DaChan

DACHAN FOOD (ASIA) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3999)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

The board of directors (the "Board") of DaChan Food (Asia) Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ended 30 June 2008. The consolidated interim financial report for the six months ended 30 June 2008 is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity", issued by the Hong Kong Institute of Certified Public Accountants whose unmodified review report is included in the consolidated interim financial report to be sent to shareholders. The results have also been reviewed by the Company's audit committee.

Financial Highlights

	Six months ended 30 June		
	2008 (unaudited)	**2007 (unaudited)**	**% change**
Turnover (USD'000)	639,748	392,507	63.0%
Gross profit (USD'000)	57,563	35,297	63.1%
Gross profit margin (%)	9.0	9.0	
Profit attributable to equity shareholders of the Company (USD'000)	16,179	16,872	-4.1%
Profit attributable to equity shareholders of the Company after excluding the non-recurring income (USD'000)	16,179	12,350	31.0%
Basic earnings per share (US cents)	1.60	2.25	

Consolidated income statement
for the six months ended 30 June 2008 - unaudited

		Six months ended 30 June	
	Note	**2008**	**2007**
		USD'000	*USD'000*
Turnover		639,748	392,507
Cost of sales		(582,185)	(357,210)
Gross profit		57,563	35,297
Change in fair value of biological assets less estimated point-of-sale costs		(220)	283
Fair value of agricultural produce on initial recognition		5,752	3,072
Reversal of fair value of agricultural produce due to sales and disposals		(5,675)	(2,155)
Other income	6	6,655	6,400
Distribution costs		(15,320)	(10,295)
Administrative expenses		(18,944)	(10,171)
Other operating expenses		(3,874)	(523)
Profit from operations		25,937	21,908
Finance costs	7(a)	(3,304)	(1,974)
Share of (losses)/profits of jointly controlled entities		(989)	276
Profit before taxation	7	21,644	20,210
Income tax	8	(3,104)	(899)
Profit for the period		18,540	19,311
Attributable to:			
Equity shareholders of the Company		16,179	16,872
Minority interests		2,361	2,439
Profit for the period		18,540	19,311
Earnings per share			
- Basic (cents)	10	1.60	2.25

Consolidated balance sheet at 30 June 2008 - unaudited

	Note	**30 June 2008** *USD'000*	**31 December 2007** *USD'000*
Non-current assets			
Fixed assets			
- property, plant and equipment		124,891	92,410
- lease prepayments		15,886	11,490
Interests in jointly controlled entities		-	3,828
Deferred tax assets		449	638
		141,226	108,366
Current assets			
Inventories		126,156	95,777
Biological assets		1,709	1,718
Trade and other receivables	11	83,341	70,404
Amounts due from related parties		1,232	2,700
Income tax recoverable		45	22
Pledged bank deposits		585	1,562
Cash and cash equivalents		69,449	97,723
		282,517	269,906
Current liabilities			
Interest-bearing borrowings		59,274	52,759
Trade and other payables	12	112,857	104,452
Amounts due to related parties		3,248	188
Income tax payable		2,176	2,147
		177,555	159,546
Net current assets		104,962	110,360
Total assets less current liabilities		246,188	218,726
Non-current liabilities			
Interest-bearing borrowings		6,950	6,001
Deferred tax liabilities		27	27
		6,977	6,028
Net assets		239,211	212,698

Consolidated balance sheet at 30 June 2008 - unaudited (continued)

	Note	**30 June 2008** *USD'000*	**31 December 2007** *USD'000*
Capital and reserves			
Share capital		12,957	12,957
Reserves		200,167	179,680
Total equity attributable to equity shareholders of the Company		213,124	192,637
Minority interests		26,087	20,061
Total equity		239,211	212,698

Notes to the unaudited interim financial report

(Expressed in United States Dollars unless otherwise stated)

1 **General information and group reorganisation**

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 interim financial report for the six months ended 30 June 2008 comprises 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 interim financial report has been prepared on the basis that the Company was the holding company of the Group for both periods presented, rather than from the date of the Reorganisation. Accordingly, the consolidated results of the Group for the six months ended 30 June 2007 and 2008 include the results of the Company and its subsidiaries with effect from 1 January 2007 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 periods presented. The consolidated balance sheet at 31 December 2007 and 30 June 2008 is a consolidation of the balance sheet of the Company and its subsidiaries at the respective balance sheet dates. All material intra-group transactions and balances have been eliminated on consolidation. In the opinion of the directors, the consolidated interim financial report prepared on this basis presents fairly the results of operations and the state of affairs of the Group as a whole.

3 **Basis of preparation**

This consolidated interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34 "Interim financial reporting" promulgated by the International Accounting Standards Board ("IASB"). It was authorised for issuance on 22 August 2008.

The unaudited consolidated interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements.

4 **Segment reporting**

Segment information is presented in respect of the Group's business segments. Business segments 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:

Chicken meats	:	The chicken meats 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, dairy, duck, and breeder poultry.
Processed foods	:	The processed foods segment produces and distributes pickled, pre-fried, and roasted foods.

	For the six months ended 30 June 2008				
	Chicken meats	**Livestock feeds**	**Processed foods**	**Inter-segment elimination**	**Consolidated**
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Revenue from external customers	321,712	291,419	26,617	-	639,748
Inter-segment revenue	1,675	75,389	-	(77,064)	-
Total	323,387	366,808	26,617	(77,064)	639,748
Segment result	18,429	12,587	(3,251)	-	27,765
Unallocated operating income and expenses					(1,828)
Profit from operations					25,937
Finance costs					(3,304)
Share of losses of jointly controlled entities					(989)
Income tax					(3,104)
Profit for the period					18,540

	For the six months ended 30 June 2007				
	Chicken meats	**Livestock feeds**	**Processed foods**	**Inter-segment elimination**	**Consolidated**
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Revenue from external customers	237,920	128,769	25,818	-	392,507
Inter-segment revenue	8,461	49,433	-	(57,894)	-
Total	246,381	178,202	25,818	(57,894)	392,507
Segment result	13,379	6,726	2,361	-	22,466
Unallocated operating income and expenses					(558)
Profit from operations					21,908
Finance costs					(1,974)
Share of profits of jointly controlled entities					276
Income tax					(899)
Profit for the period					19,311

5 Acquisition and disposal of subsidiaries

(a) *Miyasun - Great Wall (BVI) Co., Ltd ("Miyasun - Great Wall")*

On 1 May 2008, the Group acquired the remaining 50% equity interest of Miyasun - Great Wall from an independent third party at a cash consideration of USD2,581,000. Details of Miyasun - Great Wall at 30 June 2008 are as follows:

Name of company	**Paid up capital**	**Principal activity**	**Results contributed by the company from the date of acquisition to 30 June 2008** *USD'000*
Miyasun - Great Wall	USD2,000,000	Investments holding	(183)

This entity is an investments holding company established in the British Virgin Islands ("BVI").

The acquisition had the following effect on the Group's assets and liabilities.

	Recognised values on acquisition *USD'000*
Property, plant and equipment	8,638
Lease prepayments	225
Cash and cash equivalents	3,062
Other net current liabilities	(6,545)
Net identifiable assets acquired	5,380
Negative goodwill arising on acquisition	(109)
	5,271
Total purchase price payable	2,581
Reclassified from interests in jointly controlled entities	2,690
	5,271
Analysis of net inflow of cash and cash equivalents:	
Cash and cash equivalents acquired	3,062

(b) *Disposal of partial interest in a subsidiary*

On 1 May 2008, the Group disposed of 3% equity interest in its 60% owned subsidiary, Great Wall Dalian Investment Co., Ltd. ("Dalian Investment"), a subsidiary principally engaged in investments holding to an independent third party at a consideration of USD1,228,000. No significant gain or loss arose from the disposal of this partial interest in Dalian Investment.

As a result of the disposal, the Group's interest in Dalian Investment was reduced from 60% to 57%.

6 Other income

	Six months ended 30 June	
	2008	**2007**
	USD'000	*USD'000*
Interest income	847	140
Foreign exchange gain	5,355	766
Management fee	123	104
Government subsidies (note (i))	-	1,176
Compensation received (note (ii))	-	3,346
Gain on disposals of fixed assets	12	11
Recognition of negative goodwill	109	-
Others	209	857
	6,655	6,400

Notes:

(i) Pursuant to the approval from respective local governments, certain subsidiaries of the Group received government subsidies for the period ended 30 June 2007 which approximated the aggregate amount of VAT and interest expense incurred in previous years.

(ii) Included in the compensation received for the period ended 30 June 2007 was an amount of approximately USD3.3 million being compensation given to a subsidiary of the Group as a result of relocation of factory as required by the local government.

7 **Profit before taxation**

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

	Six months ended 30 June 2008	2007
	USD'000	*USD'000*
(a) Finance costs		
Interest on bank borrowings wholly repayable within five years	3,304	1,918
Interest on other loans	-	56
	3,304	1,974
(b) Other items		
Amortisation of lease prepayments	167	67
Depreciation of property, plant and equipment	5,318	4,172
Impairment losses on: trade and other receivables	58	247
Net foreign exchange loss	3,381	76
Net realised loss on derivative contracts	166	148
Write-down of inventories	910	526
Reversal of write-down of inventories	(51)	(262)

8 **Income tax**

Taxation in the consolidated income statement represents:

	Six months ended 30 June 2008	2007
	USD'000	*USD'000*
Current tax - overseas		
Provision for the period	2,915	906
Deferred tax		
Origination and reversal of temporary differences	189	(7)
	3,104	899

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

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

(iii) Pursuant to the income tax rules and regulations of the PRC, the companies comprising the Group in the PRC are liable to PRC enterprise income tax at a rate of 28% (2007: 33%), of which 25% is attributable to the state government and 3% is attributable to the local government, during the period (2007: 30% and 3% respectively). The details of applicable income tax rate for the Group's main operating subsidiaries in the PRC are as follows:

(a) The applicable enterprise income tax rate for Liaoning Greatwall Agri-Industrial Co., Ltd. is 28% for the six months ended 30 June 2008 (2007: 27%).

(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. For interim period ended 30 June 2008, the applicable tax rate before approval of tax relief is 28% (2007: 13.5%).

(c) In 2008, Great Wall Food (Dalian) Co., Ltd. is entitled to a PRC enterprise income tax rate of 28% (2007: 27%).

(d) 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 27% for the year ended 31 December 2007. In September 2007, the Malaysian government announced a reduction in the income tax rate from 27% to 26% for the year of assessment in 2008.

(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. Therefore, ANT-VN is subject to a preferential income tax rate of 7.5% for the period ended 30 June 2007 and 2008.

(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. The first profitable year of ANT-HN is year 2005. Therefore, the applicable tax rate of ANT-HN is nil for the period ended 30 June 2007 and 2008.

(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 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 consolidated interim financial report for the six months ended 30 June 2008. The financial effect of the enactment of the new tax law is also considered in the consolidated balance sheet in respect of current tax payable/ recoverable.

Further under the new tax law, from 1 January 2008 onwards, non-resident enterprises without an establishment or a place of business in the PRC or which have an establishment or a 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. The directors of the Company do not expect dividends will be distributed from subsidiaries in the PRC in foreseeable future in respect of the profits generated after 31 December 2007.

9 **Dividends**

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2008. (2007: Nil)

10 **Earnings per share**

The calculation of basic earnings per share for the six months ended 30 June 2008 is based on the profit attributable to equity shareholders of the Company of USD16,179,000 and the weighted average number of 1,010,662,000 shares in issue during the period.

The calculation of basic earnings per share for the six months ended 30 June 2007 is based on the profit attributable to equity shareholders of the Company of USD16,872,000 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 period.

There were no potential dilutive ordinary shares during the six months ended 30 June 2007 and 2008 and therefore, diluted earnings per share are not presented.

11 **Trade and other receivables**

	30 June 2008 *USD'000*	**31 December 2007** *USD'000*
Trade receivables	38,357	27,876
Amounts due from related parties	778	3,881
Advances to staff	1,340	659
VAT recoverable (note (i))	22,396	21,987
Deposits paid for purchase of fixed assets	2,811	1,674
Suppliers' deposits	3,678	2,597
Deposits and prepayments	9,429	7,516
Other receivables	4,552	4,214
	83,341	70,404

Note:

(i) The VAT recoverable represents the unutilised input VAT eligible for offsetting against future output VAT. The unutilised input VAT arose mainly due to the insufficient output VAT on sales of chicken meats to offset the input VAT on purchases of live chickens from contract farmers. The directors of the Company are of the opinion that the VAT recoverable as at 30 June 2008 will be utilised progressively in accordance with the Group's future plan.

The Group normally allows a credit period ranging from 30 days to 60 days to its customers. All of the trade and other receivables (including amounts due from related parties) are expected to be recovered within one year.

Ageing analysis

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

	30 June 2008 *USD'000*	**31 December 2007** *USD'000*
Current	32,343	24,559
Less than 30 days past due	3,181	1,494
31 - 60 days past due	1,921	993
61 - 90 days past due	476	365
More than 90 days past due	436	465
	38,357	27,876

12 Trade and other payables

	30 June 2008 *USD'000*	**31 December 2007** *USD'000*
Trade payables	72,329	59,855
Bills payable	186	1,685
Amounts due to related parties	553	2,335
Receipts in advance	2,583	3,701
Other payables and accruals	37,206	36,876
	112,857	104,452

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

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

	30 June 2008 *USD'000*	**31 December 2007** *USD'000*
Within 30 days	66,194	55,879
31 days to 60 days	3,400	2,184
61 days to 90 days	1,373	927
91 days to 180 days	1,362	865
	72,329	59,855

(b) Bills payable are normally issued with a maturity date ranging from 30 to 90 days.

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

	30 June 2008 *USD'000*	**31 December 2007** *USD'000*
Salaries, wages, bonus and other benefits payable	16,058	12,326
Payables for purchase of fixed assets	1,234	4,211
Security deposits (note (i))	5,062	5,721
Accrued expenses (note (ii))	7,724	5,125
Provision for onerous contracts (note (iii))	-	1,812
Other payables	7,128	7,681
	37,206	36,876

Notes:

(i) Security deposits referred mainly to deposits received from contract farmers in respect of performance of contracts entered into with these farmers.

(ii) Accrued expenses comprised mainly accruals for advertising and marketing costs, utilities charges and transportation costs.

(iii) Movements of provision for onerous contracts are summarised as follows:

	30 June 2008	**31 December 2007**
	USD'000	*USD'000*
At beginning of the period/year	1,812	1,511
Provision for the period/year	-	1,812
Utilisation during the period/year	(1,812)	(1,511)
At end of the period/year	-	1,812

No provision (31 December 2007: USD1,812,000) has been recognised for the expected loss on sales contracts entered into during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Operating Results

	Six months ended 30 June		
	2008	**2007**	**% change**
Turnover (USD'000)	639,748	392,507	63.0%
Gross profit (USD'000)	57,563	35,297	63.1%
Gross profit margin (%)	9.0	9.0	-
Profit attributable to equity shareholders of the Company (USD'000)	16,179	16,872	-4.1%
Profit attributable to equity shareholders of the Company after excluding the non-recurring income (USD'000)	16,179	12,350	31.0%
Basic earnings per share (US cents)	1.60	2.25	

The Group achieved satisfactory operating results for the first six months of 2008. The Group's turnover increased to USD639.7 million, approximately 63.0% higher than the corresponding period last year. Gross profit margin was maintained at a healthy level of 9.0% (2007: 9.0%).

Profit attributable to equity shareholders of the Company reached approximately USD16.2 million, representing a decrease of 4.1% over the same period last year. Excluding USD4.5 million of non-recurring income, compensation received from PRC government for the relocation of factory as well as government subsidies, the profit attributable to the equity shareholders of the Company increased 31.0% over the same period last year. The satisfactory performance was mainly attributable to higher average selling prices and stronger sales volume, as well as improved operational efficiency. Basic earnings per share were US1.60 cents (2007: US 2.25 cents).

Segmental Results

Chicken meat

	Six months ended 30 June		
	2008	**2007**	**% change**
Turnover (USD'000)	321,712	237,920	35.2%
Gross profit (USD'000)	27,509	20,210	36.1%
Gross profit margin (%)	8.6	8.5	

This segment comprised three businesses, which are chilled and frozen chicken, feeds to contract farmers, and chicks to contract farmers. All three businesses recorded growth in the first six months of 2008. The turnover of the chicken meat segment for the first six months of 2008 rose to USD321.7 million, representing a year-on-year growth of 35.2% and accounting for 50.3% of the Group's total turnover.

The increase in turnover was due to higher selling prices of chicken meat and the number of chickens slaughtered. The average price of chilled and frozen chicken for the first six months of 2008 rose 23.0% to USD1,599 per tonne (for the corresponding period of 2007: USD1,300) and the number of chickens slaughtered rose to 62.2 million chickens (for the corresponding period of 2007: 57.1 million chickens). Since our chicken meat production almost reached its maximum capacity which somewhat limited the volume growth, we expect a noticeable increase in this area after our existing production facilities are upgraded and new ones are launched in 2009.

Feeds to external customers

	Six months ended 30 June		
	2008	**2007**	**% change**
Turnover (USD'000)	291,419	128,769	126.3%
Gross profit (USD'000)	28,104	11,748	139.2%
Gross profit margin (%)	9.6	9.1	

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 significantly over the past year. However, we were able to transfer the rising costs to our customers and thus our gross profit margin slightly improved to 9.6% for the first six months of 2008 (for the corresponding period of 2007: 9.1%).

The turnover for the first six months of 2008 increased dramatically to USD291.4 million, representing an increase by 126.3% compared with the same period last year. The increase was primarily due to the launch of new production facilities in the PRC and Vietnam, and the rise of the average selling price. For the first six months of 2008, we had sold 658,822 tonnes of feed to external customers and this represented

41.1% increase over the same period last year (for the corresponding period of 2007: 466,931 tonnes). The average price of feed for the first six months of 2008 rose 60.1% to USD442 per tonne (for the corresponding period of 2007: 276 per tonne). The increase of the average price was mainly due to the higher raw material costs.

Processed Foods

	Six months ended 30 June		
	2008	**2007**	**% change**
Turnover (USD'000)			
- Mainland China	15,560	11,114	40.0%
- Export	11,057	14,704	-24.8%
Total	26,617	25,818	3.1%
Gross profit (USD'000)			
- Mainland China	2,266	1,705	32.9%
- Export	-316	1,634	n/a
Total	1,950	3,339	-41.6%
Gross profit margin (%)			
- Mainland China	14.6	15.3	
- Export	-2.9	11.1	
Overall	7.3	12.9	

The Group's processed foods business relates to the production and distribution of pickled, pre-fried and roasted foods. The period under review was a difficult one for the Group's processed foods business, especially the export business, due to the significant rise in chicken meat prices, its principal raw material, and the appreciation of the Renminbi. Although turnover grew by USD0.8 million to USD26.6 million, the gross profit decreased by USD1.4 million to USD2.0 million.

However, we are optimistic about the future development of the processed foods business in Mainland China due to the steady improvement of living standard and change in lifestyle. One of our main strategies is to increase the proportion of domestic sales and thereby boost the future turnover of the Group. In order to capture the domestic market, we have acquired the rest of the share of our jointly-controlled entity, Miyasun-Great Wall (BVI) Co., Ltd. ("Miyasun - Great Wall"), from our business partner in May 2008. The processed food products produced by Miyasun - Great Wall were mainly exported to Japan prior to our acquisition. Due to the difficult export market and the potential in the PRC domestic market, Miyasun - Great Wall will shift its business to focus on the domestic market.

OUTLOOK & FUTURE PLANS

We believe the robust economic growth in China will continue in the coming years. In fact, despite the expected global economic slowdown in 2008, the economy of

China is still forecast to have a growth rate of 9% or more. The living standards in China continue to improve significantly and lead to a consistent rising demand for meat products. With this highly favorable outlook, the Group expects high turnover growth in all segments for the second half of 2008.

With rapid production growth, we have become one of the leading meat and feed product suppliers in the PRC, the Group is confident to achieve our primary objective, which is to maximize shareholder's return through our vertically integrated model (from the chicken farms to the dining table) and retain 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 300 million chickens by the end of 2009. 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 is scheduled to have its first phase of production in early 2009. With the enhanced economies of scale, we expect our chicken meat production costs to be less. Moreover, the new facility will not only shorten our distances to the major markets in the Yangtze River Delta area but also help us increase our market shares therein. We will continue to seek suitable acquisition targets for business expansion and expect industry consolidation to gain momentum as many companies increase expenditure so as to meet new governmental requirements on food safety.

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 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 30 June 2008, the Group's cash and bank balance amounted to USD69.5 million, representing a decrease of USD28.3 million from 31 December 2007. Our bank loans increased by USD7.4 million to USD66.2 million (31 December 2007: USD58.8 million). The debt to equity ratio was 29.3% (31 December 2007: 39.1%). The current ratio was maintained at a healthy level of 1.6 (31 December 2007: 1.7).

2) *Capital expenditure*

For the first six month of 2008, the Group spent USD29.4 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. During the period under review, the RMB appreciated by 6.0% and had a negative impact on our export business. Although the extent of the Group's export business is not significant, representing only approximately 2% of the Group's total revenue for the first six months of 2008, 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 does not recommend the payment of any interim dividend for the period ended 30 June 2008. As mentioned in the Prospectus, the Board intends to recommend an annual dividend of approximately 25% of the Group's net profit attributable to equity shareholders at the general meeting of the Company 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 30 June 2008, bank deposits of USD0.6 million and fixed assets equating to approximately USD8.9 million were pledged as security against bank facilities of USD20.4 million, of which USD11.8 million were utilized as at 30 June 2008.

6) *Capital commitment and Contingent liabilities*

As at 30 June 2008, our total capital commitment amounted to USD71.6 million. The Company is not aware of any material contingent liabilities or off-balance sheet obligations as at 30 June 2008.

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 the initial public offering of its shares 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 30 June 2008, the Company had used USD34.5 million towards the expansion of production capacity by way of procuring additional and improving existing production facilities. After deducting the capital expenditure and USD7.7 million used for working capital, the remaining balance from the net proceeds was USD46.0 million and this sum was placed in short-term deposit bank accounts.

EMPLOYEE COMPENSATION AND TRAINING

As at 30 June 2008, the Group had a total of 14,055 employees (31 December 2007: 12,454). The total staff costs for the first six months of 2008 was USD28.4 million (for the corresponding period of 2007: USD16.3 million). 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 upgrade their skills and knowledge. We implement these programs to enhance the professionalism of our employees and provide them with the best opportunities for career development, and we believe that these will benefit both the Group and the employees themselves.

OTHER INFORMATION

Compliance with the Code on Corporate Governance Practices

The Company is committed to good corporate governance practices and procedures including a quality board, sound internal control, transparency and accountability to its shareholders. Save as stated below, it has complied with the Code on Corporate Governance Practices ("CG Code") 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 six months ended 30 June 2008. After Mr. Pai Nai-Yu's resignation on 8 January 2008, the Board had only 2 independent non-executive directors constituting a deviation to Note 1 to paragraph A3 of the CG Code. Mr. Way Yung-Do was subsequently appointed by the Company on 4 February 2008 to fill in the vacancy and elected at the annual general meeting of the Company on 23 May 2008.

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 six months ended 30 June 2008 and up to the date of this announcement.

Purchase, Redemption or Sale of Listed Securities of the Company

During the six months ended 30 June 2008, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

Audit Committee

The audit committee of the Company was established with terms of reference in accordance with Appendix 14 to the Listing Rules. The audit committee is delegated by the Board to assess matters related to the financial statements and to provide recommendations and advices the Company's financial reporting matters, including the review of the annual results for the six months ended 30 June 2008, the internal control and risk management system. There was no disagreement by the audit committee on the accounting policies adopted by the Company.

The audit committee comprises Mr. Way Yung Do (Chairman of the audit committee), Dr. Chen Chih and Mr. Liu Fuchun who are independent non-executive directors of the Company.

By Order of the Board
Han Jia-Hwan
Chairman

Hong Kong, 22 August 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. Chao Tien-Shin, Mr. Han Chia-Yau, Mr. Harn Jia-Chen and Mr. Nicholas W.Rosa are the non-executive directors, and Dr. Chen Chih, Mr. Liu Fuchun, and Mr. Way Yung-Do are the independent non-executive directors.

Website: www.dfa3999.com