DaChan Food (Asia) Limited
大成食品(亞洲)有限公司
(incorporated in the Cayman Islands with limited liability)
Stock Code : 3999

Annual Report 2009

Knowing origins
Ensuring safe consumption

姐妹廚房
Sisters' Kitchen

姐妹厨房®
Sisters' Kitchen
www.sisterskitchen.cn

Knowing origins • Ensuring safe consumption

Traceable Farm
1
- Detailed information on farmers
- Location of 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 food processing plants and production time
- Detailed information on person in charge of the food quality
- Regulated food inspection records

Sisters' Kitchen Deli Store
5
- Delicious and safe food
- Full spectrum of products
- Fast and convenient

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Contents

Corporate Profile

DaChan Food (Asia) Limited (the "Company" or "Dachan") is a conglomerate with operations in the People's Republic of China ("PRC"), Vietnam and Malaysia. The Company's stock has been listed on the Hong Kong Stock Exchange since 2007. The Company, along with its subsidiaries and its jointly-controlled entities (collectively the "Group") is a leading vertically integrated provider of animal protein whose products range from advanced formulation of animal nutrition for swine, poultry and aquatic to ready-to-eat processed foods for end users.

The Group has more than 30 factories across the PRC, Vietnam and Malaysia, and is a provider of animal feeds mainly under the "DaChan" (大成) and "Dr. Nupak" (補克博士) brands, and chicken meats and processed foods mainly under "Sisters' Kitchen" (姐妹廚房) brand.

The Group distributes its products through well known domestic and international chain stores, distributors, supermarkets as well as the Group's own retail outlets and deli stores. The Group also maintains sales offices in strategic locations in the PRC to coordinate sales and marketing activities. Leveraging its established and comprehensive sales channels, the Group is well positioned for rapid growth.

The Group attaches the highest importance to its food product's quality. The Group's quality control efforts have earned it numerous industry awards and recognitions. In 2009, the Group launched a pioneering product tracing system for its "Sisters' Kitchen" products which enables consumers to trace product information such as the name of the farmer and location of the chicken farm, as well as the feeds it uses.

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

Mission

To become a dominant player in the feeds, chicken meat and processed foods markets with commitments to product safety, reliability and quality.

Competitive Advantages

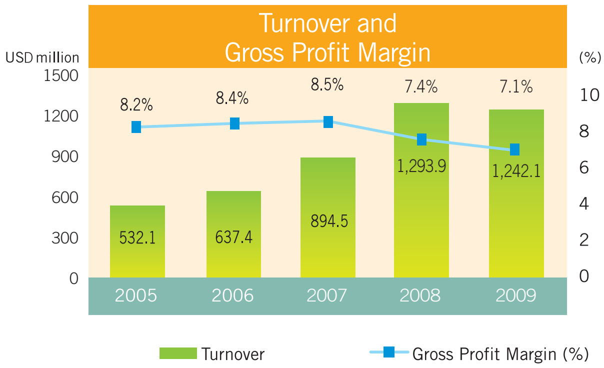
- Market leader with well known brand names
- Highly integrated and efficient business model
- Stringent quality control to the highest standards
- Stable and long-standing relationship with nationally and internationally renowned customers
- Scalable production capability with facilities in strategic locations across the PRC, Vietnam and Malaysia
- Experienced and committed management team

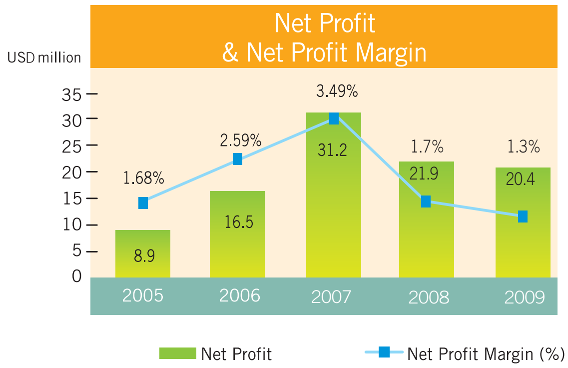
Financial Highlights

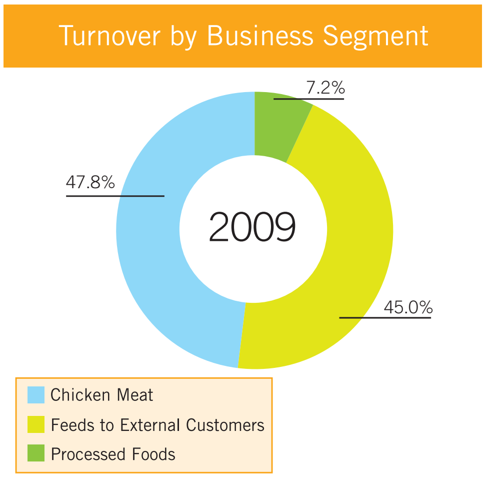
Year ended 31 December 2009

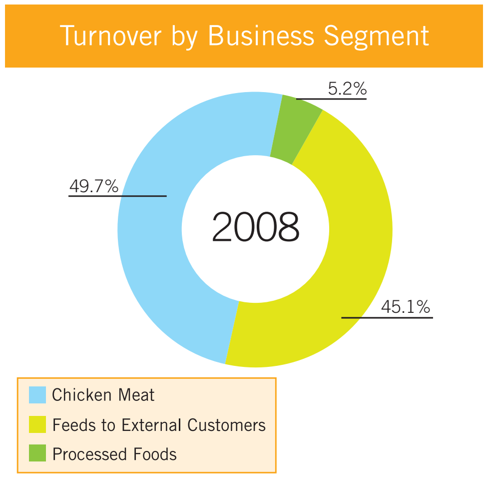
(USD'000)	2009	2008	Changes
Turnover	1,242,096	1,293,995	-4.0%
Profit attributable to owners of the Company	15,818	19,675	-19.6%
Total assets	411,416	369,131	11.5%
Net assets	258,132	244,256	5.7%
Basic earnings per share (US cents)	1.57	1.95	-19.5%
Return on total assets (%)	5.2%	5.8%	-0.6%
Return on equity (%)	8.1%	9.6%	-1.5%
*Gearing ratio	11.4%	12.8%	-1.4%
Net assets per share (USD)	0.26	0.24	8.3%

*Gearing ratio = Interest bearing debt/Average net assets









Chairman's Statement

Han Jia-Hwan
Chairman

Dear shareholders,

The operating environment for our business in fiscal 2009 was challenging as we struggled with high raw material costs and low average selling prices in our chicken meat segment. Chicken meat prices in the first half of 2009 were under the dual pressure of an H1N1 flu scare and a slower economy. Although the pressure on prices began to ease in the second half of 2009, the overall performance of the Group was dragged by the chicken meat segment which contributed 47.8% of the Group's total turnover.

Despite the challenging business environment for the chicken meat segment, we have made significant progress in feeds to external customers and processed foods segments. By enhancing our diversified sales channels and product mix, we have been able to significantly improve the gross profit margins of the two business segments. In the feeds segment, efforts were made to develop more functional feeds and target the sales of swine feeds which commands relatively higher gross margins.

Our export processed foods business had a solid recovery in 2009 as the overseas consumers put a series of food contamination incidents behind them and began to regain confidence in Chinese food products. 2009 was a milestone year for our branded processed foods business as with the launch of the "Sisters' Kitchen" deli store chain which sells exclusively our products. The deli stores are expected to help reinforce our brand identity as we expand aggressively into the consumer market.

We have also stepped up our brand building efforts with the support of our product tracing program that enables consumers to trace our products from farm level to food table through internet and mobile phone. In addition to our innovative tracing program, our position as a leading provider of quality meat products continues to help us attract and retain key customers such as the KFC and McDonald's and Dicos. Given our commitment to food safety we are well positioned for growth in the consumer market as the public's awareness for safe and quality food products continue to increase.

Looking ahead, we will seek to continue to achieve growth through improvement in the product mix of feeds and processed foods as well as a gradual transition from commodity chicken meat products to the higher valued processed food market.

As the Chinese economy continues to develop, the demand for healthier and safer food from consumers will grow stronger. Chicken meat offers high quality animal protein and is set to grow in popularity as part of a healthy diet for the Chinese consumer. To capture that growth potential, we have in place the right business strategies, a robust financial structure and a strong and experienced management team. I believe DaChan is well positioned to take advantage of this trend to become a dominant player in the market.

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

Han Jia-Hwan
Chairman

Hong Kong, 12 March 2010

Corporate Social Responsibility

DaChan is the first food company in China to adopt the food information tracing safety system and conduct carbon assessment of products. At DaChan, everyone is aware that the growth of an enterprise is closely related to a harmonious society and a pleasant natural environment. The Group believes that corporate social responsibilities are not just a matter of responsibility but also an attitude.

- Since 2006, DaChan has been investing a significant amount of money and human resources in building a food information tracing system that tracks down food production information of food products from the time they are still in the farm to the moment before they make it on the dining table. The system guarantees clear statement of the origins of chicken products. In June 2009, the Group launched a new branding program, under which consumers can obtain food product information of every package of DaChan Sister's Kitchen chicken products sold in the mainland via mobile phone or the internet. The information can be obtained simply by keying in the safety code printed on the package of the product. Consumers can then acquire information on: ① chicken farm, farmer, the date a chicken is hatched and the date it is taken out of the farm; ② production related to the batch fodder used (批次飼料)③ the factory where the poultry is slaughtered, chicken meat batch production (批次鮮肉生產) and quality control; ④ food processing. With the use of the new information technology such as the internet, consumers can have a clear idea of the entire production process of the products they purchase, access the associating quality control report and, therefore, consume the products at ease.

- DaChan was behind the pioneering "enterprise + farmers" agricultural production model. It is the first food company to replace the per-household extensive chicken farming method with a collective operation model. The Group builds relations with chicken farmers by entering into contract agreement with them. It also supplies the farmers with high quality chicks and fodder, provides them guidance related to fodder technology, carries out standard epidemic control and disease prevention measures, and buy back qualified chickens at a fixed price. To date, DaChan has entered contract agreements with nearly 4,000 farmers. The collaboration can help chicken farmers make profits directly and improve the overall chicken farming standard of farmers. It has also helped to refine the structure of the agricultural sector, enhance the added value of agricultural products, boost farmers' income, tackle problems related to lay-off workers and redundant rural workers as well as reinforce social efficiency and contribute to social stability.

- Over the past two decades, DaChan has been advocating the use of the immunonutrition-oriented "優補力生物" fodder technology. The application of the technology has significantly boosted the survival rate of poultry, thus helping farmers to bring down production cost and reap bigger profits.

We use natural corn (黃田玉米) 和 seabuckthorn (沙棘果) to create our pure fodder. The corn of the chicken fodder is of second class by national standard. A variety of natural ingredients in appropriate amounts are added to the fodder to enhance the flavor of chicken meat and make it more succulent and nutritious than the average meat. The natural ingredients cause less pollution and can help maintain balance of the food chain. DaChan has incorporated commitment to green farming in its business mission and has helped promote sustainable development of ecological farming.

- DaChan is actively involved in environmental protection campaigns. After joining Alxa See Ecological Association, DaChan Chairman Mr. Han Jia Hwan was elected the third chairman of the association on 28 October 2009. As one of the building blocks of green non-governmental organizations in China, Alxa See Ecological Association has devoted a significant amount of capital to improve the ecological environment in Alxa, Inner Mongolia, since its inception five years ago. The Group's environmental protection objectives are anchored around a set of values: to promote sustainable development of humankind and nature, and to strive for the integration of ecological efficiency, economic efficiency and social efficiency.

- DaChan prides itself on its commitment to protecting the earth and minimizing carbon emission. The Group is the first company in China's food industry to conduct carbon assessment and introduce carbon footprint label to food products, in an effort to echo the Chinese government's call for reducing carbon emission and fulfill the Group's corporate social responsibilities.

DaChan is committed to fulfilling its corporate social responsibilities through real actions. Apart from seeking economic gains, the Group also strives to create a greener environment, maintain sustainable development and help farmers in China to accumulate wealth. Its efforts have won widespread recognition in society and numerous accolades from the Chinese government, including Excellent CSR Competitive Forces 2010 in China (中國傑出CSR競爭力) and Leading Industrialized Agricultural Enterprise at the State Level (國家級農業產業化重點龍頭企業). While seeking business growth, DaChan continues to fulfill its corporate social responsibilities by giving back to society, promoting positive interaction between enterprises and society and ensuring that both can exist in harmony.

Management Discussion and Analysis

Ou Chang-Jou
Chief Operation Officer

Chen Fu-Shih
Chief Administrative Officer & Executive Director

Chen Li-Chin
Chief Finance Officer

	2009	2008	change
Turnover (USD '000)	1,242,096	1,293,995	-4.0%
Gross profit (USD '000)	87,786	95,291	-7.9%
Gross profit margin (%)	7.1	7.4	
Profit attributable to owners of the Company (USD '000)	15,818	19,675	-19.6%

2009 was a challenging year for the Group as chicken meat providers were faced with slower demand and oversupply in the PRC which led to lower average selling prices.

Despite the challenging operating environment, the Group's turnover was down only 4.0% to USD1,242.1 million for the year ended 31 December 2009 from the earlier year. Sales of chicken meat and feeds remained the Group's largest turnover contributors, accounting for 47.8% and 45.0% of the Group's total turnover respectively. They are followed by processed foods, which made up 7.2% of total revenue.

Gross profit was down 7.9% to USD87.8 million as a result of lower average sales prices of chicken meat. Consequently, profit attributable to owners of the Company was down 19.6% to USD15.8 million. However, we continued to make good progress in feeds to external customers and the processed foods segments as a result of improved product mix and enhanced sales distribution channels.


姐妹厨房
Sisters' Kitchen
来源透明·吃的安心
上网查，信得过！
黄甜玉米+沙棘果配方
纯净喂养


微波生活 全家共享
姐妹厨房
Sisters' Kitchen
来源透明·吃的安心
上网查，信得过！

Segmental Results

Chicken Meat

	2009	2008	change
Turnover (USD '000)	594,010	643,174	-7.6%
Gross profit (USD '000)	8,891	34,563	-74.3%
Gross profit margin (%)	1.5	5.4	

This segment composed of three businesses: sales of chilled and frozen chicken, feeds to contract farmers and chicks to contract farmers. Sales of chilled and frozen chicken are marketed under "DaChan" and are supplied to quick service restaurants, restaurant operators, food processors and other food service providers.

The operating environment for our chicken meat business was challenging as we struggled with high raw material costs and low average selling prices. The chicken meat segment recorded a turnover of USD594.0 million in 2009, representing a decrease of 7.6% over 2008 and accounting for 47.8% of the Group's total turnover.

Gross profit of the chicken meat segment was USD8.9 million in 2009, a year-on-year decrease of 74.3% while gross profit margin decreased to 1.5%. The decrease was principally attributable to an oversupply of chicken meat which had negatively impacted on average selling prices. Chicken meat prices in the first half of 2009 were under the dual pressure of an H1N1 flu scare and a slower economy. Although the pressure on prices began on ease in the second half of 2009, the average selling price of our chilled and frozen chicken meat in 2009 was down 11.6% from the previous year while sales volume of chicken meat was up 5.5% during the year.


Sisters Kitchen

Segmental Results

Feeds to External Customers

	2009	2008	change
Turnover (USD '000)	558,958	584,064	-4.3%
Gross profit (USD '000)	66,283	58,415	13.5%
Gross profit margin (%)	11.9	10.0	

Corn and soybean meals are the key ingredients for our feeds and the prices of these key raw materials had decreased although maintained at a high level as compared to 2008. The segment recorded turnover of USD559.0 million in 2009, down 4.3% from USD584.1 million mainly due to the average selling price of feed fell by 5.5% from the previous year on lower raw material costs.

The spread of diseases and slower economy have undermined the confidence of small size farmers in husbandry. Total sales volume of feeds was slightly up 1.3% in 2009 over 2008. Gross profit was up 13.5% year on year to USD66.3 million while gross profit margin increased to 11.9%.

The improvement was attributable to the Group's continued efforts in the development of functional feeds, focusing on the immunity of piglets, sows, hogs and poultry. Products were designed and formulated to enhance immunity, disease resistance and to promote the growth of animals while keeping the cost of production low.

We have optimized our sales channels to focus on larger swine farms by adding more direct sales teams, which has helped us gain market share. As a result, sales and gross profit of swine feeds were up 2.5% and 42.9% respectively during the year.

Processed Foods

	2009	2008	change
Turnover (USD '000)			
– Mainland China	61,458	50,987	20.5%
– Export	27,670	15,770	75.5%
Total	89,128	66,757	33.5%
Gross profit (USD '000)			
– Mainland China	8,356	6,154	35.8%
– Export	4,256	-3,841	210.8%
Total	12,612	2,313	445.3%
Gross profit margin (%)			
– Mainland China	13.6	12.1	
– Export	15.4	-24.4	
Overall	14.2	3.5	

Processed foods business is related to the production and distribution of chilled and frozen meat under "Sisters' Kitchen" brand, and pickled, pre-fried and roasted foods.

The processed foods segment recorded a turnover of USD89.1 million, accounting for 7.2% (2008: 5.2%) of the Group's total turnover. Thanks to our enhanced product mix, diversified sales channels, and the satisfactory performance of our branded business, turnover from processed foods as a percentage of the Group's total turnover reached to its highest level during the track record period.

During the year under review, the Group's export business began to recover, contributing to an overall improvement in the Group's performance compared to the previous year. The recovery was driven by renewed confidence in Chinese food products in overseas markets following a series of food product scares in 2008. Export business recorded a 75.5% increase in turnover to USD27.7 million from USD15.8 million while gross profit margin rose to 15.4% from -24.4% on higher average sales prices and sales volume.

The processed food market in the PRC remains relatively untapped but we have been able to make headway in developing the market. In order to support our strategic development in the domestic retail chicken market, we have developed a tracing system that gives a unique 10-digit code on the package of each "Sisters' Kitchen" product. The code enables the consumer to obtain detailed information on the purchased product via cell phones or Internet, such as the source of feeds, locations of the farm, the production plant, and testing results.

Since 2009, we have begun to reap the benefit of our strong "Sisters' Kitchen" brand. As a result, turnover and gross profit from the PRC increased by 20.5% and 35.8% to USD61.5 million and USD8.4 million respectively.

We have restructured and optimized our sales channels to speed up expansion. We have successfully put our branded products on the shelves of most major supermarket chains in Beijing, Shanghai and Tianjin, including Tesco, Carrefour and Wal-mart since 2009.

Furthermore, in 2009, we have started a new retail business to reinforce our brand identity. We have set up four deli stores in Beijing, which offer full spectrum of Sisters' Kitchen products including whole roasted chicken, yakitori, chicken soup, meat balls and various chicken dishes. This new business is primarily targeted at the white collar market and other people who lead a busy lifestyle and get their meals on the go.

Awards and Recognitions

Apart from winning a RMB1.7 billion contract to supply chicken to Yum Brands' KFC in China over the next three years, DaChan was also included in the list of "Top 20 Chinese Broiler Enterprises in 2009" ("2009中國白羽肉雞企業二十強"), "Top 50 Feed Enterprises in China" ("全國飼料工業企業50强") and "Top 20 Agricultural Produce Processing Enterprises" ("遼寧省畜產品加工龍頭企業二十强") as well as "Grade A Enterprise for Product Assurance and Quality Control" ("商檢A類企業"), "Customs Inspection – Grade A Certification" ("海關A類企業資格") and "China Influential Brands in Meat Industry" ("中國肉類產業影響力品牌"). As for corporate social responsibilities, DaChan was awarded "Excellent CSR Competitive Forces 2010 in China" for its "Knowing Origins" food tracing program.

Outlook & Future Plans

China is our major market. The country's economy has been among the most robust in the world in recent years. We expect this trend to continue. As the living standards in China continue to improve the demand for quality meat products is expected to grow stronger.

Chicken Meat

We expect market demand for chicken meat to grow further in 2010 since chicken meat is the most economical and healthy meat choice. We will also closely monitor and manage our exposure to fluctuations in market prices and continue to focus on operational improvements to help maximize our margins. In 2010, we will focus on improving production efficiency and increasing utilization rates. We will also equip standardized broiler farms with the latest technology to ensure quality and enhance livestock performance. Additionally, we plan to boost our sales by increasing the share of the pricier processed food in the product mix while expanding our chicken meat sales to major quick service restaurants.

Feeds to External Customers

Demand for feeds will likely increase as a result of stronger demand for meat. We expect the sales of our feeds to continue to grow steadily in 2010. In addition, Vietnam is one of the world's fastest growing aquatic food export countries, and we have laid a solid foundation for future development in this market.

Further consolidation among smaller farms will contribute to the growth of feeds. We will continue to develop and expand our channels to large swine farms to gain market share and improve margin. Furthermore, we will establish a new R&D center to help launch more new products to meet market demand, focusing on pigs, poultry and other livestock and carrying out researches on nutrition, immunization, disease control and feeds processing. These steps are expected to produce new growth drivers for the Group and help consolidate our leading position in the feeds markets in the PRC, Vietnam and Malaysia.

Processed Foods

Moving from commodity chicken meat and by-products to higher margin processed foods is integral to the Group's long-term growth. We will primarily focus on expanding in the PRC market. The construction of a new plant in Tianjin has been completed. The plant is scheduled to start operation in the first quarter of 2010 to serve the domestic market. For the export market, we will continue to develop new products to serve existing customers while further expanding customer base in the area of restaurant chains, supermarkets, and convenience stores in Japan, Singapore and Hong Kong.

In addition, we plan to open more deli stores in first tier cities in the PRC while striving to maintain all existing distribution channels to achieve rapid expansion.

Financial Review:

1) Other Income and Operating Expenses

In 2009, the Group recorded USD5.4 million from other income (2008: USD10.3 million). Other income was mainly composed of exchange gain on appreciation of RMB, interest income, and government subsidies. The decrease in other income was explained by the decrease of exchange gain, from USD5.5 million in 2008 to USD362 thousand.

Distribution costs accounted for 2.5% of total turnover, up from 2.3% in 2008.

Administrative expenses accounted for 2.6% of turnover (2008:2.5%).

Other operating expenses decreased from USD7.8 million in 2008 to USD2.9 million in 2009. Such improvement was attributable to the recognized loss from devaluation of Vietnamese Dong (VND) of USD927 thousand in 2009 as compared to the loss of USD4.4 million in 2008.

2) Liquidity, Financial Resources and Capital Structure

As of 31 December 2009, the Group's cash and bank balance amounted to USD53.9 million, representing a decrease of USD6.6 million from 2008. Our bank loans decreased USD700 thousand to USD28.6 million (2008: USD29.3 million). The net cash position was USD25.3 million (2008: USD31.2 million). Debt to equity ratio was 11.4% (2008: 12.8%). Current ratio was maintained at a healthy level of 1.6 times (2008: 1.7 times).

3) Capital Expenditure

In 2009, the Group invested USD29.5 million in acquiring property, machinery and equipment. In 2010, the Group is planning on allocating USD58 million to capital expenditure to support the construction of feed plants in Jilin and Tianjin, as well as expansion of existing facilities. The Group's internal resources and funds would be the primary source of capital for capital expenditure.

4) Exchange Rate

The Group's business transactions are mainly denominated in USD, RMB and VND. During the year under review, VND depreciated by 6.2%, which had impacted on import of raw materials of the Group's subsidiary companies in Vietnam. In order to reduce exchange rate risks, the subsidiary companies in Vietnam have decreased liabilities denominated in USD, from USD14 million to USD5.9 million.

5) Interest Rate

In 2009, the Group recorded an interest expense of USD1.8 million (2008: USD5.2 million), a drop of 65% as compared to 2008. In addition to the decline of interest rate by 30% in 2009 as compared to 2008, the decrease in interest expense was also due to the effective liquidity management and enhanced cost of capital of the Group.

6) **Dividends**

The Board proposed the payment of final dividend of HK2.80 cents (2008: HK3.77 cents) per share, amounting to approximately USD3.653 million (2008: USD4.919 million) or approximately HKD28.359 million (2008: HKD38.102 million) in total, to shareholders whose names appear on the register of members on 28 May 2010. The proposed final dividend will be voted by shareholders at the Annual General Meeting ("AGM") of the Company to be held on 28 May 2010.

7) **Charge on Assets**

As of 31 December 2009 bank deposits of USD1.0 million, land, property, plant and equipment equating to approximately USD5.3 million were pledged as security against bank facilities of USD12.0 million, of which USD2.7 million was utilized as at 31 December 2009.

8) **Capital Commitment and Contingent Liabilities**

As of 31 December 2009, the Group's total capital commitment amounted to USD23.7 million (2008: USD29.4 million). The Company is not aware of any material contingent liabilities or off-balance sheet obligations as at 31 December 2009.

Employee Compensation and Training

As of 31 December 2009, the Group had a total of 14,013 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 in order to build up a team of professional staff and management to support the company's needs. We place great emphasis on the training and development of our employees and we believe employees are the core to the Group. 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.

The Group regularly reviews compensation and benefit policies according to industry benchmark, financial results as well as the individual performance of employees so as to offer fair and competitive compensation packages to employees. Other fringe benefits, such as insurance, medical benefits and provident fund, are provided to retain loyal employees.

Directors and Senior Management Profile

Directors

Executive Directors

Mr. Han Jia-Hwan (韓家寰), aged 54, is the Chairman of the Company since 2007. He is also a member of the remuneration committee, nomination committee and the Chairman of the executive committee since 2007. He is responsible for the overall corporate strategies, planning and business development of the Group.

Mr. Han has over 29 years experience in feeds and food production business in the Asia Pacific region. In recognition of his contributions to the agricultural industry, Mr. Han was one of the Ten Outstanding Young Persons (十大傑出青年) in Taiwan in 1994. Mr. Han received his bachelor's degree in business administration from National Cheng-chi University (國立政治大學) and a master's degree in business administration from the University of Chicago in 1977 and 1983 respectively. He is a brother of Mr. Han Chia-Yau and Mr. Harn Jia-Chen.

Mr. Shu Edward Cho-Shen (許卓勝), aged 59, is an executive Director and a member of the executive committee of the Company effective on 12 March 2010.

Mr. Shu obtained a Bachelor's degree in Science from National Taiwan University and a Master's degree in Finance from University of Illinois, USA. Before he joined the Company, he had been an actuarial director of WellPoint Inc., the largest health care carrier in USA. Mr. Shu has over twenty-five years' experience in actuarial field and had assumed senior position in various health care companies. Before entering into the actuarial field, Mr. Shu was a manager and financial officer of Great Wall. Mr. Shu is a brother-in-law of Mr. Han Jia-Hwan.

Mr. Chang Tiee-Shen (張鐵生) (resigned on 12 March 2010), aged 63, was the Chief Executive Officer, an executive Director of the Company and also a member of the executive committee of the Company since 2007. He was responsible for the management of daily operations of the Group. Mr. Chang has over 38 years of experience in meat processing and feeds industry.

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

Mr. Chen Fu-Shih (陳福獅), aged 59, is the Chief Administrative Officer, an executive Director of the Company and a member of the executive committee of the Company since 2007. Mr Chen has over 22 years of experience in meat processing and feeds industry.

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

Non-executive Directors

Mr. Chao Tien-Shin (趙天星), aged 63, is an non-executive Director of the Company since 2007 and the chairman and a director of Qiao Tai Xing Investment Co. Ltd. He is also the chairman and director of Bright View Electronics Co. Ltd., (致福投資股份有限公司) and a supervisor of Red Cross Organization (Regional Operations Centre).

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

Mr. Han Chia-Yau (韓家宇), aged 60, is a non-executive Director of the Company and a member of the remuneration committee of the Company since 2007. Mr. Han is also the chairman of Great Wall Enterprise since 2001. He joined Great Wall Enterprise in 1992. Since 1992, he has been a director of Great Wall Enterprise. From 1993 to 2001, he was the vice chairman of Great Wall Enterprise.

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

Mr. Harn Jia-Chen (韓家宸), aged 55, is a non-executive Director of the Company and a member of nomination committee of the Company since 2007. Mr. Harn is also the vice chairman and director of Great Wall Enterprise. Since 1995, he has been the chairman of 大成食品(天津)有限公司 (Great Wall Food (Tianjin) Co., Ltd.), a subsidiary of Great Wall Enterprise engaged in flour production. Since 2001, he has been the chairman of 北京大成永和食品有限公司 (Great Wall Yung Huo Food (Beijing) Co., Ltd.). Since 1999, he is the chairman of Great Wall Food (Tianjin) Co., Ltd.. From 1997 to 2006, he was the director of 大成食品(蛇口)有限公司 (Great Wall Food (Shekou) Co., Ltd.). Since 2006, he is the chairman of Great Wall Food (Shekou) Co., Ltd. From 2003 until present, he is the chairman of 大成昭和食品(天津)有限公司 (DaChan Showa Food (Tianjin) Co., Ltd.). In May 2006, he was elected as the director of Taiwan Asset Enterprise Association of Tianjin (天津市台灣同胞投資企業協會).

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

Mr. Nicholas William Rosa, aged 57, is a non-executive Director of the Company since 2007 and is also a director of Continental Enterprise Ltd.

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

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

Independent non-executive Directors

Dr. Chen Chih (陳治), aged 56, is an independent non-executive Director of the Company, the Chairman of the nomination committee and a member of the audit committee and remuneration committee of the Company since 2007. Dr. Chen served as the president of GE Medical Systems China since 1996 and was promoted to vice president of General Electric Company since November 2001. He retired from General Electric Company in 2009.

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

Mr. Liu Fuchun (劉福春), aged 63, is an independent non-executive Director of the Company, the Chairman of the remuneration committee and a member of the audit committee and nomination committee of the Company since 2007. Mr. Liu is also an independent director of China Aviation Oil (Singapore) Corporation Ltd, which is listed on Singapore Stock Exchange. He has more than 21 years of experience in international trade and management and has worked in Europe for several years.

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

Directors and Senior Management Profile

Mr. Way Yung-Do (魏永篤), aged 64, an independent non-executive Director of the Company, the Chairman of the audit committee and a member of the nomination committee and the remuneration committee. Mr. Way has over 34 years of experience in financial advisory, accounting and auditing and have worked for two international accounting firms for over 28 years and was retired in 2007.

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

Senior Management Team

Mr. Ou Chang-Jou (歐倉舟), aged 58, is the Chief Operation Officer and the President of the Company. He is also a member of the executive committee of the Company. He is responsible for the Group's overall operation and management. He has over 27 years of experience in commodity procurement and trading business operation.

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

Miss Chen Li-Chin (陳禮琴), aged 52, was appointed as the Chief Finance Officer of the Company on 16 February 2009. She is also a member of the executive committee of the Company. She is responsible for the Group's overall financial management, capital planning and allocation and investor relationship. Prior to joining the Company, she was the Vice President of TSRC Corporation, a listed company in Taiwan. She had over 20 years of experience in finance and investor relationship, with senior roles of large and renounced multinational corporations, including Intel Microelectronic Asia Ltd. (美商英特爾亞太科技有限公司), Johnson & Johnson Medical Taiwan and Siemens Telecommunication System (Taiwan).

Mrs. Chen is an EMBA holder in National Taiwan University (國立台灣大學).

Mr. Harrison Dong (董洽), aged 50, was appointed as the Senior Vice President of the Company in November 2009 to oversee the processed food business. Before he joined the Company, he was the Deputy Manager of the processed food business of Great Wall Enterprise Co., Ltd. Prior to that, he held management positions in some renowned marketing and communication companies including Ogilvy and DDB.

Mr. Dong graduated from the College of Commerce of National Chengchi University in 1981.

Mr. Lee Yi-Ming (李益銘), aged 49, is a Vice President of the Company. He is responsible for meat business in the PRC. He has over 20 years of experience in meat industry.

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

Mr. Wong Hing Keung (黃興強), aged 48, is the Financial Controller of the Company. Mr. Wong has over 20 years of experience in auditing, accounting and financing. He is also an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

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

The board of directors (the "Board") of the Company is pleased to present the Corporate Governance Report for the year ended 31 December 2009.

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

Code on Corporate Governance Practices

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

In the opinion of the Board, the Company has complied with all the code provisions set out in the CG Code throughout the year ended 31 December 2009.

The Board

(1) The Board of Directors

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

Executive directors:	Mr. Han Jia-Hwan *(Chairman)*
	Shu Edward Cho-Shen *(appointed on 12 March 2010)*
	Mr. Chang Tiee-Shen *(Chief Executive Officer) (resigned on 12 March 2010)*
	Mr. Chen Fu-Shih *(Chief Administrative Officer)*
Non-executive directors:	Mr. Chao Tien-Shin
	Mr. Han Chia-Yau
	Mr. Harn Jia-Chen
	Mr. Nicholas William Rosa
Independent non-executive directors:	Dr. Chen Chih
	Mr. Liu Fuchun
	Mr. Way Yung-Do

The biographies of the directors are set out in the "Directors and Senior Management" section on pages 16 to 18 of this annual report.

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

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

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

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

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

During 2009, the Board held 4 regular meetings and 1 additional meeting which was held regarding special matters which required the Board's decisions.

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

Directors	Regular Board Meetings	Additional Board Meetings concerning special matters requiring the Board's decisions
Executive Directors		
Han Jia-Hwan	4/4	1/1
Chang Tiee-Shen	3/4	1/1
Chen Fu-Shih	4/4	1/1
Non-executive Directors		
Chao Tien-Shin	4/4	1/1
Han Chia-Yau	4/4	1/1
Harn Jia-Chen	3/4	1/1
Nicholas William Rosa	4/4	1/1
Independent Non-executive Directors		
Chen Chih	4/4	1/1
Liu Fuchun	4/4	1/1
Way Yung-Do	4/4	1/1

(2) **Management Functions**

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

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

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

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

(3) **Appointment, Re-election and Removal**

Under article 108 of the Company's Articles of Association, at each annual general meeting, not less than one-third of the directors for the time being shall retire from office by rotation and every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every 3 years while those retiring directors shall be eligible for re-election. Any director who has not been subject to retirement by rotation in the 3 years preceding the annual general meeting shall retire by rotation at such annual general meeting. Any further directors so to retire shall be those who have been longest in office since their last re-election or appointment.

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

In accordance with the said provision of the Articles of Association and the Code Provision A4.1, the following re-election arrangement was made in the annual general meeting held on 22 May 2009:

- Mr. Chang Tiee-Shen and Mr. Chen Fu-Shih, both being the executive directors, were re-elected.
- Dr. Chen Chih and Mr. Liu Fuchun, both being independent non-executive directors, were elected to hold office until the conclusion of the annual general meeting of the Company to be held in 2011.

(4) Roles of Chairman and Chief Executive Officer

During the year 2009, the positions of the Chairman and the chief executive officer were held respectively by Mr. Han Jia-Hwan and Mr. Chang Tiee-Shen. This ensures a clear distinction between the Chairman's duty to manage the Board and the chief executive officer's duty to oversee the overall internal operation of the Group.

(5) Directors' Securities Transactions

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

Specific enquiry have been made with all directors who have confirmed that throughout the year ended 31 December 2009, they complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

The directors' interests in shares of the Group as at 31 December 2009 are set out on pages 30 to 31 of this annual report.

Board Committees

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

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

(1) Remuneration Committee

The Remuneration Committee currently comprises 3 INEDs, 1 non-executive director and 1 executive director, namely:

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

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

The primary functions of the Remuneration Committee include:

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

During 2009, 1 Committee meeting was held on 23 October 2009 which all the current 5 members attended. During the meeting, the Remuneration Committee reviewed and recommended the following:

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

(2) Audit Committee

The Audit Committee currently comprises 3 INEDs, namely:

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

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

The Audit Committee planned to meet 4 times a year at approximately quarterly intervals to review the truthfulness, completeness, and accuracy of the Group's financial statements. It is accountable to the Board and assists the Board in meeting its responsibilities in ensuring an effective and adequate system of internal controls and for meeting its external financial reporting obligations and compliance with other legal and regulatory requirements. The Audit Committee also oversees the scope of work of external auditors.

The main duties of the Audit Committee include the following:

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

During 2009, 4 Committee meetings were held.

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

Directors	**Attendance/ Number of Meeting(s)**
Way Yung-Do *(Chairman)*	4/4
Liu Fuchun	4/4
Chen Chih	4/4

During the meetings, the Audit Committee reviewed the following:

- the financial statements for each quarter and the year ended 31 December 2009;
- the accounting principles and practices adopted by the Company;
- statutory compliance;
- other financial reporting matters; and
- internal control system.

Remuneration of Auditors

A summary of audit and non-audit services provided by KPMG, the Company's auditors for the year ended 31 December 2009 and their corresponding remuneration is as follows:

Nature of services	**Amount** (HK$'000)
Audit services	4,327
Non-audit services	
• Tax services	25

(3) Nomination Committee

The Nomination Committee currently comprises 3 INEDs, 1 non-executive director and 1 executive director namely:

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

The main duties of the Nomination Committee include the following:

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

During 2009, as there was no appointment of new director nor there was need to any change of the board structure, the Nomination Committee did not hold any meeting.

(4) **Executive Committee**

The Board has delegated responsibilities to the Executive Committee for making certain decisions for the management of the Group. In accordance with its terms of reference, members of the Executive Committee shall be appointed by the Board from amongst the executive directors and senior management of the Company only. Pursuant to the terms of reference adopted on 14 December 2007, the Executive Committee shall consist of 5 Members, must include 3 executive directors (one of them is the chief executive officer), the chief operation officer and the chief finance officer of the Company as members. The terms of reference has been recently revised on 12 March 2010, which provides that the Executive Committee shall consist of not more than 7 members, which include the executive Directors, the chief operation officer or the chief finance officer and other senior management of the Company. The Executive Committee currently comprises the following members:

- Han Jia-Hwan *(Chairman)*
- Shu Edward Cho-Shen *(appointed on 12 March 2010)*
- Chang Tiee-Shen *(resigned on 12 March 2010)*
- Chen Fu-Shih
- On Chang-Jou *(appointed on 23 December 2009 in place of Huang Shih-Kun)*
- Chen Li-Chin *(appointed on 16 February 2009)*

Financial Reporting

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

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

Internal Controls

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

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

After the annual review in 2009, the Board is satisfied with the adequacy of the system of internal control of the Company and the adequacy of resources, qualifications and experience of staff of issuer's accounting and financial reporting function, and their training programmes and budget.

Investor Relations

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

Report of the Directors

The Board has pleasure in submitting the annual report together with the audited financial statements for the year ended 31 December 2009.

Principal Activities

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

Subsidiaries

A list of subsidiaries together with their places of operations and incorporation and particulars of their issued share capital/registered capital, is set out in note 15 to the financial statements.

Results and Appropriations

The profit of the Group for the year ended 31 December 2009 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 39 to 129.

Profits attributable to owners of the Company of USD15,818,000 (2008: USD19,675,000) have been transferred to reserves. Other movements in reserves of the Group and of the Company are set out on page 44 of the annual report and note 25(d) to the financial statements.

The Board recommends the payment of final dividend of HK2.80 cents (2008: HK3.77 cents) per share, amounting to approximately USD3.653 million (2008: approximately USD4.919 million) or approximately HKD28.36 million (2008: approximately HKD38.10 million) in total, to shareholders whose names appear on the register of members on 28 May 2010. The proposed final dividend will be voted by shareholders at the AGM to be held on 28 May 2010.

Share Capital

Details of movements in share capital of the Company during the year are set out in note 25(b) to the financial statements.

Pre-Emptive Rights

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

Donations

Donations made by the Group during the year amounted to USD15,100.

Fixed Assets

Details of movements in fixed assets during the year are set out in note 14 to the financial statements.

Bank Loans and Overdrafts

Particulars of bank loans and overdrafts of the Group as at 31 December 2009 are set out in note 22 to the financial statements.

Listing of Shares

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

Directors

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

Executive Directors:

Mr. Han Jia-Hwan (*Chairman*)
Mr. Chang Tiee-Shen (*Chief Executive Officer*) *(resigned on 12 March 2010)*
Mr. Shu Edward Cho-Shen *(appointed on 12 March 2010)*
Mr. Chen Fu-Shih (*Chief Administrative Officer*)

Non-Executive Directors:

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

Independent Non-Executive Directors:

Dr. Chen Chih
Mr. Liu Fuchun
Mr. Way Yung-Do

Directors' Service Contracts

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

Mr. Shu Edward Cho-Shen, who was appointed by the Board as executive Director effective from 12 March 2010, will be subject to election by Shareholders at the forthcoming AGM.

Each of the non-executive Directors and INEDs is appointed for a fixed term of two years.

In accordance with the Articles of the Company, Mr. Chao Tien-Shin, Mr. Han Chia-Yau, Mr. Harn Jia-Chen and Mr. Way Yung-Do will retire at the forthcoming AGM and being eligible, offer themselves for re-election. Details of their biographies have been set out in the circular to shareholders dated on 27 April 2010.

Further, Mr. Nicholas William Rosa will hold office until the conclusion of the forthcoming AGM. Being eligible, he will offer himself for re-election at the AGM.

Emoluments of Directors and the Five Highest-Paid Individuals

The emoluments of directors and the five highest-paid individuals are set out in notes 8 and 9 to the financial statements.

Directors' Interests in Contracts

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

Restricted Share Award Scheme

The Restricted Share Award Scheme (the "RSAS") was adopted by the Board on 23 December 2008 (the "Adoption Date"). Unless terminated earlier by the Board, the RSAS shall be valid and effective for a term of ten years commencing on the Adoption Date. As at 3 December 2009, 910,000 shares were granted by the Company to some directors and senior management staffs, 424,0000 of which were vested on 15 December 2009.

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

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

Share Option Scheme

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

Name or Category of Participant	As at 1 January 2009	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2009	Date of grant of share options	Exercise period of share options (both dates inclusive)	Exercise price of share options (HK$)
Executive directors:									
Han Jia-Hwan	850,000	-	-	-	-	850,000	28-Oct-08	28-Oct-09 to 27-Oct-12	1.088
Chang Tiee-Shen	300,000	-	-	-	-	300,000	28-Oct-08	28-Oct-09 to 27-Oct-12	1.088
Chen Fu-Shih	500,000	-	-	-	-	500,000	28-Oct-08	28-Oct-09 to 27-Oct-12	1.088
Non-Executive Directors:									
Han Chia-Yau	650,000	-	-	-	-	650,000	28-Oct-08	28-Oct-09 to 27-Oct-12	1.088
Harn Jia-Chen	500,000	-	-	-	-	500,000	28-Oct-08	28-Oct-09 to 27-Oct-12	1.088
Chao Tien-Shin	300,000	-	-	-	-	300,000	28-Oct-08	28-Oct-09 to 27-Oct-12	1.088
Independent Non-Executive Directors:									
Chen Chih	300,000	-	-	-	-	300,000	28-Oct-08	28-Oct-09 to 27-Oct-12	1.088
Liu Fuchun	300,000	-	-	-	-	300,000	28-Oct-08	28-Oct-09 to 27-Oct-12	1.088
Way Yung-Do	300,000	-	-	-	-	300,000	28-Oct-08	28-Oct-09 to 27-Oct-12	1.088
Employees in Aggregate	7,500,000	-	513,333	-	1,600,000	5,386,667	28-Oct-08	28-Oct-09 to 27-Oct-12	1.088
Total	11,500,000	-	513,333	-	1,600,000	9,386,667			

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

As at 31 December 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules ("Model Code"), were as follows:

(a) Long positions in shares of the Company:

Name of Directors	Nature of Interest	Interests in Shares held	Approximate percentage of Issued Capital
Han Jia-Hwan	Beneficial owner	192,000 (Note 1)	0.019%
Chen Fu-Shih	Beneficial owner	96,000 (Note 2)	0.009%
Chao Tien-Shin	Interests of controlled corporation	3,534,000 (Note 3)	0.349%

Notes:

1. The shares are granted on 15 December 2009 under the Restricted Share Award Scheme with the vesting schedule as follows:

Vesting Date	Amount of Restricted Shares become unrestricted
15 December 2009	64,000
15 December 2010	64,000
15 December 2011	64,000

2. The shares are granted on 15 December 2009 under the Restricted Share Award Scheme with the vesting schedule as follows:

Vesting Date	Amount of Restricted Shares become unrestricted
15 December 2009	32,000
15 December 2010	32,000
15 December 2011	32,000

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

(b) Long positions in underlying shares of the Company

Details of the directors' interests in the share options of the Company are set out in the section headed "Share Options Scheme" of this report.

(c) **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	36.916(L)	0.008%
Harn Jia-Chen	Great Wall Enterprise Co. Ltd.	Beneficial owner	39,651(L)	0.008%
Chao Tien-Shin	Great Wall Enterprise Co. Ltd.	Interest of controlled corporation (Note 2)	4,698,190(L)	0.997%

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

Note 2: Mr. Chao Tien-Shin is deemed to be interested in 4,698,190 shares held by Qiao Tai Xing Investment Co. Limited which is controlled by Mr. Chao and his spouse.

Save as disclosed above, as at 31 December 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.

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 31 December 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)	37.17%
Asia Nutrition Technologies Corporation	Beneficial interests	152,924,906(L)	15.12%
Great Wall Enterprise Co., Ltd.	Interests of controlled corporation	528,824,852(L)	52.30%
Great Wall International (Holdings) Ltd.	Interests of controlled corporation	528,824,852(L)	52.30%

Name	Nature of interests	Number of shares	Approximate %
GMT Capital Corp.	Beneficial interests	81,794,400(L)	8.09%
Continental Enterprises Ltd.	Beneficial interests	59,700,029(L)	5.90%
ContiGroup Companies Inc.	Interests of controlled corporation	59,700,029(L)	5.90%
Fribourg Grandchildren Family L.P.	Interests of controlled corporation	59,700,029(L)	5.90%
Fribourg Enterprises, LLC	Interests of controlled corporation	59,700,029(L)	5.90%
Declaration of Trust dated May 31, 1957, for the benefit of Robert Fribourg	Interests of controlled corporation	59,700,029(L)	5.90%
Declaration of Trust dated May 31, 1957, for the benefit of Paul Jules Fribourg	Interests of controlled corporation	59,700,029(L)	5.90%
Declaration of Trust dated May 31, 1957, for the benefit of Nadine Louise Fribourg	Interests of controlled corporation	59,700,029(L)	5.90%
Declaration of Trust dated May 31, 1957, for the benefit of Charles Arthur Fribourg	Interests of controlled corporation	59,700,029(L)	5.90%
Trust Agreement Dated September 16, 1963, for the benefit of Caroline Renee Fribourg	Interests of controlled corporation	59,700,029(L)	5.90%
Fribourg Charles Arthur	Trustee	59,700,029(L)	5.90%
Sosland Morton Irvin	Trustee	59,700,029(L)	5.90%
Fribourg Paul Jules	Trustee	59,700,029(L)	5.90%

Save as disclosed above, as at 31 December 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.

Connected Transactions

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

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

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

The Group entered into the following continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.33 of the Listing Rules) during the year ended 31 December 2009:

(a) On 14 September 2007, the Group entered into a master supply agreement with Great Wall Enterprise in respect of selling raw materials for manufacturing animal feeds and chicken meat products to the Excluded Group. The quoted prices are based on normal commercial terms and terms are no less favourable to the members of the Company than terms given by such members of our Group to independent third parties. During the year, the Group sold products to Great Wall Enterprise with a total value of USD308,000 approximately. For further details of the master supply agreement, please refer to pages 168 to 169 of the prospectus of the Company dated 20 September 2007 (the "Prospectus").

    On 23 November 2009, the Group entered into the master supply (renewal) agreement with Great Wall Enterprise which became effective and superseded the previous master supply agreement on 1 January 2010 to extend the expiry date of the agreement to 31 December 2012. The terms of the master supply (renewal) agreement are substantially the same as its predecessor. For further details of the master supply (renewal) agreement, please refer to the Company's announcement dated 23 November 2009 and circular dated 11 December 2009.

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

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

    On 23 November 2009, the Group entered into the master purchase (renewal) agreement with Great Wall Enterprise which became effective and superseded the previous master purchase agreement on 1 January 2010 to extend the expiry date of the agreement to 31 December 2012. The terms of the master purchase (renewal) agreement are substantially the same as its predecessor. For further details of the master supply (renewal) agreement, please refer to the Company's announcement dated 23 November 2009 and circular dated 11 December 2009.

    During the year, the total procurement from Great Wall Enterprise by the Group amounted to USD1,554,000 approximately.

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

On 23 November 2009, the Group entered into the trademarks licence (renewal) deed with Great Wall Enterprise which became effective and superseded the previous trademarks licence deed on 1 January 2010 to extend the expiry date of the agreement to 31 December 2012. The terms of the trademarks licence (renewal) deed are substantially the same as its predecessor. For further details of the master supply (renewal) agreement, please refer to the Company's announcement dated 23 November 2009 and circular dated 11 December 2009.

During the year, the Group paid a sum of USD844,000 approximately as royalties to Great Wall Enterprise. For further details of the trademark license deed, please refer to pages 171 to 172 of the Prospectus.

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

On 23 November 2009, the Group entered into the master supply (renewal) agreement with Marubeni which became effective and superseded the previous master supply agreement on 1 January 2010 to extend the expiry date of the agreement to 31 December 2012. The terms of the master supply (renewal) agreement are substantially the same as its predecessor. For further details of the master supply (renewal) agreement, please refer to the Company's announcement dated 23 November 2009 and circular dated 11 December 2009.

During the year, the Group sold processed food to Marubeni with a total value of USD15,375,000 approximately. For further details of the agreement, please refer to pages 173 to 174 of the Prospectus.

(e) On 5 June 2008, the Group entered into a master purchase agreement with Marubeni (China) Co., Ltd. ("Marubeni PRC", being a subsidiary of Marubeni) in respect of purchasing products (mainly soybean meal for chicken feeds production) by the Group from Marubeni PRC and its subsidiaries. The pricing policy is to adhere to the fair market price ranges of products comparable to the products to be purchased as offered in the PRC market as at the time when the relevant sale and purchase is performed. If no comparable prices from independent third parties are available for references, the terms shall be determined by agreement between the parties based on normal commercial terms that are considered to be fair and reasonable by both parties.

On 23 November 2009, the Group entered into the master purchase (renewal) agreement with Marubeni PRC which became effective and superseded the previous master supply agreement on 1 January 2010 to extend the expiry date of the agreement to 31 December 2012. The terms of the master purchase (renewal) agreement are substantially the same as its predecessor. For further details of the master supply (renewal) agreement, please refer to the Company's announcement dated 23 November 2009 and circular dated 11 December 2009.

During the year, the Group purchased products from Marubeni PRC with a total value of USD4,937,000 approximately. For further details of the master purchase agreement, please refer to the Company's announcement dated 13 June 2008 and circular dated 30 June 2008.

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

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

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

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

Purchase, Sale or Redemption of Listed Securities

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

Major Customers and Suppliers

The aggregate sales attributable to the Group's five largest customers in 2009 and 2008 were 10.4% and 9.3% respectively. The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of total purchases for both years ended 31 December 2008 and 2009.

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

Emolument Policy

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

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

Sufficiency of Public Float

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

Five Years Financial Summary

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

Auditors

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

On behalf of the Board
Han Jia-Hwan
Chairman

Hong Kong, 12 March 2010

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

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of DaChan Food (Asia) Limited (the "Company") and its subsidiaries (hereafter collectively referred to as the "Group") set out on pages 39 to 129, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance.

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

12 March 2010

Consolidated Income Statement

For the year ended 31 December

	Note	2009 USD'000	2008 USD'000
Turnover	4	1,242,096	1,293,995
Cost of sales		(1,154,310)	(1,198,704)
Gross profit		87,786	95,291
Change in fair value of biological assets less estimated point-of-sale costs	18	(428)	(365)
Fair value of agricultural produce on initial recognition	17(d)	5,444	7,839
Reversal of fair value of agricultural produce due to sales and disposals	17(d)	(5,534)	(8,220)
Other income	5	5,425	10,283
Distribution costs		(30,947)	(30,369)
Administrative expenses		(32,840)	(32,858)
Other operating expenses		(2,903)	(7,798)
Profit from operations		26,003	33,803
Finance costs	6(a)	(1,818)	(5,196)
Share of losses of jointly controlled entities	16	(113)	(989)
Profit before taxation	6	24,072	27,618
Income tax	7(b)	(3,623)	(5,763)
Net profit for the year		20,449	21,855
Attributable to:			
Owners of the Company		15,818	19,675
Non-controlling interest		4,631	2,180
Net profit for the year		20,449	21,855
Earnings per share			
– Basic (cents)	12	1.57	1.95
– Diluted (cents)	12	1.56	1.95

The notes on pages 48 to 129 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December

	Note	2009 USD'000	2008 USD'000
Net profit for the year		**20,449**	21,855
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	11	**(1,057)**	4,841
Total comprehensive income for the year		**19,392**	26,696
Attributable to:			
Owners of the Company		**15,381**	24,216
Non-controlling interest		**4,011**	2,480
Total comprehensive income for the year		**19,392**	26,696

The notes on pages 48 to 129 form part of these financial statements.

Consolidated Balance Sheet

At 31 December

	Note	2009 USD'000	2008 USD'000
Non-current assets			
Fixed assets	14		
– property, plant and equipment		156,801	145,593
– lease prepayments		16,417	17,999
Interests in jointly controlled entities	16	212	-
Deferred tax assets	24	2,133	759
		175,563	164,351
Current assets			
Inventories	17	97,200	73,825
Biological assets	18	1,748	1,841
Trade and other receivables	19	81,994	66,377
Income tax recoverable	7(a)	1	979
Pledged bank deposits		979	1,253
Cash and cash equivalents	20	53,931	60,505
		235,853	204,780
Current liabilities			
Trade and other payables	21	121,265	92,231
Interest-bearing borrowings	22	26,417	23,145
Income tax payable	7(a)	3,375	3,332
		151,057	118,708
Net current assets		84,796	86,072
Total assets less current liabilities		260,359	250,423
Non-current liabilities			
Interest-bearing borrowings	22	2,213	6,145
Deferred tax liabilities	24	14	22
		2,227	6,167
Net assets		258,132	244,256

The notes on pages 48 to 129 form part of these financial statements.

Consolidated Balance Sheet (Continued)

At 31 December

	Note	2009 USD'000	2008 USD'000
Capital and reserves			
Share capital	25(b)	**12,926**	12,957
Reserves	25(c)	**214,307**	203,959
Total equity attributable to equity holders of the Company		**227,233**	216,916
Non-controlling interest		**30,899**	27,340
Total equity		**258,132**	244,256

Approved and authorised for issue by the board of directors on 12 March 2010.

Han Jia-Hwan	**Chen Fu-Shih**
Chairman	*Executive director*

The notes on pages 48 to 129 form part of these financial statements.

Balance Sheet

At 31 December

	Note	2009 USD'000	2008 USD'000
Non-current assets			
Investments in subsidiaries	15	109,233	109,233
Current assets			
Other receivables, deposits and prepayments	19	1,055	227
Amounts due from subsidiaries		84,451	90,078
Cash and cash equivalents	20	5,240	2,559
		90,746	92,864
Current liabilities			
Other payables and accruals	21	1,084	2,429
Interest-bearing borrowings	22	–	2,000
Amount due to ultimate holding company		967	867
		2,051	5,296
Net current assets		88,695	87,568
Net assets		197,928	196,801
Capital and reserves			
Share capital	25(b)	12,964	12,957
Reserves	25(d)	184,964	183,844
Total equity		197,928	196,801

Approved and authorised for issue by the board of directors on 12 March 2010.

Han Jia-Hwan
Chairman

Chen Fu-Shih
Executive director

The notes on pages 48 to 129 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December

	Note	Share capital (note 25(b)) USD'000	Share premium (note 25(c)(i)) USD'000	Redemption reserve (note 25(b)(ii)) USD'000	Merger reserve (note 25(c)(ii)) USD'000	Statutory reserves (note 25(c)(iii)) USD'000	Translation reserve (note 25(c)(iv)) USD'000	Share-based payment reserve (note 25(c)(v)) USD'000	Retained profits USD'000	Total USD'000	Non-controlling interest USD'000	Total equity USD'000
		Attributable to equity holders of the Company										
At 1 January 2009		12,957	76,121	–	52,653	6,280	10,082	63	58,760	216,916	27,340	244,256
Total comprehensive income for the year												
Profit for the year		–	–	–	–	–	–	–	15,818	15,818	4,631	20,449
Other comprehensive income												
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong		–	–	–	–	–	(437)	–	–	(437)	(620)	(1,057)
Total comprehensive income for the year		–	–	–	–	–	(437)	–	15,818	15,381	4,011	19,392
Transactions with owners, recorded directly in equity												
Equity-settled share-based payment transactions	23	(31)	162	38	–	–	–	202	(550)	(179)	–	(179)
Appropriations		–	–	–	–	1,207	–	–	(1,207)	–	–	–
Dividends to owners		–	–	–	–	–	–	–	(4,885)	(4,885)	(452)	(5,337)
Total transactions with owners		(31)	162	38	–	1,207	–	202	(6,642)	(5,064)	(452)	(5,516)
Balance at 31 December 2009		12,926	76,283	38	52,653	7,487	9,645	265	67,936	227,233	30,899	258,132

The notes on pages 48 to 129 form part of these financial statements.

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December

		Attributable to equity holders s of the Company									
	Note	Share capital (note 25(b))	Share premium (note 25(c)(i))	Merger reserve (note 25(c)(ii))	Statutory reserves (note 25(c)(iii))	Translation reserve (note 25(c)(iv))	Share-based payment reserve (note 25(c)(v))	Retained profits	Total	Non-controlling interest	Total equity
		USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
At 1 January 2008		12,957	76,121	52,653	4,973	5,541	–	40,392	192,637	20,061	212,698
Total comprehensive income for the year											
Profit for the year		–	–	–	–	–	–	19,675	19,675	2,180	21,855
Other comprehensive income											
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong		–	–	–	–	4,541	–	–	4,541	300	4,841
Total comprehensive income for the year		–	–	–	–	4,541	–	19,675	24,216	2,480	26,696
Transactions with owners, recorded directly in equity											
Capital contributed from minority interests		–	–	–	–	–	–	–	–	3,571	3,571
Disposal of partial interest in a subsidiary		–	–	–	–	–	–	–	–	1,228	1,228
Equity-settled share-based payment transactions	23	–	–	–	–	–	63	–	63	–	63
Appropriations		–	–	–	1,307	–	–	(1,307)	–	–	–
Total transactions with owners		–	–	–	1,307	–	63	(1,307)	63	4,799	4,862
Balance at 31 December 2008		12,957	76,121	52,653	6,280	10,082	63	58,760	216,916	27,340	244,256

The notes on pages 48 to 129 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December

	Note	2009 USD'000	2008 USD'000
Operating activities			
Profit before taxation		24,072	27,618
Adjustments for:			
– Change in fair value of biological assets			
less estimated point-of-sale costs	18	428	365
– Fair value of agricultural produce on initial recognition	17(d)	(5,444)	(7,839)
– Reversal of fair value of agricultural produce due to sales and disposals	17(d)	5,534	8,220
– Share of losses of jointly controlled entities	16	113	989
– Depreciation and amortisation	14	15,167	12,330
– Net loss/(gain) on disposals of fixed assets	6	581	(75)
– Impairment loss on trade and other receivables	19(b)	363	173
– Reversal of impairment loss on trade and other receivables	19(b)	(226)	(31)
– Write-down of inventories	17(b)	114	3,607
– Reversal of write-down of inventories	17(b)	(2,719)	(33)
– Interest income	5	(1,583)	(1,257)
– Interest expense	6(a)	1,818	5,196
– Equity-settled share-based payment transactions	6(b)	341	63
– Net foreign exchange gain		230	(591)
– Negative goodwill arising on acquisition		–	(109)
– Utilisation of onerous contracts provision	6(c)	–	(1,812)
Operating cash flows before changes in working capital		38,789	46,814
(Increase)/decrease in inventories		(20,860)	20,064
Increase in biological assets		(335)	(488)
(Increase)/decrease in trade and other receivables		(12,839)	6,090
Increase/(decrease) in trade and other payables		28,435	(12,162)
Cash generated from operations		33,190	60,318
Income tax paid	7(a)	(3,984)	(5,661)
Net cash generated from operating activities		29,206	54,657

The notes on pages 48 to 129 form part of these financial statements.

Consolidated Cash Flow Statement (Continued)

For the year ended 31 December

	Note	2009 USD'000	2008 USD'000
Investing activities			
Interest received		1,583	1,623
Purchases of fixed assets		(28,875)	(61,172)
Deposit paid for purchase of fixed assets		(920)	(1,012)
Proceeds on disposals of fixed assets		830	2,474
Investment in joint controlled entities		(325)	–
Changes in pledged bank deposits		274	309
Dividend received from a former jointly controlled entity		–	300
Acquisition of a subsidiary, net of cash acquired		–	481
Disposal of partial interest in a subsidiary		–	1,228
Net cash used in investing activities		(27,433)	(55,769)
Financing activities			
Interest paid		(1,810)	(5,068)
Dividends paid	25(a)(ii)	(5,337)	–
Proceeds from new bank loans		43,222	67,413
Repayment of bank loans		(43,481)	(99,342)
Proceeds from exercise of share options		72	–
Repurchase of own shares		(592)	–
Net cash generated from financing activities		(7,926)	(36,997)
Net increase in cash and cash equivalents		(6,153)	(38,109)
Cash and cash equivalents at beginning of the year		60,429	97,640
Effect of foreign exchange rate changes		(345)	898
Cash and cash equivalents at the end of the year	20	53,931	60,429

The notes on pages 48 to 129 form part of these financial statements.

Notes to the Financial Statements

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 consolidated financial statements for the year ended 31 December 2009 comprise the Company and its subsidiaries (collectively referred to as the "Group" and individually as "Group entities") and the Group's interest in jointly controlled entities. The Group primarily is involved in the manufacturing and trading of livestock feeds, poultry and chilled meat and processed food.

The Company publicly offered shares on the Main Board of The Stock Exchange of Hong Kong Limited on 4 October 2007.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standard Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost except that the following assets:

– derivative financial instruments are measured at fair value; and

– biological assets are measured at fair value less costs to sell.

(c) Functional and presentation currency

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

2 Basis of preparation (Cont'd)

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed in note 30.

(e) Changes in accounting policies

(i) Overview

Starting as of 1 January 2009, the Group has changed its accounting policies in the following areas:

- Accounting for business combinations
- Accounting for acquisitions of non-controlling interests
- Determination and presentation of operating segments
- Presentation of financial statements.

(ii) Accounting for business combinations

The Group has early adopted IFRS 3 Business Combinations (2008) and IAS 27 Consolidated and Separate Financial Statements (2008) for all business combinations occurring in the financial year starting 1 January 2009. All business combinations occurring on or after 1 January 2009 are accounted for by applying the acquisition method. The change in accounting policy is applied prospectively and had no material impact on earnings per share.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

2 Basis of preparation (Cont'd)

(e) Changes in accounting policies (Cont'd)

(ii) Accounting for business combinations (Cont'd)

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination (see below). If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

When share-based payment awards exchanged (replacement awards) for awards held by the acquiree's employees (acquiree's awards) relate to past services, then a part of the market-based measure of the awards replaced is included on the consideration transferred. If they require future services, then the difference between the amount included in consideration transferred and the market-based measure of the replacement awards is treated as post-combination compensation cost.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

(iii) Accounting for acquisitions of non-controlling interests

The Group has early adopted IFRS 3 Business Combinations (2008) and IAS 27 Consolidated and Separate Financial Statements (2008) for acquisitions of non-controlling interests occurring in the financial year starting 1 January 2009.

Under the new accounting policy, acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. Previously, goodwill was recognised arising on the acquisition of a non-controlling interest in a subsidiary; and that represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of exchange.

The change in accounting policy was applied prospectively and had no material impact on earnings per share.

2 Basis of preparation (Cont'd)

(e) Changes in accounting policies (Cont'd)

(iv) Determination and presentation of operating segments

As of 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 Operating Segments. Previously operating segments were determined and presented in accordance with IAS 14 Segment Reporting. The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

(v) Presentation of financial statements

The Group applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents all owner changes in equity directly in the consolidated statement of changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income and then in the consolidated statement of changes in equity.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except as explained in note 2(e), which addresses changes in accounting policies.

Certain comparative amounts have been reclassified to conform with the current year's presentation (see note 31).

(a) Basis of consolidation

(i) Business combinations

The Group has changed its accounting policy with respect to accounting for business combinations. See note 2(e)(ii) for further details.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(iii) Investments in jointly controlled entities (equity accounted investees)

Joint ventures are those entities over those activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in jointly controlled entities are accounted for in the consolidation financial statement using the equity method (equity accounted investees) and are recognised initially at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

In the Company's balance sheet, investment in jointly controlled entities are stated at cost less impairment losses (see note 3(f)).

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3 Significant accounting policies (Cont'd)

(b) Property, plant and equipment

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs (see note 3(v)).

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

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

Buildings and plant	20 years
Machinery	10 years
Furniture, fittings and equipment	5 years
Motor vehicles	5 years

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

(c) Construction in progress

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

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

3 Significant accounting policies (Cont'd)

(d) Operating lease charges

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

(e) Lease prepayments

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

(f) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other receivables that are carried at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

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

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

3 Significant accounting policies (Cont'd)

(f) Impairment of assets (Cont'd)

(i) Impairment of trade and other receivables (Cont'd)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

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

- property, plant and equipment;
- construction in progress;
- lease prepayments; and
- investments in subsidiaries and jointly controlled entities.

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

- Calculation of recoverable amount

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

3 Significant accounting policies (Cont'd)

(f) Impairment of assets (Cont'd)

(ii) Impairment of other assets (Cont'd)

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(g) Biological assets and agricultural produce

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

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

3 Significant accounting policies (Cont'd)

(h) Inventories

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

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

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

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

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

(i) Trade and other receivables

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

(j) Cash and cash equivalents

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

(k) Interest-bearing borrowings

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

3 Significant accounting policies (Cont'd)

(l) Trade and other payables

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

(m) Provisions for onerous contracts

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

(n) Derivative financial instruments

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

(o) Derecognition of financial assets/liabilities

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

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

(p) Employee benefits

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

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

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

3 Significant accounting policies (Cont'd)

(p) Employee benefits (Cont'd)

(ii) Share-based payments

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

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

(iii) Termination benefits

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

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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

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

3 Significant accounting policies (Cont'd)

(q) Income tax (Cont'd)

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

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

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

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

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

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

  - the same taxable entity; or

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

3 Significant accounting policies (Cont'd)

(r) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 3(r)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

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

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

3 Significant accounting policies (Cont'd)

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated income statement as follows:

(i) Sales of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. When the Group is entitled to compensation in the future related to the sales in current period under a contract price adjustment mechanism, the compensation is recognized in the revenue of the same period of the corresponding sales to the extent of management's best estimation. Revenue excludes value added tax ("VAT") or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

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

(iii) Government grants

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

(iv) Management fees

Revenue is recognised when the services are rendered.

3 Significant accounting policies (Cont'd)

(t) Foreign currencies

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

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

(u) Research and development costs

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

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

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

3 Significant accounting policies (Cont'd)

(w) Related parties

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

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

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

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

(iv) the party is a joint venture or an associates of the parent or ultimate parent;

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

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

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

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

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the CEO for the purposes of allocating resources to, and assessing the performance of, the group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4 Turnover

The principal activities of the Group include manufacturing and trading of livestock feeds, poultry and chilled meats and processed foods. The amount of each significant category of turnover recognised during the year is as follows:

	2009 USD'000	2008 USD'000
Sales of chicken meats	**594,010**	643,174
Sales of livestock feeds	**558,958**	584,064
Sales of processed foods	**89,128**	66,757
	1,242,096	1,293,995

As disclosed in note 13, the elements of the chicken meat segment and processed foods segment of the segmental report have been redefined and therefore comparative figures have been adjusted to conform to current year's presentation.

The Group's customer base is diversified and includes no customer with whom transactions have exceeded 10% of the Group's turnover. Details of concentrations of credit risk arising from this customer are set out in note 29(a).

Further details regarding the Group's principal activities are disclosed in note 13 to these financial statements.

5 Other income

	2009 USD'000	2008 USD'000
Interest income	**1,583**	1,257
Realised gain on commodity derivative contracts	**655**	256
Government compensation	**382**	722
Foreign exchange gain	**362**	5,493
Government grant	**159**	777
Gain on disposals of fixed assets	**136**	78
Others	**2,148**	1,700
	5,425	10,283

6 Profit before taxation

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

		2009 USD'000	2008 USD'000
(a)	**Finance costs**		
	Interest on bank borrowings wholly repayable within five years	1,818	5,196
(b)	**Staff costs**		
	Salaries, wages, bonuses and other benefits	49,772	51,970
	Contributions to retirement schemes	2,405	3,159
	Equity-settled share-based payment expenses (note 23)	341	63
		52,518	55,192

The Group is required to participate in pension schemes organised by the respective municipal governments of the People's Republic of China ("PRC") whereby the Group is required to pay annual contributions for PRC based employees at rates ranging from 19% to 25.5% (2008: 19% to 25.5%) of the standard wages determined by the relevant authorities in the PRC during the year. The Group has no other material obligation for payment of retirement benefits to the PRC based employees beyond the annual contributions described above.

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

Contribution made to Malaysia's Employees Provident Fund is based on 12% (2008: 12%) of the eligible employees' salaries.

The Group also made contribution on the statutory social security and health insurance in Vietnam at 17% (2008: 17%) of the eligible employees' salaries.

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

6 Profit before taxation (Cont'd)

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

	2009 USD'000	2008 USD'000
(c) Other items		
Auditors' remuneration		
– audit services	558	900
– tax services	3	2
	561	902
Amortisation of lease prepayments	436	395
Depreciation of property, plant and equipment	14,731	11,935
Net loss/(gain) on disposals of fixed assets	581	(75)
Net impairment losses		
– trade and other receivables	137	142
– inventory	(2,605)	3,574
Net foreign exchange loss	937	1,486
Operating lease charges		
– plant and machinery	2,598	2,510
– others	539	717
Net realised gain on derivative contracts	(655)	(256)
Research and development costs	36	56
Utilisation of onerous contracts provision	–	(1,812)

7 Income tax in the consolidated income statement

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

	2009 USD'000	2008 USD'000
At beginning of the year	(2,353)	(2,125)
Provision for income tax for the year	(5,005)	(5,889)
Income tax paid in the year	3,984	5,661
At end of the year	(3,374)	(2,353)
Represented by:		
Income tax recoverable	1	979
Income tax payable	(3,375)	(3,332)
	(3,374)	(2,353)

(b) Taxation in the consolidated income statement represents:

	2009 USD'000	2008 USD'000
Current tax-overseas		
Provision for the year	4,270	4,711
Under provision in respect of prior years	735	1,178
	5,005	5,889
Deferred tax		
Origination and reversal of temporary differences (note 24)	(1,382)	(126)
	3,623	5,763

7 Income tax in the consolidated income statement (Cont'd)

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

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

(ii) No provision has been made for Hong Kong Profits Tax as the Group did not earn any income subject to Hong Kong Profits Tax during the years.

(iii) Pursuant to the income tax rules and regulations of the PRC, the companies comprising the Group in the PRC are liable to PRC 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 years ended 31 December 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 year ended 31 December 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 years ended 31 December 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 25% for the year ended 31 December 2009 (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. ("ANT-VN") is subject to Corporate Income Tax of Vietnam at a preferential rate of 15%.

7 Income tax in the consolidated income statement (Cont'd)

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

(vi) Asia Nutrition Technologies (HN) Co., Ltd. ("ANT-HN") is subject to Corporate Income Tax of Vietnam at the rate of 10% for the first 15 years commencing from its first year of operation and 25% for the succeeding years. However, ANT-HN is entitled to a full tax exemption for four years starting from 2005, its first profit-making year pursuant to the Minutes of Inspection by Tax Department of Hai Duong Province dated 24 November 2006 and a 50% reduction in tax rate for the next four years. Therefore, the applicable tax rate of ANT-HN is 5% for the year ended 31 December 2009 (2008: nil).

(vii) Asia Nutrition Technologies (LA) Co., Ltd. ("ANT-LA") is subject to Corporate Income Tax of Vietnam at the rate of 20% for the first 10 years commencing from its first year of operation and 25% for the succeeding years. However, ANT-LA is entitled to a full tax exemption for 2 years starting from 2008, its 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 year ended 31 December 2009 (2008: nil).

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

	2009 USD'000	2008 USD'000
Profit before taxation	24,072	27,618
Income tax using PRC's Corporate Income Tax rate of 25% (2008: 25%) (note)	6,018	6,905
Tax effect of non-deductible expenses	1,636	1,615
Tax effect of non-taxable revenue	(2,808)	(648)
Tax effect of unused tax losses not recognised	1,145	1,115
Utilisation of tax losses previously not recognised	(797)	(11)
Effect of tax exemptions granted to subsidiaries	(779)	(3,312)
Under provision in respect of prior years	735	1,178
Effect of different tax rates of subsidiaries operating in different tax jurisdiction	(1,527)	(1,074)
Others	–	(5)
Actual tax expense	3,623	5,763

Note: The income tax rate of 25% (2008: 25%) represents the domestic tax rate in the jurisdiction where the operations of the Group are substantially based.

8 Directors' remuneration

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

	2009						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contribution	Sub-total	Share-based payments (note)	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Chairman							
Han Jia-Hwan	–	202	58	3	263	33	296
Executive directors							
Chang Tiee-Shen	–	81	7	3	91	7	98
Chen Fu-Shih	–	101	38	3	142	18	160
Independent non-executive directors							
Liu Fuchun	26	–	–	–	26	7	33
Chen Chih	26	–	–	–	26	7	33
Way Yung-Do	26	–	–	–	26	7	33
Non-executive directors							
Harn Jia-Chen	19	–	–	–	19	11	30
Han Chia-Yau	19	–	–	–	19	14	33
Nicholas W. Rosa	19	–	–	–	19	–	19
Chao Tien-Shin	19	–	–	–	19	7	26
	154	384	103	9	650	111	761

8 Directors' remuneration (Cont'd)

	2008						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contribution	Sub-total	Share-based payments (note)	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Chairman							
Han Jia-Hwan	–	205	82	4	291	5	296
Executive directors							
Chang Tiee-Shen	–	58	66	2	126	2	128
Chen Fu-Shih	–	105	66	3	174	3	177
Independent non-executive directors							
Liu Fuchun	26	–	–	–	26	2	28
Chen Chih	26	–	–	–	26	2	28
Pai Nai-Yu	–	1	–	–	1	–	1
Way Yung-Do	23	–	–	–	23	2	25
Non-executive directors							
Harn Jia-Chen	19	–	–	–	19	3	22
Han Chia-Yau	19	–	–	–	19	4	23
Nicholas W. Rosa	19	–	–	–	19	–	19
Chao Tien-Shin	19	–	–	–	19	2	21
	151	369	214	9	743	25	768

Note:

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

The details of these benefits in kind, including principal terms and number of options and awards granted, are disclosed under the paragraphs "Share Options Scheme" and "Restricted Share Award Scheme" in the directors' report and note 23.

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

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments, one (2008: two) is director whose emolument is disclosed in note 8. The aggregate of the emoluments in respect of the other four (2008: three) individuals are as follows:

	2009 USD'000	2008 USD'000
Salaries and other emoluments	615	354
Retirement scheme contributions	8	9
Share-based payments	56	6
Discretionary bonuses	53	278
	732	647

The emoluments of the four (2008: three) individuals with the highest emoluments are within the following bands:

	2009 Number of individuals	2008 Number of individuals
USD129,001 to USD193,000 (equivalent to HKD1,000,001 to HKD1,500,000)	2	1
USD193,001 to USD258,000 (equivalent to HKD1,500,001 to HKD2,000,000)	2	1
USD258,001 to USD322,000 (equivalent to HKD2,000,001 to HKD2,500,000)	–	1

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

10 Profit attributable to owners of the Company

The consolidated profit attributable to owners of the Company includes a profit of USD5,610,000 and a profit of USD10,841,000 which have been dealt with in the financial statements of the Company for the years ended 31 December 2009 and 2008 respectively.

11 Other comprehensive income

Tax effects relating to each component of other comprehensive income

	2009			2008		
	Before–tax amount USD'000	Tax (expense)/benefit USD'000	Net-of–tax amount USD'000	Before–tax amount USD'000	Tax (expense)/benefit USD'000	Net-of-tax amount USD'000
Exchange differences on translation of financial statements of overseas subsidiaries	(1,057)	–	(1,057)	4,841	–	4,841
Other comprehensive income	(1,057)	–	(1,057)	4,841	–	4,841

12 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2009 is based on the profit attributable to ordinary equity shareholders of the Company of USD15,818,000 (2008: USD19,675,000) and the weighted average of 1,009,882,642 ordinary shares (2008: 1,010,662,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2009	2008
Issued ordinary shares at 1 January	1,010,662,000	1,010,662,000
Effect of shares repurchased (note 25(b)(ii))	(837,104)	–
Effect of shares granted (note 25(b)(iii))	18,586	–
Effect of shares options exercised (note 25(b)(iv))	39,160	–
Weighted average number of ordinary shares at 31 December	1,009,882,642	1,010,662,000

12 Earnings per share (Cont'd)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of USD15,818,000 (2008: USD19,675,000) and the weighted average of 1,011,617,573 ordinary shares (2008: 1,010,662,000), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2009	2008
Weighted average number of ordinary shares at 1 January	1,009,882,642	1,010,662,000
Effect of outstanding share options (note 23 (a)(ii))	1,685,112	–
Effect of restricted share award scheme (note 23 (b))	49,819	–
Weighted average number of ordinary shares (diluted) at 31 December	1,011,617,573	1,010,662,000

13 Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the CEO for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

In order to underscore the importance of brand building and promoting the Group's branded products and to reflect the increasing contribution of these products to the Company's turnover and gross profit as a whole, the elements of the chicken meat segment and processed foods segment of the segmental report have been redefined. Comparative figures have been adjusted to conform to current year's presentation.

Chicken meat : The chicken meat segment carries on business of breeding and hatching of broiler breeder eggs, contract farming, processing and marketing of chilled and frozen chicken meat marketed under the brand of "DaChan".

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, and further processed chilled and frozen chicken meat marketed under the brand of "Sisters' Kitchen".

13 Segment reporting (Cont'd)

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the CEO monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade creditors and accruals attributable to the manufacturing and sales activities of the individual segments.

Turnover and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment turnover and expenses include the Group's share of turnover and expenses arising from the activities of the Group's jointly controlled entities.

The measure used for reporting segment profit is gross profit.

In addition to receiving segment information concerning gross profit, the CEO is provided with segment information concerning turnover (including inter segment sales and the Group's share of the jointly controlled entities' turnover), finance cost, depreciation and amortisation. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

13 Segment reporting (Cont'd)

(a) Segment results, assets and liabilities (Cont'd)

Information regarding the Group's reportable segments as provided to the CEO for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2009 and 2008 is set out below.

	Chicken meat		Livestock feeds		Processed foods		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Turnover from external customers	594,010	643,174	558,958	584,064	89,128	66,757	1,242,096	1,293,995
Inter-segment turnover	29,891	10,981	170,337	179,171	–	–	200,228	190,152
Total	623,901	654,155	729,295	763,235	89,128	66,757	1,442,324	1,484,147
Segment result	8,891	34,563	66,283	58,415	12,612	2,313	87,786	95,291
Unallocated operating income and expenses							61,783	61,488
Profit from operations							26,003	33,803
Finance costs							(1,818)	(5,196)
Share of losses of jointly controlled entities	–	–	(113)	–	–	(989)	(113)	(989)
Income tax							(3,623)	(5,763)
Profit for the year							20,449	21,855
Depreciation and amortisation for the year	7,239	3,155	5,175	6,879	2,753	2,296	15,167	12,330
Reportable segment assets	129,003	147,987	173,391	134,539	48,340	20,470	350,734	302,996
(including investment in joint ventures)	–	–	589	–	–	–	589	–
Reportable segment liabilities	(48,531)	(38,108)	(58,407)	(43,845)	(12,727)	(5,452)	(119,665)	(87,405)

13 Segment reporting (Cont'd)

(b) Reconciliations of reportable segment turnover, profit or loss, assets and liabilities

	2009 USD'000	2008 USD'000
Turnover		
Reportable segment turnover	1,442,324	1,484,147
Elimination of inter-segment turnover	(200,228)	(190,152)
Consolidated turnover	1,242,096	1,293,995
Profit		
Reportable segment profit	87,786	95,291
Reportable segment profit derived from Group's external customers and jointly controlled entities	(113)	(989)
Change in fair value of biological assets less estimated point-of-sale costs	(428)	(365)
Fair value of agricultural produce on initial recognition	5,444	7,839
Reversal of fair value of agricultural produce due to sales and disposals	(5,534)	(8,220)
Other income	5,425	10,283
Distribution costs	(30,947)	(30,369)
Administrative expenses	(32,840)	(32,858)
Finance costs	(1,818)	(5,196)
Other expenses	(2,903)	(7,798)
Consolidated profit before taxation	24,072	27,618
Assets		
Reportable segment assets	350,734	302,996
Deferred tax assets	2,133	759
Income tax recoverable	1	979
Unallocated head office and corporate assets	58,548	64,397
Consolidated total assets	411,416	369,131
Liabilities		
Reportable segment liabilities	119,665	87,405
Income tax payable	3,375	1,660
Deferred tax liabilities	14	22
Unallocated head office and corporate liabilities	30,230	35,788
Consolidated total liabilities	153,284	124,875

13 Segment reporting (Cont'd)

(c) Geographical information

The following table sets out information about the geographical location of (i) the Group's turnover from external customers and (ii) the Group's tangible fixed assets, and interests in jointly controlled entities ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and the location of operations, in the case of interests in jointly controlled entities.

	Turnover from external customers		Specified non-current assets	
	2009 USD'000	2008 USD'000	2009 USD'000	2008 USD'000
Mainland China	1,032,453	1,069,284	137,777	123,521
Vietnam	176,100	205,215	18,577	21,562
Japan	26,912	15,770	–	–
Rest of Asia Pacific	6,631	3,726	659	510
	1,242,096	1,293,995	157,013	145,593

14 Fixed assets

The Group

	Construction in progress USD'000	Buildings USD'000	Plant and machinery USD'000	Furniture, fittings and equipment USD'000	Motor vehicles USD'000	Sub-total USD'000	Lease prepayments USD'000	Total USD'000
Cost:								
At 1 January 2009	20,008	17,818	162,246	11,904	3,362	215,338	19,605	234,943
Additions	16,653	206	9,196	1,988	587	28,630	836	29,466
Transfers	(28,068)	318	27,614	136	–	–	–	–
Disposals	(185)	–	(3,751)	(620)	(330)	(4,886)	(1,834)	(6,720)
Exchange differences	(9)	(661)	(817)	(10)	(84)	(1,581)	(149)	(1,730)
At 31 December 2009	8,399	17,681	194,488	13,398	3,535	237,501	18,458	255,959
Accumulated depreciation and amortisation:								
At 1 January 2009	–	1,617	61,733	5,317	1,078	69,745	1,606	71,351
Charge for the year	–	862	11,908	1,486	475	14,731	436	15,167
Disposals	–	–	(2,458)	(582)	(274)	(3,314)	–	(3,314)
Exchange differences	–	(118)	(308)	(7)	(29)	(462)	(1)	(463)
At 31 December 2009	–	2,361	70,875	6,214	1,250	80,700	2,041	82,741
Carrying values:								
At 31 December 2009	8,399	15,320	123,613	7,184	2,285	156,801	16,417	173,218

14 Fixed assets (Cont'd)

The Group (Cont'd)

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

14 Fixed assets (Cont'd)

Certain buildings and lease prepayments are pledged to banks for banking facilities granted to the Group as disclosed in note 22(c).

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

	The Group	
	2009	2008
	USD'000	USD'000
The PRC	**13,569**	15,064
Vietnam	**2,542**	2,626
Malaysia	**306**	309
	16,417	17,999

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

	The Group	
	2009	2008
	USD'000	USD'000
Expiring:		
Between 26 to 50 years	**16,196**	17,906
Between 10 to 25 years	**221**	93
	16,417	17,999

15 Investments in subsidiaries

	The Group	
	2009	2008
	USD'000	USD'000
Unlisted shares, at cost	109,233	109,233

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

Name of company	Place and date of incorporation/ establishment and operation	Issued and fully paid up/ registered capital	Attributable equity interest		Principal activities
			Direct	Indirect	
			%	%	
Great Wall Northeast Asia Corporation ("NAC")	Cayman Islands 3 December 1996	USD68,855,251	100	–	Investment holding
Impreza Investments Ltd. ("Impreza")	BVI 7 November 1996	USD14,700,000	–	100	Investment holding
Great Wall Dalian Investment Co., Ltd. ("Dalian Investment")	BVI 23 February 1995	USD24,500,000	–	57	Investment holding
Great Wall Food (Dalian) Co., Limited ("Dalian Great Wall") (note (1) and (3)) 大成食品(大連)有限公司	PRC 6 December 1995	USD26,600,000	–	57	Manufacturing and trading of animal feeds, husbandry and trading of poultry and livestock, processing and trading of meat and meat products and foods processing
Great Wall Agritech (Liaoning) Co., Limited ("Liaoning Greatwall (BVI)")	BVI 13 September 1990	USD9,026,381	–	100	Investment holding
Great Wall Agritech (Liaoning) Co., Limited ("Liaoning Greatwall (HK)") 大成長城農技(遼寧)有限公司	Hong Kong 24 July 1990	HKD31,400,000	–	100	Investment holding
Liaoning Great Wall Agri-Industrial Co., Ltd. ("Liaoning Great Wall") (note (1), (2) and (3)) 遼寧大成農牧實業有限公司	PRC 19 July 1990	USD15,480,000	–	100	Manufacturing and trading of animal feeds, husbandry and trading of poultry and livestock, processing and trading of meat and meat products

15 Investments in subsidiaries (Cont'd)

Name of company	Place and date of incorporation/ establishment and operation	Issued and fully paid up/ registered capital	Attributable equity interest Direct %	Attributable equity interest Indirect %	Principal activities
Great Wall Agrotech Feed (Shenyang) Co., Ltd. ("Shenyang Great Wall") (note (2) and (3)) 大成農技飼料(瀋陽)有限公司	PRC 16 May 2007	USD3,038,000	–	100	Manufacturing and trading of animal feeds, husbandry and trading of poultry and livestock, processing and trading of meat and meat products
Great Wall Agri. (Heilongjiang) Co., Ltd ("Heilongjiang Great Wall") (note (1), (2) and (3)) 大成農牧(黑龍江)有限公司	PRC 25 May 2005	USD1,562,000	–	100	Manufacturing and trading of animal feeds
Dongbei Agri Corporation ("Dongbei Agri")	BVI 27 November 1996	USD11,910,000	–	100	Investment holding
Great Wall Agri. (Yingkou) Co., Ltd ("Yingkou Great Wall") (note (1), (2) and (3)) 大成農牧(營口)有限公司	PRC 1 April 1997	USD8,200,000	–	100	Manufacturing and trading of animal feeds, processing and trading of meat and meat products
Great Wall Agri (Tieling) Co., Ltd. ("Tieling Greatwall") (note (1), (2) and (3)) 大成農牧(鐵嶺)有限公司	PRC 16 May 1997	USD12,189,379	–	100	Manufacturing and trading of animal feeds, husbandry and trading of poultry and livestock, processing and trading of meat and meat products
Dongbei Agri (Changchun) Co., Ltd. ("Changchun Agri") (note (1), (2) and (3)) 東北農牧(長春)有限公司	PRC 28 August 2006	USD1,093,000	–	100	Manufacturing and trading of animal feeds
Hunan Greatwall Technologies & Feeds Co., Ltd. ("Hunan Greatwall") (note (1), (2) and (3)) 湖南大成科技飼料有限公司	PRC 8 October 2006	USD2,200,000	–	100	Manufacturing and trading of animal feeds

15 Investments in subsidiaries (Cont'd)

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

15 Investments in subsidiaries (Cont'd)

Name of company	Place and date of incorporation/ establishment and operation	Issued and fully paid up/ registered capital	Attributable equity interest Direct %	Attributable equity interest Indirect %	Principal activities
Asia Nutrition Technologies (VN) Investment Co., Ltd. ("ANTIC-VN")	BVI 7 September 1998	USD7,615,590	–	65.51	Investment holding
ANT-HN	Vietnam 22 January 2003	Vietnamese Dong ("VND") 89,600,000,000	–	65.51	Manufacturing and trading of animal feeds
ANT-VN	Vietnam 29 April 1995	VND 190,836,294,000	–	65.51	Manufacturing and trading of animal feeds
ANT-LA	Vietnam 13 April 2007	VND 48,000,000,000	–	65.51	Manufacturing and trading of feed meal and related additives, aquatic products, veterinary and aquatic medicine
Golden Harvest Inc. ("Golden Harvest")	Samoa 25 November 2003	USD1	–	65.51	Trading of feed ingredients
Great Wall Nutrition Technologies Sdn. Bhd. ("Great Wall Malaysia")	Malaysia 3 August 1990	Malaysian Ringgit 4,373,770	–	100	Manufacturing and sales of animal feeds
Marksville Corporation ("Marksville")	BVI 15 June 2007	USD1	–	100	Investment holding
Huludao DaChan Food Co., Ltd. ("Huludao DaChan") (note (1) and (3)) 葫蘆島大成食品有限公司	PRC 22 April 2008	RMB7,000,000	–	100	Manufacturing and trading of animal feeds
Dalian Tiancheng Broiler Development Co., Ltd. ("Dalian Tiancheng") (note (1) and (3)) 大連天成肉雞發展有限公司	PRC 15 September 2008	RMB7,000,000	–	100	Technical research and development in breeding broilers
DaChan Agricultural Technogies (Sichuan) Co., Ltd. ("Sichuan DaChan") (note (1) and (3)) 四川大成農牧科技有限公司	PRC 25 August 2008	RMB20,000,000	–	100	Manufacturing and trading of animal feeds and related additives, research and consultation on husbandry

15 Investments in subsidiaries (Cont'd)

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

15 Investments in subsidiaries (Cont'd)

Name of company	Place and date of incorporation/ establishment and operation	Issued and fully paid up/ registered capital	Attributable equity interest		Principal activities
			Direct %	Indirect %	
Qingdao DaChan Technologies Feed Co., Ltd. ("Qingdao DaChan") (note (1), (2) and (3)) 青島大成科技飼料有限公司	PRC 14 November 2008	USD3,300,000	–	100	Manufacturing and trading of animal feeds
Miyasun-Great Wall (BVI) Co., Ltd. ("Miyasun-Great Wall")	BVI 17 March 1995	USD2,000,000	–	100	Investment holding
Miyasun-Great Wall Foods (Dalian) Co., Ltd. ("Miyasun Foods") (note(1), (2) and (3)) 大成宮產食品(大連)有限公司	PRC 20 May 1995	USD9,880,000	–	100	Foods processing
Great Wall Agrotech Huludao Co., Ltd. 大成農技葫芦島有限公司 (note(1), (2) and (3))	PRC 13/07/2009	USD3,800,000		100	Manufacturing and trading of animal feeds
Geatwall Agri (Henan) Co., Ltd. 大成農牧((河南)有限公司 (note(1), (2) and (3))	PRC 24/07/2009	USD1,900,000		100	Manufacturing and trading of animal feeds
Tianjin Dachan Prospect Research And Development Co., Ltd. 天津大成前瞻生物科技研發有限公司 (note(1) and (3))	PRC 09/11/2009	RMB100,000		100	Research and development

Notes:

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

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

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

16 Interests in jointly controlled entities

	The Group		The Company	
	2009	2008	2009	2008
	USD'000	USD'000	USD'000	USD'000
Share of net assets	212	–	–	–
Share of loss	113	989	–	–

In 2009 and 2008 the Group did not receive dividends from any jointly controlled entities.

Details of the Group's interests in jointly controlled entities are as follows:

Name of jointly controlled entities	Form of business structure	Place of incorporation and operation	Particulars of issued share capital	Proportion of ownership interest: Group's effective interest	Held by a subsidiary	Held by a jointly controlled entities	Principal activity
DaLOL Bio-Nutrition (HK) Co., Ltd.	Incorporated	Hong Kong	USD2,000,000	50%	50%	–	Investment holding
Hunan DaLOL Bio-Technical Feed Co., Ltd.	Incorporated	PRC	USD600,000	50%	–	100%	Manufactory & trading of animal feeds

On 16 July 2009, the Group paid cash consideration equivalent to USD 325,000 to jointly established DaLOL Bio-Nutrition (HK) Co., Ltd together with Asia Harvest Holding Ltd. Hunan DaLOL Bio-Technical Feed Co., Ltd was incorporated on 1 September 2009 in the People's Republic of China as a wholly owned subsidiary of DaLOL Bio-Nutrition (HK) Co., Ltd.

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 and Miyasun-Great Wall became a 100% owned subsidiaries of the Group thereafter. The Group's share of loss in Miyasun-Great Wall incurred before the acquisition amounted to USD 989,000.

17 Inventories

(a) Inventories in the consolidated balance sheet comprise:

	The Group	
	2009	2008
	USD'000	USD'000
Animal feeds	**60,702**	41,927
Poultry and chilled meats	**24,268**	20,670
Processed foods	**5,279**	4,205
Agricultural produce	**424**	514
Consumables	**6,527**	6,509
	97,200	73,825

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

	The Group	
	2009	2008
	USD'000	USD'000
Carrying amount of inventories sold	**1,081,599**	1,125,740
Write-down of inventories	**114**	3,607
Reversal of write-down of inventories	**(2,719)**	(33)
Fair value of agricultural produce on initial recognition	**(5,444)**	(7,839)
Reversal of fair value of agricultural produce due to sales and disposals	**5,534**	8,220
	1,079,084	1,129,695

A provision of USD1,861,000 (2008: USD4,466,000) was made against those inventories with net realisable value lower than the carrying values as at 31 December 2009. Other than this provision, none of the inventories as at 31 December 2008 and 2009 were carried at net realisable value.

The reversal of write-down of inventories made in prior years arose due to an increase in the estimated net realisable value of certain inventories as a result of a change in market.

17 Inventories (Cont'd)

(c) Production quantities of agricultural produce:

	The Group 2009	The Group 2008
Broiler breeder eggs (units)	**29,722,000**	25,112,000

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

	The Group 2009 USD'000	The Group 2008 USD'000
At 1 January	**514**	895
Increase due to lay	**5,444**	7,839
Decrease due to sales and disposals	**(5,534)**	(8,220)
At 31 December	**424**	514

18 Biological assets

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

	The Group 2009 USD'000	The Group 2008 USD'000
At 1 January	**1,841**	1,718
Increase due to purchases	**767**	909
Decrease due to retirement and deaths	**(432)**	(421)
Change in fair value less estimated point-of-sale costs	**(428)**	(365)
At 31 December	**1,748**	1,841

18 Biological assets (Cont'd)

The number of biological assets is summarised as follows:

	The Group	
	2009	2008
	Unit	Unit
Chickens bred for growth into mature breeders	161,903	118,480
Mature breeders	112,832	98,611
	274,735	217,091

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

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

19 Trade and other receivables

	The Group		The Company	
	2009	2008	2009	2008
	USD'000	USD'000	USD'000	USD'000
Trade receivables	32,429	27,787	–	–
VAT recoverable (i)	28,572	25,524	–	–
Deposits and prepayments ((ii) and (iii))	11,518	7,528	–	–
Amounts due from related parties (note 28(d))	1,660	1,452	–	–
Advances to staff	933	648	–	–
Deposits paid for purchase of fixed assets	92	1,012	–	–
Other receivables	6,790	2,426	1,055	227
	81,994	66,377	1,055	227

19 Trade and other receivables (Cont'd)

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

(i) The VAT recoverable represents the unutilised input VAT eligible for 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 chickens from contract farmers. The directors of the Company are of the opinion that the VAT recoverable as at 31 December 2009 will be utilised within one year in accordance with the Group's budget.

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

(iii) As at 31 December 2009, the Group has deposits of USD428,000 with independent future trading agents for commodity derivative contracts entered into in the normal course of business primarily to protect the Group from the impact of price fluctuations in corn and soybean meal commodities. The aggregate notional amounts of the Group's outstanding future commodity contracts as at 31 December 2009 totalled USD550,000 (2008: USD1,108,000).

As at 31 December 2009, the Directors of the Company have assessed the fair value of the outstanding commodity derivative contracts with reference to a market quotation from independent trading agents and considered there was no material difference between the book value and the current market value. Hence, no change in the fair value of outstanding commodity derivative contracts was made in the consolidated income statement.

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

(a) Ageing analysis

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

	The Group	
	2009	2008
	USD'000	USD'000
Current	28,050	24,582
Less than 30 days past due	2,967	2,668
31-60 days past due	738	198
61-90 days past due	175	77
More than 90 days past due	499	262
Amounts past due	4,379	3,205
	32,429	27,787

19 Trade and other receivables (Cont'd)

(b) Impairment of trade and other receivables

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

The movement in the allowance for doubtful debts during the year is as follows:

	The Group	
	2009	2008
	USD'000	USD'000
At 1 January	1,131	1,414
Charged to consolidated income statement	363	173
Reversal of impairment loss	(226)	(31)
Uncollectible amounts written off	(563)	(425)
At 31 December	705	1,131

At 31 December 2009, the Group's trade and other receivables of USD705,000 (2008: USD1,131,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, allowances for doubtful debts of USD705,000 (2008: USD1,131,000) were recognised. The Group does not hold any collateral over these balances.

(c) Trade receivables that are not impaired

Receivables that were neither past due nor impaired (disclosed as current in the table given in note 19(a)) relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired (as shown in the table in note 19(a)) related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

20 Cash and cash equivalents

	The Group		The Company	
	2009	2008	2009	2008
	USD'000	USD'000	USD'000	USD'000
Cash and cash equivalents in the balance sheet	53,931	60,505	5,240	2,559
Bank overdrafts (note 22(a))	–	(76)	–	–
Cash and cash equivalents in the consolidated cash flow statement	53,931	60,429	5,240	2,559

As at 31 December 2009, cash at bank and in hand in the PRC included in the cash and cash equivalents for the Group amounted to USD30,442,315 (2008: USD47,384,714). 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.

21 Trade and other payables

	The Group		The Company	
	2009	2008	2009	2008
	USD'000	USD'000	USD'000	USD'000
Trade payables	78,180	52,268	–	–
Receipts in advance	3,660	3,180	–	–
Amounts due to related parties (note 28(e))	1,227	1,394	–	–
Bills payable	–	97	–	–
Other payables and accruals	38,198	35,292	1,084	2,429
	121,265	92,231	1,084	2,429

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

21 Trade and other payables (Cont'd)

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

	The Group	
	2009	2008
	USD'000	USD'000
Within 30 days	72,895	50,762
31 days to 60 days	2,979	938
61 days to 90 days	904	229
91 days to 180 days	1,402	339
	78,180	52,268

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

	The Group		The Company	
	2009	2008	2009	2008
	USD'000	USD'000	USD'000	USD'000
Salaries, wages, bonuses and other benefits payable	13,443	13,648	605	1,838
Payables for purchase of fixed assets	1,867	1,276	–	–
Contract performance deposits	5,880	5,333	–	–
Accrued expenses	6,604	5,281	479	591
Other payables	10,404	9,754	–	–
	38,198	35,292	1,084	2,429

22 Interest-bearing borrowings

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

	The Group		The Company	
	2009	2008	2009	2008
	USD'000	USD'000	USD'000	USD'000
Bank overdrafts (note 20)	–	76	–	–
Bank loans				
– repayable within one year	26,417	23,069	–	2,000
– repayable after 1 year but within 2 years	372	3,013	–	–
– repayable after 2 years but within 5 years	1,841	3,132	–	–
	28,630	29,214	–	2,000
Total bank loans and overdrafts	28,630	29,290	–	2,000
Less: bank loans and overdrafts repayable within one year classified as current liabilities	(26,417)	(23,145)	–	(2,000)
	2,213	6,145	–	–

22 Interest-bearing borrowings (Cont'd)

(b) Terms

	The Group		The Company	
	2009	2008	2009	2008
	USD'000	USD'000	USD'000	USD'000
Secured bank overdrafts:				
– Floating interest rate at 8.0% per annum	–	76	–	–
Secured bank loans:				
– Fixed interest rate at 6.5% per annum	239	–	–	–
– Floating interest rate ranging from 3.5%-10.0% per annum (2008: 5.4%-20.0% per annum)	2,438	3,655	–	–
	2,677	3,655	–	–
Unsecured bank loans:				
– Fixed interest rate at 4.5% per annum (2008: 8.2% per annum)	10,839	2,926	–	–
– Floating interest rate ranging from 1.6%-10.5% per annum (2008: 3.6%-21.0% per annum)	15,114	22,633	–	2,000
	25,953	25,559	–	2,000
Total bank loans and overdrafts	28,630	29,290	–	2,000

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

	The Group	
	2009	2008
	USD'000	USD'000
Land and buildings	2,060	3,245
Plant and machinery	3,284	1,257
	5,344	4,502

23 Shared-based payments

(a) Share option scheme

On 14 September 2007, the Group adopted 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.

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

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

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

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

	2009		2008	
	Weighted average exercise price	Number of options '000	Weighted average exercise price	Number of options '000
Outstanding at the beginning of the year	HKD1.088	11,500,000		–
Granted during the year		–	HKD1.088	11,500,000
Exercised during the year	HKD1.088	(513,333)		–
Forfeited during the year	HKD1.088	(1,600,000)		–
Outstanding at 31 December	HKD1.088	9,386,667	HKD1.088	11,500,000
Exercisable at 31 December	HKD1.088	2,786,667		–

The options outstanding at 31 December 2009 had an exercise price of HKD1.088 (2008: HKD1.088) and a weighted average remaining contractual life of 2.8 years (2008: 3.8 years).

23 Shared-based payments (Cont'd)

(a) Share option scheme (Cont'd)

(iii) Fair value of share options and assumptions

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

Fair value of share options and assumptions

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

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

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

During the year ended 31 December 2009, equity-settled share option payments expenses amounted to USD253,000 (2008: USD63,000) were recognised in the consolidated income statements.

23 Shared-based payments (Cont'd)

(b) Restricted share award scheme

On 23 December 2008, the Group adopted a restricted share award scheme (the "Scheme") to retain the best available personnel by providing additional incentives to employees of the Group, including directors of any company in the Group. Unless terminated earlier by the Board, the Scheme shall be valid and effective for a term of ten years. The shares repurchased under the Scheme become restricted once granted and become unrestricted again once vested. The Scheme is not subject to the provisions of Chapter 17 of the Listing Rules.

Particulars and movement of the restricted shares under the Scheme during the year ended 31 December 2009 were as follows:

	Outstanding as at 01/01/2009	Granted during the year	Vested during the year	Outstanding as at 31/12/2009	Date of grant (DD/MM/YY)	Vesting period
Directors	–	288,000	(96,000)	192,000	09/11/2009	0-2 years
Employees	–	622,000	(328,000)	294,000	09/11/2009	0-2 years
Total	–	910,000	(424,000)	486,000		

Movements in the number of restricted shares outstanding and the respective weighted average grant date fair value attributable to the employees of the Group as grantees of the Scheme of the Company were as follows:

	2009	
	Weighted average grant date fair value [(i)] USD	Number of restricted shares
Outstanding at January 1	–	–
Granted	0.190	910,000
Vested	0.190	(424,000)
Outstanding at December 31	0.190	486,000

(i) Grant date fair value represents the fair value of the shares of the Company at the grant date.

During the year ended 31 December 2009, restricted share award scheme payments expenses amounted to USD88,000 (2008: nil) were recognised in the consolidated income statements.

24 Deferred taxation

(a) Movement of deferred tax assets and (liabilities) during the year

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

	Depreciation allowance in excess of the related depreciation USD'000	Provision for stock USD'000	Impairment loss– receivables USD'000	Allowable tax loss USD'000	Others USD'000	Total USD'000
At 1 January 2009	(22)	480	220	–	59	737
Credited/(charged) to consolidated income statement (note 7(b))	8	(457)	(165)	2,055	(59)	1,382
At 31 December 2009	(14)	23	55	2,055	–	2,119
At 1 January 2008	(27)	64	166	–	408	611
Credited/(charged) to consolidated income statement (note 7(b))	5	416	54	–	(349)	126
At 31 December 2008	(22)	480	220	–	59	737

(b) Reconciliation to the consolidated balance sheet

	2009 USD'000	2008 USD'000
Net deferred tax assets recognised on the consolidated balance sheet	2,133	759
Net deferred tax liabilities recognised on the consolidated balance sheet	(14)	(22)
	2,119	737

24 Deferred taxation (Cont'd)

(c) Deferred tax assets not recognized

In accordance with the accounting policy set out in note 3(q), the Group has not recognised deferred tax assets in respect of cumulative tax losses of USD 10,293,000 (2008: USD 7,649,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses can be carried forward for 5 years.

(d) Deferred tax liabilities not recognized

Under the new PRC tax law, dividends received by foreign investors from their investment in foreign-invested enterprises are subject to withholding tax at a rate of 10% unless reduced by treaty. Pursuant to a tax treaty between the PRC and Hong Kong, the investment holding companies established in Hong Kong are subject to a reduced withholding tax rate of 5% on dividends they receive from their PRC subsidiaries. Pursuant to the grandfathering treatments of the new PRC tax law, dividends receivable by the Group from its PRC subsidiaries in respect of its undistributed profits prior to 31 December 2007 are exempted from the withholding tax. Dividends receivable by the Group from its PRC subsidiaries in respect of its profits earned since 1 January 2008 will be subject to the withholding tax. Accordingly, deferred tax would be recognised for undistributed retained earnings of the PRC subsidiaries to the extent that the earnings would be distributed in the foreseeable future.

As at 31 December 2009, temporary differences relating to the undistributed profits of subsidiaries amounted to USD18,040,000 (2008: USD10,725,000). Deferred tax liabilities of USD1,219,000 (2008: USD617,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

25 Capital and reserves

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2009 USD'000	2008 USD'000
Final dividend proposed after the balance sheet date of HK2.80 cents per share (2008: HK3.77 cents per share)	3,653	4,919

(ii) Dividends payable to equity shareholders of the Company and minority shareholders of its subsidiaries attributable to the previous financial year, approved and paid during the year

	2009 USD'000	2008 USD'000
Dividends to equity shareholders of the Company	4,885	–
Dividends to minority shareholder of subsidiaries	452	–
	5,337	–

25 Capital and reserves (Cont'd)

(b) Share capital

(i) Authorised and issued share capital

	2009		2008	
	Number of shares '000	Amount USD'000	Number of shares '000	Amount USD'000
Authorised:				
Ordinary shares of HKD0.1 each at 31 December	10,000,000	128,205	10,000,000	128,205
Ordinary shares, issued and fully paid:				
At 1 January	1,010,662	12,957	1,010,662	12,957
Shares repurchased under restricted share award scheme (ii)	(3,359)	(43)	–	–
Share granted to employee under restricted share award scheme (iii)	424	5	–	–
Share issued under share option scheme (iv)	513	7	–	–
At 31 December	1,008,240	12,926	1,010,662	12,957

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

25 Capital and reserves (Cont'd)

(b) Share capital (Cont'd)

(ii) Purchase of own shares

Core Pacific-Yamaichi International (Hong Kong) is an employee benefit trust used in conjunction with the restricted share award schemes. The trustee has agreed to satisfy the award made under the restricted share award scheme through the relevant employee benefit trust. As part of restricted share award scheme, the Group fund the trust, from time to time to enable the trustee to acquire its own ordinary shares to satisfy the award. All shares have been acquired through the Stock Exchange of Hong Kong Limited.

The trust was treated as a legal entity separate from the Company but as a subsidiary of the Company for consolidation purpose. The shares held by the trust are treated as treasury shares.

Details of these shares repurchased and held by the trust are set out below:

Month/year	Number of shares repurchased	Highest price paid per share USD	Lowest price paid per share USD	Aggregate price paid USD
December 2008	548,000	0.114	0.113	62,153
November 2009	2,222,000	0.192	0.184	419,042
December 2009	589,000	0.189	0.189	111,315
Total	3,359,000			592,510
Shares granted to employees under restricted share award scheme	(424,000)			(74,791)
Shares held at the end of the year	2,935,000			517,719

An amount equivalent to the par value of the shares repurchased of USD43,000 was transferred from retained profits to the capital redemption reserve.

25 Capital and reserves (Cont'd)

(b) Share capital (Cont'd)

(iii) Shares granted under restricted share award scheme

On 15 December 2009, 424,000 shares were granted to the employees. An amount equivalent to the par value of the shares granted of USD 5,436 was transferred from the capital redemption reserve to the share capital and USD73,656 was transferred from the share-based payment reserve to share premium.

(iv) Shares issued under share option scheme

In November and December of 2009, options were exercised to subscribe for 513,333 ordinary shares in the Company at a consideration of USD 71,603 of which USD 6,581 was credited to share capital and the balance of USD 65,022 was credited to the share premium account. USD 23,047 was transferred from the share-based payment reserve to the share premium account in accordance with policy set out in note 3(s)(ii).

(c) Nature and purpose of reserves

(i) Share premium

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

(ii) Merger reserve

Pursuant to the reorganisation plan of the Group in preparation of the Company's listing in the Main Board of The Stock Exchange of Hong Kong Limited ("the Reorganisation"), the Company issued 1,999,999 ordinary shares of HKD0.1 each to the then shareholders of NAC in consideration of acquiring their equity interests held in NAC. The difference between the then shareholders' total capital contributions to NAC over the nominal value of the shares issued by the Company in exchange thereof was transferred to the merger reserve in the consolidated financial statements as at the date of Reorganisation.

(iii) PRC statutory reserves

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

25 Capital and reserves (Cont'd)

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

(iii) PRC statutory reserves (Cont'd)

General reserve fund

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

Enterprise development fund

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

(iv) Translation reserve

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

(v) Share-based payment reserve

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

25 Capital and reserves (Cont'd)

(d) The Company

	Note	Share premium USD'000	Contributed surplus USD'000	Retained profit USD'000	Share-based payment reserve USD'000	Total USD'000
At 1 January 2009		76,121	98,537	9,186	–	183,844
Equity-settled share-based payment transactions		162	–	(32)	265	395
Dividends to owners		–	–	(4,885)	–	(4,885)
Profit for the year		–	–	5,610	–	5,610
At 31 December 2009		76,283	98,537	9,879	265	184,964
At 1 January 2008		76,121	98,537	(1,655)	–	173,003
Profit for the year				10,841	–	10,841
At 31 December 2008		76,121	98,537	9,186	–	183,844

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

(e) Distributability of reserves

At 31 December 2009, the aggregate amount of reserves available for distribution to equity shareholders of the Company, including the distributable amounts disclosed in note 25(c)(i), was approximately USD184,964,000 (2008: approximately USD183,844,000).

(f) Capital management

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

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

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

25 Capital and reserves (Cont'd)

(f) Capital management (Cont'd)

During 2009 the Group's strategy, which was unchanged from 2008, was to maintain the adjusted net debt-to-capital ratio at not more than 50%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends payable to shareholders, issue new shares or return capital to shareholders.

The adjusted net debt-to-adjusted capital ratio at 31 December 2008 and 2009 was as follows:

	Note	The Group 2009 USD'000	2008 USD'000
Current liabilities:			
– Trade and other payables	21	121,265	92,231
– Interest-bearing borrowings	22	26,417	23,145
		147,682	115,376
Non-current liabilities:			
– Interest-bearing borrowings	22	2,213	6,145
Total debt		149,895	121,521
Less: Cash and cash equivalents	20	(53,931)	(60,505)
Pledged bank deposits		(979)	(1,253)
Adjusted net debt		94,985	59,763
Capital		258,132	244,256
Adjusted net debt-to-capital ratio		37%	24%

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

26 Commitments

(a) Capital commitments

Capital commitments outstanding at 31 December 2009 not provided for in the consolidated financial statements were as follows:

	The Group	
	2009	2008
	USD'000	USD'000
Contracted for	**10,720**	9,614
Authorised but not contracted for	**13,022**	19,815
	23,742	29,429

(b) Operating lease commitments

At 31 December 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2009	2008
	USD'000	USD'000
Within 1 year	**566**	575
After 1 year but within 5 years	**873**	1,173
After 5 years	**4,518**	4,655
	5,957	6,403

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.

26 Commitments (Cont'd)

(c) Purchase commitments

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

	The Group	
	2009	2008
	USD'000	USD'000
Contracted for	**46,036**	30,112

(d) Sales commitments

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

	The Group	
	2009	2008
	USD'000	USD'000
Contracted for	**33,070**	35,723

27 Contingent liabilities

The Group has adopted a new contract farming arrangement for chickens in 2009, namely China Chicken Raising Company ("CCRC"), under which the Group contracts with individuals ("the Contractors") and agrees to purchase live chickens, upon fulfilment of certain quality requirements, at an agreed price determined based on the then prevailing market price (the corresponding purchase commitments is disclosed in note 26(c)). In addition, the Group assumes a guarantor role in the lease agreements between the Contractors and owners of farms ("the Lessors"), whereby the Group guarantees the payment of rentals in the event of default by the Contractors. The Group also undertakes to either replace the Contractors to continue the execution of the leases or compensate the Lessors with 50% of the remaining rental payable if the Contractors withdraw from the lease.

As at 31 December 2009, the total future minimum non-cancellable lease payments of the Contractors under CCRC model are payable as follows:

	The Group	
	2009	2008
	USD'000	USD'000
Within 1 year	**702**	–
After 1 year but within 5 years	**2,587**	–
After 5 years	**2,815**	–
	6,104	–

28 Related party transactions

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

(a) Name and relationship with related parties

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

Name of party	Relationships
Great Wall Enterprise Co., Ltd. ("GWE") 大成長城企業股份有限公司*	Ultimate holding company
Great Wall International (Holdings) Ltd. ("GWIH")	Intermediate holding company
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

28 Related party transactions (Cont'd)

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

Name of party	Relationships
Great Wall Yung Huo Food (Beijing) Co., Ltd. ("GWYHB") 北京大成永和餐飲有限公司 *	Subsidiary of GWE, ultimate holding company of the Company
Beijing Universal Chain Food Co., Ltd. ("BUCF") 北京寰城季諾餐飲有限公司 *	Subsidiary of GWE, ultimate holding company of the Company
Total Nutrition Technologies Co., Ltd. ("TNT") 全能營養技術股份有限公司 *	Subsidiary of GWE, ultimate holding company of the Company
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 subsidiaries
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, now subsidiary of the Company
DaLOL Bio-Nutrition (HK) Co., Ltd.	Jointly controlled entity
Hunan Dalol Bio-technical Feed Co., Ltd. 湖南大藍生物科技飼料有限公司 *	Subsidiary of DaLOL Bio-Nutrition (HK) Co., Ltd., jointly controlled entity of the Company
Marubeni Corporation ("Marubeni")	Minority shareholder
Food China Global Co., Ltd. ("FCG")	Associate of GWIH, intermediate holding company of the Company
Shanghai Universal Chain Food Co., Ltd. ("SUCF")	Subsidiary of GWE, ultimate holding company of the Company
Marubeni (Beijing) Co., Ltd. ("Marubeni Beijing")	Subsidiary of Marubeni, minority shareholder
Marubeni (Dalian) Co., Ltd. ("Marubeni Dalian")	Subsidiary of Marubeni, minority shareholder
Marubeni (Qingdao) Co., Ltd. ("Marubeni Qingdao")	Subsidiary of Marubeni, minority shareholder

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

28 Related party transactions (Cont'd)

(b) Significant related party transactions

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

	Note	2009 USD'000	2008 USD'000
Recurring			
Sales to:			
Ultimate holding company			
– GWE	(v)	18	24
A former jointly controlled entity			
– Miyasun Foods		–	4,795
A minority shareholder			
– Marubeni	(v)	15,375	8,860
Fellow subsidiaries			
– BUCF		1	6
– SUCF		1	4
– GWYHB		288	330
– TNT		–	11
	(v)	290	351
Other related parties			
– FCG		4,720	600
		20,403	14,630

28 Related party transactions (Cont'd)

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

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

	Note	2009 USD'000	2008 USD'000
Recurring (Cont'd)			
Purchases from:			
A former jointly controlled entity			
– Miyasun Foods		–	394
Ultimate holding company			
– GWE	(v)	128	–
Fellow subsidiaries			
– GWF-TJ		395	198
– BUCF		1	–
– DSF		978	1,055
– GWYHB		52	–
– TNT		–	113
	(v)	1,426	1,366
Other related party			
– LOL-BJ		8	159
A minority shareholder			
– Marubeni	(v)	–	8
Subsidiaries of a minority shareholder			
– Marubeni Beijing		4,574	3,721
– Marubeni Dalian		50	123
– Marubeni Qingdao		313	222
	(v)	4,937	4,066
		6,499	5,993

28 Related party transactions (Cont'd)

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

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

	Note	2009 USD'000	2008 USD'000
Recurring (Cont'd)			
Management fee received from:			
Former jointly controlled entities			
– Miyasun-Great Wall	(i)	–	80
– Miyasun Foods	(i)	–	43
		–	123
Management fee paid to:			
Ultimate holding company			
– GWE	(ii) and (v)	844	867
A minority shareholder			
– Marubeni	(iii) and (v)	100	100
Other related parties			
– FCG		63	–
		1,007	967
Rent paid to:			
A fellow subsidiary			
– GWF-TJ	(v)	9	9
Non-recurring			
Processing expense paid to:			
A former jointly controlled entity			
– Miyasun Foods		–	75

28 Related party transactions (Cont'd)

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

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

	Note	2009 USD'000	2008 USD'000
Non-recurring (Cont'd)			
Interest received from:			
A former jointly controlled entity			
– Miyasun-Great Wall		–	44
Dividend paid to:			
A minority shareholder			
– Marubeni		100	–

Notes:

(i) The management fee received from former jointly controlled entities in 2008, which have become the wholly owned subsidiaries of the Group since 1 May 2008, and up to the date of acquisition 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.

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

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

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

28 Related party transactions (Cont'd)

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2009 USD'000	2008 USD'000
Short term employee benefits	1,730	1,850
Post-employment benefits	38	44
Share-based payments	196	37
	1,964	1,931

Total remuneration was included in "staff costs" (note 6(b)).

(d) Amounts due from related parties

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

	Note	2009 USD'000	2008 USD'000
Trade receivables from:	(i)		
Fellow subsidiaries			
– BUCF		–	1
– GWYHB		41	55
		41	56
A minority shareholder			
– Marubeni		1,619	1,396
Included in trade and other receivables (note 19)		1,660	1,452

(i) Trade receivables from related parties are unsecured, interest free and are expected to be recovered within one year. There was no impairment loss made against these amounts at 31 December 2008 and 2009.

28 Related party transactions (Cont'd)

(e) Amounts due to related parties

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

	Note	2009 USD'000	2008 USD'000
Trade payables to:	(i)		
Fellow subsidiaries			
– DSF		154	109
– GWF-TJ		106	36
		260	145
Other related party			
– LOL-BJ		2	–
Subsidiaries of minority shareholder			
– Marubeni Beijing		–	334
– Marubeni Dalian		101	19
– Marubeni Qingdao		20	29
		121	382
		383	527
Other payables to:			
Ultimate holding company			
– GWE		844	867
Included in trade and other payables (note 21)		1,227	1,394

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

29 Financial risk management and fair values

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

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below:

(a) Credit risk

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the balance sheet date, 9.1% (2008: 5.4%) and 15.0% (2008: 10.7%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers, respectively.

(b) Liquidity risk

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

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

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

(b) Liquidity risk (Cont'd)

The Group

	2009				
	Carrying amount USD'000	Total contractual undiscounted cash flow USD'000	Within 1 year or on demand USD'000	More than 1 year but less than 2 years USD'000	More than 2 years but less than 5 years USD'000
Bank loans	28,630	29,231	26,691	406	2,134
Trade and other payables	120,038	120,038	120,038	–	–
Amounts due to related parties	1,227	1,227	1,227	–	–
	149,895	150,496	147,956	406	2,134

	2008				
	Carrying amount USD'000	Total contractual undiscounted cash flow USD'000	Within 1 year or on demand USD'000	More than 1 year but less than 2 years USD'000	More than 2 years but less than 5 years USD'000
Bank overdrafts	76	76	76	–	–
Bank loans	29,214	31,248	24,044	3,450	3,754
Trade and other payables	90,837	90,837	90,837	–	–
Amounts due to related parties	1,394	1,394	1,394	–	–
	121,521	123,555	116,351	3,450	3,754

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

(b) Liquidity risk (Cont'd)

The Company

	2009 Carrying amount USD'000	2009 Total contractual undiscounted cash flow USD'000	2009 Within 1 year or on demand USD'000
Other payables and accruals	1,084	1,084	1,084
Amount due to ultimate holding company	967	967	967
	2,051	2,051	2,051

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

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

(c) Interest rate risk

The interest rates and terms of repayment of the interest-bearing borrowings of the Group are disclosed in note 22. The Group's variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings at the balance sheet date.

	The Group			
	2009		2008	
	Effective interest rate %	USD'000	Effective interest rate %	USD'000
Variable rate borrowings:				
– Bank overdrafts	–	–	8.0%	76
– Bank loans	1.6%-10.5%	17,552	3.6%-21.0%	26,288
		17,552		26,364
Fixed rate borrowing:				
– Bank loans	4.5%	11,078	8.2%	2,926
Total net borrowings		28,630		29,290

(ii) Sensitivity analysis

As at 31 December 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by approximately USD232,000 (2008: USD264,000), and there is no impact on other components of the consolidated equity, except for retained profits of the Group.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2008.

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

(d) Currency risk

Substantially all of the revenue-generating operations of the Group are transacted in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign currencies.

As HKD is pegged with USD, the Group considers the currency risk of HKD position is insignificant.

(i) Exposure to currency risk

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

The Group

	2009 USD'000	2008 USD'000
Trade and other receivables	1,213	264
Cash and cash equivalents	1,051	7,670
Trade and other payables	(2,736)	(346)
Interest-bearing borrowings	(12,350)	(12,751)
Gross exposure arising from recognised assets and liabilities	(12,822)	(5,163)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant. The sensitivity analysis includes balances between Group entities where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower.

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

(d) Currency risk (Cont'd)

The Group

	2009		2008	
	Increase/ (decrease) in foreign exchange rate	Effect on profit after tax and retained profits USD'000	Increase/ (decrease) in foreign exchange rate	Effect on profit after tax and retained profits USD'000
USD	8%	1,026	8%	413
	(8%)	(1,026)	(8%)	(413)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effect on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into US dollars at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the Group entities' exposure to currency risk for non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

(e) Business risk

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

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

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

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

(f) Commodity price risk

The Group is exposed to price risks arising from any unexpected increase in the prices of corn and soybean meal commodities before committing to purchase of raw materials and any unexpected decreases in the prices of corn and soybean meal commodities following completion of purchases. To protect the Group from the impact of price fluctuations in corn and soybean meal commodities, commodity derivative contracts are entered into with independent futures trading agents. Changes in the fair value of commodity derivative contracts that economically hedge the price fluctuations in corn and soybean meal commodities and for which no hedge accounting is applied are recognised in the consolidated income statement. Further details of these commodity derivative contracts are set out in note 19(iii) above.

(g) Fair value

(i) Financial instruments carried at fair value

In accordance with IFRS 7 Financial Instruments: Disclosures, the Group defines the three levels of fair value hierarchy as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

Fair value of each financial instrument is categorized in its entirety based on the lowest level of input that is significant to that fair value measurement.

The Group's only financial instrument measured at fair value is commodity derivative contracts, fair values of which are measured using quoted prices from independent trading agents without adjustments and therefore fall into level 1.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2009 and 2008.

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

(h) Estimation of fair values

The following summaries the major methods and assumptions used in estimating the fair values of financial instruments carried at other than fair value set out in note 29(g) above:

Short-term financial assets and liabilities

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

30 Accounting estimates and judgements

Key sources of estimation uncertainty

Note 29(h) contains information about the assumptions relating to the fair value of financial instruments. Note 23(a) contains information about the assumptions relating to the fair value of share options. Other key sources of estimation uncertainty are as follows:

(i) Net realisable value of inventories

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

(ii) Impairment of trade receivables

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

(iii) Depreciation

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

30 Accounting estimates and judgements (Cont'd)

Key sources of estimation uncertainty (Cont'd)

(iv) Income taxes

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

(v) Fair value of biological assets and agricultural produce

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

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

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

31 Comparative figures

As a result of the application of IFRS 1 (revised 2007) Presentation of Financial Statements, and IFRS 8 Operating Segments, certain comparative figures have been adjusted to conform to current year'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 2.

32 Immediate and ultimate holding company

At 31 December 2009, the directors consider the immediate parent and ultimate controlling party of the Group to be Waverley Star Limited and GWE respectively, which are incorporated in BVI and the Republic of China respectively.

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

33 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2009

Up to the date of issue of the financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2009 and which have not been adopted in the financial statements.

Of these developments, the following relate to matters that may be relevant to Group's operations and the financial statements:

	Effective for accounting periods beginning on or after
Improvements to IFRSs 2008	1 July 2009
IFRIC 17 Distributions of Non-cash Assets to Owners	1 July 2009
Improvements to IFRSs 2009	1 July 2009 or 1 January 2010
Amendment to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions	1 January 2010
Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues	1 February 2010
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2009
Revised IAS 24 Related Party Disclosures	1 January 2011
IFRS 9, Financial Instruments Basis for Conclusion on IFRS 9 Amendments to Other IFRSs and Guidance on IFRS 9	1 January 2013

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.

34 Subsequent event

On 11 February 2010, Tianjin DaChan, an indirect wholly-owned subsidiary of the Company, entered into the Share Transfer Agreement with Yanzhou Jialong Foods Company Limited ("the Vendor"), pursuant to which Tianjin DaChan agreed to acquire from the Vendor an additional 19% equity interests in Yanzhou DaChan (or such other percentage of equity interest Yanzhou DaChan to be agreed between Tianjin DaChan and the Vendor on or before 20 March 2010) for a consideration of RMB5,000,000 (equivalent to approximately USD732,279). Prior to the completion of the Acquisition, Tijian DaChan holds 51% of Yanzhou DaChan. Unless a different percentage of equity interest is agreed by the parties to be transferred for the sum of the consideration, Tijian DaChan will hold 70% of Yanzhou DaChan following the completion of the Acquisition.

Corporate Information

DIRECTORS

Executive Directors

Mr. Han Jia-Hwan *(Chairman)*
Mr. Chang Tiee-Shen *(Chief Executive Officer)*
(resigned on 12 March 2010)
Mr. Chen Fu-Shih *(Chief Administrative Officer)*
Mr. Shu Edward Cho-Shen *(appointed on 12 March 2010)*

Non-executive Directors

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

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 *(resigned on 12 March 2010)*
Mr. Chen Fu-Shih
Mr. Ou Chang-Jou
(appointed on 23 December 2009 in place of
Mr. Huang Shih-Kun)
Miss Chen Li-Chin (appointed on 16 February 2009)
Mr. Shu Edward Cho-Shen (appointed on 12 March 2010 in
place of Mr. Chang Tiee-Shen)

COMPANY SECRETARY

Ms. Pang Siu Yin

LEGAL ADVISER

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Room 501, 5/F., Sun Hung Kai Centre
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AUDITORS

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

PRINCIPAL BANKERS

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DBS Bank (Hong Kong) Limited
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OFFICE IN THE PRC

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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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(formerly known as 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

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INVESTOR RELATIONS

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Five Years Financial Summary

	For the year ended 31 December				
	2009	2008	2007	2006	2005
Turnover (USD'000)	**1,242,096**	1,293,995	894,491	637,395	532,080
Gross profit (USD'000)	**87,786**	95,291	75,749	53,514	43,454
Gross profit margin (%)	**7.1**	7.4	8.5	8.4	8.2
Profit for the year (USD'000)	**15,818**	21,855	31,194	16,495	8,914
Net profit margin (%)	**1.3**	1.7	3.5	2.6	1.7
Profit attributable to owners of the Company (USD'000)	**15,818**	19,675	26,238	13,355	8,523
Earnings per share					
– basic (US cents)	**1.57**	1.95	3.23	1.78	1.14
– diluted (US cents)	**1.56**	N/A	N/A	N/A	N/A

	At 31 December				
	2009	2008	2007	2006	2005
	USD'000	USD'000	USD'000	USD'000	USD'000
Net assets	**258,132**	244,256	212,698	88,095	69,881
Total assets	**411,416**	369,131	378,272	204,966	178,000
Non-controlling interest	**30,899**	27,340	20,061	14,303	10,867
Total liabilities	**153,284**	124,875	165,574	116,871	108,119