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DACHAN FOOD (ASIA) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3999)

Announcement of Annual Results for 2011

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 2011, prepared in conformity with the basis of presentation as stated in note 2 below, together with the year ended 31 December 2010 comparative figures as follows:

Highlights

	2011	**2010**	**% change**
Turnover (RMB'000)	11,215,942	9,551,759	+17.4
Gross profit (RMB'000)	856,314	658,028	+30.1
Gross profit margin (%)	7.6	6.9	
Profit attributable to equity shareholders of the Company (RMB'000)	196,089	109,382	+79.3
Basic earnings per share (RMB)	0.19	0.11	
Dividend per share (HK cents)	9.00	4.00	

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2011
(Expressed in thousands of Renminbi unless otherwise stated)

	Note	**2011**	**2010**
Turnover	3	11,215,942	9,551,759
Cost of sales		(10,359,628)	(8,893,731)
Gross profit		856,314	658,028
Change in fair value of biological assets less costs to sell		(2,753)	2,130
Fair value of agricultural produce on initial recognition		42,286	25,143
Reversal of fair value of agricultural produce due to sales and disposals		(43,585)	(24,139)
Other operating income		8,807	10,617
Other net gains		18,417	4,793
Distribution costs		(295,247)	(250,133)
Administrative expenses		(272,050)	(246,806)
Profit from operations		312,189	179,633
Finance costs	4(a)	(19,334)	(15,454)
Share of losses of equity-accounted investees		(1,850)	(1,246)
Profit before taxation	4	291,005	162,933
Income tax	5	(38,141)	(16,414)
Profit for the year		252,864	146,519
Attributable to:			
Equity shareholders of the Company		196,089	109,382
Non-controlling interests		56,775	37,137
Profit for the year		252,864	146,519
Dividends payable to shareholders of the Company attributable to the year:			
Final dividend proposed after the end of the reporting period	6	74,688	34,419
Earnings per share	7		
– Basic (RMB)		0.19	0.11
– Diluted (RMB)		0.19	0.11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

(Expressed in thousands of Renminbi unless otherwise stated)

	Note	2011	2010
Non-current assets			
Fixed assets			
– property, plant and equipment		1,065,813	1,065,459
– lease prepayments		131,961	121,961
Interests in equity-accounted investees		28,194	8,036
Deferred tax assets		30,502	29,327
		1,256,470	1,224,783
Current assets			
Inventories		960,117	724,606
Biological assets		14,314	13,479
Trade receivables	8	380,717	318,041
Other receivables	9	370,757	368,574
Income tax recoverable		376	–
Cash and cash equivalents		512,110	408,973
		2,238,391	1,833,673
Current liabilities			
Trade payables	10	697,682	621,007
Other payables	11	388,852	308,264
Interest-bearing borrowings		393,442	259,328
Loan from an associate		–	5,033
Income tax payable		31,704	26,314
		1,511,680	1,219,946
Net current assets		726,711	613,727
Total assets less current liabilities		1,983,181	1,838,510
Non-current liabilities			
Interest-bearing borrowings		8,637	5,810
Deferred tax liabilities		466	106
		9,103	5,916
Net assets		1,974,078	1,832,594
Capital and reserves			
Share capital		97,330	97,259
Reserves		885,611	920,662
Retained profits		731,734	574,179
Total equity attributable to equity shareholders of the Company		1,714,675	1,592,100
Non-controlling interests		259,403	240,494
Total equity		1,974,078	1,832,594

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi 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 2011 comprise the Company and its subsidiaries (collectively referred to as the "Group" and individually as "Group entities") 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 annual results have been reviewed by the audit committee of the Company.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2011 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as 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 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

The Group has changed its accounting policies in the following areas 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:

– IAS 24 (revised 2009), *Related Party Disclosures*

– Improvements to IFRSs (2010)

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

The impacts of the developments are discussed below:

– IAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. IAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

– Improvements to IFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in IFRS 7, *Financial instruments: Disclosures.* The disclosures about the Group's financial instruments have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

3 Turnover and segment information

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.

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.

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 (including inter-segment sales), 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 2011 and 2010 is set out below.

	Chicken meat		**Livestock feeds**		**Processed foods**		**Total**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Turnover from external customers	5,138,057	4,527,547	4,577,340	4,068,331	1,500,545	955,881	11,215,942	9,551,759
Inter-segment turnover	715,210	155,309	1,576,745	1,381,072	–	–	2,291,955	1,536,381
Total	5,853,267	4,682,856	6,154,085	5,449,403	1,500,545	955,881	13,507,897	11,088,140
Segment result	191,028	106,117	488,411	432,887	176,875	119,024	856,314	658,028
Unallocated operating income and expenses							(544,125)	(478,395)
Profit from operations							312,189	179,633
Finance costs							(19,334)	(15,454)
Share of losses of equity-accounted investees							(1,850)	(1,246)
Income tax							(38,141)	(16,414)
Profit for the year							252,864	146,519
Depreciation and amortisation for the year	57,844	55,692	37,607	36,605	21,551	23,314	117,002	115,611
Reportable segment assets	960,348	949,568	1,434,451	1,223,334	481,151	401,428	2,875,950	2,574,330
Reportable segment liabilities	(219,662)	(231,981)	(599,604)	(460,488)	(234,656)	(214,767)	(1,053,922)	(907,236)

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

	2011	2010
Turnover		
Reportable segment turnover	13,507,897	11,088,140
Elimination of inter-segment turnover	(2,291,955)	(1,536,381)
Consolidated turnover	11,215,942	9,551,759
Profit		
Reportable segment profit	856,314	658,028
Change in fair value of biological assets less costs to sell	(2,753)	2,130
Fair value of agricultural produce on initial recognition	42,286	25,143
Reversal of fair value of agricultural produce due to sales and disposals	(43,585)	(24,139)
Other operating income	8,807	10,617
Other net gains	18,417	4,793
Distribution costs	(295,247)	(250,133)
Administrative expenses	(272,050)	(246,806)
Finance costs	(19,334)	(15,454)
Share of losses of equity-accounted investees	(1,850)	(1,246)
Consolidated profit before taxation	291,005	162,933
Assets		
Reportable segment assets	2,875,950	2,574,330
Deferred tax assets	30,502	29,327
Income tax recoverable	376	–
Cash and cash equivalents	512,110	408,973
Unallocated head office and corporate assets	75,923	45,826
Consolidated total assets	3,494,861	3,058,456
Liabilities		
Reportable segment liabilities	1,053,922	907,236
Income tax payable	31,704	26,314
Deferred tax liabilities	466	106
Interest-bearing borrowings	402,079	265,138
Unallocated head office and corporate liabilities	32,612	27,068
Consolidated total liabilities	1,520,783	1,225,862

(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 assets and interests in equity accounted investees ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment and the location of operations in the case of interests in equity-accounted investors.

	Turnover from external customers		**Specified non-current assets**	
	2011	**2010**	**2011**	**2010**
Mainland China	9,253,189	7,847,777	980,784	950,717
Vietnam	1,487,770	1,382,749	99,171	115,855
Japan	389,625	251,869	–	–
Rest of Asia Pacific	85,358	69,364	14,052	6,923
	11,215,942	9,551,759	1,094,007	1,073,495

4 Profit before taxation

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

	2011	**2010**
(a) Finance costs		
Interest on bank borrowings wholly repayable within five years	19,334	15,454
(b) Staff costs		
Salaries, wages, bonuses and other benefits	482,634	382,158
Contributions to retirement schemes	42,206	33,242
Equity-settled share-based payment	780	979
	525,620	416,379

The Group is required to participate in pension schemes organised by the respective municipal governments of the People's Republic of China (the "PRC") whereby the Group is required to pay annual contributions for PRC based employees at rates ranging from 18% to 22% (2010: 18% to 22%) 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% (2010: 12%) of the eligible employees' salaries.

The Group also made contribution on the statutory social security and health insurance in Vietnam at 17% (2010: 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*

	2011	**2010**
Auditors' remuneration		
– audit services	4,446	3,901
– tax services	51	20
	4,497	3,921
Amortisation of lease prepayments	4,421	3,260
Depreciation of property, plant and equipment	112,581	112,351
Net impairment losses on trade receivables	(2,028)	4,345
Net write-down of inventory	1,865	(7,195)
Operating lease charges		
– plant and machinery	19,495	18,129
– others	7,369	3,649
Research and development costs	568	689

5 Income tax in the consolidated income statement

	2011	2010
Current tax		
Provision for the year	35,225	29,936
Under provision in respect of prior years	3,731	1,231
	38,956	31,167
Deferred tax		
Origination and reversal of temporary differences	(815)	(14,753)
	38,141	16,414

(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) The Company is regarded as a Hong Kong resident taxpayer by Inland Revenue Department and imposed the income tax rate is 16.5%. The subsidiaries incorporated in Hong Kong only derived income which was not taxable under Hong Kong tax law.

(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) 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 2011 and 2010 respectively is 12.5%.

(b) Greatwall Gourmet (Shanghai) Co., Ltd. and Hunan Greatwall Technologies & Feeds Co., Ltd. are entitled to a full exemption from the PRC Corporate Income Tax for the two years beginning from 2008, their first profit-making year after offsetting all tax losses carried forward from the previous years, followed by a 50% reduction in the PRC Corporate Income Tax for the next three years. The applicable tax rate for both subsidiaries for the years ended 31 December 2011 and 2010 is 12.5%.

(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 2011 (2010: 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 2011 (2010: 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 2011 (2010: 10%).

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

	2011	**2010**
Profit before taxation	291,005	162,933
Income tax using PRC's Corporate Income Tax rate of 25% (2010: 25%) (note)	72,751	40,733
Effect of different tax rates of subsidiaries operating in different tax jurisdiction	(26,686)	(27,464)
Tax effect of non-deductible expenses	2,719	4,310
Tax effect of non-taxable revenue	(14,831)	(7,551)
Tax effect of unused tax losses not recognised	14,650	10,696
Utilisation of tax losses previously not recognised	(8,241)	(433)
Effect of tax exemptions granted to subsidiaries	(5,952)	(5,108)
Under provision in respect of prior years	3,731	1,231
Actual tax expense	38,141	16,414

Note: The income tax rate of 25% (2010: 25%) represents the domestic tax rate in the jurisdiction where the operations of the Group are substantially based.

6 Dividends

	2011	**2010**
Final dividend proposed after the end of the reporting period of HK9.00 cents per share (2010: HK4.00 cents per share)	74,688	34,419

On 23 March 2012, the directors proposed a final dividend of HK9.00 cents (2010: HK4.00 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 has not been recognised as a liability at the end of reporting period.

7 Earnings per share

The calculation of basic earnings per share for the year ended 31 December 2011 is based on the profit attributable to equity shareholders of the Company of RMB196,089,000 (2010: RMB109,382,000) and the weighted average of 1,008,618,477 ordinary shares (2010: 1,008,169,061) in issue during the year.

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB196,089,000 (2010: RMB109,382,000) and the weighted average of 1,010,945,757 ordinary shares (2010: 1,011,065,457).

8 Trade receivables

The ageing analysis as of the end of the reporting period is as follows:

	2011	**2010**
Current	312,388	256,933
Less than 30 days past due	51,876	40,663
31–60 days past due	7,757	9,378
61–90 days past due	4,223	4,901
More than 90 days past due	11,604	15,325
Amounts past due	75,460	70,267
Less: Provision for bad debt	(7,131)	(9,159)
	380,717	318,041

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

9 Other receivables

	2011	**2010**
VAT recoverable	196,296	203,933
Deposits and prepayments	99,253	96,135
Amounts due from related parties	34,519	13,312
Advances to staff	3,751	5,974
Deposits paid for purchase of fixed assets	353	450
Others	36,585	48,770
	370,757	368,574

All other receivables are expected to be recovered within one year.

10 Trade payables

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

	2011	**2010**
Within 30 days	638,874	514,070
31 days to 60 days	30,473	41,114
61 days to 90 days	10,711	40,187
91 days to 180 days	17,624	25,636
	697,682	621,007

11 Other payables

	2011	**2010**
Salaries, wages, bonuses and other benefits payable	143,203	104,404
Accrued expenses	63,500	45,356
Contract performance deposits	37,536	36,668
Prepayments	24,608	24,676
Payables for acquisition of fixed assets	13,791	13,153
Amounts due to related parties	13,229	9,960
Others	92,985	74,047
	388,852	308,264

Other payables are expected to be settled within one year.

MANAGEMENT DISCUSSION AND ANALYSIS

	2011	2010	change
Turnover (RMB'000)	11,215,942	9,551,759	17.4%
Gross profit (RMB'000)	856,314	658,028	30.1%
Gross profit margin (%)	7.6	6.9	
Profit attributable to equity shareholders of the Company (RMB'000)	196,089	109,382	79.3%

In 2011, the Group's operating environment continued to improve as the price of pork remained at a high level and the price of chicken meat continued to rise. Furthermore, rising household income has also propelled growth in China's consumer market, which in turn led to increasing demand for animal protein products and feed products. Government policies which aim at encouraging sustainable development of the agricultural industry have lent support to the further improvement of business environment.

In 2011, the Group's turnover grew by 17.4% 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 contributors, accounting for 45.8% and 40.8% of the Group's total turnover respectively.

The Group was committed to excel operation and take various measures to cope with the rising price of raw materials and labor costs. The Group ed to expand its food operation with an ultimate goal to capitalize on its profitability.

Chicken Meat

	2011	2010	change
Turnover (RMB'000)	5,138,057	4,527,547	13.5%
Gross profit (RMB'000)	191,028	106,117	80.0%
Gross profit margin (%)	3.7	2.3	

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

In 2011, the revenue of chicken meat segment increased by 13.5% over the previous year as a result of higher price of chicken meat and the higher sales record in volume from each selling channel. Gross profit materially increased by 80% and gross profit margin also heighted due to highly effective cost control.

Feeds to External Customers

	2011	2010	change
Turnover (RMB'000)	4,577,340	4,068,331	12.5%
Gross profit (RMB'000)	488,411	432,887	12.8%
Gross profit margin (%)	10.7	10.6	

The revenue of this segment was primarily derived from the sales of different types of feeds (including piglets, sows, hogs and poultry feeds) to China, Vietnam and Malaysia. Corn and soybean meals combined with an exclusive formula are the key components for our high-tech feeds.

The Group focused on researches and development of functional feed in poultry and provided diversified finest product mix to customers. The thriving breeding and rearing industry had boosted the demand for feed, which is an up-stream industry along the industry chain. Besides, the Group has long been developing the high-tech feeds with functionality of enhancing the animal immunity and disease resistance. Thus, the brand gained popularity to a certain degree which increased our market infiltration rate. Promotion in overseas markets also facilitated the overall growth of the Group's feeds segment. As a result, the segment revenue steadily grew and was 12.5% higher over previous year.

Meanwhile, high end functional feeds were supported by the Group's outstanding researches and development and we launched diversified products pertained to various customer demands, facilitated the expansion of feed market.

In 2011, feeds industry continued to develop and became increasingly concentered. The market share of leading feeds companies rose in a faster pace and the Group also actively engaged in business activities increasing its sales of premix with an aim to achieve higher profits.

Processed Foods

	2011	2010	change
Turnover (RMB’000)			
– Mainland China	1,100,218	693,411	58.7%
– Export	400,327	262,470	52.5%
Total	1,500,545	955,881	57.0%
Gross profit (RMB’000)			
– Mainland China	127,235	81,487	56.1%
– Export	49,640	37,537	32.2%
Total	176,875	119,024	48.6%

	2011	2010	change
Gross profit margin (%)			
– Mainland China	11.6	11.8	
– Export	12.4	14.3	
Total	11.8	12.5	

The processed food business involves the distribution of chilled and frozen meat under the “Sisters’ Kitchen” brand, as well as marinated, pre-fried and ready-to-eat foods. The products are not only sold in the PRC market but also exported to overseas markets including Japan.

The Group continued to expand its market share of its own brand “Sisters’ Kitchen” in China by optimizing sales channels and by launching diversified product mix in response to the market demand. In 2011, processed foods segment grew at a faster pace and became one of the material income sources of the Group. The turnover and gross profit of such segment both recorded a significant growth. In addition, the Group promoted its growth of processed food business as well as achieved a pleasing result by optimizing the product mix and by launching new products with high added values. In 2011, sales to large supermarkets maintained a stable growth and our brand products were successfully carried by large supermarkets in first tier cities, such as Beijing and Shanghai, Nanjing, Tianjin. As for the overseas markets, benefited by the transfer of international purchase orders, the market share of our export business grew significantly. During 2011, income from export business increased by 52.5%.

Awards and Recognition

The Group adheres to provide healthy, safe and nutritious chicken meat products for consumers in China and around the world, and commits to the high standards of food quality, safety and hygiene. In 2011, the Group was selected as one of the candidates of the 2nd "China Green Gold Award (中國綠金獎)" and was awarded one of the "2011 Top 100 Green Companies of China" by Road and Agricultural Research Center of China Entrepreneur Club, representing the Group's products and its operation received wide recognition in society.

On 18 December 2011, Han Jian-Hwan, Chairman of Dachan Food, was elected as the Vice-chairman of China Animal Agriculture Association on the third member meeting of China Animal Agriculture Association.

Outlook & Future Plans

The Chinese Government has capitalized in focusing on the development of a highly modernized agricultural industry in its twelfth five-year plan. Various policies will be introduced to support farmers to carry out extensive feeding business, which will be conducive to the thriving development of the industry. Further, the Chinese Government also emphasized on introducing a regulated supervisory system to ensure the importance of food safety. Supported by this policy, stable economic growth in China and increasing consumer's concern on food safety, the market demand for quality meat product will continue to grow up.

Chicken Meat

Coupled with better living standards, the market demand for chicken meat has grown further. The Group intends to consolidate the chicken meat segment vertically, driving up the sales demand of its feed business in upstream while ensuring the stable supply of safety meat under its brand in downstream. The Group will continue to implement the food traceable system to provide safety food and strive to improve profitability.

Feeds to External Customers

The future development of feeds industry will focus on consolidation among businesses, which will benefit the leading listed corporations within the industry. To probe into this development trend, the Group will strengthen the sales to large scale breeding farms.

Moreover, the Group will utilize its business advantages on biotechnology to develop the functional products which could enhance the immunity by virtue of biotechnology and at the same time, focus on the core products such as feeds for sows, piglets and chick. Also, the Group will continue to develop high-end products to enhance its brand popularity and position in feeds market. Through improving the researches and development and sales team, the Group intended to expand its sales channels as well as arouse its brand awareness, thus laying a solid foundation for the delivery of quality diversified products mix.

Processed Food

The twelfth 5-year plan establishes policies and concrete plannings for the development of processed food industry from 2011 to 2015. The planning highlights food safety, domestic researches and development and the consolidation of the industry. Given that highly lucratic processed food has been an important factor the Group's rapid growth, the Group plans to capture the huge consumption growing potential of Chinese food market by reallocating resources from chicken meat products and by products to high margin processed food. To effectively expand our market shares, the Group will construct the finest product mix pertain to different regional markets among our target cities, including Shanghai, Tianjing and Nanjing, primarily via distribution channels of chained supermarkets as well as catering service providers. Also, the Group will capitalize more resources to capture the potential growth of overseas market.

Financial Review:

1) **Other Income and Operating Expenses**

In 2011, other operating income of the Group amounted to RMB8.81 million (2010: RMB10.62 million). Other operating income mainly comprised interest income and government grant.

In 2011, other net gains of RMB18.42 million (2010: RMB4.79 million) was recorded. Other net gains mainly includes other non-operating net income such as net gains on disposal of fixed assets, etc.

Distribution costs accounted for 2.63% of total turnover, up from 2.62% in 2010.

Administrative expenses accounted for 2.43% of turnover (2010: 2.58%).

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

As at 31 December 2011, the Group's cash and bank deposit balances amounted to RMB512.11 million, representing an increase of RMB103.14 million from 2010. Bank loans increased by RMB136.94 million to RMB402.08 million (2010: RMB265.14 million). The Group had a net cash position of RMB110.03 million (2010: RMB143.84 million). Debt to equity ratio was 21.1% (2010: 14.7%). Current ratio was maintained at a healthy level of 1.48 times (2010: 1.50 times).

3) **Capital Expenditure**

In 2011, the Group's capital expenditure on the acquisition of properties, machinery and equipment amounted to RMB156.44 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 7.87%, which had impact on import of raw materials of the Group's subsidiary companies in Vietnam.

5) Interest Rate

In 2011, the Group's interest expense amounted to RMB19.33 million (2010: RMB15.45 million), a rise of 25.1% from 2010. The increase in interest expense was primarily due to an increase in bank loans from RMB265.14 million in 2010 to RMB402.08 million in 2011.

6) Dividends

The Board proposed a final dividend of HK9.00 cents (2011: HK4.00 cents) per share, amounting to approximately RMB74.69 million (2011: RMB34.42 million) in total, to shareholders whose names appear on the share register on 29 June 2012. The proposed final dividend will require the approval of shareholders at the Group's Annual General Meeting to be held on 29 June 2012.

7) Charge on Assets

As at 31 December 2011, the Group pledged assets worth RMB39.85 million in land, property, plant and equipment as security against bank facilities of RMB71.80 million, of which RMB15.68 million had been utilized as at 31 December 2011.

8) Capital Commitment

As at 31 December 2011, the capital expenditure of the Group contracted for but not provided in the financial statements was RMB52.63 million (2010: RMB26.49 million) and the captial expenditure authorised but not contracted for was RMB80.81 million (2010: RMB67.96 million).

Employee Compensation and Training

As at 31 December 2011, the Group had a total of 14,774 employees (31 December 2010: 14,020). In order to attract and retain talent for the business the Group offers competitive remuneration packages to its staff with 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 will 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.

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 the 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 2011 AGM of the Company will be held on 29 June 2012 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 of the Company will be closed from 28 June 2012 (Thursday) to 29 June 2012 (Friday), (both dates inclusive), for the purposes of determining the entitlements of the Shareholders to attend and vote at the AGM. No transfer of the Shares may be registered during the said period. In order to qualify to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on 27 June 2012 (Wednesday).

The register of members of the Company will be closed from 6 July 2012 (Friday) to 9 July 2012 (Monday) (both dates inclusive), for the purpose of determining the entitlements of the members of the Company to the proposed final dividend upon passing of relevant resolution. No transfer of Shares may be registered during the said period. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 5 July 2012 (Thursday).

Purchase, Redemption or Sale of Listed Securities of the Company

During the year ended 31 December 2011, 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 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 2011 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 2011.

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 2011, the internal control and risk management system. There was no disagreement from 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 all Independent Non-executive Directors of the Company.

On behalf of the Board
Han Jia-Hwan
Chairman

Hong Kong, 23 March 2012

As at the date of this announcement, Mr. Han Jia-Hwan (Chairman), Mr. Han Chia-Yin and Ms. Chen Li-Chin are the executive Directors, Mr. Han Chia-Yau, Mr. Harn Jia-Chen, Mr. Nicholas William Rosa and Mr. Chao Tien-Shin are the non-executive Directors, and Mr. Liu Fuchun, Dr. Chen Chih and Mr. Way Yung-Do are the independent non-executive Directors.