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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 2012

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 2012, which have been 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 2012 is unaudited, but has been reviewed by KPMG⁽¹⁾ and the Company’s Audit Committee.

Highlights

	Six months ended 30 June		
	2012	2011	% change
	(unaudited)	(unaudited)	
Turnover (RMB’000)	5,478,007	5,059,167	+8.3
Gross Profit (RMB’000)	345,838	398,399	-13.2
Gross profit margin (%)	6.3	7.9	
Profit attributable to equity shareholders			
of the Company (RMB’000)	44,841	90,884	-50.7
Basic earnings per share (RMB)	0.04	0.09	

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 2012 – unaudited***(Expressed in thousands of Renminbi)*

		Six months ended 30 June	
	Note	2012	2011
Turnover	3	5,478,007	5,059,167
Cost of sales		(5,132,169)	(4,660,768)
Gross profit		<u>345,838</u>	<u>398,399</u>
Change in fair value of biological assets less cost to sell		(161)	(277)
Fair value of agricultural produce on initial recognition		15,046	23,222
Reversal of fair value of agricultural produce due to sales and disposals		(14,491)	(24,170)
Other operating income		8,492	5,368
Other net gains		3,926	1,487
Distribution costs		(147,006)	(137,565)
Administrative expenses		(116,840)	(122,776)
Profit from operations		<u>94,804</u>	<u>143,688</u>
Finance costs	4(a)	(10,194)	(10,259)
Share of losses of equity accounted investees		(893)	(1,243)
Profit before taxation	4	<u>83,717</u>	<u>132,186</u>
Income tax	5	(12,005)	(13,832)
Profit for the period		<u><u>71,712</u></u>	<u><u>118,354</u></u>
Attributable to:			
Equity shareholders of the Company		44,841	90,884
Non-controlling interests		26,871	27,470
		<u><u>71,712</u></u>	<u><u>118,354</u></u>
Earnings per share			
– Basic (RMB)	6	<u><u>0.04</u></u>	<u><u>0.09</u></u>
– Diluted (RMB)	6	<u><u>0.04</u></u>	<u><u>0.09</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**For the six months ended 30 June 2012 – unaudited***(Expressed in thousands of Renminbi)*

	Six months ended 30 June	
	2012	2011
Profit for the period	71,712	118,354
Exchange differences on translation of financial statements of overseas subsidiaries	(3,919)	(26,504)
Total comprehensive income for the period	<u>67,793</u>	<u>91,850</u>
Attributable to:		
Equity shareholders of the Company	41,007	66,649
Non-controlling interests	26,786	25,201
Total comprehensive income for the period	<u>67,793</u>	<u>91,850</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**At 30 June 2012 – unaudited***(Expressed in thousands of Renminbi)*

	Note	At 30 June 2012	At 31 December 2011
Non-current assets			
Fixed assets			
– property, plant and equipment		1,077,560	1,065,813
– lease prepayments		130,227	131,961
Interests in equity-accounted investees		46,458	28,194
Deferred tax assets		31,439	30,502
		<u>1,285,684</u>	<u>1,256,470</u>
Current assets			
Inventories		868,036	960,117
Biological assets		13,603	14,314
Trade receivables	7	389,901	380,717
Other receivables	8	445,489	370,757
Income tax recoverable		87	376
Cash and cash equivalents		576,315	512,110
		<u>2,293,431</u>	<u>2,238,391</u>
Current liabilities			
Trade payables	9	572,460	697,682
Other payables	10	305,342	388,852
Interest-bearing borrowings		549,026	393,442
Dividend payable	11	107,209	–
Income tax payable		19,467	31,704
		<u>1,553,504</u>	<u>1,511,680</u>
Net current assets			
		<u>739,927</u>	<u>726,711</u>
Total assets less current liabilities			
		<u>2,025,611</u>	<u>1,983,181</u>
Non-current liabilities			
Interest-bearing borrowings		76,693	8,637
Deferred tax liabilities		467	466
		<u>77,160</u>	<u>9,103</u>
Net assets			
		<u>1,948,451</u>	<u>1,974,078</u>
Capital and reserves			
Share capital		97,552	97,330
Reserves		884,762	885,611
Retained profits		702,087	731,734
Total equity attributable to equity shareholders of the Company			
		1,684,401	1,714,675
Non-controlling interests		264,050	259,403
Total equity			
		<u>1,948,451</u>	<u>1,974,078</u>

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 was authorised for issue on 29 August 2012.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 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 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:

- Amendments to IFRS 7, *Financial instruments: Disclosures – Transfer of financial assets*
- Amendments to IAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*

These developments 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.

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. The segment report below does not include the transfer of transactions among the segments which have not been eliminated.

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”.

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 2012 and 2011 is set out below.

For the six months ended 30 June

	Chicken meat		Livestock feeds		Processed foods		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover from external customers	2,536,163	2,377,218	2,159,915	2,035,716	781,929	646,233	5,478,007	5,059,167
Inter-segment turnover (eliminated at consolidation)	282,604	429,818	821,706	712,414	–	–	1,104,310	1,142,232
Total	2,818,767	2,807,036	2,981,621	2,748,130	781,929	646,233	6,582,317	6,201,399
Reportable segment profit	5,186	105,415	233,489	217,044	107,163	75,940	345,838	398,399

4 Profit before taxation

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
(a) Finance costs		
Interest on bank borrowings wholly repayable within five years	10,194	10,259

(b) Other items

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Amortisation of lease prepayments	1,645	1,831
Depreciation of property, plant and equipment	57,868	56,773
Reversal of impairment losses on trade receivables	(236)	(1,173)
Writing down of inventories	5,723	883

5 Income tax

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Current tax		
Provision for the period	12,941	8,699
Deferred tax		
Origination and reversal of temporary differences	(936)	5,133
	<u>12,005</u>	<u>13,832</u>

- (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) The Company is regarded as resident tax payer by Inland Revenue Department of Hong Kong and imposed the income tax rate of 16.5%. The subsidiaries incorporated in Hong Kong only derived dividend income which was not taxable under Hong Kong Tax Law.
- (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 Greatwall Gourmet (Shanghai) Co., Ltd. and Hunan Greatwall Technologies & Feeds Co., Ltd. which 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 2012 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 2012.
- (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 2012.
- (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 2012.

6 Earnings per share

The calculation of basic earnings per share as at 30 June 2012 is based on the profit attributable to ordinary equity shareholders of the Company of RMB44,841 thousand (As at 30 June 2011: RMB90,884 thousand) and the weighted average of 1,009,631,061 ordinary shares (As at 30 June 2011: 1,008,424,495) 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 RMB44,841 thousand (As at 30 June 2011: RMB90,884 thousand) and the diluted weighted average of 1,011,313,001 ordinary shares (As at 30 June 2011: 1,010,394,768).

7 Trade receivables

Ageing analysis

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Current	316,489	312,388
Less than 30 days past due	49,080	51,876
31-60 days past due	8,076	7,757
61-90 days past due	7,830	4,223
More than 90 days past due	15,321	11,604
Amounts past due	80,307	75,460
Less: Provision for bad debt	(6,895)	(7,131)
	<u>389,901</u>	<u>380,717</u>

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

8 Other receivables

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
VAT recoverable	217,661	196,296
Deposits and prepayments	140,426	99,253
Amounts due from related parties	42,115	34,212
Advances to staff	3,845	3,751
Deposits paid for purchase of fixed assets	10,275	353
Others	31,167	36,892
	<u>445,489</u>	<u>370,757</u>

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

9 Trade payables

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Within 30 days	480,866	638,874
31 days to 60 days	55,666	30,473
61 days to 90 days	23,617	10,711
91 days to 180 days	12,311	17,624
	<u>572,460</u>	<u>697,682</u>

10 Other payables

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Salaries, wages, bonuses and other benefits payable	91,208	143,203
Accrued expenses	68,427	63,500
Contract performance deposits	38,010	37,536
Receipts in advance	23,650	24,608
Payables for purchase of fixed assets	10,651	13,791
Amounts due to related parties	6,160	12,922
Others	67,236	93,292
	<u>305,342</u>	<u>388,852</u>

Other payables are expected to be settled within one year.

11 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 2012 RMB'000	2011 RMB'000
Dividends to equity shareholders of the Company of HK9.00 cents per share (2011: HK4.00 cents per share)	<u>74,488</u>	<u>33,597</u>

- (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 2012 RMB'000	2011 RMB'000
Dividend to minority shareholders of subsidiaries	<u>44,930</u>	<u>6,755</u>

The board did not recommend the payment of an interim dividend of the six months period ended 30 June 2012 (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

	Six months ended 30 June		
	2012	2011	% change
Turnover (RMB '000)	5,478,007	5,059,167	8.3%
Gross profit (RMB '000)	345,838	398,399	-13.2%
Gross profit margin (%)	6.3	7.9	
Profit attributable to equity shareholders of the Company (RMB '000)	44,841	90,884	-50.7%

During the first half of 2012, given the complicated domestic economic situation, the Group faced a challenging business environment. Price of pork experienced a downward trend for the first half of the year and the price of chicken meat was also affected. The price of raw materials such as corn and soybean also remained high, which created two-fold stress on the breeding and rearing of broilers. As for the external sales of feed, thanks for the stable demand for feed and our stable market position, turnover and gross profit maintained a stable growth, so did the sales volume of processed food, but the chicken meat segment recorded an unsatisfactory result.

Despite the challenging business environment, the overall turnover of the Group for the six months ended 30 June 2012, represented an increase of 8.3% over the same period last year. During the period, the sales amount of major segments recorded a stable growth. Chicken meat segment and feed segment were still the major income sources of the Group, accounting for 46.3% and 39.4% of the total income of the Group. Processed food segment grew steadily and became an income highlight, accounting for 14.3% of the total income during the period.

As the average selling price of chicken meat dropped during the first half, coupled with the increased cost of raw materials, both gross profit and profit margin of the Group declined, resulting in a decline in the profit attributable to the equity shareholders of the Company.

CHICKEN MEAT

	Six months ended 30 June		
	2012	2011	% change
Turnover (RMB '000)	2,536,163	2,377,218	6.7%
Gross profit (RMB '000)	5,186	105,415	-95.1%
Gross profit margin (%)	0.2	4.4	

The chicken meat segment comprises three business streams: 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.

During the period under review, the market price of chicken meat remained low while the cost of raw materials of feed kept surging, the end consumer demand on meat products was also sluggish as a result of economic downturn. Despite our effort in maintaining an increase in turnover in the chicken meat segment, we still recorded significant decline in gross profit.

FEEDS TO EXTERNAL CUSTOMERS

	Six months ended 30 June		
	2012	2011	% change
Turnover (RMB '000)	2,159,915	2,035,716	6.1%
Gross profit (RMB '000)	233,489	217,044	7.6%
Gross profit margin (%)	10.8	10.7	

This segment derives 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 rose continuously, the trend of which would probably not be reversed in the short term. However, under the favourable state policies, the Group would be able to stabilise the performance of this segment through improving its R&D and cost control.

Despite the depressed market sentiment in the first half of the year, feed segment maintained an increase of 6.1%, of which performance of overseas markets was outstanding driving the overall result. To respond to the surging price of raw materials, the feed department of the Group adopted various measures, including adjusting the inventory level, exploring new supply channel and looking for alternative materials, it also focused on upgrading the technology of feed R&D and adopted various biotechnology to promote new efficient feeds and to enhance the product competitiveness and market share. Therefore, gross profit achieved a stable increase while the gross profit margin was maintained at 10.8%.

PROCESSED FOOD

	Six months ended 30 June		
	2012	2011	% change
Turnover (RMB '000)			
– Mainland China	581,874	472,454	23.2%
– Export	200,055	173,779	15.1%
Total	<u>781,929</u>	<u>646,233</u>	<u>21.0%</u>
Gross profit (RMB '000)			
– Mainland China	79,720	52,340	52.3%
– Export	27,443	23,600	16.3%
Total	<u>107,163</u>	<u>75,940</u>	<u>41.1%</u>
Gross profit margin (%)			
– Mainland China	13.7	11.1	
– Export	13.7	13.6	
Overall	<u>13.7</u>	<u>11.8</u>	

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.

During the period under review, the Group maintained a thriving and healthy development of processed food business segment with an overall increase of turnover of 21.0%, further consolidating the strategic direction of the Group in “strengthening and cultivating food operation”. In 2012, the development of such segment was deepened and diversified, sales channels covered various aspects, including retail shopping malls and supermarkets, professional catering services providers, agricultural products trading companies and other major customers. Meanwhile, the Group stably progressed in the development of domestic first-tier and second-tier cities as well as overseas markets and gradually increased the proportion of processed foods to improve its profitability. The year-on-year gross profit margin obviously increased. Thanks to the stable business development in the domestic first-tier and second-tier cities, brand infiltration rate and market share of the Group were largely increased, and a significant increase of 52.3% in gross profit was recorded for domestic business. Gross profit of export business recorded a year-on-year increase of 16.3% due to the increasing market share in overseas market such as Japan while the overall gross profit margin of the Group’s processed food also increased to 13.7%, which reflected a substantial growth.

AWARDS AND RECOGNITION

During the first half of 2012, by virtue of our significant contribution and outstanding performance in domestic animal agriculture industry and related industrial development, the Group was awarded as “Top 100 Outstanding Enterprises in Animal Agriculture Industry”. Besides, being a social responsible corporation, DaChan Food has been paying serious attention to food safety and endeavoring to provide healthy, safe and nutrient chicken meat products to PRC consumers as well as international consumers. The Group was awarded one of the “2012 Top 100 Green Companies of China” for second successive year, representing the Group received wide recognition from market and professionals.

OUTLOOK & FUTURE PLANS

Looking into the second half, it is likely that China economy will return stable and the demand on food consumption product in PRC market will increase stably. The market demand on quality meat will also increase. The Group expects that the price of pork will slightly rebound driving the price of chicken meat to slowly increase and guaranteeing the stable demand on feed. The increasing popularity of the culture of dining out and simple cooking will materially stimulate the market demand on chicken meat and its processed products.

Under the framework of Twelfth-Five-Year-Plan, PRC government is gradually optimizing the establishment and implementation of the policies for each industry. In the “Decision in respect to strengthening the food safety by State Council”, it is the first time clearly stated that food safety will be taken into consideration for assessing the performance of local governments. Subsequently, the government will widely promote the establishment of safety food traceable system and build a traceable information system working from farmland to dining table. And it will accelerate the establishment and optimization of an incentive system for agricultural brands as well as the cultivation of a group of agricultural brands with better product quality and international competitiveness, which will facilitate the rapid industrial development.

Recent years, the market demand on chicken meat in PRC has grown stably. Consumers and the government are more and more concerned about food safety. With continuous support by policies, the Group is able to produce safety and quality meat products and those large corporations performance excellently in processing are resistant to the pressure from uprising cost and economic downturn. The Group will also continue with its strict internal control and active market exploration to increase its operational efficiency and profitability.

It is expected that the demand on meat products will be driven by rebounded market, which will increase the demand of feeds. The Group will also consolidate and strengthen its position in feed industry and keep providing the farmers with high-quality feeds and strive to increase the number of large breeding farm customers in order to raise the turnover.

Given the really successful processed food business segment, the Group is confident of its future development. Also, the Group will continue to further cultivate the market to raise the processed level of chicken meat and the proportion of processed food with high added value to actively increase the popularity of the our brand and to extend our customer base.

Financial Review:

1) Other Income and Operating Expenses

In the first six months of 2012, other operating income of the Group amounted to RMB8,492 thousand (2011: RMB5,368 thousand). Other income mainly comprised interest income and government grants. The increase in other income was mainly due to the increase of government grants.

In 2012, other net gains of RMB3,926 thousand (2011: RMB1,487 thousand) was recorded. Other net gains mainly comprised net gains on disposal of fixed assets and net foreign exchange gains, etc.

Distribution costs accounted for 2.68% of total turnover, down from 2.72% in the same period of 2011.

Administrative expenses accounted for 2.13% of turnover (2011: 2.43%).

2) Liquidity, Financial Resources and Capital Structure

As at 30 June 2012, the Group's cash and bank deposit balances amounted to RMB576,315 thousand, representing an increase of RMB64,205 thousand from 2011. Bank loans increased by RMB223,640 thousand to RMB625,719 thousand (31 December 2011: RMB402,079 thousand). Debt to equity ratio was 31.9% (31 December 2011: 21.1%). Current ratio was maintained at a healthy level of 1.48 times (31 December 2011: 1.48 times).

3) Capital Expenditure

In the first six months of 2012, the Group's capital expenditure on the acquisition of properties, machinery and equipment amounted to RMB72,355 thousand which was primarily paid from internal resources and financing.

4) Exchange Rate

The Group's business transactions were mainly denominated in RMB, USD and VND. During the year under review, RMB and VND against USD remained relatively stable.

5) Interest Rate

During the first six months in 2012, the Group's interest expense amounted to RMB10,194 thousand (2011: RMB10,259 thousand), a decrease of 0.6% from 2011. The decrease in interest expense was primarily due to the higher USD borrowing with lower interest rate.

6) Pledge of Assets

As at 30 June 2012, the Group pledged assets which worth RMB22,261 thousand in land, property, plant and equipment as security against bank facilities of RMB61,221 thousand, of which RMB14,568 thousand was utilised as at 30 June 2012.

7) Capital Commitment

As at 30 June 2012, the capital expenditure of the Group contracted for but not provided in the financial statements was RMB97,266 thousand and the capital expenditure authorised but not contracted for was RMB141,940 thousand.

Employee Compensation and Training

As at 30 June 2012, the Group had a total of 14,695 employees (31 December 2011: 14,774). In order to attract and retain talents for the business, the Group offers competitive remuneration packages to its staff taking into consideration of industry practice, the financial performance of the Group, and 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 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, the Group's 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 enhance the loyalty of employees.

OTHER INFORMATION

Code on Corporate Governance Practices

Throughout the period ended 30 June 2012, the Company has complied with the Code on Corporate Governance Practices (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:

1. Code Provision D.1.4 stipulates that all directors should clearly understand delegation arrangements in place. The Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company has no formal letters of appointment for all directors as most of them have been serving as directors for a considerable period of time, a clear understanding of the terms and conditions of their appointment already exists between the Company and the directors, and so there is no written record of the same. In any event, all directors, including

those without a letter of appointment and those appointed for a specific term, shall be subject to retirement by rotation in the manner prescribed under the articles of association of the Company, and on re-election of the retiring directors, shareholders are given information that is reasonably necessary for them to make an informed decision on the reappointment of the relevant directors;

2. Code Provision F.1.1 stipulates that the company secretary should be an employee of the Company and have the day-to-day knowledge of the Company's affairs. The company secretary of the Company, Ms. Pang Siu Yin, is a partner of the Company's legal adviser, Cheung Tong & Rosa Solicitors. Ms. Pang has been appointed as the company secretary of the Company since February 2008. The Company has also assigned a member of the senior management, Ms. Chen Hong, head of legal department of the Company as the contact person with Ms. Pang. Information in relation to the performance, financial position and other major developments and affairs of the Group (including but not limited to the management monthly report to the Board) are speedily delivered to Ms. Pang through the contact persons assigned, Ms. Pang is very familiar with the operations and management of the Group. Having in place a mechanism that she will get hold of the Group's development promptly without material delay and with her expertise and experience, the Board is confident that having Ms. Pang as the company secretary is beneficial to the Group's compliance of the relevant board procedures, applicable laws, rules and regulations.

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 2012.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2012, 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 2012, 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, 29 August 2012

As at the date of this announcement, Mr. Han Jia-Hwan (Chairman), Mr. Han Chia-Yin and Ms. Chen Li-Chin 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.