DACHAN FOOD (ASIA) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3999)

Announcement of Annual Results for 2010

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 2010, prepared in conformity with the basis of presentation as stated in note 2 below, together with the year ended 31 December 2009 comparative figures as follows:

Highlights

	2010	**2009**	**% change**
Turnover (RMB'000)	9,551,759	8,484,757	+12.6
Gross Profit (RMB'000)	658,028	599,663	+9.7
Gross profit margin (%)	6.9	7.1	
Profit attributable to equity shareholders of the Company (RMB'000)	109,382	108,053	+1.2
Basic earnings per share (RMB)	0.11	0.11	
Dividend per share (HK cents)	4.00	2.80	

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2010
(Expressed in Renminbi Yuan)

	Note	2010 RMB'000	2009 RMB'000
Turnover	3	9,551,759	8,484,757
Cost of sales		(8,893,731)	(7,885,094)
Gross profit		658,028	599,663
Change in fair value of biological assets less cost to sell		2,130	(2,932)
Fair value of agricultural produce on initial recognition		25,143	37,190
Reversal of fair value of agricultural produce due to sales and disposals		(24,139)	(37,808)
Other income		10,617	7,207
Other net income		7,027	15,371
Distribution costs		(250,133)	(211,398)
Administrative expenses		(246,806)	(224,332)
Other operating expenses		(2,234)	(5,336)
Profit from operations		179,633	177,625
Finance costs	5(a)	(15,454)	(12,421)
Share of losses of equity-accounted investees		(1,246)	(770)
Profit before taxation	5	162,933	164,434
Income tax	6	(16,414)	(24,746)
Profit for the year		146,519	139,688
Attributable to:			
Equity shareholders of the Company		109,382	108,053
Non-controlling interests		37,137	31,635
Profit for the year		146,519	139,688
Dividends payable to shareholders of the Company attributable to the year:			
Final dividend proposed after the end of the reporting period	7	34,419	24,573
Earnings per share			
– Basic (RMB)	8	0.11	0.11
– Diluted (RMB)		0.11	0.11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2010
(Expressed in Renminbi Yuan)

	Note	**2010** RMB'000	**2009** RMB'000
Non-current assets			
Fixed assets			
– property, plant and equipment		1,065,459	1,070,638
– lease prepayments		121,961	112,101
Interests in equity-accounted investees		8,036	1,449
Deferred tax assets		29,327	14,566
		1,224,783	1,198,754
Current assets			
Inventories		724,606	663,688
Biological assets		13,479	11,938
Trade and other receivables	9	686,615	559,849
Income tax recoverable		–	3
Pledged bank deposits		–	6,676
Cash and cash equivalents		408,973	368,244
		1,833,673	1,610,398
Current liabilities			
Trade and other payables	10	929,271	827,999
Interest-bearing borrowings		259,328	180,376
Loan from an associate		5,033	–
Income tax payable		26,314	23,045
		1,219,946	1,031,420
Net current assets		613,727	578,978
Total assets less current liabilities		1,838,510	1,777,732
Non-current liabilities			
Interest-bearing borrowings		5,810	15,109
Deferred tax liabilities		106	98
		5,916	15,207
Net assets		1,832,594	1,762,525
Capital and reserves			
Share capital		97,259	97,255
Reserves		1,494,841	1,438,310
Total equity attributable to shareholders of the Company		1,592,100	1,535,565
Non-controlling interests		240,494	226,960
Total equity		1,832,594	1,762,525

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan 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 consolidated financial statements for the year ended 31 December 2010 comprise the Company and its subsidiaries (hereinafter collectively referred to as the "Group") and the Group's interest in jointly controlled entities and associates. The Group primarily is involved in the manufacturing and trading of livestock feeds, poultry and chilled meat and processed food.

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

2 Basis of preparation

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.

(a) *Statement of compliance*

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

(b) *Basis of measurement*

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

– derivative financial instruments are measured at fair value; and

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

(c) *Functional and presentation currency*

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

(d) Changes in accounting policies

(i) Overview

The Group has changed its accounting policies in the following areas either voluntarily or as a result of revised IFRSs, a number of amendments to and interpretations of IFRSs that are relevant to the Group becoming first effective for the current accounting year:

– Change of presentation currency
– Amendments to IFRS 5, *Non-current assets held for sale and discontinued operations – plan to sell the controlling interest in a subsidiary*;
– Amendments to IAS 39, Financial instruments: *Recognition and measurement – eligible hedged items*;
– IFRIC 17, *Distributions of non-cash assets to owners*; and
– Improvements to IFRSs (2009)

The amendments to IAS 39 have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. Except for the change of presentation currency, the other developments resulted in changes in accounting policies but none of these changes in accounting policies have a material impact on the current or comparative year.

(ii) Change of presentation currency

In the prior periods, the Group presented its financial statements in US Dollar ("USD"). However, as all the major operations of the Group are based in the People's Republic of China ("PRC"), the Group believes that using RMB as the presentation currency provides the users of the financial statements with more relevant information about the operating results and financial position of the Group and enhances the comparability of the Group's financial statements with those of other players in the same industry in the PRC. The change in the presentation currency has been applied retrospectively with comparatives restated.

3 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.

4 Segment reporting

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

Primary reporting format – 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".

(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.

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, 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 2010 and 2009 is set out below.

	Chicken meat		Livestock feeds		Processed foods		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover from external customers	4,527,547	4,057,684	4,068,331	3,818,244	955,881	608,829	9,551,759	8,484,757
Inter-segment turnover	155,309	204,185	1,381,072	1,163,572	–	–	1,536,381	1,367,757
Total	4,682,856	4,261,869	5,449,403	4,981,816	955,881	608,829	11,088,140	9,852,514
Segment result	106,117	60,734	432,887	452,777	119,024	86,152	658,028	599,663
Unallocated operating income and expenses							(478,395)	(422,038)
Profit from operations							179,633	177,625
Finance costs							(15,454)	(12,421)
Share of losses of equity-accounted investees	–	–	(1,246)	(770)	–	–	(1,246)	(770)
Income tax							(16,414)	(24,746)
Profit for the year							146,519	139,688
Depreciation and amortisation for the year	55,692	49,449	36,605	35,350	23,314	18,806	115,611	103,605
Reportable segment assets	949,568	880,832	1,223,334	1,183,914	401,428	330,066	2,574,330	2,394,812
(including investment in equity-accounted investees)	–		8,036	1,449	–	–	8,036	1,449
Reportable segment liabilities	(231,981)	(331,370)	(460,488)	(398,803)	(214,767)	(86,900)	(907,236)	(817,073)

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

	2010	2009
	RMB'000	RMB'000
Turnover		
Reportable segment turnover	11,088,140	9,852,514
Elimination of inter-segment turnover	(1,536,381)	(1,367,757)
Consolidated turnover	9,551,759	8,484,757
Profit		
Reportable segment profit	658,028	599,663
Share of losses of equity-accounted investees	(1,246)	(770)
Change in fair value of biological assets less cost to sell	2,130	(2,932)
Fair value of agricultural produce on initial recognition	25,143	37,190
Reversal of fair value of agricultural produce due to sales and disposals	(24,139)	(37,808)
Other revenue	10,617	7,207
Other net income	7,027	15,371
Distribution costs	(250,133)	(211,398)
Administrative expenses	(246,806)	(224,332)
Finance costs	(15,454)	(12,421)
Other operating expenses	(2,234)	(5,336)
Consolidated profit before taxation	162,933	164,434
Assets		
Reportable segment assets	2,574,330	2,394,812
Deferred tax assets	29,327	14,566
Income tax recoverable	–	3
Cash and cash equivalents	408,973	368,244
Unallocated head office and corporate assets	45,826	31,527
Consolidated total assets	3,058,456	2,809,152
Liabilities		
Reportable segment liabilities	907,236	817,073
Income tax payable	26,314	23,045
Deferred tax liabilities	106	98
Interest-bearing borrowings	265,138	195,485
Unallocated head office and corporate liabilities	27,068	10,926
Consolidated total liabilities	1,225,862	1,046,627

(c) Geographical information

The following table sets out information about the geographical location of the Group's turnover from external customers and the Group's tangible fixed assets ("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.

	Turnover from external customers		**Specified non-current assets**	
	2010	**2009**	**2010**	**2009**
	RMB'000	RMB'000	RMB'000	RMB'000
Mainland China	7,847,777	7,052,686	950,717	940,743
Vietnam	1,382,749	1,202,939	115,855	126,844
Japan	251,869	183,836	–	–
Rest of Asia Pacific	69,364	45,296	6,923	4,500
	9,551,759	8,484,757	1,073,495	1,072,087

5 Profit before taxation

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

	2010	**2009**
	RMB'000	RMB'000
(a) Finance costs		
Interest on bank borrowings wholly repayable within five years	15,454	12,421
(b) Staff costs		
Salaries, wages, bonuses and other benefits	382,158	339,992
Contributions to retirement schemes	33,242	16,429
Equity-settled share-based payment	979	2,329
	416,379	358,750

The Group is required to participate in pension schemes organised by the respective municipal governments of the PRC whereby the Group is required to pay annual contributions for PRC based employees at rates ranging from 19% to 25.5% (2009: 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% (2009: 12%) of the eligible employees' salaries.

The Group also made contribution on the statutory social security and health insurance in Vietnam at 17% (2009: 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.

(c) Other items

	2010	**2009**
	RMB'000	RMB'000
Auditors' remuneration		
– audit services	3,901	3,812
– tax services	20	20
	3,921	3,832
Amortisation of lease prepayments	3,260	2,978
Depreciation of property, plant and equipment	112,351	100,627
Net impairment losses on trade and other receivables	4,345	934
Net reversal of write-down of inventory	(7,195)	(17,794)
Net foreign exchange loss	2,234	5,336
Operating lease charges		
– plant and machinery	18,129	17,747
– others	3,649	3,682
Research and development costs	698	246

6 Income tax in the consolidated income statement

	2010 RMB'000	2009 RMB'000
Current tax		
Provision for the year	29,936	29,156
Under provision in respect of prior years	1,231	5,021
	31,167	34,177
Deferred tax		
Origination and reversal of temporary differences	(14,753)	(9,431)
	16,414	24,746

(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 laws 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 2010 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 years ended 31 December 2010 and 2009 respectively 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 years ended 31 December 2010 is 12.5% (2009: nil).

(iv) Pursuant to the income tax laws and regulations of Malaysia, the subsidiary in Malaysia was liable to Malaysian income tax rate of 25% for the year ended 31 December 2010 (2009: 25%).

(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 2010 (2009: 5%).

(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 10% for the year ended 31 December 2010 (2009: nil).

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

	2010	**2009**
	RMB'000	RMB'000
Profit before taxation	162,933	164,434
Income tax using PRC's Corporate Income Tax rate of 25% (2009: 25%) (note)	40,733	41,109
Effect of different tax rates of subsidiaries operating in different tax jurisdiction	(27,464)	(16,575)
Tax effect of non-deductible expenses	4,310	5,075
Tax effect of non-taxable revenue	(7,551)	(4,078)
Tax effect of unused tax losses not recognised	10,696	7,828
Utilisation of tax losses previously not recognised	(433)	(5,444)
Effect of tax exemptions granted to subsidiaries	(5,108)	(8,190)
Under provision in respect of prior years	1,231	5,021
Actual tax expense	16,414	24,746

Note: The income tax rate of 25% (2009: 25%) represents the domestic tax rate in the jurisdiction where the operations of the Group are substantially based.

7 DIVIDENDS

	2010	**2009**
	RMB'000	RMB'000
Final dividend proposed after the end of the reporting period of HK4.00 cents per share (2009: HK2.80 cents per share)	34,419	24,573

On 25 March 2011, the directors proposed a final dividend of HK4.00 cents (2009: HK2.80 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 recognised as a liability at the end of reporting period.

8 Earnings per share

The calculation of basic earnings per share for the year ended 31 December 2010 is based on the profit attributable to ordinary equity shareholders of the Company of RMB109,382,000 (2009: RMB108,053,000) and the weighted average of 1,008,169,061 ordinary shares (2009: 1,009,882,642) 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 RMB109,382,000 (2009: RMB108,053,000) and the weighted average of 1,011,065,457 ordinary shares (2009: 1,011,617,573).

9 Trade and other receivables

Ageing analysis

Included in trade and other receivables are trade receivables with the following ageing analysis as of the end of the reporting period:

	The Group	
	2010	**2009**
	RMB'000	RMB'000
Current	256,933	191,525
Less than 30 days past due	40,663	20,259
31–60 days past due	9,378	5,039
61–90 days past due	4,901	1,195
More than 90 days past due	15,325	8,221
Amounts past due	70,267	34,714
	327,200	226,239

10 Trade and other payables

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

	The Group	
	2010	**2009**
	RMB'000	RMB'000
Within 30 days	514,070	497,727
31 days to 60 days	41,114	20,341
61 days to 90 days	40,187	6,173
91 days to 180 days	25,636	9,572
	621,007	533,813

MANAGEMENT DISCUSSION AND ANALYSIS

	2010	2009	change
Turnover (RMB'000)	9,551,759	8,484,757	12.6%
Gross profit (RMB'000)	658,028	599,663	
Gross profit margin (%)	6.9	7.1	9.7%
Profit attributable to shareholders of the Company (RMB'000)	109,382	108,053	1.2%

Throughout the year 2010, the Group has implemented a series of measures to cope with the changing external operating environment. Under the significantly increase of prices of raw materials and labor cost and the prices of chicken meat being affected by the lower prices of pork, we succeeded to improve our operating conditions.

In 2010, the Group recorded a turnover of RMB9,551,759,000, representing a 12.6% growth over the previous year. During the period, the turnover of the three main business segments grew steadily. The segments of chicken meat and feeds remained the Group's largest turnover contributor, accounting for 47.4% and 42.6% of the Group's total turnover respectively. Driven by the strong surge in 2009, the overturn of processed foods kept a rapid growth of 57% over the past year, becoming the Group's major source of revenue.

During the period, the Group's gross profit up 10% to RMB658,028,000 while gross profit margin decreased slightly by 0.2% due to higher raw material costs. Profit attributable to shareholders of the Company was up 1.2% to RMB109,382,000.

Chicken Meat

	2010	2009	change
Turnover (RMB'000)	4,527,547	4,057,684	11.6%
Gross profit (RMB'000)	106,117	60,734	74.7%
Gross profit margin (%)	2.3	1.5	

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.

During the period, benefiting from the steady demand from major domestic clients, sales of chilled and frozen chicken and feeds to contract farmers recorded a satisfactory growth. The Group continuously expanded its customer base through greater efforts on marketing and products portfolio diversification. The chicken meat segment recorded overturn of RMB4,527,547,000, which grew by 11.6% as compared with that of the previous year.

In the first half of the year, the price of pork dropped rapidly due to over supply in the market and in turn affected the prices of chilled and frozen chicken. However, the average selling prices of chilled and frozen chicken recorded a rebound along with the prices of pork and a higher gross profit margin in the fourth quarter of the year, leading to a substantial increase in gross profit by 75% to RMB106,117,000, and gross profit margin increased to 2.3%.

Feeds to External Customers

	2010	**2009**	**change**
Turnover (RMB'000)	4,068,331	3,818,244	6.5%
Gross profit (RMB'000)	432,887	452,777	-4.4%
Gross profit margin (%)	10.6	11.9	

The revenue of the segment primarily derived from the sales of different types of feeds to China, Vietnam and Malaysia. Corn and soybean meals are the key raw materials for our feeds.

The segment continuously recorded a steady growth of operating income. One of the main reasons was the Group's continued efforts in the development of functional feeds. In light of the rising concern for the immunity function of feeds, our products were specially designed and formulated. The high-technology feeds could enhance the immunity and disease resistance of piglets, sows, hogs and poultry. At the same time the market penetration of our products and our brand awareness were further enhanced, and the industry's markets in mainland China and overseas have been further consolidated during the past year. In view of this, the Group has promoted the sales of larger poultry and swine farms to enlarge and stabilize our sales volume. Through the enhancement of the standard of our research and sales teams, the Group strengthened the direct sales during the year and in turn laid a solid foundation for our provision of a diversified product mix of quality.

Due to the substantial increase in the prices of major raw materials such as corn, coupled with a decrease in demand for swine feeds under the impact of epidemic diseases which in turn affected prices of swine feeds, the gross profit of the feeds segment was down 4.4% to RMB432,887,000 and the gross profit margin dropped to 10.6%.

Processed Foods

	2010	2009	change
Turnover (RMB'000)			
– Mainland China	693,411	419,820	65.2%
– Export	262,470	189,009	38.9%
Total	955,881	608,829	57%
Gross profit (RMB'000)			
– Mainland China	81,487	57,079	42.8%
– Export	37,537	29,073	29.1%
Total	119,024	86,152	38.2%
Gross profit margin (%)			
– Mainland China	11.8	13.6	
– Export	14.3	15.4	
Total	12.5	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.

Along with the acceleration of the urbanization in PRC and the rising consumption level, driven by the enhancement of our product mix and diversified sales channels and the promotion of our branded business, the processed foods segment recorded a turnover of RMB955,881,000, accounting for 10% (2009: 7.2%) of the Group's total turnover. The segment recorded a significant growth of 38.2% to RMB119,024,000 and became one of the major sources of our revenue under the rapid expansion of the segment. However, as the production capacity of the newly established production plant in Tianjin was not in its full use, the production cost increased and led to a slight drop of the segment's gross profit margin to 12.5%.

The Group continuously expanded its market share in China through optimizing sales channels and strengthening the promotion of "Sisters' Kitchen" brand. The Group introduced a second generation safety code which kept earning the recognition of our customers. 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 2010 from the last year. Our branded products are carried by major supermarket chains in first tier cities like Beijing, Shanghai, Nanjing, and Tianjin, in addition to catering services and hotels in new markets such as Wuhan, Chengdu, Shandong, Fujian and Heilongjiang.

During the year under review, the Group's export business attained significant growth. Our extension to the market in Japan improved in a steady pace and we have successfully put our branded products on the shelves of most major supermarket chains and convenient store chains, such as the largest chains 7-11 in Japan. The overturn of our export business reached RMB262,470,000 with a growth of 38.9% over the previous year, while the gross profit of our export recorded a substantial rise of 29.1%, representing a splendid performance of the Group.

Awards and Recognitions

In 2010, DaChan was awarded the honors of "Top 20 Chinese Broiler Enterprises" and "Top 50 Feed Enterprises in China" by the relevant industry associations and "Safety Foods For Decade" by a magazine Business Times. As for corporate social responsibilities, DaChan was awarded "Excellent CSR Competitive Forces in China" and "Top Ten Chinese Enterprises of Innovation and Promotion of Environment and Climate Industry for the Year". Mr. Han Jia-Hwan, the president of the Board, was also awarded "Top 10 Best Chinese Broiler Enterprises" as well as "Influential Enterprises in the Food Industry". The subsidiaries of DaChan were also awarded prizes and honors by numerous local governments. During the year, DaChan was awarded Vietnam Quality Products Award by the Sai Kung Marketing News Agency in Vietnam.

Outlook & Future Plans

We expect a further growth in the market demand for chicken meat due to rising living standards. We also expect a higher consumption level which will continue to stimulate the prices of chicken meat. We will also closely monitor and manage our exposure to fluctuations in market prices, and enhance the promotion of our brand on the existing basis and enlarge the product value difference for our customers. We will also reduce the processing cost through technology improvement and stringent management. In light of the rising cost of raw materials, the Group will focus on improving production efficiency and increasing utilization rates to consolidate our competitive edge and enlarge our market penetration as well as our sales volume.

In addition, the Group will further strengthen the development of the live poultry business department under the segment, improve the facilities of farming bases and enlarge the farming scale to promote our sales of feeds. We will concurrently ensure the quality of chicken meat products and enhance our operating efficiency through the application of hi-tech biological feeds and in turn strive to develop the department into one of the most profitable part of our one-stop production chain of chicken meat.

Driven by the huge demand for meat, the demand for feeds is anticipated to increase. Along with the rapid growth of the export of aquatic food products in Vietnam, the Group will proactively tap into the market. We expect the sales of our feeds to create steady growth of revenue for that segment in 2011.

Looking ahead, more stringent requirements for the standards of swine farms provided the suppliers of quality feeds with larger room for further growth. The Group will continue to promote our expansion in large chick and swine farms for the purpose of stable sales, higher products prices and improved gross profit of feeds. Meanwhile, we will proactively develop and make use of biological technology products, in particular the functional products for immunity enhancement, and focus on operating our core products such as sows, piglets and chicks feeds to promote the back-end market by our hit products.

Promotion of our brand will become one of our key strategies. Coupled with the continuous development of excellent functional products, the reputation and position of our products in the market will continue to rise, and in turn further consolidate the leading position of DaChan in the feeds markets in countries such as China, Vietnam and Malaysia.

In the past year, processed foods, which have higher gross profit, have become a more and more crucial impetus to our growth. The Group will capitalize on the huge potential growth in PRC market, correspond to the development of new products, optimize our product mix and focus on developing the higher valued processed products. The differentiated competitive edge therefore formed will further enhance our gross profit margin and lay a foundation for the sustainable development of the segment. The completed new processing plant in Tianjin will be equipped with advance facilities which serve as a comprehensive preparation for our rapid expansion in China.

For the export market, the Group will continue to enlarge our market share in the existing markets in Japan, Singapore and Hong Kong. We will also proactively improve our sales to hotel chains, supermarkets and convenient stores to further broaden our customer base.

The Group will continue to extend our coverage among cities and expand the distribution channels of hotel chains, supermarkets and convenient stores in attempt to strengthen the penetration and enlarge the market share of the segment's products in China's market and to achieve rapid expansion. Concurrently, we will further promote our brand and consolidate the recognition and reputation of our branded products among consumers.

Looking ahead, the Group will continue to put more effort in the development of the Chinese market. As the economy of China grow steadily and the standard of consumption raised, the market demand for high-quality and healthy meat products will further increase. The Group will further expand and improve our sales channels, diversify our product portfolios and strengthen brand promotion.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review:

1) Other Income and Operating Expenses

In 2010, other income of the Group amounted to RMB10.62 million (2009: RMB7.21 million). Other income mainly comprised interest income, net gains from futures, net gains on disposal of fixed assets and government grants. The increase in other income was mainly due to the increase of government grants.

In 2010, other net income of RMB7.03 million (2009: RMB15.37 million) was recorde. Other net income mainly includes other non-operating net income such as the net gains on dispoal of fixed assets, etc.

Distribution costs accounted for 2.6% of total turnover, up from 2.5% in 2009.

Administrative expenses accounted for 2.6% of turnover (2009: 2.6%).

In 2010, other operating expenses of the Group was RMB2.23 million (2009: RMB5.34 million). This was mainly due to the net exchange loss arising from the deprecation of Vietnamese Dong ("VND").

2) Liquidity, Financial Resources and Capital Structure

As at 31 December 2010, the Group's cash and bank deposit balances amounted to RMB408.97 million, representing an increase of RMB40.73 million from 2009. Bank loans increased by RMB69.65 million to RMB265.14 million (2009: RMB195.49 million). The Group had a net cash position of RMB143.84 million (2009: RMB172.76 million). Debt to equity ratio was 14.7% (2009: 11.4%). Current ratio was maintained at a healthy level of 1.5 times (2009: 1.6 times).

3) Capital Expenditure

In 2010, the Group's capital expenditure on the acquisition of properties, machinery and equipment amounted to RMB145.52 million which was primarily paid from internal resources and funds.

4) Exchange Rate

The Group's business transactions are mainly denominated in USD, RMB and VND. During the year under review, VND against USD depreciated by 5.55%, which had impacted on (not clear what exactly was impacted) import of raw materials of the Group's subsidiary companies in Vietnam.

5) Interest Rate

In 2010, the Group's interest expense amounted to RMB15.45 million (2009: RMB12.42 million), a rise of 24% from 2009. The increase in interest expense was primarily due to an increase in bank loans from RMB195.49 million in 2009 to RMB265.14 million in 2010.

6) Dividends

The Board proposed a final dividend of HK4.00 cents (2010: HK2.80 cents) per share, amounting to approximately RMB34.419 million (2010: RMB24.57 million) in total, to shareholders whose names appear on the share register on 24 June 2011. The proposed final dividend will require the approval of shareholders at the Group's Annual General Meeting to be held on 24 June 2011.

7) Charge on Assets

As at 31 December 2010, the Group pledged assets worth RMB30.14 million in land, property, plant and equipment as security against bank facilities of RMB95.42 million, of which RMB10.71 million had been utilized as at 31 December 2010.

8) Capital Commitment and Contingent Liabilities

As at 31 December 2010, the Group's total capital commitment amounted to RMB94.45 million (2009: RMB162.11 million). The Company is not aware of any material contingent liabilities or off-balance sheet obligations as at 31 December 2010.

Employee Compensation and Training

As at 31 December 2010, the Group had a total of 14,020 employees (31 December 2009: 14,013). In order to attract and retain talent for the business the Group offers competitive remuneration packages to its staff with reference to industry practice, the financial performance of the Group and 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 and personal 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 not only help its staff grow professionally they will also ultimately benefit the Group's long-term development as a result of having a more skilled and loyal workforce.

In addition to competitive remuneration and training programs the Group also offers insurance, medical and retirement benefits.

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 2010 AGM of the Company will be held on 24 June 2011 and the Notice of Annual General Meeting will be published and dispatched to shareholders in the manner as required by the Listing Rules.

Closing of Register of Members

The register of members will be closed from 22 June 2011 to 24 June 2011, 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 4:30 pm on 21 June 2011.

Purchase, Redemption or Sale of Listed Securities of the Company

During the year ended 31 December 2010, 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 2010 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 2010.

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 2010, 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.

On behalf of the Board
Han Jia-Hwan
Chairman

Hong Kong, 25 March 2011

As at the date of this announcement, Mr. Han Jia-Hwan (Chairman), Mr. Shu Edward Cho-Shen and Mr. Chen Fu-Shih 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. Way Yung-Do, Mr. Liu Fuchun and Dr. Chen Chih are the independent non-executive Directors.