



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



Transparent origins
Ensuring Safety

Interim Report 2010

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2 Corporate Information

DIRECTORS

Executive Directors

Mr. Han Jia-Hwan (*Chairman*)
Mr. Shu Edward Cho-Shen
Mr. Chen Fu-Shih

Non-executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

EXECUTIVE COMMITTEE

Mr. Han Jia-Hwan (*Chairman*)
Mr. Shu Edward Cho-Shen
Mr. Chen Fu-Shih
Mr. Huang Shih-Kun
Mrs. Chu Chen Li-Chin
Mr. Ou Chang-Jou
Mr. Lee Yi-Ming

COMPANY SECRETARY

Ms. Pang Siu Yin

LEGAL ADVISER

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

AUDITORS

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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
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DBS Bank (Hong Kong) Limited
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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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STOCK CODE

3999

INVESTOR RELATIONS

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CHAIRMAN'S STATEMENT

农业部无公害农产品
认证编号：WGH-04-07851

家禽
Poultry

来源透明 吃的安心

家禽
Poultry

来源透明 吃的安心

来源透明 吃的安心

Dear shareholders,

China's economy continued to rebound from the global financial crisis and expanded 11.1 percent in the first half of 2010. During the period the Group was able to maintain growth although our overall performance was negatively impacted by an adverse operating environment for our chicken meat and feeds to external customers segments, which together accounted for 91.7% of the Group's total turnover.

Despite the challenging environment for the chicken meat and feeds to external customers segments, we have made significant progress in the processed food segment. The supermarket channel is playing an increasingly important role in the distribution of processed food in China, gradually replacing the more traditional channels such as wet markets. Although supermarkets and convenience stores account for only about 5% of all retail outlets in China, they account for more than one-third of retail sales in the country.

With our long standing partnerships with supermarket chains in China DaChan Food is well-positioned to grow the processed food business to a much bigger scale as the supermarket channel in China continues to develop. The top customers of our processed food business are all well known international and domestic supermarket chains: Wal-mart, Carrefour, Trust-Mart, Tesco, Century Mart, Metro, Auchan and E-Mart. In fact, processed food products sales from supermarket channel grew impressively in the first half of 2010 from the end of last year.

We were able to sharply increase our processed food products penetration in China, to new markets such as Wuhan, Chengdu, Shandong, Xiamen and Heilongjiang. We are on track to expand our branded business in China. As of the end of July 2010, the Group has successfully placed its "Sisters' Kitchen" products on the shelves of 115 supermarkets in Beijing, Tianjin and Nanjing. We have also been able to raise the profile of our "Sisters' Kitchen" deli stores in Beijing, which sell exclusively our own products.

In the retail market we continued to make good progress in our efforts to lift brand recognition. In particular, our proprietary product tracing program which enables consumers to trace our products from farm level to food table through the Internet and mobile phone has been well received by the market.

During the period under review, the Group made further progress in expanding the processed food export business to overseas markets, with monthly export volume registering a record high in June. Thanks to our R&D efforts, new products such as charcoal grilled pork fillets and charcoal grilled chicken thighs were well received by tier-one supermarkets and convenience stores in Japan.

The operating environment for our chicken meat business in the first half of 2010 was exceptionally challenging. A surge in corn prices and an oversupply in the market resulted in a significant drop in the prices of live pigs which in turn triggered a corresponding sharp decline in the prices of chicken meat. This, together with an increase in production costs, caused a significant erosion in the gross margin of the segment. Nonetheless, the Group managed to grow the chicken meat business and expand its customer base during the period, thanks to the strong brand name which we have built over the years.

The national hog-corn ratio dropped to below the break-even point of five in June. Low profitability and a run of disease outbreaks in China have put some farmers off from raising pigs, lowering the demand for our feeds products. Blue ear disease and swine fever in Vietnam also dampened the demand for pork and hence swine feeds. Against this backdrop of softening demand, heated competitions in the feeds to external customer market squeezed gross margins further. Still, through optimizing sales channels we managed to achieve stable growth in the feeds business in China. In Vietnam, we have been successful in expanding the feeds business as our brand continues to grow in popularity in that market.

Since the beginning of the second half of 2010, we have seen continued improvement in the operating environment of the chicken meat and feeds to external customer businesses. Demand for our products began to strengthen and ASP is improving. That is why we are cautiously optimistic about achieving a higher gross margin and delivering growth across various businesses in the second half of this year.

The Group will continue to invest in expanding its production capacities and in market penetration. We have already drawn up plans to replicate the deli store business model in other tier-one cities such as Shanghai and Guangzhou. As part of the strategy to further differentiate our products, we are rolling out new features that will add to the transparency of the proprietary product tracing program, making available information such as the farmer's photo to the packaging. This commitment to food safety is a key strength of ours and I am confident that DaChan Food will benefit from it as consumer awareness for safe and quality food products increases over time.

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

Han Jia-Hwan

Chairman

Hong Kong, 20 August 2010

6 Management Discussion and Analysis

Overall Operating Results

	Six months ended 30 June		
	2010	2009	% change
Turnover (USD '000)	660,681	560,563	17.9
Gross profit (USD '000)	37,102	41,722	-11.1
Gross profit margin (%)	5.6	7.4	
Profit attributable to equity shareholders of the Company (USD '000)	3,061	6,962	-56.0

The operating environment for the Group continued to be challenging in the first half of 2010. The average selling price of chicken meat was negatively impacted by price decreases in pork. Adding to that, a surge in the prices of corn, which is the core ingredient of chicken feeds, placed cost pressures on the meat segment. In the feeds to external customers segment, a spread of diseases put some farmers off from raising pigs. As a result of this, the ASP for pig feeds was impacted. However, an impressive volume growth was achieved in our processed food segment. The volume of our export processed products reached a record high during the period.

Despite the challenging operating environment, the Group's turnover was up 17.9% to USD660.7 million for the six months ended 30 June 2010 from the corresponding period last year. All of the three core business segments recorded stable growth in sales volume for the period. Chicken meat and feeds remained the Group's largest revenue contributors, accounting for 50.0% and 41.7% of the Group's total revenue respectively. Processed food is growing rapidly into a key revenue contributor for the Group, making up 8.3% of total revenue during the period.

Gross profit was down 11.1% to USD37.1 million as a result of lower average selling prices and increased cost of chicken meat. Profit margin was lower at 5.6%. Consequently, profit attributable to equity shareholders of the Company was down 56.0% to USD3.1 million.

Results by Business Segment

Chicken Meat

	Six months ended 30 June		
	2010	2009	% change
Turnover (USD '000)	330,229	275,956	19.7%
Gross profit (USD '000)	1,229	5,003	-75.4%
Gross profit margin (%)	0.4	1.8	

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

During the period, sales volume of chilled and frozen chicken grew 12.4% due to stable demand from large international and local clients and a rising demand from restaurant operators, catering service providers and wet markets. Furthermore, the Group has extended its customer base as a result of better marketing and improved product mix. The chicken meat segment recorded a turnover of USD330.2 million in 1H 2010, representing a growth of 19.7% over the corresponding period of last year and accounting for 50.0% of the Group's total turnover.

However, the combination of higher raw material costs and lower average selling prices reduced the margin of the chicken meat segment, which posted a gross profit of USD1.2 million in the first half of 2010, down 75.4% year-on-year. Gross profit margin fell to 0.4%. Furthermore, the price of corn, a key ingredient of chicken feeds, surged 24.8% during the period, adding to the pressures on the margin of the segment.

Feeds to External Customers

	Six months ended 30 June		% change
	2010	2009	
Turnover (USD '000)	275,814	244,386	12.9%
Gross profit (USD '000)	28,588	30,988	-7.7%
Gross profit margin (%)	10.4	12.7	

This segment derived its revenue principally from sales of piglets, sows, hogs, poultry feeds to the PRC, Vietnam and Malaysia. Corn and soybean meals are the key ingredients for our feeds.

The segment achieved a steady 12.9% growth in turnover to US\$275.8 million. Our continued effort in brand building in the PRC has reaped benefits, facilitating our market share growth. Also, sound progress was made in the Vietnam market, achieving a 21.6% growth in sales to US\$100.9 million.

The improvement of this segment was also attributable to our continuous effort in the development of functional feeds, which enhance the immunity of piglets, sows, hogs and poultry. Our products were designed and formulated to boost immunity, promote disease resistance and promote the growth of animals while keeping the cost of production low. We have also developed a new brand of feeds specifically for quality lean pork production in response to growing demand from the higher end of the market.

Seeing further consolidation in the industry, the Group has increased sales to larger poultry and swine farms to increase sales. We have also optimized our sales channels by increasing direct sales. The strengthening of our R&D and sales teams enables the Group to develop new products while expanding our sales channels.

However, disease outbreaks in the PRC and Vietnam have adversely affected demand for pork in these markets and led to, consequently, significant falls in pork prices. Small-scaled farmers were hardest hit and their demand for feeds fell. Moreover, price increases in corn led to significant increases in material costs for the Group: corn prices rose 24.8%. As a result, the Group's gross profit was down 7.7% year on year to USD28.6 million while gross profit margin declined to 10.4%.

8 Management Discussion and Analysis

Processed Foods

	Six months ended 30 June		% change
	2010	2009	
Turnover (USD '000)			
– Mainland China	39,340	28,148	39.8%
– Export	15,298	12,073	26.7%
Total	54,638	40,221	35.8%
Gross profit (USD '000)			
– Mainland China	5,297	3,749	41.3%
– Export	1,988	1,982	0.3%
Total	7,285	5,731	27.1%
Gross profit margin (%)			
– Mainland China	13.5	13.3	
– Export	13.0	16.4	
Overall	13.3	14.2	

The processed foods business involves the distribution of chilled and frozen meat under the “Sisters’ Kitchen” brand, and marinated, pre-fried and ready-to-eat foods. The products are sold in the PRC market and exported to overseas markets such as Japan, Singapore and Hong Kong.

Driven by our enhanced product mix, diversified sales channels, and satisfactory performance of the branded business, the processed foods segment recorded a turnover of USD54.6 million, accounting for 8.3% (1H 2009:7.2%) of the Group’s total turnover. Gross profit of the segment rose 27.1% to USD7.3 million.

During the six months under review, the Group’s export business achieved stable growth. We made solid progress in entering into the Japan market where our products can be found on the shelves of major supermarkets and convenience store chains. Sales volume of the export business grew 32.4% to record levels while ASP dropped 4.3%. However, the appreciation of Renminbi and higher labor cost added pressures in this segment. As a result, the segment’s gross profit margin dropped to 13.0%.

During the period, the Group expanded rapidly in the PRC market with optimized sales channel and strengthened advertising to enhance the “Sisters’ Kitchen” brand. To support our strategic development in the domestic retail chicken market, we have developed a safety code for processed meat products to let customers obtain detailed information on the purchased product via the cell phone or the Internet. A second generation safety code was put in place during the period. The new code not only gives the customer access to information such as the source of feeds, locations of the farm and the processing plant, test results, but also includes a picture of the farmer. Sales to supermarkets grew impressively in the first half of 2010 from the end of last year. Our branded products are carried by major supermarket chains including Tesco, Carrefour and Wal-mart in first tier cities like Beijing, Nanjing, and Tianjin, in addition to catering services and restaurants in new markets such as Wuhan, Chengdu, Shandong, Fujian and Heilongjiang.

Furthermore, in 2009, we started a new retail business to reinforce our brand identity with the opening of deli stores in Beijing. The stores offer full range of “Sisters’ Kitchen” products, targeting primarily female white collar workers and housewives. The newly added points of sales enable the Group to take advantage of its vertically integrated supply chain to reach out to retail customers.

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 named one of "Top 20 Chinese Broiler Enterprises" ("中國白羽肉雞企業20強") and "Top 10 Best Chinese Broiler Enterprises" ("中國白羽肉雞行業十佳企業家") by Chinese Agricultural Association (中國畜牧業協會). DaChan was also included in the list of "Top 50 Feed Enterprises in China" ("全國飼料工業企業50強") and "Top 20 Agricultural Produce Processing Enterprises" ("全省畜產品加工龍頭企業二十強") 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 "Influential Enterprises in the Food Industry" ("中國肉類食品行業影響力企業家").

Outlook & Future Plans

Looking forward, the robust growth of China's economy will continue to support demand for quality meat products. The price of pork is expected to rebound in the second half, benefiting chicken meat sales and the demand for feeds. The Group will continue to tap new market overseas to expand our sales channels.

Chicken Meat

We expect the market demand for chicken meat to grow further in the near future due to rising living standards. We will closely monitor and manage our exposure to market price fluctuations. In the second half of 2010, we will focus on improving production efficiency and increasing utilization rates to further strengthen our edge over competitors. We will also step up efforts in the promotion of our brand to create value difference for our customers, in a bid to raise the average selling price of our products. Also, we will continue to expand our sales channels to grow market share and sales.

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.

Looking ahead, there will be further consolidation among smaller farms, which is expected to increase the demand for feeds. We will continue to improve margins by expanding our channels to large chick and swine farms. Riding on our successful brand-building in the past years, we will continue to dedicate our effort to brand promotion to enhance our brand value in the PRC and Vietnam. Our R&D centre enables us to meet market demand for feeds that help with nutrition, immunization and disease control of animals which are fed on them. 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.

ANTIC, a non-wholly owned subsidiary of the Company and GWIH, a direct wholly owned subsidiary of Great Wall Enterprise, has set up a joint venture company to operate an aquafeed business in Vietnam. In the past, the aquafeed business operated by the Group included fish feeds and shrimp feeds but the revenue from this segment was insignificant. In order to make a breakthrough in the aquafeed business, the Group cooperates with GWIH which has solid experience, expertise and resources in the aquafeed field.

Processed Foods

The Group has moved away from the lower-margin commodity chicken meat and by-products business to higher margin processed foods as an integral strategy to sustain long-term growth. We will primarily focus on expanding in the PRC market. The construction of a new plant in Tianjin has been completed to serve the domestic market. For the export market, we will continue to develop new products to serve existing customers while further expanding our customer base to include 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 improve all existing distribution channels to achieve rapid expansion.

It is the Company's long-term goal to move from commodity chicken meat and by-products to higher margin processed food for sustainable growth. We will continue to increase penetration in the PRC market. We will continue to expand distribution channels in restaurant chains, supermarkets, and convenience stores to achieve rapid expansion. As at the end of July, we had 115 distribution points in Beijing, Tianjin and Nanjing. In the past years, our international clients achieved impressive market share growth in China. The 10 biggest supermarket chains accounted for 60% of total supermarket sales in China, eight of which are clients of the Group. Demand from those clients is expected to rise. On the retail front, we plan to replicate successful deli store models in first tier cities like Shanghai and Guangzhou to promote the brand and increase direct sales to end-users.

Financial Review

1) Other Income and Operating Expenses

For the first six months of 2010, the Group recorded USD2.3 million from other income (2009: USD1.9 million). Other income was mainly comprised of exchange gain on appreciation of RMB, interest income and government subsidies.

Operating expenses account for 5.5% of the operating income, which compares with 5.7% in the same period of 2009. The decreased ratio of operating expenses was mainly due to the savings in management fees.

2) Liquidity, Financial Resources and Capital Structure

As at 30 June 2010, the Group's cash and bank balance amounted to USD41.8 million, representing a decrease of USD12.1 million from 31 December 2009. This change is attributable to the strengthened liquidity management of funds. Our bank loans increased by USD23.5 million to USD52.1 million (31 December 2009: USD28.6 million). Gearing ratio was 40.1% (31 December 2009: 37.3%). The current ratio was 1.4 (31 December 2009: 1.6). These changes were mainly attributable to the execution of strategic purchase for the lowering of raw material cost.

3) Capital Expenditure

For the first six months of 2010, the Group invested USD13.8 million to purchase property, machinery and equipment mainly for the construction of the feed plant and cooked food plant in Tianjin and the feed plant in Liaoning.

4) Exchange Rate

The Group's businesses are mainly denominated in USD, RMB and Vietnamese Dong. In the first half of 2010, RMB appreciated by 0.5%, and Vietnamese Dong depreciated by 3.2%.

5) Dividends

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2010.

6) Charge on assets

As at 30 June 2010, bank deposits of USD0.2 million and land, buildings, plants and machineries equating to approximately USD2.7 million were pledged as security against bank facilities of USD2.3 million, of which USD1.7 million was utilised as at 30 June 2010.

7) Capital commitment and Contingent liabilities

As at 30 June 2010, the Group's total capital commitment amounted to USD23.7 million. The Company is not aware of any material contingent liabilities or off-balance sheet obligations as at 30 June 2010.

Employee Compensation and Training

As at 30 June 2010, the Group had a total of 14,271 employees (31 December 2009: 14,013). The Group's employees are remunerated in accordance with industry practices, the financial performance of the Group and their work performance. Other fringe benefits, such as insurance, medical benefits and provident fund, are provided to retain loyal employees.

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

12 Corporate Social Responsibility

As the problem of global warming grows and poses serious threat to the environment and our survival, developing a low-carbon economy is already consensus among enterprises. As a responsible corporate citizen, DaChan Food is among the first few in the food industry to embrace the low-carbon era.

In the first half of 2010, DaChan Food (Asia) Limited cooperated with third party professional organizations to assess the greenhouse gas emissions (carbon assessment) of DaChan Food throughout 2009. DaChan Food had a carbon emission of 159,000 tonnes in 2009. As the first food company in the country to carry out such an assessment, DaChan Food has demonstrated its resolve in protecting the environment. International standards were adopted in the carbon assessment of DaChan Food. The assessment and calculation of greenhouse gases were carried out according to internationally-recognized assessment standards 1 – GHG Protocol developed by the World Resources Institute and the World Business Council for Sustainable Development, and ISO 14064-1 set out by International Organization for Standardization. The main source of greenhouse gas emissions of DaChan Food in 2009 was from the use of electricity, which accounted for 99.94% of the total emission volume. Other emission sources included the combustion of fuels by vehicles and power generators and the emission from chicken waste.

After the carbon assessment is completed, DaChan would formulate a carbon neutralization plan with reference to the information obtained, and strive to offset the greenhouse gas emissions from production and operation processes through other appropriate means. DaChan Food plans to clearly state the carbon footprint of its products on the product packaging in future.

Moreover, DaChan Food also effectively lowered greenhouse gas emissions through the utilization of new technologies to develop a low-carbon economy. For instance, the new generation of green chicken farms constructed by DaChan Food greatly lowered carbon dioxide emissions through the adoption of higher insulation standards, the use of low energy consumption boiler as well as energy-saving lighting and better ventilation methods, etc. It is estimated that the green chicken farm of DaChan Food uses 18% less energy than traditional chicken farms. For illustration purposes, DaChan Food could reduce carbon dioxide emissions of a row of three standard henhouses that accommodate 360,000 chickens by 3,480 tonnes per year, equivalent to the absorption volume of carbon dioxide of 190,000 trees for one year. DaChan Food will promote further the application of green farming in future. Meanwhile, DaChan Food is also actively researching on how to utilize energy management contract, a new energy-saving mode in cooperation with relevant professional energy-saving companies to effectively lower the volume of greenhouse gas emissions of the Company.



To the Board of Directors of DaChan Food (Asia) Limited
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 14 to 38 which comprises the consolidated balance sheet of DaChan Food (Asia) Limited as of 30 June 2010 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim Financial Reporting* issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

KPMG

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

20 August 2010

14 Consolidated Income Statement

For the six months ended 30 June 2010 – unaudited

	Note	Six months ended 30 June	
		2010 USD'000	2009 USD'000
Turnover	3	660,681	560,563
Cost of sales		(623,579)	(518,841)
Gross profit		37,102	41,722
Change in fair value of biological assets less estimated point-of-sale costs		(143)	470
Fair value of agricultural produce on initial recognition		1,278	1,722
Reversal of fair value of agricultural produce due to sales and disposals		(1,559)	(1,961)
Other income	5	2,300	1,937
Distribution costs		(17,512)	(14,311)
Administrative expenses		(18,341)	(16,549)
Other operating expenses		(532)	(987)
Profit from operations		2,593	12,043
Finance costs	6(a)	(1,409)	(1,254)
Share of losses of jointly controlled entities		(82)	–
Profit before taxation	6	1,102	10,789
Income tax	7	2,793	(1,866)
Profit for the period		3,895	8,923
Attributable to:			
Owners of the Company		3,061	6,962
Non-controlling interests		834	1,961
		3,895	8,923
Earnings per share			
– Basic (cents)	9	0.30	0.69
– Diluted (cents)	9	0.30	0.69

The notes on pages 20 to 38 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 14(a).

Consolidated Statement of Comprehensive Income

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For the six months ended 30 June 2010 – unaudited

	Six months ended 30 June	
	2010 USD'000	2009 USD'000
Profit for the period	3,895	8,923
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	(124)	1,188
Total comprehensive income for the period	3,771	10,111
Attributable to:		
Owners of the Company	3,228	8,029
Non-controlling interests	543	2,082
Total comprehensive income for the period	3,771	10,111

The notes on pages 20 to 38 form part of this interim financial report.

16 Consolidated Balance Sheet

At 30 June 2010 – unaudited

	Note	At 30 June 2010 USD'000	At 31 December 2009 USD'000
Non-current assets			
Fixed assets	10		
– property, plant and equipment		161,877	156,801
– lease prepayments		16,209	16,417
Interests in jointly controlled entities		1,306	212
Deferred tax assets		6,774	2,133
		186,166	175,563
Current assets			
Inventories		97,894	97,200
Biological assets		1,499	1,748
Trade and other receivables	11	97,745	81,994
Income tax recoverable		1	1
Pledged bank deposits		238	979
Cash and cash equivalents	12	41,784	53,931
		239,161	235,853
Current liabilities			
Trade and other payables	13	115,162	121,265
Interest-bearing borrowings		50,854	26,417
Income tax payable		3,362	3,375
		169,378	151,057
Net current assets		69,783	84,796
Total assets less current liabilities		255,949	260,359
Non-current liabilities			
Interest-bearing borrowings		1,251	2,213
Deferred tax liabilities		15	14
		1,266	2,227
Net assets		254,683	258,132

The notes on pages 20 to 38 form part of this interim financial report.

At 30 June 2010 – unaudited

	At 30 June 2010 USD'000	At 31 December 2009 USD'000
Capital and reserves		
Share capital	12,921	12,926
Reserves	213,910	214,307
Total equity attributable to owners of the Company	226,831	227,233
Non-controlling interest	27,852	30,899
Total equity	254,683	258,132

Approved and authorised for issue by the board of directors on 20 August 2010.

Han Jia-Hwan
Chairman

Chen Fu-Shih
Executive director

The notes on pages 20 to 38 form part of this interim financial report.

18 Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010 – unaudited

	Note	Attributable to equity holders of the Company										
		Share capital USD'000	Share premium USD'000	Redemption reserve USD'000	Merger reserve USD'000	Statutory reserves USD'000	Translation reserve USD'000	Share-based		Retained profits USD'000	Non-controlling interest USD'000	Total equity USD'000
								payment reserve USD'000	Total USD'000			
At 1 January 2010		12,926	76,283	38	52,653	7,487	9,645	265	67,936	227,233	30,899	258,132
Total comprehensive income for the period												
Profit for the period		-	-	-	-	-	-	-	3,061	3,061	834	3,895
Other comprehensive income												
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong		-	-	-	-	-	167	-	-	167	(291)	(124)
Total comprehensive income for the period		-	-	-	-	-	167	-	3,061	3,228	543	3,771
Transactions with owners, recorded directly in equity												
Equity-settled share-based payment transactions	14	(5)	98	12	-	-	-	11	(143)	(27)	-	(27)
Acquisition of additional equity interest in a subsidiary		-	-	-	29	-	-	-	-	29	(1,176)	(1,147)
Dividends to owners	14	-	-	-	-	-	-	-	(3,632)	(3,632)	(2,414)	(6,046)
Total transactions with owners		(5)	98	12	29	-	-	11	(3,775)	(3,630)	(3,590)	(7,220)
Balance at 30 June 2010		12,921	76,381	50	52,682	7,487	9,812	276	67,222	226,831	27,852	254,683
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 period												
Profit for the period		-	-	-	-	-	-	-	6,962	6,962	1,961	8,923
Other comprehensive income												
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong		-	-	-	-	-	1,067	-	-	1,067	121	1,188
Total comprehensive income for the period		-	-	-	-	-	1,067	-	6,962	8,029	2,082	10,111
Transactions with owners, recorded directly in equity												
Equity-settled share-based payment transactions		-	-	-	-	-	-	176	-	176	-	176
Dividends to owners		-	-	-	-	-	-	-	(4,885)	(4,885)	-	(4,885)
Total transactions with owners		-	-	-	-	-	-	176	(4,885)	(4,709)	-	(4,709)
Balance at 30 June 2009		12,957	76,121	-	52,653	6,280	11,149	239	60,837	220,236	29,422	249,658

The notes on pages 20 to 38 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

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For the six months ended 30 June 2010 – unaudited

	Note	Six months ended 30 June	
		2010 USD'000	2009 USD'000
Cash (used in)/generated from operations		(13,172)	18,277
Tax paid		(1,860)	(2,200)
Net cash (used in)/generated from operating activities		(15,032)	16,077
Net cash used in investing activities		(14,491)	(13,864)
Net cash generated from/(used in) financing activities		17,284	(13,048)
Net decrease in cash and cash equivalents		(12,239)	(10,835)
Cash and cash equivalents at 1 January	12	53,931	60,429
Effect of foreign exchange rate changes		92	135
Cash and cash equivalents at 30 June	12	41,784	49,729

The notes on pages 20 to 38 form part of this interim financial report.

1 General information

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

The interim financial report for the six months ended 30 June 2010 comprises the Company and its subsidiaries (collectively referred to as the “Group”) and its interests in jointly controlled entities.

2 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 20 August 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2009 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). KPMG’s independent review report to the Board of Directors is included on pages 13.

The financial information relating to the financial year ended 31 December 2009 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2009 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 12 March 2010.

3 Segment reporting

The Group manages its business by divisions, which are organised by business lines. In accordance with IFRS 8 *Operating Segment*, segment information disclosed in the interim financial report has been prepared in a manner consistent with the way in which information is reported internally to the CEO, who is the Group's chief operating decision maker, 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.

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".

(a) Information about reportable segments

For the six months ended 30 June

	Chicken meat		Livestock feeds		Processed foods		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Turnover from external customers	330,229	275,956	275,814	244,386	54,638	40,221	660,681	560,563
Inter-segment turnover (eliminated at consolidation)	12,077	14,366	21,831	73,715	–	–	33,908	88,081
Total	342,306	290,322	297,645	318,101	54,638	40,221	694,589	648,644
Reportable segment (loss)/profit	(14,293)	(4,636)	14,049	16,390	2,271	4,179	2,027	15,933

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2010	2009
	USD'000	USD'000
Total (loss)/profit for reportable segments	2,027	15,933
Interest income from bank deposit	624	665
Finance costs	(1,409)	(1,254)
Unallocated corporate Income and expenses	(140)	(4,555)
Profit before income tax	1,102	10,789

4 Acquisition/disposal of subsidiaries

(a) Acquisition of partial interest in a subsidiary

On 1 April 2010, DaChan Wanda (Tianjin) Co., Ltd. (“TWD”), an indirectly wholly-owned subsidiary of the Company, acquired an additional 19% equity interest in Yanzhou DaChan Food Co., Ltd. (“YDF”) from its non-controlling interest shareholder at a cash consideration of USD1,147,000.

Upon completion of the acquisition, TWD held an aggregate 70% effective equity interest in YDF.

(b) Disposal of a subsidiary

On 1 January 2010, the Group disposed of all of its 100% equity interest in Huludao DaChan Food Co., Ltd. (“HLDDF”), a subsidiary principally engaged in manufacturing and trading of animal feeds. Neither significant gain or loss arose from that disposal, nor did it have any significant impact on the operation of the Group.

5 Other income

	Six months ended 30 June	
	2010 USD'000	2009 USD'000
Interest income	624	665
Realised gain on commodity derivative contracts	588	472
Foreign exchange gain	356	188
Government compensation	42	60
Others	690	552
	2,300	1,937

6 Profit before taxation

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

	Six months ended 30 June	
	2010 USD'000	2009 USD'000
(a) Finance costs:		
Interest on bank borrowings wholly repayable within five years	1,409	1,254
(b) Other items:		
Amortisation of lease prepayments	224	219
Depreciation of property, plant and equipment	8,043	7,296
(Reversal of)/providing impairment losses on trade and other receivables	(98)	76
Net foreign exchange loss	2	414
Net realised gain on commodity derivative contracts	(588)	(472)
Making/(Reversal of) write-down of inventories	226	(1,875)

7 Income tax

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2010 USD'000	2009 USD'000
Current tax – overseas		
Provision for the period	1,811	2,799
Under provision in respect of prior periods	36	–
Deferred tax		
Origination and reversal of temporary differences	(4,640)	(933)
	(2,793)	1,866

- (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 periods.
- (iii) Pursuant to the income tax rules and regulations of the People’s Republic of China (“PRC”), the companies comprising the Group in the PRC are liable to PRC Corporate Income Tax at a rate of 25% during the periods, except for the following:
 - (a) DaChan Wanda (Tianjin) Co., Ltd. and Greatwall Agri (Heilongjiang) Co., Ltd. are entitled to a full exemption from the PRC Corporate Income Tax for the two years beginning from 2006, their first profit-making year after offsetting all tax losses carried forward from the previous years, followed by a 50% reduction in the PRC Corporate Income Tax for the next three years. The applicable tax rate for both subsidiaries for the six months periods ended 30 June 2009 and 2010 is 12.5%.
 - (b) Dongbei Agri (Changchun) Co., Ltd. is entitled to a full exemption from the PRC Corporate Income Tax for the two years beginning from 2007, its first profit-making year after offsetting all tax losses carried forward from the previous years, followed by a 50% reduction in the PRC Corporate Income Tax for the next three years. The applicable tax rate for the six months periods ended 30 June 2009 and 2010 is 12.5%.
 - (c) Greatwall Gourmet (Shanghai) Co., Ltd. and Hunan Greatwall Technologies & Feeds Co., Ltd. are entitled to a full exemption from the PRC Corporate Income Tax for the two years beginning from 2008, their first profit-making year after offsetting all tax losses carried forward from the previous years, followed by a 50% reduction in the PRC Corporate Income Tax for the next three years. The applicable tax rate for both subsidiaries for the six months period ended 30 June 2010 is 12.5% (2009: 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 six months periods ended 30 June 2009 and 2010.
- (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 (continued)

Taxation in the consolidated income statement represents: (continued)

- (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 six months periods ended 30 June 2009 and 2010.
- (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 for the six months period ended 30 June 2010 is 10% (2009: Nil).

8 Other comprehensive income

Tax effects relating to each component of other comprehensive income

	Six months ended 30 June			six months ended 30 June		
	2010			2009		
	Before-tax amount	Tax (expense)/benefit	Net-of-tax amount	Before-tax amount	Tax (expense)/benefit	Net-of-tax amount
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Exchange differences on translation of financial statements of overseas subsidiaries	(124)	–	(124)	1,188	–	1,188
Other comprehensive income	(124)	–	(124)	1,188	–	1,188

9 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of USD3,061,000 (six months ended 30 June 2009: USD6,962,000) and the weighted average number of 1,008,412,123 ordinary shares (six months ended 30 June 2009: 1,010,662,000 shares) in issue during the interim period.

(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 USD3,061,000 (six months ended 30 June 2009: 6,962,000) and the weighted average number of 1,011,498,944 ordinary shares (six months ended 30 June 2009: 1,010,662,000).

10 Fixed assets

During the six months ended 30 June 2010, the Group acquired items of fixed assets with a cost of USD13,775,000 (six months ended 30 June 2009: USD11,924,000). Items of fixed assets with a net book value of USD803,000 were disposed of during the six months ended 30 June 2010 (six months ended 30 June 2009: USD120,000), resulting in a loss on disposal of USD3,000 (six months ended 30 June 2009: USD18,000).

11 Trade and other receivables

	At 30 June 2010 USD'000	At 31 December 2009 USD'000
Trade receivables	36,868	32,429
VAT recoverable (i)	30,998	28,572
Deposits and prepayments	16,520	11,518
Amounts due from related parties (Note 17(d))	2,914	1,660
Advances to staff	1,687	933
Deposits paid for purchase of fixed assets	156	92
Other receivables	8,602	6,790
	97,745	81,994

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 chicken from contract farmers. Management of the Company are of the opinion that the VAT recoverable as at 30 June 2010 will be utilised within one year in accordance with the Group's budget.

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

Ageing analysis

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

	At 30 June 2010 USD'000	At 31 December 2009 USD'000
Current	29,064	28,050
Less than 30 days past due	4,509	2,967
31-60 days past due	1,079	738
61-90 days past due	1,160	175
More than 90 days past due	1,056	499
Amounts past due	7,804	4,379
	36,868	32,429

12 Cash and cash equivalents

As at 30 June 2010, cash at bank and in hand in the PRC included in the cash and cash equivalents for the Group amounted to USD33,669,000 (31 December 2009: USD30,442,000). The conversion of Renminbi denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

13 Trade and other payables

	At 30 June 2010 USD'000	At 31 December 2009 USD'000
Trade payables	74,325	78,180
Receipts in advance	3,107	3,660
Amounts due to related parties (Note 17(e))	933	1,227
Dividend payable to non-controlling interests of subsidiaries	1,553	–
Other payables and accruals	35,244	38,198
	115,162	121,265

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

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

	At 30 June 2010 USD'000	At 31 December 2009 USD'000
Within 30 days	68,750	72,895
31 days to 60 days	2,394	2,979
61 days to 90 days	1,255	904
91 days to 180 days	1,926	1,402
	74,325	78,180

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

	At 30 June 2010 USD'000	At 31 December 2009 USD'000
Salaries, wages, bonuses and other benefits payable	10,039	13,011
Payables for purchase of fixed assets	1,273	1,317
Contract performance deposits	4,827	3,994
Accrued expenses	9,384	8,624
Other payables	9,721	11,252
	35,244	38,198

14 Capital, reserves and dividends

(a) Dividends

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

	Six months ended 30 June	
	2010	2009
	USD'000	USD'000
Dividends approved and paid of HK2.80 cents per share (2009: HK3.77 cents per share)	3,632	4,885

The directors do not recommend the payment of an interim dividend of the six months period ended 30 June 2010 (2009: Nil).

(b) Share-based payments

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

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

14 Capital, reserves and dividends (continued)

(b) Share-based payments (continued)

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

	At 30 June 2010		At 31 December 2009	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at 1 January 2010/2009	HKD1.088	9,386,667	HKD1.088	11,500,000
Exercised during the period/year	HKD1.088	(555,000)	HKD1.088	(513,333)
Forfeited during the period/year	HKD1.088	(667,000)	HKD1.088	(1,600,000)
Outstanding at 30 June 2010/ 31 December 2009	HKD1.088	8,164,667	HKD1.088	9,386,667
Exercisable at 30 June 2010/ 31 December 2009	HKD1.088	2,198,000	HKD1.088	2,786,667

The options outstanding at 30 June 2010 had an exercise price of HKD1.088 (31 December 2009: HKD1.088) and a weighted average remaining contractual life of 2.3 years (31 December 2009: 2.8 years).

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 six months ended 30 June 2010 are as follows:

	Outstanding as at 31/12/2009	Outstanding as at 30/06/2010	Date of grant (DD/MM/YY)	Vesting period
Directors	192,000	192,000	09/11/2009	0-2 years
Employees	294,000	294,000	09/11/2009	0-2 years
Total	486,000	486,000		

14 Capital, reserves and dividends (continued)

(b) Share-based payments (continued)

Movements in the number of restricted shares outstanding and the respective weighted average grant date fair value are as follows:

	2010 Weighted average grant date fair value (i) USD	Number of restricted shares
Outstanding at January 1	0.190	486,000
Outstanding at June 30	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 six months ended 30 June 2010, restricted share award scheme payments expenses amounted to USD27,446 (six months ended 30 June 2009: nil) were recognised in the consolidated income statements.

15 Commitments

(a) Capital commitments outstanding at 30 June 2010 not provided for in the interim financial report are as follows:

	At 30 June 2010 USD'000	At 31 December 2009 USD'000
Contracted for	11,711	10,720
Authorised but not contracted for	11,998	13,022
	23,709	23,742

(b) At 30 June 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2010 USD'000	At 31 December 2009 USD'000
Within 1 year	774	566
After 1 year but within 5 years	972	873
After 5 years	4,521	4,518
	6,267	5,957

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

15 Commitments (continued)

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

	At 30 June 2010 USD’000	At 31 December 2009 USD’000
Contracted for	35,133	46,036

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

	At 30 June 2010 USD’000	At 31 December 2009 USD’000
Contracted for	49,181	33,070

16 Contingent liabilities

The Group has adopted a new contract farming arrangement for chicken in 2009, namely China Chicken Raising Company (“CCRC”), under which the Group contracts with individuals (“the Contractors”) and agrees to purchase live chicken, upon fulfilment of certain quality requirements, at an agreed price determined based on the then prevailing market prices (the corresponding purchase commitments is disclosed in note 15(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.

At 30 June 2010, the total future minimum non-cancellable lease payments of the Contractors under CCRC model are payable as follows:

	At 30 June 2010 USD’000	At 31 December 2009 USD’000
Within 1 year	1,036	702
After 1 year but within 5 years	3,915	2,587
After 5 years	4,017	2,815
	8,968	6,104

17 Related party transactions

In addition to the related party information disclosed elsewhere in the interim financial report, the Group entered into the following material related party transactions during the six months ended 30 June 2009 and 2010.

(a) Name and relationship with related parties

During the six months ended 30 June 2009 and 2010, transactions with the following parties are considered as related party transactions:

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

17 Related party transactions (continued)

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

Name of party	Relationship
Great Wall Food (Tianjin) Co., Ltd. ("GWF-TJ") 大成食品(天津)有限公司*	Subsidiary of GWIH, intermediate holding company of the Company
Dachan Showa Foods (Tianjin) Co., Ltd. ("DSF") 大成昭和食品(天津)有限公司*	Subsidiary of GWIH, intermediate holding company of the Company
DaLOL Bio-Nutrition (HK) Co., Ltd. ("DALOL-HK")	Jointly controlled entity
Hunan Dalol Bio-technical Feed Co., Ltd. ("DALOL-HU") 湖南大藍生物科技飼料有限公司*	Subsidiary of DALOL-HK, jointly controlled entity of the Company
Marubeni Corporation ("Marubeni")	Non-controlling interest holder
Marubeni (Beijing) Co., Ltd. ("Marubeni Beijing")	Subsidiary of Marubeni, non-controlling interest holder
Marubeni (Dalian) Co., Ltd. ("Marubeni Dalian")	Subsidiary of Marubeni, non-controlling interest holder
Marubeni (Qingdao) Co., Ltd. ("Marubeni Qingdao")	Subsidiary of Marubeni, non-controlling interest holder
Yanzhou Jialong Food Co., Ltd. ("YKF") 兗州嘉隆食品有限公司*	Non-controlling interest holder

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

17 Related party transactions (continued)

(b) Significant related party transactions

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

	Six months ended 30 June	
	2010 USD'000	2009 USD'000
Recurring		
Sales to:		
<i>Ultimate holding company</i>		
– GWE	60	18
<i>A non-controlling interest holder</i>		
– Marubeni	8,427	7,163
– YKF	106	–
<i>Subsidiary of a jointly controlled entity</i>		
– DALOL-HU	627	–
<i>Fellow subsidiaries</i>		
– GWYHB	211	153
– BUCF	–	1
– SUCF	–	1
– GWF-TJ	1	–
	212	155
<i>Other related parties</i>		
– FCG	–	3,159
	9,432	10,495

17 Related party transactions (continued)

(b) Significant related party transactions (continued)

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

	Six months ended 30 June	
	2010 USD'000	2009 USD'000
Recurring (continued)		
Purchases from:		
<i>Ultimate holding company</i>		
– GWE	15	115
<i>Subsidiaries of a non-controlling interest holder</i>		
– Marubeni Beijing	2,014	2,346
– Marubeni Qingdao	201	101
– Marubeni Dalian	40	22
	2,255	2,469
<i>Subsidiary of a jointly controlled entity</i>		
– DALOL-HU	655	–
<i>Fellow subsidiaries</i>		
– DSF	515	447
– GWF-TJ	194	160
– TNT	203	–
	912	607
<i>Other related party</i>		
– LOL-BJ	17	–
	3,854	3,191

17 Related party transactions (continued)

(b) Significant related party transactions (continued)

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

	Note	Six months ended 30 June	
		2010 USD'000	2009 USD'000
Recurring (continued)			
Management fee paid to:			
<i>Ultimate holding company</i>			
– GWE	(i)	429	408
<i>A non-controlling interest holder</i>			
– Marubeni	(ii)	50	50
		479	458
Rent paid to:			
<i>A fellow subsidiary</i>			
– GWF-TJ		4	4

Notes:

- (i) The management fee paid to the ultimate holding company was primarily for the payment of royalties in respect of the use of trademarks.
- (ii) The management fee paid to a non-controlling interest holder was primarily for the technical assistance rendered to a subsidiary in respect of its food processing activities.

During the period, the Group used the technology know-how owned by GWIH free of charge.

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

17 Related party transactions (continued)

(c) Key management personnel remuneration

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

	Six months ended 30 June	
	2010 USD'000	2009 USD'000
Short term employee benefits	747	1,134
Post-employment benefits	17	14
Share-based payments	44	99
	808	1,247

(d) Amounts due from related parties

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

	Note	At 30 June 2010 USD'000	At 31 December 2009 USD'000
Trade receivables from:	(i)		
<i>Fellow subsidiaries</i>			
– GWYHB		88	41
<i>A non-controlling interest holder</i>			
– Marubeni		2,346	1,619
<i>Ultimate holding company</i>			
– GWE		16	–
<i>Subsidiary of a jointly controlled entity</i>			
– DALOL-HU		464	–
Included in trade and other receivables (Note 11)		2,914	1,660

(i) Trade receivables from related parties are unsecured, interest free and are expected to be recovered within one year. There was no impairment loss made against these amounts at 30 June 2010 and 31 December 2009.

17 Related party transactions (continued)

(e) Amounts due to related parties

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

	Note	At 2010 USD'000	At 2009 USD'000
Trade payables to:	(i)		
<i>Fellow subsidiaries</i>			
– DSF		81	154
– TNT		155	–
– GWF-TJ		83	106
		319	260
<i>Other related party</i>			
– LOL-BJ		–	2
<i>Subsidiaries of a non-controlling interest holder</i>			
– Marubeni Qingdao		26	20
– Marubeni Dalian		25	101
		51	121
<i>Subsidiary of a jointly controlled entity</i>			
– DALOL-HU		134	–
		504	383
Other payables to:			
<i>Ultimate holding company</i>			
– GWE		429	844
		933	1,227

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

18 Comparative figures

As a result of the application of IFRS 8, Operating segments, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2010.

19 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period beginning on 1 January 2010

Up to the date of issuance of the consolidated financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the annual accounting period beginning on 1 January 2010 and which have not been adopted in preparing the consolidated financial statements:

	Effective for accounting periods beginning on or after
IFRIC 19, Extinguishing financial liabilities with equity instruments	1 July 2010
Improvements to IFRSs 2010	1 July 2010 or 1 January 2011
Revised IAS 24, Related party disclosures	1 January 2011
IFRS 9, Financial instruments	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. Up to the date of issuance of the consolidated financial statements, the Group believes that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

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

CORPORATE GOVERNANCE CODE

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

In the opinion of the Board, the Company has complied with all the code provisions set out in the CG Code throughout the six months ended 30 June 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Board has adopted a code of conduct regarding directors’ securities transaction on terms more stringent than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made with all directors who have confirmed that throughout the six months ended on 30 June 2010, they have complied with the required standards set out in the Model Code and the Company’s code of conduct regarding directors’ securities transactions.

The directors’ interests in shares of the Group as at 30 June 2010 are set out on pages 40, 41 and 42 of this interim report.

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

As at 30 June 2010, the interests and short positions of the directors and chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) Long positions in shares of the Company

Name of Director	Nature of interest	Interests in Shares held	% of Issued Capital
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.

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

(b) Long positions in underlying shares of the Company-share option scheme:

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

Name or Category of Participant	As at 1 January 2010	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 30 June 2010	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
Chen Fu-Shih	500,000	-	-	-	-	500,000	28 Oct-08	28-Oct-09 to 27-Oct-12	1.088
Chang Tsee-shen (Resigned on 12/03/2010)	300,000	-	100,000	-	200,000	-	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	-	968,333	-	2,067,002	4,464,665	28 Oct-08	28-Oct-09 to 27-Oct-12	1.088
Total	11,500,000	-	1,068,333	-	2,267,002	8,164,665			

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)**(c) Long positions in shares of associated corporations of the Company:**

Name of Directors	Name of associated corporation	Nature of interest	Interests in shares held	Approximate % of the relevant associated corporation's issued share capital
Han Chia-Yau	Great Wall Enterprise Co. Ltd. (Note 1)	Beneficial owner	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)	5,198,190(L)	1.103%

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 5,198,190 Shares held by Qiao Tai Xing Investment Co. Limited which is controlled by Mr. Chao and his spouse.

Save as disclosed above, as at 30 June 2010, none of the directors and chief executive and their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 30 June 2010, the interests and short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

(a) Long positions in shares of the Company:

Name	Nature of interests	Number of shares	Approximate %
Waverley Star Limited	Beneficial interests	375,899,946(L)	37.15%
Asia Nutrition Technologies Corporation	Beneficial interests	152,924,906(L)	2%
Great Wall Enterprise Co., Ltd.	Interests of controlled corporation	528,824,852(L)	52.27%
Great Wall International (Holdings) Ltd.	Interests of controlled corporation	528,824,852(L)	52.27%
GMT Capital Corp.	Beneficial interests	81,794,400(L)	8.08%
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 30 June 2010, 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.

PURCHASES, SALE OR REDEMPTION OF SHARES

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

AUDIT COMMITTEE

The audit committee of the Company is comprised of all three independent non-executive directors. The audit committee has reviewed the interim financial statements for the six months period ended 30 June 2010 including the accounting policies and practices adopted by the Group with the Company's management. The audit committee has also discussed with the independent auditors their work in relation to their review of the interim results.