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 2017

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 2017.

Highlights

	Six months ended 30 June		
	2017 (unaudited)	**2016** (unaudited)	**% change**
Turnover (RMB'000)	4,089,072	3,764,873	8.6
Gross profit (RMB'000)	363,550	358,090	1.5
Gross profit margin (%)	8.9	9.5	
(Loss)/profit attributable to equity shareholders of the Company (RMB'000)	(15,809)	7,634	-307.1
Basic (loss)/earnings per share (RMB)	(0.016)	0.008	

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2017 – not audited by auditors

(Expressed in thousands of Renminbi)

	Note	Six months ended 30 June 2017	2016
Turnover	3	4,089,072	3,764,873
Cost of sales		(3,725,522)	(3,406,783)
Gross profit		363,550	358,090
Change in fair value of biological assets less cost to sell		(2,219)	(2,280)
Fair value of agricultural produce on initial recognition		4,672	9,937
Reversal of fair value of agricultural produce due to sales and disposals		(5,571)	(9,862)
Other operating income		2,116	2,363
Other net (losses)/gains		(10,434)	34,578
Distribution costs		(197,181)	(190,792)
Administrative expenses		(114,386)	(133,889)
Profit from operations		40,547	68,145
Finance costs	4(a)	(25,300)	(24,600)
Share of profit/(losses) of equity accounted investees		8,733	(888)
Profit before taxation	4	23,980	42,657
Income tax	5	(9,950)	(6,410)
Profit for the period		14,030	36,247
Attributable to:			
Equity shareholders of the Company		(15,809)	7,634
Non-controlling interests		29,839	28,613
Profit for the period		14,030	36,247
(Loss)/earnings per share			
– Basic (RMB)	6	(0.016)	0.008
– Diluted (RMB)	6	(0.016)	0.008

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2017 – not audited by auditors
(Expressed in thousands of Renminbi)

	Six months ended 30 June	
	2017	**2016**
Profit for the period	14,030	36,247
Exchange differences on translation of financial statements of overseas subsidiaries	8,549	(2,066)
Total comprehensive income for the period	22,579	34,181
Attributable to:		
Equity shareholders of the Company	(4,405)	3,566
Non-controlling interests	26,984	30,615
Total comprehensive income for the period	22,579	34,181

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2017
(Expressed in thousands of Renminbi)

	Note	**At 30 June 2017 (unaudited)**	**At 31 December 2016 (audited)**
Non-current assets			
Fixed assets			
– property, plant and equipment		1,192,701	1,175,531
– lease prepayments		187,121	189,374
Interests in equity-accounted investees		45,781	85,169
Other non-current financial assets		1,948	1,948
Deferred tax assets		28,807	29,551
Long-term tax recoverable		89,173	91,508
Other non-current assets		21,260	13,053
		1,566,791	1,586,134
Current assets			
Inventories		841,942	939,174
Biological assets		4,350	5,797
Trade receivables	7	373,461	385,222
Other receivables	8	463,958	416,269
Cash and cash equivalents		298,269	327,539
		1,981,980	2,074,001
Current liabilities			
Trade payables	9	385,182	601,357
Other payables	10	402,910	462,926
Provisions		5,556	6,776
Bank loans		704,652	560,147
Dividend payables	11	–	14,221
Income tax payable		2,334	9,355
		1,500,634	1,654,782
Net current assets		481,346	419,219
Total assets less current liabilities		2,048,137	2,005,353
Non-current liabilities			
Bank loans		248,595	243,636
Deferred tax liabilities		521	322
		249,116	243,958
Net assets		1,799,021	1,761,395
Capital and reserves			
Share capital		97,920	97,920
Reserves		913,369	901,466
Retained profits		473,920	489,729
Total equity attributable to equity shareholders of the Company		1,485,209	1,489,115
Non-controlling interests		313,812	272,280
Total equity		1,799,021	1,761,395

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 has been authorised for issue on 7 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 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 based on the current situation. Actual results may differ from these estimates.

2 Changes in accounting policies

(i) Overview

The IASB has issued a number of amendments to International Financial Reporting Standards ("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 7, *Disclosure initiative*
- Amendments to IAS 12, *Recognition of Deferred Tax Assets for Unrealised Losses*
- Annual improvements to IFRSs 2014-2016 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. The Group has presented the following three reportable segments, and no operating segments have been aggregated to form each of the reportable segments.

Meat:	The meat segment carries on business of breeding and hatching of broiler eggs, contract farming, processing and marketing of chilled and frozen chicken meat under the brand of "DaChan".
Livestock feed:	The livestock feed 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 2017 and 2016 is set out below.

For the six months ended 30 June

	Meat		**Livestock feeds**		**Processed foods**		**Total**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover from external customers	1,159,101	991,842	2,234,123	2,170,816	695,848	602,215	4,089,072	3,764,873
Inter-segment turnover (eliminated at consolidation)	202,125	179,791	302,165	187,005	–	–	504,290	366,796
Total	1,361,226	1,171,633	2,536,288	2,357,821	695,848	602,215	4,593,362	4,131,669
Segment gross profit	17,678	11,972	211,272	227,669	134,600	118,449	363,550	358,090

4 Profit before taxation

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

	Six months ended 30 June	
	2017	**2016**
	RMB'000	RMB'000
(a) Finance costs		
Interest on bank borrowings wholly repayable within five years	(25,300)	(24,600)

(b) Other items

	Six months ended 30 June	
	2017	**2016**
	RMB'000	RMB'000
Amortisation of lease prepayments	(2,505)	(2,475)
Depreciation of property, plant and equipment	(70,795)	(69,163)
Net provision of impairment losses on trade receivables	(1,607)	(4,122)
Net (provision)/reversal of write down of inventory	(425)	6,850

5 Income tax

	Six months ended 30 June	
	2017	**2016**
	RMB'000	RMB'000
Current tax	(9,564)	(11,860)
Deferred taxation	(386)	5,450
	(9,950)	(6,410)

(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 2017 is 16.5% (six months ended 30 June 2016: 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 2017 are subject to PRC Corporate Income Tax at a rate of 25% (six months ended 30 June 2016: 25%), except for Tianjin DaChan Prospect Research and Development Co., Ltd. ("TDPR"), which is subject to a preferential tax rate of 15% (six months ended 30 June 2016: 15%), as it has obtained the new high-tech enterprise qualification during 2016.

(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 24% for the six months ended 30 June 2017 (six months ended 30 June 2016: 24%).

(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 30 June 2017 (six months ended 30 June 2016: 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 2017 (six months ended 30 June 2016: 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 17% for the six months ended 30 June 2017 (six months ended 30 June 2016: 17%).

(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 20% for the six-month period ended 30 June 2017 (six months ended 30 June 2016: 20%).

6 Earnings/(loss) per share

The calculation of basic earnings per share as at 30 June 2017 is based on the losses attributable to ordinary equity shareholders of the Company of RMB15,809 thousand (six months ended 30 June 2016: profit of RMB7,634 thousand) and the weighted average of 1,013,519,459 ordinary shares (six months ended 30 June 2016: 1,011,474,984) in issue during the reporting period.

The calculation of diluted loss per share for the six months ended 30 June 2017 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 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.

7 Trade receivables

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

	At 30 June 2017	**At 31 December 2016**
	RMB'000	RMB'000
Current	284,056	303,399
Less than 30 days past due	59,065	54,453
31-60 days past due	15,742	11,890
61-90 days past due	8,455	9,591
More than 90 days past due	21,310	19,620
Amounts past due	104,572	95,554
Less: Provision for bad debt	(15,167)	(13,731)
	373,461	385,222

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

8 Other receivables

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
VAT recoverable	410,199	383,660
Deposits and prepayments	83,647	101,377
Advances to staff	12,972	11,317
Others	46,313	11,423
	553,131	507,777
Less: non – current VAT recoverable	89,173	91,508
	463,958	416,269

9 Trade payables

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

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Current	205,953	353,764
Less than 30 days past due	104,145	175,978
31-60 days past due	36,055	30,293
61-90 day past due	7,665	6,501
More than 90 days past due	31,364	34,821
Amounts past due	179,229	247,593
	385,182	601,357

10 Other payables

	At 30 June 2017	At 31 December 2016
	RMB'000	RMB'000
Sale rebate	130,413	163,786
Salaries, wages, bonuses and other benefits payable	52,083	93,436
Accrued expenses	93,305	81,116
Contract performance deposits	33,635	32,437
Receipts in advance	22,272	14,317
Payables for purchase of fixed assets	9,230	6,728
Amounts due to related parties	42,600	42,600
Others	19,372	28,506
	402,910	462,926

11 Dividends

No payment of an interim dividend of the six months period ended 30 June 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

	Six months ended 30 June		
	2017	**2016**	**% change**
Turnover (RMB'000)	4,089,072	3,764,873	8.6
Gross profit (RMB'000)	363,550	358,090	1.5
Gross profit margin (%)	8.9	9.5	
(Loss)/profit attributable to shareholders of the Company (RMB'000)	(15,809)	7,634	-307.1

In the first half of 2017, income from the meat product segment increased by approximately 18.7% as compared with last year. Affected by H7N9, the domestic chicken meat consumer market was sluggish and market prices of both chicken meat and feather chicken even dropped to the lowest level in the past ten years. Under such severe market environment, the Group grasped market opportunities from its vertically integrated production chain that only electrical slaughtering was profitable, to timely enhance the capacity of its electrical slaughtering factories, in order to obtain price differences and reduce unit processing costs by expanding the scale of electrical slaughtering. Therefore, gross profit of the segment still increased by approximately RMB5,706 thousand as compared with last year.

After hitting a peak in 2016, the price of pigs in China has been declining since the beginning of 2017, hence the profit from pigs breeding and rearing is being compressed substantially and the competition among the feed market becomes more intense. Meanwhile, as affected by the imbalance between the supply and demand of eggs, the price of eggs also dropped to a historically low level that poultry farms gave up the breeding of layers. As a result, sales of the domestic feed segment fell by approximately 12% as compared with last year. To walk away from this predicament, the Group is also actively discussing with various large-scale poultry farms on collaboration opportunities so as to enlarge its market share as soon as possible. In the meantime, the Group has conducted efficiency reviews for its feed factories to reduce operating costs and enhance its competitiveness.

Price of pigs from Vietnam continued to fall in the first half of 2017 and remained at a level below cost for a comparatively long time. The significant decline in large and medium pig stocks in Vietnam resulted in a decrease of approximately 0.8% in gross profit margin of the feed business in Southeast Asia. The Group has actively adapted to the adverse market condition and timely adjusted its product strategies and customer strategies, achieving an increase of approximately 15% in sales as compared with last year.

Food business is the major segment the development of which the Group has in recent years pooled resources in. The domestic food business suffered from the impacts of H7N9 on the consumer market. Nevertheless, by adjusting the proportion of non-chicken-meat products in the product mix and launching more active marketing strategies, sales of professional catering business achieved an increase of approximately 14% as compared with last year. The Group continued to expand its export business to Japan, Hong Kong and Macau in 2017, achieving an increase of approximately 28% in export sales of food in the first half year. The steady growth in sales of food business lays a good foundation for the new Bengbu food factory, which is expected to commence operation in the fourth quarter.

In view of the above, gross profit of the Group for the first half of 2017 increased by approximately RMB5,460 thousand as compared with last year. In addition, due to:

1. the adverse impact from the exchange losses of approximately RMB17,700 thousand as a result of fluctuation in US dollar to Renminbi exchange rate (exchange gain of approximately RMB2,024 thousand for the same period of 2016);

2. the adverse impact from the increase in selling expense for enhancing sales of the food and Southeast Asia's feed segments;

profit attributable to shareholders of the Group decreased by RMB23,443 thousand as compared with last year.

Meat

	Six months ended 30 June		
	2017	**2016**	**% change**
Turnover (RMB'000)	1,177,548	991,842	18.7
Gross profit (RMB'000)	17,678	11,972	47.6
Gross profit margin (%)	1.5	1.2	

The meat product segment mainly sells chilled and frozen chicken meat under the brand of "Sister's Kitchen", sells lightly processed tender chicken meat, supplies chicken meat to fast food shops, internal and external food processors and food processing service providers and supplies feed and day-old-chicks to contract farmers. The production regions of the segment cover Northeast China, Northern China and Eastern China while its sales network covers the entire nation.

Different sourcing of day-old chicks, to a certain extent, helped to hedge risks from the low price of day-old chicks in the first half year; enhancement of breeding and rearing management of broilers and improvement of quality of contracted feed helped to effectively reduce the breeding and rearing costs; strengthening of productivity of electrical slaughtering further reduced processing costs; increase in the brand's valued sales channels reduced the impacts of fluctuation in the meat product market on profitability. Hence, gross profit margin of the meat product segment increased by approximately 0.3% as compared with last year.

Livestock Feed (From External Customers)

	Six months ended 30 June		
	2017	**2016**	**% change**
Turnover (RMB'000)			
– China	816,315	913,134	-10.6
– Vietnam and Malaysia	1,399,361	1,257,682	11.3
Total	2,215,676	2,170,816	2.1
Gross profit (RMB'000)			
– China	65,080	87,069	-25.3
– Vietnam and Malaysia	146,192	140,600	4.0
Total	211,272	227,669	-7.2
Gross profit margin (%)			
– China	8.0	9.5	
– Vietnam and Malaysia	10.4	11.2	
Total	9.5	10.5	

The operating income of the feed segment was primarily derived from the sales of piglet, sow, hog, broiler and egg chicken feed to external customers in China, Vietnam and Malaysia. Corn and soybean are the primary raw materials of feed sold by the Group. The main product brands of this segment are "Dr Nupak", "Green Knight" and "SOS". The production and sales regions of this segment cover Vietnam, Malaysia and Northeast, Northern, Central and Southwest China.

Although due to the fiercely competitive market, gross profit margin of the feed segment of the Group decreased by approximately 1.0% as compared with the same period of last year, the continuous growth in the business scale of the feed segment in Southeast Asia led to an increase of approximately 2.1% in the overall operating income of the Group's feed segment as compared with the same period of last year.

Processed Food

	Six months ended 30 June		
	2017	**2016**	**% change**
Turnover (RMB'000)			
– Mainland China	479,570	444,313	7.9
– Export	216,278	157,902	37.0
Total	695,848	602,215	15.5
Gross profit (RMB'000)			
– Mainland China	101,064	88,619	14.0
– Export	33,536	29,830	12.4
Total	134,600	118,449	13.6
Gross profit margin (%)			
– Mainland China	21.1	19.9	
– Export	15.5	18.9	
Total	19.3	19.7	

The processed food segment includes the production and sale of prepared food under the "Sisters' Kitchen" brand, as well as centrifuged and marinated, stewed, pre-fried, steamed, grilled and ready-to-eat consumer food items. The processed food products of the Group were not only sold in the PRC market, but were also exported to overseas markets like Japan.

Customer groups of the processed food segment include customers at end-consumer markets and professional markets. The sales channels of the processed food segment are mainly group catering, bakery, casual catering, takeaways, international customers, key customers as well as the retail consumption market. The sales areas of the processed food segment cover Japan, Singapore, Hong Kong, Northeast, Northern, Eastern and Southern China and a few inland regions in Northwest and Southwest China.

In the first half of 2017, driven by domestic food and export food segments, operating income of the food segment grew by approximately 15.5% as compared with last year. Despite the appreciation of Renminbi which led to a slight decline in gross profit margin of export foods, the overall gross profit of the food segment still increased by approximately 13.6% as compared with last year, which accounted for approximately 37% of the Group's overall gross profit. Along with the proposed operation of Bengbu food factory in the fourth quarter, the Group will further accelerate its food productization. While strengthening the Group's risk-resisting ability in its integrated supply chain, the food segment also helps to maintain and enhance the Group's overall profitability.

Financial Review:

1) Other Income and Operating Expenses

In the first six months of 2017, other operating income of the Group amounted to approximately RMB2,116 thousand (2016: approximately RMB2,363 thousand). Other income mainly comprised interest income and government subsidies.

In the first six months of 2017, other net losses of the Group amounted to approximately RMB10,434 thousand (other net gains in 2016: approximately RMB34,578 thousand). Other net losses mainly comprised other balances derived from activities other than the Group's business operation such as net foreign exchange losses, reversal of impairment of fixed assets and net loss on disposal of fixed assets.

Distribution costs accounted for approximately 4.82% of total turnover, representing a decrease from the approximately 5.07% of the same period of 2016.

Administrative expenses accounted for approximately 2.80% of total turnover (2016: approximately 3.56%).

2) Liquidity, Financial Resources and Capital Structure

As at 30 June 2017, the Group's cash and bank deposit balances amounted to approximately RMB298,269 thousand, representing a decrease of approximately RMB29,270 thousand as compared with 31 December 2016. Bank loans increased by approximately RMB149,464 thousand to approximately RMB953,247 thousand (31 December 2016: approximately RMB803,783 thousand). Debt to equity ratio was approximately 53.5% (31 December 2016: approximately 45.6%). Current ratio was maintained at a healthy level of approximately 1.32 times (31 December 2016: approximately 1.25 times).

3) Capital Expenditure

In the first six months of 2017, the Group's capital expenditure on the acquisition of properties, machinery and equipment amounted to approximately RMB95,701 thousand, which included the Group's newly established cooked food factories in Bengbu for expansion of the food segment and the Group's newly built feed factories in Vietnam for expansion of the feed segment. The Group's capital expenditure 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 approximately 2.34% and VND against USD appreciated by approximately 0.17%. The above change of exchange rate has no material impact on the Group's business operation.

5) Interest

During the first six months in 2017, the Group's interest expense amounted to approximately RMB25,300 thousand (2016: approximately RMB24,600 thousand), representing an increase of approximately 2.8% as compared with the same period of 2016. 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 2017, the Group pledged land, property, plant and equipment of approximately RMB6,382 thousand as security against bank facilities of approximately RMB44,706 thousand, of which approximately RMB18,329 thousand was utilised as at 30 June 2017.

7) Capital Commitment

As at 30 June 2017, the capital expenditure of the Group contracted for but not provided in the financial statements was approximately RMB174,601 thousand and the capital expenditure authorised but not contracted for was approximately RMB280,476 thousand.

Staff Compensation and Training

As at 30 June 2017, the Group had a total of 10,486 staff (31 December 2016: 9,815). 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 them 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 2017, 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. Cho Yi Ping, is a partner of the Company's legal adviser, Cheung Tong & Rosa Solicitors. Ms. Cho has been appointed as the company secretary of the Company since August 2016. 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. Cho. Information in relation to the performance, financial position and other major developments and affairs of the Group are speedily delivered to Ms. Cho through the contact persons assigned, Ms. Cho is very familiar with the operations and management of the Group. Having in place a mechanism that enables Ms. Cho to keep abreast of the Group's development promptly without material delay and with the expertise and experience of Ms. Cho, the Board is confident that having Ms. Cho as the company secretary is beneficial to the Group's compliance with the relevant board procedures and applicable laws, rules and regulations.

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 23 June 2017 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 standards set out in the Model Code and the Company's code of conduct regarding directors' securities transactions throughout the six months ended 30 June 2017.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2017, 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 advice regarding the Company's financial reporting matters, including reviewing the interim results for the six months ended 30 June 2017, and 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, 7 August 2017

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.