new integrated production line in Cangshan County, Shandong province is scheduled to commence its first phase of production in 2009. With the enhanced economies of scale, we expect higher efficiency of our chicken meat production. Moreover, the new facility will not only shorten our distances to the major markets in the Yangtze River Delta area but also help increase our market shares in the region. We shall continue to seek suitable acquisition targets for business expansion. We believe industry will continue to consolidate high operating cost to meet new governmental requirements on food safety will be a heavy burden to many players in our industry.

We are well on our way towards becoming the most complete, competitive and dominant chicken meat (animal protein) manufacturer and supplier in the PRC. By increasing our production capacity, offering products of the highest quality and finest traceability, and enjoying both superior brand name recognition and rising market demand, we expect to increase our sales and expand our business in the PRC and other Asian countries.

FINANCIAL REVIEW

1) Liquidity, financial resources and capital structure

As at 30 June 2008, the Group's cash and bank balance amounted to USD69.5 million, representing a decrease of USD28.3 million from 31 December 2007. Our bank loans increased by USD7.4 million to USD66.2 million (31 December 2007: USD58.8 million). The gearing ratio[note] was 29.3% (31 December 2007: 39.1%). The current ratio was maintained at a healthy level of 1.6 (31 December 2007: 1.7).

2) Capital expenditure

For the first six months of 2008, the Group spent USD29.4 million towards the purchase of property, plant and equipment, and plans to have capital expenditure of USD75.3 million in 2008. This will mainly be used for the construction of the integrated production line project in Shandong and the expansion of our existing production facilities.

3) Exchange rate

The Group's transactions are mainly conducted in USD, RMB and Vietnamese Dong. During the period under review, the RMB appreciated by 6.0% and had a negative impact on our export business. Although the Group's export business is in significant, representing only approximately 2% of the Group's total turnover for the first six months of 2008, we shall continue to closely monitor shifts in the relevant exchange rates so as to mitigate any negative impact in the future.

4) Dividend

The Board does not recommend payment of interim dividend for the period ended 30 June 2008. As mentioned in the Prospectus, the Board intends to recommend an annual dividend of approximately 25% of the Group's net profit attributable to equity shareholders at the general meeting of the Company for the financial year ending 31 December 2008, subject to the cash flow and financial conditions at that time.

5) Charge on assets

As at 30 June 2008, bank deposits of USD0.6 million and fixed assets equating to approximately USD8.9 million were pledged as security against bank facilities of USD20.4 million, of which USD11.8 million were utilized as at 30 June 2008.

6) Capital commitment and Contingent liabilities

As at 30 June 2008, our total capital commitment amounted to USD71.6 million. The Company is not aware of any material contingent liabilities or off-balance sheet obligations as at 30 June 2008.

Note: Gearing ratio=Interest bearing debts/Average net assets

USE OF PROCEEDS FROM THE IPO

The Company issued 260,662,000 shares (including shares issued via the exercise of the over-allotment) in pursuance of the IPO of its shares in October 2007. As the issue price was HKD2.9 per share, the proceeds amounted to approximately HKD755.9 million or USD96.9 million. After deducting share-issuing expenses, the net proceeds from the IPO amounted to approximately HKD687.9 million or USD88.2 million. All proceeds were received by the Company before November 2007. As at 30 June 2008, the Company had used USD34.5 million towards the expansion of production capacity by way of procuring additional production facilities or upgrading existing facilities. After deducting the capital expenditure and USD7.7 million used for working capital, the balance of the net proceeds was USD46.0 million and this sum was placed in short-term deposit bank accounts.

EMPLOYEE COMPENSATION AND TRAINING

As at 30 June 2008, the Group had a total of 14,055 employees (31 December 2007: 12,454). The total staff costs for the first six months of 2008 was USD28.4 million (for the corresponding period of 2007: USD16.3 million). The Group's employees are remunerated in accordance with industry practices, the financial performance of the Group and their work performance. Other fringe benefits, such as insurance, medical benefits and provident fund, are provided to employees to retain top talent at all levels with loyalty.

We place great emphasis on the training and development of our employees. We invest in various training programs for all members of staff with a view to build a strong and cohesive workforce. Through these programs, we provide our employees with best opportunities for career development. We believe that these are mutually beneficial to the Group and to the employees.

Independent review report

INDEPENDENT REVIEW REPORT
TO THE BOARD OF DIRECTORS OF DACHAN FOOD (ASIA) LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 12 to 41 which comprises the consolidated balance sheet of DaChan Food (Asia) Limited as of 30 June 2008 and the related consolidated income statement, and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34.

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

22 August 2008

Consolidated Income Statement

for the six months ended 30 June 2008 - unaudited

(Expressed in United States Dollars)

	Note	Six months ended 30 June 2008 USD'000	2007 USD'000
Turnover		639,748	392,507
Cost of sales		(582,185)	(357,210)
Gross profit		57,563	35,297
Change in fair value of biological assets less estimated point-of-sale costs		(220)	283
Fair value of agricultural produce on initial recognition		5,752	3,072
Reversal of fair value of agricultural produce due to sales and disposals		(5,675)	(2,155)
Other income	6	6,655	6,400
Distribution costs		(15,320)	(10,295)
Administrative expenses		(18,944)	(10,171)
Other operating expenses		(3,874)	(523)
Profit from operations		25,937	21,908
Finance costs	7(a)	(3,304)	(1,974)
Share of (losses)/ profits of jointly controlled entities		(989)	276
Profit before taxation	7	21,644	20,210
Income tax	8	(3,104)	(899)
Profit for the period		18,540	19,311
Attributable to:			
Equity shareholders of the Company		16,179	16,872
Minority interests		2,361	2,439
Profit for the period		18,540	19,311
Earnings per share			
- Basic (cents)	10	1.60	2.25

The notes on pages 17 to 41 form part of this interim financial report.

Consolidated balance sheet

at 30 June 2008 - unaudited

(Expressed in United States Dollars)

	Note	30 June 2008 USD'000	31 December 2007 USD'000
Non-current assets			
Fixed assets	11		
- property, plant and equipment		124,891	92,410
- lease prepayments		15,886	11,490
Interests in jointly controlled entities		—	3,828
Deferred tax assets		449	638
		141,226	108,366
Current assets			
Inventories		126,156	95,777
Biological assets		1,709	1,718
Trade and other receivables	12	83,341	70,404
Amounts due from related parties	16(d)	1,232	2,700
Income tax recoverable		45	22
Pledged bank deposits		585	1,562
Cash and cash equivalents	13	69,449	97,723
		282,517	269,906
Current liabilities			
Interest-bearing borrowings		59,274	52,759
Trade and other payables	14	112,857	104,452
Amounts due to related parties	16(e)	3,248	188
Income tax payable		2,176	2,147
		177,555	159,546
Net current assets		104,962	110,360
Total assets less current liabilities		246,188	218,726
Non-current liabilities			
Interest-bearing borrowings		6,950	6,001
Deferred tax liabilities		27	27
		6,977	6,028
Net assets		239,211	212,698

Consolidated balance sheet

at 30 June 2008 - unaudited

(Expressed in United States Dollars)

	Note	30 June 2008 USD'000	31 December 2007 USD'000
Capital and reserves			
Share capital		12,957	12,957
Reserves		200,167	179,680
Total equity attributable to equity shareholders of the Company		213,124	192,637
Minority interests		26,087	20,061
Total equity		239,211	212,698

Approved and authorised for issue by the board of directors on 22 August 2008.

Han Jia-Hwan
Chariman

Chen Fu-Shin
Executive director

The notes on pages 17 to 41 form part of this interim financial report.

Consolidated statement of changes in equity

for the six months ended 30 June 2008 - unaudited

(Expressed in United States Dollars)

	Attributable to equity shareholders of the Company								
	Share capital USD'000	Share premium USD'000	Merger reserve USD'000	Statutory reserves USD'000	Translation reserve 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	—	—	—	—	—	—	—	2,077	2,077
Disposal of partial interest in a subsidiary	—	—	—	—	—	—	—	1,228	1,228
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	—	—	—	—	4,308	—	4,308	360	4,668
Profit for the period	—	—	—	—	—	16,179	16,179	2,361	18,540
At 30 June 2008	12,957	76,121	52,653	4,973	9,849	56,571	213,124	26,087	239,211
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)	—	—	—	—	—	—
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	—	—	—	—	1,328	—	1,328	256	1,584
Profit for the period	—	—	—	—	—	16,872	16,872	2,439	19,311
At 30 June 2007	25	—	52,653	2,500	3,315	33,499	91,992	16,998	108,990

The notes on pages 17 to 41 form part of this interim financial report.

Condensed consolidated cash flow statement

for the six months ended 30 June 2008 - unaudited

(Expressed in United States Dollars)

	Note	Six months ended 30 June 2008 USD'000	2007 USD'000
Cash (used in)/ generated from operations		(4,599)	4,646
Tax paid		(2,909)	(1,363)
Net cash (used in)/ generated from operating activities		(7,508)	3,283
Net cash used in investing activities		(24,460)	(16,179)
Net cash generated from financing activities		2,724	22,430
Net (decrease)/ increase in cash and cash equivalents		(29,244)	9,534
Cash and cash equivalents at 1 January	13	97,640	19,696
Effect on foreign exchange rate changes		989	327
Cash and cash equivalents at 30 June	13	69,385	29,557

The notes on pages 17 to 41 form part of this interim financial report.

Notes to the unaudited interim financial report

(Expressed in United States Dollars unless otherwise indicated)

1 GENERAL INFORMATION AND GROUP REORGANISATION

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 interim financial report for the six months ended 30 June 2008 comprises 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 interim financial report has been prepared on the basis that the Company was the holding company of the Group for both periods presented, rather than from the date of the Reorganisation. Accordingly, the consolidated results of the Group for the six months ended 30 June 2007 and 2008 include 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 two periods presented. The consolidated balance sheet at 31 December 2007 and 30 June 2008 is a consolidation of the balance sheet of the Company and its subsidiaries at the respective balance sheet dates. All material intra-group transactions and balances have been eliminated on consolidation. In the opinion of the directors, the consolidated interim financial report prepared on this basis presents fairly the results of operations and the state of affairs of the Group as a whole.

3 BASIS OF PREPARATION

This consolidated interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board ("IASB"). It was authorised for issuance on 22 August 2008.

The unaudited consolidated interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2007.

This consolidated interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2007 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required or full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The consolidated interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of directors is included on page 11.

The financial information relating to the financial year ended 31 December 2007 that is included in the consolidated interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2007 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 11 April 2008.

4 SEGMENT REPORTING

Segment information is presented in respect of the Group's business segments. Business segments 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 meats : The chicken meats 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.

	For the six months ended 30 June 2008				
	Chicken meats USD'000	Livestock feeds USD'000	Processed foods USD'000	Inter-segment elimination USD'000	Consolidated USD'000
Revenue from external customers	321,712	291,419	26,617	—	639,748
Inter-segment revenue	1,675	75,389	—	(77,064)	—
Total	323,387	366,808	26,617	(77,064)	639,748
Segment result	18,429	12,587	(3,251)	—	27,765
Unallocated operating income and expenses					(1,828)
Profit from operations					25,937
Finance costs					(3,304)
Share of losses of jointly controlled entities					(989)
Income tax					(3,104)
Profit for the period					18,540

4 SEGMENT REPORTING (Cont'd)

Primary reporting format - business segments (Cont'd)

	For the six months ended 30 June 2007				
	Chicken meats USD'000	Livestock feeds USD'000	Processed foods USD'000	Inter-segment elimination USD'000	Consolidated USD'000
Revenue from external customers	237,920	128,769	25,818	—	392,507
Inter-segment revenue	8,461	49,433	—	(57,894)	—
Total	246,381	178,202	25,818	(57,894)	392,507
Segment result	13,379	6,726	2,361	—	22,466
Unallocated operating income and expenses					(558)
Profit from operations					21,908
Finance costs					(1,974)
Share of profits of jointly controlled entities					276
Income tax					(899)
Profit for the period					19,311

5 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 30 June 2008 are as follows:

Name of company	Paid up capital	Principal activity	Results contributed by the company from the date of acquisition to 30 June 2008 USD'000
Miyasun - Great Wall	USD2,000,000	Investments holding	(183)

This entity is an investments holding company established in the British Virgin Islands ("BVI").

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	(109)
	5,271
Total purchase price payable (note 16(e))	2,581
Reclassified from interests in jointly controlled entities	2,690
	5,271
Analysis of net inflow of cash and cash equivalents:	
Cash and cash equivalents acquired	3,062

5 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 investments holding to an independent third party at a consideration of USD1,228,000. 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%.

6 OTHER INCOME

	Six months ended 30 June	
	2008	2007
	USD'000	USD'000
Interest income	**847**	140
Foreign exchange gain	**5,355**	766
Management fee (note 16(b))	**123**	104
Government subsidies (note (i))	**—**	1,176
Compensation received (note (ii))	**—**	3,346
Gain on disposals of fixed assets	**12**	11
Recognition of negative goodwill	**109**	—
Others	**209**	857
	6,655	6,400

Notes:

(i) Pursuant to the approval from respective local governments, certain subsidiaries of the Group received government subsidies for the period ended 30 June 2007 which approximated the aggregate amount of VAT and interest expense incurred in previous years.

(ii) Included in the compensation received for the period ended 30 June 2007 was an amount of approximately USD3.3 million being compensation given to a subsidiary of the Group as a result of relocation of factory as required by the local government.

Notes to the unaudited interim financial report

(Expressed in United States Dollars unless otherwise indicated)

7 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2008	2007
	USD'000	USD'000
(a) Finance costs		
Interest on bank borrowings wholly repayable within five years	**3,304**	1,918
Interest on other loans (note 16(b))	**—**	56
	3,304	1,974
(b) Other items		
Amortisation of lease prepayments	**167**	67
Depreciation of property, plant and equipment	**5,318**	4,172
Impairment losses on:		
trade and other receivables	**58**	247
Net foreign exchange loss	**3,381**	76
Net realised loss on derivative contracts	**166**	148
Write-down of inventories	**910**	526
Reversal of write-down of inventories	**(51)**	(262)

8 INCOME TAX

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2008	2007
	USD'000	USD'000
Current tax - overseas		
Provision for the period	**2,915**	906
Deferred tax		
Origination and reversal of temporary differences	**189**	(7)
	3,104	899

8 INCOME TAX (Cont'd)

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

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

(ii) 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 periods.

(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 28% (2007: 33%), of which 25% is attributable to the state government and 3% is attributable to the local government, during the period (2007: 30% and 3% respectively). The details of applicable income tax rate for the Group's main operating subsidiaries in the PRC are as follows:

(a) The applicable enterprise income tax rate for Liaoning Greatwall Agri-Industrial Co., Ltd. is 28% for the six months ended 30 June 2008 (2007: 27%).

(b) Great Wall Agri (Yingkou) Co., Ltd. ("Yingkou Great Wall") is a foreign investment enterprise incorporated in Liaoning. Yingkou Great Wall is qualified as an Advanced Technology Enterprise ("先進技術型企業") which entitles it to an extension of the period of 50% reduction in the enterprise income tax rate for three years (since 2005). The tax relief is subject to approval by the relevant PRC government authorities on an annual basis. For interim period ended 30 June 2008, the applicable tax rate before approval of tax relief is 28% (2007: 13.5%).

(c) In 2008, Great Wall Food (Dalian) Co., Ltd is entitled to a PRC enterprise income tax rate of 28% (2007: 27%).

(d) DaChan Wanda (Tianjin) Co., Ltd. is entitled to a full exemption from the PRC Foreign Enterprise Income Tax for the two years beginning from 2006, its 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.

(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.

(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%. However, ANT-VN is entitled to a full tax exemption for two years from the first profit-making year. In addition, ANT-VN is also entitled to a 50% reduction in tax rate for seven years starting from 2004 in accordance with the Official Letter No. 2397/CT-TTr2 dated 21 November 2006 and Decision No. 148/QD-CT dated 8 June 2007, issued by Tax Department of Dong Nai Province. Therefore, ANT-VN is subject to a preferential income tax rate of 7.5% for the period ended 30 June 2007 and 2008.

8 INCOME TAX (Cont'd)

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. The first profitable year of ANT-HN is year 2005. Therefore, the applicable tax rate of ANT-HN is nil for the period ended 30 June 2007 and 2008.

(vii) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Enterprise Income Tax Law of the PRC ("New Tax Law") effective from 1 January 2008. The PRC income tax is unified at a standard rate of 25%. The State Council of the PRC passed the implementation guidance note ("Implementation Guidance") on 26 December 2007, which sets out the details of how the existing preferential income tax rates will be adjusted to the standard rate of 25%. According to the Implementation Guidance, certain PRC subsidiaries of the Group, which are eligible for a 100% or 50% relief from the PRC Foreign Enterprise Income Tax, will continue to enjoy the preferential income tax rate up to the end of the derating period, after which, the 25% standard rate applies. The PRC subsidiaries of the Group that enjoyed the preferential rate of 15% prior to 1 January 2008 will be subject to the tax rate of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011, and finally be subject to the tax rate of 25% in 2012. The remaining PRC subsidiaries will be subject to the tax rate of 25% in 2008. The effect of these changes has been reflected in the consolidated interim financial report for the six months ended 30 June 2008. The financial effect of the enactment of the New Tax Lawis also considered in the consolidated balance sheet in respect of current tax payable/ recoverable.

Further under the New Tax Law, from 1 January 2008 onwards, non-resident enterprises without an establishment or a place of business in the PRC or which have an establishment or a place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. However, the Caishui (2008) No.1 approved by the Ministry of Finance and State Administration of Taxation on 22 February 2008 exempts the dividend distribution out of pre-2008 retained earnings of foreign investment enterprises from withholding tax. The directors of the Company do not expect dividends will be distributed from subsidiaries in the PRC in foreseeable future in respect of the profits generated after 31 December 2007.

9 DIVIDENDS

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2008. (2007: Nil)

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10 EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2008 is based on the profit attributable to equity shareholders of the Company of USD16,179,000 and the weighted average number of 1,010,662,000 shares in issue during the period.

The calculation of basic earnings per share for the six months ended 30 June 2007 is based on the profit attributable to equity shareholders of the Company of USD16,872,000 and 750,000,000 shares in issue and issuable, comprising 2,000,000 shares in issue at the date of the Prospectus and 748,000,000 shares to be issued pursuant to the capitalisation issue as detailed in Appendix VI to the Prospectus as if the shares were outstanding throughout the period.

There were no potential dilutive ordinary shares during the six months ended 30 June 2007 and 2008 and therefore, diluted earnings per share are not presented.

11 FIXED ASSETS

The acquisitions and disposals of items of fixed assets during the six months ended 30 June 2008 are as follows:

	30 June 2008 USD'000	31 December 2007 USD'000
Cost of acquisitions	29,358	39,235
Acquisitions through business combinations	8,863	—
Disposals (net carrying amount)	125	2,932

12 TRADE AND OTHER RECEIVABLES

	30 June 2008 USD'000	31 December 2007 USD'000
Trade receivables	38,357	27,876
Amounts due from related parties (note 16(d))	778	3,881
Advances to staff	1,340	659
VAT recoverable (note (i))	22,396	21,987
Deposits paid for purchase of fixed assets	2,811	1,674
Suppliers' deposits	3,678	2,597
Deposits and prepayments	9,429	7,516
Other receivables	4,552	4,214
	83,341	70,404

12 TRADE AND OTHER RECEIVABLES (Cont'd)

Note:

(i) The VAT recoverable represents the unutilised input VAT eligible for offsetting against future output VAT. The unutilised input VAT arose mainly due to the insufficient output VAT on sales of chicken meats 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 30 June 2008 will be utilised progressively in accordance with the Group's future plan.

The Group normally allows a credit period ranging from 30 days to 60 days to its customers. All of the trade and other receivables (including amounts due from related parties) are expected to be recovered within one year.

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:

	30 June 2008 USD'000	31 December 2007 USD'000
Current	32,343	24,559
Less than 30 days past due	3,181	1,494
31 - 60 days past due	1,921	993
61 - 90 days past due	476	365
More than 90 days past due	436	465
Total	38,357	27,876

13 CASH AND CASH EQUIVALENTS

	30 June 2008 USD'000	31 December 2007 USD'000
Cash at bank and in hand	69,449	97,723
Bank overdrafts	(64)	(83)
Cash and cash equivalents in the condensed consolidated cash flow statement	69,385	97,640

As at 30 June 2008, cash at bank and in hand in the PRC included in the cash and cash equivalents for the Group amounted to USD51,325,000 (31 December 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.

14 TRADE AND OTHER PAYABLES

	30 June 2008 USD'000	31 December 2007 USD'000
Trade payables	72,329	59,855
Bills payable	186	1,685
Amounts due to related parties (note 16(e))	553	2,335
Receipts in advance	2,583	3,701
Other payables and accruals	37,206	36,876
	112,857	104,452

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:

	30 June 2008 USD'000	31 December 2007 USD'000
Within 30 days	66,194	55,879
31 days to 60 days	3,400	2,184
61 days to 90 days	1,373	927
91 days to 180 days	1,362	865
	72,329	59,855

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

14 TRADE AND OTHER PAYABLES (Cont'd)

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

	30 June 2008 USD'000	31 December 2007 USD'000
Salaries, wages, bonus and other benefits payable	16,058	12,326
Payables for purchase of fixed assets	1,234	4,211
Security deposits (note (i))	5,062	5,721
Accrued expenses (note (ii))	7,724	5,125
Provision for onerous contracts (note (iii))	—	1,812
Other payables	7,128	7,681
	37,206	36,876

Notes:

(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:

	30 June 2008 USD'000	31 December 2007 USD'000
At beginning of the period/ year	1,812	1,511
Provision for the period/ year	—	1,812
Utilisation during the period/ year	(1,812)	(1,511)
At end of the period/ year	—	1,812

No provision (31 December 2007: USD1,812,000) has been recognised for the expected loss on sales contracts entered into during the period.

15 COMMITMENTS

(a) Capital commitments outstanding at 30 June 2008 not provided for in the consolidated interim financial report were as follows:

	30 June 2008 USD'000	31 December 2007 USD'000
Contracted for	19,400	3,397
Authorised but not contracted for	52,223	54,691
	71,623	58,088

(b) At 30 June 2008, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2008 USD'000	31 December 2007 USD'000
Within 1 year	906	1,379
After 1 year but within 5 years	963	1,071
After 5 years	4,042	3,947
	5,911	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:

	30 June 2008 USD'000	31 December 2007 USD'000
Contracted for	35,223	29,283

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(Expressed in United States Dollars unless otherwise indicated)

15 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 meats at an agreed price determined based on the then prevailing market prices. The pre-determined price typically agreed on a quarterly basis. The amounts of chicken meats contracted to be sold to these customers at each balance sheet date were as follows:

	30 June 2008 USD'000	31 December 2007 USD'000
Contracted for	27,644	13,729

16 RELATED PARTY TRANSACTIONS

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

(a) Name and relationship with related parties

During the six months ended 30 June 2008 and 2007, transactions with the following parties are considered as related party transactions:

Name of party	Relationship
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
Food China Inc. ("FCI")	Associate 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
Land O' Lakes/Great Wall Enterprise Nutrition Technologies (Tianjin) Co., Ltd. ("LOL-TJ") 大成藍雷營養科技(天津)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
Shanghai Universal Chain Food Co., Ltd. ("SUCF") 上海寰城季諾餐飲有限公司*	Subsidiary of GWE, ultimate holding company of the Company

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16 RELATED PARTY TRANSACTIONS (Cont'd)

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

Name of party	Relationship
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
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 - Great Wall Food (Dalian) Co., Ltd. ("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
Marubeni (Beijing) Co., Ltd. ("Marubeni Beijing")	Subsidiary of Marubeni, minority shareholder of the Company
Marubeni (Dalian) Co., Ltd. ("Marubeni Dalian")	Subsidiary of Marubeni, minority shareholder of the Company
Marubeni (Qingdao) Co., Ltd. ("Marubeni Qingdao")	Subsidiary of Marubeni, minority shareholder of the Company
Miyasun Food Co., Ltd. ("Miyasun Japan")	Minority shareholder
Yanzhou Jialong Food Co., Ltd ("Yanzhou Jialong") 兖州嘉隆食品有限公司*	Minority shareholder

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

** Acquisition of the remaining 50% equity interest in Miyasun - Great Wall not already owned by the Group from Miyasun Japan was completed on 1 May 2008. As at the same date, Miyasun - Great Wall became a wholly owned subsidiary of the Group and its balance and results thereafter were consolidated in the Group's consolidated interim financial report.

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16 RELATED PARTY TRANSACTIONS (Cont'd)

(b) Significant related party transactions

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

	Six months ended 30 June	
	2008	2007
	USD'000	USD'000
Recurring		
Sales to:		
A Jointly controlled entity		
- Miyasun Foods	4,795	6,433
A minority shareholder		
- Marubeni	7,030	10,195
Fellow subsidiaries		
- Beijing Han Ya	—	84
- BUCF	2	3
- GWF-TJ	2	—
- GWYHB	189	24
- Kota	—	176
- SUCF	3	—
- TNT	6	11
	202	298
Other related party		
- FCI	97	—
	12,124	16,926

16 RELATED PARTY TRANSACTIONS (Cont'd)

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

Particulars of significant related party transactions during the period are as follows: (Cont'd)

	Six months ended 30 June	
	2008	2007
	USD'000	USD'000
Purchases from:		
A jointly controlled entity		
- Miyasun Foods	**394**	454
Ultimate holding company		
- GWE	**—**	116
Related parties of a minority shareholder		
- Marubeni Beijing	**2,700**	—
- Marubeni Dalian	**107**	—
- Marubeni Qingdao	**181**	—
	2,988	—
Fellow subsidiaries		
- Beijing Han Ya	**—**	22
- GWF-TJ	**102**	31
- GWYHB	**2**	—
- DSF	**607**	486
- TNT	**116**	—
	827	539
Other related party		
- LOL-BJ	**39**	7
	4,248	1,116
Management fee received from:		
Jointly controlled entities		
- Miyasun - Great Wall (note (i))	**80**	—
- Miyasun Foods (note (i))	**43**	104
	123	104

16 RELATED PARTY TRANSACTIONS (Cont'd)

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

Particulars of significant related party transactions during the period are as follows: (Cont'd)

	Six months ended 30 June	
	2008	2007
	USD'000	USD'000
Management fee paid to:		
Ultimate holding company		
- GWE (note (iv))	**450**	—
A minority shareholder		
- Marubeni (note (ii))	**50**	50
	500	50
Rent paid to:		
A fellow subsidiary		
- GWF-TJ	**4**	4
Non-recurring		
Management fee paid to:		
Intermediate holding company		
- GWIH (note (iii))	**—**	1,496
A jointly controlled entity		
- Miyasun Foods	**—**	64
	—	1,560
Processing income received from:		
A jointly controlled entity		
- Miyasun Foods	**—**	45
Processing expense paid to:		
A jointly controlled entity		
- Miyasun Foods	**75**	—
Interest received from:		
A jointly controlled entity		
- Miyasun - Great Wall	**44**	—

16 RELATED PARTY TRANSACTIONS (Cont'd)

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

Particulars of significant related party transactions during the period are as follows: (Cont'd)

	Six months ended 30 June 2008 USD'000	2007 USD'000
Interest paid to:		
Intermediate holding company		
- GWIH	—	7
A minority shareholder		
- ANTC	—	49
	—	56

Notes:

(i) The management fee received from jointly controlled entities 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 USD1.4 million being reimbursement of staff costs for the period ended 30 June 2007 to the intermediate holding company. 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 period, the Company used the technology know-how owned by GWIH free of charge.

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.

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group is as follows:

	Six months ended 30 June 2008 USD'000	2007 USD'000
Short term employee benefits	855	585
Post-employment benefits	11	3
	866	588

(Expressed in United States Dollars unless otherwise indicated)

16 RELATED PARTY TRANSACTIONS (Cont'd)

(d) Amounts due from related parties

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

	30 June 2008 USD'000	31 December 2007 USD'000
Trade receivables from (note (i)):		
A jointly controlled entity		
- Miyasun Foods	—	1,490
Fellow subsidiaries		
- BUCF	2	1
- GWYHB	56	7
- TNT	6	—
	64	8
Other related party		
- FCI	94	—
A minority shareholder		
- Marubeni	620	2,383
Included in trade and other receivables (note 12)	778	3,881
Advances to and other receivables from:		
A jointly controlled entity		
- Miyasun - Great Wall (note (ii))	—	200
A minority shareholder		
- Miyasun Japan (note (iii))	1,228	—
Other related parties		
- LOL-BJ	3	—
- LOL-TJ	1	—
	4	—
Loan to:		
A jointly controlled entity		
- Miyasun - Great Wall (note (iv))	—	2,500
	1,232	2,700

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(Expressed in United States Dollars unless otherwise indicated)

16 RELATED PARTY TRANSACTIONS (Cont'd)

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

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 30 June 2008 and 31 December 2007.

(ii) Advances to a jointly controlled entity represent management fee receivable from the jointly controlled entity.

(iii) The balance represents consideration of disposal of partial interest in a subsidiary receivable from the minority shareholder.

(iv) The loan to a jointly controlled entity 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:

	30 June 2008 USD'000	31 December 2007 USD'000
Trade payables to (note (i)):		
Fellow subsidiaries		
- DSF	335	30
- GWF-TJ	31	25
- Kota	—	11
	366	66
A jointly controlled entity		
- Miyasun Foods	—	2,267
Other related party		
- LOL-BJ	5	2
Related parties of minority shareholders		
- Marubeni Dalian	39	—
- Marubeni Qingdao	143	—
	182	—
Included in trade and other payables (note 14)	553	2,335

16 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)

	30 June 2008 USD'000	31 December 2007 USD'000
Advances from and other payables to:		
Ultimate holding company		
- GWE (note ii)	449	187
A jointly controlled entity		
- Miyasun - Great Wall	—	1
Minority shareholders		
- Miyasun Japan (note iii)	2,581	—
- Yanzhou Jialong (note ii)	218	—
	2,799	—
	3,248	188

Notes:

(i) Trade payables to 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.

(iii) The balance represents consideration payable for acquisition of remaining equity interest in a jointly controlled entity not already owned by the Group.

Notes to the unaudited interim financial report

(Expressed in United States Dollars unless otherwise indicated)

17 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 30 JUNE 2008

Up to the date of issue of this interim financial report, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ended 30 June 2008 and which have not been adopted in this interim financial report.

		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)	Consolidation 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 Governance

The Company is committed to maintaining a high standard of corporate governance and strives for a transparent, responsible and value-driven management focused on enhancing the value of the Company to its shareholders. The corporate governance principles of the Company place emphasis on upholding a high standard of ethics and integrity in all aspects of its business, and on ensuring that affairs are conducted in accordance with applicable laws and regulations. The Board believes that good corporate governance is beneficial for maintaining close and trustful relationships with its employees, business partners, shareholders and investors.

CORPORATE GOVERNANCE CODE

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 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 six months ended 30 June 2008 except for certain deviations as specified with considered reasons as explained below.

BOARD COMPOSITION

The Board currently comprises ten directors, consisting of three executive directors, four non-executive directors and three independent non-executive directors ("INED"). An updated list of the Board members is set out on page 2 of this interim report.

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 two INEDs constituting a breach of Rule 3.10(1) of the Listing Rules 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.

CONTINUING CONNECTED TRANSACTIONS

The Group entered into the following continuing connected transactions (other than connected transactions that are exempted under Rule 14A.33 of the Listing Rules) during the six months ended 30 June 2008:

(1) On 5 June 2008, the Company entered into a master purchase agreement with Marubeni (China) Co., Ltd.(丸紅(中國)有限公司)("Marubeni PRC") for provision of products (mainly soybean meal for chicken feeds productions) ("MB Products") by Marubeni PRC and its subsidiaries to the Group. Due to inadvertent oversight, the transaction was not disclosed earlier. As a result, certain provisions of the Listing Rules had not been complied with in relation to the purchases of MB Products by the Group for the period from 4 October 2007 (the listing date of the Company) to 31 May 2008.

(2) On 5 June 2008, the Company entered into a modification agreement with Great Wall Enterprise Co., Ltd.(大成長城企業股份有限公司)("Great Wall Enterprise ") extending the term of a master purchase agreement dated 14 September 2007 to 31 December 2010. Pursuant to the aforesaid master purchase agreement as modified, the Group agreed to purchase from Great Wall Enterprise and its subsidiaries (excluding members of the Group) products which are mainly ingredients (i.e. mixed flour) for processed foods production.

The above transactions, together with other continuing connected transactions, will be subject to annual review by the INEDs of the Company and confirmation of the auditors of the Company pursuant to Rules 14A.37 and 14A.38 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

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 six months ending on 30 June 2008, they have complied with the required standards 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 30 June 2008 are set out on pages 44 to 45 of this interim report.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 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, 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)	2,854,000	0.28%

Note: Mr. Chao Tien-Shin is deemed to be interested in 2,854,000 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)	0.008%
Harn Jia-Chen	Great Wall Enterprise Co. Ltd.	Beneficial owner	35,988(L)	0.009%
Chao Tien-Shin	Great Wall Enterprise Co. Ltd.	Interest of controlled corporation (Note 2)	3,516,555(L)	0.834%

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

Note 2: Mr. Chao Tien-Shin is deemed to be interested in 3,516,555 shares held by Qiao Tai Xing Investment Limited which is controlled by Mr. Chao and his spouse.

Save as disclosed above, as at 30 June 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

As at 30 June 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:

(a) 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	152,294,906(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%
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%

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%
GMT Capital Corp.	Beneficial interests	51,794,400(L)	5.13%

Save as disclosed above, as at 30 June 2008, no person, other than the directors and chief executive of the Company whose interests are set out in the section “Director’s 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.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

AUDIT COMMITTEE

The Audit Committee of the Company is comprised of all three INEDs. The Audit Committee has reviewed the interim financial statements for the six months period ended 30 June 2008 including the accounting policies and practices adopted by the Group with the Company’s management. The Audit Committee has also discussed with the independent auditors their work in relation to their review of the interim results.

POST BALANCE SHEET EVENTS

Save as the transactions mentioned in the section under the heading “Continuing Connected Transactions” above, the Company did not during the period under review enter into any transactions which require disclosure under the Listing Rules.

By order of the Board
Han Jia-Hwan
Chairman

Hong Kong, 22 August 2008