China Food Company PLC. 06077223

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DIRECTORS, SECRETARY AND ADVISERS

Directors:	John McLean Raphael Tham Wai Mun Feng Bo Frank Chau Leung Yu Derek Marsh	Non-executive Chairman Chief Executive Officer Chief Operating Officer Chief Financial Officer Non-executive Director
Audit Committee:	John McLean Derek Marsh Raphael Tham Wai Mun	Chairman
Remuneration Committee:	Derek Marsh John McLean Raphael Tham Wai Mun	Chairman
Company Secretary:	June Paddock	
Company Number:	06077223	
Registered Office:	17 Hanover Square London W1S 1HU	
Nominated Adviser and Broker:	FinnCap 4 Coleman Street London EC2R 5TA	
Registrars:	Computershare Investor Services PLC PO Box 1075 The Pavilions Bridgwater Road Bristol BS99 3FA	
Auditors:	Grant Thornton UK LLP Grant Thornton House Melton Street Euston Square London NW1 2EP	
Public Relations Advisers:	Hansard Group 14 Kinnerton Place South London SW1X 8EH	

CHAIRMAN's STATEMENT

Introduction

We are delighted to report that despite the challenging conditions placed on both the Chinese economy and the well documented external conditions, the Group managed to continue its growth and achieve significant profits. The Group achieved revenues of £38.2 million with an EBITDA of £8.2 million for the financial year ending 2008. We were able to increase our sales and maintain profitability by improving both our inventory management and our manufacturing processes and also raising our prices. We ended the year with net assets of £31.3 million and cash of £4.4 million.

Market Overview
2008 was an eventful year for the People's Republic of China (the "**PRC**"). Triggered by one of its worst winters, commodity prices started rising immediately after the Chinese Lunar New Year in February 2008. Amidst the prices increases, the Chinese government removed the export rebate scheme, enacted stricter labour laws (increasing manpower costs), increased interest rates and raised bank reserve ratios in the bid to moderate the growth of the economy. Other significant events such as the Sichuan Earthquake and the Beijing Olympics also added strain on the supply-side economics which saw the Purchasing Price Index for raw materials, fuel and power rise significantly for the first nine months of the year.

The business climate was made worse in the last quarter of 2008 due to the food safety issues in the PRC caused by the milk poisoning (melamine) incident and the collapse of the world financial sector. As a result of these two issues in late 2008, many companies in the PRC were forced to close down or lay off a significant number of employees. The Group was fortunate not to be in this position. The Chinese government passed a new food safety law in February 2009 (to be effective on 1 June 2009) as part of the ongoing efforts to ensure high food manufacturing standards. In addition, the Chinese government also implemented a stimulus package of RMB 4 trillion in January 2009 to boost the Chinese economy and set a GDP growth of 8.0% for FYE2009. Early economic indicators for the PRC are positive as industrial output expanded by 5.1 per cent in the first quarter of 2009 from a year earlier, whilst in March it increased by 8.3 per cent year on year.

2008 Review

Financial Performance

	Year ended 31 December 2008	Year ended 31 December 2007	Percentage Change
	£	£	
Revenue	38,215,255	25,268,223	+51.2%
EBITDA	8,244,556	8,027,121	+2.7%
Profit after tax	5,239,848	5,333,243	-1.8%
Gross profit margin	28.2%	35.3%	
Net profit margin	13.7%	21.1%	

Turnover for the financial year ended 31 December 2008 was £38.2 million (2007: £25.3 million). This represents annual growth of approximately 51.2 per cent. It was partially due to the depreciation of GBP against RMB during the year. The average rate of GBP to RMB for the year ended 31 December 2008 was 12.7762 (2007: 15.2293). Turnover denominated in original currency, i.e. RMB, shows an annual growth of approximately 26.9% per cent. The majority of the revenue growth was from the feed business which increased sales by 43.2% while the condiments business, which currently has significant capacity constraints, grew only 8.4%. However, net profit from the condiments business grew 4.4% while net profit from the feed business fell by 15.3% as the feed business was more vulnerable to the commodity price inflation in the first half of 2008.

The gross margin decreased from 35.3 per cent. to 28.2 per cent., and net profit margin dropped from 21.1 per cent. to 13.7 per cent. The decrease in gross margin was mainly due to a lower margin in the feed business. It was a combined result of increased raw material costs and change of sales mix in the feed business. We also incurred higher marketing and selling costs (approximately £833,000) in our expansion into neighbouring provinces, and the increased corporate overheads and professional fees after the listing due to full year effect (approximately £588,000).

EBITDA for the year was £8.2 million or 2.7% higher than 2007. Profit after tax was £5.2 million (2007: £5.3 million) representing a slight decrease only of approximately 1.8% on 2007. The increase in costs and decrease in margins was largely offset by the depreciation of GBP against RMB during the year.

Business Segments

	Year ended 31 December 2008			Year ended 31 December 2007		
	Animal feed	Condiments	**Total**	Animal feed	Condiments	**Total**
	£	£	**£**	£	£	**£**
Segment revenue						
Sales to external customers	22,908,506	15,306,749	**38,215,255**	13,417,031	11,851,192	**25,268,223**
Segment results	3,008,885	6,174,258	**9,183,143**	2,662,366	5,530,260	**8,192,626**

From a segmental perspective, the animal feeds business continued to account for the majority of the Group's revenue comprising 59.9 per cent. of total turnover or £22.9 million (2007: 53.1%), with condiments representing the balance of £15.3 million. However, the condiments business contributed profits of £6.2 million which is approximately double the level of profits achieved by the animal feed business.

Gross margin for the condiments business remained high at 48.3% (2007: 50.8%) as we were able to pass the bulk of the prices increases to our customers. We also produced more high-end products as we tried to optimize revenue from our limited production capacity which saw our average revenue per tonne increase to RMB2,711 (2007: RMB2,266). While we raised our feed prices several times in 2008 (average revenue per tonne increased from RMB2,959 to RMB3,271 in 2008), we were only able to pass some of the price increases to our customers. The costs of raw materials rose higher than we could adjust our prices resulting in gross margins falling to 14.7% (2007: 21.6%). This is because the business remains highly competitive and the customer base (the livestock farmers) cannot absorb the price increases.

Shou Guang Facility

Construction of our new facility has progressed significantly over 2008. The Group has to date invested approximately £10.5 million into the facility. The construction progress slowed deliberately due to the inflationary increases in construction material prices in the first 9 months of 2008. By the end of 2008, the bulk of the civil and structural works has been completed and the installation of the equipment is targeted for completion in 2009. We have already moved our corporate headquarters to the new facility.

Strategy

There is no doubt that the PRC's economy will continue to grow and its people will become more affluent. Coupled with the Chinese government's aggressive fiscal policies, any slowdown should be temporary. However, the events in 2008 have significantly changed the playing field and the slowdown in early 2009 will create risks and uncertainty to the business. Accordingly the Group has decided to be prudent in its expansion plans and will prioritize its expenditures while pursuing its long term objectives.

The Group's strategy for 2009 is divided into 4 main areas:

i. Improving our production capabilities

With the Group's existing production facility operating at full capacity, the Group will continue to look into streamlining and improving its production process to increase production yield. The Group has also recently conducted a review of the condiments production process in relation to its food safety procedures and will be pursuing the international accreditation of the ISO22000 standard for its food manufacturing process by end 2009. The Group already has a strict set of quality checks and controls, and there were no food safety issues in the year.

ii. Completion of our new facility

We remain committed to completing the facility this year. While the short term business outlook remains difficult to predict, we are confident of the overall prospects of the business. The completion of the facility will allow us the flexibility to increase our production once the economy improves.

iii. Building new markets

The Group will continue to look at gaining and expanding a foothold into the neighbouring provinces like Hebei, Henan, Anhui, Jiangsu and Beijing. We will also look into participation in international food fairs to increase our brand presence and to build contacts outside the PRC. This will provide the Group with more avenues when we launch our premium grade soya sauce products.

iv. Production and cost controls

The Group will be reviewing its selling and marketing costs which increased significantly in 2008 in our efforts to build new markets. Instead of advertising and promotional events, we will be aiming for more below-the-line strategies, including sharing the costs with the distributors through higher sales rebates. This may not be as effective in building brand awareness but is more cost effective and it is anticipated that the results will be more tangible. The Group will also be reviewing other aspects of our cash management including inventory controls.

Outlook

Both business divisions were profitable in 2008 but neither has been immune from the inflationary pressures in commodity prices experienced last year. The feed business was badly affected by commodity price inflation last year and will continue to face challenges in the short term as the livestock industry is hit by reduced export demand and from increased competition. The Board remains optimistic about the condiment business and sees this as the driver for the Group. While it may still be affected, our range of products are essential to the staple diets of the Chinese population. The margins achievable from the condiments business are both higher and more sustainable than those in animal feeds.

The business remains resilient as we are able to change our product offerings. In 2008, we read the market accurately and produced and sold more compound feed over premix feed. However, as margins for compound feed were lower, this change in sales mix led to a lower margin for feed business. Similarly, the current economic downturn has affected the sales of our premium condiment products. In response, we focused production on our low to medium range products which may have an effect on our margins. Regardless of the economic climate, our broad product range provides the Group with the flexibility to adapt to market conditions.

We look forward to the completion of our new 50,000 tonnes soya sauce factory which will produce mid to premium grade soya sauce and which is planned for later this year. However, in the light of the worldwide economic crisis, we will defer the completion and production launch date until there is greater visibility of demand, and the receipt of a bank facility which will provide additional funds for the completion of the factory and working capital for expansion. The bank discussions are at an advanced stage. In the current challenging conditions, we have adopted a more cautious financial plan for 2009 but results to date have been above the plan. We will look to review the plan in the second half of the year which traditionally performs better than the first half due to the seasonal nature of our business.

More importantly, our brand name and our products are gaining recognition, including being in the top 10 soya brands in the PRC. Our products are now being sold in TESCO which opened its first supermarket for Shandong Province in March 2009. The Board is confident of the overall prospects of the Group and our investment into premium grade soya sauce will benefit from the inevitable growing affluence of the Chinese population.

We would like to thank the management and the employees for their hard work and their continued dedication to the Group. We would also like to thank the shareholders for their support.

John McLean
Chairman
17 April 2009

DIRECTORS' REPORT

The Directors are pleased to present their report to the members together with the audited financial statements of China Food Company Plc ("China Food" or the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2008.

Principal activities

The Company's main activity is that of investment holding. China Food acquired Full Fortune Holdings Pte Ltd ("Full Fortune") and its subsidiaries on 10 December 2007.

Full Fortune, an investment holding company incorporated in Singapore, has three subsidiaries in the People's Republic of China (the "PRC") (as set out in note 3.1(d)), which are principally engaged in the manufacture and distribution of animal feed and condiments products.

The results of the Group are set out in detail on pages 15 to 21.

Business review

Key Performance Indicators (KPIs)

The Directors identified revenue, margins, working capital, and sales mix as the major KPIs of the Group.

Working Capital Management

Working capital is managed through closely monitoring inventory turnover, debtors' turnover and creditors' turnover. In 2008, the turnovers for inventory, trade debtors and trade creditors were 13 (2007: 10), 3 (2007: 4), and 25 (2007: 22) days respectively. There were no outstanding trade debtors overdue at the year end. There was a slight increase in inventory turnover as the Group built up more stocks before the Chinese New Year. Creditor payment policy is stated below.

Sales Mix

The Group reviews sales demand frequently and adjusts its sales mix according to the requirements of the market. In 2008, the Group noted that the demand for compound feed was increasing due to the increase in commodity prices. As a result, the Group increased its output and sales of compound feed increased from 29,000 tonnes in 2007 to 53,000 tonnes in 2008. There is no significant change in the sales mix of the condiments business during the year.

A review of the revenue, margins and future developments is given in the Chairman's Statement.

Financial review

Below is a summary on the Group's performance for the year ended 31 December 2008.

Summary Financial Results

	Year ended 31 December 2008 £	Year ended 31 December 2007 £	Percentage Change
Revenue	38,215,255	25,268,223	+51.2%
EBITDA	8,244,556	8,027,121	+2.7%
Profit before taxation	7,506,005	7,520,285	-0.2%
Profit after taxation	5,239,848	5,333,243	-1.8%
Cash and cash equivalents	4,414,136	7,269,551	-39.3%
Net assets	31,268,118	16,954,748	+84.4%
Earnings per share	7.89p	14.45p	-45.4%
Adjusted earnings per share	7.89p	8.03p	-1.8%

The reconciliation of Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA") to income statement is as follows:

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Profit before tax	7,506,005	7,520,285
Less:		
Finance income	(80,616)	(74,496)
Add:		
Finance costs	356,489	245,808
Depreciation	283,077	227,280
Amortisation	179,601	108,244
EBITDA	8,244,556	8,027,121

Group Income Statement

With both sectors showing growth on last year, turnover for 2008 increased by 51.2% to £38.2 million (2007: £25.3 million) however, net profit for 2008 decreased slightly by 1.8% to £5.2 million (2007: £5.3 million). A review of 2008 performance is given in the Chairman's Statement.

Earnings per share has been calculated on 66,399,991 shares (2007: 36,913,304 shares), and on attributable earnings of £5,239,848 (2007: £5,333,243). The adjusted EPS has been calculated using the number of shares in issue as at 31 December 2008 as the denominator for both years.

Group Balance Sheet

As at 31 December 2008 group net assets stood at £31.3 million (2007: £16.9 million). Net assets increased by 84.4%. This was partially due to the depreciation of GBP against RMB. Closing rate of GBP to RMB as at 31 December 2008 was 9.9806 (2007: 14.4844). The Group recognised foreign currency translation reserve of £9.1 million in the year. For the movement of foreign currency translation reserve, please refer to "Consolidated Statement of Changes in Equity".

Group Cashflow Statement

The Group continues to be cash generative at an operating level and this year showed net cash inflow from operating activities of £6.1 million (2007: £8.2 million) the majority of which has been re-invested into the Group's new facility in Shou Guang City. Total investment this year amounted to approximately £10.5 million. The Group's cash position at the end of the period was £4.4 million.

Risks affecting the group

General economic climate

The general economic climate is volatile and is affected by numerous factors which are beyond the Group's control and which may affect its operations, business and profitability. These factors include the supply and demand of capital, growth in gross domestic product, employment trends and industrial disruption, international economic trends, currency exchange rate fluctuations, the level of interest rates and the rate of inflation, global or regional political events and international events, as well as a range of other market forces, all of which have an impact on demand and business costs.

Fluctuations in the price of raw materials

A significant percentage of the raw materials used in the production of the Group's products are commodity-based. The prices of raw materials such as corn, wheat and soya bean used in the production of animal feed and condiments may fluctuate due to changes in supply and demand conditions. Any shortage in the supply or upsurge in demand may lead to an increase in prices, which may adversely affect the Group's profitability.

Prices of raw materials for our feed business increased significantly in the first half of 2008 and eroded the margins of our feed business. While we have also raised our prices, we were not able to pass all the raw material prices increases to our customers. It may be difficult for the Group to increase prices to pass all or part of the cost increases to the customers in the future.

Demand for premium products

As a result of the economic climate in the PRC, the traditional demand for our high-end products in the run up to the Chinese New Year did not happen at the end of 2008. Instead, there was increased demand for lower priced "value" products. This impacted on margins and profitability. In the event that the economy does not recover, demand for premium products may continue to be low and it may be more difficult to push sales for such products. This may affect our profit margins and the roll-out of our new facility.

Relocation to new premises in Shou Guang City

New premises for the Group are currently under construction in Shou Guang City. The new facilities will significantly increase the Group's production capacity and therefore the Group's ability to grow the business and service existing and future customer demand, particularly in respect of its condiments offering. There is an inherent risk of unforeseen complications which may serve to delay the project, and/or give rise to cost overruns, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The construction progress slowed deliberately due to the inflationary increases in construction material prices in the first 9 months of 2008. By the end of 2008, the bulk of the civil and structural works has been completed and the installation of the equipment should be completed by 2009. We have already moved our corporate headquarters to the new facility.

Outbreaks of infectious diseases

Since the Group supplies animal feed to livestock and other animals, its business may be adversely affected in the event of an infectious disease outbreak which affects livestock or animals, such as bird flu, blue-ear pig disease, SARS or Nipah virus, as demand for feed may be significantly reduced in the event such livestock or animals are subject to culling or illness or there are quarantines imposed on farms.

In addition, due to the contagious nature of infectious diseases, travel advisories may be issued and quarantines may be imposed by certain government authorities in the infected cities or provinces. Accordingly, an outbreak can result in global or regional economic and social uncertainties. This may have an adverse effect on the Group's sales and profitability. In addition, in the event of an outbreak of infectious disease in any the Group's production facilities, its management and employees may be quarantined and it may be required by the relevant health authorities to suspend its operations, until further notice. Accordingly, this may cause disruptions to the Group's business and operations.

The Group mitigates this risk by developing products for different animals.

Competition

The animal and condiments markets are both intensely competitive with a large number of both large and small competitors. Larger companies, in particular, may have access to greater financial resources and technical facilities than the Group, which may give them a competitive advantage. The Board and management regularly meet to discuss and agree the Group's strategy in the face of such competition.

Research

The success of the animal feed business is dependent upon continued in-house research and development activities to improve the formulations in our products. The Group also embarks on limited research with universities for both of its two businesses. Since historically research and development has predominantly been performed internally at limited expense, the costs of research and development have not been separately tracked and are consequently immaterial to the financial statements.

However, going forwards, more substantial investment in research and development activities by the Group may be required to maintain the Group's competitiveness, In such circumstances, the Group will then seek to track its expenditure on research and development more closely in order to indentify the costs separately.

Food safety

While the Group is ISO certified and HACCP approved, the Group may still be at risk to manufacturing errors, sub-standard raw materials from our suppliers or foul play which will affect the safety of the Group's products. This may result in a fine, the lost of the business licenses and the lost of our customer confidence. We took measures to improve food safety in 2008. We had no safety issues in 2008 despite the government exercising increased inspection and controls.

Cashflow

While the Group generated strong cashflow from operating activities, the majority of the funds have been reinvested in our Shou Guang facility. Having financed most of the construction through our internal funds, the Group is reviewing and in discussion with banks to refinance our investment which is long-term capital intensive in nature. In the event the Group has to continue financing the project through internal funds, this may absorb a large part of the Group's free cashflow.

Dependence on key executives and personnel

The future performance of the Group will depend on its ability to retain the services and personal connections or contacts of key executives and to recruit, motivate and retain other suitably skilled personnel. The Group aims to mitigate this risk by developing our staff in-house, giving them clear objectives and career paths.

Financial risk management

The Board reviews and agrees policies for managing financial risks. The financial risk management objectives and policies of the Group are set out in note 27 to the financial statements.

Share capital

There were no new shares issued during the year. The issued share capital of the Company was subject to a number of changes in 2007 as a result of the process of acquiring the Full Fortune Group and the associated share consolidation. Further details of the issued share capital are set out in note 18. The total number of shares in issue, both at the year end and at 17 April 2009, was 66,399,991.

Dividends

The directors do not recommend payment of a dividend in respect of the year ended 31 December 2008.

Directors

The following directors served the company during the year:

John McLean	(Non-executive Chairman)
Raphael Tham Wai Mun	(Chief Executive Officer)
Feng Bo	(Chief Operating Officer)
Frank Chau Leung Yu	(Chief Financial Officer)
Derek Marsh	(Non-executive Director)

None of the directors has had a material interest in any contract or arrangement of significance to which the company or any of its subsidiaries was a party during the year except for those disclosed in note 24.

Employees

The Board recognises that the Group's employees are its most important asset. Employees are encouraged to train and develop their careers.

The Board maintains good working relations with employees by the use of clear channels of communication. The responsibility for communication with the workforce rests with the managers through formal and informal meetings.

The Group is committed to achieving equal opportunities and to complying with anti-discrimination legislation.

Environmental policy

The Group is committed to operating in an environmentally responsible manner and endeavours to adopt the best practicable means to reduce or eliminate polluting releases to the environment or in the disposal of waste products. The Group is committed to complying with environmental legislative requirements.

Creditor payment policy

It is the Group's policy that payments to suppliers are made in accordance with all relevant terms and conditions. The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services. At the balance sheet date, there were 25 (2007: 22) days' purchases outstanding, calculated on the ratio of average trade creditors to total cost of sales.

Annual general meeting

The next Annual General Meeting will be held at 11:00 a.m. on 27 May 2009.

Substantial shareholdings

The Company has been notified that the following shareholders' interests exceeded 3% of the Company's issued ordinary share capital at the date of this report:

Shareholder	No. of ordinary shares	Percentage of issued share capital
Sound Venture Holdings Inc	20,771,516	31.28%
Main World Investments Limited	14,772,883	22.25%
Albany Capital Plc	13,280,000	20.00%
IFS Capital Assets Pte Ltd	4,165,984	6.27%
Lam Soon Realty (Pte) Ltd	2,511,612	3.78%

Donations

The Group made a charitable donation of £15,654 during the year (2007: £Nil).

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the parent company and the group as at the end of the financial year and of the profit or loss of the group for the financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The directors have elected to prepare the parent company financial statements in accordance with IFRSs. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the group and parent company financial statements, state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

Grant Thornton UK LLP, have expressed willingness to continue in office.

In accordance with section 489(4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting.

By order of the board

John McLean
Chairman
17 April 2009

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CHINA FOOD COMPANY PLC

We have audited the group and parent company financial statements (the "financial statements") of China Food Company PLC for the period ended 31 December 2008 which comprise the principal accounting policies, the consolidated income statement, the consolidated and parent company balance sheets, the consolidated and parent company cash flow statements, the consolidated and parent company statement of changes in equity and notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's statement that is cross-referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CHINA FOOD COMPANY PLC (Cont'd)

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2008 and of its profit for the period then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
LONDON
17 April 2009

CORPORATE GOVERNANCE

The Company is committed to observing good standards of corporate governance. In this report, we describe the Company's corporate governance processes and activities with reference to the principles of the Quoted Companies Alliance's Corporate Governance Guidelines.

The main features of the Company's corporate governance procedures are as follows:

The Board

The Board comprises the non-executive Chairman, three executive directors, and one other non-executive director. The Chairman of the board is John McLean and the Chief Executive Officer is Raphael Tham. Derek Marsh is an independent non-executive director. The independent non-executive director is considered to have no impairment to his independence.

The Board meets regularly to review the Group's operations and performance. Additional meetings are convened to discuss matters that require urgent consideration. The Board has defined a schedule of matters specifically reserved for its decision and delegates certain powers to the Board committees and to the executive directors, collectively and individually. There were eleven Board meetings/discussions, including tele-conferences for the period from 1 January 2008 to 17 April 2009.

Committees of the Board

The Audit Committee, chaired by John McLean, meets at least twice a year with the Company's external auditors present. Its roles mainly include the review of the financial statements, internal controls and the scope and cost of the audit. The executive directors may also be invited to attend its meetings, where the Committee considers it to be appropriate. There were three Audit Committee meetings, including tele-conference for the period from 1 January 2008 to 17 April 2009.

The Remuneration Committee, chaired by Derek Marsh, is responsible for making recommendations to the Board on remuneration policy for directors, including the setting of directors' salaries and incentive payments. The Committee is also in charge of recommending the granting of share options to the employees. There was one Remuneration Committee meeting for the period from 1 January 2008 to 17 April 2009.

Relations with Shareholders

The Board considers it important to communicate a balanced and understandable assessment of the group's performance and prospects to all investors. The Board maintains frequent contact with institutional investors through regular meetings. The Annual General Meeting ("AGM") is regarded by the Board as an important opportunity to meet and communicate with individual shareholders. Shareholders are given ample time and opportunity at the company's AGM to express their views and put forward their questions to directors or management concerning the Group. The Board welcomes the views of all shareholders, and other stakeholders, which in the first instance should be communicated to the Chairman.

Internal Control

The Board is ultimately responsible for the Group's system of internal control, including financial, operational, compliance control and risk management, and for reviewing and monitoring its effectiveness. The system of internal control is designed to manage and minimise risk, rather than eliminate it. In pursuing these objectives internal controls can only provide a reasonable and not absolute assurance against material misstatement or loss.

The Group's system of internal control is designed to assist its business objectives, safeguard the group's assets, ensure compliance with regulation and provide reliable financial information. Regular management meetings review all aspects of the Group's business including any inherent or identified risks. Executive management review the significant risks affecting the business and the policies and procedures by which these risks are managed.

The Board has engaged an external party to provide internal audit services who conduct an annual independent review. The internal auditors' plans are reviewed by and discussed with the Chairman of the Audit Committee. Through this process, risks are identified and assessed according to their potential impact and likelihood of occurrence and appropriate actions are assigned. The internal auditors performed their annual review in July 2008. All recommendations from previous years review were found to have been appropriately addressed.

There are established procedures for budgeting and planning capital expenditure, together with the reporting systems for monitoring the Group's business and performance. There is a rolling three month forecast in place, which is used to assess the financial impact of the Group's strategy, together with a comprehensive budgeting system with an annual budget approved by the Board. A monthly report to the Board details the financial performance of the Group for the preceding period versus budget.

The external auditors, who are engaged to express an opinion on the Group financial statements, also consider the systems of internal financial control to the extent necessary to express that opinion. Internal and external auditors report the results of their work to management, including executive members of the Board and the Audit Committee.

The Board has adopted the Share Dealing Code for the purpose of compliance with Rule 21 of the AIM Rules and takes steps to ensure compliance with that rule by the Group's employees.

The Board confirms that there is a continuing process for identifying, evaluating and managing the risks faced by the Group. Through the procedures outlined above, the Board has considered all significant aspects of internal control during the period under review and to date.

Going Concern

The directors have reviewed forecasts and budgets for the coming year, which have been drawn up with appropriate regard for the current macroeconomic environment and the particular circumstances in which the Group operates. These were prepared with reference to historic and current industry knowledge, taking future strategy of the Group into account. In respect of the new facility, we can defer the completion and production launch date until there is greater visibility of demand, and the receipt of a bank facility. As a result, at the time of approving the financial statements, the directors consider that the Company and the Group have sufficient resources to continue in operational existence for the foreseeable future, and accordingly, that it is appropriate to adopt the going concern basis in the preparation of the financial statements.

As with all business forecasts, the directors' statement cannot guarantee that the going concern basis will remain appropriate given the inherent uncertainty about future events.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	Year ended 31 December 2008	Year ended 31 December 2007
		£	£
Revenue	4	38,215,255	25,268,223
Cost of sales		(27,450,231)	(16,356,400)
Gross profit		10,765,024	8,911,823
Other operating income	5	11,732	77,083
Selling and marketing costs		(1,309,728)	(476,839)
Administrative costs		(1,685,150)	(820,470)
Operating result		7,781,878	7,691,597
Finance costs	6	(356,489)	(245,808)
Finance income	6	80,616	74,496
Profit before tax	7	7,506,005	7,520,285
Taxation	8	(2,266,157)	(2,187,042)
Profit for the year		5,239,848	5,333,243
Earnings per share			
- Basic (pence)	9	7.89	14.45
- Fully diluted (pence)	9	7.89	14.45

There are no discontinued operations.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

	Notes	As at 31 December 2008 £	As at 31 December 2007 £
ASSETS			
Non-current assets			
Property, plant and equipment	10	29,731,896	11,176,170
Land use rights lease prepayments	11	9,017,917	6,393,551
Total non-current assets		38,749,813	17,569,721
Current assets			
Inventories	12	1,317,679	576,319
Land use rights lease prepayments	11	196,020	113,811
Trade and other receivables	13	520,119	578,338
Cash and cash equivalents	14	4,414,136	7,269,551
Total current assets		6,447,954	8,538,019
Total assets		45,197,767	26,107,740
LIABILITIES			
Current liabilities			
Trade and other payables	15	4,928,590	3,978,481
Bank loans	16	2,484,820	1,339,372
Current portion of shareholders' loans	17	478,137	546,868
Current tax payable		906,101	737,807
Total current liabilities		8,797,648	6,602,528
Net current (liabilities)/assets		(2,349,694)	1,935,491
Total assets less current liabilities		36,400,119	19,505,212
Non-current liabilities			
Shareholder's loan	17	5,132,001	2,550,464
		5,132,001	2,550,464
Net assets		31,268,118	16,954,748
EQUITY			
Share capital	18	2,656,000	2,656,000
Share premium	19	25,677,529	25,677,529
PRC statutory reserve		2,340,388	1,806,903
Reverse acquisition reserve		(23,991,766)	(23,991,766)
Shares to be issued reserve		50,000	50,000
Foreign exchange translation reserve		9,408,210	334,688
Merger reserve		2,216,046	2,216,046
Retained profits		12,911,711	8,205,348
		31,268,118	16,954,748

These financial statements were approved by the directors on 17 April 2009, and signed on their behalf by:

John McLean
Chairman

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2008

	Notes	As at 31 December 2008 £	As at 31 December 2007 £
ASSETS			
Non-current assets			
Investments in subsidiaries	21	26,316,667	25,166,667
Current assets			
Trade and other receivables	13	10,436	17,299
VAT recoverable		11,467	204,518
Advance to a subsidiary	24	1,713,150	-
Amount due from a subsidiary	24	21,550	-
Cash and cash equivalents	14	385,596	1,901,485
Total current assets		2,142,199	2,123,302
Total assets		28,458,866	27,289,969
LIABILITIES			
Current liabilities			
Trade and other payables	15	100,896	273,585
Amount due to a subsidiary	24	-	40,557
Total current liabilities		100,896	314,142
Net current assets		2,041,303	1,809,160
Total assets less current liabilities		28,357,970	26,975,827
Non-current liabilities			
Shareholder's loan	17	1,713,150	-
		1,713,150	-
Net assets		26,644,820	26,975,827
EQUITY			
Share capital	18	2,656,000	2,656,000
Share premium	19	6,036,336	6,036,336
Shares to be issued reserve		50,000	50,000
Merger relief reserve		18,553,333	18,553,333
Accumulated losses		(650,849)	(319,842)
		26,644,820	26,975,827

These financial statements were approved by the directors on 17 April 2009, and signed on their behalf by:

John McLean
Chairman

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Cash flows from operating activities			
Profit before tax		7,506,005	7,520,285
Adjustments for:			
Depreciation		283,077	227,280
Amortisation of land use rights lease prepayments		179,601	108,244
Loss on disposal of property, plant and equipment		166	6,595
Reversal of impairment loss on trade and other receivables		(298)	(1,284)
Interest expenses		356,489	245,808
Other income		(80,616)	(151,579)
Operating profit before working capital changes		8,244,424	7,955,349
Changes in working capital:			
Inventories		(741,360)	(288,599)
Trade and other receivables		58,517	512,056
Trade and other payables		588,142	1,948,410
Cash generated from operations		8,149,723	10,127,216
Interest received		80,616	93,774
Income taxes paid		(2,097,863)	(2,034,642)
Net cash generated from operating activities		6,132,476	8,186,348
Cash flows from investing activities			
Net cash flow arising from acquisitions	26	-	1,784,292
Payment for acquisition of property, plant and equipment		(10,572,892)	(6,752,194)
Repayment of convertible loan receivable		-	167,113
Proceeds from disposal of property, plant and equipment		2,912	3,414
Pre-payment for land use rights		-	(169,411)
Proceeds from sale of business license	24(a)	-	65,663
Net cash used in investing activities		(10,569,980)	(4,901,123)
Cash flows from financing activities			
Proceeds from bank loan		469,623	39,398
Repayment of bank loan		(46,962)	(517,425)
Proceeds from issue of ordinary shares of Full Fortune		-	2,492,494
Proceeds from shareholder loan		1,261,798	2,474,629
Repayment of shareholder loan		(217,867)	-
Interest paid		(286,326)	(153,377)
Dividend paid		-	(4,103,945)
Net cash generated from financing activities		1,180,266	231,774
Net (decrease)/increase in cash and cash equivalents		(3,257,238)	3,516,999
Effect of foreign exchange rate changes		401,823	95,951
Cash and cash equivalents at beginning of period		7,269,551	3,656,601
Cash and cash equivalents at end of period		4,414,136	7,269,551

COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	Year ended 31 December 2008 £	1 February 2007 (date of incorporation) to 31 December 2007 £
Cash flows from operating activities			
Loss before taxation		(331,007)	(319,842)
Adjustments for:			
Interest expenses		31,780	-
Interest income		(31,013)	(75,247)
Operating profit before working capital changes		(330,240)	(395,089)
Changes in working capital:			
Trade and other receivables		178,364	(221,817)
Trade and other payables		(224,771)	314,142
Cash used in operations		(376,647)	(302,764)
Interest received		31,013	75,247
Net cash used in operating activities		(345,634)	(227,517)
Cash flows from investing activities			
Investment in a subsidiary	21	-	(5,000,000)
Advance to a subsidiary	21	(1,150,000)	-
Net cash used in investing activities		(1,150,000)	(5,000,000)
Cash flows from financing activities			
Advance to a subsidiary		(1,261,798)	-
Proceeds from shareholder loan		1,261,798	-
Proceeds from issue of shares	22.1	-	8,250,000
Payment of transaction costs	22.2	-	(1,120,998)
Net cash generated from financing activities		-	7,129,002
Net (decrease)/increase in cash and cash equivalents		(1,495,634)	1,901,485
Effect of foreign exchange rate changes		(20,255)	-
Cash and cash equivalents at beginning of period		1,901,485	-
Cash and cash equivalents at end of period		385,596	1,901,485

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

	Share capital £	Share premium £	Shares to be issued reserve £	Reverse acquisition reserve £	Merger reserve £	PRC statutory reserves £	Foreign currency translation reserve £	Retained profits £	Total equity £
As at 1 January 2007	3,425	-	-	-	2,216,046	1,219,197	(453,024)	7,559,219	10,544,863
Foreign currency translation differences	-	-	-	-	-	-	787,712	-	787,712
Net income/(expense) recognised directly in equity	-	-	-	-	-	-	787,712	-	787,712
Profit for the year	-	-	-	-	-	-	-	5,333,243	5,333,243
Total recognised income and expense for the year	-	-	-	-	-	-	787,712	5,333,243	6,120,955
Issue of ordinary shares of China Food	2,656,000	25,677,529	-	-	-	-	-	-	28,333,529
Reverse acquisition adjustments in share capital	(3,425)	-	-	-	-	-	-	-	(3,425)
Share options granted	-	-	50,000	-	-	-	-	-	50,000
Reverse acquisition of Full Fortune	-	-	-	(23,991,766)	-	-	-	4,537	(23,987,229)
Transfer to PRC statutory reserves	-	-	-	-	-	587,706	-	(587,706)	-
Dividends paid	-	-	-	-	-	-	-	(4,103,945)	(4,103,945)
As at 31 December 2007	2,656,000	25,677,529	50,000	(23,991,766)	2,216,046	1,806,903	334,688	8,205,348	16,954,748
Foreign currency translation differences	-	-	-	-	-	-	9,073,522	-	9,073,522
Net income/(expense) recognised directly in equity	-	-	-	-	-	-	9,073,522	-	9,073,522
Profit for the year	-	-	-	-	-	-	-	5,239,848	5,239,848
Total recognised income and expense for the year	-	-	-	-	-	-	9,073,522	5,239,848	14,313,370
Transfer to PRC statutory reserves	-	-	-	-	-	533,485	-	(533,485)	-
As at 31 December 2008	2,656,000	25,677,529	50,000	(23,991,766)	2,216,046	2,340,388	9,408,210	12,911,711	31,268,118

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008

	Share capital	Share premium	Shares to be issued reserve	Merger relief reserve	Accumulated losses	Total equity
	£	£	£	£	£	£
As at 1 February 2007	-	-	-	-	-	-
Loss for the period	-	-	-	-	(319,842)	(319,842)
Costs for IPO	-	(158,133)	-	-	-	(158,133)
Costs for Re-admission	-	(1,087,860)	-	-	-	(1,087,860)
Total recognised expense for the period	-	(1,245,993)	-	-	(319,842)	(1,565,835)
Issue of ordinary shares	2,656,000	7,282,329	-	18,553,333	-	28,491,662
Share options granted	-	-	50,000	-	-	50,000
As at 31 December 2007	2,656,000	6,036,336	50,000	18,553,333	(319,842)	26,975,827
Loss and total recognised expense for the period	-	-	-	-	(331,007)	(331,007)
As at 31 December 2008	2,656,000	6,036,336	50,000	18,553,333	(650,849)	26,644,820

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

1. General Information

Principal activities of China Food Company Plc ("China Food" or the "Company") and its subsidiaries (the "Group") include the development, manufacture and distribution of condiments and animal feed products. The Group's main operations are in the People's Republic of China (the "PRC").

China Food, a public limited company, is the Group's ultimate parent company. It is incorporated and domiciled in the United Kingdom. The address of China Food's registered office is 17 Handover Square, London W1S 1HU. China Food's shares are listed on the AIM market of the London Stock Exchange.

2. Changes in accounting policies

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous financial year.

2.1 Standards and Interpretations in issue, not yet effective

The following new Standards and Interpretations, which are yet to become mandatory, have not been applied in China Food's 2008 group financial statements.

		Effective date (Annual periods beginning on or after)
IAS 1	Presentation of Financial Statements (revised 2007)	1 January 2009
IAS 23	Borrowing Costs (revised 2007)	1 January 2009
IAS 27	Consolidated and Separate Financial Statements (revised 2008)	1 July 2009*
IAS 27	Consolidated and Separate Financial Statements – Costs of Investment in a Subsidiary, Jointly Controlled Entity and Associate	1 January 2009
IAS 32	Financial Instruments: Presentation	1 January 2009
IFRS 2	Share-based Payment – Vesting Conditions and Cancellations	1 January 2009
IFRS 3	Business Combinations (revised 2008)	1 July 2009*
IFRS 7	Financial Instruments: Disclosures – Improving Disclosures About Financial Instruments	1 January 2009*
IFRS 8	Operating Segments	1 January 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008*

* not endorsed by the European Union at the date on which the financial statements were approved

IAS 1 (revised) and IFRS 8 are both expected to have a significant impact on presentation and disclosure within the financial statements, although neither will result in measurement changes.

Based on China Food's current business model and accounting policies, management does not expect material impacts on China Food's group financial statements when the standards and Interpretations become effective.

China Food does not intend to apply any of these pronouncements early.

3. Summary of significant accounting policies

The principal accounting policies of the Group are set out below.

3.1 Basis of preparation

The consolidated financial statements comprise the financial statements of all the entities within the Group. The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The consolidated financial statements of the Group and the individual financial statements of the company have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU and under the historical cost convention. The measurement bases are set out below.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

(a) Reverse acquisition accounting

In December 2007, the company successfully completed the acquisition of Full Fortune and its subsidiaries by an issuance of 40,333,333 new ordinary shares of the company and cash consideration of £5,000,000.

Due to the relative values of the companies, the former Full Fortune shareholders became majority shareholders with 60.74 per cent. of the enlarged ordinary share capital in China Food, and hence hold the majority of the voting rights. Further, the executive management of Full Fortune Group became that of China Food and the Corporate Headquarters of the Group was moved to the Full Fortune premises in Singapore. A qualitative and quantitative analysis of these factors led the Directors to conclude that in this transaction Full Fortune has the controlling interest and should be treated as the accounting acquirer.

In determining the appropriate accounting treatment for the reverse acquisition, the Directors considered the Application Supplement to IFRS 3, *Business Combinations*. However, they concluded that this transaction fell outside of the scope of IFRS 3, since China Food, whose activities prior to the acquisition were limited to the management of cash resources and the maintenance of its listing, did not constitute a business. It was therefore determined that the transaction should be accounted for in a manner that was similar to the reverse accounting as described in IFRS 3, but without recognising goodwill.

In accordance with IAS 8 *Accounting Policies, changes in Accounting Estimates and Errors*, in developing an appropriate accounting policy the Directors have considered the pronouncements of other standard-setting bodies and specifically looked to accounting principles generally accepted in the United States of America ("US GAAP") for guidance (FAS 141, *Business Combinations*).

Under US GAAP, in a reverse acquisition, the target company (Full Fortune) is treated as the acquiring company for financial reporting purposes (no purchase accounting adjustments) and the fair value of the issuing company's common shares (China Food) is recognised, together with adjustments necessary to reflect the net tangible and identifiable intangible assets at their fair value with any remainder assigned to goodwill (full application of purchase accounting).

Under US GAAP such a transaction is treated as an equity issuance by the operating entity (in this case Full Fortune). As a result, the cost of the combination is deemed to equal the net monetary assets of the acquiree (China Food) plus transaction costs. Only costs incurred by the "target" company can be capitalized.

As a consequence of applying the reverse acquisition accounting policy described, the figures for the year ended 31 December 2007 shown consist of the results of Full Fortune and its subsidiaries for the entire twelve month period and incorporate those of China Food from 10 December 2007 to 31 December 2007.

(b) Business combinations involving entities under common control

For the purposes of the consolidated financial statements, the creation of the Full Fortune Group under the Restructuring Exercise before the completion of the reverse acquisition set out in note 3.1(c) below was treated as a business combination involving entities under common control. A business combination is a "common control combination" if the combining entities are ultimately controlled by the same party (including the same individual shareholder or a group of shareholders acting together in accordance with a contractual arrangement) both before and after the combination and the common control is not transitory.

Business combinations involving entities under common control fall outside the scope of IFRS 3: *Business Combinations*. In accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, management have considered the pronouncements of other standard-setting bodies in developing an accounting policy for common control combinations, in particular the pooling of interest-type method prescribed under USGAAP in paragraphs D11 to D18 of SFAS 141, *Business Combinations*. As a result, the Full Fortune Group accounts for business combinations involving entities under common control using pooling of interest-type accounting. Under this policy the assets and liabilities of the acquiree are recorded at book value not fair value (although adjustments are made to achieve uniform accounting policies), intangible assets and contingent liabilities are recognised only to the extent that they were recognised by the acquiree in accordance with applicable IFRS, no goodwill is recorded, any expenses of the combination are written off immediately in the income statement and comparative amounts are restated as if the combination had taken place at the beginning of the earliest comparative period presented.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

(c) The Restructuring Exercise of the Full Fortune Group

The Full Fortune Group underwent the following Restructuring Exercise before the completion of the RTO:

(i) On 28 November 1994, Fuss Feed (Weifang) Co., Ltd. ("Fuss Feed") (富氏饲料(潍坊)有限公司) was established as a wholly foreign owned enterprise under the laws of the PRC by Fuss International Investment Group Inc., a company incorporated in the United States of America and wholly and beneficially owned by Mr. Fu Guoping.

(ii) Shandong Fu-Rich Co., Ltd. ("Fu-Rich") (山东富氏味业有限公司) was established as a limited liability company under the laws of the PRC on 7 August 2001. Mr. Fu Guoping entered into contractual arrangements to the effect that Mr. Fu Guoping would be able to enjoy the entire economic interests attributable to Fu-Rich and control the financial and operating policies of Fu-Rich.

(iii) On 26 May 2005, Full Fortune was incorporated in Singapore with limited liability as a wholly owned subsidiary of Fuss International Investment Group Inc. On 19 July 2005, Fuss International Investment Group Inc. transferred its entire equity interests in Fuss Feed to Full Fortune for no consideration.

(iv) On 24 June 2005, Shandong Fuss Biotech Co., Ltd ("Fuss Biotech") (山东富氏生物科技有限公司) was established as a wholly foreign owned enterprise under the laws of the PRC by Full Fortune.

(v) On 27 March 2006, Fuss Feed acquired the entire equity interests in Fu-Rich from Mr. Fu Guoping and his related parties at a purchase consideration of RMB1,000,002. As a result, Fu-Rich became a wholly owned subsidiary of Fuss Feed.

(d) Subsidiary undertakings

As at 31 December 2007 and 2008, China Food had the following subsidiaries:

Name of subsidiary	Date and place of establishment	Percentage of equity attributable to China Food	Principal activities
Full Fortune Holdings Pte Ltd	26 May 2005 Singapore	100%	Holding company
<u>Held by Full Fortune</u>			
Fuss Feed (Weifang) Co., Ltd ("Fuss Feed") 富氏饲料(潍坊)有限公司	28 November 1994 PRC	100%	Manufacture and sale of animal feed in the PRC
Shandong Fuss Biotech Co., Ltd ("Fuss Biotech") 山东富氏生物科技有限公司	24 June 2005 PRC	100%	Not yet commenced trading as of 31 December 2008
<u>Held by Fuss Feed</u>			
Shandong Fu-Rich Co., Ltd ("Fu-Rich") 山东富氏味业有限公司	7 August 2001 PRC	100%	Manufacture and sale of condiments in the PRC

All of the above subsidiaries are included in the consolidated financial statements.

(e) Investments

Investments in subsidiary companies are stated at cost, less provisions for diminution in carrying value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

3.2 Significant accounting estimates and judgments

Estimates, assumptions concerning the future and judgments are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgments

The judgments made which, in the opinion of the Directors, are critical in drawing up the financial statements are as follows:

(i) Accounting for the reverse acquisition transaction

As explained in Note 3.1 (a), the Directors are of the opinion that this transaction fell outside of the scope of IFRS 3, and as such they needed to devise an appropriate accounting policy by reference to the pronouncements of other standard-setting bodies. The judgment taken was that US GAAP provides the most appropriate basis in this case, and the accounting policy note sets out the accounting implications of following this approach.

(ii) Accounting for the Full Fortune business combination

As explained in Note 3.1 (b-c), the Directors are of the opinion that this transaction fell outside of the scope of IFRS 3, and as such they needed to devise an appropriate accounting policy by reference to the pronouncements of other standard-setting bodies. The judgment taken was that US GAAP provides the most appropriate basis in this case, and the accounting policy note sets out the accounting implications of following this approach.

(iii) Classification of Land Use Rights as Operating Leases

Within the PRC it is the practice for the State to issue Land Use Rights to individuals or entities. Such rights are evidenced through the granting of a Land Use Rights certificate, which gives the holder the right to use the land (including the construction of buildings thereon) for a given length of time. An upfront payment is made for these rights. The Directors judge that the substance of these arrangements is an operating lease over the land, and that the upfront payment represents prepaid lease rentals. As such a prepayment is recognised in the balance sheet, analysed between current and non current assets. The prepayment is amortised to spread the lease cost over the duration of the term of the land use rights, as specified in the lease certificate. See also Notes 3.5 and 11.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date are discussed below. These are included for completeness, although it is the Directors' view that none of these have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Estimated impairment of property, plant and equipment

The Group evaluates whether items of property, plant and equipment have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, in accordance with the stated accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. The carrying amounts of these assets are shown in note 10.

(ii) Estimated useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over their useful lives. Management estimates the useful lives of these property, plant and equipment to be within 2 to 20 years. These are common life expectancies applied in the industry in which the Group operates. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(iii) Impairment loss of trade and other receivables

The Group's policy for doubtful receivables is based on the on-going evaluation of the collectability and aging analysis of the trade and other receivables and on management's judgments. Considerable judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of the Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss of trade and other receivables may be required. The carrying amounts of these assets are shown in note 13.

3.3 Functional and foreign currency

(a) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of China Food and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated profit and loss account on disposal of the subsidiary.

(b) Foreign currency translations

The results and financial position of foreign operations are translated into the presentational currency of China Food (GBP) using the following procedures:

- Assets and liabilities for each balance sheet presented are translated at the closing exchange rate ruling at the balance sheet date; and

- Income and expenses for each income statement are translated at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions.

All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserve.

3.4 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

- Buildings – 20 years
- Plant and machineries – 10 years
- Equipment – 2 - 5 years
- Motor vehicles – 5 years

Construction in progress represents property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

3.5 Leased assets

In accordance with IAS 17 *Leases*, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset, with the related asset recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee, and with a corresponding amount recognised as a finance leasing liability. On such leases, the interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

The land use rights held by the Group are regarded as operating leases. The amounts paid for these rights are treated as lease prepayments and are amortised over the period for which the rights have been granted in accordance with the land use rights certificate.

3.6 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. 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 the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement as 'impairment losses'.

3.7 Financial assets

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. All financial assets of the Group are classified as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less impairment losses. Any change in their value is recognised in the income statement.

Significant receivables are considered for impairment on a case-by-case basis when they are past due at the balance sheet date or when objective evidence is received that a specific counterparty will default. All other receivables are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics, if any. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

3.8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.9 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the 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.

The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

3.10 Derecognition of financial assets

A financial asset is derecognised where the contractual rights to receive cash flows from the asset have expired.

3.11 Inventories

Inventories are stated at lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3.12 Financial liabilities

Financial liabilities include trade and other payables, payables to related parties and interest-bearing loans and borrowings. Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process. The liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

3.13 Equity

For the purpose of preparation of the consolidated financial statements of the Group, the share capital represents the nominal value of the issued share capital of China Food. Share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

For the purpose of preparation of the consolidated financial statements of the Group, the merger reserve represents the combined paid-up registered capital of the subsidiaries of Full Fortune less the payment made by Fuss Feed for the acquisition of Fu-Rich. It arises as a result of adopting the pooling of interest-type accounting method described in note 3.1(b).

The PRC statutory reserves comprise the capital reserves and the surplus reserves of the subsidiaries of Full Fortune established in the PRC which were set up in accordance with their respective articles of association and the relevant PRC laws and regulations.

The shares to be issued reserve represents equity-settled share-based payments until such share options are exercised.

The reverse acquisition reserve arises as a result of following the accounting method described in note 3.1(a) in respect of the RTO completed in 2007.

Foreign currency translation reserve represents the differences arising from translation of investments in overseas subsidiaries.

3.14 Share-based payments

All share-based payment arrangements are recognised in the consolidated financial statements in the period in which the associated goods or services are provided. The Group operates equity-settled share-based remuneration plans for remuneration of its employees, although to-date no options have been granted under these plans.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values at the date the services are provided by reference to the fair value of the services provided.

All equity-settled share based payments are ultimately recognised as an expense in the income statement with a corresponding credit to "Shares to be issued reserve".

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

3.15 Borrowing costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded

3.16 Employee benefits - Defined contribution plans

Full Fortune, a Singapore incorporated company, makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme.

As stipulated by the rules and regulations in the PRC, the PRC subsidiaries of the Group contribute to state-sponsored retirement plans for their employees in the PRC at rates of 20% of the basic salaries of their employees, and have no further obligations for the actual payment of pensions or post-retirement benefits. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees.

The pensions costs charged against profits are the contributions payable to the scheme in respect of the accounting period.

3.17 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

(a) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
(b) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
(c) the amount of revenue can be measured reliably;
(d) it is probable that the economic benefits associated with the transaction will flow to the Group;
(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

For both the Feed and Condiments businesses these conditions are considered to have been satisfied when the customer either collects or takes delivery of the goods.

Interest income is recognised as interest accrues (using the effective interest method) unless collectibility is in doubt.

3.18 Income taxes

(a) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

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FOR THE YEAR ENDED 31 DECEMBER 2008

(b) **Sales tax**

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

4. Revenue

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Sale of goods	38,215,255	25,268,223

5. Other operating income

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Reversal of impairment loss on trade and other receivables	298	1,284
Land use fee written back	-	7,280
Sale of Xianka business license	-	65,663
Sundry income	11,434	2,856
	11,732	77,083

6. Finance income and finance costs

Finance income and costs include all interest-related income and expenses. The following amounts have been included in the income statement line for the reporting periods presented:

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Loans and receivables:		
- Cash and short-term deposits	80,616	25,254
- Interest income on convertible loan	-	(3,425)
Gain on foreign currency financial liabilities	-	52,667
Finance income	80,616	74,496

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Interest expense for bank borrowings at amortised cost	155,809	142,328
Interest expense on earnest money from a potential investor	-	48,791
Interest expense on shareholder's loan	148,150	54,689
Loss on foreign currency financial liabilities	52,530	-
Finance costs	356,489	245,808

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

7. Profit before tax

Group

Profit before tax is arrived at after charging:	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Depreciation of property, plant and equipment:		
- Buildings	176,524	147,986
- Plant and machineries	68,900	56,014
- Equipment	9,728	7,790
- Motor vehicles	27,925	15,490
	283,077	227,280
Loss on disposal of property, plant and equipment	166	6,595
Amortisation of land use rights lease prepayment	179,601	108,244
Cost of inventories expensed	27,450,231	16,356,400
Auditors' remuneration:		
Payable to the current auditors and their associates:		
- audit of the consolidated financial statements	49,920	45,000
- audit of the financial statements of associates pursuant to Legislation	65,083	47,087
- corporate finance transactions of the company	-	191,200
Payable to the PRC auditors	1,503	986
Employee benefits expenses		
- Salaries and allowances	1,348,830	516,220
- Pension scheme contributions	23,074	13,928
	1,371,904	530,148

Average number of persons employed by the Group (including executive directors) during the year:

	Year ended 31 December 2008	Year ended 31 December 2007
Production	256	273
Sales and marketing	296	87
Administration	82	59
	634	419

In accordance with the Section 230 of the Companies Act 1985, the company has not presented its individual income statement. The result for the financial year ended 31 December 2008 was a loss of £331,007 (2007: £319,842).

8. Income tax

(a) The major components of income tax expense are as follows:

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Current income tax		
Provision for PRC Enterprise Income Tax	2,266,157	2,187,042
Income tax expense recognised in the income statement	2,266,157	2,187,042

China Food is subject to a United Kingdom Tax rate of 30% (2007: 30%).

Full Fortune is subject to a Singapore Income Tax rate of 18% (2007:18%). As Full Fortune has no trading income, the expenses incurred cannot be carried forward as tax losses.

Fuss Feed is subject to a PRC Enterprise Income Tax rate of 25% (2007: 15%).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

Fu-Rich is subject to a PRC Enterprise Income Tax rate of 25% (2007: 33%).

With effect from 1 January 2008, both Fu-Rich and Fuss Feed were subject to a unified PRC Enterprise Income Tax rate of 25%.

Fuss Biotech is not subject to PRC Enterprise Income Tax as it enjoyed tax holiday for the year ended 31 December 2008 (2007: Nil).

(b) A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rates is as follows:

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Accounting profit before tax	7,506,005	7,520,285
Tax at the domestic income tax rates applicable to profits in the countries where the Group operates	2,260,579	2,184,549
Adjustments:		
- Income not subject to taxation	(37)	(205)
- Non-deductible expenses	5,419	22
- Others	196	2,676
Income tax expense recognised in the income statement	2,266,157	2,187,042

No deferred tax asset or liability is recognised, principally as a result of the taxable profits for the China companies equating to accounting profits, and there being no differences between the tax basis of assets and liabilities and the carrying values in the balance sheet.

(c) There was no material unprovided deferred tax as at 31 December 2008.

9. Earnings per share and dividends

	Year ended 31 December 2008			Year ended 31 December 2007		
	Net Profit £	Weighted average number of shares	Earnings per share pence	Net Profit £	Weighted average number of shares	Earnings per share pence
Basic earnings per ordinary share	5,239,848	66,399,991	7.89	5,333,243	36,913,304	14.45
Fully diluted earnings per ordinary share	5,239,848	66,399,991	7.89	5,333,243	36,919,233	14.45
Adjusted earnings per ordinary share	5,239,848	66,399,991	7.89	5,333,243	66,399,991	8.03

Earnings per share has been calculated on 66,399,991 shares (2007: 36,913,304 shares), and on attributable earnings of £5,239, 848 (2007: £5,333,243).

The warrant granted to Strand Partners to subscribe 1,328,000 shares at 50 pence per share (see note 20) has no dilution effect on the calculation of the earnings per share as the market price of the Company's share was lower than 50 pence at 31 December 2008. In 2007 the dilution had no impact on the EPS amounts disclosed.

The adjusted EPS has been calculated using the number of shares in issue as at 31 December 2008 as the denominator for both years.

Prior to the completion of the reverse acquisition, a Full Fortune subsidiary company paid dividends of £4,103,945 directly to one of the equity shareholders. This payment was made with the consent of the other equity shareholders, all of whom had waived their rights to dividends.

No dividend is proposed for the year ended 31 December 2008 (2007: Nil).

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FOR THE YEAR ENDED 31 DECEMBER 2008

10. Property, plant and equipment

Group

	Buildings	Construction in progress	Plant and machineries	Equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
As at 1 January 2007	3,265,950	900,954	694,493	64,321	172,823	5,098,541
Additions	1,938	6,611,972	30,018	10,084	98,182	6,752,194
Disposal	-	-	(21,663)	(7,042)	(62,866)	(91,571)
Foreign currency translation adjustment	186,550	391,450	40,078	3,829	11,682	633,589
As at 31 December 2007	3,454,438	7,904,376	742,926	71,192	219,821	12,392,753
Additions	-	10,742,927	65,330	23,371	10,253	10,841,881
Disposal	-	-	-	(2,336)	(10,701)	(13,037)
Foreign currency translation adjustment	1,558,833	6,576,022	353,549	38,017	97,238	8,623,659
As at 31 December 2008	5,013,271	25,223,325	1,161,805	130,244	316,611	31,845,256
Accumulated depreciation						
As at 1 January 2007	589,962	-	235,238	51,309	129,435	1,005,944
Charge for the year	147,986	-	56,014	7,790	15,490	227,280
Written back on disposal	-	-	(18,644)	(6,337)	(56,579)	(81,560)
Foreign currency translation adjustment	41,290	-	15,351	3,003	5,275	64,919
As at 31 December 2007	779,238	-	287,959	55,765	93,621	1,216,583
Charge for the year	176,524	-	68,900	9,728	27,925	283,077
Written back on disposal	-	-	-	(2,103)	(8,193)	(10,296)
Foreign currency translation adjustment	401,081	-	149,243	27,299	46,373	623,996
As at 31 December 2008	1,356,843	-	506,102	90,689	159,726	2,113,360
Net book value						
As at 31 December 2008	3,656,428	25,223,325	655,703	39,555	156,885	29,731,896
As at 31 December 2007	2,675,200	7,904,376	454,967	15,427	126,200	11,176,170

As at 31 December 2008 the buildings with net book values of £3,205,686 were pledged as security for the bank loans (2007: £2,342,742) (note 16).

11. Land use rights lease prepayments

Group

	Year ended 31 December 2008	Year ended 31 December 2007
	£	£
Net book value as at 1 January	6,507,362	6,095,088
Land use rights lease payments made during the year	-	169,411
Amortisation of payments over lease term	(179,601)	(108,244)
Foreign currency translation difference	2,886,176	351,107
Net book value as at 31 December	9,213,937	6,507,362
Of which:		
Current	196,020	113,811
Non-current	9,017,917	6,393,551
	9,213,937	6,507,362

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

The Group's land use rights lease prepayments are being amortised straight-line over 45 to 50 year terms.

As at 31 December 2008 the land use rights lease prepayments with net book values of £3,350,554 were pledged as security for the bank loans (2007: £747,138) (note 16).

12. Inventories

Group

	As at 31 December 2008 £	As at 31 December 2007 £
Raw materials	795,428	391,884
Work-in-progress	174,925	100,987
Finished goods	347,326	83,448
	1,317,679	576,319

13. Trade and other receivables

Group

	As at 31 December 2008 £	As at 31 December 2007 £
Trade receivables	391,084	279,261
Other receivables	97,075	86,242
Prepayments	20,493	8,317
VAT recoverable	11,467	204,518
	520,119	578,338

Trade receivables are unsecured and non-interest bearing. They are recognised at their original invoice amounts which represent their fair values on initial recognition less provision for impairment where this is required. All trade receivables are denominated in RMB.

Company

	As at 31 December 2008 £	As at 31 December 2007 £
Other receivables	-	8,982
Prepayments	10,436	8,317
	10,436	17,299

14. Cash and bank balances

Group

The cash and bank balances of the Group are denominated in the following currencies:

	As at 31 December 2008 £	As at 31 December 2007 £
RMB	3,625,946	4,993,308
SGD	395,277	373,192
GBP	392,404	1,902,515
USD	509	536
	4,414,136	7,269,551

Cash at banks earns interest at floating rates based on daily bank deposit rates.

The conversion of RMB denominated cash and bank balances into foreign currencies and the remittance of these funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

Company

	As at 31 December 2008 £	As at 31 December 2007 £
GBP	385,596	1,901,485

15. Trade and other payables

Group

	As at 31 December 2008 £	As at 31 December 2007 £
Trade payables	2,623,589	1,168,656
Other payables		
- Bills payable	701,361	1,002,458
- Amount due to a related party/former director of Full Fortune	54,013	350,001
- Others	500,364	633,065
Accrued expenses	1,042,730	821,659
Receipts in advance	6,533	2,642
	4,928,590	3,978,481

Trade and other payables are unsecured and non-interest bearing. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The amount due to a related party represents the amount due to Mr Fu Guoping who is the beneficial owner of Main World Investments Limited, one of the major shareholders of the company. It is unsecured, non-interest bearing, and repayable in cash on demand.

Company

	As at 31 December 2008 £	As at 31 December 2007 £
Trade payables	-	2,396
Other payables	16,016	-
Accrued expenses	84,880	271,189
	100,896	273,585

16. Bank loans

All bank loans of the Group are denominated in RMB and are repayable within one year. The effective interest rate of the bank loans for the year ended 31 December 2008 was approximately from 8.54% to 9.47% (2007: approximately from 8.19% to 9.47%).

The bank loans as at 31 December 2008 were secured by charges over the buildings and land use rights lease prepayments of the Group with net book values of £3,205,686 (2007: £2,342,742) and £3,350,554 (2007: £747,138), respectively as at 31 December 2008.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

17. Shareholders' loans

Group

	As at 31 December 2008 £	As at 31 December 2007 £
Current	478,137	546,868
Non-current	5,132,001	2,550,464
	5,610,138	3,097,332

These are two shareholder loans in place – one denominated in USD which is non-current, and one denominated in SGD which is current. In 2007, there were two shareholder loans in place – one denominated in USD which had both current and non-current elements, and one denominated in SGD which was current only.

The current portion of the loan from a shareholder is denominated in SGD (2007 loans: USD and SGD), and is unsecured, interest free (2007: interest at a rate of 6.5% per annum) and repayable on demand.

The non-current portion of the loan from a shareholder is denominated in USD, and is unsecured, bears interest of 5% per annum and will expire on 11 November 2010.

Company

	As at 31 December 2008 £	As at 31 December 2007 £
Non-current	1,713,150	-
	1,713,150	-

The loan from a shareholder is denominated in USD. It is unsecured, bears interest of 5% per annum and will expire on 11 November 2010.

18. Share capital

	No. of shares	£
Authorised		
As at 1 February 2007 - Ordinary shares of 0.1p each	500,000,000	500,000
Increase in authorised share capital effected on 9 December 2007	3,500,000,000	3,500,000
	4,000,000,000	4,000,000
1 for 40 consolidation effected on 9 December 2007	100,000,000	4,000,000
As at 31 December 2007 and 31 December 2008 - Ordinary shares of 4p each	100,000,000	4,000,000
Issued, called up and fully paid		
As at 1 February 2007 - Ordinary shares of 0.1p each	2	0
Shares issued on 17 April 2007	50,000,000	50,000
Shares issued on 12 June 2007	320,000,000	320,000
Shares subscribed on 5 December 2007	38	0
	370,000,040	370,000
1 for 40 consolidation effected on 9 December 2007	9,250,001	370,000
Subscription of shares of 4p each on 9 December 2007	16,666,666	666,667
Shares issued in respect of the acquisition of Full Fortune	40,333,333	1,613,333
Shares issued for partial settlement of advisory fees payable to Strand Partners	149,991	6,000
As at 31 December 2007 and 31 December 2008 - Ordinary shares of 4p each	66,399,991	2,656,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

19. Share premium

Group

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
As at beginning of the period	25,677,529	-
Premium on shares issued on 12 June 2007	-	2,880,000
Share issue expenses	-	(158,133)
Premium on shares subscribed at £0.30 per share on 9 December 2007	-	4,333,333
Premium on shares issued at £0.50 per share in relation to the acquisition of the Full Fortune Group	-	18,553,333
Premium on shares issued at £0.50 per share for partial settlement of advisory fees payable to Strand Partners	-	68,996
As at end of the period	25,677,529	25,677,529

Company

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
As at beginning of the period	6,036,336	-
Premium on shares issued on 12 June 2007	-	2,880,000
Share issue expenses	-	(158,133)
Premium on shares subscribed at £0.30 per share on 9 December 2007	-	4,333,333
Share issue expenses	-	(1,087,860)
Premium on shares issued at £0.50 per share for partial settlement of advisory fees payable to Strand Partners	-	68,996
As at end of the period	6,036,336	6,036,336

It has been ascertained the reverse acquisition of Full Fortune Holdings Pte Ltd by the Company in 2007 qualified for merger relief under s131 Companies Act 2005. Accordingly the share premium previously recognised as arising on the shares issued by the Company in that transaction has been reclassified as a 'merger relief reserve'.

20. Share-based payments

During 2008, the Group made no share-based payments.

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
149,991 Ordinary shares issued at £0.50 per share	-	74,996
Warrant granted for the subscription of 1,328,000 new ordinary shares	-	50,000
	-	124,996

During 2007, the Group made two equity-settled share based payments for partial settlement of the advisory fees payable to Strand Partners.

China Food granted Strand Partners a warrant to subscribe for 1,328,000 new ordinary shares of the company at a subscription price of £0.50 per share. The warrant may be exercised at any time during the period of five years from 10 December 2007. As at 31 December 2008 the warrant remained unexercised.

As at 31 December 2008 the Group maintained a share option plan for its employees. No options had been granted under the share option plan as at 31 December 2008.

NOTES TO THE FINANCIAL STATEMENTS
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21. Investments in subsidiaries

Company

	As at 31 December 2008 £	As at 31 December 2007 £
As at beginning of the period	25,166,667	-
Cash consideration	-	5,000,000
Shares issued in relation to the reverse acquisition of Full Fortune	-	20,166,667
Advance to a subsidiary	1,150,000	-
As at end of the period	26,316,667	25,166,667

Please refer to note 3.1(d) for details of the subsidiary companies of the Company.

The advance to a subsidiary was capitalised because repayment was neither planned nor likely in the foreseeable future.

22 Notes to the Company cash flow statement

22.1 Proceeds from issue of shares

The Company did not issue new shares for the year ended 31 December 2008. New shares issued for the year ended 31 December 2007 were as follows:

	Year ended 31 December 2007		
	Share capital	Share premium	Total
	£	£	£
Shares issued on 12 June 2007	370,000	2,880,000	3,250,000
Shares subscribed at £0.30 per share on 9 December 2007	666,667	4,333,333	5,000,000
	1,036,667	7,213,333	8,250,000

22.2 Payment of transaction costs

Transaction costs were professional fees paid to lawyers, accountants, and advisers for the Company in connection with the shares issued in relation to the reverse acquisition of Full Fortune.

23. Capital commitments

Group

As at the balance sheet date, capital expenditure contracted for but not recognised in the financial statements is as follows:

	As at 31 December 2008 £	As at 31 December 2006 £
Capital commitments in respect of:		
Acquisition of property, plant and equipment	620,804	1,150,175
	620,804	1,150,175

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24. Related party disclosures

Group

An entity or individual is considered a related party of the Group for the purposes of the financial statements if: (i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or (ii) it is subject to common control.

(a) In addition to related party information disclosed elsewhere in the financial statements, the following significant related party transactions took place during the year on terms agreed between the parties:

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Former Directors of Full Fortune and their related parties		
Sale of Xianka business license (note 24(c))	-	65,663
Main World Investments Limited		
Shareholder loan interest	148,150	-
Albany Capital PLC		
Management fee payable	25,000	-
Sorbic International PLC		
Service fee receivable	3,467	-

(b) Compensation of key management personnel (as recognised in the consolidated income statement)

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Short-term employee benefits	411,835	75,187
Post employment benefits	14,992	4,470
Termination benefits paid in 2007	-	20,000
Total compensation to key management personnel	426,827	99,657
Comprised amounts paid to:		
Directors	400,139	57,222
Other key management personnel of the Group	26,688	22,435
	426,827	79,657

(c) Call option to purchase Xianka business

Xianka, which has been under development by the Group's in-house research and development team, is potentially a new seasoning product which may enhance flavour when cooking food. As part of the reverse takeover acquisition, the Xianka intellectual property has been licensed to a company controlled by Mr Fu Guoping for RMB1 million (£65,663) which represented the estimated costs incurred by the Group to develop the Xianka intellectual property. The Group was granted a call option on 12 November 2007, exercisable at the discretion of the Group at any time during the two year period following the completion of the RTO, to acquire the company which holds the Xianka license. The consideration shall be the book value of Xianka subject always to a maximum price of RMB80 million (approximately £8.0 million at the 2008 year end RMB to £ exchange rate) and a price to earnings ratio of not more than four times its audited full year results . This option has not been recognised at any value in the financial statements, given the early stage of development and the inherent uncertainties in bringing a product successfully to market. The option has been reassessed in 2008. The Directors concluded that the option's fair value is still immaterial and hence not recognised.

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(d) Ultimate controlling party

China Food is a public listed company with no single controlling party.

Company

The following significant related party transactions took place during the year on terms agreed between the parties:

	As at 31 December 2008	As at 31 December 2007
	£	£
Advance to a subsidiary	1,713,150	-
Amount due from/(to) a subsidiary	21,550	(40,557)

The advance to a subsidiary represents an amount extended by China Food to a subsidiary. It is unsecured, interest free and has no fixed terms of repayment.

The amount due from a subsidiary is unsecured, interest free and has no fixed terms of repayment.

	Year ended 31 December 2008	Year ended 31 December 2007
	£	£
Management fee income from a subsidiary	100,000	-
Main World Investments Limited		
Shareholder loan interest	11,525	-
Albany Capital PLC		
Management fee payable	25,000	-

25. Directors' remuneration

Remuneration paid to or receivable by Directors of China Food in respect of qualifying services was as follows:

	Year ended 31 December 2008	Period ended 31 December 2007
	£	£
Aggregate fees and emoluments	386,047	59,653
Compensation for loss of office	-	20,000
Pension scheme contributions	14,092	4,526
	400,139	84,179

Total emoluments include the following amounts in respect of the highest paid director:

Salary and benefits	129,448	6,098

There are no directors to whom retirement benefits are accruing under money purchase pension schemes.

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26. Acquisitions

On 10 December 2007, Full Fortune completed the reverse acquisition of China Food for a notional consideration of £4,159,853, reflecting the fair value of net assets acquired and the transaction costs, in accordance with the US GAAP pooling of interest-type accounting treatment.

China Food was incorporated on 1 February 2007. It was established in order to acquire a controlling interest in a company, partnership or joint venture located in Europe, North America or Asia. China Food reported, in respect of the period from 1 February 2007 to 9 December 2007, turnover of £Nil, operating loss of £61,751, and loss after tax of £61,751.

The fair value of net assets acquired is set out in the following table:

	Acquisition amounts
	£
Trade and other receivables	695,961
Bank	2,914,029
Trade and other payables	(579,874)
Net assets	3,030,116
Acquisition costs	1,129,737
Total cost of acquisition	4,159,853
The net cash flows in the period arising on the acquisition were:	
Acquisition costs	(1,129,737)
Net cash acquired	2,914,029
Net cash inflow	1,784,292

On 27 March 2006, Fuss Feed acquired the entire equity interests in Fu-Rich at a purchase consideration of RMB1,000,002 (£68,088). See also note 3.1 (c)(v).

27. Risk management objectives and policies

China Food is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk, credit and liquidity risk and certain other price risks, which result from both its operating and investing activities. The Group's risk management is coordinated at its headquarters, in close co-operation with the Board of directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets.

The Group's raw materials consist of commodities such as soya bean, corn, wheat and sorghum. Most of these raw materials are purchased direct from farmers. The directors concluded this is not considered an area where sensitivity analysis is of value even though it is influenced by market prices.

China Food does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below. See also note 27.5 for a summary of the Group's financial assets and liabilities by category.

27.1 Foreign currency sensitivity

Group

Most of the Group's transactions are carried out in the PRC. Both sales and purchases are primarily denominated in RMB. The amounts to be paid and received in RMB are expected to largely offset one another, no hedging activity is undertaken. However, as the Group's financial statements are prepared in GBP, its exposure to foreign currency translation is analysed as follows:

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Foreign currency denominated financial assets and liabilities, translated into GBP at the closing rate, are as follows:

	As at 31 December 2008			As at 31 December 2007		
		£			£	
Nominal amounts	USD	RMB	SGD	USD	RMB	SGD
Financial assets	511	4,105,515	413,883	536	5,349,530	373,491
Financial liabilities	-	(2,484,821)	(478,090)	(70,620)	(1,339,372)	(476,390)
Short-term exposure	511	1,620,694	(64,207)	(70,084)	4,010,158	(102,899)
Financial liabilities	(5,139,450)	-	-	(2,519,019)	-	-
Long-term exposure	(5,139,450)	-	-	(2,519,019)	-	-

The following table illustrates the sensitivity of the net result for the year and equity in regards to the Group's financial assets and financial liabilities and the GBP - USD, GBP - RMB and GBP - SGD exchange rate.

It assumes a +0.3% / - 5.0% change of the GBP/USD exchange rate for the year ended at 31 December 2008 (2007: +1.3% / -1.3%). A +0.0% / - 5.0% change of the GBP/RMB exchange rate for the year ended at 31 December 2008 (2007: +1.0% / -1.7%). A +0.2% / - 5.0% change of the GBP/SGD exchange rate for the year ended at 31 December 2008 (2007: +1.2% / -1.1%). Each of these percentages has been determined based on the average monthly market volatility in exchange rates in the previous 6 months in view of the recent changes in financial markets. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each balance sheet date.

If the GBP had strengthened against the USD, RMB and SGD by 0.3% (2007: 1.3%), 0.0% (2007: 1.0%) and 0.2% (2007: 1.2%) respectively then this would have had the following increase/(decrease) in the net result for the year and equity:

	As at 31 December 2008			As at 31 December 2007		
		£			£	
	USD	RMB	SGD	USD	RMB	SGD
Net result for the year	15,370	-	129	33,228	(39,706)	1,184
Equity	15,370	-	129	33,228	(39,706)	1,184

If the GBP had weakened against the USD, RMB and SGD by 5.0% (2007: 1.3%), 5.0% (2007: 1.7%) and 5.0% (2007: 1.1%) respectively then this would have had the following increase/(decrease) in the net result for the year and equity:

	As at 31 December 2008			As at 31 December 2007		
		£			£	
	USD	RMB	SGD	USD	RMB	SGD
Net result for the year	(270,472)	85,300	(3,379)	(34,100)	69,350	(1,181)
Equity	(270,472)	85,300	(3,379)	(34,100)	69,350	(1,181)

Company

The Company has a USD loan, in relation to which the foreign currency risk is mitigated due to an offsetting USD loan receivable from a subsidiary.

The Company is not exposed to any other foreign currency risk as all the transactions are denominated in GBP.

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27.2 Interest rate sensitivity

Group

China Food's policy is to minimise interest rate cash flow risk exposure on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At 31 December 2008, China Food is exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +0.25% and -0.25% (2007: +1.5%/-0.5%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions, and based on the fact that the Group's borrowings comprise shareholder loans at a fixed rate of interest, and bank loans in China where interest rates in recent months have not reflected the global trend of significant decreases. The calculations are based on the Group's financial instruments held at each balance sheet date. All other variables are held constant.

	As at 31 December 2008		**As at 31 December 2007**	
	Change in Interest rate		Change in Interest rate	
	0.25%	-0.25%	1.5%	-0.5%
	£	£	£	£
Cash and banks	11,035	(11,035)	109,043	(36,348)
Bank loans	(6,212)	6,212	(20,091)	6,697
Shareholders' loans - current	(1,195)	1,195	(8,203)	2,734
Shareholder's loan - non-current	(12,830)	12,830	(38,257)	12,752
	(9,202)	9,202	42,492	(14,165)

Company

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +0.25% and -0.25% (2007: +0.5%/-0.5%), with effect from beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Company's financial instruments held at the balance sheet date. All other variables are held constant.

	As at 31 December 2008		**As at 31 December 2007**	
	Change in Interest rate		Change in Interest rate	
	0.25%	-0.25%	0.5%	-0.5%
	£	£	£	£
Cash and banks	964	(964)	9,507	(9,507)
Shareholder's loan – non-current	(4,283)	4,283	-	-
	(3,319)	3,319	9,507	(9,507)

27.3 Credit risk analysis

Group

China Food's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	As at 31 December 2008	**As at 31 December 2007**
	£	£
Trade and other receivables	508,652	373,820
Cash and cash equivalents	4,414,136	7,269,551
	4,922,788	7,643,371

China Food continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

China Food's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality.

In respect of trade and other receivables, China Food is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

All trade receivables as at 31 December 2008 and 31 December 2007 were current.

Company

The Company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	As at 31 December 2008 £	As at 31 December 2007 £
Trade and other receivables	10,436	17,299
Advance to a subsidiary	1,713,150	-
Amount due from a subsidiary	21,550	-
Cash and cash equivalents	385,596	1,901,485
	2,130,732	1,918,784

In respect of trade and other receivables, China Food is not exposed to any significant credit risk exposure. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

27.4 Liquidity risk analysis

Group

China Food manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term and short-term financial liabilities as well as cash-outflows due in day-to-day operations. Liquidity needs are monitored in various time bands, on a day-to-day basis, as well as on the basis of a rolling one month and three months projection. Long-term liquidity needs for a 360-day lookout period are identified in the year end budget.

China Food maintains cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

As at 31 December 2008, China Food's financial liabilities have contractual maturities which are summarised below:

	Current		Non-current	
	within 6 months £	6 to 12 months £	1 to 5 years £	later than 5 years £
Trade and other payables	4,740,762	-	-	-
Shareholder's loan	-	478,137	5,797,879	-
Bank borrowings	609,466	2,024,400	-	-
	5,350,228	2,502,537	5,797,879	-

This compares to the maturity of China Food's financial liabilities in the previous reporting period as follows:

	Current		Non-current	
	within 6 months £	6 to 12 months £	1 to 5 years £	later than 5 years £
Trade and other payables	3,978,481	-	-	-
Shareholder loan	250,009	349,901	2,788,610	-
Bank borrowings		1,339,372	-	-
	4,228,490	1,689,273	2,788,610	-

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The above contractual maturities reflect the gross cash flows, which may differ to the carrying values of the liabilities at the balance sheet date.

Company

As at 31 December 2008, the Company's liabilities have contractual maturities which are summarised below:

	Current		Non-current	
	within 6 months	6 to 12 months	1 to 5 years	later than 5 years
	£	£	£	£
Trade and other payables	89,162	-	-	-
Shareholder loan	-	-	1,884,465	-
	89,162	-	1,884,465	-

This compares to the maturity of the Company's financial liabilities in the previous reporting period as follows:

	Current		Non-current	
	within 6 months	6 to 12 months	1 to 5 years	later than 5 years
	£	£	£	£
Trade and other payables	273,585	-	-	-
Amount due to a subsidiary	40,557	-	-	-
	314,142	-	-	-

27.5 **Summary of financial assets and liabilities by category**

Group

The carrying amounts of China Food's financial assets and liabilities as recognised at the balance sheet date of the reporting periods under review may also be categorised as follows. See notes 3.7 and 3.12 for explanations as to how the categorisation of financial instruments affects their subsequent measurement.

In all cases the fair values of the assets and liabilities are considered to approximate to their carrying values.

	As at 31 December 2008	As at 31 December 2007
	£	£
Current assets		
Trade and other receivables:		
- Loan and receivables	508,652	373,820
Cash and cash equivalents		
- Loan and receivables	4,414,136	7,269,551
	4,922,788	7,643,371
Current liabilities		
Borrowings:		
- Financial liabilities recorded at amortised cost	2,962,957	1,886,240
Trade and other payables:		
- Financial liabilities recorded at amortised cost	4,257,106	3,156,823
	7,220,063	5,043,063
Non current liabilities		
Borrowings:		
- Financial liabilities recorded at amortised cost	5,132,001	2,550,464
	5,132,001	2,550,464

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Company

The carrying amounts of the Company's financial assets and liabilities as recognised at the balance sheet date of the reporting periods under review may also be categorised as follows.

	As at 31 December 2008 £	As at 31 December 2007 £
Current assets		
Trade and other receivables, amounts due from a subsidiary:		
- Loan and receivables	1,745,136	17,299
Cash and cash equivalents		
- Loan and receivables	385,596	1,901,485
	2,130,732	1,918,784
Current liabilities		
Trade and other payables:		
- Financial liabilities recorded at amortised cost	100,896	314,142
Non current liabilities		
Borrowings:		
- Financial liabilities recorded at amortised cost	1,713,150	-

28. Capital management policies and procedures

China Food's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to shareholders.

by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the statement of financial position.

The Group sets the amount of capital in proportion to its overall financing structure, ie equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and risk characteristics of the underlying assets.

Capital for the reporting periods under review is summarised as follows:

	As at 31 December 2008 £	As at 31 December 2007 £
Total equity	31,268,118	16,954,748
Cash and cash equivalents	(4,414,136)	(7,269,551)
Capital	26,853,982	9,685,197
Total equity	31,268,118	16,954,748
Borrowings:		
Bank loans	2,484,820	1,339,372
Shareholders' loans - current	478,137	546,868
Shareholder's loan - non-current	5,132,001	2,550,464
Overall financing	39,363,076	21,391,452
Capital-to-overall financing ratio	0.68	0.45

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29. Segmental reporting

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Segment information is presented in respect of the Group's business segments, which comprise (i) the manufacture and sale of animal feed; and (ii) the manufacture and sale of condiments. No geographical segment information is presented as the Group mainly operates in the PRC.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period. Unallocated items comprise mainly corporate assets and liabilities, and corporate income and expenses.

There were no inter-segment sales and transfers during the years ended 31 December 2008 (2007: Nil).

Business segments

	Year ended 31 December 2008			Year ended 31 December 2007		
	Animal feed	Condiments	Total	Animal feed	Condiments	Total
	£	£	£	£	£	£
Segment revenue						
Sale to external customers	22,908,506	15,306,749	38,215,255	13,417,031	11,851,192	25,268,223
Segment results	3,008,885	6,174,258	9,183,143	2,662,366	5,530,260	8,192,626
Unallocated corporate income			55,764			70,871
Unallocated corporate expenses			(1,376,413)			(497,404)
Finance costs			(356,489)			(245,808)
Profit before tax			7,506,005			7,520,285
Taxation			(2,266,157)			(2,187,042)
Profit for the year			5,239,848			5,333,243
Assets and liabilities:						
Segment assets	3,460,281	40,903,681	44,363,962	2,415,255	21,194,123	23,609,378
Unallocated assets			833,805			2,498,362
Total assets			45,197,767			26,107,740
Segment liabilities	2,059,621	5,852,594	7,912,215	1,044,854	4,494,004	5,538,858
Unallocated liabilities			6,017,434			3,614,134
Total liabilities			13,929,649			9,152,992

	Animal feed	Condiments	Total	Animal feed	Condiments	Total
	£	£	£	£	£	£
Other segment information:						
Capital expenditure for property, plant and equipment	45,706	10,789,473	10,835,179	11,345	6,740,849	6,752,194
Unallocated capital expenditure for property, plant and equipment			6,702			-
Total capital expenditure for property, plant and equipment			10,841,881			6,752,194
Depreciation and amortisation	73,845	386,089	459,934	62,299	273,225	335,524
Unallocated depreciation and amortisation			2,744			-
Total depreciation and amortisation			462,678			335,524