



**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

*Knowing origins  
Ensuring safe consumption*

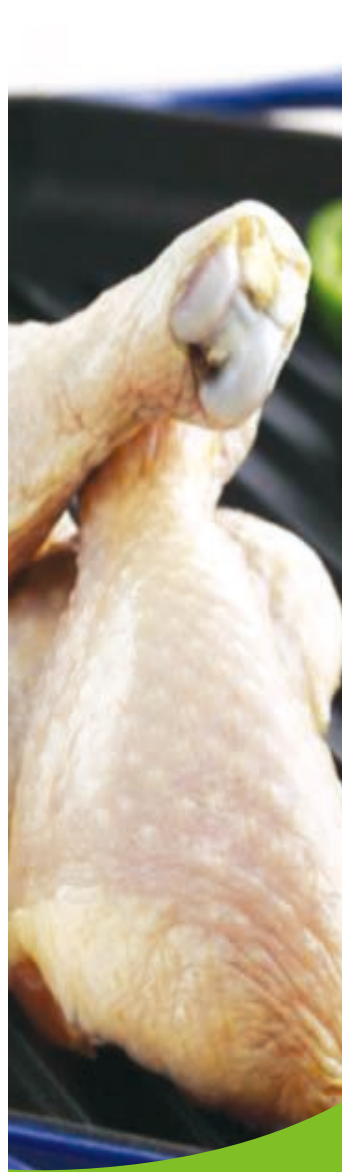
**Interim Report 2009**



Traceable Farm



Healthy & Traceable Feed



Traceable Fresh Meat  
(SGS Certified)



Traceable Processed Food  
(SGS Certified)



**姐妹厨房®**  
Sisters' Kitchen

www.sisterskitchen.cn

## Knowing origins • Ensuring safe consumption



### Traceable Farm

1

- Detailed information on farmers
- Location of our farms
- Chicken raising period information



### Traceable Feed

2

- Location of feed production plants and production time
- Detailed information on person in charge of feed quality
- 38 inspection points with records



### Traceable Fresh Meat

3

- Location of chicken processing plants
- Detailed information on person in charge of meat quality
- 67 inspection points with records



### Traceable Processed Food

4

- Location of chicken processing plants and production time
- Detailed information on person in charge of the food quality
- Regulated food inspection records

### Innovative traceability system

Safety code enables you to trace your product from the farm level to the food table on line or by mobile phone



### We strive to ensure safer consumption

5

- Safe and sanitary package
- Timely delivery with freshness
- Individual sealed package



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## 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  
Mrs. Chu Chen Li-Chin (appointed on 16 February 2009)

## COMPANY SECRETARY

Ms. Pang Siu Yin

## LEGAL ADVISER

Cheung, Tong & Rosa  
Room 501, 5/F., Sun Hung Kai Centre  
30 Harbour Road, 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

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P.O. Box 1350, Grand Cayman KYI-1108  
Cayman Islands

## PRINCIPAL OFFICE IN HONG KONG

Suite 1805-06, Tower 1, The Gateway  
25 Canton Road, Tsimshatsui, Kowloon, Hong Kong

## OFFICE IN THE PRC

Room 401, 4th Floor, Office Tower C, Vanton Center,  
No.6 Chaowai Street, Chaoyang District, Beijing 100020,  
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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# Chairman's Statement

Dear shareholders,

The operating environment for DaChan Food (Asia) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") in the first six months of 2009 remained challenging as the global financial crisis that began last year continued to impact our key markets during the period. Through concerted efforts, our Group has continued to make progress in consolidating its market position as a supplier of quality food products.

In our home market of China, the performance of our chicken meats business was affected by the wider economic downturn. Meanwhile, our processed food business delivered a satisfactory performance with a nascent recovery in the export market. Our efforts to develop China's untapped processed food market have also yielded encouraging results.

During the period under review, an anticipated recovery in the meat industry was weaker than expected. The prices of raw materials remained volatile while domestic consumption slowed. Consequently, the Group's total turnover and total gross profit were down 12.4% and 27.5% to USD560.6 million and USD41.7 million, respectively, from the same period in the previous year. On a sequential basis, however, total gross profit was up 10.6% to USD41.7 million from the second half of 2008 despite the challenging economic condition, while total turnover was down 14.3% to USD560.6 million.

In May 2009, the outbreak of H1N1 flu caused the prices of pork in China to fall below cost levels, and led to lower farming rates and usage of feeds. Although pork prices eventually stabilized and returned to sustainable levels after government intervention, the price falls nonetheless dealt a heavy blow to the prices of chicken, reversing the price increases earlier this year. On the other hand, the performance of our feeds and processed foods business was in line with our expectation.

During the period under review, we have stepped up our brand building momentum with the official launch of a pioneering product traceability program (來源透明工程) (the "Program") for "Sisters' Kitchen". Under the Program, all Sisters' Kitchen branded products are tagged with a safety code, which enables the consumer to trace the source of the product online or by mobile phone. The Company is the first major food company to have accomplished such a comprehensive traceability system with interactive communication with consumers.

The Program is to provide comprehensive information to consumers who want to learn more about the food products they purchase in four key stages of food production: farm, feed, fresh meat and food. Consumers can access information such as farm's location, farmer's background and the type of feeds that are used on the farm. For feeds, fresh meat and food, consumers can obtain detailed inspection records and production date. A large part of the Program is developed based on processes that are certified and recognized by the Swiss Testing Institute (SGS) and the supervision center of the Ministry of Agriculture of the People's Republic of China ("PRC"). The Program not only helps ensure the safety of our food products, but also firmly positions our "Sisters' Kitchen" brand as a leader in food product quality. We are committed to not only providing the best quality food products, but also doing our part as a green company through energy conservation, reduced emission and chicken waste recycling. Overall, the launch of the Program marks a milestone in the Company brand building development.

Our consistent product quality received its latest affirmation recently in the form of a three-year contract with Yum! China to purchase chicken meats from our Group. We will continue to develop the processed foods business through forging closer and trusted relationships with our customers and partners. The prospect for a full economic recovery is still shadowed by uncertainties for the remainder of this year. But with our commitment to food safety and operational excellence we are confident that we will emerge from this period of difficulties stronger in the long run.

On behalf of the Group, I would like to extend my gratitude to our shareholders, customers and employees for their unwavering support.

**Han Jia-Hwan**

*Chairman*

Hong Kong, 21 August 2009

## Overall Operating Results

	Six months ended 30 June			Six months ended 31 December
	2009 (unaudited)	2008 (unaudited)	% change	2008 (unaudited)
Turnover (USD'000)	560,563	639,748	-12.4	654,247
Gross profit (USD'000)	41,722	57,563	-27.5	37,728
Gross profit margin (%)	7.4	9.0		5.8
Profit attributable to equity shareholders of the Company (USD'000)	6,962	16,179	-57.0	3,496
Basic earnings per share (US cents)	0.69	1.60	-56.9	0.35

The global financial crisis that began in 2008 has slowed the pace of China's economic growth in the first half of 2009. The Group's turnover for the six months ended 30 June 2009 was down by 12.4% to USD560.6 million year on year. Slower demand and oversupply in the PRC led to a decrease in the average selling price of chicken meat. Turnover from the feeds segment declined partly as a result of the decrease in pork prices in the second quarter caused by the H1N1 flu scare. Under pressure, gross profit margin was down to 7.4% (2008: 9.0%). Exchange rate gain and fair value gain from agricultural produce for the first six months of 2009 were also lower than a year earlier. Profit attributable to equity shareholders of the Company was down by 57.0% year on year to USD7.0 million as a result of the above factors. Basic earnings per share were US 0.69 cents (2008: US 1.60 cents), representing a decrease of 56.9% year on year.

When compared with the six months ended 31 December 2008, our results improved noticeably with profit attributable to equity shareholders rebounded strongly by 99.1%.

## Results by Business Segment

### Chicken meat

	Six months ended 30 June			Six months ended 31 December
	2009 (unaudited)	2008 (unaudited)	% change	2008 (unaudited)
Turnover (USD'000)	288,000	321,712	-10.5	340,234
Gross profit (USD'000)	5,777	27,509	-79.0	8,493
Gross profit margin (%)	2.0	8.6		2.5

As a result of lower average selling price of chicken meat, turnover of the segment for the first six months of 2009 fell by 10.5% year on year to USD288.0 million. The segment accounts for 51.4% of the Group's total turnover.

# Management Discussion and Analysis

The average selling price of chilled and frozen chicken meat for the first six months of 2009 decreased by 15.4% to USD1,352 per tonne (2008: USD1,599 per tonne). Price of chicken meat in the second quarter was under enormous pressure as a result of the H1N1 flu.

## Feeds to external customers

	Six months ended 30 June			Six months ended 31
	2009 (unaudited)	2008 (unaudited)	% change	December 2008 (unaudited)
Turnover (USD'000)	244,386	291,419	-16.1	292,645
Gross profit (USD'000)	30,988	28,104	10.3	30,311
Gross profit margin (%)	12.7	9.6		10.4

Corn and soybean meal are the key ingredients for our feeds. Their prices were down considerably in the first half of 2009, which was one of the main reasons for a profit margin improvement in the segment. Nutrition formula enhancement and increased direct sale have also contributed to the improved results. Thus, gross profit margin was up at 12.7% (2008: 9.6%) while gross profit rose by 10.3% to USD31.0 million (2008: USD28.1 million). For each of the six months periods since the beginning of 2008, there was consistent improvement in gross margin and gross profit of the segment.

Turnover for the first six months of 2009 decreased to USD244.4 million, representing a decline of 16.1% compared with that of the same period last year. The decrease was primarily due to lower average selling price, as a result of lower raw material cost.

## Processed foods

	Six months ended 30 June			Six months ended 31
	2009 (unaudited)	2008 (unaudited)	% change	December 2008 (unaudited)
Turnover (USD'000)				
– Mainland China	16,104	15,560	3.5	16,655
– Export	12,073	11,057	9.2	4,713
Total	28,177	26,617	5.9	21,368
Gross profit (USD'000)				
– Mainland China	2,975	2,266	31.3	2,449
– Export	1,982	(316)	n/a	(3,525)
Total	4,957	1,950	154.2	(1,076)
Gross profit margin (%)				
– Mainland China	18.5	14.6		14.7
– Export	16.4	-2.9		-74.8
Overall	17.6	7.3		-5.0



The Group's processed foods business relates to the production and distribution of pickled, pre-fried and roasted foods. During the period under review, the export business began to recover and we were able to improve from the previous year's unsatisfactory performance. Turnover for export business rose by 9.2% to USD12.1 million from USD11.1 million a year earlier. Gross profit was higher at USD2.0 million. Gross profit margin jumped to 16.4% from a negative 2.9% for the same period last year.

The processed foods market in the PRC is still relatively an untapped market and we have been capitalizing on the development of the market. We are beginning to harvest from our previous efforts made in the channel reconstruction and the brand building program for the "Sisters' Kitchen" brand. The brand building program is supported by our effective product traceability system in response to growing public concern over food safety. The program was a success with customers and it is reflected in improved turnover, gross profit and gross profit margin of the business.

Gross profit from the sales of processed foods in the mainland China for the six months ended 30 June 2009 increased by 31.3% to USD3.0 million. Gross profit margin rose to 18.5% from 14.6% in the same period of the previous year and 14.7% in the second half of 2008. This improved performance was attributable to our marketing efforts, higher production volume and a better product mix.

## OUTLOOK & FUTURE PLANS

The world economy is showing initial signs of recovery in the second half of 2009. The PRC, where our major production facilities and market are situated and which accounted for over 80% of our turnover, is expected to maintain a staggering economic growth rate of about 8% in 2009. The living standards in the PRC are expected to continue to rise along with the insatiable demand for meat products. In July 2009, we entered into a long-term agreement with KFC, one of our major customers. The agreement highlights not only the quality of our products but also enables us to lay out a more defined capital expenditure plan to satisfy future demand.

To improve its profit margin, the Group has allocated more resources to promote the processed foods business in China in view of the economic recovery. We have also restructured and optimized our sales channels to increase its cost and operational efficiencies for faster expansion in the next three years. Our raw chicken meat and processed foods products are now available at major supermarkets and hypermarkets such as Tesco, Auchan, Trustmart, E-Mart and Wal-mart in Beijing, Tianjin and Shanghai.

The Group will continue to expand its production capacity prudently. It is also committed to maintaining the best product quality while improving operating efficiency and enhancing brand value 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

For the first six months of 2009, the Group has recorded USD1.9 million from other income (2008: 6.7 million). Other income mainly comprises exchange gain on appreciation of RMB, and interest income.

## 2) Liquidity, Financial Resources and Capital Structure

As at 30 June 2009, the Group's cash and bank balance amounted to USD49.7 million, representing a decrease of USD10.8 million from 31 December 2008. Our bank loans decreased by USD6.4 million to USD22.9 million (31 December 2008: USD29.3 million). Debt to equity ratio was 9.3% (31 December 2008: 12.8%). The current ratio was maintained at a healthy level of 1.7 (31 December 2008: 1.7)

## 3) Capital Expenditure

For the first six months of 2009, the Group invested USD11.9 million to purchase property, plant and equipment. Planned capital expenditure for 2009 is USD51.0 million which will be mainly funded by the Group's internal resources. The amount 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 transacts its businesses mainly in USD, RMB and Vietnamese Dong. The exchange rates of the three currencies were relatively stable in the first half of 2009.

## 5) Dividends

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2009.

## 6) Charge on Assets

As at 30 June 2009, bank deposits of USD3.1 million and fixed assets equating to approximately USD6.4 million were pledged as security against bank facilities of USD47.0 million, of which USD6.9 million was drawn as at 30 June 2009.

## 7) Capital Commitment and Contingent Liabilities

As at 30 June 2009, total capital commitment amounted to USD10.0 million. The Group is not aware of any material contingent liabilities or off-balance sheet obligations as at 30 June 2009.

## Employee Compensation and Training

As at 30 June 2009, the Group had a total of 14,178 employees (31 December 2008: 13,105). 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 retain loyal employees.

We place great emphasis on the training and development of our employees. We have invested 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 quality 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 its employees.



## 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 10 to 39 which comprises the consolidated balance sheet of DaChan Food (Asia) Limited as of 30 June 2009 and the related consolidated income statement, consolidated statement of comprehensive income and consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of 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 2009 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

21 August 2009

# Consolidated Income Statement

for the six months ended 30 June 2009 – unaudited

	Note	Six months ended 30 June	
		2009 USD'000	2008 USD'000
<b>Turnover</b>	4	560,563	639,748
Cost of sales		(518,841)	(582,185)
<b>Gross profit</b>		41,722	57,563
Change in fair value of biological assets less estimated point-of-sale costs		470	(220)
Fair value of agricultural produce on initial recognition		1,722	5,752
Reversal of fair value of agricultural produce due to sales and disposals		(1,961)	(5,675)
Other income	6	1,937	6,655
Distribution costs		(14,311)	(15,320)
Administrative expenses		(16,549)	(18,944)
Other operating expenses		(987)	(3,874)
<b>Profit from operations</b>		12,043	25,937
Finance costs	7(a)	(1,254)	(3,304)
Share of losses of jointly controlled entities		–	(989)
<b>Profit before taxation</b>	7	10,789	21,644
Income tax	8	(1,866)	(3,104)
<b>Profit for the period</b>		8,923	18,540
<b>Attributable to:</b>			
Equity shareholders of the Company		6,962	16,179
Minority interests		1,961	2,361
<b>Profit for the period</b>		8,923	18,540
<b>Earnings per share</b>			
– Basic (cents)	9	0.69	1.60
– Diluted (cents)	9	0.69	1.60

The notes on pages 16 to 39 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 14(a).

# Consolidated Statement Of Comprehensive Income

for the six months ended 30 June 2009 – unaudited

	Six months ended 30 June	
	2009 USD'000	2008 USD'000
Profit for the period	8,923	18,540
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	1,188	4,668
<b>Total comprehensive income for the period</b>	<b>10,111</b>	<b>23,208</b>
<b>Attributable to:</b>		
Equity shareholders of the Company	8,029	20,487
Minority interests	2,082	2,721
<b>Total comprehensive income for the period</b>	<b>10,111</b>	<b>23,208</b>

The notes on pages 16 to 39 form part of this interim financial report.

# Consolidated Balance Sheet

at 30 June 2009 – unaudited

	Note	At 30 June 2009 USD'000	At 31 December 2008 USD'000
<b>Non-current assets</b>			
Fixed assets	10		
– property, plant and equipment		149,725	145,593
– lease prepayments		18,627	17,999
Deferred tax assets		1,691	759
		<b>170,043</b>	<b>164,351</b>
<b>Current assets</b>			
Inventories		81,753	73,825
Biological assets		2,445	1,841
Trade and other receivables	11	71,834	66,377
Income tax recoverable		526	979
Pledged bank deposits		3,075	1,253
Cash and cash equivalents	12	49,729	60,505
		<b>209,362</b>	<b>204,780</b>
<b>Current liabilities</b>			
Interest-bearing borrowings		18,433	23,145
Trade and other payables	13	102,857	91,364
Amounts due to related parties	16(e)	526	867
Income tax payable		3,478	3,332
		<b>125,294</b>	<b>118,708</b>
<b>Net current assets</b>		<b>84,068</b>	<b>86,072</b>
<b>Total assets less current liabilities</b>		<b>254,111</b>	<b>250,423</b>
<b>Non-current liabilities</b>			
Interest-bearing borrowings		4,432	6,145
Deferred tax liabilities		21	22
		<b>4,453</b>	<b>6,167</b>
<b>Net assets</b>		<b>249,658</b>	<b>244,256</b>

# Consolidated Balance Sheet

at 30 June 2009 – unaudited

	At 30 June 2009 USD'000	At 31 December 2008 USD'000
<b>Capital and reserves</b>		
Share capital	12,957	12,957
Reserves	207,279	203,959
<b>Total equity attributable to equity shareholders of the Company</b>	<b>220,236</b>	216,916
Minority interests	29,422	27,340
<b>Total equity</b>	<b>249,658</b>	244,256

Approved and authorised for issue by the board of directors on 21 August 2009.

**Han Jia-Hwan**  
*Chairman*

**Chen Fu-Shih**  
*Executive director*

The notes on pages 16 to 39 form part of this interim financial report.

# Consolidated Statement Of Changes In Equity

for the six months ended 30 June 2009 – unaudited

	Note	Attributable to equity shareholders of the Company									
		Share-based							Total	Minority interests	Total equity
		Share capital	Share premium	Merger reserve	Statutory reserves	Translation reserve	payment reserve	Retained profits			
USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	
At 1 January 2009		12,957	76,121	52,653	6,280	10,082	63	58,760	216,916	27,340	244,256
Dividend approved in respect of the previous year	14(a)	-	-	-	-	-	-	(4,885)	(4,885)	-	(4,885)
Employee share-based transactions	14(b)	-	-	-	-	-	176	-	176	-	176
Total comprehensive income		-	-	-	-	1,067	-	6,962	8,029	2,082	10,111
At 30 June 2009		12,957	76,121	52,653	6,280	11,149	239	60,837	220,236	29,422	249,658
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
Total comprehensive income		-	-	-	-	4,308	-	16,179	20,487	2,721	23,208
At 30 June 2008		12,957	76,121	52,653	4,973	9,849	-	56,571	213,124	26,087	239,211

The notes on pages 16 to 39 form part of this interim financial report.



# Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2009 – unaudited

	Note	Six months ended 30 June	
		2009 USD'000	2008 USD'000
Cash generated from/(used in) operations		18,277	(4,599)
Tax paid		(2,200)	(2,909)
Net cash generated from/(used in) operating activities		16,077	(7,508)
Net cash used in investing activities		(13,864)	(24,460)
Net cash (used in)/generated from financing activities		(13,048)	2,724
Net decrease in cash and cash equivalents		(10,835)	(29,244)
Cash and cash equivalents at 1 January	12	60,429	97,640
Effect of foreign exchange rate changes		135	989
Cash and cash equivalents at 30 June	12	49,729	69,385

The notes on pages 16 to 39 form part of this interim financial report.

# Notes To The Unaudited Interim Financial Report

## 1 General information

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 interim financial report for the six months ended 30 June 2009 comprises the Company and its subsidiaries (collectively referred to as the “Group”). The interim financial report for the six months ended 30 June 2008 comprised the Group and its interest in jointly controlled entities.

## 2 Basis of preparation

This 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*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 21 August 2009.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 annual financial statements. Details of these changes in accounting policies are set out in note 3.

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 report amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This 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 2008 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The 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 9.

The financial information relating to the financial year ended 31 December 2008 that is included in the 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 2008 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2009.

### 3 Changes in accounting policies

The IASB has issued one new IFRS, a number of amendments to IFRSs and new interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 8, *Operating Segments*
- IAS 1 (revised 2007), *Presentation of Financial Statements*
- Amendments to IFRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
- Improvements to IFRSs (2008)
- Amendments to IAS 27, *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- IAS 23 (revised 2007), *Borrowing Costs*
- Amendments to IFRS 2, *Share-based Payment – Vesting Conditions and Cancellations*

The adoption of IFRS 8 and amendments to IFRS 2 have had no material impact on the Group's financial statements as the new IFRS and amendments were consistent with policies already adopted by the Group. In addition, the amendments to IFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. The impact of the remainder of these developments on the interim financial report is as follows:

- As a result of the adoption of IAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.
- The “Improvements to IFRSs (2008)” comprises a number of minor and non-urgent amendments to a range of IFRSs which the IASB has issued as an omnibus batch of amendments. The adoption of these amendments has no significant impact on the Group's results of operations and financial position.

## 3 Changes in accounting policies (continued)

- The amendments to IAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre-or post-acquisition profits, will be recognised in the Company's income statement and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognised dividend income in income statement, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.
- IAS 23 (revised 2007) requires that, as effective from 1 January 2009, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset and has eliminated the option of immediate recognition of such borrowing costs as an expense. Before 1 January 2009, the Group has adopted the latter option as its accounting policy. The Group will apply the new standard prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on and after the effective date.

## 4 Segment reporting

The Group manages its business by divisions, which are organised business lines. In accordance with IFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment. The Group has identified the following three reportable segments. No operating segments have been aggregated to form the following reportable 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.   |

Information regarding the Group's reportable segments for the period is set out below.

# Notes To The Unaudited Interim Financial Report

## 4 Segment reporting (continued)

	For the six months ended 30 June 2009				Consolidated USD'000
	Chicken meat USD'000	Livestock feeds USD'000	Processed foods USD'000	Inter- segment elimination USD'000	
Revenue from external customers	288,000	244,386	28,177	–	560,563
Inter-segment revenue	14,366	73,715	–	(88,081)	–
Reportable segment revenue	302,366	318,101	28,177	(88,081)	560,563
Reportable segment (loss)/profit	(3,863)	16,390	3,406	–	15,933
Interest income from bank deposit					665
Finance costs					(1,254)
Unallocated corporate income and expenses					(4,555)
Profit before tax for the period					10,789

# Notes To The Unaudited Interim Financial Report

## 4 Segment reporting (continued)

	For the six months ended 30 June 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	321,712	291,419	26,617	–	639,748
Inter-segment revenue	1,675	75,389	–	(77,064)	–
Reportable segment revenue	323,387	366,808	26,617	(77,064)	639,748
Reportable segment profit/(loss)	18,429	12,587	(3,251)	–	27,765
Interest income from bank deposit					847
Finance costs					(3,304)
Share of losses of jointly controlled entities					(989)
Unallocated corporate income and expenses					(2,675)
Profit before tax for the period					21,644

# Notes To The Unaudited Interim Financial Report

## 5 Acquisitions/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 activities	Results contributed by the company from the date of acquisition to 30 June 2008 USD'000
Miyasun-Great Wall	USD2,000,000	Investment holding	(183)

This entity is an investment 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 paid	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 Acquisitions/disposal of subsidiaries (continued)

### (b) Disposal of partial interest in a subsidiary

On 1 May 2008, the Group disposed 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 reduced from 60% to 57%.

## 6 Other income

	Six months ended 30 June	
	2009 USD'000	2008 USD'000
Interest income	665	847
Realised gain on commodity derivative contracts	472	–
Foreign exchange gain	188	5,355
Compensation received	60	–
Management fees (Note 16(b))	–	123
Gain on disposals of fixed assets	–	12
Recognition of negative goodwill	–	109
Others	552	209
	<b>1,937</b>	<b>6,655</b>



# Notes To The Unaudited Interim Financial Report

## 7 Profit before taxation

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

	Six months ended 30 June	
	2009	2008
	USD'000	USD'000
(a) Finance costs:		
Interest on bank borrowings wholly repayable within five years	1,254	3,304
(b) Other items:		
Amortisation of lease prepayments	219	167
Depreciation of property, plant and equipment	7,296	5,318
Impairment losses on trade and other receivables	76	58
Net foreign exchange loss	414	3,381
Net realised (gain)/loss on commodity derivative contracts	(472)	166
(Reversal of)/making write-down of inventories	(1,875)	859

## 8 Income tax

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2009	2008
	USD'000	USD'000
<b>Current tax – overseas</b>		
Provision for the period	2,799	2,915
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(933)	189
	1,866	3,104

- (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.

## 8 Income tax (continued)

### Taxation in the consolidated income statement represents: (continued)

- (iii) Pursuant to the income tax rules and regulations of the People's Republic of China ("PRC"), the companies comprising the Group in the PRC are liable to PRC Corporate Income Tax at a rate of 25% during the periods, except for the following:
- (a) DaChan Wanda (Tianjin) Co., Ltd. and Greatwall Agri (Heilongjiang) Co., Ltd. are entitled to a full exemption from the PRC Corporate 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 Corporate Income Tax for the next three years. The applicable tax rate for both subsidiaries for the six months periods ended 30 June 2008 and 2009 respectively is 12.5%.
  - (b) Dongbei Agri (Changchun) Co., Ltd. is entitled to a full exemption from the PRC Corporate Income Tax for the two years beginning from 2007, its first profit-making year after offsetting all tax losses carried forward from the previous years, followed by a 50% reduction in the PRC Corporate Income Tax for the next three years. The applicable tax rate for the six months period ended 30 June 2009 is 12.5% (2008: Nil).
  - (c) Greatwall Gourmet (Shanghai) Co., Ltd. and Hunan Greatwall Technologies & Feeds Co., Ltd. are entitled to a full exemption from the PRC Corporate Income Tax for the two years beginning from 2008, their first profit-making year after offsetting all tax losses carried forward from the previous years, followed by a 50% reduction in the PRC Corporate Income Tax for the next three years. The applicable tax rate for both subsidiaries for the six months periods ended 30 June 2008 and 2009 respectively is nil.
- (iv) Pursuant to the income tax rules and regulations of Malaysia, the subsidiary in Malaysia was liable to Malaysian income tax rate of 26% for the year ended 31 December 2008. In September 2008, the Malaysian government announced a reduction in the income tax rate from 26% to 25% for the year of assessment in 2009. Accordingly, the provision for Malaysian income tax for the period ended 30 June 2009 is calculated at 25% of the estimated assessable profit for the period (2008: 26%).
- (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. is subject to Corporate Income Tax of Vietnam at a preferential rate of 15%.
- (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 and 5% for the six months periods ended 30 June 2008 and 2009 respectively.
- (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 28% 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 six months periods ended 30 June 2008 and 2009 respectively.

# Notes To The Unaudited Interim Financial Report

## 9. Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2009 is based on the profit attributable to equity shareholders of the Company of USD6,962,000 and the weighted average number of 1,010,662,000 ordinary shares in issue during the period.

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 ordinary shares in issue during the period.

The outstanding share options have no dilutive effects on the basic earnings per share, as their adjusted exercise prices were above the average market price of the shares during the six months period ended 30 June 2009. There were no potential dilutive shares at the prior period end.

## 10 Fixed assets

The acquisitions and disposals of items of fixed assets during the six months ended 30 June 2009 are as follows:

	Six months ended 30 June	
	2009	2008
	USD'000	USD'000
Cost of acquisitions	11,924	29,358
Acquisitions through business combinations	–	8,863
Disposals (net carrying amount)	120	125

## 11 Trade and other receivables

	At	At
	30 June	31 December
	2009	2008
	USD'000	USD'000
Trade receivables	29,866	27,787
VAT recoverable (Note)	26,381	25,524
Deposits and prepayments	7,071	7,895
Amounts due from related parties (Note 16(d))	3,072	1,452
Deposits paid for purchase of fixed assets	2,208	1,012
Advances to staff	757	648
Other receivables	2,479	2,059
	71,834	66,377

# Notes To The Unaudited Interim Financial Report

## 11 Trade and other receivables (continued)

Note: 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 meat to offset the input VAT on purchases of live chicken from contract farmers. The directors of the Company are of the opinion that the VAT recoverable as at 30 June 2009 will be utilised progressively in accordance with the Group's future plan.

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.

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

### 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:

	At 30 June 2009 USD'000	At 31 December 2008 USD'000
Current	26,378	24,582
Less than 30 days past due	2,802	2,668
31-60 days past due	318	198
61-90 days past due	82	77
More than 90 days past due	286	262
Total	29,866	27,787

## 12 Cash and cash equivalents

	At 30 June 2009 USD'000	At 31 December 2008 USD'000
Cash at bank and in hand	49,729	60,505
Bank overdrafts	—	(76)
Cash and cash equivalents in the condensed consolidated cash flow statement	49,729	60,429

# Notes To The Unaudited Interim Financial Report

## 12 Cash and cash equivalents (continued)

As at 30 June 2009, cash at bank and in hand in the PRC included in the cash and cash equivalents for the Group amounted to USD32,397,000 (31 December 2008: USD47,385,000). The conversion of Renminbi 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.

## 13 Trade and other payables

	At 30 June 2009 USD'000	At 31 December 2008 USD'000
Trade payables	63,007	52,268
Bills payable	798	97
Amounts due to related parties (Note 16(e))	847	527
Receipts in advance	2,521	3,180
Other payables and accruals	35,684	35,292
	102,857	91,364

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:

	At 30 June 2009 USD'000	At 31 December 2008 USD'000
Within 30 days	61,720	50,762
31 days to 60 days	626	938
61 days to 90 days	319	229
91 days to 180 days	342	339
	63,007	52,268

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

# Notes To The Unaudited Interim Financial Report

## 13 Trade and other payables (continued)

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

	At 30 June 2009 USD'000	At 31 December 2008 USD'000
Salaries, wages, bonuses and other benefits payable	13,552	13,648
Payables for purchase of fixed assets	1,588	1,276
Security deposits (Note (i))	5,584	5,333
Accrued expenses (Note (ii))	4,887	5,281
Other payables	10,073	9,754
	35,684	35,292

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.

## 14 Capital, reserves and dividends

### (a) Dividends

Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June 2009 USD'000	2008 USD'000
Dividends approved and paid of HK3.77 cents per share (2008: Nil)	4,885	–

The directors do not recommend the payment of an interim dividend of the six months period ended 30 June 2009 (2008: Nil).

# Notes To The Unaudited Interim Financial Report

## 14 Capital, reserves and dividends (continued)

### (b) Share-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. Each option gives the holder the right to subscribe for one ordinary share in the Company.

- (i) The terms and conditions of the grants that existed during the periods 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.

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

	At 30 June 2009		At 31 December 2008	
	Weighted average exercise price	Number of options '000	Weighted average exercise price	Number of options '000
Outstanding at 1 January 2009/2008	HKD1.088	11,500	–	–
Granted during the period/year	–	–	HKD1.088	11,500
Outstanding at 30 June 2009/ 31 December 2008	HKD1.088	11,500	HKD1.088	11,500
Exercisable at 30 June 2009/ 31 December 2008	–	–	–	–

## 14 Capital, reserves and dividends (continued)

### (b) Share-based payments (continued)

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

No options were forfeited or expired during the period (31 December 2008: Nil).

The options outstanding at 30 June 2009 had an exercise price of HKD1.088 (31 December 2008: HKD1.088) and a weighted average remaining contractual life of 3.3 years (31 December 2008: 3.8 years).

## 15 Commitments

(a) Capital commitments outstanding at 30 June 2009 not provided for in the interim financial report were as follows:

	At 30 June 2009 USD'000	At 31 December 2008 USD'000
Contracted for	4,604	9,614
Authorised but not contracted for	5,348	19,815
	<b>9,952</b>	<b>29,429</b>

(b) At 30 June 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2009 USD'000	At 31 December 2008 USD'000
Within 1 year	1,096	1,102
After 1 year but within 5 years	1,729	2,168
After 5 years	4,997	4,655
	<b>7,822</b>	<b>7,925</b>

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



# Notes To The Unaudited Interim Financial Report

## 15 Commitments (continued)

- (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 chicken 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 chicken contracted to be purchased from the Contract Farmers at each balance sheet date were as follows:

	At 30 June 2009 USD'000	At 31 December 2008 USD'000
Contracted for	40,147	30,112

- (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 is 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:

	At 30 June 2009 USD'000	At 31 December 2008 USD'000
Contracted for	43,205	35,723

## 16 Related party transactions

In addition to the related party information disclosed elsewhere in the interim financial report, the Group entered into the following material related party transactions during the six months ended 30 June 2008 and 2009 respectively.

### (a) Name and relationship with related parties

During the six months ended 30 June 2008 and 2009, 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
Food China Inc. ("FCI")	Associate of GWIH, intermediate holding company of the Company
Food China Global Co., Ltd. ("FCG")	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
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
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

## 16 Related party transactions (continued)

### (a) Name and relationship with related parties (continued)

Name of party	Relationship
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
Miyasun-Great Wall **	Former jointly controlled entity, now subsidiary
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, former jointly controlled entity of the Company
Marubeni Corporation (“Marubeni”)	Minority shareholder
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.

\*\* Acquisition of the remaining 50% equity interest in Miyasun-Great Wall not already owned by the Group from Miyasun Food Co., Ltd. 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 interim financial report.

# Notes To The Unaudited Interim Financial Report

## 16 Related party transactions (continued)

### (b) Significant related party transactions

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

	Six months ended 30 June	
	2009 USD'000	2008 USD'000
<b>Recurring</b>		
<b>Sales to:</b>		
Ultimate holding company		
– GWE	18	–
A former jointly controlled entity		
– Miyasun Foods	–	4,795
A minority shareholder		
– Marubeni	7,163	7,030
Fellow subsidiaries		
– GWYHB	153	189
– BUCF	1	2
– SUCF	1	3
– GWF-TJ	–	2
– TNT	–	6
Other related parties		
– FCG	3,159	–
– FCI	–	97
	3,159	97
	10,495	12,124

# Notes To The Unaudited Interim Financial Report

## 16 Related party transactions (continued)

### (b) Significant related party transactions (continued)

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

	Six months ended 30 June	
	2009	2008
	USD'000	USD'000
<b>Recurring (continued)</b>		
<b>Purchases from:</b>		
A former jointly controlled entity		
– Miyasun Foods	–	394
	-----	-----
Ultimate holding company		
– GWE	115	–
	-----	-----
Subsidiaries of a minority shareholder		
– Marubeni Beijing	2,346	2,700
– Marubeni Qingdao	101	181
– Marubeni Dalian	22	107
	-----	-----
	2,469	2,988
	-----	-----
Fellow subsidiaries		
– DSF	447	607
– GWF-TJ	160	102
– TNT	–	116
– GWYHB	–	2
	-----	-----
	607	827
	-----	-----
Other related party		
– LOL-BJ	–	39
	-----	-----
	3,191	4,248
	-----	-----

## 16 Related party transactions (continued)

### (b) Significant related party transactions (continued)

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

	Six months ended 30 June	
	2009 USD'000	2008 USD'000
<b>Recurring (continued)</b>		
<b>Management fee received from:</b>		
Former jointly controlled entities		
– Miyasun-Great Wall (Note (i))	–	80
– Miyasun Foods (Note (i))	–	43
	–	123
<b>Management fee paid to:</b>		
Ultimate holding company		
– GWE (note (ii))	408	450
A minority shareholder		
– Marubeni (note (iii))	50	50
	458	500
<b>Rent paid to:</b>		
A fellow subsidiary		
– GWF-TJ	4	4
<b>Non-recurring</b>		
<b>Processing expense paid to:</b>		
A former jointly controlled entity		
– Miyasun Foods	–	75
<b>Interest received from:</b>		
A former jointly controlled entity		
– Miyasun-Great Wall	–	44

## 16 Related party transactions (continued)

### (b) Significant related party transactions (continued)

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

Notes:

- (i) The management fee received from former jointly controlled entities was principally for the reimbursement of staff cost.
- (ii) The management fee paid to the ultimate holding company was primarily for the payment of royalties in respect of the use of trademarks.
- (iii) 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.

During the period, the Group 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	
	2009 USD'000	2008 USD'000
Short term employee benefits	1,134	855
Post-employment benefits	14	11
Share-based payments	99	–
	1,247	866

# Notes To The Unaudited Interim Financial Report

## 16 Related party transactions (continued)

### (d) Amounts due from related parties

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

	At 30 June 2009 USD'000	At 31 December 2008 USD'000
<b>Trade receivables from (Note):</b>		
Ultimate holding company		
– GWE	19	–
Fellow subsidiaries		
– GWYHB	59	55
– BUCF	–	1
	59	56
Other related party		
– FCG	800	–
A minority shareholder		
– Marubeni	2,194	1,396
Included in trade and other receivables (Note 11)	3,072	1,452

Note: 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 2009 and 31 December 2008.



# Notes To The Unaudited Interim Financial Report

## 16 Related party transactions (continued)

### (e) Amounts due to related parties

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

	At 30 June 2009 USD'000	At 31 December 2008 USD'000
<b>Trade payables to (Note (i)):</b>		
Fellow subsidiaries		
– DSF	150	109
– GWF-TJ	43	36
	193	145
-----		
Subsidiaries of a minority shareholder		
– Marubeni Beijing	551	334
– Marubeni Qingdao	88	29
– Marubeni Dalian	15	19
	654	382
	-----	-----
Included in trade and other payables (Note 13)	847	527
<b>Advances from (Note (ii)):</b>		
Ultimate holding company		
– GWE	526	867
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Notes:

- (i) Trade payables to related parties are unsecured, interest free and are expected to be paid within one year.
- (ii) Advances from a related party represent payment made on behalf by the related party.

## 17 Comparative figures

As a result of the application of IAS 1 (revised 2007) and IFRS 8, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in Note 3.

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 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 six months ended 30 June 2009.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY**

The Board has adopted a code of conduct regarding directors’ securities transaction on terms more stringent 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 ended on 30 June 2009, 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 2009 are set out on pages 41 and 42 of this interim report.

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

As at 30 June 2009, 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 of Hong Kong Limited (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)	3,534,000 (L)	0.35%

Note: Mr. Chao Tien-Shin is deemed to be interested in 3,534,000 shares of the Company 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 underlying shares of the Company – share option scheme:

The following share options were outstanding under the share option scheme during the period under review:

Name or Category of Participant	As at 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 30 June 2009	Date of grant of share options	Exercise period of share options (both dates inclusive)	Exercise price of share options (HKD)
<b>Executive Directors:</b>									
Han Jia-Hwan	850,000	-	-	-	-	850,000	28 Oct-08	28-Oct-09 to 27-Oct-12	1.088
Chang Tzee-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
<b>Non-Executive Directors:</b>									
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
<b>Independent Non-Executive Directors:</b>									
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
<b>Total</b>	<b>4,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,000,000</b>			

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

### (b) Long positions in underlying shares of the Company – share option scheme: (continued)

Note 1: One third of such share options are exercisable after the expiry of 12 months from the date of grant, a further one-third is exercisable after the expiry of 24 months from the date of grant, and the remaining one-third is exercisable after the expiry of 36 months from the date of grant, up to 27 October 2012.

Note 2: In addition to the share options granted to the directors, 7,500,000 share options were also granted to the Company's employees. During the period under review, the outstanding share options granted to the Company's employees were as follows:

Name or Category of Participant	As at 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 30 June 2009	Date of grant of share options	Exercise period of share options (both dates inclusive)	Exercise price of share options (HKD)
Employees in Aggregate	7,500,000	-	-	-	-	7,500,000	28 Oct-08	28-Oct-09 to 27-Oct-12	1.088

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

Name of Directors	Name of associated corporation	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. (Note 1)	Beneficial owner	35,159 (L)	0.007%
Ham Jia-Chen	Great Wall Enterprise Co., Ltd.	Beneficial owner	37,763 (L)	0.008%
Chao Tien-Shin	Great Wall Enterprise Co., Ltd.	Interest of controlled corporation (Note 2)	4,283,991 (L)	0.802%

Note 1: Great Wall Enterprise Co., Ltd., a company incorporated in Taiwan whose shares are 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 4,283,991 Shares held by Qiao Tai Xing Investment Co. Limited which is controlled by Mr. Chao and his spouse.

Save as disclosed above, as at 30 June 2009, 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.

## SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 30 June 2009, 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	81,794,400 (L)	8.09%
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%

Save as disclosed above, as at 30 June 2009, 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.

## **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 independent non-executive directors. The audit committee has reviewed the interim financial statements for the six months period ended 30 June 2009 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.