DACHAN FOOD (ASIA) LIMITED
大成食品（亞洲）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3999)

Announcement of Interim Results for the Six Months ended 30 June 2019

The board of directors (the "Board") of DaChan Food (Asia) Limited (the "Company") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ended 30 June 2019:

Highlights

	Six months ended 30 June		
	2019 (unaudited)	**2018 (unaudited)**	**% change**
Turnover (RMB'000)	3,705,849	3,380,398	9.6
Gross profit (RMB'000)	392,482	339,034	15.8
Gross profit margin (%)	10.6	10.0	
Profit attributable to equity shareholders of the Company (RMB'000)	13,210	8,505	55.3
Basic earnings per share (RMB)	0.013	0.008	

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2019 – not audited by auditors
(Expressed in thousands of Renminbi)

	Note	Six months ended 30 June 2019	2018
Turnover	3	3,705,849	3,380,398
Cost of sales		(3,313,367)	(3,041,364)
Gross profit		392,482	339,034
Change in fair value of biological assets less cost to sell		–	(3,920)
Other operating income	4	8,204	4,227
Other net (losses)/gains	4	(5,582)	21,065
Distribution costs		(179,741)	(183,516)
Administrative expenses		(139,215)	(148,140)
Profit from operations		76,148	28,750
Finance costs	5(a)	(23,734)	(15,163)
Share of (losses)/gains of equity accounted investees		(2,319)	16,361
Profit before taxation	5	50,095	29,948
Income tax	6	(12,882)	(8,515)
Profit for the period		37,213	21,433
Attributable to:			
Equity shareholders of the Company		13,210	8,505
Non-controlling interests		24,003	12,928
Profit for the period		37,213	21,433
Earnings per share			
– Basic (RMB)	7	0.013	0.008
– Diluted (RMB)	7	0.013	0.008

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2019 – not audited by auditors
(Expressed in thousands of Renminbi)

	Six months ended 30 June	
	2019	**2018**
Profit for the period	37,213	21,433
Exchange differences on translation of financial statements of overseas subsidiaries	12,505	(10,197)
Total comprehensive income for the period	49,718	11,236
Attributable to:		
Equity shareholders of the Company	26,346	(2,366)
Non-controlling interests	23,372	13,602
Total comprehensive income for the period	49,718	11,236

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2019
(Expressed in thousands of Renminbi)

	Note	At 30 June 2019 (unaudited)	At 31 December 2018 (audited)
Non-current assets			
Fixed assets	8		
– property, plant and equipment		1,344,077	1,354,682
– lease prepayments		187,433	190,468
Interests in equity-accounted investees		76,104	78,457
Other non-current financial assets		1,948	1,948
Deferred tax assets		27,976	27,872
Long-term tax recoverable	10	84,924	84,924
Right-of-use assets		50,189	–
Other non-current assets		12,748	15,666
		1,785,399	1,754,017
Current assets			
Inventories		794,254	847,131
Biological assets		130,484	129,115
Trade receivables	9	279,874	307,205
Other receivables and prepayments	10	502,127	456,849
Cash and cash equivalents		361,546	408,721
		2,068,285	2,149,021
Current liabilities			
Trade payables	11	410,288	493,192
Other payables	12	411,269	432,564
Contract liabilities		–	8,052
Provisions		512	1,099
Interest-bearing borrowings		459,124	272,216
Income tax payable		4,759	4,526
		1,285,952	1,211,649
Net current assets		782,333	937,372
Total assets less current liabilities		2,567,732	2,691,389

	Note	At 30 June 2019 (unaudited)	At 31 December 2018 (audited)
Non-current liabilities			
Interest-bearing borrowings		643,066	863,043
Lease liabilities		50,990	–
Deferred tax liabilities		2,101	497
		696,157	863,540
Net assets		1,871,575	1,827,849
Capital and reserves			
Share capital		97,920	97,920
Reserves		908,741	895,654
Retained profits		510,010	496,800
Total equity attributable to equity shareholders of the Company		1,516,671	1,490,374
Non-controlling interests		354,904	337,475
Total equity		1,871,575	1,827,849

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi unless otherwise stated)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and has complied with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board ("IASB"). It has been authorised for issue on 6 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses based on the current situation. Actual results may differ from these estimates.

2 Changes in accounting policies

(i) Overview

The IASB has issued a number of amendments to International Financial Reporting Standards ("IFRSs") that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 16, *Leases*
- IFRIC 23, *Uncertainty over Income Tax Treatments*
- Amendments to IAS 19, *Plan Amendment, Curtailment or Settlement*
- Amendments to IAS 28, *Long-term Interest in Associates and Joint Ventures*

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for property, plant and equipment which are formerly classified as operating leases. The Group plans to elect to use the modified retrospective approach for the adoption of IFRS 16 and will not restate the comparative information. Upon the initial adoption of IFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will both be adjusted to RMB52,347 thousand, after taking into account the effects of discounting as at 1 January 2019.

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

3 Turnover and segment reporting

The Group manages its businesses by divisions, sorted by different business lines. The Group has presented the following three reportable segments, and no operating segments have been aggregated to form each of the reportable segments.

Chicken Meat:	The chicken meat segment carries on business of broiler farming, hatching of broiler breeder eggs, contract farming, processing and marketing of chilled and frozen chicken meat marketed under the brand of "DaChan" and "Sisters Kitchen".
Livestock feed:	The livestock feed segment manufactures and distributes complete feed, base mix and pre-mix for swine, layer, broiler, duck, and breeder poultry under the brands of "Dr. Nupak", "DaChan" and "SOS".
Processed foods:	The processed food segment produces and distributes pickled, pre-fried, and instant food.

Information about reportable segments

Information regarding the Group's reportable segments as provided for the CEO for the purposes of resource allocation and segment performance assessment for the six month periods ended 30 June 2019 and 2018 is set out below.

For the six months ended 30 June

	Chicken meat		**Livestock feed**		**Processed foods**		**Total**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover from external customers	739,374	567,405	2,055,211	2,009,209	911,264	803,784	3,705,849	3,380,398
Inter-segment turnover (eliminated at consolidation)	267,943	204,077	335,249	299,028	–	–	603,192	503,105
Total	1,007,317	771,482	2,390,460	2,308,237	911,264	803,784	4,309,041	3,883,503
Segment gross profit	62,245	36,010	193,851	166,512	136,386	136,512	392,482	339,034

4 Other operating income and other net (losses)/gains

	Six months ended 30 June	
	2019	**2018**
	RMB'000	RMB'000
Other operating income		
Interest income	5,225	2,503
Government grants	1,666	1,355
Rental income	1,313	369
	8,204	4,227

	Six months ended 30 June	
	2019	**2018**
	RMB'000	RMB'000
Other net (losses)/gains		
Reversal of impairment of fixed assets	–	8,358
Foreign exchange (losses)	(15,627)	(253)
Net gains on disposal of fixed assets	7,217*	5,544*
Others	2,828	7,416
	(5,582)	21,065

* Of the net gains on disposal of fixed assets during the six months ended 30 June 2019, RMB9,310,000 was attributable to profits on sale of properties (during the six months ended 30 June 2018: RMB9,744,000).

5 Profit before taxation

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

	Six months ended 30 June	
	2019	**2018**
	RMB'000	RMB'000
(a) Finance costs		
Interest on bank borrowings wholly repayable within five years	(23,734)	(15,163)

(b) Other items

	Six months ended 30 June	
	2019	**2018**
	RMB'000	RMB'000
Amortisation of lease prepayments	(3,183)	(2,777)
Depreciation of property, plant and equipment	(74,111)	(74,207)
Net provision of impairment losses on trade receivables	(5,237)	(6,411)
Net reversal of write down of inventory	15,105	4,807

6 Income tax

	Six months ended 30 June	
	2019	**2018**
	RMB'000	RMB'000
Current tax	(11,504)	(10,771)
Deferred taxation	(1,378)	2,256
	(12,882)	(8,515)

(i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI.

(ii) On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. The two-tiered profits tax rate applies to the years of assessment commencing on or after 1 April 2018. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

For the relevant period in the six months ended 30 June 2019, Hong Kong profits tax of the qualifying corporation in the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other corporations in the Group which are not qualified for the two-tiered profits tax rates regime will continue to be taxed at the rate of 16.5% (six months ended 30 June 2018: 16.5%).

(iii) Pursuant to the corporate income tax laws and regulations of the PRC, the Company's subsidiaries established in the PRC for the six months ended 30 June 2019 are subject to PRC Corporate Income Tax at a rate of 25% (six months ended 30 June 2018: 25%), except for Tianjin DaChan Prospect Research and Development Co., Ltd. ("TDPR"), which is subject to a preferential tax rate of 15% (six months ended 30 June 2018: 15%), as it has obtained the new high-tech enterprise qualification during 2017.

(iv) Pursuant to the income tax laws and regulations of Malaysia, the Company's subsidiary in Malaysia is subject to Malaysian income tax rate of 24% for the six months ended 30 June 2019 (six months ended 30 June 2018: 24%).

(v) Pursuant to the Amended Investment Licence No. 1219/GPDC1-BKH-KCN-DN dated 23 September 2003, issued by Dong Nai Industrial Zone Authority, Asia Nutrition Technologies (VN) Co., Ltd. ("ANT-VN") is subject to Corporate Income Tax of Vietnam at a preferential rate of 15% for the six months ended 30 June 2019 (six months ended 30 June 2018: 15%). The above tax reduction is not applicable to other income which is taxed at a rate of 20% (six months ended 30 June 2018: 20%).

(vi) Asia Nutrition Technologies (HN) Co., Ltd. ("ANT-HN") is subject to Corporate Income Tax of Vietnam at the rate of 10% for the first 15 years commencing from its first year of operation and 22% for the succeeding years. However, ANT-HN is entitled to a full tax exemption for four years starting from 2005, its first profit-making year, pursuant to the Minutes of Inspection by Tax Department of Hai Duong Province dated 24 November 2006 and a 50% reduction in tax rate for the next four years. Since the said exemption and 50% tax concessions have expired, the applicable tax rate of ANT-HN is 10% for the six months ended 30 June 2019 (six months ended 30 June 2018: 10%). The above tax reduction is not applicable to other income which is taxed at a rate of 20% (six months ended 30 June 2018: 20%).

(vii) Asia Nutrition Technologies (LA) Co., Ltd. ("ANT-LA") is subject to Corporate Income Tax of Vietnam at the rate of 20% for the first 10 years commencing from its first year of operation and 22% for the succeeding years. However, ANT-LA is entitled to a full tax exemption for 2 years starting from 2008, its first profit-making year and a 50% reduction in tax rate for the next three years. Since the said exemption and 50% tax concessions have expired, the applicable tax rate of ANT-LA is 20% for the six months ended 30 June 2019 (six months ended 30 June 2018: 20%). The above tax reduction is not applicable to other income which is taxed at a rate of 20% (six months ended 30 June 2018: 20%).

(viii) Pursuant to the Amended Investment Licence No. 43/2010/ND-CP dated 26 September 2012, issued by Binh Dinh Province Economic Zone Authority, Asia Nutrition Technologies (MV) Co., Ltd. ("ANT-MV") is subject to Vietnam Corporate Income Tax of 20% for the six-month period ended 30 June 2019 (six months ended 30 June 2018: 20%).

7 Earnings per share

The calculation of basic earnings per share as at 30 June 2019 is based on the profit attributable to ordinary equity shareholders of the Company of RMB13,210 thousand (six months ended 30 June 2018: RMB8,505 thousand) and the weighted average of 1,015,860,970 ordinary shares (six months ended 30 June 2018: 1,015,489,500 shares) in issue during the reporting period.

The calculation of diluted earnings per share for the six months ended 30 June 2019 is based on profit attributable to ordinary equity shareholders of the Company of RMB13,210 thousand (six months ended 30 June 2018: RMB8,505 thousand) and the diluted weighted average number of ordinary shares in issue of 1,015,860,970 (six months ended 30 June 2018: 1,015,489,500) during the reporting period.

8 Fixed assets

During the six months ended 30 June 2019, the Group acquired items of fixed assets at a cost of RMB79,749,000 (six months ended 30 June 2018: RMB80,298,000). Items of fixed assets with net book value of RMB14,939,000 were disposed of during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB21,361,000), resulting in a gain on disposal of RMB7,217,000 (six months ended 30 June 2018: RMB5,544,000).

9 Trade receivables

The ageing analysis as of the end of the reporting period:

	At 30 June 2019 RMB'000	**At 31 December 2018** RMB'000
Current	212,580	215,087
1-180 days past due	74,017	96,295
181-365 days past due	7,250	8,731
More than 365 days past due	21,046	18,028
Amounts past due	102,313	123,054
Less: allowance of doubtful debts	(35,019)	(30,936)
	279,874	307,205

The Group generally grants a credit period of 30 days to 60 days to its customers.

10 Other receivables and prepayments

	At 30 June 2019 RMB'000	**At 31 December 2018** RMB'000
VAT recoverable	405,649	416,279
Deposits and prepayments	122,961	80,843
Advances to staff	7,278	11,281
Others	51,163	33,370
	587,051	541,773
Less: non-current VAT recoverable	84,924	84,924
	502,127	456,849

11 Trade payables

An ageing analysis of trade payables is as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Current	248,849	298,783
Less than 30 days past due	119,418	137,570
31-60 days past due	14,571	24,730
61-90 day past due	3,807	14,751
More than 90 days past due	23,643	17,358
Amounts past due	161,439	194,409
	410,288	493,192

12 Other payables

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Sales rebate	115,887	138,253
Salaries, wages, bonuses and other benefits payable	77,362	104,426
Accrued expenses	82,593	62,175
Contract performance deposits	38,837	45,256
Payables for purchase of fixed assets	16,618	13,614
Amounts due to related parties	46,100	46,100
Others	33,872	22,740
	411,269	432,564

13 Dividends

No payment of an interim dividend of the six months period ended 30 June 2019 (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

	Six months ended 30 June		
	2019	**2018**	**% change**
Turnover (RMB'000)	3,705,849	3,380,398	9.6
Gross profit (RMB'000)	392,482	339,034	15.8
Gross profit margin (%)	10.6	10.0	
Profit attributable to shareholders of the Company (RMB'000)	13,210	8,505	55.3

In the first five months of 2019, the domestic white feather broilers market continued the favorable market condition in the fourth quarter of last year, while the demand for day-old chicks, feather chickens and chicken meat remained at a high level. With the gradual recovery of parental breeder stocks in the first half of the year, the shortage of day-old chicks which lasted for eight months was alleviated in June; meanwhile, due to the effect of high stocks of chicken meat in electric slaughterhouses, distributors and food processors, the demand for day-old chicks and feather chickens in June has fallen sharply as compared to the previous 5 months, and the demand of chicken meat has also fluctuated and decreased. The Group seized the favorable market condition in the first half of the year, as we fully utilized our one-stop operational advantages, and expanded our cooperation with farmers in order to proactively promote the transformation of old chicken houses into caged chicken houses. The gross profit of the meat business has increased by approximately 72.9% as compared to the corresponding period of 2018.

As the epidemic of African swine fever continued in China, spreading from the north to the south, the stock of live pigs continued to decrease, resulting in a more severe situation faced by the feed business. In response to the sudden drop in users' demand for pig feed, the domestic feed business has actively developed the poultry market on the one hand, and continued to promote the integration of existing production capacity on the other to continuously reduce operating costs and improve management efficiency. The gross profit of the domestic feed business grew by approximately 7.2% year-on-year. The performance of the Southeast Asian feed business in the first half of the year remained stable. While sales of the same increased by approximately 5.6% year-on-year, the gross profit also achieved a year-on-year growth of 20.4%.

The high demand for chicken meat in the domestic market has pushed up the cost of raw materials for the food business. On one hand, the Group actively explored import channels, reducing the cost of raw materials by using low-cost imported meat, and on the other hand actively adjusted the product structure and increased the sales of high-margin products, enabling the gross profit of the business to decrease by only about 0.1% year-on-year despite an about 25% year-on-year rise in chicken meat price.

In summary, the Group's various businesses achieved satisfactory results in the first half of the year. The Group's overall gross profit was approximately RMB392,482 thousand, representing an increase of approximately RMB53,488 thousand as compared with the same period last year. However, due to:

1. the real estate project invested by the Group in Tianjin achieved a dividend income of approximately RMB 17,945 thousand in the first half of last year, but there is no dividends for the same period of this year;

2. the Group decided to convert the nature of part of the investment funds remitted by the overseas holding company to domestic subsidiaries in previous years into borrowings. When the domestic subsidiaries have sufficient funds, they will remit them in batches and repay the foreign bank's US dollar loans to reduce exchange rate risks and control interest expenses. This arrangement resulted in an exchange loss of approximately RMB 16,051 thousand in the first half of the year, which was not incurred in the same period last year; and

3. in the first half of the year, both domestic and foreign borrowing rates rose by various extents year-on-year. The Group's finance costs increased by approximately RMB 8,571 thousand,

profit attributable to shareholders of the Company was approximately RMB13,210 thousand, representing an increase of approximately RMB4,705 thousand as compared with the same period last year.

Affected by African swine fever, there will be a shortage of domestic pork supply in the second half of the year, which will bring rare development opportunities to the poultry industry. The Group will firmly seize this opportunity to continue to promote internal organization restructuring and management optimization. On the other hand, it will actively expand cooperation with farms in breeders and broilers breeding, while enhancing its ability to resist risks and the overall profitability of the Group.

Meat

	Six months ended 30 June		
	2019	**2018**	**% change**
Turnover (RMB'000)	739,374	567,405	30.3
Gross profit (RMB'000)	62,245	36,010	72.9
Gross profit margin (%)	8.4	6.3	

The meat product segment mainly sells chilled and frozen chicken meat under the brand of "DaChan" and "Sisters Kitchen" and lightly processed tender chicken meat, sells chicken meat to fast food shops, internal and external food processors and food processing service providers, and supplies feeds and day-old-chicks to contract farmers. The production regions of the segment cover Northeast China, North China and East China while its sales network covers the entire nation.

Since the third quarter of last year, the Group has successively invested a large amount of funds to support contract farmers to transform old flat farms into caged chicken houses, helping farmers to increase the scale of breeding, reduce farming costs and improve farming performance. In the first half of this year, the stocking capacity of the business increased by about 5.1% year-on-year, while the operating income grew by about 30.3%.

Livestock Feed (From External Customers)

	Six months ended 30 June		
	2019	**2018**	**% change**
Turnover (RMB'000)			
– China	698,055	807,393	-13.5
– Vietnam and Malaysia	1,357,156	1,201,816	12.9
Total	2,055,211	2,009,209	2.3
Gross profit (RMB'000)			
– China	54,017	50,375	7.2
– Vietnam and Malaysia	139,834	116,137	20.4
Total	193,851	166,512	16.4
Gross profit margin (%)			
– China	7.7	6.2	
– Vietnam and Malaysia	10.3	9.7	
Total	9.4	8.3	

The operating income of the feed segment was primarily derived from the sale of pig, broiler and egg chicken feed to external customers in China, Vietnam and Malaysia. Corn and soybean meal are the primary raw materials of the feed segment. The main product brands of this segment are "Dr. Nupak", "DaChan" and "SOS". The production and sales regions of this segment cover Vietnam, Malaysia and Northeast, North, Central and Southwest China.

Despite the impact of African swine fever, the stock of existing pig farm clients in the domestic feed business decreased drastically, seriously affecting the sales of pig feed in the business, causing the feed sales to decrease by 3.3% year-on-year. However, due to the proper operation of the raw materials bulk procurement strategy and the integration in production capacity among different factories in the early stage, the gross profit margin of the domestic feed business in the first half of the year increased by approximately 1.5% year-on-year.

Processed Food

	Six months ended 30 June		
	2019	**2018**	**% change**
Turnover (RMB'000)			
– Mainland China	676,574	562,149	20.4
– Export	234,690	241,635	-2.9
Total	911,264	803,784	13.4
Gross profit (RMB'000)			
– Mainland China	109,540	108,112	1.3
– Export	26,846	28,400	-5.5
Total	136,386	136,512	-0.1
Gross profit margin (%)			
– Mainland China	16.2	19.2	
– Export	11.4	11.8	
Total	15.0	17.0	

The processed food segment includes the production and distribution of prepared food under the "Sisters Kitchen" brand, as well as centrifuged and marinated, stewed, pre-fried, steamed, and grilled consumer food items. The processed food products of the Group were not only sold in the PRC market, but were also exported to overseas markets like Japan. Customer groups of the processed food segment include customers at end-consumer markets and professional markets. The sales channels of the processed food segment are mainly group catering, bakery, casual catering, takeaways, international customers, key customers as well as the retail consumption market. The sales regions of the processed food segment cover Japan, Singapore, Hong Kong, Northeast, North, East, South China and a few inland regions such as Northwest and Southwest China.

Although the gross profit margin of the processed food segment in the first half of the year decreased by about 2% due to an increase in raw material costs, the domestic processed food business maintained a steady growth momentum, with operating income growing by approximately 20.4% year-on-year. In a trend of high demand in the domestic raw material meat market, whether it is the export processed food business or domestic processed food business, in addition to establishing a stable import channel for raw material meat, the Group was committed to actively improving production management and production efficiency, reducing production costs, and improvement of profitability while ensuring product quality. At the same time, the Group has continued to increase investment resources in processed food research and development and enhanced the core competitiveness of the processed food business through the establishment of research and development advantages.

Financial Review:

1) Other Operating Income and Other Net Losses/(Gains)

In the first six months of 2019, other operating income of the Group amounted to approximately RMB8,204 thousand (2018: approximately RMB4,227 thousand). Other operating income mainly comprised interest income and government grants.

In the first six months of 2019, other net losses of the Group amounted to approximately RMB5,582 thousand (other net gains in 2018: approximately RMB21,065 thousand). Other net losses/(gains) mainly comprised other balances derived from activities other than the Group's business operation such as net foreign exchange losses, reversal of impairment of fixed assets and net gains on disposals of fixed assets.

2) Liquidity, Financial Resources and Capital Structure

As at 30 June 2019, the Group's cash and bank deposit balances amounted to approximately RMB361,546 thousand, representing a decrease of approximately RMB47,175 thousand as compared with 31 December 2018. Interest-bearing borrowings of the Group decreased by approximately RMB33,069 thousand to approximately RMB1,102,190 thousand (31 December 2018: approximately RMB1,135,259 thousand). The interest-bearing borrowings to equity ratio was approximately 58.9% (31 December 2018: approximately 62.1%). Current ratio was maintained at a healthy level of approximately 1.61 times (31 December 2018: approximately 1.77 times).

3) Capital Expenditure

In the first six months of 2019, the Group's capital expenditure on the acquisition of properties, machinery and equipment amounted to approximately RMB79,749 thousand. The primary source of fund of the Group's capital expenditure is long-term bank loans.

4) Exchange Rate

The Group's business transactions were mainly denominated in RMB, USD and VND. During the reporting period, RMB depreciated by approximately 0.17% against USD and VND depreciated by approximately 0.90% against USD. Such change of exchange rate had no material impact on the Group's business operation.

5) Interest

During the first six months in 2019, the Group's interest expense amounted to approximately RMB23,734 thousand (2018: approximately RMB15,163 thousand), representing an increase of approximately 56.5% as compared with the same period of 2018. The increase in interest expense was primarily due to the increase of bank borrowings interest rates.

6) Pledge of Assets

As at 30 June 2019, the Group had no assets pledged as security against bank facilities.

7) Capital Commitment

As at 30 June 2019, the capital expenditure of the Group contracted for but not yet provided in the financial statements was approximately RMB68,963 thousand and the capital expenditure authorised but not contracted for was approximately RMB43,925 thousand.

Staff Compensation and Training

As at 30 June 2019, the Group had a total of 10,370 staff (31 December 2018: 10,619). In order to build up a team comprised of professional staff and management to meet the development needs of the Group, the Group offers competitive remuneration packages to its staff by taking into consideration industry practice, the financial performance of the Group, and the staff's own performance. The Group places great emphasis on training and development of its staff and regards its staff as its core. With a view to continuously enhancing the job skills and industry knowledge of its management and other staff, the Group has offered them various training programs. The Group aims at promoting the quality of its staff through implementing the above programs and at the same time offering them the best opportunity for personal career development. The Group believes such programs benefit both itself and its staff.

The Group regularly reviews its remuneration and benefit policies according to industry standards, the Group's financial results, as well as the individual performance of its staff so as to offer fair and competitive compensation packages to its staff. Other fringe benefits, such as insurance, medical benefits and provident fund, are also provided for existing and respectable staff.

OTHER INFORMATION

Code on Corporate Governance Practices

Throughout the six months ended 30 June 2019, the Company has complied with the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except that:

Code Provision F.1.1 stipulates that the company secretary should be an employee of the Company and have day-to-day knowledge of the Company's affair. Ms. Cho Yi Ping ("**Ms. Cho**") has been appointed as the company secretary of the Company (the "**Company Secretary**") since 8 August 2016. She is now a partner of the Company's legal adviser, Wong & Tang Solicitors. The Company has also assigned a member of the senior management, Ms. Feng Yuxia, the head of the legal department of the Company, as the contact person with Ms. Cho. As Ms. Cho is a practicing solicitor of Hong Kong with understanding of the Listing Rules, her qualifications meet the requirements of the Listing Rules in terms of a company secretary of a listed issuer. Further, whenever necessary, information in relation to the performance, financial position and other major developments and affairs of the Group are speedily delivered to Ms. Cho through the contact person assigned. Having in place a mechanism that enables Ms. Cho to keep abreast of the Group's development promptly without material delay and with the expertise and experience of Ms. Cho, the Board is confident that having Ms. Cho as the Company Secretary of the Company is beneficial to the Group's compliance with the relevant board procedures and applicable laws, rules and regulations.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules for regulating the securities transactions of the Directors. All Directors have confirmed, following the specific enquiry by the Company, that they complied with the required standards set out in the Model Code and the Company's code of conduct regarding directors' securities transactions throughout the six months ended 30 June 2019.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities, however, the trustees of the Restricted Share Award Scheme of the Company (the "Scheme"), which was expired on 22 December 2018, sold 698,500 returned shares of the Company to the market in the first quarter of 2019 in accordance with the provisions of the Scheme, and returned the sale price of HK$288,285 (after deducting the relevant handling fee) to the Company.

AUDIT COMMITTEE

The audit committee of the Company was established with terms of reference in accordance with Appendix 14 to the Listing Rules. The audit committee is delegated by the Board to assess matters related to the financial statements and to provide recommendations and advice regarding the Company's financial reporting matters, including reviewing the interim results for the six months ended 30 June 2019, and the internal control and risk management system. The audit committee has reviewed the interim results of the Company and does not have any disagreement with the accounting treatment adopted by the Company.

The members of the audit committee comprises Mr. Way Yung-Do (Chairman of the audit committee), Mr. Chen Chih and Mr. Wei Anning, who are independent non-executive directors of the Company.

By Order of the Board
Han Jia-Chen
Chairman

Hong Kong, 6 August 2019

As at the date of this announcement, Mr. Han Jia-Chen (Chairman) and Mr. Han Chia-Yin are the executive Directors, Mr. Han Chia-Yau, Mr. Harn Jia-Hwan and Mr. Chao Tien-Shin are the non-executive Directors, and Mr. Way Yung-Do, Mr. Chen Chih and Mr. Wei Anning are the independent non-executive Directors.