DACHAN FOOD (ASIA) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3999)

Announcement of Annual Results for 2012

The board of directors (the "Board") of DaChan Food (Asia) Limited (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 2012, prepared in conformity with the basis of presentation as stated in note 2 below, together with the comparative figures of the year ended 31 December 2011 as follows:

Highlights

	2012	**2011**	**% change**
Turnover (RMB'000)	11,435,455	11,215,942	+2.0
Gross profit (RMB'000)	727,868	856,314	-15.0
Gross profit margin (%)	6.4	7.6	
Profit attributable to equity shareholders of the Company (RMB'000)	72,044	196,089	-63.3
Basic earnings per share (RMB)	0.07	0.19	
Dividend per share (HK cents)	0	9.00	

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2012
(Expressed in thousands of Renminbi unless otherwise stated)

	Note	**2012**	**2011**
Turnover	3	11,435,455	11,215,942
Cost of sales		(10,707,587)	(10,359,628)
Gross profit		727,868	856,314
Change in fair value of biological assets less costs to sell		(6,544)	(2,753)
Fair value of agricultural produce on initial recognition		31,645	42,286
Reversal of fair value of agricultural produce due to sales and disposals		(32,987)	(43,585)
Other operating income		23,977	8,807
Other net gains		1,857	18,417
Distribution costs		(328,471)	(295,247)
Administrative expenses		(260,691)	(272,050)
Profit from operations		156,654	312,189
Finance costs	4(a)	(20,477)	(19,334)
Share of losses of equity-accounted investees		(2,259)	(1,850)
Profit before taxation	4	133,918	291,005
Income tax	5	(22,331)	(38,141)
Profit for the year		111,587	252,864
Attributable to:			
Equity shareholders of the Company		72,044	196,089
Non-controlling interests		39,543	56,775
Profit for the year		111,587	252,864
Dividends payable to shareholders of the Company attributable to the year:			
Final dividend proposed after the end of the reporting period	6	0	74,688
Earnings per share	7		
– Basic (RMB)		0.07	0.19
– Diluted (RMB)		0.07	0.19

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

(Expressed in thousands of Renminbi unless otherwise stated)

	Note	2012	2011
Non-current assets			
Fixed assets			
– property, plant and equipment		1,122,632	1,065,813
– lease prepayments		155,617	131,961
Interests in equity-accounted investees		54,635	28,194
Deferred tax assets		29,701	30,502
		1,362,585	1,256,470
Current assets			
Inventories		990,192	960,117
Biological assets		7,154	14,314
Trade receivables	8	341,003	380,717
Other receivables	9	384,035	370,757
Income tax recoverable		183	376
Cash and cash equivalents		610,411	512,110
		2,332,978	2,238,391
Current liabilities			
Trade payables	10	678,244	697,682
Other payables	11	368,324	388,852
Interest-bearing borrowings		257,921	393,442
Income tax payable		21,541	31,704
		1,326,030	1,511,680
Net current assets		1,006,948	726,711
Total assets less current liabilities		2,369,533	1,983,181
Non-current liabilities			
Interest-bearing borrowings		380,892	8,637
Deferred tax liabilities		563	466
		381,455	9,103
Net assets		1,988,078	1,974,078
Capital and reserves			
Share capital		97,685	97,330
Reserves		894,375	885,611
Retained profits		718,215	731,734
Total equity attributable to equity shareholders of the Company		1,710,275	1,714,675
Non-controlling interests		277,803	259,403
Total equity		1,988,078	1,974,078

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi unless otherwise stated)

1 General information

DaChan Food (Asia) Limited 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 2012 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 is primarily involved in the manufacturing and trading of livestock feeds, poultry and chilled meat and processed food.

The Company publicly offered its 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 2012 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 (the "Listing Rules").

(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 ("RMB") ("presentation currency"). All financial information presented in RMB has been rounded to the nearest thousand of RMB unless otherwise indicated.

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(d) *Changes in accounting policies*

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

– Amendments to IFRS 1, *First-time adoption of International Financial Reporting Standards – Severe hyperinflation and removal of fixed dates for first-time adopters*

– Amendments to IFRS 7, *Financial instruments: Disclosures – Transfer of financial assets*

– Amendments to IAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*

These developments have had no material impact on these financial statements.

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

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 deduction of any trade discounts.

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. 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.

Meat products: The meat products segment carries on business of breeding and hatching of broiler breeder eggs, contract farming, processing and trading 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, duck, and breeder poultry.

Processed foods: The processed foods segment produces and distributes pickled, pre-fried, and ready-to-eat 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 payables 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 2012 and 2011 is set out below:

	Meat products		Livestock feeds		Processed foods		Total	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Turnover from external customers	5,000,702	5,138,057	4,690,681	4,577,340	1,744,072	1,500,545	11,435,455	11,215,942
Inter-segment turnover	923,732	715,210	1,693,242	1,576,745	–	–	2,616,974	2,291,955
Total	5,924,434	5,853,267	6,383,923	6,154,085	1,744,072	1,500,545	14,052,429	13,507,897
Segment result	48,334	191,028	433,558	488,411	245,976	176,875	727,868	856,314
Unallocated operating income and expenses							(571,214)	(544,125)
Profit from operations							156,654	312,189
Finance costs							(20,477)	(19,334)
Share of losses of equity-accounted investees							(2,259)	(1,850)
Income tax							(22,331)	(38,141)
Profit for the year							111,587	252,864
Depreciation and amortisation for the year	62,230	57,844	40,388	37,607	22,128	21,551	124,746	117,002
Reportable segment assets	993,424	960,348	1,387,782	1,434,451	496,739	481,151	2,877,945	2,875,950
Reportable segment liabilities	280,370	219,662	597,010	599,604	134,093	234,656	1,011,473	1,053,922

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

	2012	2011
Turnover		
Reportable segment turnover	14,052,429	13,507,897
Elimination of inter-segment turnover	(2,616,974)	(2,291,955)
Consolidated turnover	11,435,455	11,215,942
Profit		
Reportable segment profit	727,868	856,314
Change in fair value of biological assets less costs to sell	(6,544)	(2,753)
Fair value of agricultural produce on initial recognition	31,645	42,286
Reversal of fair value of agricultural produce due to sales and disposals	(32,987)	(43,585)
Other operating income	23,977	8,807
Other net gains	1,857	18,417
Distribution costs	(328,471)	(295,247)
Administrative expenses	(260,691)	(272,050)
Finance costs	(20,477)	(19,334)
Share of losses of equity-accounted investees	(2,259)	(1,850)
Consolidated profit before taxation	133,918	291,005
Assets		
Reportable segment assets	2,877,945	2,875,950
Deferred tax assets	29,701	30,502
Income tax recoverable	183	376
Cash and cash equivalents	610,411	512,110
Unallocated head office and corporate assets	177,323	75,923
Consolidated total assets	3,695,563	3,494,861
Liabilities		
Reportable segment liabilities	1,011,473	1,053,922
Income tax payable	21,541	31,704
Deferred tax liabilities	563	466
Interest-bearing borrowings	638,813	402,079
Unallocated head office and corporate liabilities	35,095	32,612
Consolidated total liabilities	1,707,485	1,520,783

(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 investees.

	Turnover from external customers		**Specified non-current assets**	
	2012	**2011**	**2012**	**2011**
Mainland China	9,321,876	9,253,189	1,071,849	980,784
Vietnam	1,575,966	1,487,770	93,425	99,171
Japan	445,538	389,625	–	–
Rest of Asia Pacific	92,075	85,358	11,993	14,052
	11,435,455	11,215,942	1,177,267	1,094,007

4 Profit before taxation

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

	2012	**2011**
(a) Finance costs		
Interest on bank borrowings wholly repayable within five years	20,477	19,334
(b) Staff costs		
Salaries, wages, bonuses and other benefits	621,581	595,594
Contributions to retirement schemes	53,691	42,206
Equity-settled share-based payment	2,117	780
	677,389	638,580

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% (2011: 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 adopts a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under 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. The monthly relevant income of contribution is subject to a cap of Hong Kong Dollar ("HKD") 20,000 before 1 June 2012 and HKD 25,000 after 1 June 2012. Contributions to the scheme vest to employees immediately.

Contribution made to Malaysia's Employees Provident Fund is based on 13% (2011: 12%) of the eligible employees' salaries.

The Group also made contribution on the statutory social security and health insurance in Vietnam at 17% (2011: 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*

	2012	**2011**
Auditors' remuneration		
– audit services	4,561	4,446
– tax services	44	51
	4,605	4,497
Amortisation of lease prepayments	4,138	4,421
Depreciation of property, plant and equipment	120,608	112,581
Net impairment losses /(gains) on trade receivables	345	(2,028)
Net write-down of inventory	7,353	1,865
Operating lease charges		
– plant and machinery	22,083	19,495
– others	6,741	7,369
Research and development costs	2,420	568

5 Income tax in the consolidated income statement

	2012	**2011**
Current tax		
Provision for the year	23,933	35,225
(Over)/under provision in respect of prior years	(2,500)	3,731
	21,433	38,956
Deferred tax		
Origination and reversal of temporary differences	898	(815)
	22,331	38,141

(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 Hong Kong Inland Revenue Department and imposed the income tax rate is 16.5%.

(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 year ended 31 December 2012 is 25%. (2011: 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 2012 and 2011 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 2012 (2011: 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% (2011: 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 2012 (2011: 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 2012 (2011: 10%).

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

	2012	**2011**
Profit before taxation	133,918	291,005
Income tax using PRC's Corporate Income Tax rate of 25% (2011: 25%) (note)	33,480	72,751
Effect of different tax rates of subsidiaries operating in different tax jurisdiction	(23,312)	(26,686)
Tax effect of non-deductible expenses	1,664	2,719
Tax effect of non-taxable revenue	(24,820)	(14,831)
Tax effect of unused tax losses not recognised	44,134	14,650
Utilisation of tax losses previously not recognised	(4,054)	(8,241)
Effect of tax exemptions granted to subsidiaries	(2,261)	(5,952)
(Over)/under provision in respect of prior years	(2,500)	3,731
Actual tax expense	22,331	38,141

Note: The income tax rate of 25% (2011: 25%) represents the domestic tax rate in the jurisdiction where the operations of the Group are substantially based.

6 Dividends

	2012	**2011**
Final dividend proposed after the end of the reporting period: No distribution in 2012 (2011: HK9.00 cents per share)	0	74,688

On 22 March 2013, the Board decides not to distribute any final dividend in respect of the year ended 31 December 2012 (2011: 9.00 cents).

7 Earnings per share

The calculation of basic earnings per share for the year ended 31 December 2012 is based on the profit attributable to ordinary equity shareholders of the Company of RMB72,044,000 (2011: RMB196,089,000) and the weighted average of 1,011,403,200 ordinary shares (2011: 1,008,618,477) 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 RMB72,044,000 (2011: RMB196,089,000) and the weighted average of 1,012,925,918 ordinary shares (2011: 1,010,945,757).

8 Trade receivables

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

	2012	2011
Current	265,089	312,388
Less than 30 days past due	55,039	51,876
31–60 days past due	8,136	7,757
61–90 days past due	4,080	4,223
More than 90 days past due	13,107	11,604
Amounts past due	80,362	75,460
Less: Provision for bad debt	(4,448)	(7,131)
	341,003	380,717

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

9 Other receivables

	2012	2011
VAT recoverable	219,141	196,296
Deposits and prepayments	94,550	99,253
Amounts due from related parties	33,184	34,212
Advances to staff	4,732	3,751
Others	32,428	37,245
	384,035	370,757

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:

	2012	2011
Within 30 days	582,944	638,874
31 days to 60 days	38,990	30,473
61 days to 90 days	17,901	10,711
91 days to 180 days	38,409	17,624
	678,244	697,682

11 Other payables

	2012	2011
Salaries, wages, bonuses and other benefits payable	60,206	117,488
Accrued expenses	82,980	63,500
Contract performance deposits	43,820	37,536
Receipts in advance	21,054	24,608
Payables for acquisition of fixed assets	15,363	13,791
Amounts due to related parties	9,509	12,922
Others	135,392	119,007
	368,324	388,852

All other payables are expected to be settled within one year.

MANAGEMENT DISCUSSION AND ANALYSIS

	2012	2011	% change
Turnover (RMB'000)	11,435,455	11,215,942	2.0%
Gross profit (RMB'000)	727,868	856,314	-15.0%
Gross profit margin (%)	6.4	7.6	
Profit attributable to shareholders of the Company (RMB'000)	72,044	196,089	-63.3%

In 2012, the growth rate of the Chinese economy decreased 1.5 percent to 7.8%. With sluggish chicken meat prices, coupled with the ever rising price of inputs, the breeding and rearing industry is under a challenging business environment. The outbreak of "fast-grown chicken incident" at the end of the year has again highlighted consumers' concern over food safety. In view of the above, DaChan Group, in 2012, continued the established strategy of healthy growth in the processed and branded food business while continuously strengthening feed R&D and expanding market share, thereby raising the overall anti-risk capability of the Group.

The Group achieved a radiant performance in its processed food business during 2012, recording a significant growth, while the revenue performance for meat products and feed remained basically the same as the previous year. The major income source of the Group was still in meat products and feed, representing 43.7% and 41% of the Group's total turnover respectively. The risk management capability and breeding and rearing performance for the meat products segment were enhanced. In the second half of the year, feed prices did not increase as fast as the rapidly rising input prices, and sales were also affected by fierce market competition.

As domestic consumers become increasingly attentive to food safety issues, any related incidents would significantly affect a food enterprise's performance. The Group also implemented the "Mobilize for 100% Safe Food" campaign, emphasizing that the enterprise is a key owner in food safety, and maintained its position as a leading player in safe foods. On the foundation of the "Food Traceability System" established by the Group, this campaign further optimized the internal management of food safety, and formed a culture of quality assurance against three fundamental risks: drug residue, foreign objects, and degradation. Led by the quality assurance department and the operating department, the pre- and post- slaughtering dual testing system was promoted, which resulted in increased control standard of meat quality.

MEAT

	2012	2011	% change
Turnover (RMB'000)	5,000,702	5,138,057	-2.7%
Gross profit (RMB'000)	48,334	191,028	-74.7%
Gross profit margin (%)	1.0	3.7	

The meat segment operates in Northeast, North and East China, and comprises of the manufacturing of chilled and frozen broiler meat, sales of feed and day old chicks to contract farmers, and supply to quick service restaurants and both internal and external food processors.

During the period under review, the market price of chicken meat in the whole breeding and rearing industry remained low while the cost of raw materials of feed surged. The end consumer demand for meat products was also sluggish as a result of macro-economic downturn. Together with the impact of fast-grown chicken incident, the whole industry was widely depressed, but large, quality breeding and rearing companies would gradually stand out. This challenge is a growth opportunity for the meat division. Building on top of meat safety controls, the department continuously improved breeding and rearing performance to respond to the volatility risk and pressure from the commodity meat market. Though the turnover and gross profit of meat product segment were not as good as last year, in view of the overall operational environment, preliminary results in risk management and enhancement of breeding performance were achieved.

Operational Highlights

In 2012, the meat products segment focused its strategy to control industry risks. Most importantly, brand equity is at risk to adverse food safety incidents. Other important risks include performance risks of breeding and rearing, as well as fluctuations in market price. The Group optimized the evaluation system and assessment criteria of chicks, and effectively controlled QC and production process. In addition, the company's products passed every random inspection by various institutions during the fast-grown chicken incident, improving brand recognition and showing the positive impact of the "food safety" campaign. The Group is committed to convert more of its raw meat into self-processed food, reducing exposure to the commodity meat market and boosting the group's margins. The electronic monitoring platform for the breeding process set up this year improved rearing efficiency, and slaughtering-related costs were also reduced. Finally, the R&D department succeeded in developing the technology effectively utilizing slaughter byproducts to produce functional small peptides, recycling waste and reducing pollution.

Future Strategies

The general strategy and plan of this department in 2013 is to keep up its effort on supply chain and brand risk management, continuing to optimize the breeding procedures to enhance performance, as well as ensuring the safety of chicken sourced from contract farmers by technical and management means, supported with long-term cooperative relationships. In this way, the safety of the Group's meat products can be maintained so as to fulfill DaChan's commitment to provide consumers with safe, reliable food.

FEEDS TO EXTERNAL CUSTOMERS

	2012	2011	% change
Turnover (RMB'000)	4,690,681	4,577,340	2.5%
Gross profit (RMB'000)	433,558	488,411	-11.2%
Gross profit margin (%)	9.2	10.7	
Turnover (RMB'000)			
– China	3,066,506	3,044,928	0.7%
– Vietnam and Malaysia	1,624,175	1,532,412	6.0%
Gross profit (RMB'000)			
– China	277,327	288,053	-3.7%
– Vietnam and Malaysia	156,231	200,358	-22.0%
Gross profit margin (%)			
– China	9.0	9.5	
– Vietnam and Malaysia	9.6	13.1	

The revenue of this segment was primarily derived from the sales of piglet, sow, hog and poultry feeds to China, Vietnam and Malaysia. Corn and soybean are the primary raw materials of the Group's feeds. The brands of the products are "Dr. Nupak" (補克博士) and "Green Knight"(綠騎士) with producing and sales areas covering Northeast China, North China, Central China, Southwest China and Southeast Asia.

During the period, supply exceeded demand, resulting in low pork and poultry meat prices. Producers anticipating the future rise in prices delayed slaughter time using low-cost feeds, which affected the sales of the group's high quality feed. At the same time, the challenges of the rising price of raw materials of the feed made the feed business increased challenges in the second half of the year. The price of soybean meal soared from RMB 3,000 per ton at the beginning of the year to over RMB 4,400 in September, and the price of corn also steadily rose to more than RMB 2,400. In 2012, DaChan's feed division proactively improved its market share with R&D advantages and market development. However, in the second half of the year, feed prices did not keep up with rising material prices, and sales were also pressured by intense market competition trend, resulting in a minor growth in the turnover for the year.

Operational Highlights

Near the end of 2012, the feed segment R&D achieved significant breakthroughs: success in improvements of the scent and palatability of trough feed strengthened our market competitiveness in prestarters; the MPT pre-digestion technology further increased feed performance and core competitiveness. The use of F cereals and miscellaneous meals lowered the cost of feeds, enhanced the digestion and absorption rate, and strengthened the intestinal immunity of livestock, winning us a competitive edge in enhancing quality consistency and pricing competition. Moreover, the biotechnology, currently under development, of photovoltaic livestock facility with microalgae farming and organic fermentation to treat pig urine and feces also would provide more mature supporting technology.

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Regarding marketing, the feed department sustained sales by increasing the proportion of direct sales customers and providing antibody tracing services. By virtue of the above, the Group maintained a leading market share amid the fierce market competition in the traditionally advantageous areas, namely Liaoning.

The feed mill in Vietnam recorded a significant growth in 2012, winning the annual high quality award in Vietnam and the prestarter product was acknowledged by the industry and market. The production departments unified the operating language of the processes and operating systems of all departments, to facilitate the operation of the three plants and new plant. Product R&D and operating system continued to be reinforced, and the market recognized the consistency in quality of the products.

Future Strategies

In the future, the feed division will focus on the sustainable competitiveness of R&D and the refinement of product positioning. Foresight Research Center of DaChan will continue to maintain its R&D momentum, plan to establish good domestic breeds and breeding management systems to address the issues of disease, nutrition, environment management and sewage. Brand positioning will include the premix brand "TSOS", professional high-end feed "Dr. Nupak" (補克博士) and market-priced "Green Knight" to target large, medium and small professional farms respectively.

PROCESSED FOODS

	2012	**2011**	**% change**
Turnover (RMB'000)			
– PRC China	1,285,548	1,100,218	16.8%
– Export	458,524	400,327	14.5%
Total	1,744,072	1,500,545	16.2%
Gross profit (RMB'000)			
– PRC China	183,146	127,235	43.9%
– Export	62,830	49,640	26.6%
Total	245,976	176,875	39.1%
Gross profit margin (%)			
– PRC China	14.2	11.6	
– Export	13.7	12.4	
Total	14.1	11.8	

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The processed food business involves the production and distribution of chilled and frozen meat under the "Sisters' Kitchen" brand, as well as marinated, pre-fried and processed foods. The products are not only sold in the PRC market but also exported to overseas markets including Japan. Customer groups include end-customer markets and professional markets. Sales channels include professional catering, casual catering, international customers, key customers and retail consumption market. Producing and sales areas cover Northeast China, North China, East China, South China.

During the period, DaChan continued to focus the Group's resources to fully expand its food and brand business. In 2012, our processed food business continued to maintain positive growth, and the brand influence was further enhanced by sales channel analysis, construction of the marketing team, optimizing the product mix, capitalizing more resources on R&D and increasing marketing and brand promotion. The annual turnover increased significantly, and the profitability increased further compared to the corresponding period of last year due to improvements of the product mix.

Sales Channels

The processed food business supplies catering service for end dining customers. Effective target markets refer to canteens and catering companies supported by schools and factories, casual-dining restaurants, countryside kitchen and city restaurants, with distributors as the main sales channel. Operating cities are concentrated on coastal first-tier cities.

Another important channel is the retail market, including supermarkets, the online store, wet markets and the proprietary chicken restaurant OMYG. The supermarkets cover four major operating cities, Beijing, Tianjin, Shanghai and Nanjing, while the wet markets cover Northeast, North China and East China markets. We also supply processed food such as chicken nuggets, pop corn chicken and Kantoni to well-known fast food chains. Major customers include KFC, Dicos, 7-11, Wallace, FamilyMart, etc. Additionally, food segment targets the Japan market and steadily exports skewers and fried products, with great brand influence in Japan. Our major customers include Japan's major retail chains and fast-food chains, such as Lawson, IY & 7-11, 味冷, Yoshinoya, etc.

Product Display

The professional catering market achieved excellent results, and enjoyed high product popularity. During the period, the Taiwanese Style Fried Chicken is the number one brand in the market while the market share of hamburger products is also in a leading position. The top six star products were Chinese-style Fried Chicken, chicken nuggets, hamburger, moon nugget (月亮燒), sweet nugget (甜塊) and meatball, which in aggregate accounted for more than half of total sales.

To further develop the retail consumer market, the Group developed new product lines this year, including room temperature cartilage sausages, Taixu ham, rice-filled sausages, and high-end native chicken products to the market, which further enriched the product mix.

Among the sausage products of Sisters' Kitchen, Taixu renowned Ham is a high-end pork processed food brand established by DaChan in collaboration with the Taiwanese brand "Taixu" with a history of 50 years. Precious in the domestic market for its quality, the products are smoked over walnut branches imported from America and possess special tastes. The products are available through retail sales channel as well as professional catering channel. And the room temperature cartilage sausage, the first room temperature product under the "Sisters' Kitchen" brand, features special chicken gristles with a unique chewy texture, having a sweet and intense flavor. The product mainly targets students and the youth.

In 2012, to emphasize unique products characteristics as well as safety and health, Sisters' Kitchen achieved a significant breakthrough in the specialty foods product line. "Fisher Native Chicken" is a featured speciality of the year. Its breed was originally raised in Taiwan, and then purified by the French genetics company Sasso and contains abundant Omega-3. Another featured specialty, Rice Sausage, is originally a snack in Southern China but enjoys even more popularity in Taiwan since the introduction into the island. The food R&D center made great breakthroughs in the year and successfully developed chilled and frozen rice ingredients, with advanced technology. Three different flavored rice sausages were launched by the year end, including Hainan Chicken-flavored rice, Taiwan-style glutinous oil rice and Yangzhou egg-fried rice.

Operational Highlights

In 2012, backed by the aggressive performance of the R&D development, the food segment further expanded the market share and proactively developed new specialty products throughout the year. Through the introduction of the leading edge food equipment and advanced technology, the production department increased product differentiation and controlled costs.

Marketing optimization strategies included: adjusting product mix and increasing the conversion of internally produced meat into products with additional value; optimizing the market portfolio, simplifying product lines and maintaining a high-end, safe brand image in the market; concentrating superior resources on key target market, in the Mainland, focusing the professional catering market on the top ten metropolises and entering the main supermarkets in the four largest business cities.

E-commerce was utilized effectively. The website for traceability was upgraded in 2012, giving the user a new food traceability experience, while a new media marketing strategy was adopted to communicate with customers through a variety of ways such as internet, microblog, and WeChat to attract target customers. Through the distributors' sale network, the establishment of the "Accumulate Points into Gold" membership points system, the demand of B2B endpoint customers has been accurately understood. The online flagship store of Sisters' Kitchen also officially opened, which broadened the sales channels and areas of influence.

In addition, to cooperating with the quality control department, the food segment continued to deliver the concept that traceability guarantees safety of DaChan in the promotion and marketing activities with end-consumers like the "Traceable Foods Year One" event. The Company communicated with major clients, distributors and business partners with respect to food safety, product development, taste testing and marketing, enhancing the comprehensive understanding of the food operation and branding of DaChan Group and strengthening their recognition for the concept of "safe and traceable food".

Future Strategies

During the year, through the driving force of the food R&D department, "Sister's Kitchen" was fully introduced to the consumer market. In the future, the R&D department will also continue to make efforts to the precise development of successful new products. The Group will maintain its food operation strategy, increase the meat-to-food conversion volume and the Group's profitability.

In 2013, the marketing department will develop room temperature products and construct relevant channels. In the future, the Group will proactively use a combination of the traditional media and new media, making "Sister's Kitchen" a synonym for safe and traceable food.

Prospect & Strategy Outlook

During 2012, the Chinese economy has encountered severe challenges and managed to present a sign of recovery in the fourth quarter. Going forward, as moderate economic reforms take shape, the economy will maintain a steady growth. Urbanization is a driving force for economic growth and brings a new round of increase in residents' income and consumption, which leads to a synchronous increase in demand for safe food products and processed food products. Food safety has also become one of the major issues of governmental supervision. On 23 June, 2012, the State Council released a document requiring the inclusion of food safety into the assessment criteria of the performance of local governments. Therefore, the low temperature and prossessed products produced by those large enterprises which use quality meat are expected to gain more market share.

At the very beginning of 2013, the measures included in the No.1 document of the Central Government to support and benefit farmers will greatly accelerate the development of rural economy and raise farmers' motivation towards breeding and rearing activities. With the trough of the pork price cycle approaching an end, and adjustments in swine and poultry inventory, the supply-demand balance will gradually improve, thus creating favorable circumstances for pork prices. It is highly possible that prices of raw materials will relax and even come to a slight decrease, which will be very favorable for the breeding and rearing industry. The feed industry in China is integrating and maturing due to the upgraded demands from down-stream breeding and rearing operators and the rise in feed-related costs over the years, representing an upgrade from simple commercial feed to precise phase-designated feed, from separated feed-related products to integrated services for breeding and rearing. Consequently, feeds enterprises known for their product quality will record large growth while SMEs will be integrated.

Based on the observation of the above trends, the Group will continue to sustain the existing food operation and branding strategy, while the feed department will use its R&D advantage amid the accelerating trend of industry integration to maximize product differentiation to occupy the high-end feed market.

AWARDS AND RECOGNITION

During the first half of 2012, by virtue of our significant contribution and outstanding performance in domestic animal agriculture industry and related industrial development, the Group was awarded as "Top 100 Outstanding Enterprises in Animal Agriculture Industry". Besides, being a corporation with social responsibility, Dachan Food has been paying serious attention to food safety and endeavoring to provide healthy, safe and nutritious chicken meat products to PRC consumers as well as international consumers. The Group was awarded one of the "2012 Top 100 Green Companies of China" for the second consecutive year, representing the wide recognition for the Group from the market and professionals.

During the second half of 2012, being the leading enterprise in the domestic chicken meat food industry, Dachan Food was awarded "2012 Most Valuable Brand of Meat Food Enterprises of China" at the Conference on the Development Strategies of Meat Food Industry jointly organized by China Meat Association and International Meat Society.

Financial Review:

1) Other Operating Income and Operating Expenses

In 2012, other operating income of the Group amounted to RMB23,977 thousand (2011: RMB8,807 thousand). Other operating income mainly comprised interest income and government grants. The increase in other operating income was mainly due to the increase in government grants.

In 2012, other net gains of RMB1,857 thousand (2011: RMB18,417 thousand) was recorded. Other net gains mainly includes other non-operating net income such as net foreign exchange gain and net gain and loss on the disposal of fixed assets, etc.

Distribution costs accounted for 2.87% of total turnover, up from 2.63% in 2011.

Administrative expenses accounted for 2.28% of turnover (2011: 2.43%).

2) Liquidity, Financial Resources and Capital Structure

As at 31 December 2012, the Group's cash and bank deposit balances amounted to RMB610,411 thousand, representing an increase of RMB98,301 thousand from 2011. Bank loans increased by RMB236,734 thousand to RMB638,813 thousand (2011: RMB402,079 thousand). Debt to equity ratio was 32.2% (2011: 21.1%). Current ratio was maintained at a healthy level of 1.76 times (2011: 1.48 times).

3) Capital Expenditure

In 2012, the Group's capital expenditure on the acquisition of properties, machinery and equipment amounted to RMB216,057 thousand which was primarily paid from internal resources and bank borrowings.

4) Exchange Rate

The Group's business transactions are mainly denominated in RMB, USD and VND. During the year under review, VND against RMB appreciated 0.69% while RMB against USD appreciated 0.25%.

5) Interest

In 2012, the Group's interest expense amounted to RMB20,477 thousand (2011: RMB19,334 thousand), a rise of 5.9% from 2011. The increase in interest expense was primarily due to an increase in bank loans from RMB402,079 thousand in 2011 to RMB638,813 thousand in 2012.

6) Dividends

To reserve the resources for the Group's business development, the Board decides not to distribute any final dividend for the year ended 31 December 2012 (2011: HK9.00 cents per share, amounting to RMB74,688 thousand in total).

7) Charge on Assets

As at 31 December 2012, the Group pledged assets worth RMB17,797 thousand in land, property, plant and equipment as security against bank facilities of RMB20,079 thousand, of which RMB6,226 thousand had been utilized as at 31 December 2012.

8) Capital Commitment

As at 31 December 2012, the capital expenditure of the Group contracted for but not provided in the financial statements was RMB221,323 thousand (2011: RMB52,634 thousand) and the captial expenditure authorised but not contracted for was RMB123,817 thousand (2011: RMB80,809 thousand).

EMPLOYEE COMPENSATION AND TRAINING

As at 31 December 2012, the Group had a total of 14,220 employees (31 December 2011: 14,774). 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 2012 AGM of the Company will be held on 28 June 2013 and the Notice of AGM 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 27 June 2013 (Thursday) to 28 June 2013 (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 26 June 2013 (Wednesday).

Purchase, Redemption or Sale of Listed Securities of the Company

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

Compliance with the Corporate Governance Code

The Company is committed to good corporate governance practices and procedures including a quality board, sound internal control, transparency and accountability to its shareholders. Except for some immaterial deviations, it has also complied with the Corporate Governance Code as stated in Appendix 14 of the Listing Rules throughout the year ended 31 December 2012.

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 2012, the internal control and risk management system. There was no disagreement between the Audit Committee and 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, 22 March 2013

As at the date of this announcement, Mr. Han Jia-Hwan (Chairman) and Mr. Han Chia-Yin 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.