



DaChan Food (Asia) Limited

大成食品(亞洲)有限公司

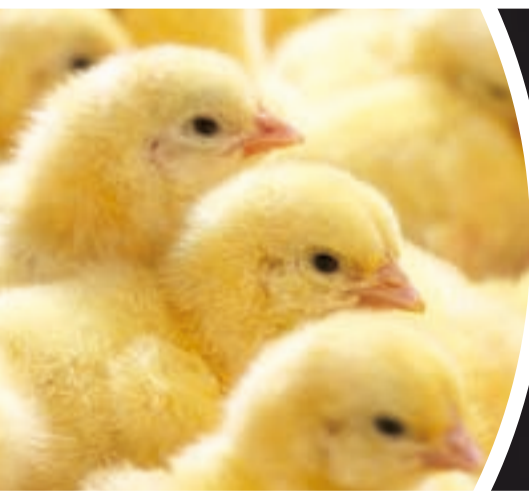
(incorporated in the Cayman Islands with limited liability)

Stock Code : 3999

Interim Report 2011



From Farm To Dining Table



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The Taste of Reassurance

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Corporate Information

DIRECTORS

Executive Directors

Mr. Han Jia-Hwan (*Chairman*)
Mr. Shu Edward Cho-Shen (resigned as
Executive Directors on 31 May 2011)
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 (resigned as a member of
the Executive Committee on 31 May 2011)
Mr. Chen Fu-Shih
Mr. Huang Shih-Kun
Mrs. Chen Li-Chin
Mr. Ou Chang-Jou
Mr. Lee Yi-Ming

COMPANY SECRETARY

Ms. Pang Siu Yin

LEGAL ADVISER

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

AUDITORS

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

PRINCIPAL BANKERS

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

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

Corporate Information

REGISTERED OFFICE

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

PRINCIPAL OFFICE IN HONG KONG

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

OFFICE IN THE PRC

Room 401, 4th Floor, Office Tower C, Vanton Center,
No.6 Chaowai Street, Chaoyang District, Beijing 100020,
China

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705, Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

<http://www.dfa3999.com>

STOCK CODE

3999

INVESTOR RELATIONS

For enquiries relating to investor relations, please contact:
Liaison Manager of Investor Relations
Tel: +86-10-59047569
Fax: +86-10-59070176
E-mail: investors@dachan.com.cn



CHAIRMAN'S Statement

Chairman's Statement

Dear Shareholders,

Since the first half of 2011, food safety has been emphasised on the agenda of the China Government, and ensuring the safety of food has become the top priority of the country. As a responsible corporation, we strive to uphold a high level of food safety to address the needs of our customers. We have devoted substantial effort to build and maintain an end-to-end food security tracing system which enables customers to enjoy safe and clean food produced by a reliable process from farm to table. Our efforts and dedication in enhancing food safety is proved to be invaluable to our customers.

Building on our vertically integrated business model from animal nutrition to ready-to-eat food, the Group delivered growth across all business segments. Our strategy to invest in and expand our processed food business in the beginning of this year continued to pay off. Revenue of our processed food business grew substantially by 73.4% year-on-year, and its contribution to the Group's total revenue increased from 8.3% to 12.8%.

In the first half of 2011, China's economy continued to grow steadily amid the ebb and flow of the global economy. Gross domestic production (GDP) grew by 9.6% year-on-year, and household income continued to increase. The rise in purchasing power boosted consumer demand for animal protein products. Moreover, the recovering market sentiment has propelled the development of the livestock raising industry since the second half of last year, which resulted in a high chicken meat price.

However, cost pressures continued to build as the consumer price index (CPI), the main gauge of inflation, continued to rise in the first half of this year and fetched new heights. The prices of corn and other agricultural products have been on the rise since the second half of 2010 before easing off in June 2011. This presented an enormous challenge to farm operators and dampened their incentives to produce. With the intention of increasing the supply of livestock in the market to cool inflation, the central government has implemented various policies and given out subsidies to support farmers. As a result, livestock production remained at a healthy level and has been able to sustain a steady growth in demand for feed products.

Thanks to the ever-increasing market penetration of the Group and the market's recognition and strict monitoring of the Group, the Group's processed food business continued its strong growth momentum in the first half of 2011.

Looking ahead into the second half of 2011, we expect the industry environment for meat product in China will continue to prosper. Capitalising on our reputation as a provider of quality food and the increasing consumer awareness of safe and quality food, our commitment to food safety will place us ahead of the fellow competitors.

On behalf of the Group, I would like to express my sincere gratitude to our shareholders and customers for their unwavering support. I would also like to thank all of our staff for their dedication and professionalism in striving to achieve our goals. In the future, I also look forward to working alongside with them to achieve substantial growth of the Group and maximizing the return to our shareholders.

Han Jia-Hwan

Chairman

Hong Kong, 25 August 2011

Management Discussion and Analysis

	Six months ended 30 June		% change
	2011	2010	
Turnover (RMB '000)	5,059,167	4,506,503	12.3%
Gross profit (RMB '000)	398,399	253,069	57.4%
Gross profit margin (%)	7.9	5.6	
Profit attributable to equity shareholders of the Company (RMB '000)	90,884	20,873	335.4%

In the first half of 2011, the Group's operating environment continued to improve as the price of chicken meat rose since the third quarter last year and pork prices remained at a high level as a result of inflationary pressure. Furthermore, government policies which aim at encouraging the sustainable development of the agricultural industry have lent further support to the operating environment. Rising household income has also propelled growth in China's consumer market, which in turn led to higher demand for animal protein products and feed products.

For the six months ended 30 June 2011, the Group's turnover rose 12.3% from the corresponding period last year. The Group recorded stable and encouraging growth

in three major business segments. Chicken meat and feeds remained the Group's largest revenue contributors, accounting for 47.0% and 40.2% of the Group's total revenue respectively. Processed food also maintained strong growth, making up 12.8% of total revenue during the period under review.

The satisfactory performance is attributable to the Group's continuous effort in enhancing profitability by optimising operation strategy and taking various measures to cope with rising raw material and labor costs. Gross profit increased significantly during the period under review, while profit margin also rose. Consequently, profit attributable to equity shareholders of the Company surged.

Chicken Meat

	Six months ended 30 June		% change
	2011	2010	
Turnover (RMB '000)	2,377,218	2,252,489	5.5%
Gross profit (RMB '000)	105,415	8,383	1157.5%
Gross profit margin (%)	4.4	0.4	

The chicken meat segment comprises three businesses: chilled and frozen chicken, feeds to contract farmers and chicks to contract farmers. Marketed under the "DaChan" brand, the Group's chilled and frozen chicken meat is supplied to quick service restaurants, restaurant operation, food processing companies and other food service providers.

Driven by steady demand from international and local clients, as well as increasing demand from restaurant operators and food service providers, the chicken meat

segment recorded growth compared with the same period last year. Through product mix optimization and enhanced marketing efforts, the Group continued to expand its customer base.

With pork prices gaining strength, the prices of chicken meat have been rising since the third quarter of last year which has helped offset rising raw material and labor costs to achieve substantial improvement, with gross profit margin of this segment surging to 4.4% from 0.4% in the corresponding period last year.

Management Discussion and Analysis

Feeds to External Customers

	Six months ended 30 June		
	2011	2010	% change
Turnover (RMB '000)	2,035,716	1,881,326	8.2%
Gross profit (RMB '000)	217,044	194,998	11.3%
Gross profit margin (%)	10.7	10.4	

This segment derived its revenue mainly from sales of piglets, sows, hogs and poultry feed to China, Vietnam and Malaysia. Corn and soybean meal are the key raw materials of our feeds. During the period under review, the price of raw materials remained at a high level. However, the Group was committed to the R&D of new products and performed effective cost control measures to lower risk.

This segment recorded continuous and steady improvement with turnover growing by 8.2% over the same period last year. The Group's enhanced brand building effort in overseas markets has contributed to our overall growth.

The Group leveraged its strong research and development capabilities to continue its development of functional feeds which enhance the immunological defenses of piglets,

sows, hogs and poultry. The Group has also applied innovative bio-technologies to ensure its production of quality poultry and livestock muscle and meat during the initial feeding period while assuring healthy, nutritious, environmental-friendly and economical features of its products.

To better utilise incentive granted by the China Government for extensive feeding business and the further consolidation in the industry, the Group has promoted sales to larger poultry farms in order to boost sales. The Group has also continued its effort in broadening its sales channels and raising brand awareness. The gross profit of the feeds segment increased by 11.3%, and gross profit margin also grew to 10.7%.

Processed Food

	Six months ended 30 June		
	2011	2010	% change
Turnover (RMB '000)			
– Mainland China	472,454	268,342	76.1%
– Export	173,779	104,346	66.5%
Total	646,233	372,688	73.4%
Gross profit (RMB '000)			
– Mainland China	52,340	36,126	44.9%
– Export	23,600	13,562	74.0%
Total	75,940	49,688	52.8%
Gross profit margin (%)			
– Mainland China	11.1	13.5	
– Export	13.6	13.0	
Overall	11.8	13.3	

Management Discussion and Analysis

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

Benefited from the rise in household income in China and the government strategies to boost consumption, domestic consumption of processed food in China has been growing steadily. Thanks to enhanced product mix, diverse sales channels and the promotion of the Group’s branded business, the turnover of the Group’s processed food segment accounted for 12.8% of the Group’s total turnover. Gross profit of this segment grew, while gross margin declined slightly due to adjustment to product structure.

The export of the processed food business achieved remarkable growth during the period under review through continuous expansion of our market share in Japan, Singapore and Hong Kong. Hence, turnover of the segment grew significantly.

The Group continued to expand its market share in China by optimizing sales channels and by promoting the “Sisters’ Kitchen” brand. As the provision of healthy and safe food to consumers is the top priority of the Group, to enhance our food tracing system, we have adopted a second generation “assuring code”, which not only gives customers access to information such as the sources of feeds, location of farms and processing plants, and test results, but also includes a photograph of the farmer to further assure the customers of the safety of their purchased food. The Group’s food tracing system has been well-received by our customers and we have accomplished our mission as a quality food supplier. In addition, sales to supermarkets maintained steady growth in the first half of 2011. Our branded products which are sold by major supermarket chains permeated into first tier cities such as Beijing, Nanjing, and Tianjin, in addition to catering services and hotels in new markets such as Wuhan, Chengdu, as well as provinces such as Shandong, Fujian and Heilongjiang with great success.

Awards and Recognition

With its adherence to the provision of healthy, safe and nutritious chicken meat products for consumers in China and around the world and the high standards of quality, safety and hygiene, the Group was awarded one of the 2011 Top 100 green companies of China in the first half of 2011, confirming that the Company has been comprehensively assessed that its development is sustainable. The Group was also awarded the 2011 best driving force enterprise for China’s economy in recognition of our overall supply capability and influence in the industry.

Outlook & Future Plans

Looking forward, the robust growth of China’s economy and the attention to food safety will continue to support the demand for quality meat products. The Group expects the pork prices to remain at a high level in the second half of this year, which will further support the high prices of chicken meat and the demand for feeds. Rising household incomes and diversifying consumption and the culture of dining out will also boost market demand for chicken meat product.

In addition, the China Government has emphasized its focus on the development of a more highly modernized agricultural industry in its twelfth five-year plan. Various policies will be introduced to assist farmers to carry out extensive feeding business, which will be conducive to the thriving development of the industry.

Due to growing concern over food safety by the China Government, stricter control on product quality and safety has been imposed, which will raise the barrier to enter into the industry. The Group will continuously make use of its food tracing system on one hand and keep up its brand promotion effort in order to expand its market share and to boost sales on the other. In view of the rising cost of raw materials, the Group will strive to reduce processing costs and to increase profitability by enhancing operational efficiency.

Management Discussion and Analysis

The increasing demand for meat is expected to lead to a corresponding increase in the demand for feeds. To improve margin, the Group has been expanding its sales channels to large poultry farms, and will continue to develop functional feeds with its strong research and development capabilities. The Group has also stepped up its efforts to expand its business in Southeast Asia, such as Vietnam to tap the regionally rapid-growing aquatic food market.

In the processed food segment, the Group will seek to achieve sustainable growth with a larger segment in processed food by shifting its focus from the lower margin commodity chicken meat and by-product business to the higher-margin processed foods business. Emphasis will be placed on brand promotion in China so as to increase the Group's market share. The Group will expand its distribution channels with the aim to further expand its customer base by developing new product mix and broadening the market of supermarket chains and catering service providers.

In order to increase its market share and to strengthen its leading position in the industry, the Group will continue to upgrade and expand its production facilities, step up its brand promotion efforts, and optimize its operation and sales channels. As food safety is becoming an important and growing concern in China, the Group will endeavor to maintain the quality and safety of its product.

Financial Review:

1) Other Income and Operating Expenses

In the first six months of 2011, other operating income of the Group amounted to RMB5.37 million (2010: RMB4.55 million). Other income mainly comprised interest income and government grants. The increase in other income was mainly due to the increase of government grants.

In 2011, other net gains of RMB1.49 million (2010: RMB7.51 million) was recorded. Other net income mainly comprised unrealised losses on commodity derivative contracts, net gains on disposal of fixed assets and net foreign exchange gains, etc.

Distribution costs accounted for 2.72% of total turnover, up from 2.65% in the same period of 2010.

Administrative expenses accounted for 2.43% of turnover (2010: 2.78%).

2) Liquidity, Financial Resources and Capital Structure

As at 30 June 2011, the Group's cash and bank deposit balances amounted to RMB519.10 million, representing an increase of RMB110.13 million from 2010. Bank loans increased by RMB272.46 million to RMB537.60 million (31 December 2010: RMB265.14 million). Debt to equity ratio was 29.0% (31 December 2010: 14.7%). Current ratio was maintained at a healthy level of 1.4 times (31 December 2010: 1.5 times).

3) Capital Expenditure

In the first six months of 2011, the Group's capital expenditure on the acquisition of properties, machinery and equipment amounted to RMB41.94 million which was primarily paid from internal resources and funds.

4) Exchange Rate

The Group's business transactions were mainly denominated in RMB, USD and VND. During the year under review, VND against USD depreciated by 5.41%, which had impacted the import of raw materials of the Group's subsidiary companies in Vietnam.

5) Interest Rate

During the first six months in 2011, the Group's interest expense amounted to RMB10.26 million (2010: RMB9.61 million), a rise of 6.8% from 2010. The increase in interest expense was primarily due to an increase in the benchmark interest rate of bank loans in China from 5.35% to 5.85% and the loan conditions from benchmark interest rate minus 10% to benchmark interest rate or benchmark interest rate plus 5% to 10%.

6) Dividends

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2011.

Management Discussion and Analysis

7) Pledge of Assets

As at 30 June 2011, the Group pledged assets which worth RMB41.04 million in land, property, plant and equipment as security against bank facilities of RMB61.01 million, of which RMB17.85 million was utilised as at 30 June 2011.

8) Capital Commitment and Contingent Liabilities

As at 30 June 2011, the Group's total capital commitment amounted to RMB169.50 million. The Company did not have any material contingent liabilities or off-balance sheet obligation as at 30 June 2011.

Employee Compensation and Training

As at 30 June 2011, the Group had a total of 14,533 employees (31 December 2010: 14,020). In order to attract and retain talent for the business, the Group offers competitive remuneration packages to its staff with consideration of industry practice and the financial performance of the Group, plus the employee's own work performance. The Group sees its staff as its most valuable asset and places great emphasis on their training and career recognized the development. With a view to further enhance their job skills and industry knowledge the Group has offered various training programs to its management staff and other employees. The Group believes that these programs will not only help its staff grow professionally but will also ultimately benefit the Group's long-term development as a result of having a more skilled and loyal workforce.

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.

Corporate Social Responsibility

As a responsible corporate citizen, DaChan Food (Asia) Limited (“DaChan Food” or “the Group”) is fully committed to green and sustainable practices in order to ensure that all operation and business expansion pursuit are conducted in harmony with nature. In order to cope with the ever-increasing public demand for environmental protection, DaChan Food (Asia) Limited understands that apart from facilitating environmental protection within the enterprise, we shall also request our upstream partners to engage in environmental protection so that we can establish a green supply chain.

In the first half of 2011, DaChan Food actively participated in the “Green Choice Alliance” programme initiated by various environmental protection NGOs in China. This programme urges participating members not to choose non-compliant enterprises with respect to environmental pollution as their suppliers, and assists these member enterprises to solve their existing problems with pollution associated with their business activities. The “Green Choice Alliance” programme integrates the disclosure of environmental data, public participation in the existing supply chain management system, raising environmental standards of manufacturing industry of China, realizing energy-saving measures and reducing emissions. Entering into an era of globalized production, the “Green Choice Alliance” aims to create a new model of global supply chain environmental management through close cooperation with all stakeholders. At present, prominent companies such as Siemens, Coca-Cola, Walmart, Nike and Adidas have participated in this programme.

In order to fulfill its commitment to the “Green Choice Alliance”, DaChan Food will sign green supply agreements with its suppliers, requesting suppliers to take necessary steps to ensure that their own operations meet environmental protection requirement. If any suppliers are found to engage in practices that violate the environmental protection requirements, the Group will actively carry out measures to rectify such violation. At the same time, suppliers are requested to carry out inspection for their own environmental protection issues every half year so as to confirm if there is any violation of the environmental protection requirement. If satisfactory progress is achieved in the programme, DaChan Food will urge more suppliers to take part in the “Green Choice Alliance” programme and request the upstream suppliers adhere to environmental protection so as to create a completely green industry chain with high efficiency.

Review Report

To the Board of Directors of DaChan Food (Asia) Limited

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 13 to 39 which comprises the consolidated statements of financial position of DaChan Food (Asia) Limited (“the Company”) as of 30 June 2011 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 to 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 2011 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 Charter Road
Central, Hong Kong

25 August 2011

Consolidated Income Statement

For the six months ended 30 June 2011 – unaudited (Expressed in Renminbi thousand unless otherwise stated)

	Note	Six months ended 30 June	
		2011	2010
Turnover		5,059,167	4,506,503
Cost of sales		(4,660,768)	(4,253,434)
Gross profit		398,399	253,069
Change in fair value of biological assets less cost to sell		(277)	(974)
Fair value of agricultural produce on initial recognition		23,222	8,715
Reversal of fair value of agricultural produce due to sales and disposals		(24,170)	(10,631)
Other income	5	5,368	4,546
Other net gains	5	1,487	7,509
Distribution costs		(137,565)	(119,448)
Administrative expenses		(122,776)	(125,106)
Profit from operations		143,688	17,680
Finance costs	6(a)	(10,259)	(9,609)
Share of losses of equity accounted investees		(1,243)	(561)
Profit before taxation	6	132,186	7,510
Income tax	7	(13,832)	19,053
Profit for the period		118,354	26,563
Attributable to:			
Equity shareholders of the Company		90,884	20,873
Non-controlling interests		27,470	5,690
		118,354	26,563
Earnings per share			
– Basic (RMB)	9	0.0901	0.0207
– Diluted (RMB)	9	0.0899	0.0206

The notes on pages 19 to 39 form part of this interim financial report.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011 – unaudited (Expressed in Renminbi thousand unless otherwise stated)

	Six months ended 30 June	
	2011	2010
Profit for the period	118,354	26,563
Exchange differences on translation of financial statements of overseas subsidiaries	(26,504)	(10,702)
Total comprehensive income for the period	91,850	15,861
Attributable to:		
Equity shareholders of the Company	66,649	12,156
Non-controlling interests	25,201	3,705
Total comprehensive income for the period	91,850	15,861

The notes on pages 19 to 39 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2011 – unaudited (Expressed in Renminbi thousand unless otherwise stated)

	Note	At 30 June 2011	At 31 December 2010
Non-current assets			
Fixed assets	11		
– property, plant and equipment		1,037,235	1,065,459
– lease prepayments		128,544	121,961
Interests in equity-accounted investees	12	19,257	8,036
Deferred tax assets		24,193	29,327
		1,209,229	1,224,783
Current assets			
Inventories		774,092	724,606
Biological assets		13,563	13,479
Trade receivables	13	375,457	318,041
Other receivables	14	482,032	368,574
Cash and cash equivalents	15	519,102	408,973
Assets held for sale	11	6,786	–
		2,171,032	1,833,673
Current liabilities			
Trade payables	16	595,023	621,007
Other payables	17	320,933	308,264
Bank loans		532,127	259,328
Loan from an associate		–	5,033
Dividend payable	18	33,597	–
Income tax payable		18,108	26,314
		1,499,788	1,219,946
Net current assets			
		671,244	613,727
Total assets less current liabilities			
		1,880,473	1,838,510

The notes on pages 19 to 39 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2011 – unaudited (Expressed in Renminbi thousand unless otherwise stated)

	At 30 June 2011	At 31 December 2010
Non-current liabilities		
Bank loans	5,470	5,810
Deferred tax liabilities	105	106
	<u>5,575</u>	<u>5,916</u>
Net assets	1,874,898	1,832,594
Capital and reserves		
Share capital	97,293	97,259
Reserves	899,731	920,662
Retained profits	629,693	574,179
Total equity attributable to equity shareholders of the Company	1,626,717	1,592,100
Non-controlling interests	248,181	240,494
Total equity	1,874,898	1,832,594

Approved and authorised for issue by the board of directors on 25 August 2011.

Han Jia-Hwan
Chairman

Chen Fu-Shih
Executive director

The notes on pages 19 to 39 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011 – unaudited (Expressed in Renminbi thousand unless otherwise stated)

	Note	Attributable to equity shareholders of the Company								Non-controlling interest	Total equity	
		Share capital	Share premium	Redemption reserve	Merger reserve	Statutory reserves	Translation reserve	Share-based payment reserve	Retained profits			Total
At 1 January 2011		97,259	575,253	318	396,064	60,901	(113,956)	2,082	574,179	1,592,100	240,494	1,832,594
Profit for the period		-	-	-	-	-	-	-	90,884	90,884	27,470	118,354
Other comprehensive income												
Exchange difference on translation of financial statements of overseas subsidiaries		-	-	-	-	-	(24,235)	-	-	(24,235)	(2,269)	(26,504)
Total comprehensive income for the period		-	-	-	-	-	(24,235)	-	90,884	66,649	25,201	91,850
Equity-settled share-based payment transactions	18	34	517	-	-	-	-	(10)	-	541	-	541
Appropriations		-	-	-	-	1,773	-	-	(1,773)	-	-	-
Acquisition of additional 30% equity interest in a subsidiary	10	-	1,024	-	-	-	-	-	-	1,024	(10,759)	(9,735)
Dividends to owners	18	-	-	-	-	-	-	-	(33,597)	(33,597)	(6,755)	(40,352)
Balance at 30 June 2011		97,293	576,794	318	396,064	62,674	(138,191)	2,072	629,693	1,626,717	248,181	1,874,898
At 1 January 2010		97,255	573,689	257	396,064	55,036	(84,970)	1,807	496,427	1,535,565	226,960	1,762,525
Profit for the period		-	-	-	-	-	-	-	20,873	20,873	5,690	26,563
Other comprehensive income												
Exchange difference on translation of financial statements of overseas subsidiaries		-	-	-	-	-	(8,717)	-	-	(8,717)	(1,985)	(10,702)
Total comprehensive income for the period		-	-	-	-	-	(8,717)	-	20,873	12,156	3,705	15,861
Equity-settled share-based payment transactions		(34)	685	83	-	-	-	247	(984)	(3)	-	(3)
Acquisition of additional 19% equity interest in a subsidiary		-	213	-	-	-	-	-	-	213	(8,003)	(7,790)
Dividends to owners	18	-	-	-	-	-	-	-	(24,573)	(24,573)	(16,466)	(41,039)
Balance at 30 June 2010		97,221	574,587	340	396,064	55,036	(93,687)	2,054	491,743	1,523,358	206,196	1,729,554

The notes on pages 19 to 39 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011 – unaudited (Expressed in Renminbi thousand unless otherwise stated)

	Note	Six months ended 30 June	
		2011	2010
Cash used in operations		(59,488)	(89,846)
Tax paid		(16,995)	(12,687)
Net cash used in operating activities		(76,483)	(102,533)
Net cash used in investing activities		(60,961)	(98,843)
Net cash generated from financing activities		255,886	117,894
Net increase/(decrease) in cash and cash equivalents		118,442	(83,482)
Cash and cash equivalents at 1 January		408,973	368,187
Effect of foreign exchange rate changes		(8,313)	(954)
Cash and cash equivalents at 30 June	15	519,102	283,751

The notes on pages 19 to 39 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi thousand unless otherwise stated)

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 2011 comprises the Company and its subsidiaries (collectively referred to as the “Group”) and its interests in equity-accounted investees.

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 25 August 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and 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 2010 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 page 12.

The financial information relating to the financial year ended 31 December 2010 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 2010 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 25 March 2011.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi thousand unless otherwise stated)

3 Change in accounting policies

(i) Overview

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

- IAS 24 (revised 2009), Related party disclosures
- Improvements to IFRSs (2010)

These developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements and have had no material impact on the contents of this interim financial report.

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

(ii) Change of presentation currency

During 2010, the Group changed its presentation currency from US Dollar to RMB as all the major operations of the Group are based in the People's Republic of China ("PRC"), and the Group believed that using RMB as the presentation currency provided the users of the financial statements with more relevant information about the operating results and financial position of the Group and enhanced the comparability of the Group's financial statements with those of other players in the same industry in the PRC.

The restatement of the comparative figures of consolidated income statement for six months ended 30 June 2010 with relevant notes has been presented.

4 Segment reporting

The Group manages its businesses by divisions, which are organised into different 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 segment has 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 food:	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".

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi thousand unless otherwise stated)

4 Segment reporting (continued)

(a) Information about reportable segments

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 periods ended 30 June 2011 and 2010 is set out below.

For the six months ended 30 June

	Chicken meat		Livestock feeds		Processed foods		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Turnover from external customers	2,377,218	2,252,489	2,035,716	1,881,326	646,233	372,688	5,059,167	4,506,503
Inter-segment turnover (eliminated at consolidation)	429,818	82,377	712,414	678,817	-	-	1,142,232	761,194
Total	2,807,036	2,334,866	2,748,130	2,560,143	646,233	372,688	6,201,399	5,267,697
Reportable segment profit	105,415	8,383	217,044	194,998	75,940	49,688	398,399	253,069

(b) Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2011	2010
Total profit for reportable segments	398,399	253,069
Share of losses of equity accounted investees	(1,243)	(561)
Change in fair value of biological assets less cost to sell	(277)	(974)
Fair value of agricultural produce on initial recognition	23,222	8,715
Reversal of fair value of agricultural produce due to sales and disposals	(24,170)	(10,631)
Other operating income	5,368	4,546
Other net gains	1,487	7,509
Distribution costs	(137,565)	(119,448)
Administrative expenses	(122,776)	(125,106)
Finance costs	(10,259)	(9,609)
Profit before income tax	132,186	7,510

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi thousand unless otherwise stated)

5 Other operating income and other net gains

	Six months ended 30 June	
	2011	2010
Other operating income		
Interest income	1,595	4,256
Government grants	3,773	290
	5,368	4,546
	Six months ended 30 June	
	2011	2010
Other net gains		
Realised gain on commodity derivative contracts	1,527	4,011
Unrealised losses on commodity derivative contracts (Note 14(iii))	(3,524)	–
Net gain/(loss) on disposals of fixed assets	212	(85)
Net foreign exchange gain/(loss)	2,692	(16)
Others	580	3,599
	1,487	7,509

6 Profit before taxation

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

	Six months ended 30 June	
	2011	2010
(a) Finance costs:		
Interest on bank borrowings wholly repayable within five years	10,259	9,609
(b) Other items:		
Amortisation of lease prepayments	1,831	1,528
Depreciation of property, plant and equipment	56,773	54,861
Reversal of impairment losses on trade receivables	(1,173)	(668)
Writing down of inventories	883	1,542

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi thousand unless otherwise stated)

7 Income tax

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2011	2010
Current tax		
Provision for the period	8,699	12,351
Under provision in respect of prior periods	-	245
	8,699	12,596
Deferred tax		
Origination and reversal of temporary differences	5,133	(31,649)
	13,832	(19,053)

- (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) 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 2010 and 2011 is 12.5%.
 - (b) 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 ended 30 June 2010 and 2011 is 12.5%.
- (iv) Pursuant to the income tax rules and regulations of Malaysia, the subsidiary in Malaysia is liable to Malaysian income tax rate of 25% for the six months periods ended 30 June 2010 and 2011.
- (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%.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi thousand unless otherwise stated)

7 Income tax (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 2010 and 2011.
- (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 is 10% for the six months period ended 30 June 2010 and 2011.

8 Other comprehensive income

Tax effects relating to each component of other comprehensive income

	Six months ended 30 June 2011			Six months ended 30 June 2010		
	Before-tax amount	Tax (expense)/benefit	Net-of-tax amount	Before-tax amount	Tax (expense)/benefit	Net-of-tax amount
Exchange differences on translation of financial statements of overseas subsidiaries	(26,504)	–	(26,504)	(10,702)	–	(10,702)
Other comprehensive income	(26,504)	–	(26,504)	(10,702)	–	(10,702)

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 RMB90,884,000 (six months ended 30 June 2010: RMB20,873,000) and the weighted average number of 1,008,424,495 ordinary shares (six months ended 30 June 2010: 1,008,412,123 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 RMB90,884,000 (six months ended 30 June 2010: RMB20,873,000) and the diluted weighted average number of 1,010,394,768 ordinary shares (six months ended 30 June 2010: 1,011,498,944).

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi thousand unless otherwise stated)

10 Acquisition of interest in a subsidiary

On 23 June 2011, the Group acquired remaining 30% equity interest in Yanzhou DaChan Food Co., Ltd (“YDF”) from its non-controlling interest shareholder at a cash consideration of RMB 9,735,000 which has not been settled as at 30 June 2011. The carrying amount of the 30% of the net assets of Yanzhou DaChan on the date of the acquisition was RMB 10,759,000. The Group recognised a decrease in non-controlling interests of RMB 10,759,000 and an increase in share premium of RMB 1,024,000.

11 Fixed assets

During the six months ended 30 June 2011, the Group acquired items of fixed assets with a cost of RMB41,941,000 (six months ended 30 June 2010: RMB93,959,000). Items of fixed assets with a net book value of RMB1,743,000 were disposed of during the six months ended 30 June 2011 (six months ended 30 June 2010: RMB5,477,000), resulting in a gain on disposal of RMB212,000 (six months ended 30 June 2010: a loss of RMB85,000).

In May 2011, the Group entered into a contract with an independent third party to sell group of fixed assets in DaChan Wanda (Tianjin) Co., Ltd., a wholly owned subsidiary. As at 30 June 2011, the transfer of assets has not yet completed. The Group classified these assets with a net book value of RMB 6,786,000 as assets held for sale.

12 Investment in equity-accounted investees

On 25 January 2011, the Group jointly established Jilin CSD Food Limited. (the “Jilin CSD”) together with other two third party ventures. As at 30 June 2011, the Group has paid RMB 9,680,000 out of the total capital contribution of RMB 48,000,000. The Group is required to pay the remaining capital contribution of RMB 38,320,000 within two years according to the joint venture agreement. The Group held 30% equity interest in Jilin CSD. As at 30 June 2011, Jilin CSD had not commenced operation.

On 1 March 2011, the Group jointly established Dalian Huadu DaChan Agriculture CO., LTD. (the “Dalian Huadu”) together with another third party ventures. The total capital contribution is RMB 3,000,000 and the Group held 30% of equity interest in Dalian Huadu. As at 30 June 2011, Dalian Huadu had not commenced operation.

13 Trade receivables

	At 30 June 2011	At 31 December 2010
Trade receivables	383,443	327,200
Less: allowance of doubtful debts	(7,986)	(9,159)
	375,457	318,041

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi thousand unless otherwise stated)

13 Trade receivables (continued)

Ageing analysis

Trade receivables with the following ageing analysis as of the end of the reporting period:

	At 30 June 2011	At 31 December 2010
Current	340,367	256,933
Less than 30 days past due	21,628	40,663
31 – 60 days past due	7,779	9,378
61 – 90 days past due	2,925	4,901
More than 90 days past due	10,744	15,325
Amounts past due	43,076	70,267
	383,443	327,200

14 Other receivables

	At 30 June 2011	At 31 December 2010
VAT recoverable (i)	194,420	203,933
Deposits and prepayments ((ii)and (iii))	218,125	96,135
Amounts due from related parties (Note 21(d))	30,330	13,312
Advances to staff	7,383	5,974
Deposits paid for purchase of fixed assets	4,195	450
Others	27,579	48,770
	482,032	368,574

- (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. The directors of the Company are of the opinion that the VAT recoverable as at 30 June 2011 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi thousand unless otherwise stated)

14 Other receivables (continued)

- (iii) As at 30 June 2011, the Group had deposits of RMB13,456,000 (as at 31 December 2010: RMB4,997,000) 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. A loss of RMB 3,524,000 resulting from the change in fair value of outstanding derivative contracts was recorded in the consolidated income statement.

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

15 Cash and cash equivalents

As at 30 June 2011, cash at bank and in hand in the PRC included in the cash and cash equivalents for the Group amounted to RMB411,056,000 (31 December 2010: RMB264,253,000). 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.

16 Trade payables

	At 30 June 2011	At 31 December 2010
Trade payables	595,023	621,007

The trade payables are expected to be settled within one year.

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

	At 30 June 2011	At 31 December 2010
Within 30 days	529,524	514,070
31 days to 60 days	24,417	41,114
61 days to 90 days	3,380	40,187
91 days to 180 days	37,702	25,636
	595,023	621,007

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi thousand unless otherwise stated)

17 Other payables

	At 30 June 2011	At 31 December 2010
Salaries, wages, bonuses and other benefits payable	107,328	104,404
Receipts in advance	20,859	24,676
Amounts due to related parties (Note 21(e))	6,725	9,960
Payables for purchase of fixed assets	11,286	13,153
Contract performance deposits	31,397	36,668
Accrued expenses	59,710	45,356
Payables for acquisition of interest in a subsidiary (Note 10)	9,735	–
Commodity derivative contracts (Note 14(iii))	3,524	–
Others	70,369	74,047
	320,933	308,264

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

18 Capital, reserves and dividends

(a) Dividends

- (i) Dividends payable to equity shareholders of the Company attributable to the previous financial year and approved during the interim period:

	Six months ended 30 June	
	2011	2010
Dividends to equity shareholders of the Company of HK4.00 cents per share (2010: HK2.80 cents per share)	33,597	–

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

	Six months ended 30 June	
	2011	2010
Dividends to minority shareholders of subsidiaries	6,755	16,466

The directors did not recommend the payment of an interim dividend of the six months period ended 30 June 2011 (2010: Nil).

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi thousand unless otherwise stated)

18 Capital, reserves and dividends (continued)

(b) Share-based payments

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

- (i) The terms and conditions of the grants that existed during the 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
	<hr/>
Total	11,500,000

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

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

	At 30 June 2011		At 31 December 2010	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at 1 January 2011/2010	HKD1.088	7,627,334	HKD1.088	9,386,667
Exercised during the period/year	HKD1.088	(405,000)	HKD1.088	(755,333)
Cancelled during the period/year	HKD1.088	–	HKD1.088	(1,004,000)
		<hr/>		<hr/>
Outstanding at 30 June 2011/31 December 2010	HKD1.088	7,222,334	HKD1.088	7,627,334
		<hr/>		<hr/>
Exercisable at 30 June 2011/31 December 2010	HKD1.088	4,405,670	HKD1.088	4,810,670
		<hr/>		<hr/>

The options outstanding at 30 June 2011 had an exercise price of HKD1.088 (31 December 2010: HKD1.088) and a weighted average remaining contractual life of 1.3 years (31 December 2010: 1.8 years).

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi thousand unless otherwise stated)

18 Capital, reserves and dividends (continued)

(b) Share-based payments (continued)

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

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 2011 are as follows:

	Outstanding as at 1 January 2011 and 30 June 2011	Date of grant (DD/MM/YY)	Vesting period
Directors	96,000	09/11/2009	0-2 years
Employees	147,000	09/11/2009	0-2 years
Total	243,000		

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

	2011 Weighted average grant date fair value (i) RMB	Number of restricted shares
Outstanding at January 1 and June 30	1.30	243,000

- (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 2011, restricted share award scheme payments expenses amounted to RMB71,000 (six months ended 30 June 2010: RMB187,000) were recognised in the consolidated income statements.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi thousand unless otherwise stated)

19 Commitments

- (a) Capital commitments outstanding at 30 June 2011 not provided for in the interim financial report are as follows:

	At 30 June 2011	At 31 December 2010
Contracted for:		
– Property, plant and equipment	101,054	26,492
– Investment (Note 12)	38,320	–
Authorised but not contracted for	30,130	67,958
	169,504	94,450

- (b) At 30 June 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2011	At 31 December 2010
Within 1 year	2,556	2,576
After 1 year but within 5 years	4,114	4,099
After 5 years	29,841	29,577
	36,151	36,252

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.

- (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 amount of live chicken contracted to be purchased from the Contract Farmers at the end of the reporting period were as follows:

	At 30 June 2011	At 31 December 2010
Contracted for	339,476	262,913

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi thousand unless otherwise stated)

19 Commitments (continued)

- (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 the end of the reporting period were as follows:

	At 30 June 2011	At 31 December 2010
Contracted for	530,536	252,703

20 Contingent liabilities

The Group has adopted a 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 19(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 2011, the total future minimum non-cancellable lease payments of the Contractors under CCRC model were payable as follows:

	At 30 June 2011	At 31 December 2010
Within 1 year	7,841	7,712
After 1 year but within 5 years	30,345	29,040
After 5 years	24,449	27,625
	62,635	64,377

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi thousand unless otherwise stated)

21 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 2010 and 2011.

(a) Name and relationship with related parties

During the six months ended 30 June 2010 and 2011, 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
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 GWHI, 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
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 GWHI, 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 GWHI, 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")	Minority shareholder
Marubeni (Beijing) Co., Ltd. ("Marubeni Beijing")	Subsidiary of Marubeni, minority shareholder
Marubeni (Dalian) Co., Ltd. ("Marubeni Dalian")	Subsidiary of Marubeni, minority shareholder
Marubeni (Qingdao) Co., Ltd. ("Marubeni Qingdao")	Subsidiary of Marubeni, minority shareholder
Yanzhou Jialong Food Co., Ltd. ("YKF") 兗州嘉隆食品有限公司*	Minority shareholder
Dachan (VN) Co., Ltd. ("DVN")	Subsidiary of an associate
Jilin CSD Food Co., Ltd. 吉林中新成食品有限公司*	Jointly Controlled Entity

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi thousand unless otherwise stated)

21 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	
	2011	2010
Recurring		
Sales to:		
<i>Ultimate holding company</i>		
– GWE	–	410
<i>A minority shareholder</i>		
– Marubeni	85,152	57,476
– YKF	–	724
	85,152	58,200
<i>Other related party</i>		
– DALOL-HU	17,059	4,277
– DVN	33,656	–
	50,715	4,277
<i>Fellow subsidiaries</i>		
– GWYHB	–	1,438
– TNT	2,080	–
– DSF	4	–
– GWF-TJ	–	7
	2,084	1,445
	137,951	64,332

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi thousand unless otherwise stated)

21 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	
	2011	2010
Recurring (continued)		
Purchases from:		
<i>Ultimate holding company</i>		
– GWE	–	106
<i>A minority shareholder</i>		
– Marubeni	168	–
<i>Subsidiaries of a minority shareholder</i>		
– Marubeni Beijing	21,544	13,734
– Marubeni Qingdao	273	1,371
– Marubeni Dalian	813	275
	22,630	15,380
<i>Fellow subsidiaries</i>		
– DSF	2,342	3,506
– GWF-TJ	1,905	1,324
– TNT	3,994	1,388
	8,241	6,218
<i>Other related party</i>		
– LOL-BJ	–	118
– DALOL-HU	11,592	4,466
– DVN	908	–
	43,539	26,288

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi thousand unless otherwise stated)

21 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	
		2011	2010
Recurring (continued)			
Management fee paid to:			
<i>Ultimate holding company</i>			
– GWE	(i)	3,419	2,929
<i>A minority shareholder</i>			
– Marubeni	(ii)	326	341
		3,745	3,270
Rent paid to:			
<i>A fellow subsidiary</i>			
– GWF-TJ		30	27

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 minority shareholder was primarily for the technical assistance rendered to a subsidiary in respect of its food processing activities.
- (iii) 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 were fair and reasonable so far as the shareholders of the Company are concerned.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi thousand unless otherwise stated)

21 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	
	2011	2010
Short term employee benefits	7,215	5,054
Post-employment benefits	98	115
Share-based payments	165	298
	7,478	5,467

(d) Amounts due from related parties

As at the end of the reporting period, the Group has the following balances with related parties:

	Note	At 30 June 2011	At 31 December 2010
Trade receivables from:	(i)		
<i>Fellow subsidiaries</i>			
– GWYHB		548	484
<i>A minority shareholder</i>			
– Marubeni		19,052	12,646
<i>Other related party</i>			
– DALOL-HU		3,510	182
– DVN		7,220	–
		10,730	182
Included in other receivables (Note 14)		30,330	13,312

- (i) 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 2011 and 31 December 2010.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi thousand unless otherwise stated)

21 Related party transactions (continued)

(e) Amounts due to related parties

As at the end of the reporting period, the Group has the following balances with related parties:

	Note	At 30 June 2011	At 31 December 2010
Trade payables to:	(i)		
<i>Fellow subsidiaries</i>			
– DSF		108	967
– TNT		746	960
– GWF-TJ		365	590
		1,219	2,517
<i>Other related party</i>			
– DALOL-HU		104	444
– DVN		724	–
		828	444
<i>Subsidiaries of minority shareholder</i>			
– Marubeni Qingdao		999	430
– Marubeni Dalian		289	351
		1,288	781
Other payables to:	(i)		
<i>Ultimate holding company</i>			
– GWE		3,390	6,218
Included in other payables (Note 17)		6,725	9,960

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi thousand unless otherwise stated)

21 Related party transactions (continued)

(f) Commitment to a related party

	At 30 June 2011	At 31 December 2010
Commitment to a related party		
<i>Jointly Controlled Entity</i> Jilin CSD (Note 19(a))	38,320	–

22 Comparative figures

Certain comparative figures have been reclassified to conform with current period's presentation.

23 Possible impact of amendments, new standards and interpretations issued but not yet effective

Up to the date of issue of the interim financial report, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the period ended 30 June 2011 and which have not been adopted in the interim financial report.

	Effective for accounting periods beginning on or after
Amendments to IFRS 7, <i>Financial instruments: Disclosure</i> ;	1 July 2011
Amendments to IAS 12, <i>Income taxes</i> ;	1 January 2012
Amendments to IAS 1, <i>Presentation of financial statements</i> ;	1 July 2012
IFRS 9, <i>Financial instruments</i> ;	1 January 2013
IFRS 10, <i>Consolidated financial statements</i> ;	1 January 2013
IAS 27 (2011), <i>Separate financial statements</i> ;	1 January 2013
IFRS 11, <i>Joint arrangements</i> ;	1 January 2013
IAS 28 (2011), <i>Investments in associates and joint ventures</i> ;	1 January 2013
IFRS 12, <i>Disclosure of interests in other entities</i> ;	1 January 2013
IFRS 13, <i>Fair value measurement</i> ;	1 January 2013
Revised IAS 19, <i>Employee benefits</i> ;	1 January 2013

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

Corporate Governance

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

CORPORATE GOVERNANCE CODE

The Board has 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 2011.

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 2011, 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 2011 are set out on pages 40, 41 and 42 of this interim report.

Other Information

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

As at 30 June 2011, 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 23 October 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 23 October 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.

Other Information

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 2011	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 30 June 2011	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
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	-	200,000	-	-	100,000	28 Oct-08	28-Oct-09 to 27-Oct-12	1.088
Way Yung-Do	300,000	-	200,000	-	-	100,000	28 Oct-08	28-Oct-09 to 27-Oct-12	1.088
Employees in Aggregate	3,927,334	-	5,000	-	-	3,922,334	28 Oct-08	28-Oct-09 to 27-Oct-12	1.088
Total	7,627,334	-	405,000	-	-	7,222,334			

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.

Other Information

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	38,761(L)	0.008%
Harn Jia-Chen	Great Wall Enterprise Co. Ltd.	Beneficial owner	41,633(L)	0.008%
Chao Tien-Shin	Great Wall Enterprise Co. Ltd.	Interest of controlled corporation (Note 2)	6,378,099(L)	1.289%

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 6,378,099 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 2011, 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.

Other Information

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 30 June 2011, 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)	37.13%
Asia Nutrition Technologies Corporation	Beneficial interests	152,924,906(L)	15.11%
Great Wall Enterprise Co., Ltd.	Interests of controlled corporation	528,824,852(L)	52.24%
Great Wall International (Holdings) Ltd.	Interests of controlled corporation	528,824,852(L)	52.24%
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 2011, 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 2011 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.