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 Annual Results for 2007

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 2007, prepared in conformity with the basis of presentation as stated in note 2 below, together with the year ended 31 December 2006 comparative figures as follows:

Highlights

- **Turnover up 40.3% to USD894.5 million**
- **Profit attributable to equity holders of the Company up 96.5% to USD26.2 million**
- **Basic earning per share up 81.5% to US cents 3.23**

Consolidated income statement
for the year ended 31 December 2007
(Expressed in United States dollars)

	Note	**2007** *USD'000*	**2006** *USD'000*
Turnover	5	894,491	637,395
Cost of sales		(818,742)	(583,881)
Gross profit		75,749	53,514
Change in fair value of biological assets less estimated point-of-sale costs		472	(193)
Fair value of agricultural produce on initial recognition		7,586	3,452
Reversal of fair value of agricultural produce due to sales and disposals		(7,230)	(3,126)
Other income		11,092	4,758
Distribution costs		(22,117)	(19,109)
Administrative expenses		(25,050)	(18,011)
Other operating expenses		(2,543)	(640)
Profit from operations		37,959	20,645
Finance costs	7(a)	(4,162)	(2,746)
Share of (losses)/profits of jointly controlled entities		(229)	762
Profit before taxation	7	33,568	18,661
Income tax	8	(2,374)	(2,166)
Profit for the year		31,194	16,495
Attributable to:			
Equity shareholders of the Company		26,238	13,355
Minority interests		4,956	3,140
Profit for the year		31,194	16,495
Dividends payable to equity shareholders of the Company attributable to the year:			
Final dividend proposed after the balance sheet date	9	-	-
Earnings per share			
- Basic (cents)	10	3.23	1.78

Consolidated balance sheet at 31 December 2007

(Expressed in United States dollars)

	Note	2007 USD'000	2006 USD'000
Non-current assets			
Fixed assets			
- property, plant and equipment		92,410	67,757
- lease prepayments		11,490	5,402
Interest in jointly controlled entities		3,828	3,947
Deferred tax assets		638	29
		108,366	77,135
Current assets			
Inventories		95,777	54,425
Biological assets		1,718	798
Trade and other receivables	11	70,404	51,249
Amounts due from related parties		2,700	778
Income tax recoverable		22	14
Pledged bank deposits		1,562	789
Cash and cash equivalents		97,723	19,778
		269,906	127,831
Current liabilities			
Interest-bearing borrowings		52,759	43,507
Trade and other payables	12	104,452	65,944
Amounts due to related parties		188	4,699
Income tax payable		2,147	1,992
		159,546	116,142
Net current assets		110,360	11,689
Total assets less current liabilities		218,726	88,824
Non-current liabilities			
Interest-bearing borrowings		6,001	694
Deferred tax liabilities		27	35
		6,028	729
Net assets		212,698	88,095

Consolidated balance sheet at 31 December 2007

(Expressed in United States dollars)

	Note	2007 USD'000	2006 USD'000
Capital and reserves			
Share capital		12,957	52,678
Reserves		179,680	21,114
Total equity attributable to equity shareholders of the Company		192,637	73,792
Minority interests		20,061	14,303
Total equity		212,698	88,095

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 2007 comprise the Group and the Group's interests in jointly controlled entities.

The companies comprising the Group underwent a reorganisation (the "Reorganisation") to rationalise the Group's structure in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). On 14 September 2007, the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the Prospectus of the Company dated 20 September 2007 (the "Prospectus").

The Company's shares were listed on the Stock Exchange 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, rather than from the date of the Reorganisation. Accordingly, the consolidated results of the Group for the years ended 31 December 2006 and 2007 include the results of the Company and its subsidiaries with effect from 1 January 2006 or since their respective dates of incorporation or at the date that common control was established, if later, as if the current group structure had been in existence throughout the two years presented. The consolidated balance sheets at 31 December 2006 and 2007 are a consolidation of the balance sheets of the Company and its subsidiaries at the respective balance sheet dates. All material intra-group transactions and balances have been elimination on consolidation. In the opinion of the directors of the company (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 all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards 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 (the "Listing Rules").

(b) *Basis of preparation of the financial statements*

The financial statements are presented in United States Dollars ("USD"). Most of the companies comprising the Group are operating in a Renminbi environment. The functional currency of most of the companies comprising the Group is Renminbi. 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 basis except that the following assets are stated at their fair value as explained in the accounting policies set out follows:

- biological assets and agricultural produce; and

- derivative financial instruments.

4 Changes in accounting policies

IASB has issued a number of new and revised IFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of IFRS 7, Financial instruments: Disclosures and the amendment to IAS 1, Presentation of financial statements: Capital disclosures, there have been some additional disclosures provided as follows:

As a result of the adoption of IFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by IAS 32, Financial instruments: Disclosure and presentation.

The amendment to IAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital.

Both IFRS 7 and the amendment to IAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

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

5 Turnover

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

Revenue 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 and geographical 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:

Chilled and frozen chicken	:	The chilled and frozen chicken segment carries on business of breeding and hatching of broiler breeder eggs, contract farming, processing, and marketing of chicken meat products.
Livestock feeds	:	The livestock feeds segment manufactures and distributes complete feed, base mix and pre-mix for swine, layer, broiler, duck, and breeder poultry.
Processed foods	:	The processed foods segment produces and distributes pickled, pre-fried, and roasted foods.

	2007				
	Chilled and frozen chicken	**Livestock feeds**	**Processed foods**	**Inter-segment elimination**	**Consolidated**
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Revenue from external customers	489,743	346,747	58,001	-	894,491
Inter-segment revenue	-	126,542	-	(126,542)	-
Total	489,743	473,289	58,001	(126,542)	894,491
Segment result	14,066	22,397	454	-	36,917
Unallocated operating income and expenses					1,042
Profit from operations					37,959
Finance costs					(4,162)
Share of losses of jointly controlled entities	-	-	(229)	-	(229)
Income tax					(2,374)
Profit for the year					31,194
Depreciation and amortisation for the year	2,634	6,087	1,022	-	9,743
Segment assets	138,217	113,862	16,993	-	269,072
Interests in jointly controlled entities	-	-	3,828	-	3,828
Unallocated assets					105,372
Total assets					378,272
Segment liabilities	(51,930)	(41,216)	(6,951)	-	(100,097)
Unallocated liabilities					(65,477)
Total liabilities					(165,574)
Capital expenditure incurred during the year	8,155	28,607	2,473	-	39,235

	2006				
	Chilled and frozen chicken	**Livestock feeds**	**Processed foods**	**Inter-segment elimination**	**Consolidated**
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Revenue from external customers	376,744	222,787	37,864	-	637,395
Inter-segment revenue	12,340	91,899	-	(104,239)	-
Total	389,084	314,686	37,864	(104,239)	637,395
Segment result	10,246	11,314	3,582	-	25,142
Unallocated operating income and expenses					(4,497)
Profit from operations					20,645
Finance costs					(2,746)
Share of profits of jointly controlled entities	-	-	762	-	762
Income tax					(2,166)
Profit for the year					16,495
Depreciation and amortisation for the year	3,269	3,409	947	-	7,625
Impairment loss on fixed assets	144	-	-	-	144
Segment assets	87,100	76,744	15,368	-	179,212
Interests in jointly controlled entities	-	-	3,947	-	3,947
Unallocated assets					21,807
Total assets					204,966
Segment liabilities	(29,246)	(27,973)	(6,230)	-	(63,449)
Unallocated liabilities					(53,422)
Total liabilities					(116,871)
Capital expenditure incurred during the year	4,260	5,888	625	-	10,773

Secondary reporting format - geographical segment

The Group's business operates in four principal economic environments. Mainland China is the major market for all of the Group's businesses.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	2007				
	Mainland China	**Japan**	**Vietnam**	**Rest of Asia Pacific**	**Consolidated**
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Revenue from external customers	713,918	42,458	135,732	2,383	894,491
Segment assets	196,787	-	70,124	2,161	269,072
Capital expenditure incurred during the year	27,048	-	12,071	116	39,235

	2006				
	Mainland China	**Japan**	**Vietnam**	**Rest of Asia Pacific**	**Consolidated**
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Revenue from external customers	521,875	23,544	89,338	2,638	637,395
Segment assets	143,336	-	34,143	1,733	179,212
Capital expenditure incurred during the year	7,240	-	3,417	116	10,773

7 Profit before taxation

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

	2007	**2006**
	USD'000	*USD'000*
(a) Finance costs		
Interest on bank borrowings wholly repayable within five years	4,105	2,440
Interest on other loans	57	306
	4,162	2,746

	2007	2006
	USD'000	*USD'000*
(b) Other items		
Auditors' remuneration	655	152
Amortisation of lease prepayments	155	114
Depreciation of property, plant and equipment	9,588	7,511
Loss/(gain) on disposals of fixed assets	2,603	(2)
Impairment losses:		
- fixed assets	-	144
- trade and other receivables	209	328
Net foreign exchange (gain)/loss	(2,278)	142
Operating lease charges	2,072	1,889
Provision for onerous contracts	1,812	1,511
Realised loss/(gain) on commodity derivative contracts	138	(185)
Research and development costs	192	157

8 Income tax

Taxation in the consolidated income statement represents:

	2007	2006
	USD'000	*USD'000*
Current tax		
Provision for the year	2,991	2,081
Deferred tax		
Origination and reversal of temporary differences	(617)	85
	2,374	2,166

(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.

(ii) Pursuant to the income tax rules and regulations of the PRC, the companies comprising the Group in the PRC are liable to the PRC Foreign Enterprise Income Tax at a rate of 33% (2006: 33%), of which 30% is attributable to the state government and 3% is attributable to the local government, during the year (2006: 30% and 3% respectively). As most of the companies comprising the Group are located in the coastal economic areas, they are eligible to a preferential income tax rate at 27% with 24% for State Tax and 3% for local tax in accordance with relevant income tax rules and regulations of the PRC for the years ended 31 December 2006 and 2007. The details of applicable income tax rate for the Group's main operating subsidiaries in the PRC are as follows:

(a) Liaoning Greatwall Agri-Industrial Co., Ltd. is a foreign investment enterprise incorporated in Shenyang in compliance with Liao Fu Zi Zi Notice (1990) No 0033 ("遼府資字(1990)0033號") issued by the Ministry of Commerce in July 1990. A foreign enterprise operating in the coastal economic areas is eligible to an income tax rate at 27% with 24% for State Tax and 3% for local tax for the years ended 31 December 2006 and 2007.

(b) Great Wall Agri (Yingkou) Co., Ltd. ("Yingkou Great Wall") is a foreign investment enterprise incorporated in Liaoning. Yingkou Great Wall is qualified as an Advanced Technology Enterprise ("先進技術型企業") which entitles it to an extension of the period of 50% reduction in the enterprise income tax rate for three years (since 2005). The tax relief is subject to approval by the relevant PRC government authorities on an annual basis. The effective tax rate of Yingkou Great Wall was 13.5% in 2006 and 2007.

(c) Great Wall Gourmet (Dalian) Co., Ltd. ("Dalian Gourmet") is entitled to a tax exemption in which Dalian Gourmet was fully exempted from the PRC Foreign Enterprise Income Tax for two years starting from Dalian Gourmet's first profit-making year in 2006, followed by a 50% reduction in the PRC Foreign Enterprise Income Tax for the next three years.

(d) Great Wall Food (Dalian) Co., Ltd. ("Dalian Great Wall") was not subject to the PRC Foreign Enterprise Income Tax for the year ended 31 December 2006 due to the utilisation of tax losses brought forward from prior years. In 2007, Dalian Great Wall is entitled to a reduced PRC enterprise income tax rate of 27%.

(e) DaChan Wanda (Tianjin) Co., Ltd. is entitled to a full exemption from the PRC Foreign Enterprise Income Tax for the two years beginning from 2006, its first profit-making year after offsetting all tax losses carried forward from the previous years, followed by a 50% reduction in the PRC Foreign Enterprise Income Tax for the next three years.

(iv) Pursuant to the income tax rules and regulations of Malaysia, the subsidiary in Malaysia was liable to Malaysian income tax rate of 28% for the year ended 31 December 2006. In September 2006, the Malaysian government announced a reduction in the income tax rate from 28% to 27% for the year of assessment in 2007. Accordingly, the provision for Malaysian income tax for the year ended 31 December 2007 is calculated at 27% of the estimated assessable profits for the year.

(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%. However, ANT-VN is entitled to a full tax exemption for two years from the first profit-making year. In addition, ANT-VN is also entitled to a 50% reduction in tax rate for seven years starting from 2004 in accordance with the Official Letter No. 2397/CT-TTr2 dated 21 November 2006 and Decision No. 148/QD-CT dated 8 June 2007, issued by Tax Department of Dong Nai Province.

(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 being the 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.

(vii) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Enterprise Income Tax Law of the PRC ("new tax law") which will take effect on 1 January 2008. The PRC income tax is expected to be unified at a standard rate of 25%. The State Council of the PRC passed the implementation guidance note ("Implementation Guidance") on 26 December 2007, which sets out the details of how the existing preferential income tax rates will be adjusted to the standard rate of 25%. According to the Implementation Guidance, certain PRC subsidiaries of the Group, which are eligible for a 100% or 50% relief from the PRC Foreign Enterprise Income Tax, will continue to enjoy the preferential income tax rate up to the end of the derating period, after which, the 25% standard rate applies. The PRC subsidiaries of the Group that enjoyed the preferential rate of 15% prior to 1 January 2008 will be subject to the tax rate of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011, and finally be subject to the tax rate of 25% in 2012. The remaining PRC subsidiaries will be subject to the tax rate of 25% in 2008. The effect of these changes has been reflected in the calculation of deferred income tax as at 31 December 2007. The enactment of the new tax law is not expected to have any financial effect on the amounts accrued in the consolidated balance sheets in respect of current tax payable and recoverable.

Further under the new tax law, from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. However, the Caishui (2008) No.1 approved by the Ministry of Finance and State Administration of Taxation on 22 February 2008 exempts the dividend distribution out of pre-2008 retained earnings of foreign investment enterprises from withholding tax.

9 **Dividends**

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2007 (2006: Nil).

10 **Earnings per share**

The calculation of basic earnings per share for the year ended 31 December 2007 is based on the profit attributable to equity shareholders of the Company of USD26,238,000 and the weighted average number of 812,260,000 shares in issue during the year.

The calculation of basic earnings per share for the year ended 31 December 2006 is based on the profit attributable for equity shareholders of the Company of USD13,355,000 and 750,000,000 shares in issue and issuable, comprising 2,000,000 shares in issue at the date of the Prospectus and 748,000,000 shares to be issued pursuant to the capitalisation issue as detailed in Appendix VI to the Prospectus as if the shares were outstanding throughout the year.

There were no potential dilutive ordinary shares during the years ended 31 December 2006 and 2007 and therefore, diluted earnings per share are not presented.

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:

	2007	**2006**
	USD'000	*USD'000*
Current	24,559	18,943
Less than 30 days past due	1,494	311
31 - 60 days past due	993	766
61 - 90 days past due	365	757
More than 91 days past due	465	562
Total	27,876	21,339

12 **Trade and other payables**

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

	2007	2006
	USD'000	*USD'000*
Within 30 days	55,879	34,323
31 days to 60 days	2,184	1,653
61 days to 90 days	927	500
91 days to 180 days	865	702
	59,855	37,178

MANAGEMENT DISCUSSION AND ANALYSIS

Industry and Business Review

China's economic growth maintained its rapid pace in 2007 while its inflation rose to 4.8% according to the National Bureau of Statistics. A record high for the last ten years, this inflation is believed to have been further fuelled by consistently increasing food prices since 2006, which some industry observers believe has signaled the end of the cheap food era. In particular, the price of corn, a major raw material for both refining bio-fuel and feed production, increased by approximately 17.0% in 2007. This, along with the spread of blue-ear disease among swine livestock, led to prominent price increments among meat products, such as pork, beef and lamb, and, in turn, resulted in higher selling prices for substitutes, like chicken meat. With the recent harsh winter in southern China resulting in the large-scale culling of avian and swine livestock, a further strain on their supply has been created and is expected to further fuel inflation domestically.

Unsurprisingly, living standards in the PRC continued to improve in 2007 and so did the demand for quality, safe and healthy foods, offering a timely opportunity for the Group to increase its market share. Generally, cases of avian flu human infection were reported in some areas of the PRC in 2007 but were recognized as isolated instances. Specifically, no cases of avian flu were reported in Manchuria, where our production bases are located. Throughout the Group's production processes in 2007, we strictly maintained stringent quality and hygiene control measures to consistently offer superior products and thus gain market share from our competitors. In addition, with the recent poisoned cooked dumplings scare, the PRC government will inevitably put forth new policies to greatly enhance the safety measures for processed foods. Although many of our competitors will incur substantial expenditure so as to fulfill these new requirements, we believe we are already well-equipped for them.

The potential for the chicken meat market in China remains high despite its consumption rate rising rapidly from 1996 to 2006 and the amount of chicken meat consumed daily per capita experiencing steady growth in the period. In fact, according to the Food and Agriculture Organization of the United Nations, the amount consumed daily per capita for China was still only 21 grams in 2005, much less than Japan (40 grams), Malaysia (86 grams) and the USA (122 grams). Also, the number of quick-service restaurants in the PRC has increased significantly in recent years. According to the Group's records, the number of Yum! China Division-operated KFC restaurants grew from 1,192 in 2002 to over 2,300 in 2007 while the Dicos chain grew from 246 in 2002 to over 780 in 2007. Both trends have helped to greatly boost the Group's business nationally in the past few years.

Considering the low daily consumption rate of chicken meat and the improving standards of living in the PRC, there is plenty of room for growth within the domestic chicken meat market. In order to fully capture this opportunity, we started building or upgrading several of the Group's chicken meat production facilities in 2007, especially since our chicken meat production facilities were running close to full capacity during the year under review.

The PRC government recognizes the importance of having stability with regard to both food production and price, and continues to demonstrate its support of entities like the Group that are predominantly agricultural by providing various incentives, such as financial assistance, tax benefits and different kinds of government grants.

Operating Results for the Year

Overall Operating Results

	2007	2006	% change
Revenue (USD'000)	894,491	637,395	40.3%
Gross Profit (USD'000)	75,749	53,514	41.5%
Gross profit margin (%)	8.5%	8.4%	
Profit attributable to shareholders	26,238	13,355	96.5%

The Group achieved satisfactory operating results in 2007. The revenue of the Group increased to USD894.5 million, approximately 40.3% higher than the previous year. Gross profit margin and profit margin maintained at healthy level of 8.5% and 3.5% respectively (2006: 8.4% and 2.6%).

Profit attributable to the equity holders of the Company reached approximately USD26.2 million, representing an increase of 96.5% over same period last year. The encouraging performance was mainly attributable to the increased average selling prices and strong sales volume, as well as improved operational efficiency. Basic earnings per share was US cents 3.23 (2006: US cents 1.78), representing an increase of 81.5% over last year.

Segmental Results

Chicken Meat

	2007	**2006**	**% change**
Revenue (USD'000)	489,743	376,744	30.0%
Gross Profit (USD'000)	39,667	22,185	78.8%
Gross profit margin (%)	8.1%	5.9%	

This segment is composed of three businesses, namely, (A) chilled and frozen chicken, (B) feeds to contract farmers and (C) chicks to contract farmers, and all recorded growth in 2007. The revenue of the chicken meat segment rose to USD489.7 million in 2007, representing a year-on-year growth of 30.0% and accounting for 54.8% of the Group's total revenue.

The gross profit for the chicken meat segment increased dramatically from USD22.2 million in 2006 to USD39.7 million in 2007, equivalent to a year-on-year increase of 78.8%. This was mainly due to the improvement of the Group's gross profit margin for the chicken meat segment, which rose by 2.2% to 8.1% in 2007 (2006: 5.9%). This improvement, in turn, was principally due to chicken meat prices rising faster than their cost. The average selling price in 2007 increased by 47.0% over 2006 while the average cost rose by only 34.5%.

(A) *Chilled and Frozen Chicken*

We slaughtered 115.0 million chickens in 2007, representing a rise of 7.5% as compared to 2006. Since our chicken meat production almost reached its maximum, we expect a noticeable increase in this production after our existing production facility is upgraded and new ones are launched in 2008 and 2009.

Revenue of chilled and frozen chicken increased by 34.5% to USD305.9 million in 2007 (2006: USD227.5 million) due to higher selling prices and the number of chickens slaughtered. The average price rose by 47.0% year-on-year to USD1,295 per tonne in 2007 (2006: USD881 per tonne) because of several reasons. First, the rising feed cost increased the chicken meat price. Second, the demand for chicken meat recovered after the avian flu outbreak in late 2006. Moreover, the demand for chicken meat was further raised due to higher pork prices caused by the outbreak of blue-ear disease among pigs in the PRC in 2007.

About 46.0% of the Group's total production of chilled and frozen chicken in 2007 was sold to end-customers through direct sales. The major customers through direct sales are concentrated in several key accounts, such as KFC, McDonald's (through Husi and McKey) and Dicos, which not only enjoy lower credit risk but also higher growth potential. We believe that only few competitors can meet the stringent standards required by them and provide high level of quality and quantity assurance to them at the same time. Also, we sold chilled and frozen chicken through retail stores in 2007 so as to maintain an effective diversification of our distribution channels while promoting our brand name and corporate image by connecting us directly with the end-consumers of our meat products. As at 31 December 2007, we had over 200 authorized retail outlets in Tianjin, Dalian, Yingkou and Tieling, contributing USD19.8 million to our sales in 2007 (2006: USD9.4 million) and representing a year-on-year growth of 110.6%.

To secure a stable supply of raw materials for our chilled and frozen chicken, we keep robust relationships with over 4,000 contract farmers. We sell day old chicks ("DOC") to them and purchase the adults in return after about 42 days. To maintain high-quality products, we require our contract farmers to purchase and use our feeds to grow the chickens.

(B) *Feeds to Contract Farmers*

Revenue of feeds to contract farmers increased 18.3% to USD142.4 million in 2007 (2006: USD120.3 million) mainly due to increases in sales volume and price that were in line with the sales of our chilled and frozen chicken. We achieved total sales of 401,678 tonnes in 2007, representing a rise of 10.6% over 363,245 tonnes in 2006. The average selling price was USD354 per tonne in 2007 (2006: USD331 per tonne), a year-on-year increase of 6.9%.

(C) *Chicks to Contract Farmers*

Revenue of chicks to contract farmers increased 43.3% to USD41.4 million in 2007 (2006: USD28.9 million) because of the jump in the average selling price, which was USD0.42 per DOC in 2007 and equivalent to a rise of 55.6% as compared to USD0.27 per DOC in 2006.

Feeds to External Customers

	2007	**2006**	**% change**
Revenue (USD'000)	346,747	222,787	55.6%
Gross Profit (USD'000)	30,433	23,232	31.0%
Gross profit margin (%)	8.8%	10.4%	

It was a challenging year for our feeds segment because of rising raw material costs. The raw materials for feeds are mainly corn and soybean meal, and their prices rose by about 17.0% and 25.0% respectively in 2007. Although we were able to shift these costs to our customers and increase the gross profit per tonne from USD27.4 in 2006 to USD28.8 in 2007, our overall gross profit margin still decreased by 1.6% year-on-year to 8.8% (2006: 10.4%). Nevertheless, the improvement of living standards and income in the PRC and Vietnam in 2007 led to higher demands for meat products, driving up the Group's sales volume and revenue of feeds. We sold 448,571 and 489,386 tonnes of pig feeds and chicken feeds respectively in 2007, representing respective growths of 26.0% and 30.2% as compared to 2006.

The revenue of the feeds segment increased to USD346.7 million in 2007 (2006: USD222.8 million) mainly due to increases in sales volumes and prices of both pig and chicken feeds. The Group sold a total of 1,056,569 tonnes of feeds in 2007 (2006: 848,562 tonnes), representing a year-on-year growth of 24.5%. The average respective selling prices for the pig and chicken feeds products were USD380 and USD290 per tonne, representing rises of 15.9% and 25.0% respectively. The gross profit of the feeds segment increased by USD7.2 million to USD30.4 million in 2007 (2006: USD23.2 million), representing a year-on-year rise of 31.0%.

In 2007, revenue of our pig feed products accounted for 49.1% of the total feeds sold and made up the largest proportion of the feeds segment. Despite the blue-ear disease depressing swine numbers, the Group still recorded growths of 26.0% and 45.7% in 2007 in terms of sales volume and amount respectively. We succeeded in this unfavorable environment because of our efforts in marketing our feed products. Our campaigns gave new knowledge about the feeds and educated consumers about their high-quality features, particularly their superiority over other brands in terms of nutrition and immune functions, while promoting the high-end positioning of our brand name. As a large portion of our feeds were sold to end-users through distributors, we cooperated closely with our distributors in running these campaigns. As at 31 December 2007, we had over 2,000 distributors in the PRC and Vietnam, accounting for 64.4% of our total external feeds sales.

Two new production plants were launched in Shenyang and Vietnam in late 2007 that have annual capacities of 216,000 and 180,000 tonnes respectively.and the Group will have five more with aggregate annual capacity of 907,000 tonnes launched in the coming two years. A key growth driver in this area has been our feeds business in Vietnam. Owing to its booming economy and our successful marketing strategy, sales volume there rose from 340,643 tonnes in 2006 to 430,445 tonnes in 2007. At an annual growth rate of 26.4%, this was faster than our overall rate of 24.5%. Our two existing Vietnamese facilities, one in the south and the other the north, have been running at 100% capacity. Also, our new factory in Long An (隆安), south Vietnam, started production in late 2007 with an annual capacity of 180,000 tonnes and may boost our feeds production significantly in 2008. Since we are currently under-supplying our customers, this extra production will make up the difference. As such, we expect the Group's feeds sales in Vietnam to continue to expand significantly. Also, the new factory serves nearby customers more effectively, lowering average transportation costs.

Our long-term, brand-building strategy of pig feeds in Vietnam focuses on our feed for piglets under 30 kilograms and we have successfully established ourselves as the market expert for providing feeds that maximizes the nutrition and immune functions of piglets in the local market. Aquatic feeds is another spotlight for growth. Given its geographical location, Vietnam is one of the world's fastest growing aquatic export countries and this provides us with great opportunity for business expansion in this relatively new area.

Processed Foods

	2007	**2006**	**% change**
Revenue (USD'000)	58,001	37,864	53.2%
Gross Profit (USD'000)	5,648	8,098	(30.3%)
Gross profit margin (%)	9.7%	21.4%	

The Group's processed foods business relates to the production and distribution of pickled, pre-fried and roasted foods. Currently, our export processed foods market is mainly concentrated in Japan. The year under review was a difficult one for the Group's processed foods business due to the significant rise in chicken meat prices, its principal raw material, and the appreciation of the RMB. Although revenue grew by USD20.1 million to USD58.0 million, the gross profit decreased by USD2.5 million to USD5.6 million.

Even though gross profit contribution was lower than expected, we are optimistic about the future development of the processed foods business. Without doubt, the domestic market in the PRC is vastly unexplored with regard to the sales of our processed foods. Thus, one of our main strategies is to increase the proportion of domestic sales and thereby boost the future revenue of the Group. In order to capture the domestic market, we plan to increase sales and marketing efforts in order to raise market penetration. This will come about by strengthening our brand image and enhancing our distribution network, including sales to supermarkets, hypermarkets, schools, canteens and other venues. We currently sell our processed foods through numerous hypermarkets and convenient stores, and will continue to increase our sales and promotional efforts for domestic sales.

Quality Control

Quality control is an important factor in our commitment towards providing high-quality products and the overall success of our products. We set stringent quality control policies for each and every procurement and production process and require all Group members to adhere to them. In recognition of our stringent policies, most of our chicken meat production facilities have already received HACCP and ISO 9001:2000 certification, and most of our feeds production facilities have already received ISO 9001:2000 certification.

Outlook & Future Plans

Our major markets of China and Vietnam have experienced economic growth that is among the most robust in the world in recent years and this trend is continuing. In fact, despite the expectation of a global economic slowdown in 2008, the economies of China and Vietnam are still forecasted to grow at rates of 8% or more. Thus, the living standards in both countries will continue to improve significantly and lead to consistently rising demands for meat products. With this highly favorable outlook, the Group expects high turnover growth in all segments in 2008. Moreover, as the Group's production bases were relatively unaffected by the recent harsh winter in the southern part of the PRC, we expect to further benefit from the supply shortage of meat there in the short term.

With rapid production growth helping us to successfully become one of the leading meat and feed product suppliers in the PRC, the Group is confident in achieving our primary objective, namely, to maximize shareholder return through our vertically integrated model (from the chicken farms to the dining table) while retaining a dominant edge against the competition in the feeds, chicken meat and processed foods markets of the PRC.

In this endeavor, we will prudently expand existing production facilities and establish new ones in areas that offer a high potential for growth. As such, we expect our chicken slaughtering capacity to double to more than 300 million chickens by the end of 2010. Also, as we will have launched five new feed production plants by then, our feed production capacity will increase to an aggregate annual capacity of 907,000 tonnes so as to cope with the rising demand for our chicken meat products and the expected recovery of the swine market in late 2008. Geographically, we will strengthen our leading position in northeast China while strategically enlarging our supply to the fast-growing Yangtze River Delta area. Our new integrated production line in Cangshan County, Shandong Province, will commence production by the end of 2008. With the enhanced economies of scale, we fully expect our chicken meat production costs to lessen. Moreover, the facility will not only shorten distances to the major markets in the Yangtze River Delta area but also help us to increase our market shares in them. We will also seek suitable acquisition targets for business expansion and expect industry consolidation to gain momentum as many companies increase expenditures so as to meet new governmental requirements on food safety.

Meanwhile, we will further strengthen working relationships with our key clients, including KFC, McDonald's (through Husi and McKey) and Dicos, as we aim to maintain them as the major selling channels for our meat products. With respect to our exports, plans are underway to explore new markets like Korea, Singapore and other Asian countries. We will also strengthen our sales and distribution network by further developing retail channels, inclusive of selling our products through major supermarket chains in the PRC and increasing the number of self-owned retail outlets, so as to benefit the growth of our future sales through increased brand recognition. To maximize profitability, we will focus on increasing the sales of products that offer higher value-added profit margins. New products that fit the changing lifestyles of the working class in the PRC will also be launched so as to quickly capture new business opportunities.

We are well on our way towards becoming the most complete, competitive and dominant chicken meat (animal protein) manufacturer and supplier in the PRC. By increasing our production capacity, offering products of the highest quality and finest traceability, and enjoying both superior brand name recognition and rising market demand, we fully expect to increase our sales and expand our business in the PRC and other Asian countries.

Financial Review

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

   As at 31 December 2007, the Group's cash and bank balance amounted to USD97.7 million, representing an increase of USD77.9 million over 31 December 2006. Net proceeds from the initial public offering, including the exercise of the over-allotment, amounted to HKD687.9 million or about USD88.2 million. Our bank loans increased by USD14.6 million to USD58.8 million (2006: USD44.2 million). The debt to equity ratio was 39.1% (2006: 56.0%), significantly improving after the initial public offering on 4 October 2007. The current ratio also improved to 1.7 as compared with 1.1 in the previous year.

2) **Capital Expenditure**

In 2007, the Group spent USD39.2 million towards the purchase of property, plants and equipment, and plans to have capital expenditure of USD75.3 million in 2008. This will mainly be used for the construction of the integrated production line project in Shandong and the expansion of our existing production facilities.

3) **Exchange Rate**

The Group's transactions are mainly conducted in USD, RMB and Vietnamese Dong. While the exchange rate between the Vietnamese Dong and the USD remained stable in 2007, the RMB steadily appreciated against the USD. During the year under review, the RMB appreciated by 6.5% and had a negative impact on our export business. Although the extent of the Group's export business is not significant, representing only 3.7% of the Group's total revenue in 2007, we will continue to closely monitor shifts in the relevant exchange rates so as to mitigate any negative impact in future.

4) **Dividend**

The Board did not recommend the payment of any dividend for the financial year ending 31 December 2007. As mentioned in the Prospectus, the Board intends to recommend an annual dividend of approximately 25% of the Group's profit attributable to shareholders for the financial year ending 31 December 2008, subject to the cash flow and financial conditions at that time.

5) **Charge on Assets**

As at 31 December 2007, bank deposits of USD1.6 million and land and buildings equating to approximately USD10.0 million were pledged as security against bank facilities of USD29.5 million, of which USD13.9 million were utilized as at the year end.

6) **Capital Commitment and Contingent Liabilities**

As at 31 December 2007, our total capital commitment amounted to USD58.1 million. The Company is not aware of any material contingent liabilities or off-balance sheet obligations as at 31 December 2007.

7) **Significant Investment as Disclosed in Previous Announcement**

On 25 January 2008, the Board announced that a wholly-owned subsidiary of the Company, Great Wall Northeast Asia Corporation ("NAC"), had entered into a cooperation agreement with the People's Government of Cangshan County, Shandong Province, in relation to an integrated production line project.

Pursuant to this agreement, NAC will establish feeds and meat production facilities in Cangshan County, Shandong Province, the PRC. NAC is also required to establish a newly set-up company ("Project Company") to own and operate the aforesaid production facilities, and the registered capital of the Project Company is expected to be approximately RMB30.0 million (equivalent to about USD4.1 million). It was proposed that the total investment of the Project Company be approximately RMB260.0 million (equivalent to about USD35.6 million), of which, fixed asset investment is expected to be approximately RMB208.0 million (equivalent to about USD28.5 million). The construction of the integrated production line project is expected to be completed before the end of 2010.

Use of Proceeds from the Initial Public Offering

The Company issued 260,662,000 shares (including shares issued via the exercise of the over-allotment) as a result of its initial public offering in October 2007. As the issue price was HKD2.9 per share, the proceeds amounted to approximately HKD755.9 million or USD96.9 million. After deducting share-issuing expenses, the net proceeds from the initial public offering amounted to approximately HKD687.9 million or USD88.2 million. All proceeds were received by the Company before November 2007. As at 31 December 2007, the Company had used USD8.4 million towards the expansion of production capacity by way of procuring additional and improving existing production facilities. After deducting the capital expenditure and USD4.5 million used for working capital, the remaining balance from the net proceeds was USD75.3 million and this sum was placed in short-term deposit bank accounts.

Employee Compensation and Training

As at 31 December 2007, the Group had a total of 12,454 employees (2006:10,127). 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 employees to ensure both their competitiveness and loyalty.

We place great emphasis on the training and development of our employees. We invest 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 professionalism of our employees and providing them with the best opportunities for career development, and we believe that they will benefit both the Group and the employees themselves.

OTHER INFORMATION

Annual General Meeting ("AGM")

The 2007 AGM of the Company will be held on 23 May 2008 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 on 23 May 2008. In order to attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Tricor Investor Services Limited, 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on 22 May 2008.

Purchase, Redemption or Sale of Listed Securities of the Company

During the year ended 31 December 2007, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

Compliance with Model Code

The Company has adopted the Model Code for Securities Transactions 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 2007 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. With the Company's shares listed in the last quarter of 2007, the audit committee of the Company did not hold a meeting to review its unaudited results of the nine months ended 30 September 2007. Save as aforesaid, the Board considers that the Company has also complied with the Code on Corporate Governance Practices as stated in Appendix 14 of the Listing Rules from the date of the listing of the Company's shares ended to 31 December 2007.

Review of Annual Results

The audit committee and auditors of the Group, KPMG have reviewed the Group's financial statements for the year ended 31 December 2007, including the accounting principles adopted by the Group, with the Company's management.

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, 11 April 2008

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 Yun-Do are the independent non-executive Directors.