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DACHAN FOOD (ASIA) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3999)

Announcement of Annual Results for 2014

The board of directors (the "Board") of DaChan Food (Asia) Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2014, 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 2013 as follows:

Highlights

	2014	**2013**	**% change**
Turnover (RMB'000)	11,406,166	11,751,905	-2.9
Gross profit (RMB'000)	647,411	695,207	-6.9
Gross profit margin (%)	5.7	5.9	
Loss attributable to equity shareholders of the Company (RMB'000)	(108,464)	(8,730)	1,142.4
Basic loss per share (RMB)	(0.11)	(0.01)	
Dividend per share (HK cents)	0	0	

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2014
(Expressed in thousands of Renminbi unless otherwise stated)

	Note	**2014**	**2013**
Turnover	3	11,406,166	11,751,905
Cost of sales		(10,758,755)	(11,056,698)
Gross profit		647,411	695,207
Change in fair value of biological assets less costs to sell		5,292	4,804
Fair value of agricultural produce on initial recognition		39,348	22,888
Reversal of fair value of agricultural produce due to sales and disposals		(39,109)	(22,989)
Other operating income		15,775	37,096
Other net losses		(12,513)	(6,828)
Distribution costs		(393,564)	(381,145)
Administrative expenses		(290,818)	(287,783)
(Loss)/profit from operations		(28,178)	61,250
Finance costs	4(a)	(25,746)	(18,822)
Share of losses of equity-accounted investees		(1,311)	(5,861)
(Loss)/profit before taxation	4	(55,235)	36,567
Income tax	5	(38,328)	(5,498)
(Loss)/profit for the year		(93,563)	31,069
(Loss)/profit for the year attributable to:			
Equity shareholders of the Company		(108,464)	(8,730)
Non-controlling interests		14,901	39,799
(Loss)/profit for the year		(93,563)	31,069
Dividends payable to shareholders of the Company attributable to the year:			
Final dividend proposed after the end of the reporting period	6	0	0
Loss per share	7		
– Basic (RMB)		(0.11)	(0.01)
– Diluted (RMB)		(0.11)	(0.01)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

(Expressed in thousands of Renminbi unless otherwise stated)

	Note	2014	2013
Non-current assets			
Fixed assets			
– property, plant and equipment		1,283,687	1,171,853
– lease prepayments		173,231	174,888
Interests in equity-accounted investees		116,609	118,356
Deferred tax assets		26,621	36,857
Other non-current assets		21,357	–
		1,621,505	1,501,954
Current assets			
Inventories		989,102	1,073,219
Biological assets		16,346	11,608
Trade receivables	8	354,586	364,251
Other receivables	9	486,886	405,976
Income tax recoverable		565	558
Cash and cash equivalents		459,443	590,126
		2,306,928	2,445,738
Current liabilities			
Trade payables	10	690,470	740,321
Other payables	11	468,469	382,364
Interest-bearing borrowings		110,100	212,398
Income tax payable		10,840	19,975
		1,279,879	1,355,058
Net current assets		1,027,049	1,090,680
Total assets less current liabilities		2,648,554	2,592,634
Non-current liabilities			
Interest-bearing borrowings		783,863	607,980
Deferred tax liabilities		364	359
		784,227	608,339
Net assets		1,864,327	1,984,295
Capital and reserves			
Share capital		97,396	97,349
Reserves		922,723	910,523
Retained profits		583,036	693,238
Total equity attributable to equity shareholders of the Company		1,603,155	1,701,110
Non-controlling interests		261,172	283,185
Total equity		1,864,327	1,984,295

SUPPLEMENTARY 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 2014 comprise the Company and its subsidiaries (collectively referred to as the "Group" and individually as "Group entity") 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.

(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.

(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 10, IFRS12 and IAS 27, *Investment entities*

– Amendments to IAS 32, *Offseting financial assets and financial liabilities*

– Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*

– IFRIC 21, *Levies*

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 chief executive officer of the Company 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 products 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 feed and pre-mix feed for swine, layer, broiler, duck, and breeder poultry under the brands of "Dr. Nupak", "Dachan", "Green Knight" and "TSOS".
Processed foods:	The processed foods segment produces and distributes pickled, pre-fried, and instant food, 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 2014 and 2013 is set out below:

	Meat products		**Livestock feeds**		**Processed foods**		**Total**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Turnover from external customers	5,115,684	5,064,118	4,921,879	4,888,405	1,368,603	1,799,382	11,406,166	11,751,905
Inter-segment turnover	710,164	881,061	1,701,598	1,679,757	–	–	2,411,762	2,560,818
Total	5,825,848	5,945,179	6,623,477	6,568,162	1,368,603	1,799,382	13,817,928	14,312,723
Segment result	(39,614)	24,648	504,541	439,831	182,484	230,728	647,411	695,207
Unallocated operating income and expenses							(675,589)	(633,957)
(Loss)/profit from operations							(28,178)	61,250
Finance costs							(25,746)	(18,822)
Share of losses of equity-accounted investees							(1,311)	(5,861)
Income tax							(38,328)	(5,498)
(Loss)/profit for the year							(93,563)	31,069
Depreciation and amortisation for the year	63,586	61,130	28,899	43,522	26,252	23,325	118,737	127,977
Reportable segment assets	1,235,725	1,052,157	1,472,317	1,518,125	428,838	500,606	3,136,880	3,070,888
Reportable segment liabilities	286,383	278,761	713,401	670,159	103,257	144,622	1,103,041	1,093,542

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

	2014	2013
Turnover		
Reportable segment turnover	13,817,928	14,312,723
Elimination of inter-segment turnover	(2,411,762)	(2,560,818)
Consolidated turnover	11,406,166	11,751,905
Profit		
Reportable segment profit	647,411	695,207
Change in fair value of biological assets less costs to sell	5,292	4,804
Fair value of agricultural produce on initial recognition	39,348	22,888
Reversal of fair value of agricultural produce due to sales and disposals	(39,109)	(22,989)
Other operating income	15,775	37,096
Other net losses	(12,513)	(6,828)
Distribution costs	(393,564)	(381,145)
Administrative expenses	(290,818)	(287,783)
Finance costs	(25,746)	(18,822)
Share of losses of equity-accounted investees	(1,311)	(5,861)
Consolidated (loss)/profit before taxation	(55,235)	36,567
Assets		
Reportable segment assets	3,136,880	3,070,888
Deferred tax assets	26,621	36,857
Income tax recoverable	565	558
Cash and cash equivalents	459,443	590,126
Unallocated head office and corporate assets	304,924	249,263
Consolidated total assets	3,928,433	3,947,692
Liabilities		
Reportable segment liabilities	1,103,041	1,093,542
Income tax payable	10,840	19,975
Deferred tax liabilities	364	359
Interest-bearing borrowings	893,963	820,378
Unallocated head office and corporate liabilities	55,898	29,143
Consolidated total liabilities	2,064,106	1,963,397

(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**	
	2014	**2013**	**2014**	**2013**
Mainland China	8,982,923	9,462,675	1,268,740	1,173,187
Vietnam	2,111,207	1,745,804	122,886	106,766
Japan	274,923	443,519	–	–
Rest of Asia Pacific	37,113	99,907	8,670	10,256
	11,406,166	11,751,905	1,400,296	1,290,209

4 (Loss)/profit before taxation

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

	2014	**2013**
(a) Finance costs		
Interest on bank borrowings wholly repayable within five years	25,746	18,822
(b) Staff costs		
Salaries, wages, bonuses and other benefits	689,317	678,375
Contributions to retirement schemes	71,593	72,708
Equity-settled share-based payment	173	649
	761,083	751,732

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% (2013: 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 Mandatory Provident Fund Schemes Ordinance of Hong Kong for employees employed under the Employment Ordinance of Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the Group is required to make contributions to the scheme at 6 percent of the employees' relevant income and its employees are required to make contributions to the scheme at 5 percent of the employees' relevant income, subject to a cap of monthly relevant income of Hong Kong Dollar ("HKD") 25,000 for the period before 1 June 2014 and HKD30,000 for the period on or after 1 June 2014. Contributions to the MPF Scheme vest to the employees immediately.

Contribution made to Malaysia's Employees Provident Fund is based on 13% (2013: 13%) of the eligible employees' salaries.

The Group also made contribution on the statutory social security and health insurance in Vietnam at 17% (2013: 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*

	2014	**2013**
Auditors' remuneration		
– audit services	4,322	4,629
– tax services	91	31
	4,413	4,660
Amortisation of lease prepayments	4,832	4,043
Depreciation of property, plant and equipment	113,905	123,934
Net impairment losses on trade receivables	2,209	7,558
Net (reversal of)/write-down of inventory	(32,036)	44,378
Operating lease charges		
– plant and machinery	20,346	29,296
– others	10,884	8,528
Research and development costs	5,979	2,307

5 Income tax in the consolidated income statement

	2014	**2013**
Current tax		
Provision for the year	28,712	30,213
Over provision in respect of prior years	(625)	(17,355)
	28,087	12,858
Deferred tax		
Reversal/(origination) of temporary differences	10,241	(7,360)
	38,328	5,498

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

(ii) The Company carries on business in Hong Kong and shall pay Hong Kong corporate tax at 16.5 percent in respect of its non-exempt Hong Kong sourced profits.

(iii) Pursuant to the income tax rules and regulations of the PRC, the Group entities incorporated in the PRC are liable to PRC Corporate Income Tax at a rate of 25% during the periods.

(iv) Pursuant to the income tax rules and regulations of Malaysia, the subsidiary in Malaysia was liable to Malaysian income tax rate of 25% for the year ended 31 December 2014 (2013: 25%).

(v) Pursuant to the Amended Investment Licence No. 1219/GPDC1-BKH-KCN-DN dated 23 September 2003 and issued by Dong Nai Industrial Zone Authority, Asia Nutrition Technologies (VN) Co., Ltd. ("ANTC-VN") is subject to Corporate Income Tax of Vietnam at a preferential rate of 15% (2013: 15%). The above tax reduction is not applicable to other income which is taxed at a rate of 22% (2013: 25%).

(vi) Asia Nutrition Technologies (HN) Co., Ltd. ("ANTC-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, ANTC-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. Since the said exemption and 50% tax concessions have expired, the applicable tax rate of ANTC-HN is 10% for the year ended 31 December 2014 (2013: 10%). The above tax reduction is not applicable to other income which is taxed at a rate of 22% (2013: 25%).

(vii) Asia Nutrition Technologies (LA) Co., Ltd. ("ANTC-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, ANTC-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. Since the said exemption and 50% tax concessions have expired, the applicable tax rate of ANTC-LA is 20% for the year ended 31 December 2014 (2013: 20%). The above tax reduction is not applicable to other income which is taxed at a rate of 22% (2013: 25%).

(viii) Pursuant to the Amended Investments Licence No. 43/2010/ND-CP dated 26 September 2012 and issued by Binh Dinh Provice Economic Zone Authority, Asia Nutrition Technologies (MV) Co., Ltd. ("ANTC-MV") is subject to Vietnam Corporate Income Tax of 22% for the year ended 31 December 2014 (2013: 25%).

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

	2014	2013
(Loss)/profit before taxation	(55,235)	36,567
Income tax using PRC's Corporate Income Tax rate of 25% (2013: 25%) (note)	(13,809)	9,142
Effect of different tax rates of subsidiaries operating in different tax jurisdiction	(19,014)	(13,645)
Tax effect of non-deductible expenses	4,846	4,711
Tax effect of non-taxable income	(6,851)	(39,848)
Tax effect of the movement of tax losses and temporary difference not recognised	73,781	62,493
Over provision in respect of prior years	(625)	(17,355)
Actual tax expense	38,328	5,498

Note: The income tax rate of 25% (2013: 25%) represents the domestic tax rate in the jurisdiction where the operations of the Group are substantially based.

6 Dividends

	2014	2013
Final dividend proposed after the end of the reporting period	0	0

On 24 March 2015, the Board decides not to distribute any final dividend in respect of the year ended 31 December 2014 (2013: No distribution).

7 Loss per share

The calculation of basic loss per share for the year ended 31 December 2014 is based on the loss attributable to ordinary equity shareholders of the Company of RMB108,464 thousand (2013: RMB8,730 thousand) and the weighted average of 1,009,693,151 ordinary shares (2013: 1,010,977,805) in issue during the year.

For the years ended 31 December 2014 and 2013, basic and diluted loss per share are the same as the effect of the potential ordinary shares (including those potential ordinary shares under the Company's share options and restricted share award scheme) are anti-dilutive.

8 Trade receivables

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

	2014	2013
Current	258,627	258,627
Less than 30 days past due	55,686	63,706
31–60 days past due	27,469	20,477
61–90 days past due	8,302	12,842
More than 90 days past due	17,265	18,433
Amounts past due	108,722	115,458
Less: Provision for bad debt	(12,763)	(9,834)
	354,586	364,251

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

9 Other receivables

	2014	2013
VAT recoverable	314,307	259,573
Deposits and prepayments	74,973	74,371
Export VAT refund	39,467	1,514
Amounts due from related parties	35,111	48,469
Advances to staff	6,084	6,977
Others	16,944	15,072
	486,886	405,976

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:

	2014	2013
Within 30 days	588,641	635,770
31 days to 60 days	43,876	38,508
61 days to 90 days	19,728	28,164
91 days to 180 days	38,225	37,879
	690,470	740,321

11 Other payables

	2014	2013
Sales rebate	117,761	101,260
Salaries, wages, bonuses and other benefits payable	93,864	65,724
Accrued expenses	83,062	84,423
Contract performance deposits	47,039	45,928
Receipts in advance	20,638	21,568
Payables for acquisition of fixed assets	22,464	15,690
Amounts due to related parties	38,223	1,867
Others	45,418	45,904
	468,469	382,364

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

MANAGEMENT DISCUSSION AND ANALYSIS

	2014	2013	% change
Turnover (RMB'000)	11,406,166	11,751,905	-2.9
Gross profit (RMB'000)	647,411	695,207	-6.9
Gross profit margin (%)	5.7	5.9	
Loss attributable to shareholders of the Company (RMB'000)	(108,464)	(8,730)	1,142.4

Economic Overview and Strategy Direction

In 2014, as the economy of China grew more slowly as compared with the previous year, and the government continued its stringent control over consumption with public funds, frugal spending has become a new norm, which affected the consumption of food and beverages. In respect of demand and supply of animal protein products, whilst sow inventories decreased, the production of commoditised pork still increased slightly, and thus did not contribute positively to the price. Pork prices did not recover throughout the year. Chicken meat prices were incidentally affected, and plummeted particularly in the 4th quarter. The pork and chicken meat price did not revive as expected before the Chinese New Year and caused serious negative effect to the entire animal protein industry. Under the harsh business environment in 2014, the Group insisted its investment in food safety, brand establishment, research and development and talent training and the yield of investment will certainly translate to competitive advantages when the market revives. The Shanghai Fusi food safety incident occurred in July caused concern of consumers again regarding food safety. The incident showed that the Group is in the right strategic direction of emphasising food safety, and led the Group to implement further the strategy of food productisation and safe brand development.

Business Review

In 2014, both the turnover and gross profit of the Group slightly decreased, while expenses increased compared to the previous year. Due to the low pork prices and intensifying competition, the external sales volume of feeds in China decreased slightly, and the average selling prices also decreased along with the raw material prices and the income decreased as a result. However, due to the favourable market condition of the raw materials for feeds and the strengthened distribution channels, both the gross profit margin and gross profit of external feeds improved. In the South-east Asia market, external sale of feeds grew remarkably, the sales volume of the Group's products and market share of the Group were further enhanced, and the gross profit also greatly improved. The upstream business of the meat segment had closer cooperation with the contract farmers and the revenue remained at the same level as that of the previous year. However, the poor consumption sentiment towards raw meat and the high supply of feather chickens led to decrease in meat prices, and caused the gross profit margin to turn negative. Turnover from processed food decreased at a more significant rate. Although turnover and gross profit from professional catering, which was the core development sector of the Group, continued to grow, since the sales volume of products to Western fast food chains was weak as a result of an one-off incident, and export to Japan also faced keen competition, the sales volume and the gross profit of the overall process food segment dropped. Compared with 2013, the Group invested greater resources to establish distribution channels for its meat products and develop its products and more proactively implemented the strategy of food productisation and the marketing expenses increased significantly. Influenced by all factors above, the Group suffered a significant loss in general.

Meat Product

	2014	2013	% change
Turnover (RMB'000)	5,115,684	5,064,118	1.0
Gross (loss)/profit (RMB'000)	(39,614)	24,648	-260.7
Gross (loss) profit margin (%)	(0.8)	0.5	

The business of the meat product segment includes the production and sales of chilled and frozen chicken meat, the supply of feeds and day-old chicks to contract farmers. The products of the meat segment were mainly supplied to fast food restaurants, internal and external food processors, the service providers for processed food and raw meat wholesale markets. The production regions of the segment covered Northeast China, North China and East China.

Business Review

In 2014, the price difference between the selling prices of meat products and the prices of corresponding feeds and day-old chick raw materials was compressed. Whilst the price of raw materials of feeds such as soybean meal decreased, the costs of day-old chicks rose along with the market price, and the meat price fell sharply in the 4th quarter and reached its 5-year low in late December after the short rebounce in the 3rd quarter. In response to such market condition, the Group reinforced its relationship with the contract farmers, speeded up the development of high-value distribution channels of meat products and adjusted the overall production volume. Besides, since the Group adopted market price strategy for day-old chicks, costs of day-old chicks were closer to the market prices rather than its production cost. In 2014, the market price of day-old chicks increased but still fell below the industrial average production costs. Despite this, since the market condition of day-old chicks in 2014 was better than that of 2013, the costs of day-old chick purchased by the Group increased. In conclusion, although the market condition in the first half of 2014 was good, it deteriorated again in the 4th quarter. The deterioration not only directly caused the meat product segment to suffer greater losses, but also largely reduced the profit of contract feather chicken as the market price of feather chicken fell altogether. The gross profit of the meat product segment decreased by RMB64,262 thousand as compared with the gross profit of 2013.

Future Strategies

The continuous deterioration of the industry and the weak pork price drove down the market of the white meat chicken. Fortunately, the meat product segment continued to insist its major operation strategy of "risk elimination + enhancement of breeding and rearing capacity", which successfully protected the Group from greater risk exposure. Specific operational measures implemented by the Group in concrete terms included: (i) adjusting the contract terms with day-old chick suppliers according to the Group's judgment on the trend of the day-old chick market price and signing supply contracts which allows the acquisition prices to move along with the market price so as to control the risks caused by the fluctuation of day-old chick price; (ii) assisting contract farmers to fine tune their equipment and optimise their management and improving the feeds-and-meat-ratio, so as to enhance the breeding and rearing efficiency and to achieve win-win cooperation, (iii) continually enhancing the utility rate of the hatching productivity and improving the cost control; and (iv) continuing enhancing the proportion of sales through the valued distribution channels of chicken meat (including the "Safe and Fresh Shops", which is a franchise and direct sales store, of the Group at wet markets and commercial supermarkets conversion of the chicken meat of the group to prepared or deeply processed food). To speed up the enhancement of proportion of sales through the valued distribution channels, the Group will proactively and flexibly adjust the volume of electric slaughtering. In addition to reinforcing the sales effort, the Group will also achieve the goal of profit maximisation by optimising its productivity.

Livestock Feeds (From External Customers)

	2014	**2013**	**% change**
Turnover (RMB'000)			
– China	2,827,347	3,089,777	-8.5%
– Vietnam and Malaysia	2,094,532	1,798,628	16.5%
Total	4,921,879	4,888,405	0.7%
Gross profit (RMB'000)			
– China	285,324	255,014	11.9%
– Vietnam and Malaysia	219,217	184,817	18.6%
Total	504,541	439,831	14.7%
Gross profit margin (%)			
– China	10.1	8.3	
– Vietnam and Malaysia	10.5	10.3	
Total	10.3	9.0	

The turnover of this segment was primarily derived from the sales of piglet, sow, hog and poultry feeds to customers in China, Vietnam and Malaysia. Corn and soybean are the primary raw materials of the Group's feeds. The brands of the products of the feed segment are "Dr. Nupak", "Green Knight" and "TSOS", and the production and sales areas of the feed segment covered Northeast China, North China, Central China, Southwest China and Southeast Asia overseas.

Business Review

During the year 2014, the Group's feeds segment achieved remarkable results in Southeast Asia region and record significant growth both in terms of turnover and gross profit mainly as a result of the Group's effective strategy of focusing on the production of sow and piglet feeds. Meanwhile, the Group capitalised on its geographical advantage to reinvent its transportation methods so as to lower its transportation costs. Therefore, feeds factory which commenced operation in middle Vietnam grew quickly. Besides, the Group utilised its strength of research and development in Southeast Asia region and used local raw materials to ensure its costs advantages, This was also a key factor contributing to the increase of gross profit of feeds business in the Southeast Asia region.

In 2014, the level of gross profit margin of the feeds business in the PRC increased by 1.8 percent as compared with 2013. Although the turnover decreased slightly as a result of the depression in hog market and the competition in the Northeast region, the aggregate gross profit still recorded double-digit growth. Due to the proper operation of merchandising strategy, the costs of corns sourced by the Group were lower than the market price and brought a cost advantage to the Group. The recovery of Chinese egg market enabled the Group to capitalise on its brand advantage in respect of egg or chicken feeds and achieved the growth in terms of sales price and volume as well as gross profit. Besides, since the Group positioned sow and piglet feeds as its marketing and research and development focus in 2014, sales volume of sow feeds, piglet creep and conservation feeds continued to increase and the sales growth in Southwest region was particularly prominent.

Future Strategies

China's pig feeds market has been hit by the continually depressing pork prices, and the motivation for farmers to replenish or slaughter pigs was lower than ever. The sale volume of our feeds with high brand value which could speed up the growth of pigs was affected. Sow's breeding stock has been decreased significantly, the swine rearing industry is expected to rebound from its trough this year. Under this situation, the Group will actively consolidate its brand advantage in the Northeast region, use research and development advantages provided by the MPT platform, and continue to concentrate on the marketing and promotion of sow and piglets feeds, and establish the top brand of sow and piglet feeds in China. Separately, the Group will continue to identify and select key-value customers, and provide product, technology and service support and enhance the loyalty and contribution from key-value customers. In addition, in response to the Central Government's promotion for environment conversation and related policies, the hog zero-ecological-emission and breeding and rearing organic cycle demonstration base of the Foresight R&D Centre will offer comprehensive swine rearing solutions to clients and achieve 100% sustainable rearing.

Processed Food

	2014	2013	% Change
Turnover (RMB'000)			
– Mainland China	1,065,970	1,333,993	-20.1%
– Export	302,633	465,389	-35.0%
Total	1,368,603	1,799,382	-23.9%
Gross profit (RMB'000)			
– Mainland China	151,128	173,795	-13.0%
– Export	31,356	56,933	-44.9%
Total	182,484	230,728	-20.9%
Gross profit margin (%)			
– Mainland China	14.2	13.0	
– Export	10.4	12.2	
Total	13.3	12.8	

The processed food business included the production and distribution of chilled and frozen meat and processed food, prepared food under the "Sister's Kitchen" brand, as well as stewed, pre-fried, steamed and ready-to-eat consumer food. The processed products of the Group were not only sold in the PRC market but also exported to overseas markets like Japan. Customer groups of the processed food segment included customers at end-consumer markets and professional markets. Sales channels of the processed food segment were mainly group catering, bakery, casual catering, international customers, major customers and retail consumption market. Production and sales areas of the processed food segment covered Northeast China, North China, East China, South China, and the inland regions of Northwest China and Southwest China.

Business Review

In 2014, the main reason for poor performance of processed food segment was the poor sales performance of the Group's key customers, which resulted in the decrease in the volume of products supplied by the Group. A food safety incident affecting the fast-food chains across Asia happened in Shanghai in July. The incident gave rise to negative influence on business results of all Western fast food shops and enterprises exporting processed food, and caused the depression in sales during summer holiday, which would otherwise have had great sales volume. Affected by the incident, the sales volume of chicken nuggets, burger and prepared chicken meat decreased significantly, and the turnover and the gross profit of the processed food segment decreased as a result. Also, factors including low product prices in the domestic PRC market, vicious competition in export, continuing depreciation of Japanese Yen, greater food export of Thai food to Japan as a result of the negative response of Japan market in respect to the China food safety incident and shrinking gross profit and gross profit margin brought a challenge to processed food segment. However, professional catering business of the Group in the PRC, which was the area that the Group focussed to develop and was the least affected by external environmental risks, still recorded a double-digit growth in revenue. The growth partly offset the negative impacts as mentioned above and boosted the gross profit margin of processed food segment.

Future Strategies

The Group always emphasise that safety assurance and product traceability form the core of its brand and is one of the few animal protein product producers whose products can be traced to the rearing party. In the future, all departments in the processed food segment will continue to promote its business with this selling point and seize the opportunity of China's concerns over food safety in order to form its unique brand advantage. The sales channels of the processed food segment comprise the following departments:

Professional catering market: the Group will focus on provision of food products to professional organizations which supply catering and meal service. The target markets of the professional catering market are group meals, take away, casual dining and bakeries, with distributors as the main sales channels. Regions of operations of the professional catering market are concentrated on coastal first-tier cities and also include major consumption cities inland in Mainland China. In 2015, the Group will extend the growth trend in 2014, concentrate its sales resources on the most popular existing products, and focus on the development of the next star products.

The key customers market: the Group will supply customised products such as chicken nuggets, popcorn chicken and Kantoni to well-known fast food chains. In 2014, the business segment continued to implement strategy of focusing on the development of the Chinese fast-food customer base, and formed a close relationship with such customers. Proportion of sale to such customers at present is still less than that of Western fast-food, however, the key customer section will strengthen its product research-and-development services and continue to raise the sales proportion to Chinese fast-food customers, so as to diversify the risks caused by any one-off incident and obtain the fastest growing customer resources.

International market channel: the Group will mainly focus on steady export of skewers and fried products to Japanese market, and has greater brand influence and market share in Japan. Our major customers include Japan's major retail chains and fast-food chains. In 2014, the Group utilised its advantageous research and development resources in respect of Japanese products to develop the customer base in regions like Singapore and Hong Kong. In 2015, the Group will continue to increase the sales proportion to customers in new regions to diversify the single-country risk in Japan, and form a more resilient structure.

The retail consumption and market channels: the Group is directly facing end-customers, through channels included supermarkets, convenient stores, the casual food chains, online stores and groceries. In 2014, the sales of sugar-smoked marinated series under "Sisters'Kitchen" and Alashan millet were both stable. In 2015, sugar-smoked marinated series and Alashan millet of the Group will be extended to key cities like Dalian and Beijing etc.. Alashan millet is also supported by well-known people in the society, and enables the Group to put greater effort in desert control and its sustainable development.

Financial Review:

1) Other Operating Income and Operating Expenses

In 2014, other operating income of the Group amounted to approximately RMB15,775 thousand (2013: approximately RMB37,096 thousand) which mainly comprised interest income and government subsidies. The decrease in other operating income was mainly due to the decrease in government subsidies.

In 2014, other net loss of approximately RMB12,513 thousand (2013: approximately RMB6,828 thousand) was recorded. Other net loss mainly includes other non-operating net income such as net foreign exchange gain and net gain and loss on the disposal of fixed assets.

Distribution costs accounted for approximately 3.45% of total turnover, up from 3.24% compared with 2013.

Administrative expenses accounted for approximately 2.55% of turnover (2013: approximately 2.45%).

2) Liquidity, Financial Resources and Capital Structure

As at 31 December 2014, the Group's cash and bank deposit balances amounted to approximately RMB459,443 thousand, representing an decrease of approximately RMB130,683 thousand from 2013. The Group's bank loans increased by approximately RMB73,585 thousand to approximately RMB893,963 thousand (2013: approximately RMB820,378 thousand). As at 31 December 2014, the bank loans to equity ratio was approximately 48.0% (2013: approximately 41.3%). Current ratio was maintained at a healthy level of approximately 1.80 times (2013: approximately 1.80 times).

3) Capital Expenditure

In 2014, the Group's capital expenditure on the acquisition of properties, machinery and equipment amounted to approximately RMB248,653 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 depreciated by approximately 0.36% while RMB against USD depreciated by approximately 1.09%.

5) Interest

In 2014, the Group's interest expense amounted to approximately RMB25,746 thousand (2013: approximately RMB18,822 thousand), representing an increase of approximately 36.8% from 2013. The increase in interest expense was primarily due to increase of bank loans.

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 2014 (2013: no distribution).

7) Charge on Assets

As at 31 December 2014, the Group pledged assets worth approximately RMB30,415 thousand including land, property, plant and equipment as security against bank facilities of approximately RMB28,190 thousand, of which the credit amount of approximately RMB23,056 thousand had been utilised as at 31 December 2014.

8) Capital Commitment

As at 31 December 2014, the capital expenditure of the Group contracted for but not provided in the financial statements was approximately RMB90,167 thousand (2013: approximately RMB96,044 thousand) and the capital expenditure authorised but not contracted for was approximately RMB52,141 thousand (2013: approximately RMB102,867 thousand).

EMPLOYEE COMPENSATION AND TRAINING

As at 31 December 2014, the Group had a total of 13,756 employees (31 December 2013: 14,774). The Group has paid remuneration to its staff with reference to industry practice, the financial performance of the Group and the employee's individual work performance in order to form a team of professional staff and management to fulfil the development needs of the Company. The Group places great emphasis on the training and development of employees and regards excellent employees as its core competitiveness. With a view to further enhancing their job skills and industry knowledge, the Group has offered various training programs to its management staff and other employees. The Group implemented these programs not only to enhance the quality of its staff, but also to give best chances for development of their personal career. The Group believes these programs benefit both itself and its employees. 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 including insurance, medical benefits and provident fund are provided to retain loyal employees.

OTHER INFORMATION

Annual General Meeting ("AGM")

The 2014 AGM of the Company will be held on 26 June 2015 (Friday) and the notice of AGM will be published and dispatched to shareholders in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Closing of Register of Members

The Company will close its register of members from 24 June 2015 (Wednesday) to 26 June 2015 (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 22/F, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on 23 June 2015 (Thuesday).

Purchase, Redemption or Sale of Listed Securities of the Company

During the year ended 31 December 2014, 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 achieving good corporate governance standard including having a quality Board, sound internal control, high transparency and accountability to its shareholders. Except for such non-material deviations, it has also complied with the Corporate Governance Code as stated in Appendix 14 to the Listing Rules throughout the year ended 31 December 2014. Details of those immaterial deviations will be disclosed in the 2014 Annual Report of the Company to be published soon.

Audit Committee

The audit committee of the Company ("Audit Committee") 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 2014), 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), Mr. Chen Chih and Mr. Wei Anning who are all independent non-executive directors of the Company.

On behalf of the Board
Han Jia-Hwan
Chairman

Hong Kong, 24 March 2015

As at the date of this announcement, Mr. Han Jia-Hwan (Chairman) and Mr. Han Chia-Yin are the executive directors of the Company, Mr. Han Chia-Yau, Mr. Harn Jia-Chen, Mr. Nicholas William Rosa and Mr. Chao Tien-Shin are the non-executive directors of the Company, and Mr. Way Yung-Do, Mr. Chen Chih and Mr. Wei Anning are the independent non-executive directors of the Company.