



DaChan Food (Asia) Limited
大成食品（亞洲）有限公司

HKSE: 3999.hk

2008 Annual Results



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Results Highlights

-  Successfully grew business and market share in 2008, despite the deteriorating operating environment in the latter half of the year
 - Turnover surged 44.7% to USD1,294 million
 - Operating profit increased 4.4% to USD39.6 million (excluding the USD5.8 million exchange loss recognized for the Group's business in Vietnam)
 - Net profit decreased by 25% to USD19.7 million on exchange loss in Vietnam operation and volatility in raw material costs and product selling prices
 - A final dividend of HK cents 3.77 recommended
-  Selected as one of the chicken meat suppliers to both the 2008 Olympics and Paralympics in Beijing – a global recognition of DaChan Food's high quality products

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Section 2

Financial Summary

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Financial Highlights

(USD '000)

For the year ended 31 Dec 2008

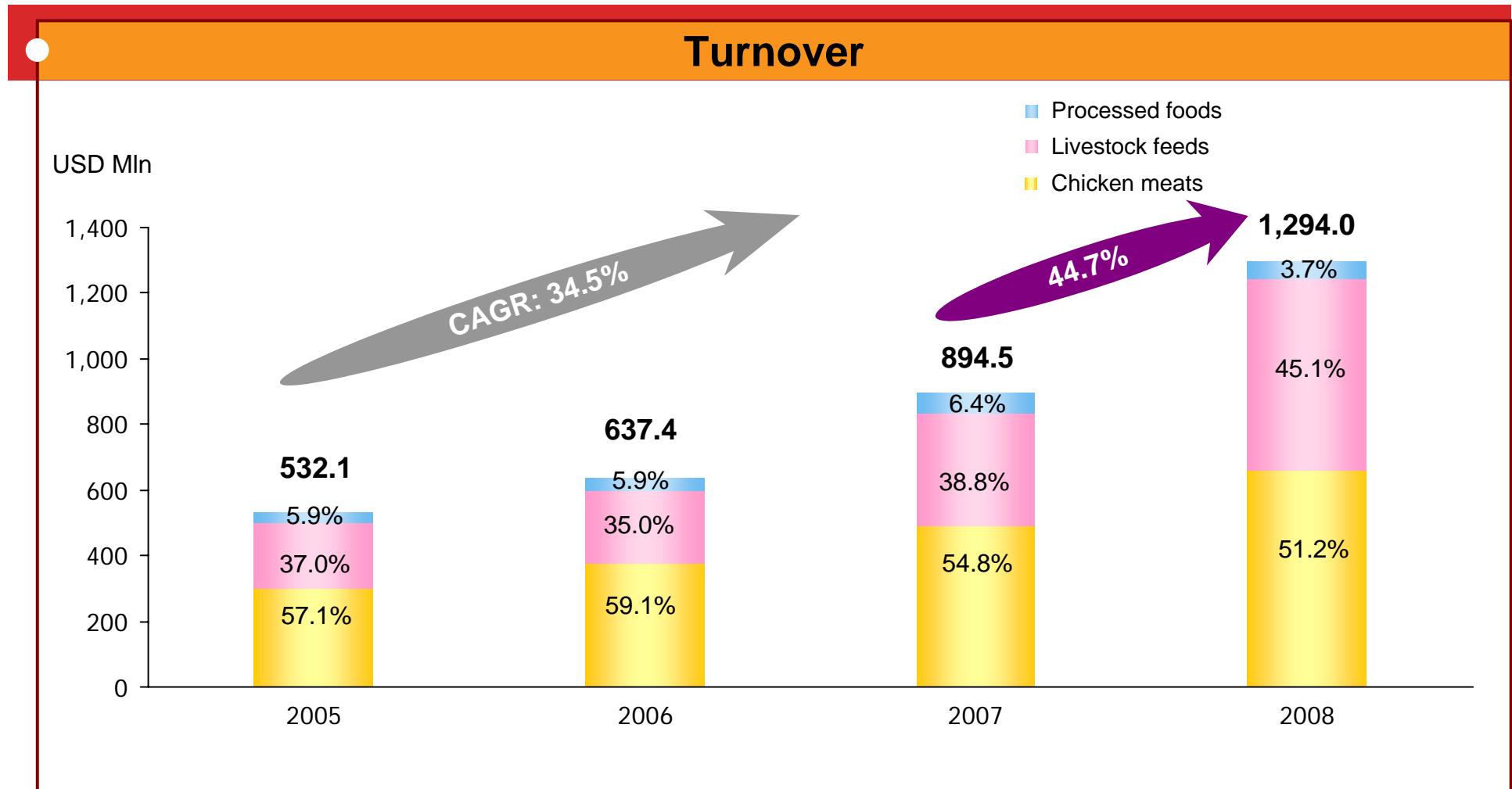
	2007	2008	Change (%)
▶ Turnover	894,491	1,293,995	+44.7
▶ Gross profit	75,749	95,291	+25.8
▶ Profit from operations	37,959	33,803	(10.9%)
▶ Profit attributable to shareholders after excluding the non-recurring income*	20,874	18,176	(12.9%)
▶ Profit attributable to shareholders	26,238	19,675	(25.0%)

* Excluding the non-recurring income of USD1.5 million, being the PRC government's subsidies in 2008

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Strong Revenue Growth

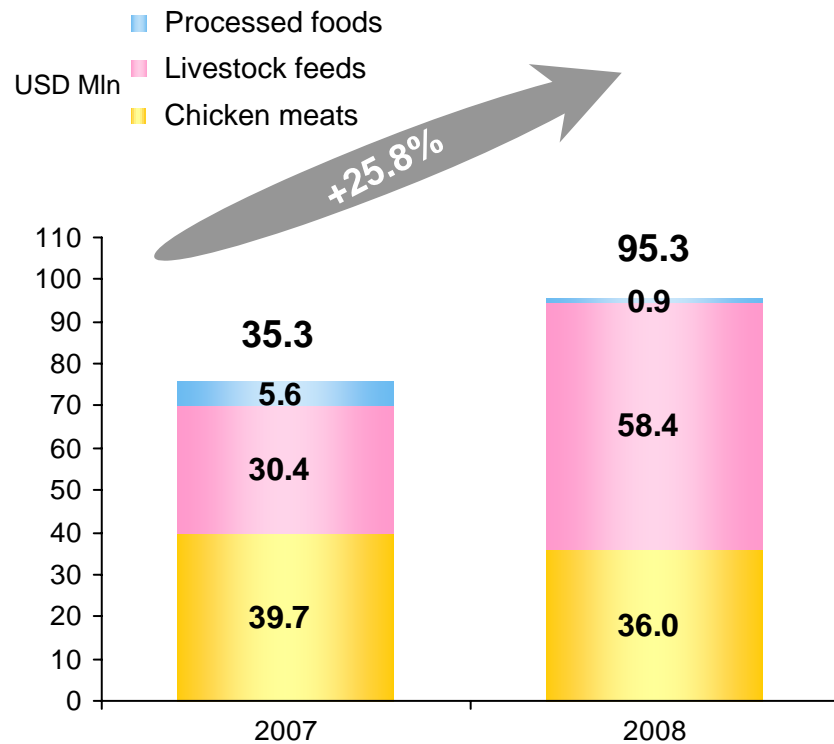


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Gross Profit & Margins

Gross profit



Gross profit margin

(%)

	2007	2008	Change
Chicken meats	8.1	5.4	(2.7 ppt)
Livestock feeds	8.8	10.0	(1.2 ppt)
Processed foods	9.7	1.8	(7.9 pts)

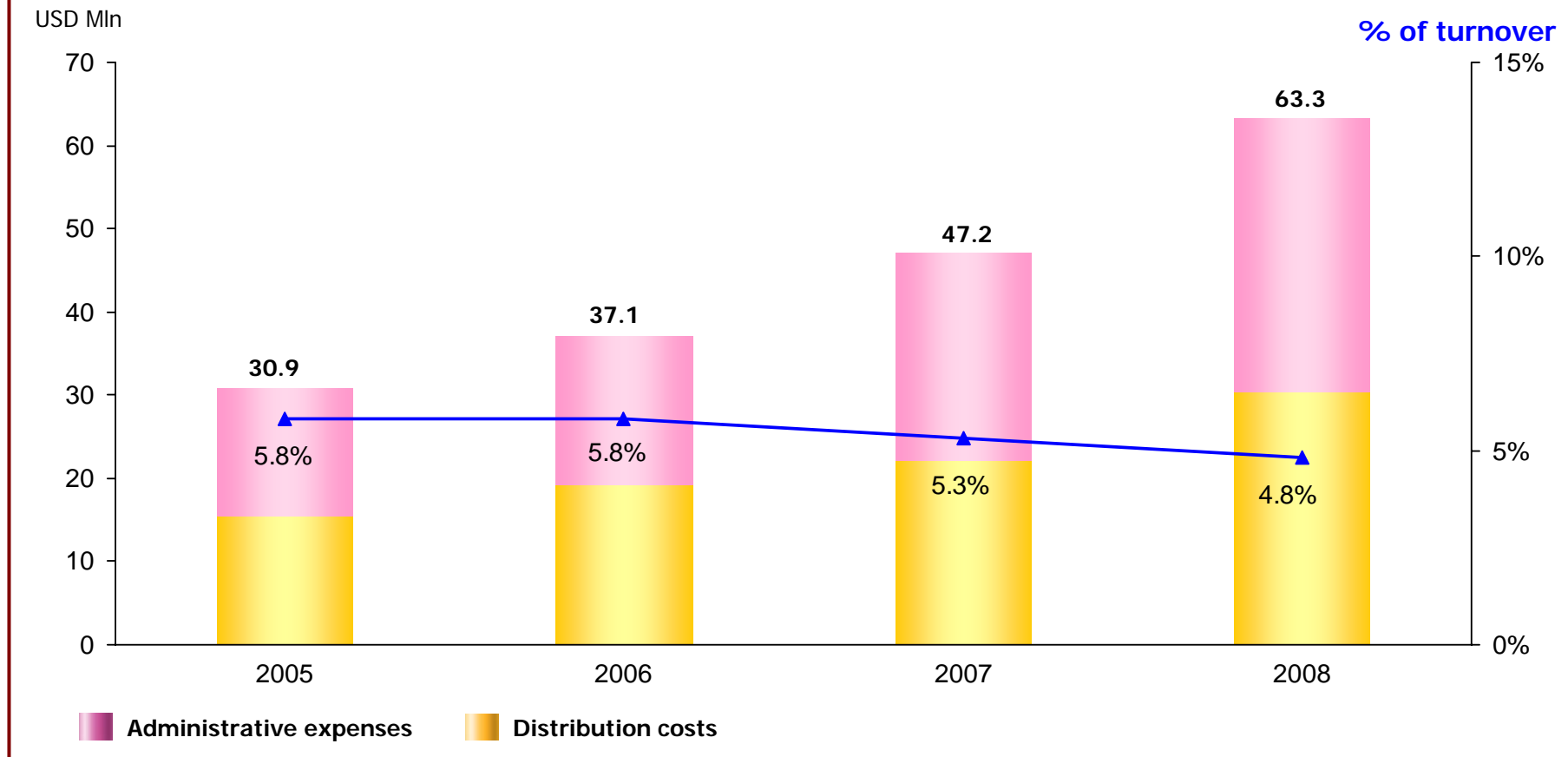
Negatively impacted by volatile raw material costs and product selling prices

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Expenses Analysis

● Distribution Costs and Admin Expenses



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Key Financial Ratios

	FY 2007	FY2008
▶ Total assets (USD'000)	378,272	361,131
▶ Net assets (USD'000)	212,698	244,256
▶ Inventory turnover (Days)	33	26
▶ Trade receivables turnover (Days)	10	8
▶ Trade payables turnover (Days)	22	17
▶ Current ratio	1.7	1.7
▶ ROE	20.7	9.6
▶ ROA	10.7	5.8
▶ Gearing Ratio*	39.1	12.8
▶ Cash position (USD Mln)	97	60.5

* Gearing ratio = (Interest Bearing Debt – Cash & Cash Equivalents) / Net Assets, our cash position exceeded our interest earning debt.

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Use of Proceeds

Million	Planned (HK\$)	Oct 07– Dec 08 Actual (HK\$)
<p>➤ Expansion of production capacity</p> <p>Chicken meats: Livestock feeds: Processed foods:</p>	365	273 64% 30% 5%
➤ Potential acquisitions and leases of similar business and facilities	207	105
➤ Expansion of the sales and marketing function of the group	41	19
➤ Improvement of research and development capabilities	14	2
➤ Working capital	62	60

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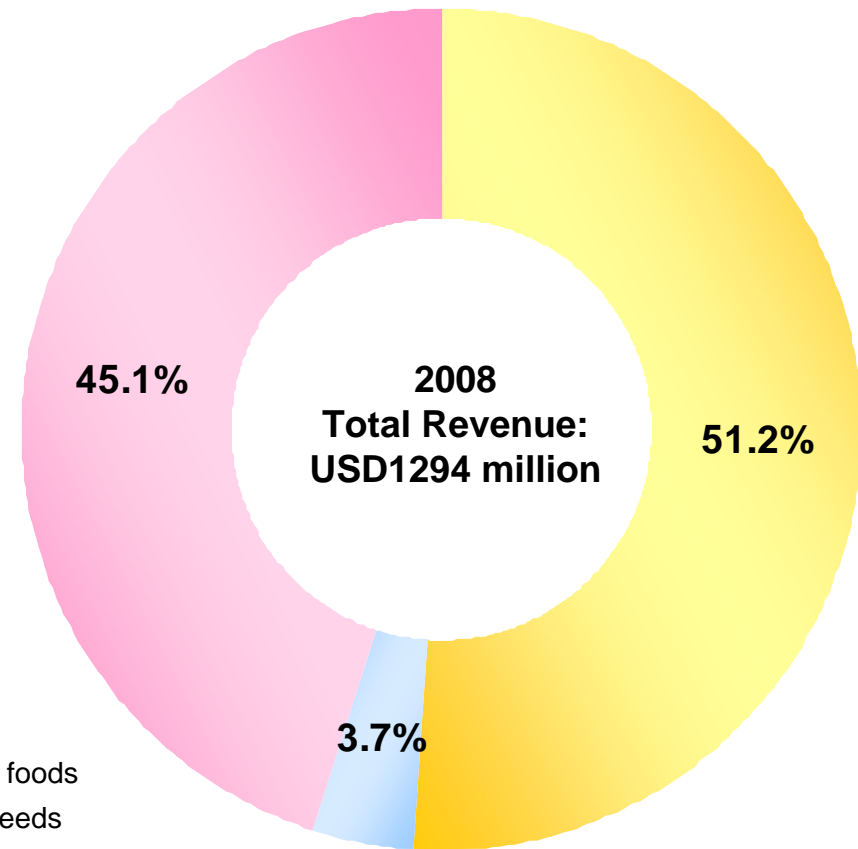
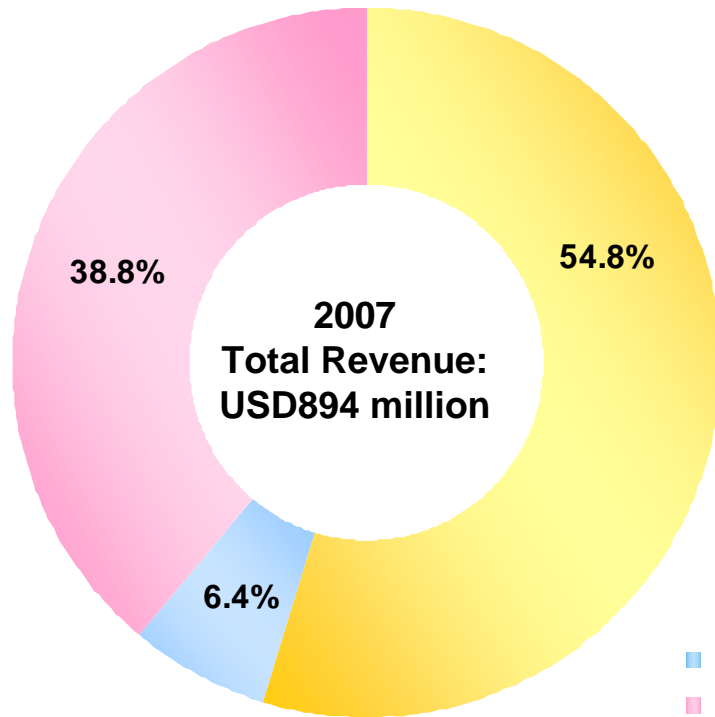
Section 3

Business & Operational Reviews

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Balanced Business Portfolio



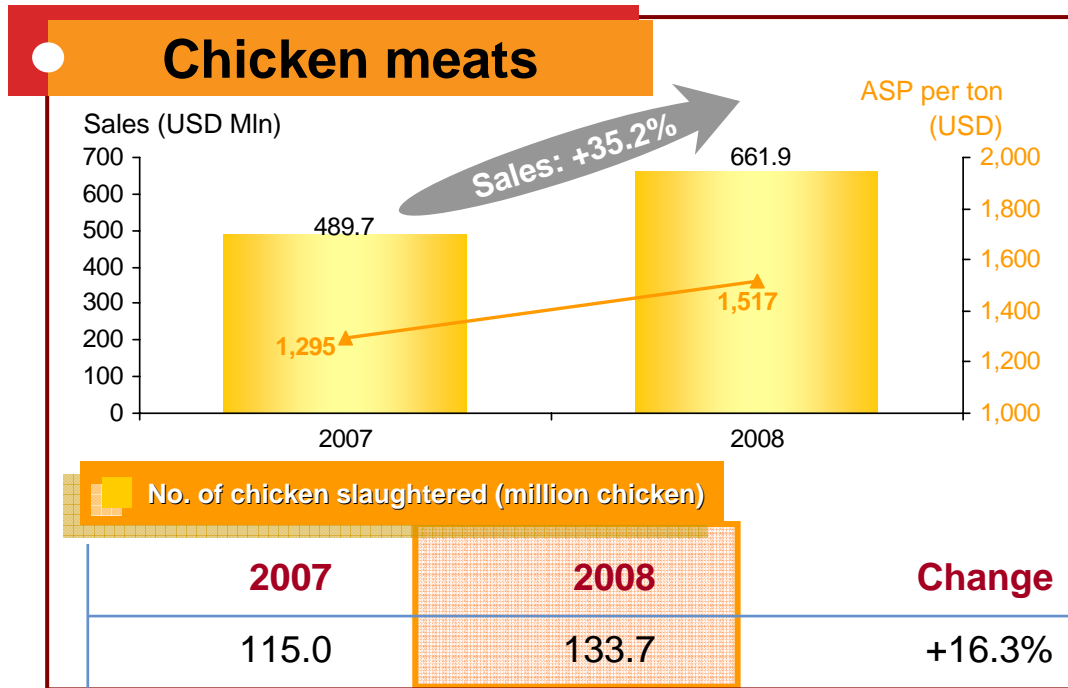
- Processed foods
- Livestock feeds
- Chicken meats

Revenues from chicken meats and livestock feeds are our major source of income in 2008

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Chicken Meats Segment



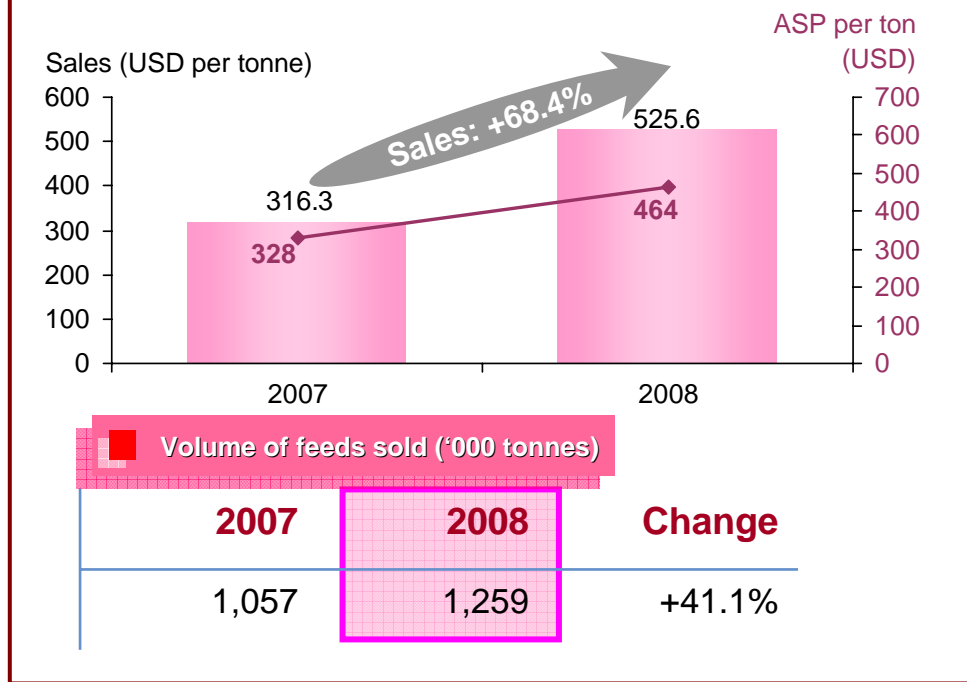
- Sales recorded sharp growth driven by organic sales growth from existing customers and new client acquisitions
- Successful diversification of distribution to cover high-end hotel chains, local QSRs and airline meal service agents
- Higher ASP (increased by 17.1% in 2008) and number of chicken slaughtered
- Significant price drop in Q4 2008 due to falling pork prices, oversupply of chicken meat and global economic slowdown
- Gross profit dropped 9.2% to USD36.0 million while gross profit margin decreased to 5.4%





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Feeds to External Customers Segment

Feeds to external customers



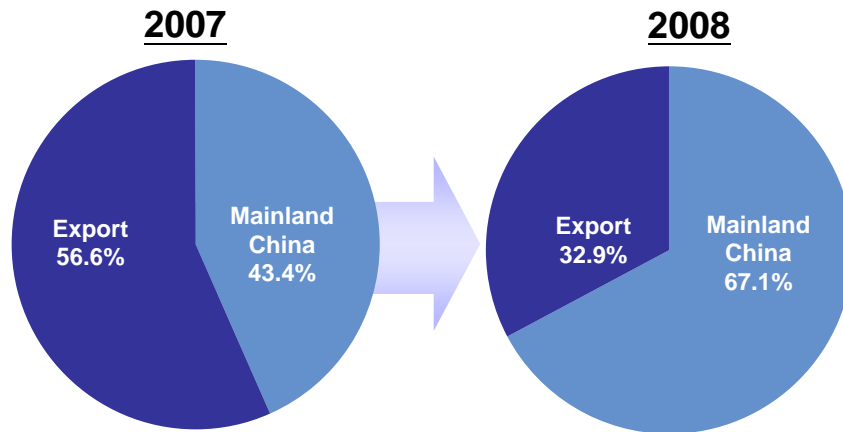
-  Rising raw material costs continued to be the major challenge for our feeds products.
-  Impressive growth of sales by 68.4%
-  Superior quality of products grew ASP significantly by 41.4%.
-  Margin returned to healthy level at 10.0% from 8.8% as increased costs successfully transferred to customers.

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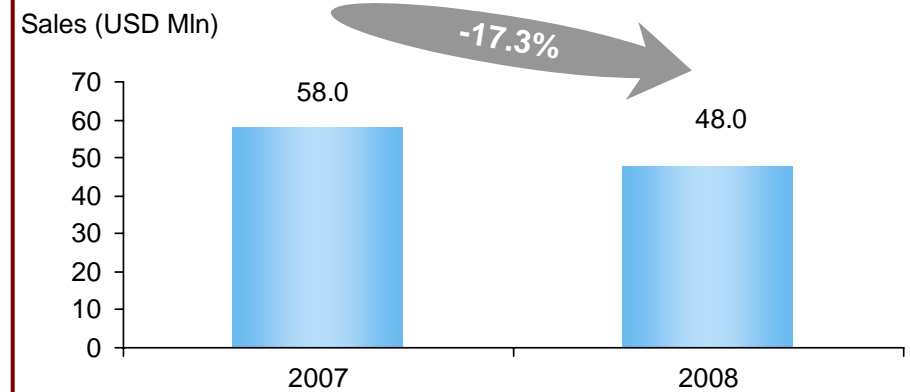


Processed Foods Segment

Sales mix



Processed foods



- Expand PRC market at a faster rate due the export restriction happened during the year.
- Revenue from PRC increased by 28.8% to USD\$32.2 million to surpass export for the first time.
 - Gross profit for PRC sales increased to 14.6% from 13.8% in 2007.
- Acquisition of remaining stake in Miyasun-Great Wall to enlarge production capacity for domestic market.
- Products on shelves of most of the major hyper/super markets in Shanghai and Tianjin, including Tesco, Auchan, Trustmart, E-Mart and Wal-mart.
- Restructured and optimized sales channels to B2C markets to improve cost and operational efficiencies

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Section 4

Outlook & Future Plans

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Outlook

While world economy is set to slow further in 2009, the PRC is expected to grow its economy by about 8%, or at minimum of 6.5%

Living standards in PRC are expected to rise, albeit at a lower rate in 2009. Rising living standards have led to a growing awareness about food safety, fuelling further the demand for quality food products

Expect demand for chicken meat to increase in 2009, but at a slower rate. Will see high volatility in selling prices

Expect sales of feeds to continue to grow steady in 2009

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

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Future Plans

Chicken meats

- Plant in Cangzhou, Hebei will commence operation in mid 2009; Total annual production of chicken meat will increase by 40 million birds
- New business division to focus on helping our contract farmers improve productivity and quality
- Increase focus on higher value marinated products and small packaged meat branded with private label to improve profit margin

Processed foods

- New production plant scheduled for construction in Tianjin and is expected to commence operation in 2H 2009
- Annual capacity will increase by [18,000] tonnes to meet demand of domestic market
- Total annual capacity of processed foods expected to reach [39,840] tonnes by end of 2009

Livestock feeds

- Continue to cultivate and expand our channels to sizeable swine farms to gain market share and improve margin
- Establish a larger research farm and call centers in provinces including Liaoning and Jilin

Other business developments

- Brand building program supported by extensive product traceability system to be launched in 1H 2009
 - Expediting the coverage of wet and modern markets
 - Adjusting premium pricing by channels
- Explore new markets including Singapore and Hong Kong to diversify potential market risk

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Section 5

Sustain a Brand Through Traceable safety

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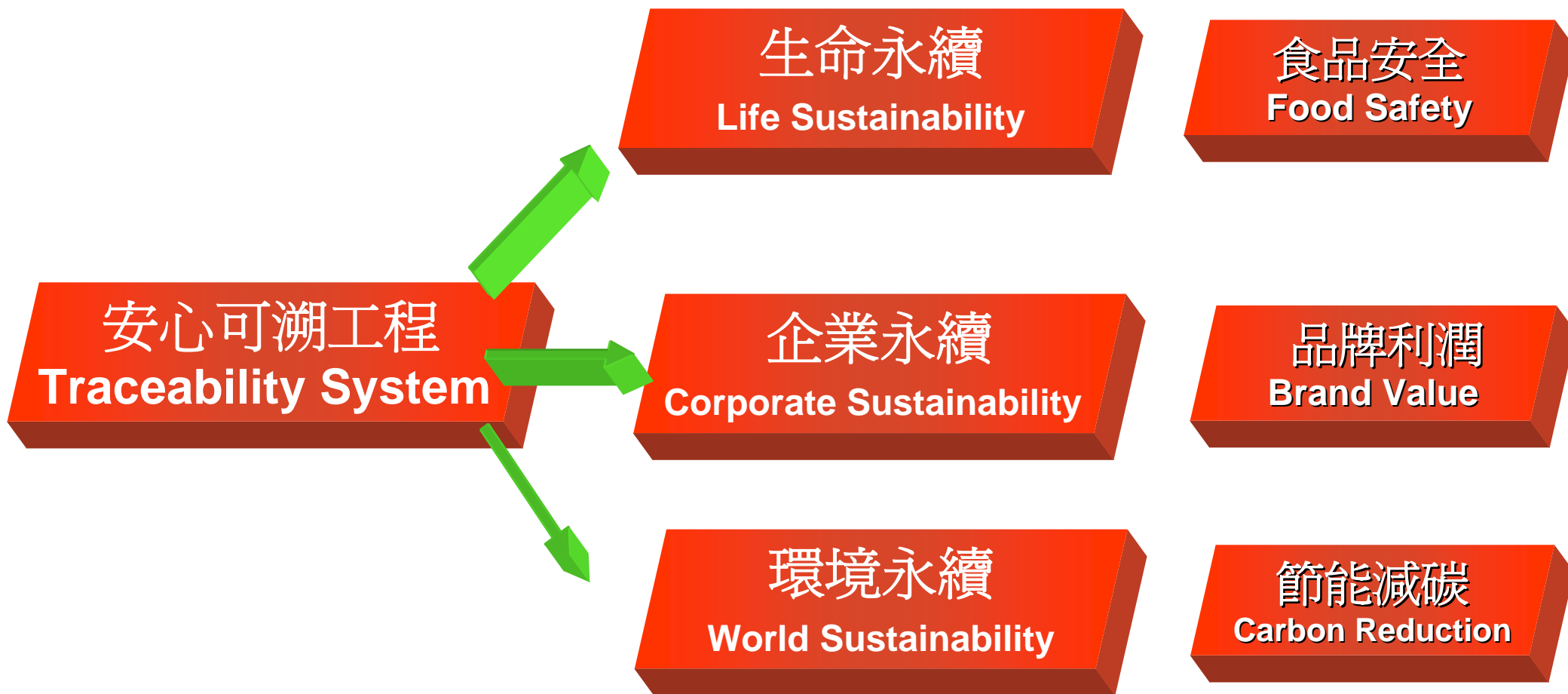
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Innovating to sustain the business growth

改變工程:為企業找尋一條永續經營的活水活路



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Capability of Traceability System



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Packages



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Channel Communication- Wet Market



Before



门上海报: 0.51M x 0.75M



户内墙面广告: 2.4M x 1.6M

After



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Channel Communication- Direct Retail Store



After

Before



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Live Case



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Channel Communication- Hyper/Super Market



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Channel Communication- Key Accounts/Professionals



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Advertising



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Q&A



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