DACHAN FOOD (ASIA) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3999)

Announcement of Annual Results for 2009

The board of directors (the "Board") of DaChan Food (Asia) Ltd (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2009, prepared in conformity with the basis of presentation as stated in note 2 below, together with the year ended 31 December 2008 comparative figures as follows:

Highlights

	2009	2008	% change
Turnover (USD'000)	1,242,096	1,293,995	-4.0
Gross Profit (USD'000)	87,786	95,291	-7.9
Gross profit margin (%)	7.1	7.4	
Profit attributable to owners of the Company (USD'000)	15,818	19,675	-19.6
Basic earnings per share (US cents)	1.57	1.95	
Dividend per share (HK cents)	2.80	3.77	

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2009
(Expressed in United States dollars)

	Note	**2009** USD'000	**2008** USD'000
Turnover	5	1,242,096	1,293,995
Cost of sales		(1,154,310)	(1,198,704)
Gross profit		87,786	95,291
Change in fair value of biological assets less estimated point-of-sale costs		(428)	(365)
Fair value of agricultural produce on initial recognition		5,444	7,839
Reversal of fair value of agricultural produce due to sales and disposals		(5,534)	(8,220)
Other income		5,425	10,283
Distribution costs		(30,947)	(30,369)
Administrative expenses		(32,840)	(32,858)
Other operating expenses		(2,903)	(7,798)
Profit from operations		26,003	33,803
Finance costs	7(a)	(1,818)	(5,196)
Share of losses of jointly controlled entities		(113)	(989)
Profit before taxation	7	24,072	27,618
Income tax	8	(3,623)	(5,763)
Profit for the year		20,449	21,855
Attributable to:			
Owners of the Company		15,818	19,675
Non-controlling interest		4,631	2,180
Profit for the year		20,449	21,855
Dividends payable to equity shareholders of the Company attributable to the year:			
Final dividend proposed after the balance sheet date	9	3,653	4,919
Earnings per share			
– Basic (cents)	10	1.57	1.95
– Diluted (cents)		1.56	1.95

CONSOLIDATED BALANCE SHEET
At 31 December 2009
(Expressed in United States dollars)

	Note	2009 USD'000	2008 USD'000
Non-current assets			
Fixed assets			
– property, plant and equipment		156,801	145,593
– lease prepayments		16,417	17,999
Interests in jointly controlled entities		212	–
Deferred tax assets		2,133	759
		175,563	164,351
Current assets			
Inventories		97,200	73,825
Biological assets		1,748	1,841
Trade and other receivables	11	81,994	66,377
Income tax recoverable		1	979
Pledged bank deposits		979	1,253
Cash and cash equivalents		53,931	60,505
		235,853	204,780
Current liabilities			
Trade and other payables	12	121,265	92,231
Interest-bearing borrowings		26,417	23,145
Income tax payable		3,375	3,332
		151,057	118,708
Net current assets		84,796	86,072
Total assets less current liabilities		260,359	250,423
Non-current liabilities			
Interest-bearing borrowings		2,213	6,145
Deferred tax liabilities		14	22
		2,227	6,167
Net assets		258,132	244,256

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise stated)

1 GENERAL INFORMATION AND GROUP REORGANISATION

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

The consolidated financial statements for the year ended 31 December 2009 comprise the Group and the Group's interests in jointly controlled entities. The Group primarily is involved in the manufacturing and trading of livestock feeds, poultry and chilled meat and processed food

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

2 BASIS OF PRESENTATION

The Group is regarded as a continuing entity resulting from the Reorganisation under common control. The consolidated financial statements have been prepared on the basis that the Company was the holding company of the Group for both years presented. All material intra-group transactions and balances have been eliminated on consolidation. In the opinion of the directors, the consolidated financial statements prepared on this basis present fairly the results of operations and the state of affairs of the Group as a whole.

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Basis of preparation of the financial statements

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

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

– derivative financial instruments are measured at fair value; and

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

4 CHANGES IN ACCOUNTING POLICIES

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

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

5 TURNOVER

The principal activities of the Group include manufacturing and trading of livestock feeds, poultry and chilled meats and processed foods.

Turnover mainly represents the sales value of goods sold to customers but excludes value added tax or other sales taxes and is after allowance for goods returned and deduction of any trade discounts.

6 SEGMENT REPORTING

Segment information is presented in respect of the Group's business segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Primary reporting format – business segments

The Group comprises the following main business segments:

Chicken 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".

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

(a) Segment results, assets and liabilities

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

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

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

The measure used for reporting segment profit is gross profit.

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

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

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

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

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

(c) Geographical information

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

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

7 PROFIT BEFORE TAXATION

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

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

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

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

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

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

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

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

8 INCOME TAX

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

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

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

(iii) Pursuant to the income tax rules and regulations of the PRC, the companies comprising the Group in the PRC are liable to PRC Corporate Income Tax at a rate of 25% during the periods, except for the following:

(a) DaChan Wanda (Tianjin) Co., Ltd. and Greatwall Agri (Heilongjiang) Co., Ltd. are entitled to a full exemption from the PRC Corporate Income Tax for the two years beginning from 2006, their first profit-making year after offsetting all tax losses carried forward from the previous years, followed by a 50% reduction in the PRC Corporate Income Tax for the next three years. The applicable tax rate for both subsidiaries for the years ended 31 December 2008 and 2009 respectively is 12.5%.

(b) Dongbei Agri (Changchun) Co., Ltd. is entitled to a full exemption from the PRC Corporate Income Tax for the two years beginning from 2007, its first profit-making year after offsetting all tax losses carried forward from the previous years, followed by a 50% reduction in the PRC Corporate Income Tax for the next three years. The applicable tax rate for the year ended 31 December 2009 is 12.5% (2008: Nil).

(c) Greatwall Gourmet (Shanghai) Co., Ltd. and Hunan Greatwall Technologies & Feeds Co., Ltd. are entitled to a full exemption from the PRC Corporate Income Tax for the two years beginning from 2008, their first profit-making year after offsetting all tax losses carried forward from the previous years, followed by a 50% reduction in the PRC Corporate Income Tax for the next three years. The applicable tax rate for both subsidiaries for the years ended 31 December 2008 and 2009 respectively is nil.

(iv) Pursuant to the income tax rules and regulations of Malaysia, the subsidiary in Malaysia was liable to Malaysian income tax rate of 25% for the year ended 31 December 2009 (2008: 26%).

(v) Pursuant to the Amended Investment Licence No. 1219/GPDC1-BKH-KCN-DN dated 23 September 2003, issued by Dong Nai Industrial Zone Authority, Asia Nutrition Technologies (VN) Co., Ltd. ("ANT-VN") is subject to Corporate Income Tax of Vietnam at a preferential rate of 15%.

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

(vii) Asia Nutrition Technologies (LA) Co., Ltd. ("ANT-LA") is subject to Corporate Income Tax of Vietnam at the rate of 20% for the first 10 years commencing from its first year of operation and 25% for the succeeding years. However, ANT-LA is entitled to a full tax exemption for 2 years starting from 2008, its first profit-making year and a 50% reduction in tax rate for the next three years. Therefore, the applicable tax rate of ANT-LA is nil for the year ended 31 December 2009 (2008: nil).

Reconciliation between tax expense and accounting profit at applicable tax rates:

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

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

9 DIVIDENDS

	2009 USD'000	2008 USD'000
Final dividend proposed after the balance sheet date of HK 2.80 cents per share (2008: HK 3.77 cents per share)	3,653	4,919

On 12 March 2010, the directors proposed a final dividend of HK 2.80 cents (2008: HK3.77 cents) per share to all equity shareholders of the Company for the shareholders' approval at the forthcoming annual general meeting ("AGM"). The final dividend proposed after the balance sheet date has not been recognized as a liability at the balance sheet date.

10 EARNINGS PER SHARE

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

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

11 TRADE AND OTHER RECEIVABLES

Ageing analysis

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

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

12 TRADE AND OTHER PAYABLES

Ageing analysis

Included in trade and other payables are trade payables with the following ageing as of the balance sheet date:

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

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

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

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

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

Chicken Meat

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

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

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

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

Feeds to External Customers

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

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

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

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

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

Processed Foods

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

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

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

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

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

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

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

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

AWARDS AND RECOGNITIONS

Apart from winning a RMB1.7 billion contract to supply chicken to Yum Brands' KFC in China over the next three years, DaChan was also included in the list of "Top 50 Feed Enterprises in China" ("全國飼料工業企業50强") and "Top 20 Agricultural Produce Processing Enterprises" ("遼寧省畜產品加工龍頭企業二十强") as well as "Grade A Enterprise for Product Assurance and Quality Control" ("商檢A類企業") and "Customs Inspection – Grade A Certification" ("海關A類企業資格").

OUTLOOK & FUTURE PLANS

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

Chicken Meat

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

Feeds to External Customers

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

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

Processed Foods

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

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

FINANCIAL REVIEW:

1) **Other Income and Operating Expenses**

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

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

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

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

2) Liquidity, Financial Resources and Capital Structure

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

3) Capital Expenditure

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

4) Exchange Rate

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

5) Interest Rate

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

6) Dividends

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

7) Charge on Assets

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

8) Capital Commitment and Contingent Liabilities

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

EMPLOYEE COMPENSATION AND TRAINING

As of 31 December 2009, the Group had a total of 14,013 employees (31 December 2008: 13,105). The Group's employees are remunerated in accordance with industry practices, the financial performance of the Group and their work performance in order to build up a team of professional staff and management to support the company's needs. We place great emphasis on the training and development of our employees and we believe employees are the core to the Group. We have invested in various training programs for our management staff and other employees with a view to constantly upgrading their skills and knowledge. We implement these programs with a view to enhancing the quality of our employees and providing them with the best opportunities for career development. We believe that these programs will be mutually beneficial to the Group and its employees.

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

OTHER INFORMATION

Annual General Meeting ("AGM")

The 2009 AGM of the Company will be held on 28 May 2010 and the Notice of Annual General Meeting will be published and dispatched in the manner as required by the Listing Rules.

Closing of Register of Members

The register of members will be closed from 26 May 2010 to 28 May 2010, both days inclusive. To qualify for the final dividend and the right to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company Share Registrars, Tricor Investor Services Ltd, 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30pm on 25 May 2010.

Purchase, Redemption or Sale of Listed Securities of the Company

During the year ended 31 December 2009, neither the Company nor any of its subsidiaries and its jointly controlled entities purchased, redeemed or sold any of the Company's listed securities.

Compliance with Model Code

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model" Code") set out in Appendix 10 to the Listing Rules regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions for the year ended 31 December 2009 and up to the date of this announcement.

Compliance with the Code on Corporate Governance Practices

The Company is committed to good corporate governance practices and procedures including a quality board, sound internal control, transparency and accountability to its shareholders. It has also complied with the Code on Corporate Governance Practices as stated in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited throughout the 12 months ended 31 December 2009.

Audit Committee

The Audit Committee of the Company was established with terms of reference in accordance with Appendix 14 to the Listing Rules. The Audit committee is delegated by the Board to assess matters related to the financial statements and to provide recommendations and advices including review of relationships with external auditors, the Company's financial reporting, including the review of the annual results for the year ended 31 December 2009, the internal control and risk management system. There was no disagreement by the Audit Committee or the external auditors on the accounting policies adopted by the Company.

The Audit Committee comprises Mr. Way Yung-Do (Chairman of the audit committee), Dr. Chen Chih and Mr. Liu Fuchun who are Independent Non-executive Directors of the Company.

By Order of the Board
Han Jia-Hwan
Chairman

Hong Kong, 12 March 2010

As at the date of this announcement, Mr. Han Jia-Hwan (Chairman), Mr. Chang Tiee-Shen (Chief Executive Officer) and Mr. Chen Fu-Shih are the executive Directors, Mr. Han Chia-Yau, Mr. Harn Jia-Chen, Mr. Nicholas W. Rosa and Mr. Chao Tien-Shin are the non-executive Directors, and Mr. Liu Fuchun, Dr. Chen Chih and Mr. Way Yung-Do are the independent non-executive Directors.