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

(incorporated in the Cayman Islands with limited liability)

Stock Code : 3999

Annual Report 2007

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Corporate Profile

DaChan Food (Asia) Limited (the "Company") is a conglomerate based in the People's Republic of China ("PRC"), Vietnam and Malaysia and was successfully listed on the Stock Exchange of Hong Kong Limited ("Stock Exchange") on 4 October 2007. The Company, its subsidiaries and its jointly-controlled entities (the "Group") provide a full vertically-integrated food supply chain, from advanced formulation of animal nutrition for poultry and livestock to ready-to-eat processed foods for consumer-end customers.

The Group has more than 30 factories located in the PRC, Vietnam and Malaysia, selling feeds mainly under "DaChan" (大成) and "Dr. Nupak" (補克博士) brands, chicken meats mainly under "大成雞寶寶" brand and processed foods mainly under "DaChan"(大成) brand.

The Group distributes its products through nationally and internationally renowned food chain stores, distributors, supermarkets as well as the Group's own retail outlets. The Group also maintains sales offices in major strategic cities in the PRC to coordinate sales and marketing activities. Through the continued development of comprehensive sales channels, the Group is well set for rapid growth.

The Group maintains high standard of hygiene and quality control that has earned numerous awards and accreditations. Most of our feed production facilities have received ISO 9001:2000 certifications and most of our chicken meat production facilities have obtained ISO 9001:2000 and HACCP certifications.

The Group continuously develops new value-added products with the aid of latest food science and technology, enhances customer service to satisfy consumer needs and respond timely to the ever-changing market demand.

Mission and Competitive Advantages

MISSION

To become a dominant player in the chicken meat, processed foods and feed markets in the PRC by enhancing healthiness through competitive animal protein supply chain of total traceability with dedication to product safety, reliability and quality.

COMPETITIVE ADVANTAGES

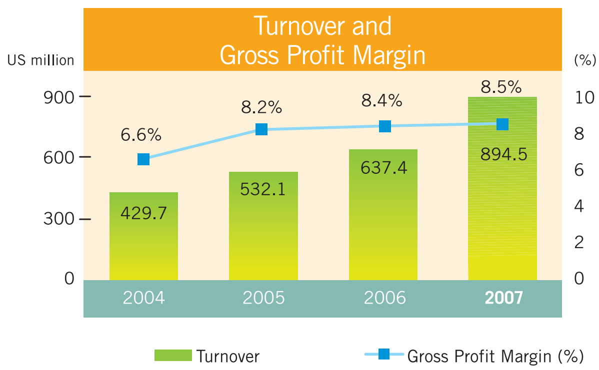
- Market leader with well-recognised brand names
- Highly integrated and efficient business model
- Stringent quality and hygiene control
- Stable and long-standing relationship with nationally and internationally renowned customers
- Scalable production capability with facilities in strategic locations around the PRC, Vietnam and Malaysia
- Experienced and dedicated management team

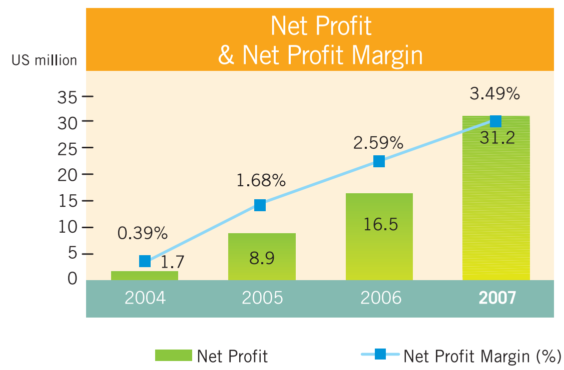
Financial Highlights

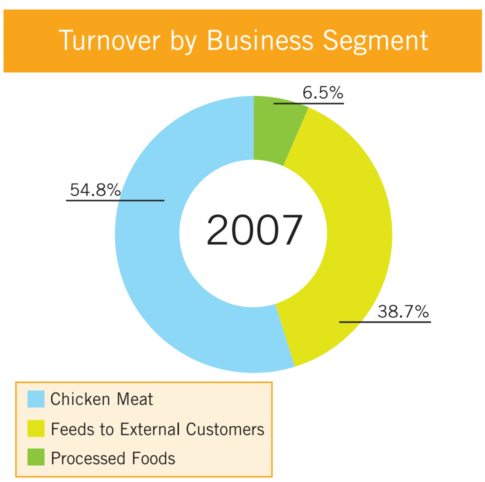
Year ended 31 December 2007

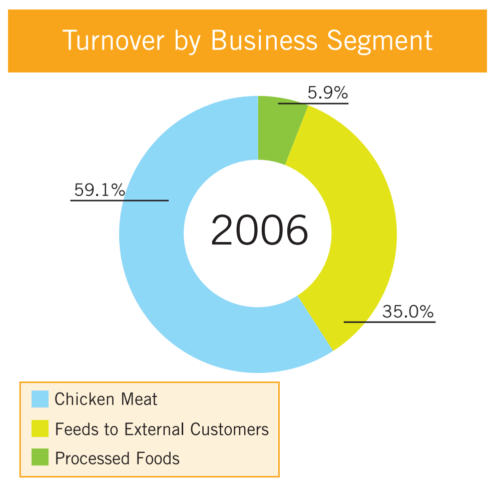
(USD'000)	2007	2006	Changes
Turnover	894,491	637,395	40.3%
Profit attributable to shareholders of the Company	26,238	13,355	96.5%
Total assets	378,272	204,966	84.6%
Net assets	212,698	88,095	141.4%
Basic earnings per share (US cents)	3.23	1.78	81.5%
Return on total assets (%)	10.7%	8.6%	2.1%
Return on equity (%)	20.7%	20.9%	-0.2%
*Gearing ratio	39.1%	56.0%	16.9%
Net assets per share (USD)	0.19	0.10	93.7%

*Gearing ratio = Interest bearing debt/Average net assets.









Financial Highlights

Year ended 31 December 2007

The Company was successfully listed on the Main Board of the Stock Exchange on 4 October 2007 with net proceeds of approximately **HKD688 million**.

Turnover and profit attributable to shareholders of the Group ***surged by*** 40% and 96% respectively.

Outperformed profit forecast ***by 16%*** as stated in the listing prospectus.

Basic earnings per share was **US cents 3.23** (2006: US cents 1.78), representing an **increase of 81%** over last year.

Chairman's Statement

Our satisfactory performance in 2007 has solidified our foundation, which in turn, will help us enjoy sustained long-term success

Han Jia-Hwan *Chairman*

DEAR SHAREHOLDERS

The year 2007 was an exciting one for the Company as it was during this time that the company was listed on the Main Board of Stock Exchange. Writing to you as Chairman of the board of Directors for the first time, I am pleased to report that in addition to the successful listing in 2007, the Group achieved satisfactory operating results.

Consumers in the PRC once more benefited from the booming economy, with 2007 being the fifth consecutive year of double-digit growth. This trend is expected to continue into 2008, a year that will be highlighted by the Olympic Games. Along with rising income levels, the awareness of food safety and health-consciousness has increased among consumers. In this regard, the value of chicken meat has grown as it is more cost-effective and healthier, being rich in protein like other meats but lower in fat. With our proven track record for food safety, we believe our chicken meat products will be the major meat consumption choice of the Chinese public in the near future.

Chairman's Statement

Our solid growth during the year under review is in line with this trend. Our total turnover rose 40.3% year-on-year from USD637.4 million in 2006 to USD894.5 million in 2007 while basic earnings per share jumped from US cents 1.78 in 2006 to US cents 3.23 in 2007, equivalent to a year-on-year improvement of 81.5%. The 89.1% increase in the Group's net profit from USD16.5 million in 2006 to USD31.2 million in 2007 was mainly attributable to the higher selling price of chicken meat and our effective cost-control management, one of the Group's core operational advantages in view of a business environment that is facing rising raw material costs.

The Group's sound performance in 2007 has helped solidify our foundation, which in turn will help maintain our long-term success. Using the proceeds from the Company's initial public offering in 2007, we shall remain prudent with regard to our expansion efforts while further enhancing the quality and diversity of our product portfolio, inclusive of chicken meat, feeds and processed foods.

With regard to our chicken meat business, we shall further strengthen our leading position in the northern and northeastern parts of the PRC by introducing more market-differentiated products like nutrition-plus chicken meat products while increasing our market penetration in the central and southern parts of the PRC through merger and acquisition opportunities that provide us strategic advantages. For the feed business, we plan to introduce more technologically advanced piglet and sow feeds that will efficiently and effectively increase immunity, milk quality and quantity, fertility, birthrate and growth rate of swine populations. As for our processed food business, we shall emphasize on brand building and product differentiation so as to cater to the varying needs of our customers. We shall also focus on expanding our sales network throughout the PRC.

Overall, we shall further solidify our leading position in terms of integrated chicken meat production by continuously improving our animal nutrition and food processing expertise. Through this endeavor, we shall ensure that our processed foods continue to bring sustained enjoyment to consumers in the coming years. Nationally, we aim to be a key player of agricultural industrialisation in every Chinese province while having popular brand recognition and product availability. We believe we can achieve all these objectives with your support.

On behalf of the board of directors, we would like to take this opportunity to extend our gratitude to all the shareholders, customers, suppliers and partners of the Company for their support and trust, and the management and staff for their dedication and hard work during the year.

Han Jia-Hwan
Chairman
11 April 2008

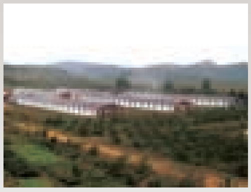
Highly Integrated and Efficient Business Model

Cover the entire value-chain with traceability

Feed production

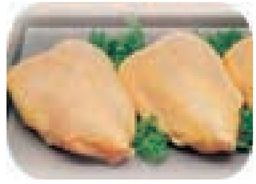
Breeding and hatching

Contract Farming



Chicken processing

Chicken meat



Processed foods

Dr. Nupak Brand and DaChan Brand

(i) direct sales
(ii) sales through distributors

↓

Various customers and contract farmers

- Provide chicks, immune drugs and technological guidance to contract farmers
- Monitor the chicken raising procedures closely

↓

Procure chickens at contract price from farmers by the Group

DaChan Brand and 大成雞寶寶 Brand

(i) direct sales
(ii) sales through distributors
(iii) sales through retail stores and retail outlets

↓

Various customers, including KFC, Husi, Mckey, Dicos

Sister's Kitchen Brand, DaChan Brand and OEM products

(i) direct sales
(ii) sales through distributors

↓

Oversea customers, including Ito-Yokado and 7-Eleven in Japan and local customers including Dicos

Plant Location and Facilities under Construction

Existing facilities:

- Feed production facilities
- Processed food production facilities
- Chicken meat production facilities
- Hatching facilities
- Corn belt

Facilities under construction:

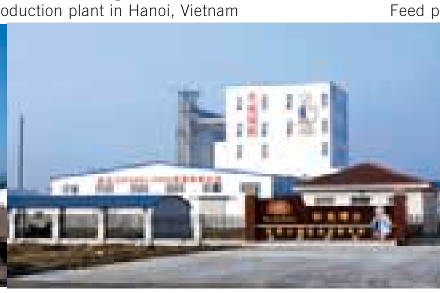
- Processed foods production facilities
- Chicken meat production facilities
- Feeds production facilities

DaChan Wanda (Tianjin) Co., Ltd.
Chicken slaughtering plant

Asia Nutrition Technologies (HN) Co., Ltd.
Feed production plant in Hanoi, Vietnam

DaChan (Hunan) Feed Technologies Co., Ltd.
Feed production plant in Changsha

Great Wall Food (Dalian) Co., Ltd.
Processed food plant



Great Wall Agrotech Feed (Shenyang) Co., Ltd.
Feed production plant

Great Wall Agri (Hei Long Jiang) Co., Ltd.
Feed production plant in Harbin

Management Discussion and Analysis

Huang Shih-Kun
Chief Operation Officer

Chang Tiee-Shen
Chief Executive Officer & Executive Director

Chen Fu-Shih
Chief Administrative Officer & Executive Director

INDUSTRY AND BUSINESS REVIEW

The PRC's economic growth maintained its rapid pace in 2007 while its inflation rose to 4.8% according to the National Bureau of Statistics, record high for the last ten years. This inflation is believed to have been further fuelled by consistently increasing food prices since 2006, which some industry observers believe that this is the end of the cheap food era. In particular, the price of corn, a major raw material for both refining bio-fuel and feed production, increased by approximately 17.0% in 2007. This, along with the spread of blue-ear disease among swine livestock, led to prominent price increments among meat products such as pork, beef and lamb, which in turn resulted in higher selling prices for substitutes like chicken meat. With the recent snow storm disaster in southern part of the PRC resulting in the large-scale culling of poultry and livestock, a further strain on their supply has been created and is expected to further fuel inflation domestically.

Unsurprisingly, living standards in the PRC continued to improve in 2007 and so did the demand for quality, safe and healthy foods. This offers good opportunity for the Group to increase its market share. Although cases of avian flu human infection were reported in some areas of the PRC in 2007, these were recognised as isolated instances. Specifically, no cases of avian flu were reported in Manchuria, where our production bases are located. Throughout the Group's production processes, we had strictly maintained stringent quality and hygiene control measures to consistently offer superior products and thus continued to gain market share from our competitors. In addition, with the recent poisoned cooked dumplings exported to Japan from the PRC, the PRC government will inevitably put forth new policies to greatly enhance the safety measures for processed foods. We expect many of our competitors will incur substantial expenditure to comply with these new requirements.

The potential for the chicken meat market in the PRC remains high. According to the Food and Agriculture Organization of the United Nations, the amount consumed daily per capita in 2005 for the PRC was only 21 grams, much less than Japan (40 grams), Malaysia (86 grams) and the USA (122 grams). In recent years, the number of quick-service restaurants in the PRC has increased significantly. According to the Group's records, the number of Yum! China Division-operated KFC restaurants grew from 1,192 in 2002 to over 2,300 in 2007, and the Dicos chain grew from 246 in 2002 to over 780 in 2007. Both of them helped greatly boost the Group's business nationally in the past few years.

Considering the low daily consumption rate of chicken meat against the improving standards of living in the PRC, there is plenty of room for growth in the domestic chicken meat market. In response to this opportunity, we started building or upgrading some of the Group's chicken meat production facilities in 2007, since our chicken meat production facilities were close to full capacity during the year.

The PRC government recognises the importance of being stable with regard to both food production and price, and continues to demonstrate its support of entities like the Group that are predominantly agricultural, by providing such incentives as financial assistance, tax benefits and different kinds of government grants.

OPERATING RESULTS FOR THE YEAR

Overall Operating Results

	2007	2006	% change
Turnover (USD'000)	894,491	637,395	40.3%
Gross profit (USD'000)	75,749	53,514	41.5%
Gross profit margin (%)	8.5%	8.4%	
Profit attributable to shareholders of the Company	26,238	13,355	96.5%

The Group achieved satisfactory operating results in 2007. The turnover of the Group increased to USD894.5 million in 2007, approximately 40.3% higher than the previous year. Gross profit margin and net profit margin maintained at healthy level of 8.5% (2006: 8.4%) and 3.5% (2006: 2.6%) respectively.

Profit attributable to the shareholders of the Company reached approximately USD26.2 million, representing an increase of 96.5% over the same period last year. The encouraging performance was mainly attributable to increased average selling prices and strong sales volume as well as improved operational efficiency. Basic earnings per share was US cents 3.23 (2006: US cents 1.78), representing an increase of 81.5% over last year.

Segmental Results

Chicken Meat

	2007	2006	% change
Turnover (USD'000)	489,743	376,744	30.0%
Gross profit (USD'000)	39,667	22,185	78.8%
Gross profit margin (%)	8.1%	5.9%	

This segment composed of three businesses, namely, (A) chilled and frozen chicken, (B) feeds to contract farmers and (C) chicks to contract farmers, and all recorded growth in 2007. The turnover of the chicken meat segment rose to USD489.7 million in 2007, representing a year-on-year growth of 30.0% and accounting for 54.8% of the Group's total turnover.

The gross profit for the chicken meat segment increased significantly from USD22.2 million in 2006 to USD39.7 million in 2007, equivalent to a year-on-year increase of 78.8%. This was mainly due to the increase of the Group's gross profit margin for the chicken meat segment, which rose by 2.2% from 5.9% to 8.1% in 2007. This increment, in turn, was principally due to our ability to pass on increasing cost to our customers. The average selling price in 2007 increased by 47.0% over 2006 while the average cost rose by only 34.5%.

(A) Chilled and Frozen Chicken

We slaughtered 115 million chicken in 2007, representing a rise of 7.5% as compared to 107 million in 2006. Since our chicken meat production has almost reached its maximum capacity, we expect a noticeable increase in production after our existing production facility is upgraded and new ones are launched in 2008 and 2009.

Turnover of chilled and frozen chicken increased by 34.5% from USD227.5 million in 2006 to USD305.9 million in 2007 due to higher selling prices and the quantity of chicken slaughtered. The average price rose by 47.0% year-on-year to USD1,295 per tonne in 2007 (2006: USD881 per tonne) for several reasons. Firstly, the rising feed cost had led to rise in chicken meat price. Secondly, the demand for chicken meat had recovered after the avian flu outbreak in late 2006. Thirdly, the demand for chicken meat was further raised in correspondence to higher pork prices caused by the outbreak of blue-ear disease among pigs in the PRC in 2007.

About 46.0% of the Group's total production of chilled and frozen chicken in 2007 was sold to customers through direct sales. Direct sales primarily comes from such key accounts as KFC, McDonald's (through Husi and McKey) and Dicos, which not only provide higher growth potential but also carry lower credit risk. We believe that only few competitors can meet the stringent standards required by them and provide a high level of quality and quantity assurance to them at the same time. Also, we sold chilled and frozen chicken through retail stores. By doing so, we can maintain an effective diversification of our distribution channels while promoting our brand name and corporate image by connecting us directly with the consumers of our meat products. As at 31 December 2007, we had over 200 authorised retail outlets in Tianjin, Dalian, Yingkou and Tieling, contributing USD19.8 million to our sales in 2007 (2006: USD9.4 million) and representing a year-on-year growth of 110.6%.

To secure a stable supply of raw materials for our chilled and frozen chicken, we have amicable relationship with over 4,000 contract farmers and are closely monitoring them under the contractual terms. We sell them day old chicks ("DOC") and purchase from them the grown chickens back after about 42 days. All of our contract farmers are required to use our feeds to raise their chickens for the sake of quality, safety and traceability.

(B) Feeds to Contract Farmers

Turnover of feeds to contract farmers increased by 18.3% from USD120.3 million to USD142.4 million in 2007 mainly due to the increase in sales volume and sales price that were in line with the sales of our chilled and frozen chicken. We achieved total sales of 401,678 tonnes in 2007, representing a rise of 10.6% over 363,245 tonnes in 2006. The average selling price was USD354 per tonne in 2007 (2006: USD331 per tonne), a year-on-year increase of 6.9%.

(C) Chicks to Contract Farmers

Turnover of chicks to contract farmers increased by 43.3% from USD28.9 million to USD41.4 million in 2007 because of the jump in the average selling price, which was USD0.42 per DOC in 2007 and equivalent to a rise of 55.6% as compared to USD0.27 per DOC in 2006.

Feeds to External Customers

	2007	2006	% change
Turnover (USD'000)	346,747	222,787	55.6%
Gross profit (USD'000)	30,433	23,231	31.0%
Gross profit margin (%)	8.8%	10.4%	

It was a challenging year for our feeds segment because of rising raw material costs. The major raw materials for feeds are corn and soybean meal, and their prices rose by about 17.0% and 25.0% respectively in 2007. Although we were able to shift these costs to our customers and increase the gross profit per tonne from USD27.4 in 2006 to USD28.8 in 2007, our overall gross profit margin still decreased by 1.6% year-on-year to 8.8% (2006: 10.4%). Nevertheless, the improvement of living standards and income in the PRC and Vietnam in 2007 led to higher demands for meat products and animal feeds, which drove up our feeds segment sales volume and turnover. We sold 448,571 tonnes and 489,386 tonnes of pig feeds and chicken feeds respectively in 2007, representing respective growth of 26.0% and 30.2% as compared to 2006.

The turnover of the feeds segment increased from USD222.8 million to USD346.7 million in 2007 mainly due to increases in sales volumes and prices of both pig and chicken feeds. The Group sold a total of 1,056,569 tonnes of feeds in 2007 (2006: 848,562 tonnes), representing a year-on-year growth of 24.5%. The average respective selling prices for the pig and chicken feeds products were USD380 and USD290 per tonne, representing rises of 15.9% and 25.0% respectively. The gross profit of the feeds segment increased by USD7.2 million from USD23.2 million to USD30.4 million in 2007, representing a year-on-year rise of 31.0%.

In 2007, turnover of our pig feed products accounted for 49.1% of the total feeds sold and made up the largest proportion of the feeds segment. Despite the blue-ear disease depressing swine numbers, the Group still recorded growth of 26.0% and 45.7% in 2007 in terms of sales volume and amount respectively. This encouraging result in the midst of such an adverse market situation was achieved by our marketing efforts which demonstrates that the quality, reliability, uniqueness and efficiency of our feed products has appeal to our customers. As a large portion of our feeds were sold to farmers through distributors, we cooperated closely with our distributors in running these campaigns. As at 31 December 2007, we had over 2,000 distributors in the PRC and Vietnam, accounting for 64.4% of our total external feeds sales.

A key growth driver in this area is our feeds business in Vietnam. Owing to its booming economy and our successful marketing strategy, sales volume there rose from 340,643 tonnes in 2006 to 430,445 tonnes in 2007. At an annual growth rate of 26.4%, this was faster than our overall rate of 24.5%. Meanwhile, our feed production plants in Dong Nai and Hanoi have been running at full capacity. Our new facilities in Long An (隆安), south Vietnam, has started production in late 2007 and may boost our feeds production and sales significantly in 2008. We expect the Group's feeds sales in Vietnam to continue to expand.

Our long-term, brand-building strategy of pig feeds in Vietnam is to focus on our feed for piglets under 30 kilograms so as to continue to establish ourselves as the market leader in providing feeds that maximizes the nutrition and immune systems of piglets.

Aquatic feeds is another spotlight for growth. Given its geographical location, Vietnam is one of the world's fastest growing aquatic products export countries and this gives us a great opportunity for business expansion in this area.

Processed Foods

	2007	2006	% change
Turnover (USD'000)	58,001	37,864	53.2%
Gross profit (USD'000)	5,648	8,098	(30.3%)
Gross profit margin (%)	9.7%	21.4%	

The Group's processed foods business relates to the production and distribution of pickled, pre-fried and roasted foods. The year under review was a tough one for the Group's processed foods business due to the significant rise in the price of chicken meat, its principal raw material, and the appreciation of the Renminbi ("RMB"). Although turnover grew by USD20.1 million to USD58.0 million, the gross profit decreased by USD2.5 million to USD5.6 million.

Even though gross profit contribution was lower than expected, we are optimistic about the future development of our processed foods business. Without doubt, the domestic market in the PRC provides boundless opportunities for the sales of our processed foods. Thus, one of our main strategies is to increase our domestic sales so as to increase the future turnover of the Group. It is expected that the market share of our products will be increased as a result of our efforts in strengthening our brand image attracting customers to switch to our brand and widening our distribution network of supermarkets, hypermarkets, schools, canteens and other channels. Currently our processed foods are primarily available through supermarkets, hypermarkets and convenient stores, and we shall continue to conduct sales and promotional activities in domestic sales.

Quality Control

Quality control is one of the most important factors in our commitment towards providing high-quality products to our customers. We set stringent quality control standards and policies throughout the procurement and production process and all of our employees must adhere to them. In recognition of our stringent requirements, most of our chicken meat production facilities have already been accredited HACCP and ISO 9001:2000 certification; and most of our feeds production facilities, ISO 9001:2000 certification.

OUTLOOK & FUTURE PLANS

Our major markets, the PRC and Vietnam, have experienced economic growth that is among the most robust in the world in recent years and we expect this trend to continue. Despite the expectation of a global economic slowdown in 2008, the economies of the PRC and Vietnam are still expected to considerably grow at fast pace. Thus, the living standards in both countries will continue to improve significantly and lead to consistently rising demands for meat products. With this in mind, the Group expects high turnover growth in all segments in 2008. Moreover, as the Group's production bases were relatively unaffected by the recent snow storm disaster in the southern part of the PRC, we expect to further benefit from the shortage of meat supply there in the near term.

The rapid expansion of our production facilities is helping us successfully become one of the leading meat and feed product suppliers in the PRC. The Group is confident in becoming a dominant player against our competitors in the feeds, chicken meat and processed foods markets in the PRC.

We shall continue to expand our existing production facilities and construct new ones in areas that have market potential. As such, we expect to double our chicken slaughtering capacity to more than 300 million chickens by the end of 2010. According to our plans, we shall by then have launched five new feed production plants and our feed production capacity will increase to an aggregate annual capacity of 907,000 tonnes, catering for our demand as well as those of our customers. Geographically, we will strengthen our leading position in the northeastern part of the PRC while expanding to the fast-growing Yangtze River Delta area. Our new integrated production facilities in Cangshan, Shandong Province, will commence production by the end of 2008. We expect more enhanced economies of scale with these new operations. Moreover, the facility will not only shorten the delivery distance of our products to the major markets in the Yangtze River Delta area but also help us increase our market shares in these areas. We shall also seek suitable acquisition targets for our business expansion and expect the industry continued to consolidate as the operational cost of many companies increase due to new governmental requirements on food safety.

Meanwhile, we are further strengthening working relationship with our key clients, including but not limited to KFC, McDonald's (through Husi and McKey) and Dicos, as they remain our key client sales channel for our meat products. With respect to our exports, plans are underway to explore new markets like Korea, Singapore and other Asian countries. We shall also strengthen our sales and distribution network by further developing retail channels, inclusive of selling our products through major supermarket chains in the PRC and our own retail outlets. We trust increased brand recognition will benefit the growth of our future sales. To maximise profitability, we will focus on increasing the volume of sales of products that offer higher profit margins. New products for new lifestyles like those of office ladies and professionals in the PRC will also be launched so as to quickly capture new business opportunities.

We are well on our way towards becoming the most complete, competitive and dominant chicken meat (animal protein) manufacturer and supplier in the PRC. By increasing our production capacity, offering products of the highest quality and impeccable traceability, and building our brand name, and we believe we are able to capture the rising market demand in the PRC and in other Asian countries.

FINANCIAL REVIEW

1) Liquidity, Financial Resources and Capital Structure

As at 31 December 2007, the Group's cash and bank balance amounted to USD97.7 million, representing an increase of USD77.9 million over 31 December 2006. Net proceeds from the initial public offering, including the exercise of the over-allotment option, amounted to HKD687.9 million or about USD88.2 million. Our bank loans increased by USD14.6 million to USD58.8 million (2006: USD44.2 million). The debt to equity ratio was 39.1% (2006: 56.0%), significantly improving after the initial public offering on 4 October 2007. The current ratio also improved to 1.7 as compared with 1.1 in the previous year.

2) Capital Expenditure

In 2007, the Group spent USD39.2 million towards the purchase of property, plants and equipment, and plans to have capital expenditure of USD75.3 million in 2008. This will mainly be used for the construction of the integrated production facilities project in Shandong as well as the expansion of our existing ones.

3) Exchange Rate

The Group's transactions are mainly conducted in USD, RMB and Vietnamese Dong. While the exchange rate between the Vietnamese Dong and the USD remained stable in 2007, the RMB steadily appreciated against the USD. During the year under review, the RMB appreciated by 6.5% and had a negative impact on our export business. Although the extent of the Group's export business is insignificant, representing only 3.7% of the Group's total revenue in 2007, we shall continue to closely monitor shifts in the relevant exchange rates and look for appropriate financial instruments to hedge against currency risk.

4) Dividend

The Board did not recommend the payment of any dividend for the financial year ended 31 December 2007. As mentioned in the Prospectus, the Board intends to recommend an annual dividend of approximately 25% of the Group's profit attributable to shareholders for the financial year ending 31 December 2008, subject to the cash flow and financial conditions at that time.

5) Charge on Assets

As at 31 December 2007, bank deposits of USD1.6 million and land and buildings equating to approximately USD10.0 million were pledged as security against bank facilities of USD29.5 million, of which USD13.6 million were utilised as at the year end.

6) Capital Commitment and Contingent Liabilities

The capital commitments and contingent liabilities are set out in notes 26 and 31 to the financial statements.

7) Significant Investment as Disclosed in Previous Announcement / Post Balance Sheet Event

On 25 January 2008, the Board announced that a wholly-owned subsidiary of the Company, Great Wall Northeast Asia Corporation ("NAC"), had entered into a cooperation agreement with the People's Government of Cangshan County, Shandong Province, in relation to an integrated production line project.

Pursuant to this agreement, NAC will establish feeds and meat production facilities in Cangshan County, Shandong Province, the PRC. NAC is also required to establish a newly set-up company ("Project Company") to own and operate the aforesaid production facilities, and the registered capital of the Project Company is expected to be approximately RMB30.0 million (equivalent to about USD4.1 million). It was proposed that the total investment of the Project Company be approximately RMB260.0 million (equivalent to about USD35.6 million), of which, fixed asset investment is expected to be approximately RMB208.0 million (equivalent to about USD28.5 million). The construction of the integrated production line project is expected to be completed before the end of 2010.

Use of Proceeds from the Initial Public Offering

The Company issued 260,662,000 shares (including shares issued via the exercise of the over-allotment option) as a result of its initial public offering in October 2007. As the issue price was HKD2.9 per share, the proceeds amounted to approximately HKD755.9 million or USD96.9 million. After deducting share-issuing expenses, the net proceeds from the initial public offering amounted to approximately HKD687.9 million or USD88.2 million. All proceeds were received by the Company before November 2007. As at 31 December 2007, the Company had used USD8.4 million towards the expansion of production capacity by way of procuring additional and improving existing production facilities. After deducting the capital expenditure as aforesaid and USD4.5 million used for working capital, the remaining balance from the net proceeds was USD75.3 million and this sum was placed in short-term deposit bank accounts.

Employee Compensation and Training

As at 31 December 2007, the Group had a total of 12,454 employees (2006:10,127 employees). The Group's employees are remunerated in accordance with industry practices, 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 quality 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.

Great Wall Food (Dalian) Co. Ltd., the hub of the Group's chicken meat and processed foods in Dalian, China

Great Wall Food (Dalian) Co., Ltd. Picture shows the chicken slaughtering line

A contract farmer feeding DaChan formulated feed to chickens at a farm house

Great Wall Food (Dalian) Co., Ltd. Picture shows the production of processed foods

Directors and Senior Management Profile

DIRECTORS

Executive Directors

Mr. Han Jia-Hwan（韓家寰）, aged 52, is the Chairman of the Company. He is also a member of the remuneration committee, nomination committee and the chairman of the executive committee. He is responsible for the overall corporate strategies, planning and business development of our Group.

Mr. Han has over 27 years experience in feeds and food production business in the Asia Pacific region. In recognition of his contributions to the agricultural industry, Mr. Han was one of the Ten Outstanding Young Persons（十大傑出青年）in Taiwan in 1994. Mr. Han received his bachelor's degree in business administration from National Cheng-chi University（國立政治大學）and a master´s degree in business administration from the University of Chicago in 1977 and 1983 respectively. He is a brother of Mr. Han Chia-Yau and Mr. Harn Jia-Chen.

Mr. Chang Tiee-Shen（張鐵生）, aged 61, is the Chief Executive Officer and is also a member of the executive committee of the Company. He is responsible for the management of daily operations of our Group. Mr. Chang has over 36 years of experience in meat processing and feeds industry.

Mr. Chang obtained a bachelor's degree in oriental languages and literature from the Chinese Culture University（中國文化大學）in 1969.

Mr. Chen Fu-Shih（陳福獅）, aged 57, is the Chief Administrative Officer and is a member of the executive committee of the Company. Mr Chen has over 20 years of experience in meat processing and feeds industry.

Mr. Chen obtained a bachelor's degree in agronomics economics from the National Chung-Hsin University（國立中興大學）in 1973.

Non-executive Directors

Mr. Chao Tien-Shin（趙天星）, aged 61, was appointed as a non-executive Director of the Company since 19 December 2007. Mr. Chao is the chairman and a director of Qiao Tai Xing Investment Co. Ltd. and is also a director of Bright View Electronics Co. Ltd., 致福投資股份有限公司 and Red Cross Organization (Regional Operations Centre).

Mr. Chao graduated from Tamkang University with a degree in Irrigation Engineering with extensive business management experience in both the information technology industry and the traditional industry, such as food and services.

Mr. Han Chia-Yau（韓家宇）, aged 58, is a member of the remuneration committee of the Company. Mr. Han is also the chairman of Great Wall Enterprise since 2001. He joined Great Wall Enterprise in 1992. Since 1992, he has been a director of Great Wall Enterprise. From 1993 to 2001, he was the vice chairman of Great Wall Enterprise.

He obtained a bachelor's degree from Chung Yuan Christian University（中原大學）and a master's degree in science from the University of Connecticut in 1973 and 1981 respectively. He is a brother of Mr. Han Jia- Hwan and Mr. Harn Jia-Chen.

Mr. Harn Jia-Chen(韓家宸), aged 53, is a member of nomination committee. Mr. Harn is also the vice chairman and director of Great Wall Enterprise. Since 1995, he has been the chairman of大成食品(天津)有限公司(Great Wall Food (Tianjin) Co., Ltd.), a subsidiary of Great Wall Enterprise engaged in flour production. Since 2001, he has been the chairman of北京大成永和食品有限公司(Great Wall Yung Huo Food (Beijing) Co., Ltd.). Since 1999, he is the chairman of Great Wall Food (Tianjin) Co., Ltd.. From 1997 to 2006, he was the director of大成食品(蛇口)有限公司(Great Wall Food (Shekou) Co., Ltd.*). Since 2006, he is the chairman of Greatwall Food (Shekou) Co., Ltd. From 2003 until present, he is the chairman of (DaChan Showa Food (Tianjin) Co., Ltd.*). In May 2006, he was elected as the director of Taiwan Asset Enterprise Association of Tianjin(天津市台灣同胞投資企業協會).

He obtained his master's degree in business administration from the University of New Haven in 1986. He is a brother of Mr. Han Jia-Hwan and Mr. Han Chia-Yau.

Mr. Nicholas W. Rosa, aged 55, is a non-executive director of the Company and is also a director of Continental Enterprise Ltd.

Mr. Rosa has been in the agricultural industry, particularly the poultry business, for over 30 years. He joined Wayne Feed Division of Continental Grain Company in 1975, and has taken different posts including regional credit manager in Selma, North Carolina, director of marketing, vice president of marketing, vice president of sales and marketing, vice president and general manager of Wayne Feed Division in Chicago, Illinois. He has been the vice president of international industries of Continental Grain Company in New York since 1997. Mr. Rosa was the director and a member of the Executive Committee of the American Feed Industry Association from 1997 to 2000 and has been a director in poultry companies in Poland and Peru.

Mr. Rosa received his bachelor's degree in economics in 1974.

Independent non-executive Directors

Dr. Chen Chih(陳治), aged 54, is the Chairman of the nomination committee and a member of the audit committee and remuneration committee of the Company. Dr. Chen has been serving as the president of GE Medical Systems China since 1996 and has been promoted to vice president of General Electric Company since November 2001.

Dr. Chen received his Ph.D. degree in mechanical engineering from Lehigh University in 1984.

Mr. Liu Fuchun(劉福春), aged 61, is the Chairman of the remuneration committee and a member of the audit committee and nomination committee of the Company. Mr. Liu is also an independent director of China Aviation Oil (Singapore) Corporation Ltd, which is listed on Singapore Stock Exchange. He has more than 20 years of experience in international trade and management and has worked in Europe for several years.

Mr. Liu obtained his Institute Certificate for the English program from Beijing Institute of Foreign Trade(北京外貿學院) in 1975.

Mr. Way Yung-Do(魏永篤), aged 62, was appointed as an independent non-executive Director of the Company on 4 February 2008. He is also the Chairman and a member of the audit committee and a member of the nomination committee and the remuneration committee. Mr. Way has over 33 years of experience in financial advisory, accounting and auditing and have worked for two international accounting firms for over 28 years and was retired in 2007.

Mr. Way graduated from Soochow University(東吳大學) with a degree in Accounting and obtained a master degree of Business Administration from The Republic of China and Georgia, United States of America. He is also a certified internal auditor of the Institute of Internal Auditors.

SENIOR MANAGEMENT TEAM

Mr. Huang Shih-Kun(黃士坤), aged 60, is the Chief Operation Officer and the President of the Company. He is also a member of the executive committee of our Company. He is responsible for our processed food business in the domestic market. He has over 15 years of experience in food industry. He joined our Group in January 2007. Prior to joining our Group, he worked in Tingyi (Cayman Islands) Holding Corp. as a vice president and the general manager of beverage business division from 2001 to 2002. Before that, he held various positions in Tingyi (Cayman Islands) Holding Corp..

Mr. Huang obtained a college degree in technology from Cheng Shiu University(正修科技大學) in 1970.

Mr. Chang Chin-Pyng(張景平), aged 50, is the Chief Finance Officer of the Company. He is also a member of the executive committee of our Company. He is primarily responsible for our Group's overall financial management, capital planning and allocation. He has over 18 years of experience in finance management.

Mr. Chang obtained a bachelor's degree in business from the National Taiwan University(國立台灣大學)and a master´s degree in business administration from the University of Chicago in 1979 and 1983 respectively. Mr. Chang is a certified finance analyst in Taiwan.

Mr. Ou Chang-Jou(歐倉舟), aged 56, is a Vice President of the Company. He is responsible for the procurement of raw materials including commodity procurement and trading business operation. He has over 25 years of experience in commodity procurement and trading business operation

Mr. Ou obtained a bachelor's degree in business management from the National Cheng-Kung University(國立成功大學) in 1974.

Mr. Lee Yi-Ming(李益銘), aged 47, is a Vice President of the Company. He is responsible for meat business in the PRC. He has over 19 years of experience in meat industry.

Mr. Lee obtained a bachelor's degree in industrial engineering from the Chung Yuan Christian University(中原大學) in 1983.

Mr. Hung Kuei-Lin(洪桂林), aged 49, is a Vice President of the Company. He is responsible for our processed food business in the international market. He has over 9 years of experience in food industry.

Mr. Hung obtained a bachelor's degree in food science from the National Chung-Hsin University(國立中興大學) in 1981.

Mr. Liu Ching-Chung(劉精忠), aged 53, is the General Manager of Human Resources Management Centre of the Company. He is responsible for HR management. He has 10 years of experiences in human resources management.

Mr. Liu obtained a bachelor's degree in Chinese literature from the National Taiwan University(國立台灣大學) in 1986.

Dr. Yang Chun-Yung(楊鈞雍), aged 48, is the Director of the Research and Development Department of the Company. He is responsible for production, research and development and quality control since February 2007. He has over 8 years of experience in further processing meat produces. He is the Vice General manager of international food business of our Company.

Dr. Yang obtained his M.S. and Ph.D. from the Ohio State University in 1987 and 1994 respectively.

Mr. Wong Hing Keung (黃興強), aged 46, is the Qualified Accountant of our Company. Mr. Wong graduated from the Hong Kong Polytechnic University with a master's degree in professional accounting in 2002. He is also an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Mr. Wong has over 20 years of experience in auditing, accounting and financing.

Corporate Governance Report

The Board is pleased to present the first Corporate Governance Report for the year ended 31 December 2007.

The Board is committed to enhancing the Group's corporate governance standards by improving corporate transparency through effective channels of information disclosure. The Board believes that good corporate governance is beneficial for maintaining close and trustful relationships with its employees, business partners, shareholders and investors.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board adopted the code provisions (the "Code Provisions") of the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") as the guidelines for corporate governance of the Group, and has taken steps to comply with the Code wherever appropriate.

In the opinion of the Board, the Company has complied with all the code provisions set out in the CG Code throughout the period from the date of listing of the Company's shares on the Stock Exchange on 4 October 2007 (the "Listing Date") to 31 December 2007 except for certain deviations as specified with considered reasons as explained below.

THE BOARD

(1) The Board of Directors

The Board currently comprises ten directors, 3 of whom are executive directors, 4 are non-executive directors and 3 are independent non-executive directors ("INEDs"). The composition of the Board is set out as follows:

Executive directors:	Mr. Han Jia-Hwan *(Chairman)* Mr. Chang Tiee-Shen Mr. Chen Fu-Shih
Non-executive directors:	Mr. Han Chia-Yau Mr. Harn Jia-Chen Mr. Nicholas William Rosa Mr. Chao Tien-Shin
Independent non-executive directors:	Dr. Chen Chih Mr. Liu Fuchun Mr. Way Yung-Do

The biographies of the directors are set out in the "Directors and Senior Management" section on pages 21 to 22 of this annual report.

The members of the Board are responsible to the shareholders for formulating the overall business development targets and long-term company strategies, assessing results of management policies and monitoring performance of the management.

The non-executive directors (including INEDs) play an important role on the Board. Accounting for more than half of the Board members, they are experienced professionals in their respective fields. They are responsible for ensuring that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interest of shareholders and the Group as a whole.

Pursuant to the Listing Rule 3.13, the Group has received written confirmations from each INED of his independence to the Group. The Group considers all of the INEDs to be independent in accordance with the Listing Rules.

Save as disclosed in the Directors and senior management profile of this annual report, there are no other relationships (including financial, business, family or other material or relevant relationships) among members of the Board.

The Directors meet regularly to review the Group's financial and operational performance and to discuss and formulate future development plans. Regular Board meetings are attended to by a majority of the Directors in person or through other electronic means of communication.

The Company had only held one full Board meeting in the year 2007 since its listing and has already set a schedule for its regular board meetings and committee meetings in the year 2008 in order to comply with the CG Code.

The attendance records of each Director at the said Board meeting are set out below:

Directors	**Attendance / Number of Meeting(s)***
Executive Directors	
Mr. Han Jia-Hwan	1/1
Mr. Chang Tiee-Shen	1/1
Mr. Chen Fu-Shih	1/1
Non-executive Directors	
Mr. Han Chia-Yau	1/1
Mr. Harn Jia-Chen	1/1
Mr. Nicholas William Rosa	1/1
Mr. Chao Tien-Shin *(appointed on 19 December 2007)*	0/0
Independent Non-executive Directors	
Dr. Chen Chih	1/1
Mr. Liu Fuchun	1/1
Mr. Way Yung-Do *(appointed on 4 February 2008)*	0/0
Mr. Pai Nai-Yu *(resigned on 8 January 2008)*	0/1

* Attendance counts only the Board meeting held during the period when a director holds such office.

(2) Management Functions

The types of decisions which are to be taken by the Board include those relating to:

- corporate and capital structure;
- corporate strategy;
- significant policies affecting the Group as a whole;
- business plan including major production and marketing plans, budgets and public announcements;
- delegation to the Chairman, and delegation to and by Board Committees;
- key financial matters;
- appointment, removal or reappointment of Board members, senior management and auditors;
- remuneration of directors and senior management; and
- communication with key stakeholders, including shareholders and regulatory bodies

The types of decisions that the Board has delegated to management include:

- approving the extension of the Group's activities not in a material manner into a new geographic location or a new business;
- approving assessing and monitoring the performance of all business units and ensuring that all necessary corrective actions have been taken;
- approving expenses up to a certain limit;
- approving entering into any connected transactions not requiring disclosure under the Listing Rules;
- approving the nomination and appointment of personnels;
- approving of press release concerning matters decided by the Board;
- approving any matters related to the routine matters or day-to-day operation of the Group (including the entering into of any transaction not requiring disclosure under the Listing Rules and the cease of non-material part of the Group's business); and
- carrying out any other duties as the Board may delegate from time to time.

(3) Appointment, Re-election and Removal

At the last general meeting held before the Listing Date (i.e. 14 September 2007), all the non-executive directors were elected to hold office for a specific term of two years, subject to re-election by shareholders. One-third (or such number nearest to and not less than one-third) of the directors are subject to retirement by rotation at the annual general meeting in each year. A retiring director is eligible for re-election.

All the Directors appointed after 14 September 2007, including Mr. Chao Tien-Shin and Mr. Way Yung-Do will be subject to election by shareholders in the forthcoming general meeting of the Company.

(4) Roles of Chairman and Chief Executive Officer

The positions of the Chairman and the Chief Executive Officer are held respectively by Mr. Han Jia-Hwan and Mr. Chang Tiee-Shen. This ensures a clear distinction between the Chairman's duty to manage the Board and the Chief Executive Officer's duty to oversee the overall internal operation of the Group.

(5) Directors' Securities Transactions

The Board has adopted a code of conduct regarding directors' securities transaction on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry have been made with all directors who have confirmed that since the Listing Date and ending on 31 December 2007, they complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

The Directors' interests in shares of the Group as at 31 December 2007 are set out on page 35 of this annual report.

COMMITTEES

The Board has set up three board committees, namely the remuneration committee, the audit committee and the nomination committee. The Board has also set up the executive committee to oversee particular aspects of the Group's affairs.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

(1) Remuneration Committee

Pursuant to the CG Code, the Company established a remuneration committee in September 2007 with written terms of reference. The remuneration committee currently comprises three INEDs and two non-executive directors, namely:

- Mr. Liu Fuchun *(Chairman)*
- Dr. Chen Chih
- Mr. Han Chia-Yau
- Mr. Han Jia-Hwan
- Mr. Way Yung-Do *(appointed on 4 February 2008)*

while Mr. Pai Nai-Yu had been a member until he resigned on 8 January 2008.

The remuneration committee is governed by its terms of reference, which are available at the Company's website at www.dfa3999.com.

The primary functions of the remuneration committee include:

- making recommendations on the establishment of procedures for developing remuneration policy and structure of the executive Directors and the senior management;
- making recommendation to the Board on the Company's policy and structure for all remuneration of directors and senior management;
- establishment of a formal and transparent procedure for developing policy on such remuneration;
- reviews and approves the performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

With the Company's shares listed in the last quarter of the year under review, the remuneration committee did not hold any meeting from the Listing Date to 31 December 2007, but the Company will hold a meeting in this year. During the meeting, the committee will review the following:

- review and recommendation of the policy of granting share options by the Company;
- review and recommendation of the remuneration packages of directors and senior management; and
- review the Directors' service contracts/letter of appointment.

(2) Audit Committee

The Company established an audit committee in September 2007 with written terms of reference, which are available at the Company's website www.dfa3999.com. The audit committee currently comprises three INEDs, namely:

- Mr. Way Yung-Do *(Chairman) (appointed on 4 February 2008)*
- Dr. Chen Chih
- Mr. Liu Fuchun

while Mr. Pai Nai-Yu had been the Chairman and a member until he resigned on 8 January 2008.

The Chairman of the audit committee is a professional accountant with profound financial and accounting expertise.

After Mr. Pai Nai-Yu's resignation on 8 January 2008, the Board had only 2 INEDs, which constitutes a non-compliance with Listing Rule 3.10(1). Subsequently, the Company actively took steps to identify a suitable candidate to take up this vacancy, and on 4 February 2008, Mr. Way Yung-Do was appointed as an INED.

The audit committee planned to meet 4 times a year at approximately quarterly intervals to review the truthfulness, completeness, and accuracy of the Group's financial statements. It is accountable to the Board and assists the Board in meeting its responsibilities in ensuring an effective and adequate system of internal controls and for meeting its external financial reporting obligations and compliance with other legal and regulatory requirements. The audit committee also oversees the scope of work of external auditors.

The main duties of the audit committee include the following:

- review the financial statements and reports;
- review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors;
- the Group's compliance with statutory and regulatory requirements;
- developments in accounting standards and the effect on the Group;
- review of the effectiveness of the system of internal control of the Group;
- proposal to the Board in relation to enhancement of the internal control system of the Group.

With the Company's shares listed in the last quarter of the year under review, the audit committee did not hold any meeting from the Listing Date to 31 December 2007, but up to the date of this report held a meeting on 2 April 2008 and 11 April 2008. During the meeting, the committee reviewed the following:

- the financial statements for the year ended 31 December 2007;
- the accounting principles and practices adopted by the Company;
- statutory compliance;
- other financial reporting matters; and
- internal control system.

Remuneration of Auditors

A summary of audit and non-audit services provided by KPMG, the Company's auditors for the year ended 31 December 2007 and their corresponding remuneration is as follows:

Nature of services	**Amount** *(HKD'000)*
Audit services	4,950
Non-audit services	
• Services rendered in connection with the listing of the Company's shares	8,000
• Tax services	214

(3) Nomination Committee

Pursuant to the recommended best practice of the CG Code, the Company established a nomination committee in September 2007 with written terms of reference, which are available at the Company's website www.dfa3999.com. The nomination committee currently comprises three INEDs, a non-executive Director and an executive Director, namely:

- Dr. Chen Chih *(Chairman)*
- Mr. Liu Fuchun
- Mr. Harn Jia-Chen
- Mr. Han Jia-Hwan
- Mr. Way Yung-Do *(appointed on 4 February 2008)*

while Mr. Pai Nai-Yu had been a member until he resigned on 8 January 2008.

The main duties of the nomination committee include the following:

- reviewing and supervising the structure, size and composition of the Board;
- identifying qualified individuals to become members of the Board;
- assessing the independence of the INEDs;
- making recommendations to the Board on the appointment or re-appointment of Directors.

From the Listing Date to 31 December 2007, the nomination committee met once in considering the appointment of Mr. Chao Tien-Shin as a non-executive Director and the attendance records are set out below:

	Attendance / Number of Meeting(s) *
Dr. Chen Chih *(Chairman)*	1/1
Mr. Liu Fuchun	1/1
Mr. Han Jia-Hwan	1/1
Mr. Pai Nai-Yu	0/1
Mr. Way Yung-Do	0/0
Mr. Harn Jia-Chen	0/0

* Attendance counts only the Board meetings held during the period when a director holds such office.

Executive Committee

In order to increase the efficiency for the business decision, the Company established an executive committee in December 2007 with specific written terms of reference, which are available at the Company's website www.dfa3999.com. The Board has delegated responsibilities to the executive committee for making certain decisions for the management of the Group. In accordance with its terms of reference, members of the executive committee shall be appointed by the Board from amongst the executive directors and senior management of the Company only. The executive committee shall consist of five (5) members, must include three (3) executive directors, the chief executive officer, the chief operation officer and the chief finance officer of the Company as members. The executive committee currently comprises the following members:

- Mr. Han Jia-Hwan *(Chairman)*
- Mr. Chang Tiee-Shen
- Mr. Chen Fu-Shih
- Mr. Huang Shih-Kun
- Mr. Chang Chin-Pyng

FINANCIAL REPORTING

The Board is responsible for the integrity of financial information. The directors acknowledge their responsibility for the preparation of the accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period.

The Board acknowledges the importance of an effective internal control system in the Company. The Company engaged Messrs. Ernst & Young to conduct an independent review of the internal control system of the Company as a measure to enhance the system.

The directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

INTERNAL CONTROLS

The Board has overall responsibility for maintaining a sound and effective system of internal control and for reviewing its effectiveness, particularly in respect of the controls on financial, operational, compliance and risk management, to safeguard shareholders' investment and the Group's assets.

The Board is satisfied with the adequacy of the system of internal control of the Company.

INVESTOR RELATIONS

All published information, including all the statutory announcements, press releases and event calendars, is promptly posted on the Company's website at www.dfa3999.com. Viewers can also send enquiries to the Board or senior management by email at investment@dachanfoodasia.com or directly by raising questions at the general meeting of the Company.

Report of the Directors

The Board has pleasure in submitting the first annual report together with the audited financial statements for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, and through its subsidiaries, operate a highly vertically integrated business model encompassing feeds production, chicken meat processing and supply of processed foods.

SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

A list of subsidiaries and jointly controlled entities, together with their places of operations and incorporation and particulars of their issued share capital/registered capital, is set out in notes 16 and 17 to the financial statements.

RESULTS AND APPROPRIATIONS

The profit of the Group for the year ended 31 December 2007 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 43 to 126.

Profits attributable to equity shareholders of the Company of USD26,238,000 (2006: USD13,355,000) have been transferred to reserves. Other movements in reserves of the Group and of the Company are set out on page 47 of the annual report and note 25 (c) to the financial statements.

The Board does not recommend the payment of a final dividend for the financial year ended 31 December 2007.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 25(a) to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders.

DONATIONS

Donations made by the Group during the year amounted to HKD1,000,000 or USD128,205 to the Hong Kong Charity.

FIXED ASSETS

Details of movements in fixed assets during the year are set out in note 15 to the financial statements.

BANK LOANS AND OVERDRAFTS

Particulars of bank loans and overdrafts of the Group as at 31 December 2007 are set out in note 22 to the financial statements.

LISTING OF SHARES

The shares of the Company was listed on the Main Board of the Stock Exchange on 4 October 2007.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Han Jia-Hwan, *Chairman*
Mr. Chang Tiee-Shen, *Chief Executive Officer*
Mr. Chen Fu-Shih, *Chief Administrative Officer*

Non-Executive Directors:

Mr. Han Chia-Yau
Mr. Harn Jia-Chen
Mr. Nicholas W. Rosa
Mr. Chao Tien-Shin (appointed on 19 December 2007)

Independent Non-Executive Directors:

Dr. Chen Chih
Mr. Liu Fuchun
Mr. Way Yung-Do (appointed on 4 February 2008)
Mr. Pai Nai-Yu (resigned on 8 January 2008)

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with our Company for an initial term of three years commencing from the Listing Date and renewable automatically for successive terms of one year each commencing from the day following the expiry of the then current term unless and until (i) terminated by either party thereto giving not less than three month prior written notice, with the last day of the notice falling on the last day of the initial term or any time thereafter; or (ii) the Director not being re-elected as a Director or being removed by Shareholders at general meeting of our Company in accordance with the Articles of Association.

Each of our non-executive Directors and INED is appointed for a fixed term of two years commencing from the Listing Date. On 19 December 2007, Mr. Chao Tien-Shin has been appointed as non-executive director of the Company for a term of 2 years and on 4 February 2008, Mr. Way Yung-Do has been appointed as an INED of the Company for a term of 2 years.

In accordance with the Articles of the Company, Mr. Han Jia-Hwan, Mr. Han Chia-Yau, Mr. Harn Jia-Chen and Mr. Nicholas W. Rosa will retire at the annual general meeting and being eligible, offer themselves for re-election. Details of their biographies have been set out in the cicular to shareholders dated 21 April 2008.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST-PAID INDIVIDUALS

The emoluments of directors and the five highest-paid individuals are set out in notes 9 and 10 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

None of the directors or their associates had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries, holding companies or fellow subsidiaries was a party during the year.

SHARE OPTION SCHEMES

For the year ended 31 December 2007, no option has been granted since the adoption of the Share Option Scheme by the shareholders of the Company on 14 September 2007. In accordance with the scheme, the Company may grant upto 100,000,000 share options within 10 years from its adoption date.

DIRECTOR'S AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2007, the interests and short positions of the directors and chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules ("Model Code"), were as follows:

(a) Long positions in shares of the Company

Name of Directors	Nature of interest	Interests in Shares held	% of Issued Capital
Chao Tien-Shin	Interests of controlled corporation (Note)	2,854,000	0.28%

Note: Mr. Chao Tien-Shin is deemed to be interested in 2,854,000 Shares held by Hannibal International Limited, a subsidiary of CTS Capital Group Limited which is controlled by Mr. Chao and his spouse.

(b) Long positions in shares of associated corporations of the Company:

Name of Director	Name of associated corporation (Note 1)	Nature of interest	Interests in shares held	Approximate % of the relevant associated corporation's issued share capital
Han Chia-Yau	Great Wall Enterprise Co. Ltd.	Beneficial owner	33,506(L)	0.008%
Harn Jia-Chen	Great Wall Enterprise Co. Ltd.	Beneficial owner	35,988(L)	0.009%
Chao Tien-Shin	Great Wall Enterprise Co. Ltd.	Interest of controlled corporation (Note 2)	3,516,555(L)	0.834%

Note 1: Great Wall Enterprise Co. Ltd., a company incorporated in Taiwan and listed on Taiwan Stock Exchange Corporation, is the controlling shareholder of the Company.

Note 2: Mr. Chao Tien-Shin is deemed to be interested in 3,516,555 Shares held by Qiao Tai Xing Investment Limited which is controlled by Mr. Chao and his spouse.

Save as disclosed above, as at 31 December 2007, none of the directors and chief executive and their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or his spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

At 31 December 2007, the interests and short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in shares of the Company:

Name	Nature of interests	Number of shares	Approximate %
Waverley Star Limited	Beneficial interests	375,899,946(L)	37.19%
Asia Nutrition Technologies Corporation	Beneficial interests	152,294,906(L)	15.13%
Great Wall Enterprise Co., Ltd.	Interests of controlled corporation	528,824,852(L)	52.32%
Great Wall International (Holdings) Ltd.	Interests of controlled corporation	528,824,852(L)	52.32%
Prowell ventures Pte. Ltd.	Beneficial interests	59,400,059(L)	5.88%
Government of Singapore Investment Corporation (Ventures) Pte. Ltd.	Interests of controlled corporation	59,400,059(L)	5.88%
GIC Special Investment Pte. Ltd.	Interests of controlled corporation	59,400,059(L)	5.88%
Government of Singapore Investment Corp. Pte. Ltd.	Interests of controlled corporation	59,400,059(L)	5.88%
Minister of Finance (Incorporated)	Interests of controlled corporation	59,400,059(L)	5.88%
Continental Enterprises Ltd.	Beneficial interests	59,700,029(L)	5.91%
ContiGroup Companies Inc.	Interests of controlled corporation	59,700,029(L)	5.91%

Name	Nature of interests	Number of shares	Approximate %
Fribourg Grandchildren Family L.P.	Interests of controlled corporation	59,700,029(L)	5.91%
Fribourg Enterprises, LLC	Interests of controlled corporation	59,700,029(L)	5.91%
Declaration of Trust dated May 31, 1957, for the benefit of Robert Fribourg	Interests of controlled corporation	59,700,029(L)	5.91%
Declaration of Trust dated May 31, 1957, for the benefit of Paul Jules Fribourg	Interests of controlled corporation	59,700,029(L)	5.91%
Declaration of Trust dated May 31, 1957, for the benefit of Nadine Louise Fribourg	Interests of controlled corporation	59,700,029(L)	5.91%
Declaration of Trust dated May 31, 1957, for the benefit of Charles Arthur Fribourg	Interests of controlled corporation	59,700,029(L)	5.91%
Trust Agreement Dated September 16, 1963, for the benefit of Caroline Renee Fribourg	Interests of controlled corporation	59,700,029(L)	5.91%
Fribourg Charles Arthur	Trustee	59,700,029(L)	5.91%
Sosland Morton Irvin	Trustee	59,700,029(L)	5.91%
Fribourg Paul Jules	Trustee	59,700,029(L)	5.91%

Save as disclosed above, as at 31 December 2007, no person, other than the directors and chief executive of the Company whose interests are set out in the section “Directors’ and chief executive’s interests and short positions in shares, underlying shares and debentures” above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

During the year, the Group entered into a number of continuing connected transactions with the following connected persons (as defined in the Listing Rules), namely

(1) Great Wall Enterprise Co., Ltd. ("Great Wall Enterprise", being the ultimate controlling shareholder of the Company) and its subsidiaries (being an associate of Great Wall Enterprise) excluding the Group (the "Excluded Group"); and

(2) Marubeni Corporation ("Marubeni", being a substantial shareholder of a non wholly-owned subsidiary of the Company) and its subsidiaries (being an associate of Marubeni).

The Group entered into the following continuing connected transactions (other than connected transactions that are exempted under Rule 14A.33 of the Listing Rules) during the year ended 31 December 2007:

(a) On 14 September 2007, the Group entered into a master supply agreement with Great Wall Enterprise in respect of selling raw materials for manufacturing animal feeds and chicken meat products to the Excluded Group. The quoted prices are based on normal commercial terms and terms are no less favourable to the members of the Company than terms given by such members of our Group to independent third parties.

During the year, the Group sold products to Great Wall Enterprise with a total value of USD385,000 approximately. For further details of the agreement, please refer to page 168 to 169 of the prospectus of the Company dated 20 September 2007 (the "Prospectus").

(b) On 14 September 2007, the Group entered into a master purchase agreement with Great Wall Enterprise in respect of purchase of ingredients for feed production from the Excluded Group. The quoted prices are based on normal commercial terms and terms are no less favourable to the members of the Group than terms available from independent third parties.

During the year, the total procurement from Great Wall Enterprise by the Group amounted to USD1,183,000 approximately. For further details of the agreement, please refer to page 169 to 170 of the Prospectus.

(c) On 14 September 2007, the Group entered into a trademark licence deed with Great Wall Enterprise. Pursuant to the trademark licence deed, Great Wall Enterprise grants to the Group an exclusive and non-transferable licence to use the trademarks owned by Great Wall Enterprise, with a right to sub-license to any of our Company's subsidiaries. Under the trademark licence deed, the royalties payable to Great Wall Enterprise are charged at the rate of 0.1% of the total net sales of the products of the Group attributable to the trademarks licensed by Great Wall Enterprise since 4 October 2007, the date of listing.

During the year, the Group paid a sum of USD 187,115 as royalties to Great Wall Enterprise. For further details of the deed, please refer to page 171 to 172 of the Prospectus.

(d) On 14 September 2007, the Group entered into a master supply agreement with Marubeni in respect of selling of processed food by the Group to Marubeni. The pricing of the goods sold was determined by reference to the actual cost of the goods sold plus a reasonable profit. The quoted price is not less than the price charged to an independent third party. If no such comparable reference price is available, the quoted price was based on normal commercial terms which were considered fair and reasonable by the Group and Marubeni.

During the year, the Group sold processed food to Marubeni with a total value of USD22,697,000 approximately. For further details of the agreement, please refer to page 173 to 174 of the Prospectus.

Save as disclosed above, there are no other transactions which require disclosure in the annual report in accordance with the Listing Rules.

The directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The independent non-executive directors of the Company have confirmed that the above-mentioned continuing connected transactions were entered into: (i) in the ordinary and usual course of the Group's business; (ii) either on normal commercial terms or on terms no less favorable to the Group than those available to or from independent third parties; and (iii) in accordance with the terms of the respective agreements governing such transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the group's five largest customers in 2006 and 2007 were 11.2% and 10.7% respectively. The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of total purchases for both years ended 31 December 2006 and 2007.

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had any interest in the five largest customers or suppliers.

EMOLUMENT POLICY

The emolument policy of the Group is set up by its human resources department and seeks to provide remuneration packages on the basis of the merit, qualifications and competence of the employees.

The emoluments of the Directors and senior management of the Company will be reviewed by the Remuneration Committee, having regard to factors including the Group's operating results, responsibilities required of the Directors and senior management and comparable market information.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

FOUR YEAR SUMMARY

A summary of the results and of the assets and liabilities of Group for the last four financial years is set out on page 130 of the annual report.

AUDITORS

During the period, KPMG were first appointed as auditors of the Company.

KPMG will retire and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board
Chang Tiee-Shen
Chief Executive Officer

KPMG

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DACHAN FOOD (ASIA) LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of DaChan Food (Asia) Limited (the "Company") and its subsidiaries (hereafter collectively referred to as the "Group") set out on pages 43 to 127, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

11 April 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Note	2007 USD'000	2006 USD'000
Turnover	5	894,491	637,395
Cost of sales		(818,742)	(583,881)
Gross profit		75,749	53,514
Change in fair value of biological assets less estimated point-of-sale costs	19	472	(193)
Fair value of agricultural produce on initial recognition	18(e)	7,586	3,452
Reversal of fair value of agricultural produce due to sales and disposals	18(e)	(7,230)	(3,126)
Other income	6	11,092	4,758
Distribution costs		(22,117)	(19,109)
Administrative expenses		(25,050)	(18,011)
Other operating expenses		(2,543)	(640)
Profit from operations		37,959	20,645
Finance costs	7(a)	(4,162)	(2,746)
Share of (losses)/ profits of jointly controlled entities	17	(229)	762
Profit before taxation	7	33,568	18,661
Income tax	8(b)	(2,374)	(2,166)
Profit for the year		31,194	16,495
Attributable to:			
Equity shareholders of the Company	11	26,238	13,355
Minority interests		4,956	3,140
Profit for the year		31,194	16,495
Dividend payable to equity shareholders of the Company attributable to the year:			
Final dividend proposed after the balance sheet date	12	—	—
Earnings per share			
- Basic (cents)	13	3.23	1.78

The notes on pages 50 to 127 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	Note	2007 USD'000	2006 USD'000
Non-current assets			
Fixed assets	15		
- property, plant and equipment		92,410	67,757
- lease prepayments		11,490	5,402
Interests in jointly controlled entities	17	3,828	3,947
Deferred tax assets	24	638	29
		108,366	77,135
Current assets			
Inventories	18	95,777	54,425
Biological assets	19	1,718	798
Trade and other receivables	20	70,404	51,249
Amounts due from related parties	27(d)	2,700	778
Income tax recoverable	8(a)	22	14
Pledged bank deposits		1,562	789
Cash and cash equivalents	21	97,723	19,778
		269,906	127,831
Current liabilities			
Interest-bearing borrowings	22	52,759	43,507
Trade and other payables	23	104,452	65,944
Amounts due to related parties	27(e)	188	4,699
Income tax payable	8(a)	2,147	1,992
		159,546	116,142
Net current assets		110,360	11,689
Total assets less current liabilities		218,726	88,824

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	Note	2007 USD'000	2006 USD'000
Non-current liabilities			
Interest-bearing borrowings	22	6,001	694
Deferred tax liabilities	24	27	35
		6,028	729
Net assets		212,698	88,095
Capital and reserves			
Share capital	25(a)	12,957	52,678
Reserves	25(b)	179,680	21,114
Total equity attributable to equity shareholders of the Company		192,637	73,792
Minority interests		20,061	14,303
Total equity		212,698	88,095

Approved and authorised for issue by the board of directors on 11 April 2008.

Han Jia-Hwan	**Chen Fu-Shih**
Chairman	Executive director

The notes on pages 50 to 127 form part of these financial statements.

BALANCE SHEET

At 31 December 2007

	Note	2007 USD'000
Non-current assets		
Investments in subsidiaries	16	98,562
Current assets		
Other receivables and prepayments	20	1,004
Amounts due from subsidiaries		16,991
Amount due from a jointly controlled entity		19
Cash and cash equivalents	21	71,516
		89,530
Current liabilities		
Other payables and accruals	23	1,945
Amount due to ultimate holding company		187
		2,132
Net current assets		87,398
Net assets		185,960
Capital and reserves		
Share capital	25(a)	12,957
Reserves	25(c)	173,003
Total equity		185,960

Approved and authorised for issue by the board of directors on 11 April 2008.

Han Jia-Hwan	**Chen Fu-Shih**
Chairman	Executive director

The notes on pages 50 to 127 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Attributable to equity shareholders of the Company								
	Share capital (note 25(a)) USD'000	Share premium (note 25(b)(i)) USD'000	Merger reserve (note 25(b)(ii)) USD'000	Statutory reserves (note 25(b)(iii)) USD'000	Translation reserve (note 25(b)(iv)) USD'000	Retained profits USD'000	Total USD'000	Minority interests USD'000	Total equity USD'000
At 1 January 2006	52,678	—	—	1,962	564	3,810	59,014	10,867	69,881
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	—	—	—	—	1,423	—	1,423	296	1,719
Appropriations	—	—	—	538	—	(538)	—	—	—
Profit for the year	—	—	—	—	—	13,355	13,355	3,140	16,495
At 31 December 2006	52,678	—	—	2,500	1,987	16,627	73,792	14,303	88,095
At 1 January 2007	52,678	—	—	2,500	1,987	16,627	73,792	14,303	88,095
Arising from Reorganisation	(52,678)	—	52,678	—	—	—	—	—	—
Issuance of shares	25	—	(25)	—	—	—	—	—	—
Capitalisation issue	9,590	(9,590)	—	—	—	—	—	—	—
Issuance of shares for placing and public offering	3,342	93,571	—	—	—	—	96,913	—	96,913
Share issuing cost	—	(7,860)	—	—	—	—	(7,860)	—	(7,860)
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	—	—	—	—	3,554	—	3,554	802	4,356
Appropriations	—	—	—	2,473	—	(2,473)	—	—	—
Profit for the year	—	—	—	—	—	26,238	26,238	4,956	31,194
At 31 December 2007	12,957	76,121	52,653	4,973	5,541	40,392	192,637	20,061	212,698

The notes on pages 50 to 127 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	Note	2007 USD'000	2006 USD'000
Operating activities			
Profit before taxation		33,568	18,661
Adjustments for:			
- Change in fair value of biological assets less estimated point-of-sale costs		(472)	193
- Fair value of agricultural produce on initial recognition		(7,586)	(3,452)
- Reversal of fair value of agricultural produce due to sales and disposals		7,230	3,126
- Share of losses/ (profits) of jointly controlled entities		229	(762)
- Depreciation and amortisation		9,743	7,625
- Loss/ (gain) on disposals of fixed assets		2,603	(2)
- Impairment loss on fixed assets		—	144
- Impairment loss on trade and other receivables		209	328
- Write-down of inventories		550	—
- Reversal of impairment loss on trade and other receivables		—	(280)
- Reversal of write-down of inventories		(692)	(947)
- Interest income		(1,564)	(433)
- Interest expense		4,162	2,746
- Provision for onerous contracts		1,812	1,511
- Utilisation of onerous contracts provision		(1,511)	—
- Net foreign exchange gain		(1,104)	(456)
Operating cash flows before changes in working capital		47,177	28,002
Increase in inventories		(40,854)	(9,309)
(Increase)/ decrease in biological assets		(448)	174
Increase in trade and other receivables		(13,862)	(13,024)
Increase in trade and other payables		36,985	5,640
(Increase)/ decrease in net amounts due from/ to related parties		(3,583)	2,984

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	Note	2007 USD'000	2006 USD'000
Cash generated from operations		25,415	14,467
Income tax paid		(2,844)	(2,012)
Net cash generated from operating activities		22,571	12,455
Investing activities			
Interest received		1,198	433
Purchases of fixed assets		(37,791)	(9,742)
Dividend received from a jointly controlled entity		150	1,000
Deposit paid for purchases of fixed assets		(1,674)	(1,350)
Proceeds on disposals of fixed assets		359	343
Changes in advances to related parties		(1,922)	(344)
Changes in pledged bank deposits		(773)	2,693
Net cash used in investing activities		(40,453)	(6,967)
Financing activities			
Interest paid		(4,237)	(2,687)
Changes in advances from related parties		(4,511)	(8,098)
Proceeds from new bank loans		81,937	71,925
Proceeds from capital contribution		89,053	—
Repayment of bank loans		(67,379)	(65,823)
Net cash generated from/ (used in) financing activities		94,863	(4,683)
Net increase in cash and cash equivalents		76,981	805
Cash and cash equivalents at beginning of the year		19,696	18,415
Effect of foreign exchange rate changes		963	476
Cash and cash equivalents at end of the year	21	97,640	19,696

The notes on pages 50 to 127 form part of these financial statements.

1 GENERAL INFORMATION AND GROUP REORGANISATION

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 2007 comprise the Company and its subsidiaries (collectively referred to as 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 years ended 31 December 2006 and 2007 include the results of the Company and its subsidiaries with effect from 1 January 2006 or since their respective dates of incorporation or at the date that common control was established, if later, as if the current group structure had been in existence throughout the two years presented. The consolidated balance sheets at 31 December 2006 and 2007 are a consolidation of the balance sheets of the Company and its subsidiaries at the respective balance sheet dates. All material intra-group transactions and balances have been eliminated on consolidation. In the opinion of the directors, the consolidated financial statements prepared on this basis present fairly the results of operations and the state of affairs of the Group as a whole. As the Company was incorporated on 18 May 2007, no comparative figures are presented in respect of the Company's balance sheet.

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. A summary of the significant accounting policies adopted by the Group is set below.

IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 4 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(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 as explained in the accounting policies set out below:

– biological assets and agricultural produce (note 3(j)); and

– derivative financial instruments (note 3(q)).

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Basis of preparation of the financial statements (Cont'd)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed in note 29.

(c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Subsidiaries and minority interests (Cont'd)

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 3(n) and 3(o).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 3(i)).

(d) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the jointly controlled entity's net assets. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the jointly controlled entities for the year.

When the Group's share of losses exceeds its interest in the jointly controlled entities, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entities. For this purpose, the Group's interest in the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated income statement.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Property, plant and equipment

Items of property, plant and equipment are stated in the consolidated balance sheet at cost less accumulated depreciation and impairment losses (see note 3(i)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the consolidated income statement on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings held for own use	20 years
Plant and machinery	10 years
Furniture, fittings and equipment	5 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) Construction in progress

Construction in progress represents office buildings, various infrastructure projects under construction and equipment pending installation, and is stated at cost less impairment losses (see note 3(i)). Cost comprises direct costs of construction and the initial estimate, where relevant, of the costs of dismantling and removing the item and restoring the site on which it is located during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use, notwithstanding any delays in the issue of the relevant commissioning certificates by the relevant authorities.

No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the consolidated income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the consolidated income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the consolidated income statement in the accounting period in which they are incurred.

(h) Lease prepayments

Lease prepayments represent the purchase costs of land use rights and are amortised on a straight-line basis over the period of land use rights. Land use rights are carried at cost less accumulated amortisation and impairment losses (see note 3(i)).

(i) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other receivables that are carried at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the consolidated income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Impairment of assets (Cont'd)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– construction in progress;

– lease prepayments; and

– investments in subsidiaries and jointly controlled entities.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in the consolidated income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated income statement in the year in which the reversals are recognised.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Biological assets and agricultural produce

Biological assets are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognised in the consolidated income statement. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market. The fair value of livestock is determined based on the current market price of livestock of similar age, breed and genetic merit.

Agricultural produce, which comprises broiler breeder eggs, is initially measured at its fair value less estimated point-of-sale costs at the point of lay. The fair value of agricultural produce is determined based on market prices in the local area, with any resultant gain or loss recognised in the consolidated income statement.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Agricultural produce is included under inventories at its fair value less estimated point-of-sale costs at the point of lay in accordance with note 3(j), subsequently included under inventories and stated at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 3(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the consolidated income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost, except where the payables are interest-free loans from related parties without any fixed repayment terms or the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Provision for onerous contracts

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

(q) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value on trade date. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to the consolidated income statement.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(r) Derecognition of financial assets/ liabilities

The Group's financial assets include cash and cash equivalents, pledged deposits, trade and other receivables, and amounts due from related parties. Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in the consolidated income statement.

Financial liabilities of the Group include interest-bearing borrowings, trade and other payables, and amounts due to related parties. Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the consolidated income statement.

(s) Employee benefits

(i) Salaries, annual bonuses, paid annual leaves, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations are recognised as an expense in the consolidated income statement when they are due.

(iii) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the consolidated income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from differences which arose on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(t) Income tax (Cont'd)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(v) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated income statement as follows:

(i) Sales of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax ("VAT") or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Government subsidy

Subsidy income is recognised when it is probable that the grant will be received and all attaching conditions will be completed.

(iv) Management fees

Revenue is recognised when the services are rendered.

(w) Foreign currencies

(i) 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 USD ("presentation currency").

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(w) Foreign currencies (Cont'd)

(ii) Transactions and balances

Foreign currency transactions during the year are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Income statements and cash flows of foreign entities are translated into the Group's presentation currency at the average exchange rates for the financial year and their balance sheets are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising from the translation of net investment in foreign subsidiaries are taken directly to reserves.

(x) Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Company's or the Group's research and development activities, no development costs satisfy the criteria for the recognition of such costs as an asset. Both research and development costs are therefore recognised as expenses in the period in which they are incurred.

(y) Borrowing costs

Borrowing costs are expensed in the consolidated income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition or construction of an asset which necessarily takes a substantial period of time to get ready for its intended use.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(z) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(aa) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services ("business segment"), or in providing products or services within a particular economic environment ("geographical segment"), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Sales from livestock feeds segment to chicken meats segment are charged at cost while sales from chicken meats segment to processed foods segment is based on similar terms as those available to other external parties.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(aa) Segment reporting (Cont'd)

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing borrowings, tax balances, corporate and financing expenses.

4 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of new and revised IFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of IFRS 7, *Financial instruments: Disclosures* and the amendment to IAS 1, *Presentation of financial statements: Capital disclosures*, there have been some additional disclosures provided as follows:

As a result of the adoption of IFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by IAS 32, *Financial instruments: Disclosure and presentation*. These disclosures are provided throughout these financial statements, in particular in note 28.

The amendment to IAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's objectives, policies and processes for managing capital. These new disclosures are set out in note 25(e).

Both IFRS 7 and the amendment to IAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 34).

5 TURNOVER

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

Revenue mainly represents the sales value of goods sold to customers but excludes VAT or other sales taxes and is after allowance for goods returned and deduction of any trade discounts. The amount of each significant category of revenue recognised in revenue during the year is as follows:

	2007 USD'000	2006 USD'000
Sales of chicken meats	489,743	376,744
Sales of livestock feeds	346,747	222,787
Sales of processed foods	58,001	37,864
	894,491	637,395

6 OTHER INCOME

	2007 USD'000	2006 USD'000
Interest income	1,564	433
Compensation received from		
a jointly controlled entity (note 27(b))	—	1,286
Foreign exchange gain	2,696	951
Management fees (note 27(b))	187	142
Government subsidies (i)	1,691	618
Compensation received (ii)	3,673	70
Realised gain on commodity derivative contracts	—	185
Commission income	—	10
Gain on disposals of fixed assets	2	2
Others	1,279	1,061
	11,092	4,758

6 OTHER INCOME (Cont'd)

(i) Pursuant to the approval from respective local governments, certain subsidiaries of the Group received government subsidies which approximated the aggregate amount of VAT and interest expenses incurred in previous years.

(ii) Included in the compensation received for the year ended 31 December 2007 was an amount of approximately USD3.3 million being compensation given to a subsidiary of the Group as a result of relocation of factory as required by the local government.

7 PROFIT BEFORE TAXATION

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

	2007 USD'000	2006 USD'000
(a) Finance costs		
Interest on bank borrowings wholly repayable within five years	4,105	2,440
Interest on other loans (note 27(b))	57	306
	4,162	2,746
(b) Staff costs		
Salaries, wages, bonuses and other benefits	39,831	25,826
Contributions to retirement schemes	3,444	1,668
	43,275	27,494

The Group is required to participate in pension schemes organised by the respective municipal governments of the PRC whereby the Group is required to pay annual contributions for the PRC based employees at rates ranging from 19% to 25.5% (2006: 19% to 25.5%) 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.

7 PROFIT BEFORE TAXATION (Cont'd)

(b) Staff costs (Cont'd)

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the Group and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of Hong Kong Dollar ("HKD") 20,000. Contributions to the scheme vest immediately.

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

The Group also made contribution on the statutory social security and health insurance in Vietnam at 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

	2007 USD'000	2006 USD'000
Auditors' remuneration	655	152
Amortisation of lease prepayments	155	114
Depreciation of property, plant and equipment	9,588	7,511
Loss/ (gain) on disposals of fixed assets	2,603	(2)
Impairment losses:		
– fixed assets	—	144
– trade and other receivables	209	328
Net foreign exchange (gain)/ loss	(2,278)	142
Operating lease charges		
– plant and machinery	1,527	1,061
– others	545	828
Provision for onerous contracts (note 23(c)(iii))	1,812	1,511
Utilisation of onerous contracts provision (note 23(c)(iii))	(1,511)	—
Net realised loss/ (gain) on derivative contracts	138	(185)
Research and development costs	192	157

8 INCOME TAX

(a) Current taxation in the consolidated balance sheet represents:

	The Group	
	2007	2006
	USD'000	USD'000
At beginning of the year	(1,978)	(1,909)
Provision for enterprise income tax for the year	(2,991)	(2,081)
Enterprise income tax paid	2,844	2,012
At end of the year	(2,125)	(1,978)
Represented by:		
Income tax recoverable	22	14
Income tax payable	(2,147)	(1,992)
	(2,125)	(1,978)

(b) Taxation in the consolidated income statement represents:

	2007	2006
	USD'000	USD'000
Current tax – overseas		
Provision for the year	2,991	2,081
Deferred tax		
Origination and reversal of temporary differences (note 24)	(617)	85
	2,374	2,166

(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) 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.

8 INCOME TAX (Cont'd)

(b) Taxation in the consolidated income statement represents: (Cont'd)

(iii) Pursuant to the income tax rules and regulations of the PRC, the companies comprising the Group in the PRC are liable to the PRC Foreign Enterprise Income Tax at a rate of 33% (2006: 33%), of which 30% is attributable to the state government and 3% is attributable to the local government, during the year (2006: 30% and 3% respectively). As most of the companies comprising the Group are located in the coastal economic areas, they are eligible to a preferential income tax rate at 27% with 24% for State Tax and 3% for local tax in accordance with relevant income tax rules and regulations of the PRC for the years ended 31 December 2006 and 2007. The details of applicable income tax rate for the Group's main operating subsidiaries in the PRC are as follows:

(a) Liaoning Greatwall Agri-Industrial Co., Ltd. ("Liaoning Greatwall") is a foreign investment enterprise incorporated in Shenyang in compliance with Liao Fu Zi Zi Notice (1990) No 0033 ("遼府資字(1990) 0033號") issued by the Ministry of Commerce in July 1990. A foreign enterprise operating in the coastal economic areas is eligible to an income tax rate at 27% with 24% for State Tax and 3% for local tax for the years ended 31 December 2006 and 2007.

(b) Great Wall Agri (Yingkou) Co., Ltd. ("Yingkou Great Wall") is a foreign investment enterprise incorporated in Liaoning. Yingkou Great Wall is qualified as an Advanced Technology Enterprise ("先進技術型企業") which entitles it to an extension of the period of 50% reduction in the enterprise income tax rate for three years (since 2005). The tax relief is subject to approval by the relevant PRC government authorities on an annual basis. The effective tax rate of Yingkou Great Wall was 13.5% in 2006 and 2007.

(c) Great Wall Gourmet (Dalian) Co., Ltd. ("Dalian Gourmet") is entitled to a tax exemption in which Dalian Gourmet was fully exempted from the PRC Foreign Enterprise Income Tax for two years starting from Dalian Gourmet's first profit making year in 2006, followed by a 50% reduction in the PRC Foreign Enterprise Income Tax for the next three years.

(d) Great Wall Food (Dalian) Co., Ltd. ("Dalian Great Wall") was not subject to the PRC Foreign Enterprise Income Tax for the year ended 31 December 2006 due to the utilisation of tax losses brought forward from prior years. In 2007, Dalian Great Wall is entitled to a reduced PRC Foreign Enterprise Income Tax rate of 27%.

(e) DaChan Wanda (Tianjin) Co., Ltd. ("Tianjin DaChan") is entitled to a full exemption from the PRC Foreign Enterprise Income Tax for the two years beginning from 2006, its first profit-making year after offsetting all tax losses carried forward from the previous years, followed by a 50% reduction in the PRC Foreign Enterprise Income Tax for the next three years.

8 INCOME TAX (Cont'd)

(b) Taxation in the consolidated income statement represents: (Cont'd)

(iv) Pursuant to the income tax rules and regulations of Malaysia, the subsidiary in Malaysia was liable to Malaysian income tax rate of 28% for the year ended 31 December 2006. In September 2006, the Malaysian government announced a reduction in the income tax rate from 28% to 27% for the year of assessment 2007. Accordingly, the provision for Malaysian income tax for the year ended 31 December 2007 is calculated at 27% 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%. However, ANT-VN is entitled to a full tax exemption for two years from the first profit-making year. In addition, ANT-VN is also entitled to a 50% reduction in tax rate for seven years starting from 2004 in accordance with the Official Letter No. 2397/CT-TTr2 dated 21 November 2006 and Decision No. 148/QD-CT dated 8 June 2007, issued by Tax Department of Dong Nai Province.

(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.

(vii) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Enterprise Income Tax Law of the PRC ("new tax law") which will take effect on 1 January 2008. The PRC income tax is expected to be unified at a standard rate of 25%. The State Council of the PRC passed the implementation guidance note ("Implementation Guidance") on 26 December 2007, which sets out the details of how the existing preferential income tax rates will be adjusted to the standard rate of 25%. According to the Implementation Guidance, certain PRC subsidiaries of the Group, which are eligible for a 100% or 50% relief from the PRC Foreign Enterprise Income Tax, will continue to enjoy the preferential income tax rate up to the end of the derating period, after which, the 25% standard rate applies. The PRC subsidiaries of the Group that enjoyed the preferential rate of 15% prior to 1 January 2008 will be subject to the tax rate of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011, and finally be subject to the tax rate of 25% in 2012. The remaining PRC subsidiaries will be subject to the tax rate of 25% in 2008. The effect of these changes has been reflected in the calculation of deferred income tax as at 31 December 2007. The enactment of the new tax law is not expected to have any financial effect on the amounts accrued in the consolidated balance sheet in respect of current tax payable and recoverable.

8 INCOME TAX (Cont'd)

(b) Taxation in the consolidated income statement represents: (Cont'd)

Further under the new tax law, from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. However, the Caishui (2008) No.1 approved by the Ministry of Finance and State Administration of Taxation on 22 February 2008 exempts the dividend distribution out of pre-2008 retained profits of foreign investment enterprises from withholding tax.

(c) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2007 USD'000	2006 USD'000
Profit before taxation	33,568	18,661
Income tax using PRC's Enterprises Income Tax rate of 27% (i)	9,063	5,038
Tax effect of non-deductible expenses	1,697	2,108
Tax effect of non-taxable revenue	(3,354)	(1,543)
Effect of tax exemptions granted to subsidiaries	(3,528)	(2,808)
Effect of different tax rates of subsidiaries operating in different tax jurisdictions	(1,497)	(428)
Tax effect of share of profits of jointly controlled entities	—	(206)
Others	(7)	5
Actual tax expense	2,374	2,166

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

9 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	2007				
	Directors' fees USD'000	Salaries, allowances and benefits in kind USD'000	Discretionary bonuses USD'000	Retirement scheme contributions USD'000	Total USD'000
Executive directors					
Han Jia-Hwan	—	85	—	—	85
Chang Tiee-Shen	—	46	15	1	62
Chen Fu-Shih	—	95	57	2	154
Independent non-executive directors					
Dr. Chen Chih	6	—	—	—	6
Liu Fuchun	6	—	—	—	6
Pai Nai-Yu	6	1	—	—	7
Non-executive directors					
Harn Jia-Chen	5	—	—	—	5
Han Chia-Yau	5	—	—	—	5
Nicholas W. Rosa	5	—	—	—	5
Chao Tien-Shin	1	—	—	—	1
	34	227	72	3	336

9 DIRECTORS' REMUNERATION (Cont'd)

	2006				
	Directors' fees USD'000	Salaries, allowances and benefits in kind USD'000	Discretionary bonuses USD'000	Retirement scheme contributions USD'000	Total USD'000
Executive directors					
Han Jia-Hwan	—	—	—	—	—
Chang Tiee-Shen	—	—	—	—	—
Chen Fu-Shih	—	80	31	—	111
Independent non-executive directors					
Dr. Chen Chih	—	—	—	—	—
Liu Fuchun	—	—	—	—	—
Pai Nai-Yu	—	—	—	—	—
Non-executive directors					
Harn Jia-Chen	—	—	—	—	—
Han Chia-Yau	—	—	—	—	—
Nicholas W. Rosa	—	—	—	—	—
	—	80	31	—	111

During the year, no director received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office, no director waived or has agreed to waive any emoluments.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2006: one) is a director whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the other four (2006: four) individuals are as follows:

	2007 USD'000	2006 USD'000
Salaries and other emoluments	592	291
Retirement scheme contributions	7	—
Discretionary bonuses	151	94
	750	385

The emoluments of the four (2006: four) individuals with the highest emoluments are within the following bands:

	2007 Number of individuals	2006 Number of individuals
Nil to USD128,000 (equivalent to HKD1,000,000)	—	4
USD128,001 to USD192,000 (equivalent to HKD1,000,001 to HKD1,500,000)	2	—
USD192,001 to USD256,000 (equivalent to HKD1,500,001 to HKD2,000,000)	1	—
USD256,001 to USD321,000 (equivalent to HKD2,000,001 to HKD2,500,000)	1	—

No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

11 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of USD1,655,000 which has been dealt with in the financial statements of the Company.

12 DIVIDEND

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2007 (2006: Nil).

13 EARNINGS PER SHARE

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

The calculation of basic earnings per share for the year ended 31 December 2006 is based on the profit attributable for equity shareholders of the Company of USD13,355,000 and 750,000,000 shares in issue and issuable, comprising 2,000,000 shares in issue at the date of the Prospectus and 748,000,000 shares to be issued pursuant to the capitalisation issue as detailed in Appendix VI to the Prospectus as if the shares were outstanding throughout the year.

There were no potential dilutive ordinary shares during the years ended 31 December 2006 and 2007 and therefore, diluted earnings per share are not presented.

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

14 SEGMENT REPORTING (Cont'd)

Primary reporting format - business segments (Cont'd)

	2007				
	Chicken meats USD'000	Livestock feeds USD'000	Processed foods USD'000	Inter-segment elimination USD'000	Consolidated 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

14 SEGMENT REPORTING (Cont'd)

Primary reporting format - business segments (Cont'd)

	2006				
	Chicken meats USD'000	Livestock feeds USD'000	Processed foods USD'000	Inter-segment elimination USD'000	Consolidated USD'000
Revenue from external customers	376,744	222,787	37,864	—	637,395
Inter-segment revenue	12,340	91,899	—	(104,239)	—
Total	389,084	314,686	37,864	(104,239)	637,395
Segment result	10,246	11,314	3,582	—	25,142
Unallocated operating income and expenses					(4,497)
Profit from operations					20,645
Finance costs					(2,746)
Share of profits of jointly controlled entities	—	—	762	—	762
Income tax					(2,166)
Profit for the year					16,495
Depreciation and amortisation for the year	3,269	3,409	947	—	7,625
Impairment loss on fixed assets	144	—	—	—	144
Segment assets	87,100	76,744	15,368	—	179,212
Interests in jointly controlled entities	—	—	3,947	—	3,947
Unallocated assets					21,807
Total assets					204,966
Segment liabilities	(29,246)	(27,973)	(6,230)	—	(63,449)
Unallocated liabilities					(53,422)
Total liabilities					(116,871)
Capital expenditure incurred during the year	4,260	5,888	625	—	10,773

14 SEGMENT REPORTING (Cont'd)

Secondary reporting format - geographical segment

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.

	2007				
	Mainland China USD'000	Japan USD'000	Vietnam USD'000	Rest of Asia Pacific USD'000	Consolidated 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

	2006				
	Mainland China USD'000	Japan USD'000	Vietnam USD'000	Rest of Asia Pacific USD'000	Consolidated USD'000
Revenue from external customers	521,875	23,544	89,338	2,638	637,395
Segment assets	143,336	—	34,143	1,733	179,212
Capital expenditure incurred during the year	7,240	—	3,417	116	10,773

15 FIXED ASSETS

The Group

	Construction in progress	Buildings	Plant and machinery	Furniture, fittings and equipment	Motor vehicles	Sub-total	Lease prepayments	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Cost:								
At 1 January 2006	897	7,684	85,807	6,346	2,023	102,757	5,353	108,110
Additions	2,688	973	4,493	1,274	565	9,993	780	10,773
Transfers	(1,344)	113	1,180	—	51	—	—	—
Disposals	—	—	(511)	(447)	(312)	(1,270)	—	(1,270)
Exchange differences	16	151	2,486	217	50	2,920	183	3,103
At 31 December 2006	2,257	8,921	93,455	7,390	2,377	114,400	6,316	120,716
Accumulated depreciation and amortisation:								
At 1 January 2006	—	1,401	32,422	3,827	1,032	38,682	773	39,455
Charge for the year	—	769	5,644	824	274	7,511	114	7,625
Impairment loss	—	—	106	12	26	144	—	144
Disposals	—	—	(277)	(398)	(254)	(929)	—	(929)
Exchange differences	—	77	978	161	19	1,235	27	1,262
At 31 December 2006	—	2,247	38,873	4,426	1,097	46,643	914	47,557
Carrying values:								
At 31 December 2006	2,257	6,674	54,582	2,964	1,280	67,757	5,402	73,159

15 FIXED ASSETS (Cont'd)

The Group (Cont'd)

	Construction in progress	Buildings	Plant and machinery	Furniture, fittings and equipment	Motor vehicles	Sub-total	Lease prepayments	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Cost:								
At 1 January 2007	2,257	8,921	93,455	7,390	2,377	114,400	6,316	120,716
Additions	9,685	6,676	14,031	1,928	1,012	33,332	5,903	39,235
Transfers	(3,050)	487	2,439	124	—	—	—	—
Disposals	—	(3,839)	(691)	(871)	(496)	(5,897)	—	(5,897)
Exchange differences	81	235	6,486	536	149	7,487	435	7,922
At 31 December 2007	8,973	12,480	115,720	9,107	3,042	149,322	12,654	161,976
Accumulated depreciation and amortisation:								
At 1 January 2007	—	2,247	38,873	4,426	1,097	46,643	914	47,557
Charge for the year	—	443	8,078	741	326	9,588	155	9,743
Disposals	—	(1,818)	(57)	(664)	(396)	(2,935)	—	(2,935)
Exchange differences	—	90	3,105	328	93	3,616	95	3,711
At 31 December 2007	—	962	49,999	4,831	1,120	56,912	1,164	58,076
Carrying values:								
At 31 December 2007	8,973	11,518	65,721	4,276	1,922	92,410	11,490	103,900

15 FIXED ASSETS (Cont'd)

Certain buildings and lease prepayments are pledged to banks for banking facilities granted to the Group as disclosed in note 22(c).

The carrying amounts of the Group's lease prepayments are situated in the following locations:

	The Group	
	2007	2006
	USD'000	USD'000
The PRC	8,848	4,960
Vietnam	2,314	125
Malaysia	328	317
	11,490	5,402

An analysis of net book value of the lease prepayments is as follows:

	The Group	
	2007	2006
	USD'000	USD'000
Expiring:		
Between 26 to 50 years	11,377	5,277
Between 10 to 25 years	113	125
	11,490	5,402

16 INVESTMENTS IN SUBSIDIARIES

	The Company 2007 USD'000
Unlisted shares, at cost	98,562

Details of the subsidiaries are set out below. The class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up/ registered capital	Attributable equity interest		Principal activities
			Direct %	Indirect %	
Great Wall Northeast Asia Corporation ("NAC")	Cayman Islands 3 December 1996	USD58,185,251	100	—	Investment holding
Impreza Investments Ltd. ("Impreza")	BVI 7 November 1996	USD14,700,000	—	100	Investment holding
Great Wall Dalian Investment Co., Ltd. ("Dalian Investment")	BVI 23 February 1995	USD24,500,000	—	60	Investment holding
Dalian Great Wall (note (1)) 大成食品(大連)有限公司	PRC 6 December 1995	USD20,500,000	—	60	Manufacturing and trading of animal feeds, husbandry and trading of poultry and livestock, processing and trading of meat and meat products
Dalian Gourmet (note (1)) 大成美食(大連)有限公司	PRC 22 August 2000	USD5,000,000	—	60	Food processing
Great Wall Agritech (Liaoning) Co., Limited ("Liaoning Greatwall (BVI)")	BVI 13 September 1990	USD5,026,381	—	100	Investment holding

16 INVESTMENTS IN SUBSIDIARIES (Cont'd)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up/ registered capital	Attributable equity interest Direct %	Attributable equity interest Indirect %	Principal activities
Global Food Corporation ("Global Food") 環球食品有限公司	Samoa 23 January 2003	USD1	—	100	Trading of meat and meat products
Great Wall Agritech (Liaoning) Co., Limited ("Liaoning Greatwall (HK)") 大成長城農技(遼寧)有限公司	Hong Kong 24 July 1990	HKD200,000	—	100	Investment holding
Liaoning Greatwall (note (1)) 遼寧大成農牧實業有限公司	PRC 19 July 1990	USD7,320,000	—	100	Manufacturing and trading of animal feeds, husbandry and trading of poultry and livestock, processing and trading of meat and meat products
Great Wall Agrotech Feed (Shenyang) Co., Ltd. ("Shenyang Great Wall") 大成農技飼料(瀋陽)有限公司	PRC 16 May 2007	USD3,038,000	—	100	Manufacturing and trading of animal feeds, husbandry and trading of poultry and livestock, processing and trading of meat and meat products
Greatwall Agri (Heilongjiang) Co., Ltd. ("Heilongjiang Greatwall") (note (1)) 大成農牧(黑龍江)有限公司	PRC 25 May 2005	USD1,000,000	—	100	Manufacturing and trading of animal feeds
Dongbei Agri Corporation ("Dongbei Agri")	BVI 27 November 1996	USD5,240,000	—	100	Investment holding

16 INVESTMENTS IN SUBSIDIARIES (Cont'd)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up/ registered capital	Attributable equity interest Direct %	Attributable equity interest Indirect %	Principal activities
Yingkou Great Wall (note (1)) 大成農牧(營口)有限公司	PRC 1 April 1997	USD3,910,000	—	100	Manufacturing and trading of animal feeds, processing and trading of meat and meat products
Greatwall Agri (Tieling) Co., Ltd. ("Tieling Greatwall") (note (1)) 大成農牧(鐵嶺)有限公司	PRC 16 May 1997	USD7,520,000	—	100	Manufacturing and trading of animal feeds, husbandry and trading of poultry and livestock, processing and trading of meat and meat products
Dongbei Agri (Changchun) Co., Ltd. ("Changchun Agri") (note (1)) 東北農牧(長春)有限公司	PRC 28 August 2006	USD1,000,000	—	100	Manufacturing and trading of animal feeds
Hunan Greatwall Technologies & Feeds Co., Ltd. ("Hunan Greatwall") (note (1)) 湖南大成科技飼料有限公司	PRC 8 October 2006	USD2,200,000	—	100	Manufacturing and trading of animal feeds
Tieling Greatwall Trade Co., Ltd. ("Tieling Trade") (note (1)) 鐵嶺大成商貿有限公司	PRC 23 June 2004	RMB2,000,000	—	100	Trading of animal feeds
Beijing Trade (notes (1) and (3)) 北京漢亞商貿有限公司	PRC 21 May 1998	RMB1,000,000	—	100	Manufacturing and trading of animal feeds
Hwabei Agri Corporation ("Hwabei Agri")	BVI 23 December 1998	USD1	—	100	Investment holding

16 INVESTMENTS IN SUBSIDIARIES (Cont'd)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up/ registered capital	Attributable equity interest		Principal activities
			Direct %	Indirect %	
DaChan Wanda (HK) Limited ("Hong Kong DaChan") 大成萬達(香港)有限公司	Hong Kong 26 June 1984	USD2,892,000	—	100	Investment holding
Tianjin DaChan (note (1)) 大成萬達(天津)有限公司	PRC 26 October 1992	RMB146,790,440	—	100	Manufacturing and trading of animal feeds, husbandry and trading of poultry and livestock, processing and trading of meat and meat products
Union Manufacturing Limited ("Union Manufacturing")	BVI 7 February 1996	USD4,800,000	—	100	Investment holding
Greatwall Gourmet (Shanghai) Co., Ltd. ("Shanghai Gourmet") (note (1)) 大成美食(上海)有限公司	PRC 5 September 1996	USD4,040,000	—	100	Manufacturing and trading of meat and meat products
Great Wall Kuang-Ming Investment (BVI) Co., Ltd. ("Kuang-Ming Investment")	BVI 17 March 1995	USD1,000,000	—	100	Investment holding
Asia Nutrition Technologies (VN) Investment Co., Ltd. ("ANTIC-VN")	BVI 7 September 1998	USD7,615,590	—	65.51	Investment holding
ANT-HN	Vietnam 22 January 2003	Vietnamese Dong ("VND") 46,776,500,000	—	65.51	Manufacturing and trading of animal feeds

16 INVESTMENTS IN SUBSIDIARIES (Cont'd)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up/ registered capital	Attributable equity interest Direct %	Attributable equity interest Indirect %	Principal activities
ANT-VN	Vietnam 29 April 1995	VND76,931,050,000	—	65.51	Manufacturing and trading of animal feeds
Great Wall Nutrition Technologies Sdn. Bhd. ("Great Wall Malaysia")	Malaysia 3 August 1990	Malaysian Ringgit 4,373,770	—	100	Manufacturing and sales of animal feeds
Golden Harvest Inc. ("Golden Harvest")	Samoa 25 November 2003	USD1	—	65.51	Trading of feed ingredients
Asia Nutrition Technologies (LA) Co., Ltd. ("ANT-LA")	Vietnam 13 April 2007	VND48,000,000,000	—	65.51	Manufacturing and trading of feed meal and related additives, aquatic products, veterinary and aquatic medicine
Marksville Corporation ("Marksville")	BVI 15 June 2007	USD1	—	100	Investment holding

Notes:

(1) The English translation of the company names is for reference only. The official names of these companies are in Chinese.

(2) All PRC subsidiaries are wholly foreign-owned enterprises.

(3) The Group acquired the entire equity interest in Beijing Trade on 1 September 2006 at a consideration of approximately RMB9,800 (approximately of USD1,300) which was the carrying value of the assets and liabilities acquired as at 1 September 2006. The acquisition has no material financial effect on the Group.

17 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2007	2006
	USD'000	USD'000
Share of net assets	3,828	3,947

Details of the Group's interests in jointly controlled entities are as follows:

Name of jointly controlled entities	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest %	Held by the Company %	Held by a subsidiary %	Principal activities
Miyasun-Great Wall (BVI) Co., Ltd. ("Miyasun - Great Wall")	Incorporated	BVI	USD2,000,000	50	—	50	Investment holding
Eiko Foods (Dalian) Co., Ltd. * ("Eiko-Foods") 永康食品(大連)有限公司	Incorporated	PRC	USD500,000	50	—	50	Manufacturing and trading of animal food
Miyasun-Great Wall Foods (Dalian) Co., Ltd. * ("Miyasun Foods") 大成宮產食品(大連)有限公司	Incorporated	PRC	USD4,500,000	50	—	50	Foods processing
Universal Food Corporation (Formerly known as Dramamine Ltd.) ("Universal Foods") 環宇食品有限公司	Incorporated	Samoa	USD1	50	—	50	Trading of meat and meat products

* The English translation of the Company names is for reference only. The official names of these companies are in Chinese.

17 INTERESTS IN JOINTLY CONTROLLED ENTITIES (Cont'd)

All jointly controlled entities established in the PRC are wholly foreign-owned enterprises.

Summary financial statements on jointly controlled entities - Group's effective interest:

	2007 USD'000	2006 USD'000
Non-current assets	4,387	4,445
Current assets	4,401	4,459
Current liabilities	(4,960)	(4,957)
Net assets	3,828	3,947
Income	16,645	16,253
Expenses	(16,874)	(15,491)
(Losses)/ profits for the year	(229)	762

18 INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	The Group	
	2007 USD'000	2006 USD'000
Animal feeds	64,861	40,648
Poultry and chilled meats	22,153	8,159
Processed foods	3,274	1,343
Agricultural produce	895	539
Consumables	4,594	3,736
	95,777	54,425

(b) A provision of USD892,000 (2006: USD1,034,000) was made against those inventories with net realisable value lower than the carrying values as at 31 December 2007. Other than this provision, none of the inventories as at 31 December 2006 and 2007 were carried at net realisable value.

18 INVENTORIES (Cont'd)

(c) The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2007	2006
	USD'000	USD'000
Carrying amount of inventories sold	765,209	539,073
Write-down of inventories	550	—
Reversal of write-down of inventories	(692)	(947)
Fair value of agricultural produce on initial recognition	7,586	3,452
Reversal of fair value of agricultural produce due to sales and disposals	(7,230)	(3,126)
	765,423	538,452

(d) Production quantities of agricultural produce:

	The Group	
	2007	2006
Broiler breeder eggs (units)	25,090,000	24,020,000

(e) Movements of the agricultural produce, representing broiler breeder eggs, are summarised as follows:

	The Group	
	2007	2006
	USD'000	USD'000
At 1 January	539	213
Increase due to lay	7,586	3,452
Decrease due to sales and disposals	(7,230)	(3,126)
At 31 December	895	539

19 BIOLOGICAL ASSETS

Movements of the biological assets, representing immature and mature breeders, are summarised as follows:

	The Group	
	2007	2006
	USD'000	USD'000
At 1 January	**798**	1,165
Increase due to purchases	**687**	134
Decrease due to retirement and deaths	**(239)**	(308)
Change in fair value less estimated point-of-sale costs	**472**	(193)
At 31 December	**1,718**	798

The number of biological assets is summarised as follows:

	The Group	
	2007	2006
	Units	Units
Chickens bred for growth into mature breeders	**67,865**	45,702
Mature breeders	**170,948**	112,178
	238,813	157,880

The immature breeders are primarily bred for further growth into mature breeders. The mature breeders are primarily held to produce agricultural produce.

The Group's breeders were revalued at each balance sheet date by the directors on a fair value basis. The fair value less estimated point-of-sale costs of the biological assets is determined using the sales comparison approach. The sales comparison approach estimates value by comparing biological assets with similar size, species and age in the relevant market, and takes into account factors such as differences in characteristics or features of value, in breeder market, and in time.

20 TRADE AND OTHER RECEIVABLES

	The Group		The Company
	2007	2006	2007
	USD'000	USD'000	USD'000
Trade receivables	27,876	21,339	—
Amounts due from related parties (note 27(d))	3,881	419	—
Advances to staff	659	605	—
VAT recoverable (i)	21,987	19,538	—
Deposits paid for purchase of fixed assets	1,674	1,710	—
Suppliers' deposits	2,597	1,187	—
Deposits and prepayments ((ii) and (iii))	7,516	5,128	138
Other receivables	4,214	1,323	866
	70,404	51,249	1,004

(i) The VAT recoverable represents the unutilised input VAT eligible for offset against future output VAT. The unutilised input VAT arose mainly due to the insufficient output VAT on sales of chicken meats to offset the input VAT on purchases of live chickens from contract farmers. The directors of the Company are of the opinion that the VAT recoverable as at 31 December 2007 will be utilised progressively in accordance with the Group's future plan.

(ii) Prepayments consist of advance payments made to suppliers for purchases of raw materials and other prepaid expenses.

(iii) Included in deposits and prepayments as at 31 December 2007 and 2006 was a rental prepayment of USD1 million and USD1.2 million respectively paid to a jointly controlled entity in respect of rental of machinery by the Group.

All of the trade and other receivables (including amounts due from related parties) are expected to be recovered within one year.

20 TRADE AND OTHER RECEIVABLES (Cont'd)

(a) 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	
	2007	2006
	USD'000	USD'000
Current	24,559	17,571
Less than 30 days past due	1,494	1,683
31 - 60 days past due	993	766
61 - 90 days past due	365	757
More than 90 days past due	465	562
Total	27,876	21,339

(b) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group	
	2007	2006
	USD'000	USD'000
At 1 January	1,305	1,257
Charged to consolidated income statement	209	328
Reversal of impairment loss	—	(280)
Uncollectible amounts written off	(100)	—
At 31 December	1,414	1,305

20 TRADE AND OTHER RECEIVABLES (Cont'd)

(b) Impairment of trade and other receivables (Cont'd)

At 31 December 2007, the Group's trade and other receivables of USD1,414,000 (2006: USD1,305,000) were determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, allowances for doubtful debts of USD1,414,000 (2006: USD1,305,000) were recognised. The Group does not hold any collateral over these balances.

(c) Trade receivables that are not impaired

Receivables that were neither past due nor impaired (disclosed as current in the table given in note 20(a)) relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired (as shown in the table in note 20(a)) related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Further details on the Group's credit policy are set out in note 28(a).

21 CASH AND CASH EQUIVALENTS

	The Group		The Company
	2007	2006	2007
	USD'000	USD'000	USD'000
Cash at bank and in hand	97,723	19,778	71,516
Bank overdrafts (note 22(a))	(83)	(82)	—
Cash and cash equivalents in the consolidated cash flow statement	97,640	19,696	71,516

As at 31 December 2007, cash at bank and in hand in the PRC included in the cash and cash equivalents for the Group amounted to USD19,232,000 (2006: USD13,598,000). The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

22 INTEREST-BEARING BORROWINGS

(a) Bank loans and overdrafts were repayable as follows:

	The Group	
	2007	2006
	USD'000	USD'000
Bank overdrafts (note 21)	83	82
Bank loans		
- repayable within one year	52,676	43,425
- repayable after 1 year but within 2 years	2,010	694
- repayable after 2 years but within 5 years	3,991	—
	58,677	44,119
Total bank loans and overdrafts	58,760	44,201
Less: bank loans and overdrafts repayable within one year classified as current liabilities	(52,759)	(43,507)
	6,001	694

22 INTEREST-BEARING BORROWINGS (Cont'd)

(b) Terms

	The Group	
	2007	2006
	USD'000	USD'000
Secured bank overdrafts:		
- Floating interest rate ranging from 8.5% - 8.8% per annum (2006: 7.5% - 8.7% per annum)	**83**	82
Secured bank loans:		
- Floating interest rate ranging from 6.2% - 7.1% per annum (2006: 3.6% - 6.9% per annum)	**13,556**	13,698
	13,639	13,780
Unsecured bank loans:		
- Floating interest rate ranging from 5.4% - 7.9% per annum (2006: 3.6% - 6.9% per annum)	**45,121**	30,421
Total bank loans and overdrafts	**58,760**	44,201

(c) The secured bank loans and overdrafts are secured by the following assets:

	The Group	
	2007	2006
	USD'000	USD'000
Buildings	**2,386**	3,722
Lease prepayments	**5,716**	1,994
Pledged bank deposits (i)	**—**	200
Plant and machinery	**1,863**	13,309
Motor vehicles	**55**	—
	10,020	19,225

(i) The remaining balance of pledged deposits as shown in the consolidated balance sheet was placed as security for banking facilities granted by banks to the Group.

23 TRADE AND OTHER PAYABLES

	The Group		The Company
	2007	2006	2007
	USD'000	USD'000	USD'000
Trade payables	59,855	37,178	—
Bills payable	1,685	329	—
Amounts due to related parties (note 27(e))	2,335	2,494	—
Receipts in advance	3,701	3,152	—
Other payables and accruals	36,876	22,791	1,945
	104,452	65,944	1,945

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

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

	The Group	
	2007	2006
	USD'000	USD'000
Within 30 days	55,879	34,323
31 days to 60 days	2,184	1,653
61 days to 90 days	927	500
91 days to 180 days	865	702
	59,855	37,178

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

23 TRADE AND OTHER PAYABLES (Cont'd)

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

	The Group		The Company
	2007	2006	2007
	USD'000	USD'000	USD'000
Salaries, wages, bonuses and other benefits payable	12,326	7,326	884
Payables for purchases of fixed assets	4,211	2,793	—
Security deposits (i)	5,721	3,510	—
Accrued expenses (ii)	5,125	3,159	56
Provision for onerous contracts (iii)	1,812	1,511	—
Other payables	7,681	4,492	1,005
	36,876	22,791	1,945

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

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

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

	The Group	
	2007	2006
	USD'000	USD'000
At beginning of the year	1,511	—
Provision for the year	1,812	1,511
Utilisation during the year	(1,511)	—
At end of the year	1,812	1,511

A provision of USD1,812,000 (2006: USD1,511,000) has been recognised for the expected loss on sales contracts entered into during the year. It is expected that the loss will be incurred in the next financial year.

24 DEFERRED TAXATION

Recognised deferred tax assets and (liabilities)

The components of deferred tax assets and (liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

	Property, plant and equipment USD'000	Provision for stock USD'000	Impairment loss - receivables USD'000	Others USD'000	Total USD'000
At 1 January 2006	(26)	—	16	89	79
Recognised in consolidated income statement (note 8(b))	(9)	—	3	(79)	(85)
At 31 December 2006	(35)	—	19	10	(6)
At 1 January 2007	(35)	—	19	10	(6)
Recognised in consolidated income statement (note 8(b))	8	64	147	398	617
At 31 December 2007	(27)	64	166	408	611

Deferred tax assets and (liabilities) as at 31 December 2006 and 2007 are attributable to the following:

	The Group	
	2007 USD'000	2006 USD'000
Net deferred tax assets recognised on the balance sheet	638	29
Net deferred tax liabilities recognised on the balance sheet	(27)	(35)
	611	(6)

25 CAPITAL AND RESERVES

(a) Share capital

Authorised and issued share capital

	2007	
	Number of shares '000	Amount USD'000
Authorised:		
Ordinary shares of HKD0.1 each at date of incorporation	3,800	49
Increase during the year (ii)	9,996,200	128,156
	10,000,000	128,205
Ordinary shares, issued and fully paid:		
Shares issued upon incorporation (i)	1	—
Issuance of new shares on Reorganisation (iii)	1,999	25
Capitalisation issue (iv)	748,000	9,590
Issuance of shares for placing and public offering (v)	260,662	3,342
	1,010,662	12,957

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(i) The Company was incorporated on 18 May 2007 with an authorised share capital of HKD380,000 divided into 3,800,000 ordinary shares of HKD0.1 each. On the same day, one subscriber's share in the Company was allotted and issued to Reid Services Limited and then was transferred to its immediate holding company, Waverley Star Limited at a consideration of HKD0.1.

(ii) At the extraordinary shareholders' meeting held on 14 September 2007, the Company's authorised share capital was increased from HKD380,000 to HKD1,000,000,000 by the creation of an additional 9,996,200,000 ordinary shares of HKD0.1 each, ranking pari passu with the existing ordinary shares of the Company in all aspects.

(iii) Pursuant to the Reorganisation, the Company allotted and issued, credited as fully paid, a total of 1,114,605, 318,458, 159,230 and 407,706 ordinary shares of HKD0.1 each to Waverley Star Limited, Prowell Ventures Pte. Limited, Continental Enterprises Limited and Asia Nutrition Technologies Corporation respectively, as consideration for the acquisition of the entire share capital of NAC, which owned and controlled all the then operating subsidiaries.

25 CAPITAL AND RESERVES (Cont'd)

(a) Share capital (Cont'd)

(iv) On 14 September 2007, an amount of HKD74,800,000 (approximately USD9,590,000) standing to the credit of the share premium account was applied in paying up in full 748,000,000 shares of HKD0.1 each. The shares were allotted and distributed as fully paid to the then shareholders of the Company in the proportion of their respective shareholdings.

(v) On 14 September 2007, 260,662,000 additional ordinary shares were issued and offered for subscription at an issue price of HKD2.90 per share upon the listing of the Company's shares on the main board of the Stock Exchange. The proceeds of HKD26,066,200 (approximately USD3,342,000) representing the par value were credited to the Company's share capital. The remaining proceeds of HKD729,853,600 (approximately USD93,571,000) were credited to the share premium account.

(vi) Share capital at 31 December 2006 represented the aggregated amount of paid-in capital of the companies comprising the Group, after elimination of investments in subsidiaries.

(b) Nature and purpose of reserves

(i) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company. Under the Companies Law of Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debt as they fall due in the ordinary course of business.

(ii) Merger reserve

Pursuant to the Reorganisation, the Company issued 1,999,999 ordinary shares of HKD0.1 each to the then shareholders of NAC in consideration of acquiring their equity interests held in NAC. The difference between the then shareholders' total capital contributions to NAC over the nominal value of the shares issued by the Company in exchange thereof was transferred to the merger reserve in the consolidated financial statements as at the date of Reorganisation.

25 CAPITAL AND RESERVES (Cont'd)

(b) Nature and purpose of reserves (Cont'd)

(iii) PRC statutory reserves

Transfers from retained profits to PRC statutory reserves are made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

General reserve fund

The subsidiaries in the PRC are required to appropriate 10% of their after-tax profit, as determined in accordance with the PRC accounting rules and regulations, to general reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Enterprise development fund

Certain subsidiaries in the PRC are required to set up an enterprise development fund. Transfers to this fund are made at the discretion of the board of directors of the subsidiaries. This fund can only be utilised on capital items for the collective benefit of the subsidiaries' employees such as the construction of dormitories, canteens and other staff welfare facilities. This fund is non-distributable other than on liquidation. The transfer to this fund must be made before distribution of a dividend to shareholders.

(iv) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

25 CAPITAL AND RESERVES (Cont'd)

(c) The Company

	Note	Share premium USD'000	Contributed surplus USD'000	Accumulated loss USD'000	Total USD'000
At date of incorporation		—	—	—	—
Arising from Reorganisation	(i)	—	98,537	—	98,537
Capitalisation issue	25 (a)(iv)	(9,590)	—	—	(9,590)
Issuance of shares for placing and public offering	25 (a)(v)	93,571	—	—	93,571
Share issuing cost		(7,860)	—	—	(7,860)
Loss for the period		—	—	(1,655)	(1,655)
At 31 December 2007		76,121	98,537	(1,655)	173,003

(i) Contributed surplus represents the excess of the fair value of the shares of NAC determined based on the basis of the consolidated net assets of NAC at the date of the Reorganisation over the nominal value of the shares issued by the Company in exchange thereof.

(d) Distributability of reserves

At 31 December 2007, the aggregate amount of reserves available for distribution to equity shareholders of the Company, including the distributable amounts disclosed in note 25(b)(i), was USD173,003,000.

(e) Capital management

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose the Group defines net debt as total debt (which includes interest-bearing borrowings, trade and other payables) plus unaccrued proposed dividends, less cash and cash equivalents and pledged bank deposits.

Capital comprises all components of equity.

25 CAPITAL AND RESERVES (Cont'd)

(e) Capital management (Cont'd)

During 2007, the Group's strategy, which was unchanged from 2006, was to maintain the net debt-to-capital ratio at the lower end of the range from 50% to 100%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends payable to shareholders, issue new shares or return capital to shareholders.

The net debt-to-capital ratio at 31 December 2006 and 2007 was as follows:

		The Group	
	Note	**2007**	2006
		USD'000	USD'000
Current liabilities:			
- Trade and other payables	23	**104,452**	65,944
- Interest-bearing borrowings	22	**52,759**	43,507
- Amounts due to related parties	27(e)	**188**	4,699
		157,399	114,150
Non-current liabilities:			
- Interest-bearing borrowings	22	**6,001**	694
Total debt		**163,400**	114,844
Less: Cash and cash equivalents	21	**(97,723)**	(19,778)
Pledged bank deposits		**(1,562)**	(789)
Net debt		**64,115**	94,277
Capital		**212,698**	88,095
Net debt-to-capital ratio		**30%**	107%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2007 not provided for in the financial statements were as follows:

	The Group	
	2007	2006
	USD'000	USD'000
Contracted for	3,397	424
Authorised but not contracted for	54,691	1,354
	58,088	1,778

(b) At 31 December 2007, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2007	2006
	USD'000	USD'000
Within 1 year	1,379	948
After 1 year but within 5 years	1,071	2,077
After 5 years	3,947	3,233
	6,397	6,258

The Group leases a number of properties under operating leases. The leases run for an initial period of one to seven years, with an option to renew the leases when all terms are renegotiated. None of the leases includes contingent rentals.

26 COMMITMENTS (Cont'd)

(c) The Group entered into one-year contracts (renewable and reviewed annually) with certain selected farmers ("Contract Farmers") under which the Group agrees to purchase live chickens, upon fulfilment of certain quality requirements, from the Contract Farmers at an agreed price determined based on the then prevailing market prices. The amounts of live chickens contracted to be purchased from the Contract Farmers at each balance sheet date were as follows:

	The Group	
	2007	2006
	USD'000	USD'000
Contracted for	**29,283**	13,450

(d) The Group entered into one-year contracts (renewable and reviewed annually) with certain customers under which the Group agrees to sell chicken meat at an agreed price determined based on the then prevailing market prices. The pre-determined price typically agreed on a quarterly basis. The amounts of chicken meat contracted to be sold to these customers at each balance sheet date were as follows:

	The Group	
	2007	2006
	USD'000	USD'000
Contracted for	**13,729**	11,338

27 RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions.

(a) Name and relationship with related parties

During the year, transactions with the following parties are considered as related party transactions:

Name of party	Relationships
Great Wall Enterprise Co., Ltd. ("GWE") 大成長城企業股份有限公司*	Ultimate holding company
Great Wall International (Holdings) Ltd. ("GWIH")	Intermediate holding company
Dalian DaChan Lianghong Food Co., Ltd. ("DLF") 大連大成糧紅食品有限公司*	Associate of GWIH, intermediate holding company of the Company
Beijing Han Ya Feed Nutrition Technologies Co., Ltd. ("Beijing Han Ya") 北京漢亞飼料營養科技有限公司*	Subsidiary of GWIH, intermediate holding company of the Company
Land O' Lakes/Great Wall Enterprise Nutrition Technologies (Beijing) Co., Ltd. ("LOL-BJ") 大成藍雷營養科技(北京)有限公司*	Associate of GWIH, intermediate holding company of the Company
Great Wall Food (Shekou) Co., Ltd. ("GWSK") 大成食品(蛇口)有限公司*	Associate of GWIH, intermediate holding company of the Company
Beijing Food China Online Information and Technology Ltd. ("BJFC") 北京富強在線信息技術有限公司*	Associate of GWIH, intermediate holding company of the Company
Great Wall Yung Huo Food (Beijing) Co., Ltd. ("GWYHB") 北京大成永和餐飲有限公司*	Subsidiary of GWE, ultimate holding company of the Company

27 RELATED PARTY TRANSACTIONS (Cont'd)

(a) Name and relationship with related parties (Cont'd)

Name of party	Relationships
Beijing Universal Chain Food Co., Ltd. ("BUCF") 北京寰城季諾餐飲有限公司*	Subsidiary of GWE, ultimate holding company of the Company
Total Nutrition Technologies Co., Ltd. ("TNT") 全能營養技術股份有限公司*	Subsidiary of GWE, ultimate holding company of the Company
Great Wall Food (Tianjin) Co., Ltd. ("GWF-TJ") 大成食品(天津)有限公司*	Subsidiary of GWIH, intermediate holding company of the Company
Dachan Showa Foods (Tianjin) Co., Ltd. ("DSF") 大成昭和食品(天津)有限公司*	Subsidiary of GWIH, intermediate holding company of the Company
Great Wall Food (Hong Kong) Co., Ltd. ("GWF") 大成食品(香港)有限公司*	Subsidiary of GWIH, intermediate holding company of the Company
Tianjin Food Investment Co., Ltd. ("TFI")	Subsidiary of GWIH, intermediate holding company of the Company
Kota Temasik Sdn. Bhd. ("Kota")	Subsidiary of GWIH, intermediate holding company of the Company
Asia Nutrition Technologies Corporation ("ANTC")	Minority shareholder
Marubeni Corporation ("Marubeni")	Minority shareholder

* The English translation of the company names is for reference only. The official names of these companies are in Chinese.

27 RELATED PARTY TRANSACTIONS (Cont'd)

(b) Significant related party transactions

Particulars of significant related party transactions during the year are as follows:

	2007 USD'000	2006 USD'000
Recurring		
Sales to:		
A jointly controlled entity		
- Miyasun Foods	14,348	11,921
A minority shareholder		
- Marubeni	22,697	15,219
Fellow subsidiaries		
- Beijing Han Ya	121	238
- BUCF	6	3
- GWYHB	65	40
- Kota	178	664
- TNT	15	—
	385	945
Other related party		
- LOL-BJ	1	35
	37,431	28,120

27 RELATED PARTY TRANSACTIONS (Cont'd)

(b) Significant related party transactions (Cont'd)

	2007 USD'000	2006 USD'000
Recurring (Cont'd)		
Purchases from:		
A jointly controlled entity		
- Miyasun Foods	1,793	1,686
Ultimate holding company		
- GWE	174	203
Fellow subsidiaries		
- Beijing Han Ya	25	45
- GWF-TJ	202	118
- DSF	674	177
- TNT	108	—
	1,009	340
Other related parties		
- DLF	—	14
- LOL-BJ	34	—
	34	14
	3,010	2,243
Management fees received from:		
Jointly controlled entities		
- Miyasun-Great Wall (i)	118	—
- Miyasun Foods (i)	69	142
	187	142
Management fee paid to:		
A minority shareholder		
- Marubeni (ii)	100	100
Rent paid to:		
A fellow subsidiary		
- GWF-TJ	8	8

27 RELATED PARTY TRANSACTIONS (Cont'd)

(b) Significant related party transactions (Cont'd)

	2007 USD'000	2006 USD'000
Non-recurring		
Management fees paid to:		
Ultimate holding company		
- GWE	187	—
Intermediate holding company		
- GWIH (iii)	1,740	2,781
A jointly controlled entity		
- Miyasun Foods	128	—
	2,055	2,781
Compensation received from:		
A jointly controlled entity		
- Miyasun Foods (iv)	—	1,286
Interest received from:		
A jointly controlled entity		
- Miyasun Great Wall	28	—
Interest paid to:		
Intermediate holding company		
- GWIH	7	207
A minority shareholder		
- ANTC	50	99
	57	306

27 RELATED PARTY TRANSACTIONS (Cont'd)

(b) Significant related party transactions (Cont'd)

(i) The management fees received from jointly controlled entities were principally for the reimbursement of staff costs.

(ii) The management fee paid to a minority shareholder was primarily for the technical assistance rendered to a subsidiary in respect of its food processing activities.

(iii) Included in the management fee was an amount of USD2.5 million and USD1.7 million being reimbursement of staff costs for the year ended 31 December 2006 and 2007 respectively to the intermediate holding company which was included in "staf costs" (see note 7(b)). Such arrangement was terminated in September 2007.

(iv) In 2003, a subsidiary of the Group entered into a food processing agreement with a jointly controlled entity under which the Group agreed to supply processed foods to the jointly controlled entity and the jointly controlled entity guaranteed a minimum amount of profits to be shared by the Group. The minimum profits had not been achieved and the food processing agreement was terminated. As a result, the Group received from the jointly controlled entity a compensation of approximately USD1.3 million in 2006. The compensation received was determined on a mutually agreed basis.

(v) During the year, the Group used the technology know-how owned by GWIH and trademarks owned by GWE free of charge.

The directors of the Company are of the opinion that the above transactions with related parties, were conducted on normal commercial terms and in the ordinary course of business and the terms are fair and reasonable so far as the shareholders of the Company are concerned.

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2007	2006
	USD'000	USD'000
Short term employee benefits	1,347	535
Post-employment benefits	16	—
	1,363	535

Total remuneration was included in "staff costs"(note 7(b)).

27 RELATED PARTY TRANSACTIONS (Cont'd)

(d) Amounts due from related parties

As at balance sheet dates, the Group had the following balances with related parties:

	2007 USD'000	2006 USD'000
Trade receivables from (i):		
A jointly controlled entity		
- Miyasun Foods	1,490	317
Fellow subsidiaries		
- Beijing Han Ya	—	7
- BUCF	1	1
- GWYHB	7	10
- Kota	—	39
	8	57
Other related parties		
- LOL-BJ	—	5
- BJFC	—	39
- GWSK	—	1
	—	45
A minority shareholder		
- Marubeni	2,383	—
Included in trade and other receivables (note 20)	3,881	419

27 RELATED PARTY TRANSACTIONS (Cont'd)

(d) Amounts due from related parties (Cont'd)

	2007	2006
	USD'000	USD'000
Advances to:		
Intermediate holding company		
- GWIH (ii)	—	585
A jointly controlled entity		
- Miyasun-Great Wall (iii)	200	189
A fellow subsidiary		
- GWF	—	4
	200	778
Loan to:		
A jointly controlled entity		
- Miyasun-Great Wall (iv)	2,500	—
	2,700	778

(i) Trade receivables from related parties are unsecured, interest free and are expected to be recovered within one year. There was no impairment loss made against these amounts at 31 December 2006 and 2007.

(ii) Advances to intermediate holding company represent management fee received from subsidiaries by the intermediate holding company on behalf of the Group, partly offset by loan interest and management fee payable to the intermediate holding company.

(iii) Advances to a jointly controlled entity represent management fee received from the jointly controlled entity.

(iv) The loan to a jointly controlled entity was unsecured, bearing interest at 6.8% per annum and repayable on demand.

27 RELATED PARTY TRANSACTIONS (Cont'd)

(e) Amounts due to related parties

As at balance sheet dates, the Group had the following balances with related parties:

	2007 USD'000	2006 USD'000
Trade payables to (i):		
Fellow subsidiaries		
- Beijing Han Ya	—	14
- DSF	30	—
- GWF-TJ	25	19
- Kota	11	—
	66	33
A jointly controlled entity		
- Miyasun Foods	2,267	2,461
Other related party		
- LOL-BJ	2	—
Included in trade and other payables (note 23)	2,335	2,494

27 RELATED PARTY TRANSACTIONS (Cont'd)

(e) Amounts due to related parties (Cont'd)

	2007 USD'000	2006 USD'000
Advances from (ii):		
Ultimate holding company		
- GWE	187	—
Intermediate holding company		
- GWIH	—	1,563
Fellow subsidiaries		
- GWF	—	105
- TFI	—	3
- Beijing Han Ya	—	110
	—	218
A jointly controlled entity		
- Miyasun-Great Wall	1	—
A minority shareholder		
- ANTC	—	13
	188	1,794
Loans from:		
Intermediate holding company		
- GWIH (iii)	—	1,000
A minority shareholder		
- ANTC (iv)	—	1,905
	—	2,905
	188	4,699

27 RELATED PARTY TRANSACTIONS (Cont'd)

(e) Amounts due to related parties (Cont'd)

(i) Trade payables from related parties are unsecured, interest free and are expected to be paid within one year.

(ii) Advances from related parties represent payment made on behalf by related parties.

(iii) The loan from intermediate holding company was unsecured, bearing interest at SIBOR plus 1% per annum and repayable on demand.

(iv) The loan from a minority shareholder was unsecured, bearing interest at SIBOR plus 1% per annum and repayable on demand.

28 FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, interest-bearing borrowings and trade and other payables. Exposure to credit, interest rate, currency, business, liquidity and commodity price risks arise in the normal course of the Group's business.

(a) Credit risk

It is the risk that a counterparty is unable to pay amount in full when due. It arises primarily from the Group's trade receivables and amounts due from related parties. The Group limits its exposure to credit risk by rigorously selecting counterparties. The Group mitigates its exposure to risk relating to accounts receivable by dealing with diversified customers with sound financial standing. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. In addition, all receivable balances are monitored on an ongoing basis and overdue balances are followed up by senior management. The Group's diversified business base ensures that there are no significant concentrations of credit risk for a particular customer. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

28 FINANCIAL INSTRUMENTS (Cont'd)

(b) Interest rate risk

The interest rates and terms of repayment of the interest-bearing borrowings of the Group are disclosed in note 22. The Group's variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings (as defined above) at the balance sheet date.

	The Group			
	2007		2006	
	Effective interest rate %	USD'000	Effective interest rate %	USD'000
Floating rate borrowings:				
- Bank overdrafts	8.5% - 8.8%	83	7.5% - 8.7%	82
- Bank loans	5.4% - 7.9%	58,677	3.6% - 6.9%	44,119
Total net borrowings		58,760		44,201

(ii) Sensitivity analysis

At 31 December 2007, it is estimated that a general increase/ decrease of 100 basis points in interest rates, which other variables held constant, would decrease/ increase the Group's profit after tax and retained profits by approximately USD584,000 (2006: USD387,000), and there is no impact on other components of the consolidated equity, except for retained profits of the Group.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase/ decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2006.

28 FINANCIAL INSTRUMENTS (Cont'd)

(c) Currency risk

Substantially all of the revenue-generating operations of the Group are transacted in RMB, which is not freely convertible into foreign currencies. On 1 January 1994, the PRC government abolished the dual rate system and introduced a single rate of exchange as quoted by the People's Bank of China (the "PBOC"). However, the unification of the exchange rate does not imply convertibility of RMB into other foreign currencies. All foreign exchange transactions involving RMB must take place through the PBOC or other institutions authorised to buy and sell foreign currencies.

As Hong Kong dollar is pegged with United States dollar, the Group considers the currency risk of Hong Kong dollar position is insignificant.

(i) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

The Group

	2007		2006	
	USD '000	European Euro '000	USD '000	European Euro '000
Trade and other receivables	2,788	770	319	—
Cash and cash equivalents	50	—	—	—
Trade and other payables	(12)	(9)	(765)	—
Interest-bearing borrowings	(31,883)	—	(16,829)	—
Gross exposure arising from recognised assets and liabilities	(29,057)	761	(17,275)	—

28 FINANCIAL INSTRUMENTS (Cont'd)

(c) Currency risk (Cont'd)

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax and retained profits and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower.

The Group

	2007		2006	
	Increase/ (decrease) in foreign exchange rate	Effect on profit after tax and retained profits USD'000	Increase/ (decrease) in foreign exchange rate	Effect on profit after tax and retained profits USD'000
USD	8%	2,324	8%	1,382
	(8%)	(2,324)	(8%)	(1,382)
European Euro	8%	(61)	—	—
	(8%)	61	—	—

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the Group entities' exposure to currency risk for non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2006.

28 FINANCIAL INSTRUMENTS (Cont'd)

(d) Business risk

The Group is exposed to financial risks arising from changes in prices of livestock and livestock's agricultural produce and the change in cost and supply of feed ingredients, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and livestock diseases. The Group has little or no control over these conditions and factors.

The Group is subject to risks relating to its ability to maintain animal health status. Livestock health problems could adversely impact production and consumer confidence. The Group monitors the health of its livestock on a regular basis and has procedures in place to reduce potential exposure to infectious diseases. Although policies and procedures have been put into place, there is no guarantee that the Group will not be affected by epidemic diseases.

The Group manages its exposure to fluctuation in the price of the key raw materials used in the operations by maintaining a large number of suppliers so as to limit high concentration in a particular supplier.

(e) Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of short-term fluctuations in cash flows. The Group's treasury department is responsible for maintaining a balance between continuity and flexibility of funding through the use of banking facilities in order to meet the Group's liquidity requirements.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

28 FINANCIAL INSTRUMENTS (Cont'd)

(e) Liquidity risk (Cont'd)

The Group

	2007				
	Carrying amount USD'000	Total contractual undiscounted cash flow USD'000	Within 1 year or on demand USD'000	More than 1 year but less than 2 years USD'000	More than 2 years but less than 5 years USD'000
Bank overdrafts	83	83	83	—	—
Bank loans	58,677	62,593	56,198	3,187	3,208
Trade and other payables	104,452	104,452	104,452	—	—
Amounts due to related parties	188	188	188	—	—
	163,400	167,316	160,921	3,187	3,208

	2006				
	Carrying amount USD'000	Total contractual undiscounted cash flow USD'000	Within 1 year or on demand USD'000	More than 1 year but less than 2 years USD'000	More than 2 years but less than 5 years USD'000
Bank overdrafts	82	82	82	—	—
Bank loans	44,119	46,719	45,983	736	—
Trade and other payables	65,944	65,944	65,944	—	—
Amounts due to related parties	4,699	4,699	4,699	—	—
	114,844	117,444	116,708	736	—

28 FINANCIAL INSTRUMENTS (Cont'd)

(e) Liquidity risk (Cont'd)

The Company

		2007	
	Carrying amount USD'000	Total contractual undiscounted cash flow USD'000	Within 1 year or on demand USD'000
Other payables and accruals	1,945	1,945	1,945
Amount due to ultimate holding company	187	187	187
	2,132	2,132	2,132

(f) Commodity price risk

The Group is exposed to price risks arising from any unexpected increase in the prices of corn and soybean commodities before committing to purchase of raw materials and any unexpected decreases in the prices of corn and soybean commodities following completion of purchases. To protect the Group from the impact of price fluctuations in corn and soybean commodities, commodity derivative contracts are entered into with independent futures trading agents. Changes in the fair value of commodity derivative contracts that economically hedge the price fluctuations in corn commodities and for which no hedge accounting is applied are recognised in the consolidated income statement. There was no outstanding amount as at 31 December 2006 and 2007.

(g) Fair value

The carrying amounts of significant financial assets and liabilities approximate their respective fair values as at 31 December 2006 and 2007.

28 FINANCIAL INSTRUMENTS (Cont'd)

(h) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments set out in note 28(g) above:

Short-term financial assets and liabilities

The carrying values of trade and other receivables, amounts due from / to related parties, pledged bank deposits, cash and cash equivalents, trade and other payables, and short-term bank loans are estimated to approximate their fair values based on the nature or short-term maturity of these instruments.

29 ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

Note 28(h) contains information about the assumptions relating to the fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of changes in customer preference and competitor actions in response to severe industry cycles. Management reassesses these estimations at the balance sheet date to ensure inventories are stated at the lower of cost and net realisable value.

(ii) Impairment of trade receivables

The Group estimates impairment losses for bad and doubtful debts resulting from inability of the customers to make the required payments. The estimate is based on the ageing of the accounts receivable balance, customer credit-worthiness, and historical write-off experience. If the financial conditions of the customers were to deteriorate, actual write-offs would be higher than estimated.

(iii) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during the year. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

29 ACCOUNTING ESTIMATES AND JUDGEMENTS (Cont'd)

Key sources of estimation uncertainty (Cont'd)

(iv) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(v) Fair value of biological assets and agricultural produce

The Group's biological assets are valued at fair value less estimated point-of-sale costs and the Group's agricultural produce are measured at fair value less estimated point-of-sale costs at the time of lay.

The management considers that there is no active market, market-determined prices or values or professional valuers are not available to carry out the valuation of the biological assets. As such, management uses prices of recent market transactions, market prices for similar assets and sector benchmarks as a basis for measuring fair value. These prices are adjusted to reflect differences in characteristics and/ or stages of growth of the assets.

In respect of agricultural produce, the management is of the view that there is no quoted price in the market and the fair value is determined based on the most recent market transaction price in the local area.

30 NON-ADJUSTING POST BALANCE SHEET EVENTS

On 25 January 2008, NAC, a wholly owned subsidiary had entered into a Co-operation Agreement with the People's Government of Cangshan County (the "PRC Party") to establish a feed and meat production facility in Cangshan County, Shandong Province, the People's Republic of China. The proposed total investment was approximately RMB260 million (approximately USD35,600,000). The construction works had begun in January 2008 and are expected to be completed in two years.

This proposed investment had no financial impact on the consolidated financial statements for the year ended 31 December 2007.

31 CONTINGENT LIABILITIES IN RESPECT OF FINANCIAL GUARANTEES ISSUED

As at the balance sheet date, the Company is one of the entities covered by a cross guarantee arrangement issued by the Company and its subsidiaries to a bank in respect of banking facilities granted to the Group which remains in force so long as the Group has drawn down under the banking facilities. Under the guarantee, the Company and all the subsidiaries that are a party to the guarantee are jointly and severally liable for all and any of the borrowings of each of them form the bank which is the beneficiary of the guarantee.

As at the balance sheet date, the directors do not consider it probable that a claim will be made against the Company under this guarantee. The maximum liability of the Company at the balance sheet date under the cross guarantee is the amount of the facilities drawn down by a subsidiary that is covered by the cross guarantee, being USD1.3 million.

The Group has not recognised any deferred income in respect of the cross guarantee as its fair value cannot be reliably measured and its transaction price is nil.

32 COMPARATIVE FIGURES

As a result of adopting IFRS 7, *Financial instruments: Disclosures*, and the amendments to IAS 1, *Presentation of financial statements: Capital disclosures*, certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2007. Further details are disclosed in note 4.

33 IMMEDIATE AND ULTIMATE HOLDING COMPANY

At 31 December 2007, the directors consider the immediate parent and ultimate controlling party of the Group to be Waverley Star Limited and GWE respectively, which are incorporated in British Virgin Islands and Taiwan respectively.

GWE, which is listed on the Taiwan Stock Exchange, produces consolidated financial statements in accordance with accounting principles generally accepted in Taiwan, which are available for public use.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2007

Up to the date of issue of the financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2007 and which have not been adopted in the financial statements.

Of these developments, the following relate to matters that may be relevant to Group's operations and the financial statements:

		Effective for accounting periods beginning on or after
IFRIC 8	Operating segments	1 January 2009
Revised IAS 1	Presentation of financial statements	1 January 2009
Revised IAS 23	Borrowing costs	1 January 2009

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

Corporate Information

DIRECTORS

Executive Directors

Mr. Han Jia-Hwan *(Chairman)*
Mr. Chang Tiee-Shen *(Chief Executive Officer)*
Mr. Chen Fu-Shih *(Chief Administrative Officer)*

Non-executive Directors

Mr. Han Chia-Yau
Mr. Harn Jia-Chen
Mr. Nicholas W. Rosa
Mr. Chao Tien-Shin (appointed on 19 December 2007)

Independent Non-executive Directors

Dr. Chen Chih
Mr. Liu Fuchun
Mr. Way Yung-Do (appointed on 4 February 2008)
Mr. Pai Nai-Yu (resigned on 8 January 2008)

AUDIT COMMITTEE

Mr. Way Yung-Do *(Chairman)*
Dr. Chen Chih
Mr. Liu Fuchun

REMUNERATION COMMITTEE

Mr. Liu Fuchun *(Chairman)*
Dr. Chen Chih
Mr. Han Chia-Yau
Mr. Han Jia-Hwan
Mr. Way Yung-Do

NOMINATION COMMITTEE

Dr. Chen Chih *(Chairman)*
Mr. Liu Fuchun
Mr. Harn Jia-Chen
Mr. Han Jia-Hwan
Mr. Way Yung-Do

EXECUTIVE COMMITTEE

Mr. Han Jia-Hwan *(Chairman)*
Mr. Chang Tiee-Shen
Mr. Chen Fu-Shih
Mr. Huang Shih-Kun
Mr. Chang Chin-Pyng

COMPANY SECRETARY

Ms. Pang Siu Yin (appointed on 4 February 2008)
Ms. Li Lau Hing Joanna (resigned on 4 February 2008)

QUALIFIED ACCOUNTANT

Mr. Wong Hing Keung

LEGAL ADVISER

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Rooms 1621-33, 16/F., Sun Hung Kai Centre
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COMPLIANCE ADVISER

Cazenove Asia Limited
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AUDITORS

KPMG
Certified Public Accountants
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Central, Hong Kong

PRINCIPAL BANKERS

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DBS Bank (Hong Kong) Limited
The Centre, 99 Queen's Road, Central, Hong Kong

REGISTERED OFFICE

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Cayman Islands

Corporate Information

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HEAD OFFICE IN THE PRC

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China

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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Four Years Financial Summary

	For the year ended 31 December			
	2007	2006	2005	2004
Turnover (USD'000)	**894,491**	637,395	532,080	429,742
Gross profit (USD'000)	**75,749**	53,514	43,454	28,562
Gross profit margin	**8.5%**	8.4%	8.2%	6.6%
Profit for the year (USD'000)	**31,194**	16,495	8,914	1,695
Net profit margin	**3.5%**	2.6%	1.7%	0.4%
Profit attributable to equity shareholders (USD'000)	**26,238**	13,355	8,523	2,631
Earnings per share				
– basic (US cents)	**3.23**	1.78	1.14	0.35
– diluted (US cents)	**N/A**	N/A	N/A	N/A

	At 31 December			
	2007	2006	2005	2004
	USD'000	USD'000	USD'000	USD'000
Net assets	**212,698**	88,095	69,881	61,095
Total assets	**378,272**	204,966	178,000	159,502
Minority interests	**20,061**	14,303	10,867	10,330
Total liabilities	**165,574**	116,871	108,119	98,407