DACHAN FOOD (ASIA) LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3999)

Announcement of Annual Results for 2008

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 2008, prepared in conformity with the basis of presentation as stated in note 2 below, together with the year ended 31 December 2007 comparative figures as follows:

Financial Highlights

	2008	**2007**	**change**
Turnover (USD'000)	1,293,995	894,491	44.7%
Gross profit (USD'000)	95,291	75,749	25.8%
Gross profit margin (%)	7.4	8.5	
Profit attributable to equity shareholders (USD'000)	19,675	26,238	-25.0%
Profit attributable to equity shareholders after excluding the non-recurring income (USD'000)	18,176	20,874	-12.9%

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008
(Expressed in United States dollars)

	Note	2008 USD'000	2007 USD'000
Turnover	5	1,293,995	894,491
Cost of sales		(1,198,704)	(818,742)
Gross profit		95,291	75,749
Change in fair value of biological assets less estimated point-of-sale costs		(365)	472
Fair value of agricultural produce on initial recognition		7,839	7,586
Reversal of fair value of agricultural produce due to sales and disposals		(8,220)	(7,230)
Other income		10,283	11,092
Distribution costs		(30,369)	(22,117)
Administrative expenses		(32,858)	(25,050)
Other operating expenses		(7,798)	(2,543)
Profit from operations		33,803	37,959
Finance costs	7(a)	(5,196)	(4,162)
Share of losses of jointly controlled entities		(989)	(229)
Profit before taxation	7	27,618	33,568
Income tax	8	(5,763)	(2,374)
Profit for the year		21,855	31,194
Attributable to:			
Equity shareholders of the Company		19,675	26,238
Minority interests		2,180	4,956
Profit for the year		21,855	31,194
Dividends payable to equity shareholders of the Company attributable to the year:			
Final dividend proposed after the balance sheet date	9	4,919	–
Earnings per share	10		
– Basic (cents)		1.95	3.23
– Diluted (cents)		N/A	N/A

CONSOLIDATED BALANCE SHEET
At 31 December 2008
(Expressed in United States dollars)

	Note	2008 USD'000	2007 USD'000
Non-current assets			
Fixed assets			
– property, plant and equipment		145,593	92,410
– lease prepayments		17,999	11,490
Interests in jointly controlled entities		–	3,828
Deferred tax assets		759	638
		164,351	108,366
Current assets			
Inventories		73,825	95,777
Biological assets		1,841	1,718
Trade and other receivables	11	66,377	70,404
Amounts due from related parties		–	2,700
Income tax recoverable		979	22
Pledged bank deposits		1,253	1,562
Cash and cash equivalents		60,505	97,723
		204,780	269,906
Current liabilities			
Interest-bearing borrowings		23,145	52,759
Trade and other payables	12	91,364	104,452
Amounts due to related parties		867	188
Income tax payable		3,332	2,147
		118,708	159,546
Net current assets		86,072	110,360
Total assets less current liabilities		250,423	218,726
Non-current liabilities			
Interest-bearing borrowings		6,145	6,001
Deferred tax liabilities		22	27
		6,167	6,028
Net assets		244,256	212,698

CONSOLIDATED BALANCE SHEET
At 31 December 2008
(Expressed in United States dollars)

	Note	2008 USD'000	2007 USD'000
Capital and reserves			
Share capital		12,957	12,957
Reserves		203,959	179,680
Total equity attributable to equity shareholders of the Company		216,916	192,637
Minority interests		27,340	20,061
Total equity		244,256	212,698

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise stated)

1 GENERAL INFORMATION AND GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 18 May 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The consolidated financial statements for the year ended 31 December 2008 comprise the Group and the Group's interests in jointly controlled entities.

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

The Company's shares were listed on the Stock Exchange on 4 October 2007.

2 BASIS OF PRESENTATION

The Group is regarded as a continuing entity resulting from the Reorganisation under common control. The consolidated financial statements have been prepared on the basis that the Company was the holding company of the Group for both years presented, rather than from the date of the Reorganisation. Accordingly, the consolidated results of the Group for the year ended 31 December 2007 included 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 year presented. All material intra-group transactions and balances have been eliminated on consolidation. In the opinion of the directors of the Company (the "Directors"), the consolidated financial statements prepared on this basis present fairly the results of operations and the state of affairs of the Group as a whole.

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(b) Basis of preparation of the financial statements

The financial statements are presented in United States Dollars ("USD"). Most of the companies comprising the Group are operating in a Renminbi ("RMB") environment. The functional currency of most of the companies comprising the Group is RMB. All financial information presented in USD has been rounded to the nearest thousand.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value:

– biological assets and agricultural produce; and

– derivative financial instruments

4 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following new Interpretations and an amendment to IFRSs that are first effective for the current accounting period of the Group and the Company:

- International Financial Reporting Interpretations Committee ("IFRIC") 11, IFRS 2 – Group and treasury share transactions

- IFRIC 12, Service concession arrangements

- IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

- Amendment to IAS 39, Financial instruments: Recognition and measurement, and IFRS 7, Financial instruments: Disclosures – Reclassification of financial assets

These IFRSs developments have had no material impact on the Group's financial statements as either they were consistent with accounting policies already adopted by the Group or they were not relevant to the Group's and the Company's operations.

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

5 TURNOVER

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

Revenue mainly represents the sales value of goods sold to customers but excludes value added tax or other sales taxes and is after allowance for goods returned and deduction of any trade discounts.

6 SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Primary reporting format-business segments

The Group comprises the following main business segments:

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

	2008				
	Chicken meat USD'000	**Livestock feeds** USD'000	**Processed foods** USD'000	**Inter-segment elimination** USD'000	**Consolidated** USD'000
Revenue from external customers	661,946	584,064	47,985	–	1,293,995
Inter-segment revenue	10,981	179,171	–	(190,152)	–
Total	672,927	763,235	47,985	(190,152)	1,293,995
Segment result	29,216	18,645	(8,394)	–	39,467
Unallocated operating income and expenses					(5,664)
Profit from operations					33,803
Finance costs					(5,196)
Share of losses of jointly controlled entities	–	–	(989)	–	(989)
Income tax					(5,763)
Profit for the year					21,855
Depreciation and amortisation for the year	3,155	6,879	2,296	–	12,330
Segment assets	147,987	134,539	20,470	–	302,996
Unallocated assets					66,135
Total assets					369,131
Segment liabilities	(38,108)	(43,845)	(5,452)	–	(87,405)
Unallocated liabilities					(37,470)
Total liabilities					(124,875)
Capital expenditure incurred during the year	40,901	18,246	2,661	–	61,808

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

Secondary reporting format-geographical segments

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

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

	2008				
	Mainland China	**Japan**	**Vietnam**	**Rest of Asia Pacific**	**Consolidated**
	USD'000	USD'000	USD'000	USD'000	USD'000
Revenue from external customers	1,069,284	15,770	205,215	3,726	1,293,995
Segment assets	252,026	–	48,906	2,064	302,996
Capital expenditure incurred during the year	58,050	–	3,729	29	61,808

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

7 PROFIT BEFORE TAXATION

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

	2008	**2007**
	USD'000	USD'000
(a) Finance costs		
Interest on bank borrowings wholly repayable within five years	5,196	4,105
Interest on other loans	–	57
	5,196	4,162

	2008	2007
	USD'000	USD'000
(b) Other items		
Auditors' remuneration	902	655
Amortisation of lease prepayments	395	155
Depreciation of property, plant and equipment	11,935	9,588
Net (gain)/loss on disposals of fixed assets	(75)	2,603
Net impairment losses on trade and other receivables	142	209
Net foreign exchange loss/(gain)	1,486	(2,278)
Operating lease charges		
–plant and machinery	2,510	1,527
–others	717	545
Provision for onerous contracts	–	1,812
Utilisation of onerous contracts provision	(1,812)	(1,511)
Net realised (gain)/loss on derivative contracts	(256)	138
Research and development costs	56	192

8 INCOME TAX

Taxation in the consolidated income statement represents:

	2008	2007
	USD'000	USD'000
Current tax – overseas		
Provision for the year	4,711	2,991
Under provision in respect of prior years	1,178	–
	5,889	2,991
Deferred tax		
Origination and reversal of temporary differences	(126)	(617)
	5,763	2,374

(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) In February 2008, the Hong Kong Government announced a decrease in the Profits Tax rate from 17.5% to 16.5% applicable to the Group's operations in Hong Kong as from the year ended 31 December 2008. However, no provision has been made for Hong Kong Profits Tax as the Group did not earn any income subject to Hong Kong Profits Tax during the years.

(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 25% (2007: 33%), except for the following:

(a) Great Wall Agri (Yingkou) Co., Ltd. ("Yingkou Great Wall") is a foreign investment enterprise incorporated in Liaoning. Yingkou Great Wall was qualified as an Advanced Technology Enterprise ("先進技術型企業") which entitled it to an extension of the period of 50% reduction in the enterprise income tax rate for three years (since 2005). The tax relief was subject to approval by the relevant PRC government authorities on an annual basis. For the year ended 2008, the tax relief is no longer granted and the applicable tax rate is 25% (2007: 13.5%).

(b) DaChan Wanda (Tianjin) Co., Ltd. ("Tianjin DaChan") and Greatwall Agri (Heilongjiang) Co., Ltd. ("Heilongjiang Greatwall") are entitled to a full exemption from the PRC Foreign Enterprise Income Tax for the two years beginning from 2006, their 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. The applicable tax rate for the year ended 31 December 2008 is 12.5% (2007: Nil).

(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. Accordingly, the provision for Malaysian income tax for the year ended 31 December 2008 is calculated at 26% of the estimated assessable profits for the year.

(v) Pursuant to the Amended Investment Licence No. 1219/GPDC1-BKH-KCN-DN dated 23 September 2003, issued by Dong Nai Industrial Zone Authority, Asia Nutrition Technologies (VN) Co., Ltd. ("ANT-VN") is subject to Corporate Income Tax of Vietnam at a preferential rate of 15%.

(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. Therefore, the applicable tax rate of ANT-HN is nil for the years ended 31 December 2007 and 2008.

(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 being the 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 nil for the years ended 31 December 2007 and 2008.

(viii) Under the new PRC tax law, dividends received by foreign investors from their investment in foreign-invested enterprises are subject to withholding tax at a rate of 10% unless reduced by treaty. Pursuant to a tax treaty between the PRC and Hong Kong, the investment holding companies established in Hong Kong are subject to a reduced withholding tax rate of 5% on dividends they receive from their PRC subsidiaries. Pursuant to the grandfathering treatments of the new PRC tax law, dividends receivable by the Group from its PRC subsidiaries in respect of its undistributed profits prior to 31 December 2007 are exempted from the withholding tax. Dividends receivable by the Group from its PRC subsidiaries in respect of its profits earned since 1 January 2008 will be subject to the withholding tax. Accordingly, deferred tax would be recognised for undistributed retained earnings of the PRC subsidiaries to the extent that the earnings would be distributed in the foreseeable future. The aggregate amounts of temporary differences associated with undistributed retained earnings and the related deferred tax liabilities which have not been recognised amounted to USD10,725,000 (2007: nil) and USD617,000 (2007: nil) respectively.

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

	2008	**2007**
	USD'000	USD'000
Profit before taxation	27,618	33,568
Income tax using PRC's Enterprises Income Tax rate of 25% (2007: 27%) (note)	6,905	9,063
Tax effect of non-deductible expenses	2,730	1,697
Tax effect of non-taxable revenue	(659)	(3,354)
Effect of tax exemptions granted to subsidiaries	(3,312)	(3,528)
Under provision in respect of prior years	1,178	–
Effect of different tax rates of subsidiaries operating in different tax jurisdiction	(1,074)	(1,497)
Others	(5)	(7)
Actual tax expense	5,763	2,374

Note: The income tax rate of 25% (2007: 27%) represents the domestic tax rate in the jurisdiction where the operations of the Group are substantially based.

9 DIVIDENDS

	2008	2007
	USD'000	USD'000
Final dividend proposed after the balance sheet date of HK3.77 cents per share (2007: nil)	4,919	-

On 27 March 2009, the directors proposed a final dividend of HK3.77 cents (2007: nil) per share to all equity shareholders of the Company for the shareholders' approval at the forthcoming annual general meeting ("AGM"). The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

10 EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2008 is based on the profit attributable to equity shareholders of the Company of USD19,675,000 (2007: USD26,238,000) and the weighted average number of 1,010,662,000 (2007: 812,260,000) shares in issue during the year.

Diluted earnings per share for the current year has not been disclosed as the outstanding share options have no dilutive effects on the basic earnings per share for the current year, as their exercise prices were above the average market price of the shares during the current year. Diluted earnings per share for the prior year has not been disclosed as there were no potential dilutive shares as at the year end.

11 TRADE AND OTHER RECEIVABLES

Ageing analysis

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

	The Group	
	2008	2007
	USD'000	USD'000
Current	24,582	24,559
Less than 30 days past due	2,668	1,494
31-60 days past due	198	993
61-90 days past due	77	365
More than 90 days past due	262	465
Total	27,787	27,876

12 TRADE AND OTHER PAYABLES

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

	The Group	
	2008	**2007**
	USD'000	USD'000
Within 30 days	50,762	55,879
31 days to 60 days	938	2,184
61 days to 90 days	229	927
91 days to 180 days	339	865
	52,268	59,855

MANAGEMENT DISCUSSION AND ANALYSIS

The PRC market continued to experience strong growth in the demand for meat products driven by increased economic prosperity and continued population growth. Rising living standards have led to a growing awareness about food safety, fuelling further the demand for quality food products.

As a leading chicken meat products and feed suppliers in the PRC, our strong brand recognition, vertically integrated business model and our stringent quality control through our traceability system have ensured the sustainable growth of our business. Despite the deteriorating operating environment in the latter half of 2008, the Group managed to grow its business and market share.

	2008	**2007**	**change**
Turnover (USD'000)	1,293,995	894,491	44.7%
Gross profit (USD'000)	95,291	75,749	25.8%
Gross profit margin (%)	7.4	8.5	
Profit attributable to shareholders (USD'000)	19,675	26,238	-25.0%
Profit attributable to shareholders after excluding the non-recurring income (USD'000)	18,176	20,874	-12.9%

For the year ended 31 December 2008, total turnover for the Group reached USD1,294 million, up 44.7% from the previous year, primarily as a result of increase in sales volume in our chicken meat and feeds to external customers segments. The chicken meat business contributed the most to the Group's business in 2008, accounting for 51.2% of total turnover. Feeds to external customers and processed foods accounted for 45.1% and 3.7% of total turnover, respectively.

We continuously monitor changes in our product mix and their respective contributions which helps maintain a relatively stable gross profit growth. Our gross profit in 2008 reached USD95.3 million, a year-on-year increase of 25.8%. Gross profit margin in 2008 was at 7.4% compared to 8.5% in 2007 as a result of rising raw material costs and a substantial drop in the selling price of chicken meat in the last quarter of 2008. Profit from operations, excluding the USD5.8 million exchange loss recognized for our business in Vietnam, increased 4.4% to USD39.6 million.

Profit attributable to shareholders in 2008 was USD19.7 million, down 25.0% from that of 2007. Excluding the USD1.5 million non-recurring income, the compensation from the PRC Government for the relocation of a Group's factory and the government subsidies, our profit attributable to shareholders was USD18.2 million, a decrease of 12.9%. The decline was attributable to exchange loss in our Vietnam operation and volatility in selling price of the chicken meat products.

Segmental Results
Chicken Meat

	2008	**2007**	**change**
Turnover (USD'000)	661,946	489,743	35.2%
Gross profit (USD'000)	36,002	39,667	-9.2%
Gross profit margin (%)	5.4	8.1	

Our chicken meat business comprises three products: chilled and frozen chicken, feeds to contract farmers and chicks to contract farmers. Total turnover from our chicken meat business amounted to USD661.9 million, an increase of 35.2% over 2007. Quick service restaurants ("QSRs") and other leading domestic food producers accounted for approximately 46% of the segment turnover. Organic sales growth from existing customers and new client acquisitions were the drivers of the segment's turnover growth. We have successfully diversified our distribution to cover high-end hotel chains, local QSRs and airline meal service agents.

The average selling price of our chilled and frozen chicken in 2008 rose by 17.1% to USD1,517 per tonne (2007: USD1,295 per tonne). The total number of chickens slaughtered in 2008 increased to 133.7 million (2007: 115 million).

Despite the higher than average selling prices in the first three quarters, there was a significant price drop in the last quarter of 2008. The combined effect of falling pork prices, an oversupply of chicken meat and the economic slowdown brought about by the global financial crisis have made a negative impact on the gross profit and gross profit margin of this segment. Gross profit was USD36.0 million, a year-on-year decrease of 9.2% while the gross profit margin was decreased to 5.4% in 2008 from a year earlier.

Our selection as one of the chicken meat suppliers to both the 2008 Olympics and Paralympics in Beijing was a strong vote of confidence in our high quality products and a recognition of our adherence to stringent hygiene control measures.

In April 2008, the Group also launched a series of new products including marinated products to meet customer needs and achieve margin growth. The new products were well received by the market and enhance our penetration in both the business to business ("B2B") and business to consumers ("B2C") markets.

We continued to maintain growth-conducive relations with contract farmers to ensure a stable and cost-competitive supply of raw materials for chicken products. Average size of contract farms increased to 10,000-12,000 grown chickens. In December 2008, we established the first highly-automated demo farm in the PRC to encourage contract farmers migrate to larger and more technologically advanced farms. The 27-acre farm in Dalian employs the latest technologies in areas including energy conservation and feeding logistics to significantly improve operational efficiency.

Feeds to External Customers

	2008	**2007**	**change**
Turnover (USD'000)	584,064	346,747	68.4%
Gross profit (USD'000)	58,415	30,433	91.9%
Gross profit margin (%)	10.0	8.8	

Our feeds segment performed satisfactorily on the back of rising commodity prices in 2008. Turnover rose sharply to USD584.0 million in 2008, representing an increase of 68.4% from the same period last year. Total volume of feeds sold was 1,258,795 tonnes, an increase of 19.1% over 2007.

Rising raw material costs continued to be the major challenge for our feeds products. Thanks to the superior quality of our products valued by our customers, we were able to transfer the higher costs. Average selling price of our feeds products achieved a 41.4% increase at USD464 per tonne in 2008 compared to USD328 per tonne last year.

The Group has continued to focus on improving the gross profit margin for this segment. A number of strategic initiatives were adopted to successfully return the margin to a healthy level at 10.0 % in 2008 (2007: 8.8%). They also helped consolidating our leading positions in the feeds markets of the PRC and Vietnam, positioning us well for further expansion and growth.

In the wake of the outbreak of blue-ear disease, we embarked on a program at the end of 2007 to optimize our sales channels for sizeable swine farms in the PRC by adding more direct sales teams. The implementation was successful in generating higher turnover and gross margin for this segment in 2008 as customers were able to directly gain product knowledge in enhancing immunity of their swine. The program also helped us understand more about customer needs for future product development.

We have also stepped up our efforts in the development of functional feeds in the PRC. Our focus in 2008 was on the immunity of piglets, sows, hogs and chickens. Products were designed and formulated to enhance immunity against blue-ear disease for hogs and avian flu for chickens. As a result, sales of swine feeds and chicken feeds were up 75.3% and 67.0% to USD298.5 million and USD237.4 million respectively in 2008.

Last year, we continued to gain share in the fast-growing aquatic feeds market in Vietnam. Sales volume rose to 50,561 tonnes from 37,397 tonnes in 2007, representing an increase of 35.2%. Enjoying an advantageous geographical location and water conditions, Vietnam is one of the world's fastest growing aquatic food export countries. The Group has established a solid position in this market for future development.

Processed Foods

	2008	**2007**	**change**
Turnover (USD'000)			
– Mainland China	32,215	25,168	28.0%
– Export	15,770	32,833	-52.0%
Total	47,985	58,001	-17.3%
Gross profit (USD'000)			
– Mainland China	4,715	3,472	35.8%
– Export	-3,841	2,177	n/a
Total	874	5,649	-84.5%
Gross profit margin (%)			
– Mainland China	14.6	13.8	
– Export	-24.4	6.6	
Overall	1.8	9.7	

Our processed foods segment had a challenging year in 2008. Series of food safety incidents have undermined the confidence of overseas consumers in Chinese processed foods. As a result of that, our processed foods export was significantly affected. Turnover of export business declined 52.0% to USD15.8million in 2008 from USD32.8 million in 2007. Total turnover of this segment decreased 17.3% to USD48.0 million from USD58.0 million in 2007. Gross profit declined 84.5% to USD0.9 million as a result of impairment loss recognized for the export goods.

In response to that, the Group made a decision to re-direct its focus on expanding its processed foods business in the PRC market. In May 2008, we acquired from our business partner the remaining stake in Miyasun-Great Wall (BVI) Co., Ltd., a jointly-controlled production plant for processed foods for exports, and converted it into a plant to produce for the domestic market.

We have achieved initial success in expanding to the domestic market thanks to our solid experience in stringent product quality control accumulated through producing processed foods for export. As a result, turnover from the PRC increased 28.0% to USD32.2 million in 2008, accounting for 67.1% of total processed foods sales (2007: 43.4%), and surpassing the turnover from overseas markets for the first time. We have concentrated on developing the B2B market across the PRC in 2008 for faster volume penetration. B2B accounted for more than half of the total turnover of domestic sales in 2008.

For the B2C market, we have restructured and optimized our sales channels to increase its cost and operational efficiencies for faster expansion in the next three years. By the end of 2008, we have put our products on the shelves of most of the major hyper/super markets in Shanghai and Tianjin, including Tesco, Auchan, Trustmart, E-Mart and Wal-mart.

In spite of the challenging environment in export markets, we managed to develop new products to test the market in Japan. Strategically, we have started to shift to ODM products. With our strong product development capabilities, we believe we will be able to differentiate ourselves and seize growth opportunities when the market recovers in 2009.

In addition, we were actively exploring opportunities in the area of local retail chain restaurants and super/hyper markets in both Singapore and Hong Kong. Product testings were initiated in the second half of 2008 and continued into 2009.

Awards and Recognitions

In addition to the selection as one of the chicken meat suppliers to both the 2008 Olympics and Paralympics in Beijing, we were awarded "Key Enterprise of Agricultural Industrialization" ("國家重點龍頭企業") by the Chinese Government and "Outstanding Enterprise with Advanced Technologies" ("優秀外商投資企業") and "The Role Model Enterprise for Improving Employment" ("遼寧省工會促進就業工作模範單位") by Liaoning Province Workers' Association.

OUTLOOK & FUTURE PLANS

While the world economy is set to slow further in 2009, the PRC, accounting for over 80% of our business, is expected to grow its economy by about 8%. The living standards in the PRC are expected to continue to rise, albeit at a slower rate in 2009.

Chicken Meat

We expect the demand for chicken meat to increase in 2009, but at a slower rate. In anticipation of sharp fluctuations in chicken prices this year, we will closely monitor and manage our risk exposure systematically. Our plant in Cangzhou, Hebei will commence operation in early 2009, and that will increase our total annual production capacity of chicken meat by 40 million birds.

To drive more efficiency into our chicken meat operations, we are setting up a new business division to focus on helping our contract farmers further improve productivity and quality. We will also launch experimental projects to help selected farmers to design and build larger and more technologically advanced farms to meet the increasing demand.

There are also plans to increase our focus on higher value marinated products and small packaged meat products branded with our private label to improve the profit margin of our chicken meat business.

Feeds to External Customers

Despite a slow recovery of the PRC swine market from the blue-ear disease outbreak in 2007, we expect the sales of our feeds to continue to grow steady in 2009. Blue-ear disease is still considered as a major threat by farmers. Our feeds products for piglets and sows are specifically designed with enhanced nutrition value for immunity and growth.

We will continue to cultivate and expand our channels to sizeable swine farms to gain market share and improve margin. In order to respond faster to customer needs for product development, we are establishing a larger research farm and call centers in provinces including Liaoning and Jilin.

The aquatic feeds market in Vietnam will continue to be a key growth driver for our feeds business in 2009. Our production plant in Long An, which is one of the largest feeds mills in southern Vietnam with an annual capacity of 252,000 tonnes, are capable of producing both swine feeds and aquatic feeds. Utilization of this newly-built feeds mill has been increasing since early 2008 and we expect the utilization rate to exceed 80% by the end of 2009.

Processed Foods

For processed foods, we will be primarily focusing on expansion in the PRC domestic market. A new production plant has been scheduled for construction in Tianjin and is expected to commence operation in the second half of this year. This facility will add an annual capacity of 18,000 tonnes to supply the domestic market. Total annual capacity of processed foods is expected to reach 39,840 tonnes by the end of 2009.

Other business developments

We are embarking on building consumer awareness of our “Sisters’ Kitchen” brand in the PRC market. Our plan is to adopt the “Sisters’ Kitchen” brand for all our chicken products sold directly to end-consumers. A complementary initiative is to operate a few Sisters’ Kitchen stores to test the market.

A brand building program, which is supported by our extensive product traceability system, is expected to be launched in the first half of 2009. To address the growing concerns on food safety, a tracking code will be printed on all of our processed foods products to invite consumers to trace over the Internet the origins of their purchased products at different stages of the production process.

For exports, we will continue to focus on the Japan market. To diversify potential market risk, we have plans to explore new markets including Singapore and Hong Kong.

The global financial crisis in 2008 may accelerate the consolidation in the chicken meat and feeds markets as smaller players are likely to encounter cash flow issues in a tightened credit market.

With a net cash position of USD31.2 million (2007: USD39.0 million) and unused banking facilities of USD67.7 million as at 31 December 2008, we are in a very solid financial position to expand through leasing or merger and acquisitions. This allows us to quickly and more cost-effectively increase our capacity to capture growth opportunities when the market recovers. In line with this expansion strategy, we have slowed down the construction of our production plant in Cangshan, Shandong to re-allocate our capital resources.

The Group will continue to expand its production capacity prudently, improve on operational efficiency, maintain the highest standards of product quality, and enhance our brand in the market. Through the improved capabilities, we have every confidence in achieving stable and respectable growth for our business in the PRC and in other Asian markets.

FINANCIAL REVIEW

1) Other Income and Operating Expenses

In 2008, the Group has derived USD10.3 million from other income (2007: USD11.1 million). Other income mainly composed of exchange gain on appreciation of RMB, interest income, income from scraps sales and government subsidies.

Administrative expenses accounted for 2.5% of turnover in 2008, decreased slightly from 2.8% in 2007. The decrease was primarily due to stringent cost control implemented by the Group.

Distribution costs accounted for 2.3% of turnover, down from 2.5% in 2007. The decrease was primarily due to economy of scale.

Other operating expenses for 2008 increased by USD5.3 million to USD7.8 million mainly as a result of realized exchange loss recognized for our operation in Vietnam. Our subsidiaries in Vietnam have borrowed USD to finance part of the working capital of the new Long An feedmill. The Vietnamese Dong ("Dong") devaluated in the first half of 2008. In order to minimize the impact from any unexpected devaluation of the Dong in the future, we had settled most of our bank loans in USD and as a result, a USD5.8million of exchange loss was realized in the consolidated income statement.

2) Liquidity, Financial Resources and Capital Structure

As at 31 December 2008, the Group's cash and bank balance amounted to USD60.5 million, representing a decrease of USD37.2 million from 31 December 2007. Our bank loans decreased by USD29.5 million to USD29.3 million (2007: USD58.8 million). The net cash position was USD31.2 million (2007: USD39.0 million) and the debt to equity ratio was 17.6% (2007: 39.1%). The current ratio was maintained at a healthy level at 1.7 (2007: 1.7)

3) Capital Expenditure

In 2008, the Group spent USD61.8 million towards the purchase of property, plants and equipment. Planned capital expenditure for 2009 is USD51.0 million. This will mainly be used for the construction of integrated production facilities in Shandong as well as the expansion of our existing facilities.

4) Exchange Rate

The Group's transactions are mainly conducted in USD, RMB and Dong. During the year under review, the RMB appreciated by 6.4% and had a negative impact on our export business. Although the extent of the Group's export business is insignificant, representing only 1.2% of the Group's total revenue in 2008, we have taken measures to mitigate the negative impact by increasing our effort to increase the local sales of processed foods.

5) Dividend

The Board recommends the payment of final dividend of approximately HK3.77 cents (2007: nil) per share, amounting to approximately USD4,918.8 thousand (2007: nil) or approximately HKD38,120.7 thousand (2007: nil) in total, to shareholders whose names appear on the register of members on 22 May 2009. The proposed final dividend will be voted by shareholders at the annual shareholders' meeting to be held on 22 May 2009.

6) Charge on Assets

As at 31 December 2008, bank deposits of USD1.3 million, land and buildings and plant and machinery equating to approximately USD4.5 million were pledged as security against bank facilities of USD10.0 million, of which USD1.1 million was utilized as at 31 December 2008.

7) Capital Commitment and Contingent Liabilities

As at 31 December 2008, our total capital commitment amounted to USD29.4 million. The Company is not aware of any material contingent liabilities or off-balance sheet obligations as at 31 December 2008.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The net proceeds from the initial public offering in October 2007 amounted to approximately HK$687.9 million or USD88.2 million. As at 31 December 2008, the Company had used USD51.2 million for the expansion of production capacity by procurement of additional equipment and machinery and improvement of existing production facilities. After deducting the above-mentioned capital expenditure and working capital for USD7.7 million, the balance of the net proceeds was USD29.3 million and this sum was placed in short-term deposit bank accounts.

EMPLOYEE COMPENSATION AND TRAINING

As at 31 December 2008, the Group had a total of 13,105 employees (2007: 12,454 employees). The Group's employees are remunerated in accordance with industry practices, the financial performance of the Group and their performance. Other competitive fringe benefits, such as insurance, medical benefits and provident fund, are provided to employees to retain loyal employees.

We place great emphasis on the training and development of our employees. We invest in various training programs for our management staff and other employees with a view to constantly upgrading their skills and knowledge. We implement these programs with a view to enhancing the qualities of our employees and providing them with the best opportunities for career development. We believe that such programs will be mutually beneficial to the Group and the employees.

OTHER INFORMATION

Annual General Meeting ("AGM")

The AGM of the Company will be held on 22 May 2009 and the Notice of AGM will be published and dispatched in the manner as required by the Listing Rules.

Closing of Register of Members

The register of members will be closed from 18 May 2009 to 22 May 2009, both days inclusive. To qualify for the final dividend and the right to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company Share Registrars, Tricor Investor Services Ltd, 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30pm on 15 May 2009.

Purchase, Redemption or Sale of Listed Securities of the Company

During the year ended 31 December 2008, neither the Company nor any of its subsidiaries and its jointly controlled entities purchased, redeemed or sold any of the Company's listed securities.

Compliance with Model Code

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions for the year ended 31 December 2008 and up to the date of this announcement.

Compliance with the Code on Corporate Governance Practices

The Company is committed to good corporate governance practices and procedures including a quality board, sound internal control, transparency and accountability to its shareholders. It has also complied with the Code on Corporate Governance Practices as stated in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited throughout the 12 months ended 31 December 2008.

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 2008, the internal control and risk management system. There was no disagreement by the audit committee or the external auditors on the accounting policies adopted by the Company.

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

By Order of the Board
Han Jia-Hwan
Chairman

Hong Kong, 27 March 2009

As at the date of this announcement, Mr. Han Jia-Hwan (Chairman), Mr. Chang Tiee-Shen (Chief Executive Officer) and Mr. Chen Fu-Shih are the executive Directors, Mr. Han Chia-Yau, Mr. Harn Jia-Chen, Mr. Nicholas W. Rosa and Mr. Chao Tien-Shin are the non-executive Directors, and Mr. Liu Fuchun, Dr. Chen Chih and Mr. Way Yung-Do are the independent non-executive Directors.