

**CHINA CATTLE LIMITED  
And  
CONTROLLED ENTITIES**

**ABN: 21 008 728 425**

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED  
31 DECEMBER 2008**

**CHINA CATTLE LIMITED  
ABN: 21 008 728 425  
AND CONTROLLED ENTITIES**

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**CHINA CATTLE LIMITED**  
**ABN: 21 008 728 425**  
**AND CONTROLLED ENTITIES**  
**COMPANY DETAILS**

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**Directors:**

John Gunthorpe (resigned 29 December 2008)  
John Mac Lachlan (resigned 28 April 2008)  
Graeme Menzies (resigned 29 December 2008)  
Kevin Shiell (resigned 29 December 2008)  
Denis Byrne (resigned 29 December 2008)  
Hong Fei Chen (appointed 29 December 2008)  
Fu Hua Wu (appointed 29 December 2008)  
David M Hickie (appointed 29 December 2008)  
Shaojun Jia (appointed 16 March 2009)

**Company Secretary:**

Matthew Beale (resigned 29 December 2008)  
David M Hickie (appointed 29 December 2008)

**Registered Office and Principal Place of Business:**

Level 2, 340 Collins St  
MELBOURNE VIC 3000

**Share Registry:**

Computershare Investor Services Pty Ltd  
452 Johnston St  
ABBOTSFORD VIC 3067

**Bankers:**

Commonwealth Bank of Australia  
367 Collins Street  
MELBOURNE VIC 3000

**Solicitors:**

Wilmoth Field Warne  
Level 13  
440 Collins Street  
MELBOURNE VIC 3000

**Auditors:**

Webb Audit Pty Ltd  
Cnr Toorak and Auburn Roads  
HAWTHORN EAST VIC 3123

**CHINA CATTLE LIMITED**  
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**CHAIRMAN'S STATEMENT**

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## OVERVIEW

It is in the light of the prevailing financial crisis and volatility that I present this annual report for the financial year ended 31 December 2008 to the shareholders. At the end of the year under review, the shareholders undertook a significant action to restructure the board and management team of the Company aiming at reducing the operating overheads and costs of the Company, to improve the performance of the company and cattle business operations and to pursue an acquisition of a new business in China which may result in the re-quotation of the share trading of the Company on the Australian Stock Exchange.

During the year under review, the Company incurred loss of \$1,480,136, compared with \$2,805,299 reported for the year ended 31 December 2007. The performance of the Company shows the restructuring of the board and management is essential and indispensable. The replacement of the entire board and the executive director has reduced the payment to the directors and staff costs by approximately \$639,000 p.a.

The coordinated responses to the international financial crisis from governments of the major economies – Britain, France, Germany, US, Japan, China and South Korea have hitherto been unable to calm the worldwide market turmoil. By late October 2008, the crisis has deepened as stock prices across the world declined sharply, with Japan's Nikkei 225 Average battered to a 26-year low after falling 6.36% on 27 October. The many measures and initiatives taken by the governments to rescue ailing financial institutions will need time to prove their effectiveness in unfreezing lending. Meanwhile, governments and regulators across the world are moving swiftly to tackle the challenges posed by the global financial meltdown, the most daunting of which is to stave off a major recession.

After annual double-digit economic growth for a long time, and with about US\$1.9 trillion in foreign reserves as well as a protective financial system that protected it from toxic US assets, China seemed less affected by the world crisis. However, China announced in October 2008 that its economy expanded by 9% in the three months to the end of September 2008 – its first slide into single digits since 2005 and its lowest growth rate since 2003 – as demand for Chinese products, property and other investments weakened. Across the Pearl River Delta region, thousands of workers have been laid off as factories closed in rapid response to shrinking export volumes, the property market across the country slowed and confidence in stock markets plunged. However, since January 2009, the Chinese government has implemented a wide range of policy to boost the domestic economy and set a target to maintain the growth rate at 8% in 2009. As at 27 March 2009, the Shanghai Composite Index has continually increased to the level close to 2400 points from about 1660 points in November 2008.

## BUILDING A BUSINESS PLATFORM FOR GROWTH

The board of the Company has adopted a strategy to pursue sustainable growth and maximization of long-term shareholder value. The foremost priority after the restructuring of the board was to seek new opportunities in China. In this process, the Company has identified and investigated HeZe Ju Xin Yuan Food Co. Limited ("JXY Food") from Shandong Province of China. JXY Food is a producer of canned white asparagus, canned green asparagus, canned mushroom, canned garlic sprout and other vegetable product, canned peach and pear, fruit juice concentrate, and vinyl glove which 91% to 100% are exported to European, North America and Japanese market. Based on the information provided by JXY Food, its net profit in 2006 was RenMinBi 10 Million, in 2007 was RMB 20.5 Million and in 2008 was about RMB50 Million (A\$8,630,474) which can be considered to be vibrant and fast-growing business.

On 30 December 2008, the Company entered into the Heads of Agreement with JXY Food for the purchase of the entire shares in JXY Food by issuing new shares to the owners of the JXY Food subject to satisfactory due diligence, execution of formal acquisition agreement, independent experts report and subject to shareholder approval at an EGM to be held, expected in Mid of 2009.

Full details on JXY Food can be found on its web site: <http://hezejuxinyuan.en.alibaba.com>.

## FINANCIAL OVERVIEW

Revenue for the year ended 31 December 2008 was \$1,383,835, \$1,299,599 lower than the \$2,683,434 realized for the previous year ended 31 December 2007.

It is noteworthy that the remuneration report for the board and management was rejected at the last AGM of the Company held on 28 May 2008 and it was not until 20 October 2008 that the Executive Chairman Mr John Gunthorpe agreed to reduce both his remuneration and that of Mr Matthew Beale, the Company Secretary and Chief Financial Officer of the Company. They agreed to reduce their remuneration by 50% and work part time. As a result, the company incurred substantial overheads for the year under review.

The loss recorded during the year under review fell 189 % to (\$1,480,136) from (\$2,805,299) for the previous year ended 31 December 2007. The earnings per share was (1.89) cent during the year under review compared with (3.59) cents in the preceding 12-month period.

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## **MOVING FORWARD**

Under the new leadership, the Company is going to optimize resources and streamline operations and organizational structures so as to improve performance of its existing cattle operation and to complete the acquisition of JXY Food. The Company intends to apply for the re-quotatation with the Australian Stock Exchange in Mid 2009 which will lead the Company entering into a new era.

The proposed acquisition of JXY Food will be significant to the shareholders of the Company and will not only bring in positive cash flow and profit making assets, but will also assist the Company to expand its existing cattle operation by developing the sales channel for Australian dairy cattle and beef cattle in the year ahead.

It is widely expected that mainland China will be the Company's main base of investment and operations after the completion of the acquisition of JXY Food. The economy is poised to experience slowing economic growth, declining exports, increasing unemployment and a weakening property market in 2009 and possibly into 2010 in the face of the global financial turmoil and looming recession. However, the Chinese Central Government is expected to put in place a stimulus package with emphasis on various aspects such as developing China's small-and medium-enterprise sector, maintaining stable trade growth, strengthening its domestic investment, controlling consumer prices, ensuring the health of capital markets while monitoring risk and improving social welfare.

It is hoped that such measures will be sufficient to fend off the headwind of the global financial meltdown and ensure China's continued economic growth, albeit at a lower rate than the past decade. Given China's sound economic fundamentals, relative liquidity and state of growth, the Company believes that in the mid-to long term, there will still be sustainable demand in quality food including JXY Food's products and the Company's dairy cattle in all major and secondary cities, both coastal and inland.

The next 12 months will be filled with challenges and opportunities. The Company will persist, albeit cautiously and prudently, to seek out attractive projects for growth and expansion. With the current global liquidity crunch and falling raw materials prices worldwide, this may be the appropriate time for the Company to seek out attractive investment opportunities within its funding capacity, while striking a right balance between acceptable risk and return expectations.

## **CORPORATE GOVERNANCE**

The Company believes that a total commitment to health corporate conduct and governance is essential to the sustainability of its business and performance. The Company monitors developments in governance practices in Australia and will review the Company's policies regularly with the view to enhance the governance process. Where appropriate to safeguard the interests of the shareholders and lenders, the Company will go beyond regulatory compliance and be driven by principles rather than form.

An effective and robust board of directors whose members are engaged in open and constructive debate and always ready to challenge management on its assumptions and proposals is fundamental to good corporate governance. In this context, I am particularly proud that all our new directors have discharged their duties diligently and to the highest professional standards.

In pursuit of building its business and growth in Australia and in China in the near future, the Company faces various difficulties and uncertainties. It is therefore imperative to strengthen the internal control processes as the Company expands its activities to maintain a high standard of business ethics and conduct. The Company will strictly implement its operating rules and guidelines.

## **ACKNOWLEDGEMENTS**

I would like to thank my new fellow directors for their support and wise counsel they have so graciously accorded me. They have shared my responsibilities and eased the burden of the office. Individually and collectively, the directors have brought their strong expertise and diverse experience to bear on our decision-making deliberations. I am confident that they will continue to make invaluable contributions in the stewardship of the Company in 2009 and beyond.

Once again, our employees have discharged their duties and responsibilities with dedication and skills to enable the Company to have better met the challenges it faced. I look forward to their continued commitment. I must add my appreciation to the shareholders, customers, bankers and business partners for their trust, understanding and unstinting support.



Hong Fel Che  
Non Executive Chairman  
Melbourne

**CHINA CATTLE LIMITED**  
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**DIRECTORS' REPORT**

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Your directors present their report on the company for the financial year ended 31 December 2008.

#### **Directors**

The names of the directors in office at any time during or since the end of the year are:

John Gunthorpe	(resigned 29 December 2008)
John Mac Lachlan	(resigned 26 April 2008)
Graeme Menzies	(resigned 29 December 2008)
Kevin Shiell	(resigned 29 December 2008)
Denis Byrne	(resigned 29 December 2008)

Hong Fel Chen	(appointed 29 December 2008)
Fu Hua Wu	(appointed 29 December 2008)
David M Hickie	(appointed 29 December 2008)
Shaojun Jia	(appointed 16 March 2009)

#### **Company Secretary**

The Company Secretary was Matthew Beale. Mr Beale is a Chartered Accountant and has been the Chief Financial Officer of the company since December 2004. He resigned on 29 December 2008 and was replaced by David M Hickie on that date.

#### **Principal Activities**

The Consolidated Group has continued to develop dairy cattle rearing and trading opportunities, including for both domestic and international trade.

From the date of the resignation of the past directors the new board ceased calf rearing due to continued losses and will now focus on local sales, and the rearrangement of activities on the leased farms.

#### **Operating Results**

The consolidated net loss of China Cattle Limited for the year ended 31 December 2008 after an income tax expense of \$NIL, was( \$1,480,136) (2007 loss of \$2,805,299).

#### **Dividends Paid or Recommended**

No dividend was paid during the year (2007: \$NIL). No interim or final dividend is recommended.

#### **Significant Changes in the State of Affairs**

On 29 December 2008 the board of the company was replaced as a result of a majority of shareholders requesting their resignations in favour of a new board for the purpose of reducing the company overheads and operating cost, to improve the cattle business operations and to consider an acquisition leading to the re listing of the company.

#### **After Balance Date Events**

##### *Asset Acquisition*

On the 31 December 2008 the new board announced the intended acquisition of Heze Ju Xin Yuan Food Co Limited subject to due diligence, execution of an acquisition agreement, legal documentation, valuation and independent experts report and subject to shareholder approval at an EGM to be held, expected in Mid 2009.

The Heze Ju Xin Yuan Food Co Limited is a producer of canned white asparagus, canned green asparagus, canned mushroom, canned garlic sprout and other vegetable product, canned peach and pear, fruit juice concentrate, and vinyl glove which 91% to 100% are exported to European, North America and Japanese market.

Full details on the company can be found on the web site <http://hezejuxinyuan.en.alibaba.com>.

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**After Balance Date Events (Continued)**

*Capital Raising*

New working capital was raised via trustee stock scheme during the first quarter of 2009 to assist in the acquisition and re-listing of the company and to cover working capital for the cattle business including the commitments to purchase cattle made by previous executives of the company.

*Appointment of New Director*

Mr. Shaojun JIA, is an economist graduated from Inner Mongolia University in 1983. From 1983 to 2003, he worked for Inner Mongolia Peoples' Insurance Company, Inner Mongolia Medical & Chemical Industrial Import and Export Corporation and Pingan Insurance Corporation respectively. From 2004 to 2006, Mr. Jia joined Inner Mongolia Qingyu Mining Co. Ltd as the General Manager. After Qingyu Mining, he set up his own business known as Inner Mongolia Qingheng Mining Co. Ltd and serves as Chairman and CEO. Mr. Jia has over 25 years experience in finance management, international import and export business, mining operation in China and Mongolia.

**Future Developments**

The intended acquisition of the food business will bring substantial revenue into the company and with reduced overheads from the change of directors and executive staff should see an emergence of paying dividends to shareholders in the future.

The cattle business is now being run on a more economic viable base with the removal of excessive overheads and will be redeveloped under more prudent management.

**Environmental Regulation**

The Consolidated Group has assessed whether there are any particular or significant environmental regulations which apply to it and has determined that there are none.

**Information on Directors**

**CURRENT DIRECTORS**

**Hong Fei Chen Age 46**

**Non-Executive Director Chairman. (Appointed 29 December 2008)**

Mr. Hong Fei Chen is an international investment and legal consultant providing advice on cross border investment transactions to companies from China, Hong Kong, Australia and the United States.

Mr. Chen's work experience includes the Corporate Service Director of a large Hong Kong public listed company, the Director and General Manager of Vision (Shenzhen) Business Park Co. Ltd., a property development company situated in Shenzhen High-Tech Industrial Park which controlled by Fraser and Neave Group. From 1989 to 2002, Mr. Chen had held senior positions in a number of public listed companies and international law firms in Hong Kong, Australia and the United States as a director or senior lawyer. Mr. Chen received his Master of Laws degree from the University of Melbourne. He is a lawyer qualified to practice law both in Australia and China.

**Fu Hua Wu Age 46**

**Non-Executive Director. (Appointed 29 December 2008)**

Mr. Wu Fu Hua is a Vice Chairman of HeZe Committee of China Council for the Promotion of International Trade since August 2004. He has considerable experience in dealing with international trade and investment transactions and projects.

Prior to that, he was a Vice director of the Administration Office of HeZe municipal Government. Mr. Wu graduated from the CPC Central University with a political science degree.

**David M Hickie Age 57**

**Executive Director. Appointed (29 December 2008)**

David Hickie has over 39 years experience in banking, finance and funds management. David worked for the Queensland and Federal Governments in assisting the setting up of Cape Bank Limited, to provide banking services to the remote areas of Cape York for Indigenous people through a Bendigo Bank franchise.

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**Information on Directors (Continued)**

David has had extensive experience in the management of various listed and unlisted trusts, including Mortgage and Property Trusts, Mortgage Securitisation, Equity Funds, Healthcare/Hospital Funds and Master Superannuation Funds, particularly through his previous directorships and roles at Oceanic and Global Funds Management Australia Limited

Internationally he has provided consulting services to the Bank of Russia on their introduction to real estate property ownership and mortgage finance. He spent 12 months negotiating and advising the Luso International Bank of Macau on securitisation of their mortgage portfolio.

**PAST DIRECTORS**

**John Gunthorpe**

**Executive Chairman. Age 58 (resigned 29 December 2008)**

Mr Gunthorpe joined the Company as Managing Director on 1 August 2006. Mr. Gunthorpe has significant experience in the Agribusiness sector having previously held the position of Managing Director at Australian Poultry (Steggles), a division of Goodman Fielder Limited, Australia Meat Holdings Pty Ltd and Elders Meat a division of Elders IXL Limited. Mr Gunthorpe has also been involved in corporate development, restructuring, capital raisings and acquisitions as the Managing Director of Westmeath Holdings Pty Ltd. He has also been a past member of Australian Agribusiness Association, where he held the position of President, International Committee on Agriculture of PBEC, where he held the position of Chairman, and Prime Minister's Business Consultative Committee on APEC.

**John MacLachlan**

**Executive Director. Age 45 (resigned 28 April 2008)**

Mr MacLachlan is a local dairy farmer with significant experience in the dairy industry. This experience includes cattle exports, and farm management. Mr MacLachlan provides advice on cattle purchases and export operations for the Consolidated Group.

**Graeme Menzies**

**Independent Non-Executive Director. Age 59 (resigned 29 December 2008)**

Mr Menzies is a solicitor practising in the area of commercial law. He graduated from Melbourne University in 1971 and qualified for admission to the Degree of Masters of Law in 1975. He was admitted to practice in 1972. Since 1987 he has carried on practice as a sole practitioner under the name of Menzies & Partners.

**Kevin Shiell**

**Independent Non-Executive Director. Age 58 (resigned 29 December 2008)**

Mr Shiell has extensive experience in the Australian livestock industry, including past roles as Director – Pastoral Group of the Victorian Farmers Federation, an Executive Director of the Sheep meat Council of Australia and most recently, as the immediate past Chief Executive Officer of Australian Livestock Export Corporation Ltd (Livecorp). In this role Mr Shiell was instrumental in the development of livestock trade protocols for trading countries including China. Mr Shiell occupied the role of CEO since the inception of Livecorp in 1998.

**Denis Byrne**

**Independent Non-Executive Director. Age 61 (resigned 29 December 2008)**

Mr. Byrne is a qualified lawyer, having practised commercial law for 27 years. During that time he held positions as President of the Queensland Law Society in 1985/86, President of the Law Council of Australia in 1988/89 and Managing Partner of Freehill Hollingdale & Page, Brisbane. Mr. Byrne was until March 2007 a member of the Australian and New Zealand Takeover Panels having served 10 years on the Australian Panel and 7 years on the New Zealand Panel. Since 1997 Mr. Byrne has pursued a corporate career. His current commercial directorships include Chairman of Stanwell Corporation Limited and ZeroGen Pty Ltd.

**Directors' Shareholdings**

	<i>Own Name</i>	<i>Relevant Interest</i>
J Gunthorpe	-	-
J MacLachlan	200,000	-
G Menzies	150,000	-
K Shiell	-	-
D Byrne	-	-

**Share Options**

	<i>Own Name</i>	<i>Relevant Interest</i>
J Gunthorpe	-	1,500,000
J MacLachlan	750,000	-
G Menzies	750,000	-
K Shiell	500,000	-
D Byrne	500,000	-



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**DIRECTORS' REPORT**

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Under a settlement deed entered into between the previous directors and the company the above mentioned options have been cancelled.

### **Remuneration Report**

This report details the nature and amount of remuneration for each director of China Cattle Limited, and for the executives receiving the highest remuneration.

### **Remuneration Policy**

The remuneration policy of China Cattle Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Consolidated Group's financial results. The board of China Cattle Limited believed the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Consolidated Group, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Consolidated Group is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed after seeking professional advice where appropriate from independent external consultants.
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- Executive packages are reviewed annually by reference to the Consolidated Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of executives is measured against criteria agreed with each executive and is based predominantly on the forecast growth of the economic entity's profits and shareholders' value. Any bonuses and incentives will be linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest caliber of executives and reward them for performance that results in long-term growth in shareholder wealth.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Individuals may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. Currently the Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice will be sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Consolidated Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and will be able to participate in any employee share/option plan introduced.

### **Performance based remuneration**

Currently there is no performance based remuneration.

### **Company performance, shareholder wealth and directors' and executives' remuneration**

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. In achieving this Company has issued options to the majority of directors to encourage the alignment of personal and shareholder interests. The company believes this policy was effective in increasing shareholder wealth.

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The Company's shares are currently suspended from trading on the Australian Stock Exchange and it is the Company's intention to seek to re-list in the new financial year.

The remuneration report was rejected at the last AGM held in 28th May 2008 and it was not until 20 October 2008 that the Executive Chairman Mr John Gunthorpe agreed to reduce both his salary and that of Mr Matthew Beale, Company Secretary and Chief Financial Officer of the company.

They agreed to reduce their salaries by 50% and work part time. The actual reduction did not take place until November 2008 when they both took half salaries, they resigned on the 29 December 2008.

Following the last AGM, Mr. Gunthorpe, Executive Chairman wrote to shareholders in May 2008 after the shareholders voted down the remuneration package for directors and management agreeing to a reduction in remuneration.

In July 2008 the company gave a one of payment of \$67,000 to Mr. Gunthorpe and \$39,000 to Mr. Beale as a negotiation to change their contracts from a 9 month termination charge to a 3 month termination charge .

The past executive and director fees have been reduced significantly, the former directors and executives were paid a combined \$811,000. The new directors and executive are to receive \$172,000 p.a. until re-listing, a total savings of \$639,000 p.a.

**Details of remuneration for the year ended 31 December 2008**

The remuneration for each director and each of the five executive officers of the consolidated entity receiving the highest remuneration during the year was as follows:

2008 Director	Salary \$	Consulting Fees \$	Non- cash Benefits \$	Superannuation \$	Total \$
J Gunthorpe (resigned 29 December 2008)		424,563	1,795	-	426,358
J MacLachlan (resigned 26 April 2008)	17,038	-	5,061	3,361	25,460
G Menzies (resigned 29 December 2008)	27,708	-	-	3,413	31,121
K Shiell (resigned 29 December 2008)	27,708	-	2,328	3,150	33,186
D Byrne (resigned 29 December 2008)	30,625	-	-	3,412	34,037
Hong Fei Chen (appointed 29 December 2008)	-	-	-	-	-
Wu Fu Hua (appointed 29 December 2008)	-	-	-	-	-
David M Hickie (appointed 29 December 2008)	-	-	-	-	-
<b>Total</b>	<b>103,079</b>	<b>424,563</b>	<b>9,184</b>	<b>13,336</b>	<b>550,162</b>

Fees payable to G Menzies represent fees paid to Doravale Enterprises Pty Ltd, a company associated with G Menzies, who acts as Trustee of the Trustee Stock Scheme. All fees were charged at commercial rates.

2007 Director	Salary \$	Consulting Fees \$	Non- cash Benefits \$	Superannuation \$	Total \$
J Gunthorpe	-	479,857	-	-	479,857
J MacLachlan	83,160	-	-	7,484	90,644
G Menzies	35,000	20,000	-	3,150	58,150
K Shiell	35,000	-	-	3,150	38,150
M Nugent (resigned 13 January 2007)	1,781	-	-	1,941	
D Byrne (appointed 4 July 2007)	-	-	-	18,767	18,767
<b>Total</b>	<b>154,941</b>	<b>499,857</b>	<b>-</b>	<b>34,493</b>	<b>689,291</b>

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**DIRECTORS' REPORT**

**Executives of the Consolidated Group**

<b>2008 Executives</b>	<b>Salary</b>	<b>Consulting Fees</b>	<b>Non- cash Benefits \$</b>	<b>Superannuation</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>		<b>\$</b>	<b>\$</b>
M Beale	260,729	-	258	17,908	278,895
R Irwin (resigned 13 August 2008)	153,924	-	4,740	19,135	177,800
<b>Total</b>	<b>389,718</b>	<b>-</b>	<b>4,998</b>	<b>37,043</b>	<b>456,695</b>

<b>2007 Executives</b>	<b>Salary</b>	<b>Consulting Fees</b>	<b>Non- cash Benefits \$</b>	<b>Superannuation</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>		<b>\$</b>	<b>\$</b>
M Beale	197,688	-	-	32,492	230,180
R Irwin (appointed 6 September 2006)	178,000	-	-	15,120	193,120
<b>Total</b>	<b>155,267</b>	<b>-</b>	<b>-</b>	<b>73,118</b>	<b>228,385</b>

There were no other executives of the Consolidated Entity.

**Options issued as part of remuneration**

**For the year ended 31 December 2008**

Options are issued to directors as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors of China Cattle Limited and its subsidiaries to increase goal congruence between directors and shareholders.

**For the year ended 31 December 2007**

During the year no new options were granted to directors. The options granted in prior year which have an exercise price of 45 cents per share and expire on 30 September 2009 have been cancelled under a settlement deed between the past directors and the company.

	<b>Granted No.</b>	<b>Options Granted as Part of Remuneration</b>	<b>Total Remuneration Represented by Options</b>	<b>Options Exercised</b>	<b>Options Lapsed</b>	<b>Total</b>
		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Directors						
D Byrne	500,000	-	-	-	-	-
J Gunthorpe	1500000	-	-	-	-	-
	<b>2,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

A valuation of the options at the date of issue using the Black-Scholes methodology valued the options issued at \$nil. These options have been cancelled as part of a settlement between the previous directors and the company.

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**DIRECTORS' REPORT**

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#### **Employment contracts of directors and senior executives**

Employment contracts with the Executive Chairman, Mr John Gunthorpe, Chief Financial Officer, Matthew Beale and the General Manager of Operations, Robert Irwin, have been executed.

#### **The terms of Mr Gunthorpe's employment contract included:-**

- Term of 2 years from commencement which was signed as a new contract in August 2008 with an increased salary.
- Remuneration includes Executive Salary of \$368,370.80 per annum, statutory superannuation contributions and annual bonus of \$100,000 subject to the raising of \$6.5m capital and the re listing of the company. This bonus of \$100,000, this bonus was paid in 2007, by the old board.
- Entitlement to participate in any Employee Option Plan adopted by the Company.
- Mr Gunthorpe was granted 1,500,000 options to acquire ordinary shares in the Company during 2007. The options have an exercise price of 45 cents per share and expire on 30 September 2009. A valuation of the options at the date of issue using the Black-Scholes methodology valued the options issued at \$nil. These options have been canceled as part of the settlement deed between the past directors and the company.

#### **The terms of Mr Beale's employment contract included:**

- Term of 2 years from commencement.
- Remuneration includes Executive Salary of \$237,570.80 pa under a new contract signed August 2008 statutory superannuation contributions and annual bonus at the full discretion of the board.
- Entitlement to participate in any Employee Option Plan adopted by the Company.
- 

#### **The terms of Mr Irwin's employment contract included:**

- Term of 3 years from commencement. He resigned on August 2008.
- Remuneration includes Executive Salary of \$210,000 increased to \$250,000 per annum, statutory superannuation contributions and annual bonus at the full discretion of the board.
- Entitlement to participate in any Employee Option Plan adopted by the Company.
- Mr Irwin was granted 750,000 options to acquire ordinary shares in the Company. The options have an exercise price of 45 cents per share and expire on 30 September 2009. A valuation of the options at the date of issue using the Black-Scholes methodology valued the options issued at \$nil.

The above contracts have been terminated.

#### **Meetings of Directors**

During the financial year 11 meetings of directors were held. Attendances were:

	<b>Board Meetings</b>	
	<b>Attended</b>	<b>Held while in office</b>
J Gunthorpe( resigned 29 December 2008)	9	9
J MacLachlan ( resigned 29 December 2008)	2	9
G Menzies ( resigned 29 December 2008)	6	9
K Shiell ( resigned 29 December 2008	9	9
D Byrne ( resigned 29 December 2008	9	9
Hong Fei Chen (appointed 29 December 2008)	2	2
Fu Hua Wu (appointed 29 December 2008)	2	2
David M Hickie (appointed 29 December 2008)	2	2

#### **Indemnification and Insurance of Auditors and Officers**

Since the end of the financial year the company has agreed to renew Directors and Officers insurance.

**CHINA CATTLE LIMITED  
ABN: 21 008 728 425  
AND CONTROLLED ENTITIES  
DIRECTORS' REPORT**

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**Auditor's Independence Declaration**

The auditor's independence declaration for the year ended 31 December 2008 has been received and can be found on page 12.

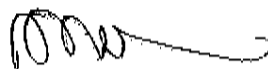
**Proceedings on Behalf of Company**

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

Signed in accordance with a resolution of the board of directors.



Hong Fei Chen  
Director



David M Hickle  
Director

Dated this 31st day of March 2009.



31 March 2009

The Board of Directors  
China Cattle Limited  
Level 2, 340 Collins Street,  
MELBOURNE VIC 3000

Dear Board Members

**AUDITOR'S INDEPENDENCE DECLARATION  
IN ACCORDANCE WITH SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF CHINA CATTLE LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of China Cattle Limited.

As lead audit partner for the audit of the financial report of China Cattle Limited for the year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (iii) the auditor independence requirements of the Corporation Act 2001 in relation to the audit, and
- (iv) any applicable code of professional conduct in relation to the audit.

Yours sincerely

A handwritten signature in black ink, appearing to read "H. D. Paton".

**Hugh D. Paton**  
Director  
Webb Audit Pty Ltd

**CHINA CATTLE LIMITED**  
**ABN: 21 008 728 425**  
**AND CONTROLLED ENTITIES**  
**CORPORATE GOVERNANCE STATEMENT**

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A review of the Company's 'Corporate Governance Framework' has been performed in light of the 'Best Practice Recommendations' released by the Australian Stock Exchange Corporate Governance Council in March 2003. The Board of Directors has adopted a set of Corporate Governance Practices and a Code of Conduct appropriate for the size, complexity and operations of the Company and its subsidiaries. The ongoing relevance and effectiveness of this framework will be periodically reviewed to reflect changing circumstances and ways of improving the practices.

Unless otherwise stated the Company has instituted new and additional Policies and Charters that meet the Best Practice Recommendations.

#### **Role of the Board and Management**

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The Board's responsibilities may be summarised as:

1. Leadership of the organisation
2. Strategy formulation
3. Overseeing planning activities
4. Shareholder liaison
5. Monitoring, compliance and risk management
6. Company finances
7. Human resources including performance appraisal and succession
8. Ensuring the health, safety and well-being of Directors, Officers, Employees and Contractors
9. Delegation of authority
10. Remuneration policy
11. Nomination policy

#### **Structure and Composition of the Board**

The Board has been formed so that it has an effective mix of personnel who are committed to adequately discharging their responsibilities and duties, and be of value to the Company.

The names of the Directors, their independence, qualifications, ages and experience are included in the Directors' Report.

The Board believes that the interests of all Shareholders are best served by:

- Directors having the appropriate skills, experience and contacts within the company's industry.
- The Company striving to have a balance between the overall number of Directors and the number of Directors being independent as defined in the ASX Corporate Governance Guidelines.

There are three Directors on the board at present that could be classified as 'Independent'. The number of Independent Directors on the Board will increase as the Company develops and the Board believes that it can attract appropriate Independent Directors with the necessary industry experience over time, and as the Company grows.

However, where any Director has material personal interest in a matter, in accordance with the Corporations Law, the Director will not be permitted to be present during discussion or to vote on the matter. The enforcement of this requirement aims to ensure that the interest of Shareholders, as a whole, is pursued and that their interest or the Director's independence is not adversely affected.

The Chairman is elected by the full board of Directors. At present the Board of Directors believes the best interests of the Company are served by the appointment of a Non Executive Chairman. Directors collectively or individually have the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities. All advice obtained is made available to the full Board.

The Company does not have a Nomination Committee because it is deemed to be more efficient to have the full Board consider membership nomination matters.

#### **Ethical and Responsible Decision-Making**

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established Company Policies to guide compliance with legal and other obligations to legitimate stakeholders.

**CHINA CATTLE LIMITED**  
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The Company is currently suspended from the Australian Stock Exchange. The Corporate Policies Manual includes a share trading policy that regulates the dealings by Directors, Officers and Employees, in shares, options and other securities issued by the Company. The policy is formulated to ensure that Directors, Officers, Employees and Consultants who work on a regular basis for the Company are aware of the legal restrictions on trading in company securities while in possession of unpublished price-sensitive information.

#### **Integrity in Financial Reporting**

The Company has an Audit Committee. The members of the Audit Committee were, Kevin Shiell, Denis Byrne and Graeme Menzies.

The Board has designated the Company Secretary as the person responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with ASXs' 'Listing Rules' the Company immediately notifies the ASX of information concerning the Company:

1. That a reasonable person would or may expect to have a material effect on the price or value of the Company's securities; and
2. That would, or would be likely to influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

#### **Rights of Shareholders**

The Company respects the rights of its Shareholders, and to facilitate the effective exercise of the rights, the Company is committed to:

1. Communicating effectively with Shareholders through ongoing releases to the market via ASX information, mailed to Shareholders via Shareholder updates etc, and the General Meetings of the Company;
2. Giving Shareholders ready access to balanced and understandable information about the Company and Corporate Proposals;
3. Making it easy for Shareholders to participate in General Meetings of the Company; and
4. Requesting the External Auditor to attend the Annual General Meeting and be available to answer Shareholder's questions about the conduct of the audit, and the preparation and content of the Auditor's Report.

#### **Recognise and Manage Risk**

Given the size and complexity of the company and its operations, it is deemed to be more efficient to have the full Board recognise and manage risk. The Board has ensured:

1. In accordance with 'Best Practice Recommendation 4.1', that the Financial Statements are founded on a sound system of risk management and internal compliance and control which implements the Policies adopted by the Board.
2. The Company's 'Risk Management and Internal Compliance and Control System', in so far as it relates to financial risk, is operating effectively in all material respects.

#### **Encourage Enhanced Performance**

In the past 12 months the Board did not conduct a review and assessment of its performance. The Board believes that given the size and complexity of the company and its operations a performance evaluation policy is not required. However, as the company evolves, a 'Performance Evaluation Policy' will be established to evaluate the performance of the Board, individual Directors and Executive Officers of the Company. Evaluations will be conducted at least on an annual basis against set performance criteria. The Board will be responsible for the evaluation process and may engage independent external advisors if thought appropriate to do so.

All Directors have full access to all Company records and receive Financial and Operation Reports at each Board Meeting.

#### **Remunerate Fairly and Responsibly**

The Company currently does not have a Remuneration Committee. The Board of Directors currently believe the interests of the Consolidated Group are best served by the Board of Directors as a whole fulfilling this function.

The Board of Directors are responsible for:

- Setting the remuneration and conditions of service of all Executive and Non-Executive Directors, Officers and Employees of the Company.
- Approving the design of Executive & Employee incentive plans (including equity-based plans and options) and proposed payments or awards under such plans.
- Reviewing performance hurdles associated with incentive plans.
- Determining the remuneration of Non-Executive Directors within the aggregate approved by Shareholders at General Meetings from time to time.



**CHINA CATTLE LIMITED  
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- Consulting appropriately qualified Consultants for advice on remuneration and other conditions of service.
- Succession planning for Senior Executive Officers
- Performance assessment of Senior Executives.

The Company is committed to remunerating its Senior Executives in a manner that is market-competitive and consistent with 'Best Practice' as well as supporting the interests of Shareholders. Senior Executives receive a remuneration package based on fixed and variable components, determined by their position and experience. Shares and/or Options may also be granted based on an individual's performance and are subject to approval by Shareholders.

Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by Shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors will receive performance based bonuses and participate in Equity Schemes of the Company only with prior Shareholder approval.

**Legitimate Interests of Stakeholders**

The Board acknowledges the legitimate interests of various stakeholders such as Employees, Clients, Customers, Government Authorities, Creditors and the Community as a whole. As a good Corporate Citizen, it encourages compliance and commitment to appropriate corporate practices that are fair and ethical via its 'Code of Conduct Policy'.