DACHAN FOOD (ASIA) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3999)

Announcement of Interim Results for the six months ended 30 June 2011

The board of directors (the "Board") of DaChan Food (Asia) Ltd (the "Company") is pleased to announce 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 2011, prepared in conformity with the basis of presentation as stated in Note 1 below:

The consolidated interim financial report for the six months ended 30 June 2011 is unaudited, but has been reviewed by KPMG[1] and the Company's Audit Committee.

Highlights

	Six months ended 30 June		
	2011 (unaudited)	**2010 (unaudited)**	**% change**
Turnover (RMB'000)	5,059,167	4,506,503	+12.3
Gross Profit (RMB'000)	398,399	253,069	+57.4
Gross profit margin (%)	7.9	5.6	
Profit attributable to equity shareholders of the Company (RMB'000)	90,884	20,873	+335.4
Basic earnings per share (RMB)	0.09	0.02	

Note[1]: The consolidated interim financial report has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity", issued by the Hong Kong Institute of Certified Public Accountants whose unmodified review report is included in the consolidated interim financial report to be sent to the shareholders.

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2011 – unaudited
(Expressed in Renminbi thousand)

	Note	Six months ended 30 June 2011	2010
Turnover	3	5,059,167	4,506,503
Cost of sales		(4,660,768)	(4,253,434)
Gross profit		398,399	253,069
Change in fair value of biological assets less cost to sell		(277)	(974)
Fair value of agricultural produce on initial recognition		23,222	8,715
Reversal of fair value of agricultural produce due to sales and disposals		(24,170)	(10,631)
Other operating income		5,368	4,546
Other net gains		1,487	7,509
Distribution costs		(137,565)	(119,448)
Administrative expenses		(122,776)	(125,106)
Profit from operations		143,688	17,680
Finance costs	4(a)	(10,259)	(9,609)
Share of losses of equity-accounted investees		(1,243)	(561)
Profit before taxation	4	132,186	7,510
Income tax	5	(13,832)	19,053
Profit for the period		118,354	26,563
Attributable to:			
Equity shareholders of the Company		90,884	20,873
Non-controlling interests		27,470	5,690
Profit for the period		118,354	26,563
Earnings per share			
– Basic (RMB)	6	0.09	0.02
– Diluted (RMB)		0.09	0.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2011 – unaudited
(Expressed in Renminbi thousand)

	Six months ended 30 June	
	2011	**2010**
Profit for the period	118,354	26,563
Exchange differences on translation of financial statements of overseas subsidiaries	(26,504)	(10,702)
Total comprehensive income for the period	91,850	15,861
Attributable to:		
Equity shareholders of the Company	66,649	12,156
Non-controlling interests	25,201	3,705
Total comprehensive income for the period	91,850	15,861

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2011 – unaudited
(Expressed in Renminbi thousand)

	Note	30 June 2011	31 December 2010
Non-current assets			
Fixed assets			
– property, plant and equipment		1,037,235	1,065,459
– lease prepayments		128,544	121,961
Interests in equity-accounted investees		19,257	8,036
Deferred tax assets		24,193	29,327
		1,209,229	1,224,783
Current assets			
Inventories		774,092	724,606
Biological assets		13,563	13,479
Trade receivables	8	375,457	318,041
Other receivables	9	482,032	368,574
Cash and cash equivalents		519,102	408,973
Assets classified as held for sale		6,786	–
		2,171,032	1,833,673
Current liabilities			
Trade payables	10	595,023	621,007
Other payables	11	320,933	308,264
Interest-bearing borrowings		532,127	259,328
Loan from an associate		–	5,033
Dividend payable	12	33,597	–
Income tax payable		18,108	26,314
		1,499,788	1,219,946
Net current assets		671,244	613,727
Total assets less current liabilities		1,880,473	1,838,510
Non-current liabilities			
Interest-bearing borrowings		5,470	5,810
Deferred tax liabilities		105	106
		5,575	5,916
Net assets		1,874,898	1,832,594
Capital and reserves			
Share capital		97,293	97,259
Reserves		899,731	920,662
Retained profit		629,693	574,719
Total equity attributable to shareholders of the Company		1,626,717	1,592,100
Non-controlling interests		248,181	240,494
Total equity		1,874,898	1,832,594

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan 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 was authorised for issue on 25 August 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 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 on a year to date basis. Actual results may differ from these estimates.

2 Changes in Accounting Policies

(i) Overview

The IASB has issued a number of amendments to IFRSs and one new Interpretation 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:

- IAS 24 (revised 2009), Related party disclosures

- Improvements to IFRSs (2010)

These developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements and have had no material impact on the contents of this interim financial report.

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

(ii) During 2010, the Group changed its presentation currency from US Dollar to RMB as all the major operation of the Group are based in the People's Republic of China ("PRC"), and the Group believed that using RMB as the presentation currency provided the users of the financial statements with more relevant information about the operating results and financial position of the Group and enhanced the comparability of the Group's financial statements with those of other companies in the same industry in the PRC.

The restatement of the comparative figures of consolidated income statement for six months ended 30 June 2010 with relevant notes has been presented.

3 Turnover and segment reporting

The Group manages its businesses by divisions, which are organised into different business lines. In a manner consistent with the way in which information is reported internally to the CEO for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segment has been aggregated to form the following reportable segments.

Chicken meat: The chicken meat segment carries on business of breeding and hatching of broiler breeder eggs, contract farming, processing and marketing of chilled and frozen chicken meat marketed under the brand of "DaChan".

Livestock feeds: The livestock feeds segment manufactures and distributes complete feed, base mix and pre-mix for swine, layer, broiler, dairy, duck, and breeder poultry.

Processed food: The processed foods segment produces and distributes pickled, pre-fried, roasted foods, further processed chilled and frozen chicken meat which are all marketed under the brand of "Sisters' Kitchen".

(a) Information about reportable segments

Information regarding the Group's reportable segments as provided to the CEO for the purposes of resource allocation and assessment of segment performance for the periods ended 30 June 2011 and 2010 is set out below.

Six months ended 30 June

	Chicken meat		**Livestock feeds**		**Processed foods**		**Total**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover from external customers	2,377,218	2,252,489	2,035,716	1,881,326	646,233	372,688	5,059,167	4,506,503
Inter-segment turnover	429,818	82,377	712,414	678,817	–	–	1,142,232	761,194
Total	2,807,036	2,334,866	2,748,130	2,560,143	646,233	372,688	6,201,399	5,267,697
Reportable segment profit	105,415	8,383	217,044	194,998	75,940	49,688	398,399	253,069

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June 2011 RMB'000	2010 RMB'000
Total profit for reportable segments	398,399	253,069
Share of losses of equity accounted investees	(1,243)	(561)
Change in fair value of biological assets less cost to sell	(277)	(974)
Fair value of agricultural produce on initial recognition	23,222	8,715
Reversal of fair value of agricultural produce due to sales and disposals	(24,170)	(10,631)
Other operating income	5,368	4,546
Other net gains	1,487	7,509
Distribution costs	(137,565)	(119,448)
Administrative expenses	(122,776)	(125,106)
Finance costs	(10,259)	(9,609)
Profit before income tax	132,186	7,510

4 Profit before taxation

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

	Six months ended 30 June 2011 RMB'000	2010 RMB'000
(a) Finance costs		
Interest on bank borrowings wholly repayable within five years	10,259	9,609

(b) Other items

	Six months ended 30 June 2011 RMB'000	2010 RMB'000
Amortisation of lease prepayments	1,831	1,528
Depreciation of property, plant and equipment	56,773	54,861
Reversal of impairment losses on trade receivables	(1,173)	(668)
Writing down of inventory	883	1,542

5 Income tax

	Six months ended 30 June	
	2011	**2010**
	RMB'000	RMB'000
Current tax		
Provision for the period	8,699	12,351
Under provision in respect of prior periods	–	245
	8,699	12,596
Deferred tax		
Origination and reversal of temporary differences	5,133	(31,649)
	13,832	(19,053)

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

(ii) No provision has been made for Hong Kong Profits Tax as the Group did not earn any income subject to Hong Kong Profits Tax during the periods.

(iii) Pursuant to the income tax laws and regulations of the PRC, the companies comprising the Group in the PRC are liable to PRC Corporate Income Tax at a rate of 25% during the period, except for the following:

(a) Dongbei Agri (Changchun) Co., Ltd. is entitled to a full exemption from the PRC Corporate Income Tax for the two years beginning from 2007, its first profit-making year after offsetting all tax losses carried forward from the previous years, followed by a 50% reduction in the PRC Corporate Income Tax for the next three years. The applicable tax rate for the six months ended 30 June 2011 and 2010 respectively is 12.5%.

(b) Greatwall Gourmet (Shanghai) Co., Ltd. and Hunan Greatwall Technologies & Feeds Co., Ltd. are entitled to a full exemption from the PRC Corporate Income Tax for the two years beginning from 2008, their first profit-making year after offsetting all tax losses carried forward from the previous years, followed by a 50% reduction in the PRC Corporate Income Tax for the next three years. The applicable tax rate for both subsidiaries for the six months ended 30 June 2011 and 2010 is 12.5%.

(iv) Pursuant to the income tax laws and regulations of Malaysia, the subsidiary in Malaysia is liable to Malaysian income tax rate of 25% for the six months ended 30 June 2011 and 2010.

(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%.

(vi) Asia Nutrition Technologies (HN) Co., Ltd. ("ANT-HN") is subject to Corporate Income Tax of Vietnam at the rate of 10% for the first 15 years commencing from its first year of operation and 25% for the succeeding years. However, ANT-HN is entitled to a full tax exemption for four years starting from 2005, 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. Therefore, the applicable tax rate of ANT-HN is 5% for the six months ended 30 June 2011 and 2010.

(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 25% 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. Therefore, the applicable tax rate of ANT-LA is 10% for the six months ended 30 June 2011 and 2010.

6 Earnings per share

The calculation of basic earnings per share as at 30 June 2011 is based on the profit attributable to ordinary equity shareholders of the Company of RMB90,884,000 (As at 30 June 2010: RMB20,873,000) and the weighted average of 1,008,424,495 ordinary shares (As at 30 June 2010: 1,008,412,123) in issue during the period.

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB90,884,000 (As at 30 June 2010: RMB20,873,000) and the diluted weighted average of 1,010,394,768 ordinary shares (As at 30 June 2010: 1,011,498,944).

7 Acquisition of interest in a subsidiary

On 23 June 2011, the Group acquired remaining 30% equity interest in Yanzhou DaChan Food Co., Ltd ("YDF") from its non-controlling interest shareholder at a cash consideration of RMB9,735,000 which has not been settled as at 30 June 2011. The carrying amount of the 30% of the net assets of Yanzhou DaChan on the date of the acquisition was RMB10,759,000. The Group recognised a decrease in non-controlling interests of RMB10,759,000 and an increase in share premium of RMB1,024,000.

8 Trade receivables

Ageing analysis

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

	30 June 2011	**31 December 2010**
	RMB'000	RMB'000
Current	340,367	256,933
Less than 30 days past due	21,628	40,663
31–60 days past due	7,779	9,378
61–90 days past due	2,925	4,901
More than 90 days past due	10,744	15,325
Amounts past due	43,076	70,267
Less: Provision for bad debt	(7,986)	(9,159)
	375,457	318,041

The Group normally allows a credit period ranging from 30 days to 60 days to its customers.

9 Other receivables

	30 June 2011 RMB'000	31 December 2010 RMB'000
VAT recoverable	194,420	203,933
Deposits and prepayments	218,125	96,135
Amounts due from related parties	30,330	13,312
Advances to staff	7,383	5,974
Deposits paid for purchase of fixed assets	4,195	450
Others	27,579	48,770
	482,032	368,574

All other receivables are expected to be recovered within one year.

10 Trade payables

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

	30 June 2011 RMB'000	31 December 2010 RMB'000
Within 30 days	529,524	514,070
31 days to 60 days	24,417	41,114
61 days to 90 days	3,380	40,187
91 days to 180 days	37,702	25,636
	595,023	621,007

11 Other payables

	30 June 2011 RMB'000	31 December 2010 RMB'000
Salaries, wages, bonuses and other benefits payable	107,328	104,404
Prepayments	20,859	24,676
Amounts due to related parties	6,725	9,960
Payables for purchase of fixed assets	11,286	13,153
Contract performance deposits	31,397	36,668
Accrued expenses	59,710	45,356
Payable for acquisition of interest in a subsidiary	9,735	–
Commondity derivative contracts	3,524	–
Others	70,369	74,047
	320,933	308,264

Other payables are expected to be settled within one year.

12 Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the previous financial year and approved during the interim period

	Six months ended 30 June 2011 RMB'000	Six months ended 30 June 2010 RMB'000
Dividends to equity shareholders of the Company of HK4.00 cents per share (2010: HK2.80 cents per share)	33,597	24,573

(ii) Dividends to minority shareholders of its subsidiaries attributable to the pervious financial year, approved and paid during the year

	Six months ended 30 June 2011 RMB'000	Six months ended 30 June 2010 RMB'000
Dividend to minority shareholders of subsidiaries	6,755	16,466

The directors do not recommend the payment of an interim dividend of the six months period ended 30 June 2011 (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

	Six months ended 30 June		
	2011	**2010**	**% change**
Turnover (RMB ’000)	5,059,167	4,506,503	12.3
Gross profit (RMB ’000)	398,399	253,069	57.4
Gross profit margin (%)	7.9	5.6	
Profit attributable to equity shareholders of the Company (RMB ’000)	90,884	20,873	335.4

In the first half of 2011, the Group’s operating environment continued to improve as the price of chicken meat rose since the third quarter last year and pork prices remained at a high level as a result of inflationary pressure. Furthermore, government policies which aim at encouraging the sustainable development of the agricultural industry have lent further support to the operating environment. Rising household income has also propelled growth in China’s consumer market, which in turn led to higher demand for animal protein products and feed products.

For the six months ended 30 June 2011, the Group’s turnover rose 12.3% from the corresponding period last year. The Group recorded stable and encouraging growth in three major business segments. Chicken meat and feeds remained the Group’s largest revenue contributors, accounting for 47.0% and 40.2% of the Group’s total revenue respectively. Processed food also maintained strong growth, making up 12.8% of total revenue during the period under review.

The satisfactory performance is attributable to the Group’s continuous effort in enhancing profitability by operation strategy and taking various measures to cope with rising raw material and labor costs. Gross profit increased significantly during the period under review, while profit margin also rose. Consequently, profit attributable to equity shareholders of the Company surged.

CHICKEN MEAT

	Six months ended 30 June		
	2011	**2010**	**% change**
Turnover (RMB ’000)	2,377,218	2,252,489	5.5%
Gross profit (RMB ’000)	105,415	8,383	1157.5%
Gross profit margin (%)	4.4	0.4	

The chicken meat segment comprises three businesses: chilled and frozen chicken, feeds to contract farmers and chicks to contract farmers. Marketed under the “DaChan” brand, the Group’s chilled and frozen chicken meat is supplied to quick service restaurants, restaurant operation, food processing companies and other food service providers.

Driven by steady demand from international and local clients, as well as increasing demand from restaurant operators and food service providers, the chicken meat segment recorded growth compared with the same period last year. Through product mix optimization and enhanced marketing efforts, the Group continued to expand its customer base.

With pork prices gaining strength, the prices of chicken meat have been rising since the third quarter of last year which has helped offset rising raw material and labor costs to achieve substantial improvement, with gross profit margin of this segment surging to 4.4% from 0.4% in the corresponding period last year.

FEEDS TO EXTERNAL CUSTOMERS

	Six months ended 30 June		
	2011	**2010**	**% change**
Turnover (RMB ’000)	2,035,716	1,881,326	8.2%
Gross profit (RMB ’000)	217,044	194,998	11.3%
Gross profit margin (%)	10.7	10.4	

This segment derived its revenue mainly from sales of piglets, sows, hogs and poultry feed to China, Vietnam and Malaysia. Corn and soybean meal are the key raw materials of our feeds. During the period under review, the price of raw materials remained at a high level. However, the Group was committed to the R&D of new products and performed effective cost control measures to lower risk.

This segment recorded continuous and steady improvement with turnover growing by 8.2% over the same period last year. The Group’s enhanced brand building effort in overseas markets has contributed to our overall growth.

The Group leveraged its strong research and development capabilities to continue its development of functional feeds which enhance the immunological defenses of piglets, sows, hogs and poultry. The Group has also applied innovative bio-technologies to ensure its production of quality poultry and livestock muscle and meat during the initial feeding period while assuring healthy, nutritious, environmental-friendly and economical features of its products.

To better utilize the incentive granted by the China Government for extensive feeding business and the further integration in the industry, the Group has promoted sales to larger poultry farms in order to boost sales. The Group has also continued its effort in broadening its sales channels and raising brand awareness.

The gross profit of the feeds segment increased by 11.3%, and gross profit margin grew to 10.7%.

PROCESSED FOOD

	For the six months ended 30 June		
	2011	2010	% change
Turnover (RMB ’000)			
– Mainland China	472,454	268,342	76.1%
– Export	173,779	104,346	66.5%
Total	646,233	372,688	73.4%
Gross profit (RMB ’000)			
– Mainland China	52,340	36,126	44.9%
– Export	23,600	13,562	74.0%
Total	75,940	49,688	52.8%
Gross profit margin (%)			
– Mainland China	11.1	13.5	
– Export	13.6	13.0	
Overall	11.8	13.3	

The processed food business involves the production and distribution of chilled and frozen meat under the “Sisters’ Kitchen” brand, as well as marinated, pre-fried and ready-to-eat food. These products are both sold in China market and exported to overseas markets such as Japan, Singapore and Hong Kong.

Benefited from the rise in household income in China and the government strategies to boost consumption, domestic consumption of processed food in China has been growing steadily. Thanks to enhanced product mix, diverse sales channels and the promotion of the Group’s branded business, the turnover of the Group’s processed food segment accounted for 12.8% of the Group’s total turnover. Gross profit of this segment grew, while gross margin declined slightly due to adjustment to product structure.

The export of the processed food business achieved remarkable growth during the period under review through continuous expansion of our market share in Japan, Singapore and Hong Kong. Hence, turnover of the segment grew significantly.

The Group continued to expand its market share in China by optimizing sales channels and by promoting the "Sisters' Kitchen" brand. As the provision of healthy and safe food to consumers is the top priority of the Group, to enhance our food tracing system, we have adopted a second generation "assuring code", which not only gives customers access to information such as the sources of feeds, location of farms and processing plants, and test results, but also includes a photograph of the farmer to further assure the customers of the safety of their purchased food. The Group's food tracing system has been well-received by our customers and we have accomplished our mission as a quality food supplier. In addition, sales to supermarkets maintained steady growth in the first half of 2011. Our branded products which are sold by major supermarket chains permeated into first tier cities such as Beijing, Nanjing, and Tianjin, in addition to catering services and hotels in new markets such as Wuhan, Chengdu, as well as provinces such as Shandong, Fujian and Heilongjiang with great success.

AWARDS AND RECOGNITION

With its adherence to the provision of healthy, safe and nutritious chicken meat products for consumers in China and around the world and the high standards of quality, safety and hygiene, the Group was awarded one of the 2011 Top 100 green companies of China in the first half of 2011, confirming that the Company has been comprehensively assessed that its development is sustainable. The Group was also awarded the 2011 best driving force enterprise for China's economy in recognition of our overall supply capability and influence in the industry.

OUTLOOK & FUTURE PLANS

Looking forward, the robust growth of China's economy and the attention to food safety will continue to support the demand for quality meat products. The Group expects the pork prices to remain at a high level in the second half of this year, which will further support the high prices of chicken meat and the demand for feeds. Rising household incomes and diversifying consumption and the culture of dining out will also boost market demand for chicken meat product.

In addition, the China Government has emphasized its focus on the development of a more highly modernized agricultural industry in its twelfth five-year plan. Various policies will be introduced to assist farmers to carry out extensive feeding business, which will be conducive to the thriving development of the industry.

Due to growing concern over food safety by the China Government, stricter control on product quality and safety has been imposed, which will raise the barrier to enter into the industry. The Group will continuously make use of its food tracing system on one hand and keep up its brand promotion effort in order to expand its market share and to boost sales on the other. In view of the rising cost of raw materials, the Group will strive to reduce processing costs and to increase profitability by enhancing operational efficiency.

The increasing demand for meat is expected to lead to a corresponding increase in the demand for feeds. To improve margin, the Group has been expanding its sales channels to large poultry farms, and will continue to develop functional feeds with its strong research and development capabilities. The Group has also stepped up its efforts to expand its business in Southeast Asia, such as Vietnam to tap the regionally rapid-growing aquatic food market.

In the processed food segment, the Group will seek to achieve sustainable growth with a larger segment in processed food by shifting its focus from the lower margin commodity chicken meat and by-product business to the higher-margin processed foods business. Emphasis will be placed on brand promotion in China so as to increase the Group's market share. The Group will expand its distribution channels with the aim to further expand its customer base by developing new product mix and broadening the market of supermarket chains and catering service providers.

In order to increase its market share and to strengthen its leading position in the industry, the Group will continue to upgrade and expand its production facilities, step up its brand promotion efforts, and optimize its operation and sales channels. As food safety is becoming an important and growing concern in China, the Group will endeavor to maintain the quality and safety of its product.

Financial Review:

1) Other Income and Operating Expenses

In the first six months of 2011, other operating income of the Group amounted to RMB5.37 million (2010: RMB4.55 million). Other income mainly comprised interest income and government grants. The increase in other income was mainly due to the increase of government grants.

In 2011, other net gains of RMB1.49 million (2010: RMB7.51 million) was recorded. Other net income mainly comprised unrealised losses on commodity derivative contracts, net gains on disposal of fixed assets and net foreign exchange gains, etc.

Distribution costs accounted for 2.72% of total turnover, up from 2.65% in the same period of 2010.

Administrative expenses accounted for 2.43% of turnover (2010: 2.78%).

2) Liquidity, Financial Resources and Capital Structure

As at 30 June 2011, the Group's cash and bank deposit balances amounted to RMB519.10 million, representing an increase of RMB110.13 million from 2010. Bank loans increased by RMB272.46 million to RMB537.60 million (31 December 2010: RMB265.14 million). Debt to equity ratio was 29.0% (31 December 2010: 14.7%). Current ratio was maintained at a healthy level of 1.4 times (31 December 2010: 1.5 times).

3) Capital Expenditure

In the first six months of 2011, the Group's capital expenditure on the acquisition of properties, machinery and equipment amounted to RMB41.94 million which was primarily paid from internal resources and funds.

4) Exchange Rate

The Group's business transactions were mainly denominated in RMB, USD and VND. During the year under review, VND against USD depreciated by 5.41%, which had impacted the import of raw materials of the Group's subsidiary companies in Vietnam.

5) Interest Rate

During the first six months in 2011, the Group's interest expense amounted to RMB10.26 million (2010: RMB9.61 million), a rise of 6.8% from 2010. The increase in interest expense was primarily due to an increase in the benchmark interest rate of bank loans in China from 5.35% to 5.85% and the loan conditions from benchmark interest rate minus 10% to benchmark interest rate or benchmark interest rate plus 5% to 10%.

6) Dividends

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2011.

7) Pledge of Assets

As at 30 June 2011, the Group pledged assets which worth RMB41.04 million in land, property, plant and equipment as security against bank facilities of RMB61.01 million, of which RMB17.85 million was utilised as at 30 June 2011.

8) Capital Commitment and Contingent Liabilities

As at 30 June 2011, the Group's total capital commitment amounted to RMB169.50 million. The Company did not have any material contingent liabilities or off-balance sheet obligation as at 30 June 2011.

Employee Compensation and Training

As at 30 June 2011, the Group had a total of 14,533 employees (31 December 2010: 14,020). In order to attract and retain talent for the business, the Group offers competitive remuneration packages to its staff with consideration of industry practice and the financial performance of the Group, plus the employee's own work performance. The Group sees its staff as its most valuable asset and places great emphasis on their training and career recognized the development. With a view to further enhance their job skills and industry knowledge the Group has offered various training programs to its management staff and other employees. The Group believes that these programs will not only help its staff grow professionally but will also ultimately benefit the Group's long-term development as a result of having a more skilled and loyal workforce.

The Group regularly reviews compensation and benefit policies according to industry benchmark, financial results as well as the individual performance of employees so as to offer fair and competitive compensation packages to employees. Other fringe benefits, such as insurance, medical benefits and provident fund, are provided to retain loyal employees.

OTHER INFORMATION

Code on Corporate Governance Practices

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company was in compliance with all applicable code provisions set out in the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2011.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct and rules regarding the Directors' securities transactions. The Directors have confirmed, following the specific enquiry by the Company, that they complied with the required standard set out in the Model Code throughout the six months ended 30 June 2011.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

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 advices the Company's financial reporting matters, including the review of the interim results for the six months ended 30 June 2011, the internal control and risk management system. There was no disagreement from the audit committee on the accounting policies adopted by the Company.

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

By Order of the Board
Han Jia-Hwan
Chairman

Hong Kong, 25 August 2011

As at the date of this announcement, Mr. Han Jia-Hwan (Chairman) and Mr. Chen Fu-Shih are the executive Directors, Mr. Han Chia-Yau, Mr. Harn Jia-Chen, Mr. Nicholas William Rosa and Mr. Chao Tien-Shin are the non-executive Directors, and Mr. Liu Fuchun, Dr. Chen Chih and Mr. Way Yung-Do are the independent non-executive Directors.