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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 2013

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 2013, 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 2013 is unaudited, but has been reviewed by KPMG⁽¹⁾ and the Company’s Audit Committee.

Highlights

	Six months ended 30 June		
	2013	2012	% change
	(unaudited)	(unaudited)	
Turnover (RMB’000)	5,429,049	5,478,007	-0.9
Gross profit (RMB’000)	310,596	345,838	-10.2
Gross profit margin (%)	5.7	6.3	
(Loss)/profit attributable to equity shareholders			
of the Company (RMB’000)	(50,996)	44,841	-213.7
Basic (loss)/earnings per share (RMB)	(0.05)	0.04	

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 2013 – unaudited***(Expressed in thousands of Renminbi)*

		Six months ended 30 June	
	Note	2013	2012
Turnover	3	5,429,049	5,478,007
Cost of sales		(5,118,453)	(5,132,169)
Gross profit		<u>310,596</u>	<u>345,838</u>
Change in fair value of biological assets less cost to sell		7,055	(161)
Fair value of agricultural produce on initial recognition		8,424	15,046
Reversal of fair value of agricultural produce due to sales and disposals		(8,332)	(14,491)
Other operating income		9,627	9,317
Other net (losses)/gains		(7,268)	3,101
Distribution costs		(186,032)	(147,006)
Administrative expenses		(150,951)	(116,840)
(Loss)/profit from operations		<u>(16,881)</u>	<u>94,804</u>
Finance costs	4(a)	(8,429)	(10,194)
Share of losses of equity accounted investees		(4,123)	(893)
(Loss)/profit before taxation	4	<u>(29,433)</u>	<u>83,717</u>
Income tax	5	(4,665)	(12,005)
(Loss)/profit for the period		<u><u>(34,098)</u></u>	<u><u>71,712</u></u>
Attributable to:			
Equity shareholders of the Company		(50,996)	44,841
Non-controlling interests		16,898	26,871
		<u><u>(34,098)</u></u>	<u><u>71,712</u></u>
(Loss)/earnings per share			
– Basic (RMB)	6	<u><u>(0.05)</u></u>	<u><u>0.04</u></u>
– Diluted (RMB)	6	<u><u>(0.05)</u></u>	<u><u>0.04</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**For the six months ended 30 June 2013 – unaudited***(Expressed in thousands of Renminbi)*

	Six months ended 30 June	
	2013	2012
(Loss)/profit for the period	(34,098)	71,712
Exchange differences on translation of financial statements of overseas subsidiaries	(13,955)	(3,919)
Total comprehensive income for the period	<u>(48,053)</u>	<u>67,793</u>
Attributable to:		
Equity shareholders of the Company	(66,074)	41,007
Non-controlling interests	18,021	26,786
Total comprehensive income for the period	<u>(48,053)</u>	<u>67,793</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**At 30 June 2013 – unaudited***(Expressed in thousands of Renminbi)*

	Note	At 30 June 2013	At 31 December 2012
Non-current assets			
Fixed assets			
– property, plant and equipment		1,140,149	1,122,632
– lease prepayments		162,981	155,617
Interests in equity-accounted investees		51,054	54,635
Deferred tax assets		29,227	29,701
		<u>1,383,411</u>	<u>1,362,585</u>
Current assets			
Inventories		886,806	990,192
Biological assets		14,268	7,154
Trade receivables	7	367,554	341,003
Other receivables	8	546,110	384,035
Income tax recoverable		558	183
Cash and cash equivalents		611,810	610,411
		<u>2,427,106</u>	<u>2,332,978</u>
Current liabilities			
Trade payables	9	578,185	678,244
Other payables	10	357,397	368,324
Interest-bearing borrowings		153,528	257,921
Income tax payable		20,489	21,541
		<u>1,109,599</u>	<u>1,326,030</u>
Net current assets			
		<u>1,317,507</u>	<u>1,006,948</u>
Total assets less current liabilities			
		<u>2,700,918</u>	<u>2,369,533</u>
Non-current liabilities			
Interest-bearing borrowings		764,388	380,892
Deferred tax liabilities		378	563
		<u>764,766</u>	<u>381,455</u>
Net assets			
		<u>1,936,152</u>	<u>1,988,078</u>
Capital and reserves			
Share capital		97,336	97,685
Reserves		880,163	894,375
Retained profits		662,829	718,215
Total equity attributable to equity shareholders of the Company			
		<u>1,640,328</u>	<u>1,710,275</u>
Non-controlling interests		295,824	277,803
Total equity			
		<u>1,936,152</u>	<u>1,988,078</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 9 August 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 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 IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- IFRS10, *Consolidated financial statements*
- IFRS 11, *Joint arrangements*
- IFRS 12, *Disclosure of interests in other entities*
- IFRS 13, *Fair value measurement*
- IAS 27, *Separate financial statements (2011)*
- IAS 28, *Investments in associates and joint ventures (2011)*
- Revised IAS 19, *Employee benefits*
- Amendments to IFRS 7, *Financial instruments: Disclosures – Offsetting financial assets and financial liabilities*
- Annual Improvements to IFRSs – 2009-2011 Cycle
- Amendments to IFRS 10, *Consolidated financial statements*, IFRS11, *Joint arrangements* and IFRS 12, *Disclosure of interests in other entities – Transition guidance*

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. No operating segments have been aggregated to form the following reportable segments.

Meat:	The 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, duck, and breeder poultry.
Processed foods:	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 2013 and 2012 is set out below.

For the six months ended 30 June

	Meat		Livestock feeds		Processed foods		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Turnover from external customers	2,341,899	2,536,163	2,216,249	2,159,915	870,901	781,929	5,429,049	5,478,007
Inter-segment turnover (eliminated at consolidation)	287,236	282,604	792,425	821,706	–	–	1,079,661	1,104,310
Total	2,629,135	2,818,767	3,008,674	2,981,621	870,901	781,929	6,508,710	6,582,317
Reportable segment profit	14,129	5,186	198,789	233,489	97,678	107,163	310,596	345,838

4 Profit before taxation

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

	Six months ended 30 June	
	2013	2012
	RMB’000	RMB’000
(a) <i>Finance costs</i>		
Interest on bank borrowings wholly repayable within five years	8,429	10,194

(b) *Other items*

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Amortisation of lease prepayments	1,973	1,645
Depreciation of property, plant and equipment	61,553	57,868
Net provision/(reversal) of impairment losses on trade receivables	3,664	(236)
Writing down of inventories	37,480	5,723
	<u> </u>	<u> </u>

5 Income tax

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Current tax	4,376	12,941
Deferred taxation	289	(936)
	<u> </u>	<u> </u>
	<u>4,665</u>	<u>12,005</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%.
- (iii) Pursuant to the corporate 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 2013 is 25% (six months ended 30 June 2012: 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 2012 and 2013.
- (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 10% for the six months ended 30 June 2013 (six months ended 30 June 2012: 5%).

(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 20% for the six months ended 30 June 2013 (six months ended 30 June 2012: 10%).

(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 (BD) Co., Ltd. (“ANT-BD”) is subject to Vietnam Corporate Income Tax of 25% for the six-month period ended 30 June 2013.

6 (Loss)/earnings per share

The calculation of basic (loss)/earnings per share as at 30 June 2013 is based on the loss attributable to ordinary equity shareholders of the Company of RMB50,996 thousand (six months ended 30 June 2012: profit of RMB44,841 thousand) and the weighted average of 1,012,777,567 ordinary shares (six months ended 30 June 2012: 1,009,631,061) in issue during the period.

The calculation of diluted loss per share for the six months ended 30 June 2013 does not assume the exercise of the Company’s share options as the effect is anti-dilutive. The calculation of diluted earnings per share for the six months ended 30 June 2012 is based on profit attributable to ordinary equity shareholders of the Company of RMB44,841 thousand and the diluted weighted average number of ordinary shares of 1,011,313,001 during the period.

7 Trade receivables

Ageing analysis

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

	At 30 June 2013 RMB’000	At 31 December 2012 RMB’000
Current	262,796	265,089
Less than 30 days past due	62,472	55,039
31-60 days past due	19,388	8,136
61-90 days past due	13,460	4,080
More than 90 days past due	17,001	13,107
Amounts past due	112,321	80,362
Less: Provision for bad debt	(7,563)	(4,448)
	367,554	341,003

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

8 Other receivables

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
VAT recoverable	243,186	219,141
Deposits and prepayments	85,796	89,688
Amounts due from related parties	51,860	33,184
Advances to staff	8,449	9,594
Bank wealth management products receivable	92,957	–
Others	63,862	32,428
	<u>546,110</u>	<u>384,035</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 2013 RMB'000	At 31 December 2012 RMB'000
Within 30 days	465,687	582,944
31 days to 60 days	27,578	38,990
61 days to 90 days	31,926	17,901
91 days to 180 days	52,994	38,409
	<u>578,185</u>	<u>678,244</u>

10 Other payables

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Salaries, wages, bonuses and other benefits payable	70,835	60,206
Accrued expenses	87,652	82,980
Contract performance deposits	47,547	43,820
Receipts in advance	19,344	21,054
Payables for purchase of fixed assets	18,299	15,363
Amounts due to related parties	3,513	9,509
Others	110,207	135,392
	<u>357,397</u>	<u>368,324</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	
	2013	2012
	RMB'000	RMB'000
Dividends to equity shareholders of the Company of HK0 cents per share (2012: HK9.00 cents per share)	–	74,488

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Dividend to minority shareholders of subsidiaries	–	44,930

The board did not recommend the payment of an interim dividend of the six months period ended 30 June 2013 (2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

	Six months ended 30 June		
	2013	2012	% change
Turnover (RMB'000)	5,429,049	5,478,007	-0.9%
Gross profit (RMB'000)	310,596	345,838	-10.2%
Gross profit margin (%)	5.7	6.3	
Profit attributable to shareholders of the Company (RMB'000)	(50,996)	44,841	-213.7%

In the first half of 2013, growth of the Chinese economy slowed down and the broiler breeding and rearing industry was still in the midst of cyclical fluctuation. Although the turnover of the Group posted positive growth in the first quarter in the aftermath of the “fast-grown chicken” incident in late 2012, the operating environment once again faced serious challenges in the second quarter due to the menacing “H7N9” outbreak in April. At the same time, the long hovering high price of corn and soybean meal, being the primary raw materials of feed, exerted more pressure on the cost of feed processing and breeding and rearing of broilers. Given the slowdown in demand of breeding and rearing industry and the increasingly fierce market competition, the sales volume of feed in China was affected. The growth in the processed food segment was maintained but at a slower pace due to the direct impact of “fast-grown chicken” and “H7N9” incidents.

The Group firmly adhered to its established strategy of enhancing the processed and branded food business in the first half of the year by controlling the expansion of the meat segment and enhancing the development of feed and consumer food business. For the six months ended 30 June 2013, the overall turnover of the Group recorded a slight decrease of 0.9% over the same period of last year, mainly due to the decline in sales volume of the meat segment and the slowdown in sales growth of other major business segments during the period. The chicken meat segment and feed segment were still the major sources of revenue of the Group, accounting for 43.1% and 40.8% of the total income of the Group respectively.

MEAT

	Six Months ended 30 June		
	2013	2012	% change
Turnover (RMB'000)	2,341,899	2,536,163	-7.7%
Gross profit (RMB'000)	14,129	5,186	172.4%
Gross profit margin (%)	0.6	0.2	

The meat segment principally sells chilled and frozen broiler meat, provides feed and day-old chicks for contract farmers, and supplies meat products to fast food restaurants and to both internal and external food processors. The production regions of the meat segment are located at Northeast China, Northern China and Eastern China, whilst the sales network covers the entire nation.

During the period, the meat segment experienced the chicken meat market depression and various emergent incidents in the industry, therefore the sales volume of meat declined and the segment turnover recorded a decrease of 7.7% as compared with the corresponding period of last year. However, benefiting from the increase in meat price in the first quarter, the overall gross profit of the meat products had a significant growth of 172.4% in the first half of the year as compared with the same period of last year in spite of the resumption of downward trend of chicken meat price caused by the outbreak of “H7N9” in the second quarter.

During the period, the main operating activities of the meat segment followed the “Industry Risk Response and Productivity Improvement” strategy formulated by the Group at the beginning of the year. Such strategy was effective during the difficult time of the industry in that (1) utilizing the Group’s self-developed electronic monitoring platform, the breeding segment constantly enhanced its performance, and guaranteed the consistently leading market position with respect to the safe quality of the products, through the improvement of the constituents of feeds and breeding technology; (2) optimizing the merchandising contracts of breeder chicks in order to lower the risk of price fluctuation arising from market volatility; and (3) the productivity of meat products continually improved and the proportion of initial processing to advanced processing of raw meat increased.

The meat segment will still focus on “Risk Management and Productivity Enhancement” in the second half of the year. The Group will integrate meat quality control and breeding and rearing performance improvement with the electronic information management platform and continually improve the mode of cooperation with contract farmers in order to enhance the profitability of the meat product business.

FEEDS TO EXTERNAL CUSTOMERS

	Six months ended 30 June		
	2013	2012	% change
Turnover (RMB '000)			
– China	1,374,567	1,366,099	0.6%
– Vietnam and Malaysia	841,682	793,816	6.0%
Total	2,216,249	2,159,915	2.6%
Gross profit (RMB'000)			
– Mainland China	118,220	137,905	-14.3%
– Vietnam and Malaysia	80,569	95,583	-15.7%
Total	198,789	233,489	-14.9%
Gross profit margin (%)			
– Mainland China	8.6	10.1	
– Vietnam and Malaysia	9.6	12.0	
Total	9.0	10.8	

The revenue of this segment was primarily derived from the sales of piglet, sow, hog and poultry feeds in China, Vietnam and Malaysia. Corn and soybean meal are the primary raw materials of the Group's feeds. The brands of the products are "Dr. Nupak" (補克博士), "Green Knight" (綠騎士) and "TSOS" with manufacturing and sales areas covering Vietnam, Malaysia, Northeast China, North China, Central China and Southwest China.

In the first half of 2013, the depressing breeding industry affected the upstream feed markets. In addition, competition in the operating regions (especially the Northeast Market) of the Group's feed segment intensified. Despite the issues, the turnover of feed segment still recorded a 2.6% growth, among which the sales volume of the Mainland market recorded a slight decrease while the sales volume in Vietnam had a stable growth. However, the high raw material costs affected the gross profit margin. The gross profit margin of the overall business slightly decreased to 9%.

The operating strategies of the feed segment formulated by the end of 2012 were "Product Upgrades" and "Marketing Development". The business activities currently undertaken include: (1) enhancement of the MPT pre-digestion technology to continuously improve the functionality of feeds and better the product chain; (2) development of the premix brand "TSOS" for medium and large swine farms and providing them with comprehensive product combinations and nutrition solutions to enhance sales; (3) continuous refinement of marketing services, reinforcement of technical support and breeding tracking, strong development in direct sales to swine farms and the promotion of high-end technology products such as feeds for sows and piglets.

In the second half of the current year, the feed department will adopt a more proactive and detailed strategy to respond to the market condition including enhancement of product research and development, continuous improvement in product quality, refinement of marketing direction, providing training of professional breeding skills for operating and service staff, and refinement of factory management, strict control of the production and procurement process to reduce production costs.

PROCESSED FOOD

	Six months ended 30 June		
	2013	2012	% change
Turnover (RMB'000)			
– Mainland China	631,183	581,874	8.5%
– Export	239,718	200,055	19.8%
	<hr/>	<hr/>	
Total	<u>870,901</u>	<u>781,929</u>	<u>11.4%</u>
Gross profit (RMB'000)			
– Mainland China	67,316	79,720	-15.6%
– Export	30,362	27,443	10.6%
	<hr/>	<hr/>	
Total	<u>97,678</u>	<u>107,163</u>	<u>-8.9%</u>
Gross profit margin (%)			
– Mainland China	10.7	13.7	
– Export	12.7	13.7	
	<hr/>	<hr/>	
Total	<u>11.2</u>	<u>13.7</u>	

The processed food segment involves the production and distribution of chilled and frozen meat under the “Sisters’ Kitchen” brand, as well as seasoned, marinated, pre-fried and highly processed food. The products of the Group are not only sold in the PRC market but also exported to overseas markets such as Japan. Customer groups include end-customer markets and professional markets. Sales channels include professional catering, casual catering, international customers, key accounts and retail consumption markets. Manufacturing and sales areas cover Northeast China, North China, East China, and South China.

During the period, the Group maintained the development of the processed food segment with an overall increase of 11.4% in turnover. The rate of increase was lower than before because the volume of customers in the restaurant industry significantly decreased due to the “fast-grown chicken incident” at the end of last year and the H7N9 epidemic in the first half of the year, and the overall sales volume from professional catering was affected since certain customers stopped purchasing and consuming chicken meat products. The sales volume of international customers maintained a stable growth of 19.8%. The wet market channel further expanded and recorded an increase of more than 300 franchise clients of “Safe and Fresh Restaurant” in the first half of the year.

During the period, the food segment actively responded to the major incidents in the industry and achieved continuous growth in sales, among which the international business had outstanding performance with increase in both price and sales volume. The major strategies of the segment included: (1) developing non-chicken products such as seafood and pork products in addition to the research and development of sandwiched, native chicken and room temperature products by the research and development department in response to the domestic epidemic to enrich the product portfolio and disperse market risk; (2) optimising the management and control of production flow, including improving the processing technology, implementing specific projects to reduce costs, implementing inventory and logistics systems management and distributor endpoint management to improve product distribution rate and freshness of our stocks.

The focuses of food segment in the second half of the year are: (1) continuing to take advantage of its superior research and development department, and develop chicken and non-chicken products simultaneously, gradually increase the proportion of new products to total sales volume in the year; (2) using information management and control platform and information technology to improve the management of production, quality control, inventory and distributors, reducing costs and improving efficiency; (3) continuing to engage in brand promotion and marketing to guarantee that the brand image of “safe-assuring and traceable” quality is conveyed; and (4) strengthening the meat and food business barcode management and establishing a standardized data system that will connect with the national traceability platform.

AWARDS AND RECOGNITION

As a leading company committed to food safety and traceability, environmental protection and energy conservation in the Chinese food industry, the Group pioneered in the establishment of a “Company + Farmers” agricultural order and production model. In early 2013, the Group was awarded in the second “Outstanding Entrepreneur Social Responsibility Award” organized by Mirror Post for its excellent sense of social responsibility and contribution in community environmental protection. The objectives of Mirror Post in organizing such activity was to provide an opportunity to gather entrepreneurs from Mainland China, Hong Kong, Macau and Taiwan, further promote the concept of corporate social responsibility and spread the spirit of outstanding enterprises and appreciate the fulfilment of social responsibility by entrepreneurs.

PROSPECT & OUTLOOK

The Chinese economic growth has slowed down since the second half of 2012 but is expected to stabilize in the second half of the year. The enhancement of economic structure and growth pattern by the government will help to enhance residents’ income and stimulate consumption. The recovery of breeding industry is delayed due to a series of major incidents, however the industry is expected to revitalise in the second half of the year as the major incidents settle. It is expected that the supply of raw materials in 2013 will remain stable for the whole year and the likelihood of continuous surge in raw material prices is minimal, therefore the overall pressure of the food and beverage and agricultural industries is expected to be relieved.

The Chinese government has always emphasized household consumption and agricultural development and provided certain subsidies and support to the breeding industry being hard hit by large-scale epidemics during the first half of 2013. Furthermore, the government has always supported industry

consolidation and elimination of backward companies. It also supports large key enterprises to further enhance their competitiveness in order to improve the supply and demand structure and fragile industrial chain.

After food safety was expressly included as an annual performance assessment criterion of local governments in the document “Decision with Respect to Strengthening the Food Safety by the State Council” issued by the Chinese government, experimental units of food safety traceability system were officially established in major cities of the country this year and will be promoted to the whole country in the future. The national system will further strengthen food safety and control, accelerate the cultivation of renowned agricultural brands of higher quality and with stronger international competitiveness to contribute to the rapid development of the industry.

It is expected that the demand for meat products and breeding scale will be driven by economic recovery in the second half of the year, which will stimulate the demand for feeds. The Group will consolidate and strengthen its advantageous position in the feed industry by continually providing the farmers with high-quality feeds and strive to increase the number of large breeding farm customers in order to raise its turnover. Meanwhile, the demand for raw and processed foods is expected to rise and resume its positive and stable growth after the shadow of epidemics dissipates.

Financial Review:

1) Other Income and Operating Expenses

In the first six months of 2013, other operating income of the Group amounted to RMB9,627 thousand (2012: RMB9,317 thousand). Other income mainly comprised interest income and government subsidies.

In the first six months of 2013, other net losses of the Group amounted to RMB7,268 thousand (net gains in 2012: RMB3,101 thousand) was recorded. Other net (losses)/gains mainly comprised net loss on disposal of fixed assets and net foreign exchange gains, etc.

Distribution costs accounted for 3.43% of total turnover, up from 2.68% in the same period of 2012.

Administrative expenses accounted for 2.78% of turnover (2012: 2.13%).

2) Liquidity, Financial Resources and Capital Structure

As at 30 June 2013, the Group’s cash and bank deposit balances amounted to RMB611,810 thousand, representing an increase of RMB1,399 thousand from 31 December 2012. Bank loans increased by RMB279,103 thousand to RMB917,916 thousand (31 December 2012: RMB638,813 thousand). Debt to equity ratio was 46.8% (31 December 2012: 32.2%). Current ratio was maintained at a healthy level of 2.19 times (31 December 2012: 1.76 times).

3) Capital Expenditure

In the first six months of 2013, the Group's capital expenditure on the acquisition of properties, machinery and equipment amounted to RMB91,078 thousand which was primarily paid from long-term bank loans.

4) Exchange Rate

The Group's business transactions were mainly denominated in RMB, USD and VND. During the period under review, RMB against USD appreciated by 1.70%, which had a negative impact on the Group's export business to Japan. And VND against USD depreciated by 1.24%, giving a negative impact on the raw material import business of the Group's subsidiaries in Vietnam.

5) Interest Rate

During the first six months in 2013, the Group's interest expense amounted to RMB8,429 thousand (2012: RMB10,194 thousand), a decrease of 17.3% from the corresponding period in 2012. The decrease in interest expense was primarily due to the increase of borrowing in USD with low interest rate.

6) Pledge of Assets

As at 30 June 2013, the Group pledged assets of approximately RMB15,894 thousand in land, property, plant and equipment as security against bank facilities of RMB19,601 thousand, of which RMB4,329 thousand was utilised as at 30 June 2013.

7) Capital Commitment

As at 30 June 2013, the capital expenditure of the Group contracted for but not provided in the financial statements was RMB171,356 thousand and the capital expenditure authorised but not contracted for was RMB128,354 thousand.

Staff Compensation and Training

As at 30 June 2013, the Group had a total of 15,081 staff (31 December 2012: 14,220). In order to build up a team of professional staff and management to meet the development needs of the Group, the Group offers competitive remuneration packages to its staff taking into consideration of 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 them as its most valuable asset. With a view to further 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 offering the best opportunity for personal career development. The Group believes such programs benefit both itself and its staff.

The Group regularly reviews its compensation and benefit policies according to industry standards, the Group's financial results as well as the individual performance of the staff so as to offer fair and competitive compensation packages to the staff.

Other fringe benefits, such as insurance, medical benefits and provident fund, are provided for existing staff to enhance their loyalty.

OTHER INFORMATION

Code on Corporate Governance Practices

Throughout the six months ended 30 June 2013, 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:

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. Feng Yuxia, 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 enables Ms. Pang to keep abreast of the Group's development promptly without material delay and with the expertise and experience of Ms. Pang, 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 its own 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 standard set out in the Model Code throughout the six months ended 30 June 2013.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2013, 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 regarding the Company's financial reporting matters, including the review of the interim results for the six months ended 30 June 2013, 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, 9 August 2013

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