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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 2016**

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 2016.

#### **Highlights**

	<b>Six months ended 30 June</b>		
	<b>2016</b>	<b>2015</b>	<b>% change</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	
Turnover (RMB'000)	3,756,170	4,519,259	-16.9
Gross profit (RMB'000)	349,387	294,929	18.5
Gross profit margin (%)	9.3	6.5	
Profit/(loss) attributable to equity shareholders of the Company (RMB'000)	7,634	(44,234)	117.3
Basic earnings/(loss) per share (RMB)	0.008	(0.04)	

**CONSOLIDATED INCOME STATEMENT****For the six months ended 30 June 2016 – not audited by auditors***(Expressed in thousands of Renminbi)*

		<b>Six months ended 30 June</b>	
	<b>Note</b>	<b>2016</b>	<b>2015</b>
<b>Turnover</b>	3	3,756,170	4,519,259
Cost of sales		(3,406,783)	(4,224,330)
<b>Gross profit</b>		349,387	294,929
Change in fair value of biological assets less cost to sell		(2,280)	(9,246)
Fair value of agricultural produce on initial recognition		9,937	20,714
Reversal of fair value of agricultural produce due to sales and disposals		(9,862)	(19,076)
Other operating income		11,066	3,509
Other net gains/(losses)		34,578	(3,839)
Distribution costs		(190,792)	(181,668)
Administrative expenses		(133,889)	(110,960)
<b>Profit/(loss) from operations</b>		68,145	(5,637)
Finance costs	4(a)	(24,600)	(10,603)
Share of losses of equity accounted investees		(888)	(1,694)
<b>Profit/(loss) before taxation</b>	4	42,657	(17,934)
Income tax	5	(6,410)	(13,270)
<b>Profit/(loss) for the period</b>		<u>36,247</u>	<u>(31,204)</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		7,634	(44,234)
Non-controlling interests		28,613	13,030
<b>Profit/(loss) for the period</b>		<u>36,247</u>	<u>(31,204)</u>
<b>Earnings/(loss) per share</b>			
– Basic (RMB)	6	<u>0.008</u>	<u>(0.04)</u>
– Diluted (RMB)	6	<u>0.008</u>	<u>(0.04)</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****For the six months ended 30 June 2016 – not audited by auditors***(Expressed in thousands of Renminbi)*

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
Profit/(loss) for the period	36,247	(31,204)
Exchange differences on translation of financial statements of overseas subsidiaries	(2,066)	(11,218)
	<u>34,181</u>	<u>(42,422)</u>
Total comprehensive income/(loss) for the period	<u>34,181</u>	<u>(42,422)</u>
Attributable to:		
Equity shareholders of the Company	3,566	(53,252)
Non-controlling interests	30,615	10,830
	<u>34,181</u>	<u>(42,422)</u>
Total comprehensive income/(loss) for the period	<u>34,181</u>	<u>(42,422)</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

(Expressed in thousands of Renminbi)

	Note	At 30 June 2016 (unaudited)	At 31 December 2015 (audited)
<b>Non-current assets</b>			
Fixed assets			
– property, plant and equipment		1,217,017	1,221,483
– lease prepayments		179,277	171,095
Interests in equity-accounted investees		115,200	116,018
Deferred tax assets		29,963	24,251
Long-term tax recoverable		73,391	73,391
Other non-current assets		4,294	12,666
		<u>1,619,142</u>	<u>1,618,904</u>
<b>Current assets</b>			
Inventories		639,087	825,963
Biological assets		4,175	4,241
Trade receivables	7	240,070	322,296
Other receivables	8	504,876	423,021
Income tax recoverable		462	–
Cash and cash equivalents		413,176	530,151
		<u>1,801,846</u>	<u>2,105,672</u>
<b>Current liabilities</b>			
Trade payables	9	466,085	516,427
Other payables	10	432,442	465,033
Bank loans		289,809	319,947
Income tax payable		4,084	10,402
		<u>1,192,420</u>	<u>1,311,809</u>
<b>Net current assets</b>		<u>609,426</u>	<u>793,863</u>
<b>Total assets less current liabilities</b>		<u>2,228,568</u>	<u>2,412,767</u>
<b>Non-current liabilities</b>			
Bank loans		487,765	707,932
Deferred tax liabilities		346	314
		<u>488,111</u>	<u>708,246</u>
<b>Net assets</b>		<u>1,740,457</u>	<u>1,704,521</u>
<b>Capital and reserves</b>			
Share capital		97,687	97,502
Reserves		926,598	929,096
Retained profits		436,567	428,933
<b>Total equity attributable to equity shareholders of the Company</b>		<u>1,460,852</u>	<u>1,455,531</u>
Non-controlling interests		279,605	248,990
<b>Total equity</b>		<u>1,740,457</u>	<u>1,704,521</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 8 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 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 11, *Accounting for acquisitions of interests in joint operations*
- Amendments to IAS 16 and IAS 38, *Clarification of acceptable methods of depreciation and amortization*
- Amendments to IAS 27, *Equity method in separate financial statements*
- Amendments to IFRS 10, IFRS 12 and IAS 28, *Investment entities: applying the consolidation exception*
- Amendments to IAS 1, *Disclosure initiative*

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”, “SOS” 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 2016 and 2015 is set out below.

For the six months ended 30 June

	Meat		Livestock feeds		Processed foods		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Turnover from external customers	991,842	1,806,652	2,162,113	2,180,303	602,215	532,304	3,756,170	4,519,259
Inter-segment turnover (eliminated at consolidation)	179,791	241,662	187,005	512,479	–	–	366,796	754,141
<b>Total</b>	<b>1,171,633</b>	<b>2,048,314</b>	<b>2,349,118</b>	<b>2,692,782</b>	<b>602,215</b>	<b>532,304</b>	<b>4,122,966</b>	<b>5,273,400</b>
Segment gross profit	11,972	(56,826)	218,966	245,832	118,449	105,923	349,387	294,929

### 4 Profit before taxation

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

	Six months ended 30 June	
	2016	2015
	RMB’000	RMB’000
(a) Finance costs		
Interest on bank borrowings wholly repayable within five years	(24,600)	(10,603)

(b) *Other items*

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	RMB'000	RMB'000
Amortisation of lease prepayments	(2,475)	(2,362)
Depreciation of property, plant and equipment	(69,163)	(69,213)
Net (provision)/reversal of impairment losses on trade receivables	(4,122)	5,340
Net reversal of write down of inventory	6,850	9,756
	<u>          </u>	<u>          </u>

**5 Income tax**

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	RMB'000	RMB'000
Current tax	(11,860)	(13,367)
Deferred taxation	5,450	97
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </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 applicable Hong Kong income tax rate of the Group for the six months ended 30 June 2016 is 16.5% (six months ended 30 June 2015: 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 2016 are subject to PRC Corporate Income Tax at a rate of 25% (six months ended 30 June 2015: 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 2016 (six months ended 30 June 2015: 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% for the six months ended 2016 (six months ended 30 June 2015: 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 2016 (six months ended 30 June 2015: 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 2016 (six months ended 30 June 2015: 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 2016 (six months ended 30 June 2015: 22%).

## 6 Earnings/(loss) per share

The calculation of basic earnings per share as at 30 June 2016 is based on the profits attributable to ordinary equity shareholders of the Company of RMB7,634 thousand (six months ended 30 June 2015: loss of RMB44,234 thousand) and the weighted average of 1,011,474,984 ordinary shares (six months ended 30 June 2015: 1,010,056,436) in issue during the reporting period.

The calculation of diluted earnings per share for the six months ended 30 June 2016 is based on profit attributable to ordinary equity shareholders of the Company of RMB7,634 thousand and the diluted weighted average number of ordinary shares in issue of 1,011,474,984 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.

## 7 Trade receivables

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

	<b>At 30 June 2016 RMB’000</b>	<b>At 31 December 2015 RMB’000</b>
Current	181,139	239,145
	-----	-----
Less than 30 days past due	34,590	49,124
31-60 days past due	10,572	11,898
61-90 days past due	9,048	9,512
More than 90 days past due	15,201	21,271
	-----	-----
Amounts past due	69,411	91,805
Less: Provision for bad debt	(10,480)	(8,654)
	-----	-----
	<b>240,070</b>	<b>322,296</b>
	=====	=====

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



## 8 Other receivables

	<b>At 30 June 2016 RMB'000</b>	<b>At 31 December 2015 RMB'000</b>
VAT recoverable	370,916	367,159
Deposits and prepayments	99,673	52,141
Export VAT refund	–	1,466
Amounts due from related parties	93,440	60,671
Advances to staff	9,064	7,709
Others	5,174	7,266
	<hr/>	<hr/>
	578,267	496,412
Less: non – current VAT recoverable	73,391	73,391
	<hr/>	<hr/>
	<b>504,876</b>	<b>423,021</b>
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## 9 Trade payables

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

	<b>At 30 June 2016 RMB'000</b>	<b>At 31 December 2015 RMB'000</b>
Current	254,968	286,439
	-----	-----
Within 30 days	149,614	131,257
31 days to 60 days	21,813	41,896
61 days to 90 days	10,881	11,341
91 days to 180 days	28,809	45,494
	<hr/>	<hr/>
Amounts past due	211,117	229,988
	-----	-----
	<b>466,085</b>	<b>516,427</b>
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**10 Other payables**

	<b>At 30 June 2016 RMB'000</b>	<b>At 31 December 2015 RMB'000</b>
Sale rebate	120,973	128,492
Salaries, wages, bonuses and other benefits payable	54,397	73,775
Accrued expenses	99,049	77,863
Contract performance deposits	28,001	30,812
Receipts in advance	44,654	16,468
Payables for purchase of fixed assets	9,736	11,843
Amounts due to related parties	44,245	43,926
Dividends payable	–	33,590
Others	31,387	46,430
	<hr/>	<hr/>
	432,442	463,199
Derivative financial instruments – interest rate swaps	–	1,834
	<hr/>	<hr/>
	<b>432,442</b>	<b>465,033</b>
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**11 Dividends**

No payment of an interim dividend of the six months period ended 30 June 2016 (2015: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

	Six months ended 30 June		
	2016	2015	% change
Turnover (RMB'000)	3,756,170	4,519,259	-16.9
Gross profit (RMB'000)	349,387	294,929	18.5
Gross profit margin (%)	9.3	6.5	
Profit/(loss) attributable to shareholders of the Company (RMB'000)	7,634	(44,234)	117.3

During the first half of 2016, as the channel of breeding white feather meat chicken in PRC was blocked, the stock of grandparent breeders and parent breeders had a significant decrease as compared with the same period of last year. A decrease in supply from the upstream business caused an increase in the price of day-old chicks and also benefited the chicken meat business. The unfavorable situation of long-term gross loss in the meat product segment has successfully turnaround in the first half of the year as a series of management measures implemented by meat product segment gradually took effect.

The profit from rearing and breeding pigs in PRC continued to increase in the first half of the year and farmers were rather active to refill the stocks, and as a result, the pig stock has bottomed out. Although the sales of domestic feeds business has a slight decrease as compared with the same period of last year, the sales of piglet feeds showed a significant increase.

In spite of the operating revenue of the Group declined by approximately 16.9% as compared with the same period of past year due to the reduction in the scale of electrical slaughtering, the gross profit of meat products got a recovery and the profitability of food products continuously enhanced resulting an increase by approximately 18.5% in overall gross profit of the Group as compared with the same period of last year.

### Meat

	Six months ended 30 June		
	2016	2015	% change
Turnover (RMB'000)	991,842	1,806,652	-45.1
Gross profit (RMB'000)	11,972	(56,826)	121.1
Gross profit margin (%)	1.2	(3.1)	

The meat product segment mainly sells chilled and frozen chicken meat under the brand of “Sister’s Kitchen” and lightly processed tender meat, supplies chicken meat to fast food restaurants, internal and external food processing factories and the service providers for processed food as well as supplies feeds and day-old chicks to contract farmers. The production regions of the segment covers Northeast China, North China and East China, whilst the sales network covers the entire nation. The sales volume of our products in supermarkets and wet markets occupied a leading place in Shenyang, Dalian, Tianjin and Bengbu.

After streamlining the scale of electrical slaughtering factories of meat product segment in 2015, in the first half of 2016, the meat product segment carried out a series of management measures, such as cost reduction, cost control, production efficiency improvement and expansion in value channels in the remaining electrical slaughtering factories. At the same time, following the trend of meat price rebound, gross profit margin increased to approximately 1.2% from approximately -3.1% in the same period of last year.

### Feeds (excluding contracted feeds)

	<b>Six months ended 30 June</b>		
	<b>2016</b>	<b>2015</b>	<b>% change</b>
Turnover (RMB'000)			
– China	913,134	1,059,579	-13.8
– Vietnam and Malaysia	1,248,979	1,120,724	11.4
Total	2,162,113	2,180,303	-0.8
Gross profit (RMB'000)			
– China	87,069	117,146	-25.7
– Vietnam and Malaysia	131,897	128,686	2.5
Total	218,966	245,832	-10.9
Gross profit margin (%)			
– China	9.5	11.1	
– Vietnam and Malaysia	10.6	11.5	
Total	10.1	11.3	

The operating income of the feeds segment was primarily derived from the customers in China, Vietnam and Malaysia. Corn and soybean meal are the primary raw materials of feeds sold by the Group. The brands of main products of the feeds segment are “Dr. Nupak”, “Green Knight” and “SOS”.

In the first half of 2016, the feeds segment continued to expand its business scale in Southeast Asia. Due to the proper establishment of sales channels and precise positioning of products, the operating revenue increased by approximately 11.4% as compared with last year. Although the feeds sales in the PRC market was affected by the limited rebound of domestic sow stock and the operating revenue and gross profit decreased as compared with the same period of last year, there was a growth of approximately 27% in sales volume under unfavourable situation due to the unique technical advantage of the piglet feeds product launched by the Group. Currently, the Group has invested in the key development of large-scale pig farms. It is expected that the relevant result will become evident in the second half of the year.

## Processed Food

	Six months ended 30 June		
	2016	2015	% change
Turnover (RMB'000)			
– Mainland China	444,313	386,455	15.0
– Export	<u>157,902</u>	<u>145,849</u>	8.3
Total	602,215	532,304	13.1
Gross profit (RMB'000)			
– Mainland China	88,619	87,948	0.8
– Export	<u>29,830</u>	<u>17,975</u>	65.9
Total	118,449	105,923	11.8
Gross profit margin (%)			
– Mainland China	19.9	22.8	
– Export	<u>18.9</u>	<u>12.3</u>	
Total	<u>19.7</u>	<u>19.9</u>	

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 were mainly the group catering, bakery, casual catering, international customers, key customers and retail consumption markets. Sales areas of the processed food segment covered Japan, Singapore, Hong Kong as well as Northeast China, North China, East China, South China, and a few inland regions such as Northwest China and Southwest China.

In the first half of 2016, although a rise in the raw material price of chicken meat partially offset the gross profits of food products, the domestic sales volume still achieved a growth of approximately 28% in a depressed market environment by the implementation of effective marketing strategies regarding the processed food business. As compared with the same period of last year, the export sales to Japan remained unchanged. However, affected by adjustment of export product structure and depreciation of RMB, the gross profit in export increased by about 65.9% as compared with the previous year.

## **Financial Review:**

### **1) Other Income and Operating Expenses**

In the first six months of 2016, other operating income of the Group amounted to about RMB11,066 thousand (2015: about RMB3,509 thousand). Other income mainly comprised interest income, government subsidies and processed income.

In the first six months of 2016, other net gains of the Group amounting to about RMB34,578 thousand (net losses in 2015: about RMB3,839 thousand) was recorded. Other net gains mainly comprised reversal of impairment of fixed assets, 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 5.08% of total turnover, increasing from about 4.02% in the same period of 2015.

Administrative expenses accounted for about 3.56% of turnover (2015: about 2.46%).

### **2) Liquidity, Financial Resources and Capital Structure**

As at 30 June 2016, the Group's cash and bank deposit balances amounted to about RMB413,176 thousand, representing an decrease of about RMB116,975 thousand from 31 December 2015. Bank loans decreased by about RMB250,305 thousand to about RMB777,574 thousand (31 December 2015: about RMB1,027,879 thousand). Debt to equity ratio was about 45.1% (31 December 2015: about 60.3%). Current ratio was maintained at a healthy level of about 1.51 times (31 December 2015: about 1.61 times).

### **3) Capital Expenditure**

In the first six months of 2016, the Group's capital expenditure on the acquisition of properties, machinery and equipment amounted to about RMB31,522 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 depreciated by about 2.12% and VND against USD depreciated by about 0.63%. The above change of exchange rate has no material impact on the Group.

## **5) Interest**

During the first six months in 2016, the Group's interest expense amounted to approximately RMB24,600 thousand (2015: approximately RMB10,603 thousand), an increase of approximately 132.0% from the corresponding period in 2015. The increase in interest expense was primarily due to the increase of bank borrowings of high interest rate.

## **6) Pledge of Assets**

As at 30 June 2016, the Group pledged land, property, plant and equipment of approximately RMB6,457 thousand as security against bank facilities of about RMB3,526 thousand, of which about RMB404 thousand was utilised as at 30 June 2016.

## **7) Capital Commitment**

As at 30 June 2016, the capital expenditure of the Group contracted for but not provided in the financial statements was about RMB42,984 thousand and the capital expenditure authorised but not contracted for was about RMB116,104 thousand.

## **Staff Compensation and Training**

As at 30 June 2016, the Group had a total of 10,396 staff (31 December 2015: 10,951). 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 by 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 reviews its remuneration and benefit policies according to industry standards, the Group's financial results, as well as the individual performance of its staff so as to offer fair and competitive compensation packages to its staff. Other fringe benefits, such as insurance, medical benefits and provident fund, are provided for existing and respectable staff.

## **OTHER INFORMATION**

### **Code on Corporate Governance Practices**

Throughout the six months ended 30 June 2016, 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 board of directors should attend and invite the chairpersons of audit, remuneration and nomination committees to attend the annual general meeting. Mr. Han Jia-Hwan, the chairman of the Board and Mr. Way Yung-Do, the chairman of the remuneration committee were absent from the annual general meeting held on 24 June 2016 due to his participation in other pre-arranged business activities and the suspension of certain flights between Hong Kong and Taiwan, respectively.

Code Provision A.6.7 states that independent non-executive Directors and other non-executive Directors should attend the general meeting and have fair understandings of the shareholders’ opinion. Mr. Han Chia-Yau, Mr. Harn Jia-Chen and Mr. Chao Tien-Shin, the non-executive Directors of the Company were absent from the annual general meeting of the Company held on 24 June 2016 due to their participation in other pre-arranged business activities.

### **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 2016.



## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

During the six months ended 30 June 2016, 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 2016, the internal control and risk management system. The audit committee has reviewed the interim results of the Company and does not have any disagreement with the accounting treatment adopted by the Company.

The members of 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, 8 August 2016

*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 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.*