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 2015

The board of directors (the "Board") of DaChan Food (Asia) Limited (the "Company") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ended 30 June 2015.

Highlights

	Six months ended 30 June		
	2015 (unaudited)	**2014 (unaudited)**	**% change**
Turnover (RMB'000)	4,519,259	5,557,891	-18.7
Gross profit (RMB'000)	294,929	351,157	-16.0
Gross profit margin (%)	6.5	6.3	
(Loss)/profit attributable to equity shareholders of the Company (RMB'000)	(44,234)	6,648	-765.3
Basic (loss)/earnings per share (RMB)	(0.04)	0.01	

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2015 – not audited by auditors

(Expressed in thousands of Renminbi)

	Note	Six months ended 30 June 2015	2014
Turnover	3	4,519,259	5,557,891
Cost of sales		(4,224,330)	(5,206,734)
Gross profit		294,929	351,157
Change in fair value of biological assets less cost to sell		(9,246)	4,665
Fair value of agricultural produce on initial recognition		20,714	12,792
Reversal of fair value of agricultural produce due to sales and disposals		(19,076)	(12,202)
Other operating income		3,509	5,622
Other net losses		(3,839)	(8,836)
Distribution costs		(181,668)	(182,528)
Administrative expenses		(110,960)	(125,001)
(Loss)/profit from operations		(5,637)	45,669
Finance costs	4(a)	(10,603)	(13,143)
Share of losses of equity accounted investees		(1,694)	(322)
(Loss)/profit before taxation	4	(17,934)	32,204
Income tax	5	(13,270)	(14,518)
(Loss)/profit for the period		(31,204)	17,686
Attributable to:			
Equity shareholders of the Company		(44,234)	6,648
Non-controlling interests		13,030	11,038
(Loss)/profit for the period		(31,204)	17,686
(Loss)/earnings per share			
– Basic (RMB)	6	(0.04)	0.01
– Diluted (RMB)	6	(0.04)	0.01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2015 – not audited by auditors
(Expressed in thousands of Renminbi)

	Six months ended 30 June	
	2015	**2014**
(Loss)/profit for the period	(31,204)	17,686
Exchange differences on translation of financial statements of overseas subsidiaries	(11,218)	2,134
Total comprehensive (loss)/income for the period	(42,422)	19,820
Attributable to:		
Equity shareholders of the Company	(53,252)	9,503
Non-controlling interests	10,830	10,317
Total comprehensive (loss)/income for the period	(42,422)	19,820

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2015
(Expressed in thousands of Renminbi)

	Note	At 30 June 2015 (unaudited)	At 31 December 2014 (audited)
Non-current assets			
Fixed assets			
– property, plant and equipment		1,285,540	1,283,687
– lease prepayments		172,842	173,231
Interests in equity-accounted investees		114,852	116,609
Deferred tax assets		26,504	26,621
Other non-current assets		17,179	21,357
		1,616,917	1,621,505
Current assets			
Inventories		748,532	989,102
Biological assets		5,544	16,346
Trade receivables	7	387,943	354,586
Other receivables	8	538,541	486,886
Income tax recoverable		583	565
Cash and cash equivalents		503,632	459,443
		2,184,775	2,306,928
Current liabilities			
Trade payables	9	581,163	690,470
Other payables	10	396,283	468,469
Interest-bearing borrowings		214,223	110,100
Income tax payable		6,822	10,840
		1,198,491	1,279,879
Net current assets		986,284	1,027,049
Total assets less current liabilities		2,603,201	2,648,554
Non-current liabilities			
Interest-bearing borrowings		779,564	783,863
Deferred tax liabilities		338	364
		779,902	784,227
Net assets		1,823,299	1,864,327
Capital and reserves			
Share capital		97,500	97,396
Reserves		914,543	922,723
Retained profits		539,254	583,036
Total equity attributable to equity shareholders of the Company		1,551,297	1,603,155
Non-controlling interests		272,002	261,172
Total equity		1,823,299	1,864,327

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 4 August 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 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 IAS19, *Defined Benefit Plans: Employee Contributions*
- Annual Improvements to IFRSs 2010-2012 Cycle-various standards
- Annual Improvements to IFRSs 2011-2013 Cycle-various standards

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, sorted by different business lines. In a manner consistent with the way in which information is reported internally to the chief executive officer ("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 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 under the brands of "Dr. Nupak", "DaChan", "TSOS" and "Green Knight".
Processed foods:	The processed foods segment produces and distributes pickled, pre-fried, roasted foods, and sells further processed chilled and frozen chicken meat under the brand of "Sisters' Kitchen".

Information about reportable segments

Information regarding the Group's reportable segments as provided for the CEO for the purposes of resource allocation and assessment of segment performance for the six month periods ended 30 June 2015 and 2014 is set out below.

For the six months ended 30 June

	Meat		Livestock feeds		Processed foods		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover from external customers	1,806,652	2,739,990	2,180,303	2,224,606	532,304	593,295	4,519,259	5,557,891
Inter-segment turnover (eliminated at consolidation)	241,662	322,793	512,479	856,638	–	–	754,141	1,179,431
Total	2,048,314	3,062,783	2,692,782	3,081,244	532,304	593,295	5,273,400	6,737,322
Segment gross profit	(46,271)	12,631	245,832	245,446	95,368	93,080	294,929	351,157

4 Profit before taxation

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

	Six months ended 30 June	
	2015	**2014**
	RMB'000	RMB'000
(a) Finance costs		
Interest on bank borrowings wholly repayable within five years	(10,603)	(13,143)

(b) Other items

	Six months ended 30 June	
	2015	**2014**
	RMB'000	RMB'000
Amortisation of lease prepayments	(2,362)	(2,206)
Depreciation of property, plant and equipment	(69,213)	(52,481)
Net reversal of impairment gain on trade receivables	5,340	487
Net reversal of write down of inventory	9,756	31,892

5 Income tax

	Six months ended 30 June	
	2015	**2014**
	RMB'000	RMB'000
Current tax	(13,367)	(13,714)
Deferred taxation	97	(804)
	(13,270)	(14,518)

(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 applicable Hong Kong income tax rate of the Group for the six months ended 30 June 2015 is 16.5% (six months ended 30 June 2014: 16.5%).

(iii) Pursuant to the corporate income tax laws and regulations of the PRC, the Company's subsidiaries in the PRC for the six months ended 30 June 2015 are subject to PRC Corporate Income Tax at a rate of 25% (six months ended 30 June 2014: 25%).

(iv) Pursuant to the income tax laws and regulations of Malaysia, the Company's subsidiary in Malaysia is subject to Malaysian income tax rate of 25% for the six months ended 30 June 2015 (six months ended 30 June 2014: 25%).

(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% (six months ended 30 June 2014: 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. Therefore, the applicable tax rate of ANT-HN is 10% for the six months ended 30 June 2015 (six months ended 30 June 2014: 10%).

(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. Therefore, the applicable tax rate of ANT-LA is 20% for the six months ended 30 June 2015 (six months ended 30 June 2014: 20%).

(viii) Pursuant to the Amended Investment Licence No. 43/2010/ND-CP dated 26 September 2012, issued by Binh Dinh Province Economic Zone Authority, Asia Nutrition Technologies (MV) Co., Ltd. ("ANT-MV") is subject to Vietnam Corporate Income Tax of 22% for the six-month period ended 30 June 2015 (six months ended 30 June 2014: 25%).

6 Earnings/(loss) per share

The calculation of basic loss per share as at 30 June 2015 is based on the loss attributable to ordinary equity shareholders of the Company of RMB44,234 thousand (six months ended 30 June 2014: profit of RMB6,648 thousand) and the weighted average of 1,010,056,436 ordinary shares (six months ended 30 June 2014: 1,009,471,691) in issue during the reporting period.

The calculation of diluted loss per share for the six months ended 30 June 2015 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 2014 is based on profit attributable to ordinary equity shareholders of the Company of RMB6,648 thousand and the diluted weighted average number of ordinary shares in issue of 1,009,471,691 during the reporting period.

7 Trade receivables

Ageing analysis

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

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Current	300,854	258,627
Less than 30 days past due	45,646	55,686
31-60 days past due	14,801	27,469
61-90 days past due	17,924	8,302
More than 90 days past due	16,110	17,265
Amounts past due	94,481	108,722
Less: Provision for bad debt	(7,392)	(12,763)
	387,943	354,586

8 Other receivables

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
VAT recoverable	337,359	314,307
Deposits and prepayments	115,340	74,913
Export VAT refund	5,094	39,467
Amounts due from related parties	45,550	35,111
Advances to staff	9,192	6,084
Others	26,006	16,944
	538,541	486,886

9 Trade payables

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

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within 30 days	428,284	588,641
31 days to 60 days	73,087	43,876
61 days to 90 days	21,796	19,728
91 days to 180 days	57,996	38,225
	581,163	690,470

10 Other payables

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Sale rebate	86,839	117,761
Salaries, wages, bonuses and other benefits payable	56,040	93,864
Accrued expenses	103,130	83,062
Contract performance deposits	35,966	47,039
Receipts in advance	31,879	20,638
Payables for purchase of fixed assets	15,394	22,464
Amounts due to related parties	42,191	38,223
Others	24,844	45,418
	396,283	468,469

11 Dividends

No payment of an interim dividend of the six months period ended 30 June 2015 (2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

	Six months ended 30 June		
	2015	**2014**	**% change**
Turnover (RMB'000)	4,519,259	5,557,891	-18.7
Gross profit (RMB'000)	294,929	351,157	-16.0
Gross profit margin (%)	6.5	6.3	
(Loss)/profit attributable to shareholders of the Company (RMB'000)	(44,234)	6,648	-765.3

During the first half of 2015, the economic growth rate of China did not accelerate and the production volume of white feather meat chicks remained high, the white feather meat chicken industry was still at trough position as a result. Chicken prices continued the historic low from the end of 2014 until the end of 2015 and cause the chicken business continued to incur gross loss. During the second quarter of 2015, sow inventories in the PRC reached historic low and caused the demand of feed to drop. During the first quarter, pork prices remained weak and negatively affect the sale of external feeds. Besides, the sales performance of Western fast food industry was still weak, and affected the segment income of food segment. Affected by the above factor, the Group made losses for the first half of 2015. For the six months ended 30 June 2015, the overall turnover of the Group decreased by around 19% as compared with the same period of last year. The decrease was mainly attributable to the decrease in production volume and sales volume in the chicken meat segment, which led to a drop in revenue contribution by the chicken meat segment to the Group by around 7% as compared with the same period of last year.

Whilst the livestock market condition was unimproved during the first half of 2015, the overall gross profit margin of the Group increased from around 5.7% in 2014 to around 6.5% for the first half of 2015. The increase was mainly attributable to the reduction of standard production capacity of electric slaughtering of feather chickens and its ancillary costs at the end of the first quarter, in order to relieve the impact brought about by the adverse condition.

The reduction was an extension of the pre-existing food productisation and risk elimination strategies of the Group. During the reporting period, the Group raised the conversion ratio of raw meat to high-value products, so as to enhance the overall gross profit margin. Besides, the proportion of sales of domestic professional food channel, which has a higher gross profit margin among the food segment, increased. Although the revenue of external feed decreased slightly, as the Group's feeds have high brand value and the raw material costs were effectively controlled by the purchase and research and development department, the gross profit margin of feed increased.

While adjusting its strategies, the Group optimized the efficiency of supply chains and the production management. In particular, the enhanced rate of turnover of meat products lowered the capital costs and inventory costs; the re-arrangement of artery logistics lowered the unit shipping costs; and the enhancement of system application also lowered the demand for assisting staff. Such optimizations effectively controlled the cost during the reporting period, and balanced the investment made by the Group in the food safety and brand channel establishment. In the course of optimising its operation efficiency, the Group will continue streamline its procedures and raise efficiency, with an aim to unleashing its competition advantage when the market condition improves.

Meat

	Six months ended 30 June		
	2015	**2014**	**% change**
Turnover (RMB'000)	1,806,652	2,739,990	-34.1
Gross profit (RMB'000)	(46,271)	12,631	-466.3
Gross profit margin (%)	(2.6)	0.5	

The chicken meat segment mainly sells chilled and frozen chicken meat including that under the brand of "Sister's Kitchen", lightly processed tender meat, supplies feeds and day-old chicks to contract farmers and supplies meat products to fast food restaurants, internal and external food processors and the service providers for processed food market. The production regions of the segment covered Northeast China, North China and East China, whilst the sales network covers the entire nation.

During the reporting period, the chicken meat segment was at the rare trough of the industry, market condition of raw meat remained at the low price level as that at the end of 2014, the average meat prices of the chicken meat were about 10% lower than those for the second half of 2014, and the gross profit margin reached about -2.6%. During the end of the first quarter 2015, as the Group reduced the volume of electric slaughtering of feather chicken, actual electric slaughtering decreased by about 20% as compared with the same period in 2014, and income from the chicken segment decreased by about 34%. Meanwhile, the loss was also reduced.

During the reporting period, the chicken meat segment followed strategies of risk control and products value addition, vigorously controlled the production volume and costs, focused on the resource development, consolidated and maintained the high-value customers base and contract farmer relationship. Such activities were mainly reflected on: 1. control the variable costs of electric slaughtering per tonne and avoid cost increase as the production volume drops and optimise the indirect cost; 2. actively develop commercial supermarkets, chain restaurants and Safe and Fresh Shops directly operated by the Group at wet markets within 200km of the electric slaughtering factories, increase the sales through the valued distribution channels; 3. retain customers which have excellent management capability and breeding and rearing performance when the production volume of the Group is reduced, and optimize contract model, so as to reduce risk caused by market price fluctuations of feather chickens.

Feeds to external customers

	Six months ended 30 June		
	2015	**2014**	**% change**
Turnover (RMB'000)			
– China	1,059,579	1,260,530	-15.9
– Vietnam and Malaysia	1,120,724	964,076	16.2
Total	2,180,303	2,224,606	-2.0
Gross profit (RMB'000)			
– China	117,146	139,209	-15.8
– Vietnam and Malaysia	128,686	106,237	21.1
Total	245,832	245,446	0.2
Gross profit margin (%)			
– China	11.1	11.0	
– Vietnam and Malaysia	11.5	11.0	
Total	11.3	11.0	

The operating income of this segment was primarily derived from the sales of piglet, sow, hog, broiler and egg chicken feeds to external customers in China, Vietnam and Malaysia. Corn and soybean meal are the primary raw materials of feeds sold by the Group. The brands of the products of this segment are "Dr. Nupak", "Green Knight" and "TSOS". The production and sales areas of this segment covered Vietnam, Malaysia and Northeast China, North China, Central China and Southwest China.

Due to the falling sales price and volume in the PRC, income and gross profit from the external feed business decreased by about 15.9% and 15.8% respectively. Pork prices continued to depress during the first quarter of 2015. After the continued consolidation of the production capacity in the second quarter, the breeding and rearing industry finally went beyond the break-even point. During the first quarter, the depressed pork prices affected the initiative of customers to rear and use high-value feeds. During the second quarter, the overall inventories of pigs were at low level and the total demand for feeds decreased, therefore, the sales volume of external feeds decreased. However, the Group researched, developed and utilised various substituting raw materials to lower the production costs and the sourcing department managed to acquire imported corn at low prices. As at the date of this announcement, due to the success of the sourcing strategies, the costs of soybeans meal were lower than that the market prices and the success enabled the gross profit margin of the external feeds segment to be maintained at the same level as that of the previous year under fierce competition environment.

In the first half of 2015, the external feed segment had outstanding performance in Vietnam. Due to the proactive and appropriate construction of sale channels, the sales volume of products of new factories in mid-Vietnam rose by over 20% as compared with the same period of last year. Gross profit margin also increased by 0.5% due to the improvement in sales structure, the aggregate gross profit also increased by 21%. Due to the appropriate selection of factory location, the Group was able to transport its products by water at a lower cost, and have advantage in the sales regions. This was one of the main reasons contributing to the excellent performance of the segment in Vietnam in the first half of 2015.

Processed Food

	Six months ended 30 June		
	2015	**2014**	**% change**
Turnover (RMB'000)			
– Mainland China	386,455	440,052	-12.2
– Export	145,849	153,243	-4.8
Total	532,304	593,295	-10.3
Gross profit (RMB'000)			
– Mainland China	77,393	78,549	-1.5
– Export	17,975	14,531	23.7
Total	95,368	93,080	2.5
Gross profit margin (%)			
– Mainland China	20.0	17.8	
– Export	12.3	9.5	
Total	17.9	15.7	

The processed food business included the production and distribution of prepared food under the "Sister's Kitchen" brand, as well as centrifuged and marinated, stewed, pre-fried, steamed, grilled and ready-to-eat consumer food. The processed products of the Group were not only sold in the PRC market but also exported to overseas markets like Japan. Customer groups of the processed food segment included customers at end-consumer markets and professional markets. Sales channels of the processed food segment were mainly group catering, bakery, casual catering, international customers, key customers and retail consumption market. Sales areas of the processed food segment covered Japan, Singapore, Hong Kong and Northeast China, North China, East China, South China, and few inland regions such as Northwest China and Southwest China.

The main sales channels of the processed food business were professional catering market, key customers market, international market and prepared food market. During the reporting period, benefited from the effective marketing strategy which focused on key products and the lower raw material prices, income from professional catering market, which the Group valued the most, increased by about 19% as compared with the same period of last year, and the gross profit of that market grew by about 23%. The key customers market and the international market were still affected by the food safety incidents in Shanghai occurred in July 2014, and the results have not been recovered. Prepared food market mainly consumed centrifuged and marinated processed food, which has become the product series recently and heavily developed and sold by the Group, and grew by about 59% in terms of income.

Export business successfully launched a series of skewer food products for export with its unique grill technology in the first half of 2015, and the product structure was improved. Benefited from the low meat prices in the first half of 2015 and the launch of skewer products, the gross profit margin improved by about 2.8%. In domestic market, due to the increased sales contribution of high-value added professional catering market, the gross profit margin also increased by about 2.2% as compared with the same period of last year. Therefore, whilst the results of key customer market still have not recovered, the gross profit in total maintained at similar level as that of the corresponding period of last year.

During this reporting period, certain lightly processed food products categorised under the processed food segment were reallocated to the chicken meat segment since the mode of end use and the pricing strategies of such products are more similar to those of raw meat. During the period, the Group established sales team for lightly processed food products separately and adjusted the organisational structure. The data of different segments as disclosed after reclassification reflects more accurately the features of those products.

Financial Review:

1) Other Income and Operating Expenses

In the first six months of 2015, other operating income of the Group amounted to about RMB3,509 thousand (2014: about RMB5,622 thousand). Other income mainly comprised interest income and government subsidies.

In the first six months of 2015, other net losses of the Group amounted to about RMB3,839 thousand (net losses in 2014: about RMB8,836 thousand) was recorded. Other net losses mainly comprised net loss on disposal of fixed assets and other balances derived from activities other than the Group's business operation such as net foreign exchange losses.

Distribution costs accounted for about 4.02% of total turnover, increase from about 3.28% in the same period of 2014.

Administrative expenses accounted for about 2.46% of turnover (2014: about 2.25%).

2) Liquidity, Financial Resources and Capital Structure

As at 30 June 2015, the Group's cash and bank deposit balances amounted to about RMB503,632 thousand, representing an increase of about RMB44,189 thousand from 31 December 2014. Bank loans increased by about RMB99,824 thousand to about RMB993,787 thousand (31 December 2014: about RMB893,963 thousand). Debt to equity ratio was about 53.9% (31 December 2014: about 48.0%). Current ratio was maintained at a healthy level of about 1.84 times (31 December 2014: about 1.80 times).

3) Capital Expenditure

In the first six months of 2015, the Group's capital expenditure on the acquisition of properties, machinery and equipment amounted to about RMB78,828 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 about 0.09% and VND against USD depreciated by about 1.71%. The above change of exchange rate has no material impact on the Group.

5) Interest

During the first six months in 2015, the Group's interest expense amounted to approximately RMB10,603 thousand (2014: approximately RMB13,143 thousand), a decrease of approximately 19.3% from the corresponding period in 2014. The decrease in interest expense was primarily due to the increase of bank borrowings of low interest rate.

6) Pledge of Assets

As at 30 June 2015, the Group pledged land, property, plant and equipment of approximately RMB30,665 thousand as security against bank facilities of about RMB27,904 thousand, of which about RMB25,614 thousand was utilised as at 30 June 2015.

7) Capital Commitment

As at 30 June 2015, the capital expenditure of the Group contracted for but not provided in the financial statements was about RMB70,227 thousand and the capital expenditure authorised but not contracted for was about RMB36,582 thousand.

Staff Compensation and Training

As at 30 June 2015, the Group had a total of 11,504 staff (31 December 2014: 13,756). 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 its staff as its core. 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 review its remuneration 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 benefit, such as insurance, medical benefits and provident fund, are provided for existing and respectable staff.

OTHER INFORMATION

Code on Corporate Governance Practices

Throughout the six months ended 30 June 2015, 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.

Code Provision E.1.2 states that the chairpersons of the audit, remuneration, nomination committees should be available to answer questions at the annual general meeting. Due to the technical difficulty of telecommunication devices, Mr. Wei Anning, the chairman of the remuneration committee and Mr. Chan Chih, the chairman of the nomination committee, were not present at the annual general meeting held on 26 June 2015.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules for regulating the securities transactions of the Directors. All Directors have confirmed, following the specific enquiry by the Company, that they complied with the required standard set out in the Model Code throughout the six months ended 30 June 2015.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2015, 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 2015, the internal control and risk management system. There was no disagreement from the audit committee on the accounting policies adopted by the Company.

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

By Order of the Board
Han Jia-Hwan
Chairman

Hong Kong, 4 August 2015

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. Way Yung-Do, Mr. Chen Chih and Mr. Wei Anning are the independent non-executive Directors.