



CHINA FOOD COMPANY PLC

Annual Report 2007



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DIRECTORS, SECRETARY AND ADVISERS



Directors

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

Audit Committee

John McLean
Chairman

Derek Marsh

Frank Chau Leung Yu

Remuneration Committee

Derek Marsh
Chairman

John McLean

Raphael Tham Wai Mun

Company Secretary

June Paddock

Company Number

06077223

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London W1S 1HU

Nominated Adviser

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Broker

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London EC2R 7HJ

Registrars

Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH

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



Overview

On 10 December 2007, following shareholders approval, Vestpa Plc ("Vestpa") successfully completed its reverse acquisition of Full Fortune Holdings Pte. Limited ("Full Fortune"), together with its subsidiaries (the "Full Fortune Group"), following which its core business became the manufacture and distribution of animal feed and condiments products in the Shandong province of the People's Republic of China (the "PRC"). Reflecting this change in principal activity, and successful implementation of its investing strategy, the Company aptly, renamed itself as China Food Company Plc ("China Food").

The Full Fortune Group was acquired for a consideration of approximately £25.2 million, which equated to an historic price to earnings multiple of approximately 5.7 times. The consideration was satisfied through the issuance of 40,333,333 new ordinary shares in Vestpa Plc and a cash payment of £5 million. As a consequence, the vendors of the Full Fortune Group became the majority shareholders of the Company. In accordance with the reverse acquisition accounting policy adopted by the Company (further details of which are set out in Note 3.1 (a) below), the financial statements include the results of Full Fortune and its subsidiaries, as if it were the acquirer, for the entire twelve month period and the results of China Food, as if it were the acquired company, from 10 December 2007 to 31 December 2007.

The Group produces a range of products under Full Fortune's "Fushi" and "Fushi Hao Tai Tai" brand names from its current 28,294 square metre factory site in Weifang City with a total built-up area of approximately 17,663 square metres. The Group has land use rights covering an area of 199,657 square metres for new premises in Shou Guang City and a new manufacturing facility for the Company is currently in the course of construction. This new plant will increase production capacity for the Group's condiment products by 50 per cent. from 100,000 to 150,000 tonnes per annum and is expected to be completed and commissioned during the second half of the current financial year.

China Food operates in one of the fastest growing segments within the PRC's food industry reflecting the increasing purchasing power of Chinese consumers. Annual sales for this market segment are estimated to have grown from RMB59 billion in 2004 to RMB100 billion in 2006 (approximately £6.9 billion at the 2007 year end RMB to £ exchange rate).

The Company's primary market for its condiment products is Weifang, but it also sells to other cities within Shandong, China's second largest province, as well as to neighbouring provinces including Henan, Jiangsu, Anhui, Hebei, Tianjin, Beijing and Liaoning. Its condiments brands are believed to hold a leading market position in Weifang and a significant share of the wider Shandong marketplace.

CHAIRMAN'S STATEMENT

The Company sells its condiments range via a network of approximately 200 distributors, retailers and numerous outlets of large and medium sized supermarket chains in ten provinces and municipal cities in the north-eastern region of the PRC, including Wal Mart, Carrefour, Shiji Lianhua and Jialejia.

The Group's animal feed business manufactures higher-margin Premix and Concentrate Feed, and Compound Feed, operating two fully automated production lines at a 15,000 square metre plant in Shou Guang City, Shandong. Shandong is one of the largest agricultural and livestock provinces in East China and the Company principally sells its feedstuffs to approximately 200 distributors, mostly comprising small distributorships located in neighbouring towns or villages.

2007 Performance

	Year ended 31 December 2007 £	Year ended 31 December 2006 £	Percentage Change
Revenue	25,268,223	19,273,479	+31.1%
Profit after tax	5,333,243	4,437,017	+20.2%
Gross profit margin	35.3%	35.1%	
Net profit margin	21.1%	23.0%	

The results for the financial year ended 31 December 2007 show turnover of £25.3 million (2006: £19.3 million) and profit after tax of £5.3 million (2006: £4.4 million). This represents annual growth of approximately 31.1 per cent. in turnover and 20.2 per cent. in profit after tax respectively.

Gross margin improved slightly from 35.1 per cent. to 35.3 per cent., while net profit margin dropped from 23.0 per cent. to 21.1 per cent.. The decline in net profit margin is largely due to higher corporate overheads in preparation for the listing.

Business Segments

	Year ended 31 December 2007			Year ended 31 December 2006		
	Animal feed £	Condiments £	Total £	Animal feed £	Condiments £	Total £
Segment revenue						
Sales to external customers	13,417,031	11,851,192	25,268,223	10,581,638	8,691,841	19,273,479
Segment result	2,662,366	5,530,260	8,192,626	2,152,446	4,103,417	6,255,863

From a segmental perspective, the animal feeds business continued to account for the majority of the Group's revenue comprising 53.1 per cent. of total turnover or £13.4 million, with condiments representing the balance of £11.9 million. However, the condiments business contributed profits of £5.5 million which is approximately double the level of profits achieved by the animal feeds business.

While both business divisions are performing well, the Group's strategy is to focus primarily on the condiments business as a platform for the Group's future growth. The margins achievable from the food condiments business are both higher and more sustainable. The trademarked "Fushi Hao Tai Tai" brand, offers a greater opportunity for the Group to penetrate new markets and charge a premium price for its products. In recent industry awards, "Fushi Hao Tai Tai" was named as one of the top 50 Chinese brands with respect to soya sauce and vinegar products.

In summary, despite the increased expenses incurred in connection with the implementation of the reverse takeover, the Group performed well achieving earnings per share of 14.45 pence (2006: 12.88 pence), representing growth of approximately 12.2 per cent.

Strategy and Outlook

The Group's existing condiments manufacturing facility is currently running at near 100 per cent. of its designed production capacity. Accordingly, the Group's primary strategy is to increase the production capacity for the condiments business and

CHAIRMAN'S STATEMENT

raise the brand positioning of its products. To address the Group's capacity constraints, the Board intends to introduce both a new production line for pre-mix animal feed and a new state-of-the-art 50,000-tonnes capacity soya sauce factory. The pre-mix production line is expected to be operational in the second half of 2008 while completion and commissioning of the new soya sauce factory is anticipated to occur by the end of the year.

To take full advantage of the new factory and the Group's range of premium products, the Group has begun a process of brand repositioning. This process includes increasing prices, re-designing product packaging and a revised advertising and marketing strategy. The Group also intends to strengthen its sales and marketing team as it begins to more aggressively target regional expansion.

While construction and commissioning of our new factory in Shou Guang City will continue throughout the remainder of 2008, we expect the condiments business to maintain its current operating level during the period as we implement our strategy to improve the brand positioning of our products and further develop our range of premium items. Our aim is to maximise revenue and profit generation from our existing production facilities and prepare the market for the premium products that we will be in a position to launch when our new soya sauce factory becomes fully operational.

New Shou Guang City complex

Our new complex in Shou Guang City spans an initial area of 199,657 square metres with rights over an adjoining area of 67,009 square metres for potential future expansion (266,666 square metres in aggregate, which, to put this into perspective, is equivalent to the average size of 25 football fields) and is expected to be completed in late 2008. The complex will house, inter alia, our new corporate headquarters, 89,000 square metres of production facilities and 17,000 square metres of warehousing. As at 31 December 2007, the Group had already invested RMB199 million (approximately £13.7 million at the 2007 year end RMB to £ exchange rate) in the project. The capital investment required is being funded through a combination of the proceeds from the listing, internal Group resources and bank facilities.

As part of the Shou Guang City complex, we are building our new 50,000-tonnes soya sauce factory which is scheduled to be operational by the end of this year. This facility will produce mid to high grade soya sauce targeted at the increasingly affluent and more discerning population in China. This market segment is less sensitive to the widespread inflation that China is currently facing and we foresee this business making a significant contribution towards next year's results.

Corporate Developments

Following completion of the reverse takeover on 10 December 2007, the Board of directors was reconstituted. In addition to the appointment of an international set of executive directors associated with Full Fortune comprising, Raphael Tham (CEO), Feng Bo (COO) and Frank Chau (CFO), we also invited Derek Marsh, to join the Board as a non-executive director. Derek has extensive experience in Asia and in particular in both the commercial and political sectors in China. James Cane and Thomas Vaughan stepped down from the Board and I take this opportunity to thank each of them for their support and dedication in assisting Vestpa in successfully implementing its investment strategy.

To complement and support the new Board, we have also introduced a new team of professional advisers. In particular, with the appointment of our new auditors, Grant Thornton UK LLP and our internal auditors, BDO Raffles Consultants Pte. Limited, the Board is committed to maintaining a high standard of corporate governance, financial controls and reporting systems.

Outlook

We are delighted with the progress that the Company has made in the current financial year to date which is in line with management expectations and look forward to the new Shou Guang City facility coming on stream at the end of 2008 which will provide a solid platform for the continued prosperous growth of China Food.

John McLean
Chairman
21 April 2008

DIRECTORS' REPORT

The Directors are pleased to present their report to the members together with the audited financial statements of China Food Company Plc (the "Company" or "China Food") and its subsidiaries (the "Group") for the year ended 31 December 2007.

Principal activities

The Company's main activity was that of investment until 10 December 2007, when it acquired Full Fortune Holdings Pte Ltd ("Full Fortune") and its subsidiaries. At that date, the Company changed its name from Vestpa Plc to China Food Company Plc.

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

The purchase of the Full Fortune Group has been treated as a reverse acquisition in these financial statements, and accordingly the income statement shows the results of the Full Fortune Group from 1 January 2007 to 31 December 2007, with the results of China Food included from 10 December 2007 to 31 December 2007. Further details are set out in notes 1, 3.1(a) and 26.

The results of the Group are set out in detail on pages 14 to 20.

Business review

A review of the business and future developments is given in the Chairman's Statement.

Financial review

We have delivered strong performance for the year ended 31 December 2007.

	Year ended 31 December 2007	Year ended 31 December 06	Percentage Change
Revenue	£25.3m	£19.3m	+31.1
EBITDA	£8.1m	£6.5m	+24.6
Profit before taxation	£7.5m	£6.1m	+23.7
Profit after taxation	£5.3m	£4.4m	+20.2
Cash and cash equivalents	£7.3m	£3.7m	+98.8
Net assets	£16.9m	£10.5m	+60.8
Earnings per share	14.45p	12.88p	+12.2

Group Income Statement

With both sectors showing growth on last year, turnover for 2007 increased by 31.1% to £25.3 million (2006: £19.3 million) while net profit for 2007 increased by 20.2% to £5.3 million (2006: £4.4 million). A review of 2007 performance is given in the Chairman's Statement.

Group Balance Sheet

As at 31 December 2007 group net assets stood at £16.9 million (2006: £10.5 million).

Group Cashflow

The Group continues to be cash generative at an operating level and this year showed net cash inflow from operating activities of £8.2 million (2006: £6.0 million).

DIRECTORS' REPORT

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 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.

China is currently facing its highest inflation levels in 11 years. Prices of raw materials for our feed business increased significantly in the second half of 2007 and again in March 2008. To-date we have been able to increase our prices to maintain our margins but in the event that inflation escalates, we may be hard-pressed to continue to pass on the increase to our consumers.

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. In light of the current inflationary environment in the PRC, the Company may encounter increases in the investment costs for its new premises. The Board and management have been closely monitoring the progress of the construction.

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 of 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 feed 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.

DIRECTORS' REPORT

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.

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 identify the costs separately.

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

The issued share capital of the Company was subject to a number of changes during the year 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 19. The total number of shares in issue, both at the year end and at 21 April 2008, was 66,399,991.

Dividends

The directors do not recommend payment of a dividend in respect of the year ended 31 December 2007.

Directors

The following directors served the company during the year:

John McLean	(Non-executive Chairman)
Raphael Tham Wai Mun	(Chief Executive Officer, appointed 5 December 2007)
Feng Bo	(Chief Operating Officer, appointed 5 December 2007)
Frank Chau Leung Yu	(Chief Financial Officer, appointed 5 December 2007)
Derek Marsh	(Non-executive Director, appointed 5 December 2007)
James Cane	(Non-executive Director, resigned 5 December 2007)
Thomas Vaughan	(Non-executive Director, resigned 5 December 2007)

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.

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.

DIRECTORS' REPORT

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 22 (2006: 19) 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 23 May 2008.

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	Number 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 Limited	4,165,984	6.27%
Lam Soon Realty (Pte) Limited	2,511,612	3.78%

Donations

The Group made no charitable or political donations during the year (2006: £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 period. Under the law, the directors have elected to prepare financial statements in accordance with International Financial Reporting Standards ("IFRS"). The financial statements are required by law to give a true and fair view of the state of affairs of the group and company and of the profit and loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRS 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 group and company will continue in business.

DIRECTORS' REPORT

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and 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 both the group and 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.

To the extent that financial information is made available on the company's website, the directors confirm that they are responsible for the maintenance and integrity of that information. However, as the Internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements, the directors can give no undertaking that it meets all requirements in all countries in which it may be considered to be published.

Auditors

Grant Thornton UK LLP were appointed as auditors to the company during the year.

In accordance with S385 of the Companies Act 1985, (section 489 of the Companies Act 2006), a resolution for the reappointment of Grant Thornton UK LLP as auditors of the company is to be proposed at the next Annual General Meeting.

By order of the Board

John McLean
Chairman
21 April 2008

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 2007 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

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 2007 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 2007;
- 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
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
LONDON
21 April 2008

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 ten times a year, and otherwise as required. Board meetings involve detailed reviews of the operations and performance of the group. 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.

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.

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.

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 controls, including financial, operational, compliance control and risk management, and for reviewing and monitoring its effectiveness. The system of internal controls is designed to manage and minimize 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.

CORPORATE GOVERNANCE

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.

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's 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 control during the period under review and to date.

Going Concern

Having considered the position of the Group, the Board believes that the Group has appropriate and adequate resources to continue its strategy and operations for the foreseeable future. For this reason they continue to adopt a going concern basis in preparing the financial statements.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	Year ended 31 December 2007	Year ended 31 December 2006
		£	£
Revenue	4	25,268,223	19,273,479
Cost of sales		(16,356,400)	(12,502,090)
Gross profit		8,911,823	6,771,389
Other operating income	5	77,083	3,724
Selling and marketing costs		(476,839)	(296,795)
Administrative costs		(820,470)	(257,329)
Operating result		7,691,597	6,220,989
Finance costs	6	(245,808)	(165,198)
Finance income	6	74,496	21,503
Profit before tax	7	7,520,285	6,077,294
Taxation	8	(2,187,042)	(1,640,277)
Profit for the year		5,333,243	4,437,017
Earnings per share			
- Basic and fully diluted (pence)	9	14.45	12.88

There are no discontinued operations.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2007

	Notes	As at 31 December 2007 £	As at 31 December 2006 £
ASSETS			
Non-current assets			
Property, plant and equipment	10	11,176,170	4,092,597
Land use rights lease prepayments	11	6,393,551	5,987,714
Total non-current assets		17,569,721	10,080,311
Current assets			
Inventories	12	576,319	287,720
Land use rights lease prepayments	11	113,811	107,374
Trade and other receivables	13	578,338	401,007
Convertible loan receivables		-	166,217
Restricted cash	17	-	1,155,541
Cash and cash equivalents	14	7,269,551	3,656,601
Total current assets		8,538,019	5,774,460
Total assets		26,107,740	15,854,771
LIABILITIES			
Current liabilities			
Trade and other payables	15	3,978,481	1,357,766
Bank loans	16	1,339,372	1,742,504
Earnest money from a potential investor	17	-	1,155,541
Current portion of shareholders' loans	18	546,868	468,690
Current tax payable		737,807	585,407
Total current liabilities		6,602,528	5,309,908
Net current assets		1,935,491	464,552
Total assets less current liabilities		19,505,212	10,544,863
Non-current liabilities			
Shareholder's loan	18	2,550,464	-
		2,550,464	-
Net assets		16,954,748	10,544,863
EQUITY			
Share capital	19	2,656,000	3,425
Share premium account	19	25,677,529	-
PRC statutory reserve		1,806,903	1,219,197
Reverse acquisition reserve		(23,991,766)	-
Shares to be issued reserve		50,000	-
Foreign exchange translation reserve		334,688	(453,024)
Merger reserve		2,216,046	2,216,046
Retained profits		8,205,348	7,559,219
		16,954,748	10,544,863

These financial statements were approved by the directors on 21 April 2008, and signed on their behalf by:

John McLean
Chairman

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2007

	Notes	As at 31 December 2007 £
ASSETS		
Non-current assets		
Investments in subsidiaries	21	25,166,667
Current assets		
Trade and other receivables	13	17,299
VAT recoverable		204,518
Cash and cash equivalents	14	1,901,485
Total current assets		<u>2,123,302</u>
Total assets		<u>27,289,969</u>
LIABILITIES		
Current liabilities		
Trade and other payables	15	273,585
Amount due to a subsidiary	24	40,557
Total current liabilities		<u>314,142</u>
Net current assets		<u>1,809,160</u>
Net assets		<u>26,975,827</u>
EQUITY		
Share capital	19	2,656,000
Share premium account	19	24,589,669
Shares to be issued reserve		50,000
Accumulated loss		(319,842)
		<u>26,975,827</u>

These financial statements were approved by the directors on 21 April 2008, and signed on their behalf by:

John McLean
Chairman

CONSOLIDATED CASH FLOW STATEMENT

For The Year Ended 31 December 2007

	Notes	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Cash flows from operating activities			
Profit before tax		7,520,285	6,077,294
Adjustments for:			
Depreciation		227,280	234,623
Amortisation of land use rights lease prepayments		108,244	28,060
Loss on disposal of property, plant and equipment		6,595	1,187
Reversal of impairment loss of trade and other receivables		(1,284)	(3,511)
Interest expenses		245,808	164,149
Other income		(151,579)	(21,503)
Operating profit before working capital changes		7,955,349	6,480,299
Changes in working capital:			
Inventories		(288,599)	35,336
Trade and other receivables		512,056	600,301
Trade and other payables		1,948,410	141,534
Cash generated from operations		10,127,216	7,257,470
Interest received		93,774	17,972
Income taxes paid		(2,034,642)	(1,311,211)
Net cash generated from operating activities		8,186,348	5,964,231
Cash flows from investing activities			
Net cash flow arising from acquisitions	26	1,784,292	(68,088)
Payment for acquisition of property, plant and equipment		(6,752,193)	(991,128)
Repayment/(issue) of convertible loan receivable		167,113	(166,217)
Proceeds from disposal of property, plant and equipment		3,414	10,213
Pre-payment for land use rights		(169,411)	(4,766,185)
Proceeds from sale of business license	24	65,663	-
Net cash used in investing activities		(4,901,122)	(5,981,405)
Cash flows from financing activities			
Proceeds from bank loan		39,398	-
Repayment of bank loan		(517,425)	(170,221)
Proceeds from issue of ordinary shares of Full Fortune		2,492,494	3,424
Proceeds from shareholder loans		2,474,629	481,899
Interest paid		(153,377)	(138,489)
Dividend paid		(4,103,945)	-
Net cash generated from financing activities		231,774	176,613
Net increase in cash and cash equivalents		3,517,000	159,439
Effect of foreign exchange rate changes		95,950	(301,954)
Cash and cash equivalents at beginning of period		3,656,601	3,799,116
Cash and cash equivalents at end of period		7,269,551	3,656,601

COMPANY CASH FLOW STATEMENT

For the period from 1 February 2007 (date of incorporation) to 31 December 2007

	Notes	1 February 2007 (date of incorporation) to 31 December 2007 £
Cash flows from operating activities		
Loss before taxation		(319,842)
Adjustments for :		
Interest income		(75,247)
		<hr/>
Operating loss before changes in working capital		(395,089)
Increase in receivables		(221,817)
Increase in payables		314,142
		<hr/>
Cash used in operating activities		(302,764)
Interest income received		75,247
		<hr/>
Net cash used in operating activities		(227,517)
		<hr/>
Cash flows from investing activities		
Investment in subsidiary	21	(5,000,000)
Net cash used in investing activities		(5,000,000)
		<hr/>
Cash flows from financing activities		
Proceeds from issue of shares	22.1	8,250,000
Payment of transaction costs	22.2	(1,120,998)
		<hr/>
Net cash generated from financing activities		7,129,002
		<hr/>
Net increase in cash and cash equivalents		1,901,485
Cash and cash equivalents at beginning of period		-
		<hr/>
Cash and cash equivalents at end of period		1,901,485
		<hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2007

	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 2006	1	-	-	-	2,284,134	624,378	371,592	3,717,021	6,997,126
Foreign currency translation differences	-	-	-	-	-	-	(824,616)	-	(824,616)
Net income/ (expense) recognised directly in equity	-	-	-	-	-	-	(824,616)	-	(824,616)
Profit for the year	-	-	-	-	-	-	-	4,437,017	4,437,017
Total recognised income and expense for the year	-	-	-	-	-	-	(824,616)	4,437,017	3,612,401
Issue of ordinary shares of Full Fortune	3,424	-	-	-	-	-	-	-	3,424
Transfer to PRC statutory reserves	-	-	-	-	-	594,819	-	(594,819)	-
Payment made by Fuss Feed for the acquisition of Fu-Rich	-	-	-	-	(68,088)	-	-	-	(68,088)
As at 31 December 2006	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

COMPANY STATEMENT OF CHANGES IN EQUITY

For the period from 1 February 2007 (date of incorporation) to 31 December 2007

	Share capital	Share premium account	Shares to be issued reserve	Accumulated loss	Total equity
	£	£	£	£	£
As at 1 February 2007	-	-	-	-	-
Loss for the year	-	-	-	(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	25,835,662	-	-	28,491,662
Share options granted	-	-	50,000	-	50,000
As at 31 December 2007	2,656,000	24,589,669	50,000	(319,842)	26,975,827

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

1. General Information

Vestpa Plc was established to seek to acquire a controlling interest in a company, partnership or joint venture located in Europe, North America or Asia. Following the change of name from Vestpa Plc to China Food Company Plc (“China Food”) and the completion of the acquisition of Full Fortune Holdings Pte Ltd (“Full Fortune”) and its subsidiaries (the “Full Fortune Group”) on 10 December 2007 (“RTO”), China Food and its subsidiaries’ (the “Group”) principal activities 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 (“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 Hanover Square, London W1S 1HU. China Food’s shares are listed on the AIM market of the London Stock Exchange.

2. Changes in accounting policies

2.1 Overall considerations

China Food has adopted for the first time IFRS 7 *Financial Instruments: Disclosures* and the amendment of IAS 1 *Presentation of Financial Statements* in its 2007 consolidated financial statements. Significant effects on current, prior or future periods arising from the first-time application of these standards in respect of disclosure and presentation of accounts are described below.

Adoption of IFRS 7 *Financial Instruments: Disclosures*

IFRS 7 *Financial Instruments: Disclosures* is mandatory for reporting periods beginning on 1 January 2007 or later. The new Standard replaces and amends disclosure requirements previously set out in IAS 32 *Financial Instruments: Presentation and Disclosures* and has been adopted by the Group in its 2007 consolidated financial statements. All disclosures relating to financial instruments including all comparative information have been updated to reflect the new requirements. In particular, China Food’s financial statements now feature

- a sensitivity analysis, to explain the Group’s market risk exposure in regards to its financial instruments, and
- a maturity analysis that shows the remaining contractual maturities of financial liabilities,

each as at the balance sheet date. The first-time application of IFRS 7, however, has not resulted in any prior-period adjustments of cash-flows, net income or balance sheet line items.

Amendment of IAS 1 *Presentation of Financial Statements*

In accordance with the amendment of IAS 1 *Presentation of Financial Statements*, China Food now reports on its capital management objectives, policies and procedures in each annual financial report. The new disclosures that become necessary due to this change to IAS 1 can be found in note 27.

Other Standards or Interpretations relevant for IFRS financial statements did not become effective during the current financial year. An overview of Standards and Interpretations that will become mandatory for China Food in future periods is given in note 2.2.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

2. Changes in accounting policies (continued)

2.2 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 2007 group financial statements.

	Effective date (Annual periods beginning on or after)
IFRIC 14 : IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction	1 January 2008*
IFRIC 13 : Customer Loyalty Programmes	1 July 2008*
IFRIC 12 : Service Concession Arrangements	1 January 2008*
IFRIC 11 : IFRS 2 Group and Treasury Share Transactions	1 March 2007
IAS 23 : Borrowing Costs (revised 2007)	1 January 2009*
IFRS 8 : Operating Segments	1 January 2009
IAS 27 : Consolidated and Separate Financial Statements (revised 2008)	1 January 2009*
IAS 1 : Presentation of Financial Statements (revised 2007)	1 January 2009*
IAS 1 : Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation	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*

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

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 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 ("IFRS") as adopted by the EU and under the historical cost convention, except that they have been modified to include the revaluation of certain financial assets and liabilities. 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 2007

3. Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

(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 the 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 leads 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 have considered the Application Supplement to IFRS 3, Business Combinations. However, they have concluded that this transaction falls 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 has therefore been determined that the transaction should be accounted for in a manner that is 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 recognized, 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 current period figures 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. The comparative information presented comprises the consolidated results and balance sheet of the Full Fortune Group for the year ended 31 December 2006.

Further information in respect of the acquisition is disclosed in note 26.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

3. Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

(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 has been 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

3. Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

(d) Subsidiary undertakings

As at 31 December 2007, 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 2007
<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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

3. Summary of significant accounting policies (continued)

3.2 Significant accounting estimates and judgments (continued)

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 falls outside of the scope of IFRS 3, and as such they have needed to devise an appropriate accounting policy by reference to the pronouncements of other standard-setting bodies. The judgment taken is 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 falls outside of the scope of IFRS 3, and as such they have needed to devise an appropriate accounting policy by reference to the pronouncements of other standard-setting bodies. The judgment taken is 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.

(iv) Earnest money received not classified as cash and cash equivalents

The earnest money received by the Group is restricted as to use and has therefore been accounted for as "restricted cash" under current assets and is not classified as cash and cash equivalents (see note 17).

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

3. Summary of significant accounting policies (continued)

3.2 Significant accounting estimates and judgments (continued)

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 5 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, and the present values of the estimated future cash flows discounted at the effective interest rates. 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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

3. Summary of significant accounting policies (continued)

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 | – | 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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

3. Summary of significant accounting policies (continued)

3.4 Property, plant and equipment (continued)

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'.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

3. Summary of significant accounting policies (continued)

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. These also include bank overdrafts that form an integral part of the Group's cash management.

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.

On derecognition of a financial asset, the difference between the carrying amount and the sum of (a) the consideration received and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

3. Summary of significant accounting policies (continued)

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.

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

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

3. Summary of significant accounting policies (continued)

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.

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 approximately 17% to 21% 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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

3. Summary of significant accounting policies (continued)

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.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

4. Revenue

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Sale of goods	25,268,223	19,273,479

5. Other operating income

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Reversal of impairment loss on trade and other receivables	1,284	3,511
Land use fee written off	7,280	-
Sale of Xianka business license	65,663	-
Sundry income	2,856	213
	<u>77,083</u>	<u>3,724</u>

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 2007 £	Year ended 31 December 2006 £
Loans and receivables:		
- Cash and short-term deposits	25,254	17,972
- Interest income on convertible loan	(3,425)	3,531
Gain on foreign currency financial liabilities	52,667	-
Finance income	<u>74,496</u>	<u>21,503</u>

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Interest expense for bank borrowings at amortised cost	142,328	138,489
Interest expense on earnest money from a potential investor	48,791	15,462
Interest expense on shareholder's loan	54,689	10,198
Loss on foreign currency financial liabilities	-	1,049
Finance costs	<u>245,808</u>	<u>165,198</u>

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

7. Profit before tax

Group

	Year ended 31 December 2007	Year ended 31 December 2006
	£	£
Profit before tax is arrived at after charging:		
Depreciation of property, plant and equipment:		
- Buildings	147,986	153,441
- Plant and machinery	56,014	57,422
- Equipment	7,790	9,158
- Motor vehicles	15,490	14,602
	227,280	234,623
Loss on disposal of property, plant and equipment	6,595	1,187
Amortisation of land use rights lease prepayment	108,244	28,060
Cost of inventories expensed	16,356,400	12,502,090
Auditors' remuneration:		
Payable to the current auditors and their associates:		
- audit of the consolidated financial statements	45,000	-
- audit of the financial statements of associates pursuant to Legislation	47,087	-
- corporate finance transactions of the company	191,200	-
Payable to the PRC auditors	986	817
Employee benefits expenses		
- Salaries and allowances	516,220	329,356
- Pension scheme contributions	13,928	4,760
	530,148	334,116

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

	Year ended 31 December 2007	Year ended 31 December 2006
Production	273	264
Sales and marketing	87	89
Administration	59	55
	419	408

In accordance with Section 230 of the Companies Act 1985, the company has not presented its individual income statement. The result for the period to 31 December 2007 was a loss of £319,842.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

8. Income tax

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

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Current income tax		
Provision for PRC Enterprise Income Tax	2,187,042	1,640,277
Income tax expense recognised in the income statement	2,187,042	1,640,277

China Food is subject to a United Kingdom Tax rate of 30%.

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

Fu-Rich is subject to a PRC Enterprise Income Tax rate of 33%.

Fuss Feed is regarded as a new high technology enterprise with overseas investment and is subject to a reduced PRC Enterprise Income Tax rate of 15%.

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

Fuss Biotech is not subject to a PRC Enterprise Income Tax as it has not yet commenced trading for the year ended 31 December 2007.

- (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 2007 £	Year ended 31 December 2006 £
Accounting profit before tax	7,520,285	6,077,294
Tax at the domestic income tax rates applicable to profits in the countries where the Group operates	2,184,549	1,638,855
<i>Adjustments:</i>		
- Income not subject to taxation	(205)	(670)
- Non-deductible expenses	22	9
- Others	2,676	2,083
Income tax expense recognised in the income statement	2,187,042	1,640,277

No deferred tax asset or liability is recognised, principally as a result of the taxable profits for the China companies equating to accounting profits.

- (c) There was no material unprovided deferred tax as at 31 December 2007.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

9. Earnings per share and dividends

	Year ended 31 December 2007			Year ended 31 December 2006		
	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	5,333,243	36,913,304	14.45	4,437,017	34,437,614	12.88
Fully diluted earnings per ordinary share	5,333,243	36,919,233	14.45	4,437,017	34,437,614	12.88
Adjusted earnings per ordinary share	5,333,243	66,399,991	8.03	4,437,017	66,399,991	6.68

As reverse acquisition accounting has been adopted as the basis of consolidation, earnings per share has been calculated on a weighted average number of shares of 36,913,304 (2006: 34,437,614); i.e. 34,437,614 for the period 1 January 2007 to 5 November 2007, 40,333,333 for the period 6 November 2007 to 9 December 2007 and 66,399,991 for the period 10 December 2007 to 31 December 2007, and on attributable earnings of £5,333,243 (2006: £4,437,017).

The weighted average number of ordinary shares in issue has been subject to a number of changes during the period; on 9 December 2007 the share capital of China Food was subject to a 1:40 share consolidation and in addition 16,666,666 subscription shares and 40,333,333 ordinary shares were issued as part of the reverse acquisition by Full Fortune and an issuance of 149,991 ordinary shares was made to Strand Partners Securities Limited ("Strand Partners") as partial settlement of their advisory fee.

On 5 November 2007, Full Fortune issued 1,712 new ordinary shares and the total number of shares in issue therefore increased from 10,000 to 11,712. The weighted average number of shares also reflects the changes in Full Fortune's issued share capital in accordance with IFRS 3.

The dilutive effect of the warrant granted to Strand Partners to subscribe for 1,328,000 shares at 50 pence per share (see note 19) has no impact on the calculation of the earnings per share. There were no potential dilutive share arrangements in place in 2006.

The adjusted EPS has been calculated using the number of shares in issue as at 31 December 2007 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 2007.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

10. Property, plant and equipment

Group

	Buildings £	Construction in progress £	Plant and machineries £	Equipment £	Motor vehicles £	Total £
Cost						
As at 1 January 2006	3,595,611	-	778,320	67,049	168,830	4,609,810
Additions	219	944,619	22,411	3,569	20,310	991,128
Transfers	-	(5,356)	5,356	-	-	-
Disposal	-	-	(40,716)	-	-	(40,716)
Foreign currency translation adjustment	(329,880)	(38,309)	(70,878)	(6,297)	(16,317)	(461,681)
As at 31 December 2006	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
Transfers	-	-	-	-	-	-
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
Accumulated depreciation						
As at 1 January 2006	487,504	-	229,317	46,820	127,088	890,729
Charge for the year	153,441	-	57,422	9,158	14,602	234,623
Written back on disposal	-	-	(29,316)	-	-	(29,316)
Foreign currency translation adjustment	(50,983)	-	(22,185)	(4,669)	(12,255)	(90,092)
As at 31 December 2006	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
Net book value						
As at 31 December 2007	2,675,200	7,904,376	454,967	15,427	126,200	11,176,170
As at 31 December 2006	2,675,988	900,954	459,255	13,012	43,388	4,092,597

As at 31 December 2006 and 2007 the buildings with net book values of £2,675,988 and £2,342,742 respectively, were pledged as security for the bank loans (note 16).

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

11. Land use rights lease prepayments

Group

	Year ended 31 December 2007	Year ended 31 December 2006
	£	£
Net book value as at 1 January	6,095,088	1,706,803
Land use rights lease payments made during the year	169,411	4,766,185
Amortisation of payments over lease term	(108,244)	(28,060)
Foreign currency translation difference	351,107	(349,840)
Net book value as at 31 December	6,507,362	6,095,088
Of which:		
Current	113,811	107,374
Non-current	6,393,551	5,987,714
	6,507,362	6,095,088

The Group's land use rights lease prepayments are being amortised straight-line over 45 to 50 year terms. The land use right certificate in relation to the lease prepayments of RMB15, 610,617 (£1,077,754) has yet to be granted.

12. Inventories

Group

	As at 31 December 2007	As at 31 December 2006
	£	£
Raw materials	391,884	176,842
Work-in-progress	100,987	50,619
Finished goods	83,448	60,259
	576,319	287,720

13. Trade and other receivables

Group

	As at 31 December 2007	As at 31 December 2006
	£	£
Trade receivables	279,261	260,949
Other receivables	86,242	64,767
Prepayments	8,317	71,857
Interest receivable	-	3,434
VAT recoverable	204,518	-
	578,338	401,007

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

13. Trade and other receivables (continue)

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 2007
	£
Other receivables	8,982
Prepayments	8,317
	<u>17,299</u>

14. Cash and bank balances

Group

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

	As at 31 December 2007	As at 31 December 2006
	£	£
RMB	4,993,308	3,634,291
S\$	373,192	21,713
GBP	1,902,515	-
US\$	536	597
	<u>7,269,551</u>	<u>3,656,601</u>

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 2007
	£
GBP	<u>1,901,485</u>

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

15. Trade and other payables

Group

	As at 31 December 2007 £	As at 31 December 2006 £
Trade payables	1,168,656	790,816
Other payables		
- Bills payable	1,002,458	-
- Amount due to a related party/former director of Full Fortune	350,001	936
- Others	633,065	118,231
Accrued expenses	821,659	218,870
Receipts in advance	2,642	228,913
	3,978,481	1,357,766

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 2007 £
Trade payables	2,396
Accrued expenses	271,189
	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 as at 31 December 2007 was approximately 8.19% (2006: 6.903% to 8.19%).

The bank loans as at 31 December 2007 were secured by charges over the buildings of the Group with net book values of £2,342,742 as at 31 December 2007 (2006: £2,675,988)

17. Earnest money received from a potential investor

The earnest money received from a potential investor is unsecured, bears interest at a rate of 5 per cent, per annum and is repayable on demand. The earnest money received by the Group is restricted as to use and has therefore been accounted for as "restricted cash" under current assets. The restricted cash is placed with a bank and is denominated in Singapore Dollars.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

18. Shareholders' loans

Group

	As at 31 December 2007 £	As at 31 December 2006 £
Current	546,868	468,690
Non-current	2,550,464	-
	3,097,332	468,690

The current portions of the loans from shareholders are denominated in USD and SGD, and are unsecured, bear interest at a rate of 6.5% per annum and are repayable on demand.

The non-current portion of the loan from one of the shareholders is denominated in USD, and is unsecured, bears interest at a rate of 5% per annum and will expire on 11 November 2009.

19. Share capital

Following the reverse acquisition of China Food (see notes 1 and 26) the share capital reported as at 31 December 2007 represents that of China Food:

	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 - 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
	66,399,991	2,656,000

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

19. Share capital (continued)

The share capital reported for the Group as at 31 December 2006 represents that of Full Fortune:

	No. of shares	£
Issued, called up and fully paid		
As at 31 December 2006	10,000	3,425

On 30 January 2006, in accordance with the Singapore Companies (Amendment) Act 2005, the concepts of 'par value' and 'authorised capital' were abolished and on that date, the shares of Full Fortune ceased to have a par value.

On 5 November 2007, Full Fortune issued 1,712 new ordinary shares. As at 31 December 2007, Full Fortune had 11,712 ordinary shares in issue with a total share capital of SGD7,526,474.

The movement on the share premium account was as follows:

Group

	Year ended 31 December 2007	Year ended 31 December 2006
	£	£
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	-
	25,677,529	-

Company

	Year ended 31 December 2007
	£
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
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
	24,589,669

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

20. Share-based payments

During the year, the Group made two equity-settled share-based payments for partial settlement of the advisory fees payable to Strand Partners. Fair values of the two share-based payments are as follows:

	Year ended 31 December 2007	Year ended 31 December 2006
	£	£
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	-
	<u>124,996</u>	<u>-</u>

Fair values were determined with reference to the equivalent cash price for the same service provided.

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 2007 the warrant remained unexercised.

As at 31 December 2007 the Group maintained a share option plan for its employees. No options had been granted under the share option plan as at 31 December 2007.

21. Investments in subsidiaries

Company

	As at 31 December 2007
	£
Cash consideration	5,000,000
Shares issued in relation to the reverse acquisition of Full Fortune	<u>20,166,667</u>
Total investments in subsidiaries	<u>25,166,667</u>

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

22. Notes to the Company cash flow statement

22.1 Proceeds from issue of shares

	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
	<u>1,036,667</u>	<u>7,213,333</u>	<u>8,250,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

22 Notes to the Company cash flow statement (continued)

22.2 Payment of transaction costs

Transaction costs are 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 2007	As at 31 December 2006
	£	£
Capital commitments in respect of:		
Acquisition of land use rights	-	391,867
Acquisition of property, plant and equipment	1,150,175	385,677
	1,150,175	777,544

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 or common significant influence.

- (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 2007	Year ended 31 December 2006
	£	£
Former Directors of Full Fortune and their related parties		
Sale of goods	-	6,071
Sale of Xianka business license (note 24(c))	65,663	-
	65,663	6,071

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

	Year ended 31 December 2007	Year ended 31 December 2006
	£	£
Short-term employee benefits	75,187	18,009
Post employment benefits	4,470	477
Total compensation to key management personnel	79,657	18,486
Comprised of amounts paid to:		
Directors	57,222	3,132
Other key management personnel of the Group	22,435	15,354
	79,657	18,486

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

24. Related party disclosures (continued)

(c) Call option to purchase the 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 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 £5.5 million at the 2007 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.

(d) Ultimate controlling party

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

Company

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

	As at 31 December 2007
	£
Amount due to a subsidiary	<u>40,557</u>

Amount due to a subsidiary represented expenses of China Food paid by a subsidiary on its behalf. It is unsecured, interest-free and has no fixed terms of repayment.

25. Directors' remuneration

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

	Period ended 31 December 2007
	£
Aggregate fees and emoluments	64,179
Compensation for loss of office	<u>20,000</u>
	<u>84,179</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

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	<u>3,030,116</u>
Acquisition costs	<u>1,129,737</u>
Total cost of acquisition	<u>4,159,853</u>

The net cash flows in the period arising on the acquisition were:

Acquisition costs	(1,129,737)
Net cash acquired	<u>2,914,029</u>
Net cash inflow	<u>1,784,292</u>

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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

27. Risk management objectives and policies (continued)

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:

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

	As at 31 December 2007			As at 31 December 2006		
	US\$	£ RMB	SGD	US\$	£ RMB	SGD
Nominal amounts						
Financial assets	536	5,349,530	373,491	597	4,027,955	29,062
Financial liabilities	(70,620)	(1,339,372)	(476,390)	-	(1,267,038)	(469,113)
Short-term exposure	(70,084)	4,010,158	(102,899)	597	2,760,917	(440,051)
Financial liabilities	(2,519,019)	-	-	-	-	-
Long-term exposure	(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 +1.3% / - 1.3% change of the GBP/USD exchange rate for the year ended at 31 December 2007 (2006: +2.6% / -1.1%). A +1.0% / - 1.7% change of the GBP/RMB exchange rate for the year ended at 31 December 2007 (2006: +2.5% / -0.9%). A +1.2% / - 1.1% change of the GBP/SGD exchange rate for the year ended at 31 December 2007 (2006: +1.9% / -1.0%). Each of these percentages has been determined based on the average market volatility in exchange rates in the previous 12 months. 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 1.3% (2006: 2.6%), 1.0% (2006: 2.5%) and 1.2% (2006: 1.9%) respectively then this would have had the following increase/(decrease) in the net result for the year and equity:

	As at 31 December 2007			As at 31 December 2006		
	US\$	£ RMB	SGD	US\$	£ RMB	SGD
Net result for the year	33,228	(39,706)	1,184	(15)	(67,340)	8,224
Equity	33,228	(39,706)	1,184	(15)	(67,340)	8,224

If the GBP had weakened against the USD, RMB and SGD by 1.3% (2006: 1.1%), 1.7% (2006: 0.9%) and 1.1% (2006: 1.0%) respectively then this would have had the following increase/(decrease) in the net result for the year and equity:

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

27. Risk management objectives and policies (continued)

27.1 Foreign currency sensitivity (continued)

	As at 31 December 2007			As at 31 December 2006		
	US\$	£	SGD	US\$	£	SGD
Net result for the year	(34,100)	69,350	(1,181)	7	25,073	(4,425)
Equity	(34,100)	69,350	(1,181)	7	25,073	(4,425)

Company

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

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 2007, 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 +1.5% and -0.5% (2006: +1%/-1%), with effect from the 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 Group's financial instruments held at each balance sheet date. All other variables are held constant.

	As at 31 December 2007		As at 31 December 2006	
	Change in Interest rate		Change in Interest rate	
	1.5%	-0.50%	1.0%	-1.00%
	£	£	£	£
Cash and banks	109,043	(36,348)	36,566	(36,566)
Convertible loan	-	-	1,662	(1,662)
Shareholders' loans	(8,203)	2,734	(4,687)	4,687
Shareholder's loan - long term	(38,257)	12,752	(17,425)	17,425
	62,583	(20,862)	16,116	(16,116)

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 +0.5% and -0.5%, with effect from the date of incorporation. 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 2007	
	Change in Interest rate	
	0.5%	-0.50%
	£	£
Cash and banks	9,507	(9,507)
	9,507	(9,507)

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

27. Risk management objectives and policies (continued)

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 2007 £	As at 31 December 2006 £
Trade and other receivables	578,338	401,007
Convertible loan	-	166,217
Cash and cash equivalents	7,269,551	3,656,601
	<u>7,847,889</u>	<u>4,223,825</u>

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.

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 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 2007 £
Trade and other receivables	17,299
VAT recoverable	204,518
Cash and cash equivalents	1,901,485
	<u>2,123,302</u>

In respect of trade and other receivables and VAT recoverable, 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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

27. Risk management objectives and policies (continued)

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 operation. 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 2007, China Food'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	3,978,481	-	-	-
Shareholder's loan	196,967	349,901	2,550,464	-
Bank borrowings	-	1,339,372	-	-
	<u>4,175,448</u>	<u>1,689,273</u>	<u>2,550,464</u>	<u>-</u>

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	1,357,766	-	-	-
Shareholder's loan	-	468,690	-	-
Bank borrowings	-	1,742,504	-	-
	<u>1,357,766</u>	<u>2,211,194</u>	<u>-</u>	<u>-</u>

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 2007, 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	273,585	-	-	-
Amount due to a subsidiary	40,557	-	-	-
	<u>314,142</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

27. Risk management objectives and policies (continued)

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.

	As at 31 December 2007 £	As at 31 December 2006 £
Current assets		
Trade and other receivables:		
- Loan and receivables	578,338	1,722,765
Cash and cash equivalents		
- Loan and receivables	7,269,551	3,656,601
	<u>7,847,889</u>	<u>5,379,366</u>
Current liabilities		
Borrowings:		
- Financial liabilities recorded at amortised cost	1,886,240	3,366,735
Trade and other payables:		
- Financial liabilities recorded at amortised cost	3,156,823	1,138,895
	<u>5,043,063</u>	<u>4,505,630</u>
Non current liabilities		
Borrowings:		
- Financial liabilities recorded at amortised cost	2,550,464	-
	<u>2,550,464</u>	<u>-</u>

Company

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

	As at 31 December 2007 £
Current assets	
Trade and other receivables, VAT recoverable:	
- Loan and receivables	221,817
Cash and cash equivalents	
- Loan and receivables	1,901,485
	<u>2,123,302</u>
Current liabilities	
Trade and other payables, amount due to a subsidiary	
- Financial liabilities recorded at amortised cost	314,142
	<u>314,142</u>

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

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.

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 2007 and 2006.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2007

29. Segmental reporting (continued)

Business segments

	Year ended 31 December 2007			Year ended 31 December 2006		
	Animal feed	Condiments	Total	Animal feed	Condiments	Total
	£	£	£	£	£	£
Segment revenue						
Sales to external customers	13,417,031	11,851,192	25,268,223	10,581,638	8,691,841	19,273,479
Segment results						
Unallocated corporate income	2,662,366	5,530,260	8,192,626	2,152,446	4,103,417	6,255,863
Unallocated corporate expenses			70,871			3,567
Finance costs			(497,404)			(17,987)
Profit before tax			(245,808)			(164,149)
Taxation			7,520,285			6,077,294
Profit for the year			(2,187,042)			(1,640,277)
			<u>5,333,243</u>			<u>4,437,017</u>
Assets and liabilities:						
Segment assets	2,415,255	21,194,123	23,609,378	8,538,927	5,964,274	14,503,201
Unallocated assets			2,498,362			1,351,570
Total assets			<u>26,107,740</u>			<u>15,854,771</u>
Segment liabilities	1,044,854	4,494,004	5,538,858	1,442,792	2,214,888	3,657,680
Unallocated liabilities			3,614,134			1,652,228
Total liabilities			<u>9,152,992</u>			<u>5,309,908</u>
Other segment information:						
Capital expenditure for property, plant and equipment	11,345	6,740,849	6,752,194	985,081	6,047	991,128
Depreciation and amortisation	62,299	273,225	335,524	74,661	188,022	262,683

LETTER TO ALL SHAREHOLDERS

CHINA FOOD COMPANY PLC

(Incorporated in England and Wales with registered number 06077223)

Registered office:
17 Hanover Square
London W1S 1HU

21 April 2008

To all shareholders

Notice of Annual General Meeting

Dear Shareholder,

The first Annual General Meeting (“Meeting”) of China Food Company Plc (the “Company”) is due to take place on the date and at the time and at the location set out in the attached Notice of Meeting.

The Meeting is being held to comply with company law requirements and to pass a standard set of shareholder resolutions. You will be given the opportunity to raise any questions in relation to such resolutions at the Meeting.

Explanatory notes on the business to be considered as special business at the AGM appear on pages 56 to 57 of this document.

Recommendation

The directors of the Company consider that all the proposals to be considered at the Meeting are in the best interests of the Company and its members as a whole and are most likely to promote the success of the Company for the benefit of its members as a whole. The directors unanimously recommend that you vote in favour of all the proposed resolutions as they propose to do in respect of their own holdings of Ordinary Shares in the Company.

Yours faithfully,

John McLean
Chairman

NOTICE OF ANNUAL GENERAL MEETING

Details of resolutions to be proposed as special business at the Annual General Meeting

Resolutions 7 and 8 are proposed as special resolutions and are special business. This means that for each of those resolutions to be passed, at least three quarters of the votes cast must be in favour of the resolution.

Resolution 7

This is a resolution which renews the Directors' authority to allot equity securities for cash, without the need first to offer such shares to existing shareholders. The proposed limit on the nominal value of ordinary shares that may be allotted for cash or sold is £265,600 which represents 10 per cent. of the issued ordinary share capital as at 21 April 2008 (being the latest date prior to the publication of this Notice).

Resolution 8

It is proposed in resolution 8 to adopt new Articles of Association (the 'New Articles') in order to update the Company's current Articles of Association (the 'Current Articles') primarily in order to take account of the changes in English company law brought about by the Companies Act 2006 which are in force at the date of the meeting or are shortly to come into force. The Companies Act 2006 is being implemented in phases, accordingly, further changes to the Articles may be adopted in future.

The principal changes introduced in the New Articles are summarised below. Other changes, which are of a minor, technical or clarifying nature, and also some more minor changes which merely reflect changes made by the Companies Act 2006 have not been noted. The New Articles showing all the changes to the Current Articles are available for inspection as noted on page 61 of this document.

The principal changes involve:

- **Articles which duplicate statutory provisions**
Certain provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are to be removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution. The main changes are detailed below.
- **Convening annual general meetings and other meetings**
The provisions in the Current Articles dealing with the convening of general meetings are being changed in line with the relevant matters provided for in the Companies Act 2006. In particular a general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required, with the exception of the Company's AGM where 21 days' notice will still be required unless all of the shareholders consent to such meeting being held on shorter notice.
- **Form of resolution**
The concept of extraordinary resolutions has not been retained under the Companies Act 2006 and therefore all such references have been removed in the New Articles. All resolutions of the Company will therefore be passed as ordinary or special resolutions, as applicable.
- **Votes of members**
Under the Companies Act 2006 proxies are entitled to vote on a show of hands, which is reflected in the Current Articles. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The New Articles reflect this provision.

NOTICE OF ANNUAL GENERAL MEETING

- **Notice of board meetings**

Currently under the Current Articles, in the absence of a request, it shall not be necessary to give notice of a directors' meeting to a Director who is absent from the United Kingdom. This provision has been removed, as modern communications mean that there may be no particular obstacle to giving notice to a director who is abroad.

- **Directors' indemnities and loans to fund expenditure**

The New Articles extend the directors' indemnity contained in the Current Articles to reflect changes introduced by the Companies Act 2006. The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, a company that is a trustee of a pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme. In addition, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies.

- **Directors' Conflict of Interest**

The Government has indicated that the relevant provisions of the Companies Act 2006 will come into force on 1 October 2008. The Companies Act 2006 sets out directors' general duties. The provisions largely codify the existing law, but with some changes. Under the Companies Act 2006, from the date of implementation of the relevant provisions, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation.

Section 175(5)(b) of the Companies Act 2006 allows directors of a public company to authorise conflicts and potential conflicts where the articles of association of the relevant company contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest so that the relevant company's directors may avoid breaching their duties. The New Articles give authority to approve conflicts and potential conflicts of interest and include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position. There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict.

First, only independent directors (i.e. those who have no interest in the matter being considered) will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

The New Articles also introduce provisions relating to confidential information, attendance at board meetings and availability of board papers. These will only apply if a conflict has previously been authorised by the directors as set out above, and they serve to protect a director being in breach of duty after such authorisation.

The new Articles of Association to be adopted showing all the changes proposed pursuant to resolution 8 ('New Articles') are available for inspection as noted on page 61 of this document.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of China Food Company Plc (“the Company”) will be held at the offices of Fasken Martineau Stringer Saul LLP, 17 Hanover Square, London W1S 1HU on 23 May 2008 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions of which numbers 1 to 6 will be proposed as Ordinary Resolutions and numbers 7 to 8 will be proposed as Special Resolutions.

ORDINARY RESOLUTIONS

- 1 To receive and consider the Company’s accounts for the year ended 31 December 2007 and the reports of the directors and the auditors thereon.
- 2 To re-appoint pursuant to Article 187 of the Company’s Articles of Association, Grant Thornton UK LLP as auditors of the Company until the conclusion of the next Annual General Meeting.
- 3 To authorise the directors to fix the auditors’ remuneration.
- 4 To re-elect, as a director of the Company, Mr John McLean, who is retiring by rotation in accordance with Article 123 of the Company’s Articles of Association and is offering himself for re-election.
- 5 To re-elect, as a director of the Company, Mr Derek Marsh, who is retiring by rotation in accordance with Article 123 of the Company’s Articles of Association and is offering himself for re-election.
- 6 That the Directors be and they are hereby generally and unconditionally authorised, in substitution for all previous powers granted to them, to allot relevant securities within the meaning of section 80 of the Companies Act 1985 (section 549 of the Companies Act 2006), up to an aggregate nominal amount of £885,333.24 provided that such authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2009 or 30 June 2009 (whichever is earlier) save that the Company may before such expiry make an offer or enter into an agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

SPECIAL RESOLUTIONS

- 7 To consider, and if thought fit, to pass the following resolution which is proposed as a Special Resolution:-

THAT, subject to and conditional upon resolution 6 being duly passed by the shareholders as an ordinary resolution, the Directors be authorised and empowered pursuant to section 95 of the Companies Act 1985 (section 570 of the Companies Act 2006) (in substitution for all powers previously granted there under) to allot equity securities (as defined in section 94(2) of the Companies Act 1985 (section 560(1) of the Companies Act 2006)) for cash pursuant to the section 80 authority referred to in resolution 6 of this notice as if section 89(1) of the Companies Act 1985 (section 561(1) of the Companies Act 2006) did not apply to any such allotment, provided that this power should be limited to the allotment of 6,640,000 shares and such power shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2009 or 30 June 2009 (whichever is earlier), but provided that the Company may, before the expiry of this power, make an offer or agreement which would or might require equity securities to be allotted after the expiry of this power and the directors may allot equity securities in pursuance of such an offer or agreement as if the power had not expired.

- 8 To consider, and if thought fit, to pass the following resolution which is proposed as a Special Resolution:-

THAT, the Articles of Association produced to the meeting marked “A” and initialled by the chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association of the Company.

By Order of the Board

June Paddock
Company Secretary

Registered office:
17 Hanover Square
London W1S 1HU
21 April 2008

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at 6.00 p.m. on 21 May 2008 or, if this Meeting is adjourned, at 6.00 p.m. on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the Meeting.

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in this "Appointment of proxies" section. Please read the section "Nominated persons" below.
4. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
5. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, it will be necessary to notify the registrar in accordance with Note 7 below.
6. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

7. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. To appoint a proxy using the proxy form, the form must be:
 - completed and signed;
 - sent or delivered to Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 6ZY; and
 - received by Computershare Investor Services PLC no later than 11.00 a.m. on 21 May 2008.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

NOTICE OF ANNUAL GENERAL MEETING

Appointment of proxy by joint members

8. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

9. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Computershare Investor Services PLC. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

10. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Computershare Investor Services at PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 6ZY. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Computershare Investor Services no later than 11.00 a.m. on 21 May 2008. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid. Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Issued shares and total voting rights

11. As at 5.00 p.m. on 21 April 2008 the Company's issued share capital comprised 66,399,991 ordinary shares of 4 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 5.00 p.m. on 21 April 2008 is 66,399,991.

Nominated persons

12. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights (Nominated Person):
 - You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("Relevant Member") to be appointed or to have someone else appointed as a proxy for the Meeting.
 - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights.
 - Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

NOTICE OF ANNUAL GENERAL MEETING

Documents on display

13. A copy of the new Articles of Association to be adopted (“New Articles”) for the Company will be available for at least 15 minutes prior to the Meeting; and during the Meeting.

Communication

14. Except as provided above, members who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted)
 - calling the shareholder helpline of Computershare on 0870 707 1607.

You may not use any electronic address provided either: in this notice of general meeting; or any related documents (including the Chairman’s letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.

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CHINA FOOD COMPANY PLC
(Incorporated in England and Wales with registered number 06077223)

ANNUAL GENERAL MEETING

PROXY FORM

Before completing this form, please read the explanatory notes below

Please print in BLOCK CAPITALS

I/We, the undersigned (name) _____

of (address) _____

being (a) holder(s) of Ordinary Shares of 4p each of China Food Company Plc hereby appoint the Chairman of the Meeting, or (note 3)

(name of alternative proxy if any) _____

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of China Food Company Plc to be held at 11.00 a.m. on 23 May 2008 at the offices of Fasken Martineau Stringer Saul LLP at 17 Hanover Square, London W1S 1HU and at any adjournment thereof.

I/We direct my/our proxy to vote on the following resolutions as I/We have indicated by marking the appropriate box with an "X". If no indication is given, my/our proxy will vote or abstain from voting at his or her discretion and I/We authorise my/our proxy to vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is properly put before the meeting.

RESOLUTIONS	For	Against
ORDINARY BUSINESS		
1. to receive and consider the Company's accounts for the year ended 31 December 2007 and the reports of the directors and the auditors thereon;		
2. to re-appoint pursuant to Article 187 of the Company's Articles of Association, Grant Thornton UK LLP as auditors of the Company until the conclusion of the next Annual General Meeting;		
3. to authorise the directors to fix the auditors' remuneration;		
4. to re-elect, as a director of the Company, Mr John McLean, who is retiring by rotation in accordance with Article 123 of the Company's Articles of Association and is offering himself for re-election;		
5. to re-elect, as a director of the Company, Mr Derek Marsh, who is retiring by rotation in accordance with Article 123 of the Company's Articles of Association. and is offering himself for re-election;		
6. that the Directors be and they are hereby generally and unconditionally authorised, in substitution for all previous powers granted to them, to allot relevant securities within the meaning of section 80 of the Companies Act 1985 (section 549 of the Companies Act 2006), up to an aggregate nominal amount of £885,333.24 provided that such authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2009 or 30 June 2009 (whichever is earlier) save that the Company may before such expiry make an offer or enter into an agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.		
SPECIAL BUSINESS		
7. To consider, and if thought fit, to pass the following resolution which is proposed as a Special Resolution:- THAT, subject to and conditional upon resolution 6 being duly passed by the shareholders as an ordinary resolution, the Directors be authorised and empowered pursuant to section 95 of the Companies Act 1985 (section 570 of the Companies Act 2006) (in substitution for all powers previously granted there under) to allot equity securities (as defined in section 94(2) of the Companies Act 1985 (section 560(1) of the Companies Act 2006)) for cash pursuant to the section 80 authority referred to in resolution 6 of this notice as if section 89(1) of the Companies Act 1985 (section 561(1) of the Companies Act 2006) did not apply to any such allotment, provided that this power should be limited to the allotment of 6,640,000 shares and such power shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2009 or 30 June 2009 (whichever is earlier), but provided that the Company may, before the expiry of this power, make an offer or agreement which would or might require equity securities to be allotted after the expiry of this power and the directors may allot equity securities in pursuance of such an offer or agreement as if the power had not expired.		
8. To consider, and if thought fit, to pass the following resolution which is proposed as a Special Resolution:- THAT, the Articles of Association produced to the meeting marked "A" and initialled by the chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association of the Company.		

Signature(s)

Date 2008

NOTES:

1. The form of proxy must be signed by the shareholder appointing the proxy or by his/her attorney authorised in writing. If the shareholder is a corporation, it should seal the form of proxy with its common seal or the form of proxy should be signed by an officer or an attorney of the corporation or other person authorised to sign it.
2. The return of this form of proxy will not prevent a member from attending in person and voting at the meeting. A member may appoint more than one proxy to attend on the same occasion. A proxy need not also be a member of the Company.
3. In the case of joint shareholders, the vote of the person whose name appears first in the register of members shall be accepted to the exclusion of the vote(s) of the other joint holder(s). The signature of any one holder will be sufficient, but the names of all joint holders should be stated.
4. To be valid this form of proxy and the authority (if any) under which it is executed or a certified copy of such authority must be lodged with Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 6ZY not later than 48 hours before the time of the meeting or adjourned meeting.
5. Pursuant to Regulation 41(1) of the Uncertificated Securities Regulations 2001, to be entitled to vote at the meeting (and for the purposes of the determination by the Company of the number of votes that may be cast) members must be entered on the register of members of the Company by 6.00 p.m. on 21 May 2008 or 48 hours before the time of the adjourned meeting.

www.chinafoodcompany.com

CHINA FOOD COMPANY PLC

17 Hanover Square
London W1S 1HU