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)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

The board of directors (the "Board") of DaChan Food (Asia) Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ended 30 June 2010. The consolidated interim financial report for the six months ended 30 June 2010 is unaudited, but has been reviewed by KPMG[1] as well as the Company's audit committee.

Financial Highlights

	Six months ended 30 June		
	2010 (unaudited)	**2009** (unaudited)	**% change**
Turnover (USD'000)	660,681	560,563	17.9
Gross profit (USD'000)	37,102	41,722	-11.1
Gross profit margin (%)	5.6	7.4	
Profit attributable to equity shareholders of the Company (USD'000)	3,061	6,962	-56.0
Basic earnings per share (US cents)	0.30	0.69	-56.5

Note:[1] The consolidated interim financial report 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 whose unmodified review report is included in the consolidated interim financial report to be sent to shareholders.

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2010 – unaudited

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2010 – unaudited

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

CONSOLIDATED BALANCE SHEET

at 30 June 2010 – unaudited

	Note	At 30 June 2010 USD'000	At 31 December 2009 USD'000
Non-current assets			
Fixed assets			
– property, plant and equipment		**161,877**	156,801
– lease prepayments		**16,209**	16,417
Interests in jointly controlled entities		**1,306**	212
Deferred tax assets		**6,774**	2,133
		186,166	175,563
Current assets			
Inventories		**97,894**	97,200
Biological assets		**1,499**	1,748
Trade and other receivables	*9*	**97,745**	81,994
Income tax recoverable		**1**	1
Pledged bank deposits		**238**	979
Cash and cash equivalents		**41,784**	53,931
		239,161	235,853
Current liabilities			
Trade and other payables	*10*	**115,162**	121,265
Interest-bearing borrowings		**50,854**	26,417
Income tax payable		**3,362**	3,375
		169,378	151,057
Net current assets		**69,783**	84,796
Total assets less current liabilities		**255,949**	260,359
Non-current liabilities			
Interest-bearing borrowings		**1,251**	2,213
Deferred tax liabilities		**15**	14
		1,266	2,227
Net assets		**254,683**	258,132

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1 GENERAL INFORMATION

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

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

2 BASIS OF PREPARATION

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

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

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

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

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

3 SEGMENT REPORTING

The Group manages its business by divisions, which are organised by business lines. In accordance with IFRS 8 *Operating Segment*, segment information disclosed in the interim financial report has been prepared in a manner consistent with the way in which information is reported internally to the CEO, who is the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment. The Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

Livestock feeds: The livestock feeds segment manufactures and distributes complete feed, base mix and pre-mix for swine, layer, broiler, dairy, duck, and breeder poultry.

Processed foods: The processed foods segment produces and distributes pickled, pre-fried, and roasted foods, and further possessed chilled and frozen chicken meat marketed under the brand of "Sisters' Kitchen".

(a) Information about reportable segments

For the six months ended 30 June

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

(b) Reconciliations of reportable segment profit or loss

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

4 ACQUISITIONS/DISPOSAL OF SUBSIDIARIES

(a) Acquisition of partial interest in a subsidiary

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

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

(b) Disposal of a subsidiary

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

5 OTHER INCOME

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

6 PROFIT BEFORE TAXATION

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

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

7 INCOME TAX

Taxation in the consolidated income statement represents:

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

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

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

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

(a) DaChan Wanda (Tianjin) Co., Ltd. and Greatwall Agri (Heilongjiang) Co., Ltd. are entitled to a full exemption from the PRC Corporate Income Tax for the two years beginning from 2006, their first profit-making year after offsetting all tax losses carried forward from the previous years, followed by a 50% reduction in the PRC Corporate Income Tax for the next three years. The applicable tax rate for both subsidiaries for the six months periods ended 30 June 2009 and 2010 is 12.5%.

(b) Dongbei Agri (Changchun) Co., Ltd. is entitled to a full exemption from the PRC Corporate Income Tax for the two years beginning from 2007, its first profit-making year after offsetting all tax losses carried forward from the previous years, followed by a 50% reduction in the PRC Corporate Income Tax for the next three years. The applicable tax rate for the six months periods ended 30 June 2009 and 2010 is 12.5%.

(c) Greatwall Gourmet (Shanghai) Co., Ltd. and Hunan Greatwall Technologies & Feeds Co., Ltd. are entitled to a full exemption from the PRC Corporate Income Tax for the two years beginning from 2008, their first profit-making year after offsetting all tax losses carried forward from the previous years, followed by a 50% reduction in the PRC Corporate Income Tax for the next three years. The applicable tax rate for both subsidiaries for the six months period ended 30 June 2010 is 12.5% (2009: Nil).

(iv) Pursuant to the income tax rules and regulations of Malaysia, the subsidiary in Malaysia was liable to Malaysian income tax rate of 25% for the six months periods ended 30 June 2009 and 2010.

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

(vi) Asia Nutrition Technologies (HN) Co., Ltd. ("ANT-HN") is subject to Corporate Income Tax of Vietnam at the rate of 10% for the first 15 years commencing from its first year of operation and 25% for the succeeding years. However, ANT-HN is entitled to a full tax exemption for four years starting from 2005, its first profit-making year pursuant to the Minutes of Inspection by Tax Department of Hai Duong Province dated 24 November 2006 and a 50% reduction in tax rate for the next four years. Therefore, the applicable tax rate of ANT-HN is 5% for the six months periods ended 30 June 2009 and 2010.

(vii) Asia Nutrition Technologies (LA) Co., Ltd. ("ANT-LA") is subject to Corporate Income Tax of Vietnam at the rate of 20% for the first 10 years commencing from its first year of operation and 25% for the succeeding years. However, ANT-LA is entitled to a full tax exemption for 2 years starting from 2008, its first profit-making year and a 50% reduction in tax rate for the next three years. Therefore, the applicable tax rate for the six months period ended 30 June 2010 is 10% (2009: Nil).

8 EARNINGS PER SHARE

(a) Basic earnings per share

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

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of USD3,061,000 (six month ended 30 June 2009: 6,962,000) and the weighted average number of 1,011,498,944 ordinary shares (six months ended 30 June 2009: 1,010,662,000).

9 TRADE AND OTHER RECEIVABLES

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

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

(i) The VAT recoverable represents the unutilised input VAT eligible for offsetting against future output VAT. The unutilised input VAT arose mainly due to the insufficient output VAT on sales of chicken meat to offset the input VAT on purchases of live chicken from contract farmers. Management of the Company are of the opinion that the VAT recoverable as at 30 June 2010 will be utilised within one year in accordance with the Group's budget.

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

Ageing analysis

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

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

10 TRADE AND OTHER PAYABLES

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

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

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

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

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

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

11 DIVIDENDS

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

Chicken Meat

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

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

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

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

Feeds to External Customers

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

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

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

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

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

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

Processed Foods

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

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

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

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

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

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

Awards and Recognitions

Apart from winning a RMB1.7 billion contract to supply chicken to Yum Brands' KFC in China over the next three years, DaChan was also named one of "Top 20 Chinese Broiler Enterprises" ("中國白羽肉雞企業20強") and "Top 10 Best Chinese Broiler Enterprises" ("中國白羽肉雞行業十佳企業家") by Chinese Agricultural Association (中國畜牧業協會). DaChan was also included in the list of "Top 50 Feed Enterprises in China" ("全國飼料工業企業50強") and "Top 20 Agricultural Produce Processing Enterprises" ("全省畜產品加工龍頭企業二十強") as well as "Grade A Enterprise for Product Assurance and Quality Control" ("商檢A類企業"), "Customs Inspection-Grade A Certification" ("海關A類企業資格") and "Influential Enterprises in the Food Industry" ("中國肉類食品行業影響力企業家").

Outlook & Future Plans

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

Chicken Meat

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

Feeds to External Customers

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

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

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

Processed Foods

The Group has moved away from the lower-margin commodity chicken meat and by-products business to higher margin processed foods as an integral strategy to sustain long-term growth. We will primarily focus on expanding in the PRC market. The construction of a new plant in Tianjin has been completed to serve the domestic market. For the export market, we will continue to develop new products to serve existing customers while further expanding our customer base to include restaurant chains, supermarkets, and convenience stores in Japan, Singapore and Hong Kong.

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

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

Financial Review

1) **Other Income and Operating Expenses**

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

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

2) **Liquidity, Financial Resources and Capital Structure**

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

3) **Capital Expenditure**

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

4) **Exchange Rate**

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

5) **Dividends**

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

6) **Charge on assets**

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

7) **Capital commitment and Contingent liabilities**

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

Employee Compensation and Training

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

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

OTHER INFORMATION

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 to the Listing Rules throughout the six months ended 30 June 2010.

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 more stringent 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 six months ended 30 June 2010.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

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 the Company's financial reporting matters, including the review of the interim results for the six months ended 30 June 2010, the internal control and risk management system. There was no disagreement by the audit committee 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, 20 August 2010

As at the date of this announcement, Mr. Han Jia-Hwan (Chairman), Mr. Chen Fu-Shih and Mr. Shu Cho-Shen are the executive Directors, Mr. Han Chia-Yau, Mr. Harn Jia-Chen, Mr. Nicholas William 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.