INTERIM REPORT 2010

KONDE 康大

中國康大食品有限公司

CHINA KANGDA FOOD COMPANY LIMITED

(incorporated in Bermuda with limited liability)

Singapore stock code : P74

Hong Kong stock code : 834

CONTENTS

CORPORATE **PROFILE**

Established in 1992, China Kangda is a diversified food manufacturing and processing group based in the PRC and it is primarily engaged in the production, processing, sale and distribution of:

a) chilled and frozen rabbit meat;
b) chilled and frozen chicken meat;
c) processed foods which include a wide range of food products such as instant soup, curry food, chicken-based cooked products, roasted rabbit food, meatballs, de-oxygenated consumer packed chestnuts and seafood; and
d) other products which mainly include pet food, dehydrated vegetables, poultry, rabbit organs, fruits, dried chili, pig liver and seasoning.

The Group's chilled and frozen rabbit meat is mainly exported to European Union ("EU") and Russia. Besides selling products under its own brand names of "康大", "嘉府", "U味", and "KONDA", the Group also acts as an OEM manufacturer of a variety of processed foods including meatballs, seafood, chicken-based cooked products, chestnuts, instant soups and curry products for Japanese food corporations including Zensho, Asahimatsu, Keio Sangyo, Nissin and Kyoei Transport & Warehouse Co., Ltd, as well as various customers in Korea.

The Group currently distributes its wide range of products in 26 provinces and over 30 major cities in the PRC and exports to more than 20 countries and cities including Japan, South Korea, Hong Kong, Russia and certain countries in the EU.

As one of the only 12 companies in the PRC to have authorization to supply rabbit meat to the EU, China Kangda currently is the largest exporter of rabbit meat to the EU and Russia in the PRC. The Group is further strengthening its foothold in this segment through aggressive expansion strategies.

For more information, please log on to www.kangdafood.com

Corporate ***Information***

BOARD OF DIRECTORS
Executive:
Gao Yanxu (CEO)
An Fengjun

Non-executive:
Gao Sishi (Chairman)
Zhang Qi

Independent non-executive:
Kuik See Juan
Sim Wee Leong
Yu Chung Leung

COMPANY SECRETARIES
Fong William (HKICPA)
Josephine Toh Lei Mui (ACIS)

AUDIT COMMITTEE
Sim Wee Leong (Chairman)
Kuik See Juan
Zhang Qi
Yu Chung Leung

REMUNERATION COMMITTEE
Yu Chung Leung (Chairman)
Kuik See Juan
Sim Wee Leong
Gao Sishi

NOMINATION COMMITTEE
Kuik See Juan (Chairman)
Sim Wee Leong
Gao Yanxu
Yu Chung Leung

AUTHORISED REPRESENTATIVES
Fong William
Gao Yanxu

LEGAL ADVISERS
as to Hong Kong law:
P. C. Woo & Co.
12th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

as to Singapore Law:
WongPartnership LLP
One George Street #20-01
Singapore 049145

as to PRC law:
Hitrust & Co. Law Firm
2401-02, Gang Ao Building
No. 27, Shandong Road
Qingdao
PRC

AUDITORS
Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

AUDIT PARTNER-IN-CHANGE
Norman Tsui
(since the financial year ended
31 December 2007)

REGISTERED OFFICE
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

WEBSITE OF THE COMPANY
www.kangdafood.com
(The contents of the Company's
website do not form part of this
document)

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC
No. 1, Hai Nan Road
Economic and Technology
Development Zone
Jiaonan City
Shandong Province
PRC

PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART XI OF THE COMPANIES ORDINANCE
Room 4215, Office Tower
Convention Plaza,
No. 1 Harbour Road
Wanchai
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

ACQUISITION OF SUBSIDIARIES

On 20 January 2010, an ordinary resolution proposed for approving the acquisition with two independent vendors to acquire 100% equity interest in Shandong Kaijia Food Company Limited ("Kaijia Food") and its subsidiary, Shandong Kaijia International Trade Co., Ltd. ("Kaijia Trade"), with a total consideration of approximately RMB130.0 million was duly passed by the shareholders of the Company by way of poll at a special general meeting. The acquisition was completed on 24 February 2010.

The principal activities of Kaijia Food and Kaijia Trade are that of production and sale of chilled and frozen meat products and other processed food products. The acquisition would provide synergy to the business of the Group and benefit the setting of the overall strategic and development plans of the Group's business in the PRC.

Assembly and sale of chilled and frozen meat products and other processed food products have commenced and are running smoothly. Revenue and profit contributions from these subsidiaries are expected to grow steadily in the coming years.

BUSINESS REVIEW

The business environment remained challenging despite the recovering demand. For the first half year of 2010, the Group's profit after tax decreased by 79.3% to RMB3.6 million although the Group's turnover had improved with the increasing sales level. The decline in the profit after tax was mainly attributable to the decrease of average selling price of the Group's chicken meat products arising from keen competition in the PRC domestic market and the increase in the cost of raw materials of processed food products. Both factors caused the decline of the gross profit margin of chicken meat products and processed food products

The Group is continuously operating in a competitive environment for its product segments. To maintain its competitiveness, the Group seeks to continuously upgrade and expand its production facilities to meet the increase in market demand for its products. The Group is able to control its products' cost through enhancement in its existing production facilities.

The Group has also implemented an extensive market strategy with emphasis on good relationships with customers and suppliers and focuses on widening its international client base and continual introduction of various products to the PRC market.

OPERATING AND FINANCIAL REVIEW

Revenue by Products

	Six months ended 30 June		% Change
	2010 RMB'000 Unaudited	2009 RMB'000 Unaudited	Unaudited +/(-)
Processed food products	147,123	145,796	0.9
Chilled and frozen rabbit meat	98,172	54,684	79.5
Chilled and frozen chicken meat	115,274	107,325	7.4
Other products	82,628	36,991	123.4
Total	**443,197**	**344,796**	**28.5**

Chilled and Frozen Meat Products

The rabbit and chicken meat segments contributed 48.2% to the Group's total revenue for the six months ended 30 June 2010 ("HY2010") compared to 47.0% of the previous corresponding period end 30 June 2009 ("HY2009"). The revenue of the rabbit and chicken meat segments registered a 31.7% increase to RMB213.4 million in HY2010.

Revenue derived from the sale of rabbit meat increased by 79.5% to RMB98.2 million in HY2010. The increase was attributable to the increasing demand for the Group's rabbit meat products in the EU and Russian markets.

Revenue of the chicken meat segment contributed 26.0% to the Group's total revenue for HY2010. Revenue slightly increased by 7.4% to RMB115.3 million in HY2010. The slightly increase was due to the recovering demand in the PRC domestic market.

Processed Food Products

Revenue derived from processed food remained relatively stable at RMB147.1 million in HY2010 with a slight increase of 0.9%.

Other Products

Revenue derived from the production and sale of other products increased by 123.4% to RMB82.6 million in HY2010, due mainly to the strong demand from both PRC domestic and Korea markets.

The increase in revenue was largely driven by an increase in demand for the Group's pet food products. Pet food sales contributed over 50% to this segment with growth was generated from Beijing and Shanghai markets in the PRC and overseas markets in Japan and Korea.

Revenue by Geographical Markets

	Six months ended 30 June		
	2010 RMB'000 Unaudited	2009 RMB'000 Unaudited	% Change Unaudited +/(-)
Export	189,926	145,883	30.2
PRC	253,271	198,913	27.3
Total	**443,197**	**344,796**	**28.5**

On a geographical basis, revenue from export sales increased by 30.2% to RMB189.9 million in HY2010. The increase in export sales was attributable mainly to the increase in export sales of rabbit meat products.

PRC sales increased by 27.3% to RMB253.3 million in HY2010. The increase was mainly attributable to the increase in sale of chicken meat products to PRC domestic market.

PROFITABILITY

Gross Profit ("GP") and Margin

	Six months ended 30 June 2010		Six months ended 30 June 2009		Change	% Change
	GP RMB'000 Unaudited	Margin % Unaudited	GP RMB'000 Unaudited	Margin % Unaudited	GP RMB'000 Unaudited	GP % Unaudited
Processed food products	14,979	10.2	21,567	14.8	(6,588)	(30.5)
Chilled and frozen rabbit meat	18,672	19.0	10,304	18.8	8,368	81.2
Chilled and frozen chicken meat	7,581	6.6	9,764	9.1	(2,183)	(22.4)
Other products	705	0.9	1,881	5.1	(1,176)	(62.5)
Total	**41,937**	**9.5**	**43,516**	**12.6**	**(1,579)**	**(3.6)**

Gross profit margin declined from 12.6% to 9.5% in HY2010 which was due mainly to the increased raw materials prices of processed food products and the reduced price of chicken meat products in the PRC domestic market.

Processed Food Products

Gross profit decreased by 30.5% to RMB15.0 million in HY2010. Gross profit margin declined to 10.2% from 14.8% was due mainly to the increased raw materials prices.

Chilled and Frozen Rabbit Meat

Chilled and frozen rabbit meat business became the main profit contributor in HY2010. Gross profit margin for chilled and frozen rabbit meat segment remained relatively stable at 19.0% in HY2010 with a slightly increase of 0.2% as the Group was able to control the cost of raw materials through its self-supply of rabbit meat resulting from its vertically integration model of manufacturing.

Chilled and Frozen Chicken Meat

Decrease in gross profit of chilled and frozen chicken meat segment was due mainly to the reduced price of chicken meat products resulting from fierce competition from small plants that swarmed into the chicken meat market in the PRC domestic market. Gross profit margin decreased to 6.6% in HY2010 and gross profit decreased by 22.4% to RMB7.6 million.

Other Products

Other products are mainly chicken and rabbit meat by-products and pet food products, which are not the core profit drivers of the Group. Gross profit margin decreased to 0.9% in HY2010 and gross profit decreased by 62.5% to RMB0.7 million.

Other Income

Other income comprised mainly government grants and interest income from bank deposits amounting to RMB3.1 million and RMB1.8 million respectively. The rest were rental income, recovery of gas, electricity from customers.

Selling and Distribution Expenses

Selling and distribution expenses comprised mainly transportation costs of RMB3.3 million and staff costs of RMB1.5 million. Advertising and promotion activities remained constant in HY2010.

Administrative Expenses

Administrative expenses comprised mainly staff costs, professional fees, travelling expenses and etc. The significant increase of 32% amounting to RMB31.8 million for HY2010 was due mainly to the acquisition of four subsidiaries and the establishment of several subsidiaries in both 2009 and 2010 which resulted in higher administrative expenses and more employees being employed by the Group.

Finance Costs

Finance costs increased by 71.8% to RMB7.9 million for HY2010 resulted from the consolidation of Kaijia Food and its subsidiary. The bank loans interest amounting to RMB2.5 million was incurred by Kaijia Food and its subsidiary.

Taxation

Income tax expense decreased in line with decrease in profit before taxation for HY2010.

REVIEW OF THE GROUP'S FINANCIAL POSITION AS AT 30 JUNE 2010

The increase in property, plant and equipment represented the Group's addition of facility and construction in progress, mainly in the course of the acquisition of Kaijia Food and its subsidiary, amounting to RMB238.9 million and depreciation for HY2010 amounted to RMB11.9 million.

The prepaid premium for land leases increased by RMB26.3 million in HY2010 was mainly a result of the acquisition of Kaijia Food and its subsidiary.

Goodwill arising from the acquisitions of Kaijia Food and its subsidiary, Qingdao Kangda Modern Agricultural Technology Development Co., Ltd and Qingdao Pu De Food Co., Ltd. amounted to RMB56.8 million, RMB0.4 million and RMB2.7 million respectively.

The intangible assets refer to the export licences and hygiene registration certificates awarded by the relevant authorities in Japan and EU where the registered products produced by the Group are allowed to be exported to these countries. The increased in intangible assets by RMB7.9 million in HY2010 arose from the acquisition of Kaijia Food and its subsidiary.

Biological assets refer to progeny rabbits and progeny chickens for sale and breeder rabbits and chickens held for breeding purpose. These biological assets were valued by the directors of the Group at 30 June 2010 with reference to the market-determined prices of items with similar size, species and age. The valuation methodology is in compliance with IAS 41 to determine the fair value of biological assets in their present location and condition.

Inventories increased by approximately RMB59.3 million to approximately RMB137.9 million in anticipation increase in demand in the third quarter of 2010. The inventory turnover day for HY2010 was 48 days compared to 38 days for the year ended 31 December 2009 ("FY2009").

Trade receivables increased by approximately RMB18.0 million or 20.6% to approximately RMB105.5 million in HY2010 in line with the increase in business volume. The trade receivable turnover days decreased to 39 days in HY2010 compared with 41 days in FY2009.

Prepayments, other receivables and deposits increased by approximately RMB23.6 million and to approximately RMB43.4 million as at 30 June 2010 due mainly to the increase of deposits placed with the Group's suppliers for construction in progress resulted from the increase of capital expenditure.

Trade payables increased by approximately RMB31.4 million from approximately RMB48.1 million as at 31 December 2009 to approximately RMB79.4 million as at 30 June 2010 due to the increase of purchase of raw materials to cater to the anticipated increase in demand in the third quarter of 2010.

Accrued liabilities, other payables and deposits received represented payables for construction and facilities, salary and welfare payables, accrued expenses and deposit received and remained constant in HY2010.

Tax payables decreased from RMB2.2 million as at 31 December 2009 to RMB1.4 million as at 30 June 2010. This was due to the settlement of income tax during the HY2010.

CAPITAL STRUCTURE

As at 30 June 2010, the Group had net assets of approximately RMB697.1 million (31 December 2009 RMB664.6 million), comprising non-current assets of approximately RMB773.0 million (31 December 2009: RMB433.8 million), and current assets approximately RMB381.9 million (31 December 2009: RMB466.0 million). The Group recorded a net current liability position of approximately RMB50.4 million (31 December 2009: net current asset position of RMB283.5 million) as at 30 June 2010, which primarily consist of cash and bank balances amounted to approximately RMB77.1 million (31 December 2009: RMB267.9 million). Moreover, inventories amounted to approximately RMB137.9 million (31 December 2009: RMB78.6 million) and trade receivables amounted to approximately RMB105.5 million (31 December 2009: RMB87.5 million) are also major current assets. Major current liabilities are trade payables and interest-bearing bank borrowings amounted to RMB79.4 million (31 December 2009: RMB48.1 million) and RMB305.3 million (31 December 2009: RMB66.8 million) respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2010, the Group has cash and cash equivalent of approximately RMB77.1 million (31 December 2009: RMB267.9 million) and had total interest-bearing bank borrowings of approximately RMB305.3 million (31 December 2009: RMB109.8 million). RMB65.3 million was subject to floating rate of 3.0% over HIBOR per annum and the remaining RMB240.0 million was fixed rate debts with interest rate at 5.0% to 5.6% per annum.

The gearing ratio for the Group was 46.7% (31 December 2009: 16.9%) as at 30 June 2010, based on net debt of RMB305.3 million (31 December 2009: RMB109.8 million) and equity attributable to equity holders of RMB654.1 million (31 December 2009: RMB649.6 million). The Group serves its debts primarily with recurring cash flow generated from its operation, the board of directors of the Company is confident that the Group has adequate financial resources to meet its future debt repayment and support its working capital requirement and future expansion.

FOREIGN CURRENCY EXPOSURE

The Group is exposed to foreign exchange risk during the period under review arising from various currency exposures mainly to the extent of its receivables in currencies denominated in US dollars, Japanese Yen and EURO.

The Group neither has a formal foreign currency hedging policy nor conducts hedging exercise to reduce foreign currency exposure. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should it be necessary.

CAPITAL COMMITMENTS

As at 30 June 2010, the Group had capital commitments in respect of the acquisition of property, plant and equipment and land and the acquisition of subsidiaries contracted for but not provided in the financial statements amounting to approximately RMB20.6 million and Nil respectively (31 December 2009: RMB30.6 million and RMB130.0 million respectively) and did not have any authorised but not contracted for capital commitments (31 December 2009: Nil).

CHARGE ON ASSETS

As at 30 June 2010, a syndicated loan of RMB65.3 million was guaranteed and secured against the Company's interests in its two subsidiaries, Perfect Good Group Limited and Spiritzone Group Limited.

During the period, bank loan of RMB70.0 million was borrowed and secured by the pledge of certain of the Group's property, plant and equipment with a net carrying amount of RMB61.0 million and land use rights with a net carrying amount of RMB13.9 million.

Saved as disclosed above, the remaining bank loans were guaranteed by the inter-group companies.

CONTINGENT LIABILITIES

As at 30 June 2010, the Group did not have any material contingent liabilities (31 December 2009: Nil).

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2010, the Group employed a total of 4,056 employees (as at 30 June 2009: 2,813 employees) situated in the PRC. The Group's emolument policy is formulated based on industry practices and performance of individual employees. During the period under review, the total staff costs (including directors' emoluments) amounted to approximately RMB38.9 million (six months ended 30 June 2009: RMB26.0 million). The Company does not have share option scheme to employees.

OTHER ***INFORMATION***

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2010, the interests and short positions of the directors and chief executives in the shares and underlying shares of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register of members of the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") (together, "Discloseable Interests") were as follows:

	Long positions in the shares the Company					
Name of Directors	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	%
Gao Sishi	166,740,000	–	–	–	166,740,000	38.5
Gao Yanxu	14,310,000	–	–	–	14,310,000	3.3
Zhang Qi	8,910,000	–	–	–	8,910,000	2.1
An Fengjun	–	–	–	–	–	–
Kuik See Juan	–	–	–	–	–	–
Sim Wee Leong	–	–	–	–	–	–
Yu Chung Leung	–	–	–	–	–	–
	189,960,000	–	–	–	189,960,000	43.9

Save as disclosed above, as at 30 June 2010, none of the directors, chief executives of the Company nor their associates had or was deemed to have any interests or short position in the shares, or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which have been recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which has been notified to the Company and the Stock Exchange pursuant to the Mode Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

In respect of the Company

As at 30 June 2010, insofar as is known to the directors and chief executive of the Company, the following persons (not being a director or chief executive of the Company), had an interest or short position in the shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholders	Capacity/nature of interests	Number of shares held	Approximate percentage of issued share capital (%)
Cheng Xiutai (Note 1)	Registered and beneficial owner	33,300,000	7.7
Proven Choice Group Limited (Note 2)	Registered and beneficial owner	30,000,000	6.9
Huang Quan (Note 2)	Deemed interests	30,000,000	6.9
Zensho Co. Ltd. (Note 3)	Register and beneficial owner	29,619,000	6.8

Notes:

1. Mr. Cheng Xiutai is an independent third party.

2. Proven Choice Group Limited was wholly-owned by Huang Quan who is not related to any of the directors or shareholders of the Company. As such, Huang Quan is deemed to be interested in the 30,000,000 shares held by Proven Choice Group Limited under Part XV of the SFO.

3. Zensho Co. Ltd. is an independent third party and is a listed company in Japan.

Save as disclosed above, the directors are not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as at 30 June 2010, which would fall to be disclosed under Division 2 and 3 of Part XV of the SFO were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIVIDENDS

The Board of the directors of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2010. No interim dividend was paid in respect of the six months ended 30 June 2009.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHT TO ACQUIRE SHARES OR DEBENTURES

During the period under review, there was no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or the chief executive of the Company or their respective spouse or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the directors or the chief executive of the Company to acquire such rights in any other body corporate.

PURCHASE, SALE, REDEMPTION OR CANCELLATION OF THE COMPANY'S LISTED SECURITIES OR REDEEMABLE SECURITIES

During the period, neither the Company nor any of its subsidiaries has purchased, redeemed, sold or cancelled any of the Company's listed securities or redeemable securities during the six months ended 30 June 2010.

AUDIT COMMITTEE

The audit committee of the Company consists of the independent non-executive directors, namely Mr. Sim Wee Leong, Mr. Kuik See Juan and Mr. Yu Chung Leung and the non-executive director of the Company, Mr. Zhang Qi. The audit committee has reviewed with management the accounting principles and standards adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the Company's unaudited financial statements for the six months ended 30 June 2010.

CODE ON CORPORATE GOVERNANCE PRACTICE

In the opinion of the directors of the Company, the Company has adopted and complied with the code provisions of the Code on Corporate Governance Practices, as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Having made specific enquiry of the directors of the Company, all the directors confirmed that they had complied with the required standards as set out in the Model Code during the six months ended 30 June 2010.

APPRECIATION

I would like to thank the Board, management and all our staff for their hard work and dedication, as well as our shareholders and customers for their support to the Group.

On behalf of the Board
China Kangda Food Company Limited
Gao Sishi
Chairman

Hong Kong, 13 August 2010

As at the date of this interim report, the executive directors of the Company are Mr. Gao Yanxu (chief executive) and Mr. An Fengjun; the non-executive directors of the Company are Mr. Gao Sishi (non-executive chairman) and Mr. Zhang Qi; and the independent non-executive directors of the Company are Mr. Kuik See Juan, Mr. Sim Wee Leong and Mr. Yu Chung Leung.

Unaudited Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	Notes	Six months ended 30 June 2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Revenue	5	443,197	344,796
Cost of sales		(401,260)	(301,280)
Gross profit		41,937	43,516
Other income	5	11,889	12,418
Selling and distribution expenses		(9,854)	(7,950)
Administrative expenses		(31,821)	(24,110)
Other operating expenses		(251)	(492)
Profit from operations	6	11,900	23,382
Finance costs	7	(7,899)	(4,597)
Profit before taxation		4,001	18,785
Income tax expense	8	(355)	(1,145)
Profit for the period		3,646	17,640
Other comprehensive income		–	–
Total comprehensive income for the period		3,646	17,640
Profit for the period attributable to:			
Owners of the Company		4,552	17,568
Non-controlling interests		(906)	72
		3,646	17,640
Total comprehensive income attributable to:			
Owners of the Company		4,552	17,568
Non-controlling interests		(906)	72
		3,646	17,640
Earnings per share attributable to owners of the Company	10		
Basic (RMB cents)		1.05	4.05
Diluted (RMB cents)		–	–

Unaudited Consolidated Statement of Financial Position

As at 30 June 2010

	Notes	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		523,723	296,978
Prepaid premium for land leases		129,564	103,220
Intangible assets		11,988	4,085
Interest in an associate		682	682
Goodwill		59,894	3,073
Biological assets		14,884	20,791
Deferred tax assets		32,262	4,960
		772,997	433,789
Current assets			
Biological assets		18,000	12,230
Inventories		137,906	78,649
Trade receivables	11	105,452	87,467
Prepayments, other receivables and deposits		43,398	19,787
Cash and bank balances		77,149	267,884
		381,905	466,017
Current liabilities			
Trade payables	12	79,442	48,076
Accrued liabilities, other payables and deposits received		45,322	43,128
Interest-bearing bank borrowings	13	305,284	66,795
Amount due to a related company		221	21,585
Deferred government grants		658	658
Tax payables		1,386	2,243
		432,313	182,485
Net current assets/(liabilities)		(50,408)	283,532
Total assets less current liabilities		722,589	717,321

Unaudited Consolidated Statement of Financial Position

As at 30 June 2010

	Notes	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Non-current liabilities			
Interest-bearing bank borrowings	13	–	42,991
Deferred government grants		9,429	9,759
Deferred tax liabilities		16,090	–
		25,519	52,750
Net assets		697,070	664,571
EQUITY			
Equity attributable to owners of the Company			
– Share capital		112,176	112,176
– Reserves		541,958	537,406
		654,134	649,582
Non-controlling interests		42,936	14,989
Total equity		697,070	664,571

Unaudited Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Equity attributable to equity holders of the Company								
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Capital redemption reserve RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2010 (Audited)	112,176	257,073	(41,374)	2,374	38,782	280,551	649,582	14,989	664,571
Acquisition of a subsidiaries (Unaudited)	–	–	–	–	–	–	–	19,413	19,413
Incorporation of subsidiaries (Unaudited)	–	–	–	–	–	–	–	9,440	9,440
Transactions with owners (Unaudited)	–	–	–	–	–	–	–	28,853	28,853
Profit for the period (Unaudited)	–	–	–	–	–	4,552	4,552	(906)	3,646
Other comprehensive income (Unaudited)	–	–	–	–	–	–	–	–	–
Total comprehensive income for the period (Unaudited)	–	–	–	–	–	4,552	4,552	(906)	3,646
At 30 June 2010 (Unaudited)	112,176	257,073	(41,374)	2,374	38,782	285,103	654,134	42,936	697,070
At 1 January 2009 (Audited)	114,178	261,198	(41,374)	372	33,970	257,010	625,354	3,695	629,049
Repurchase of share capital (Unaudited)	(2,002)	(4,125)	–	–	–	–	(6,127)	–	(6,127)
Disposal of equity interest in a subsidiary (Unaudited)	–	–	–	–	–	–	–	(3,767)	(3,767)
Transfer to capital redemption reserve (Unaudited)	–	–	–	2,002	–	(2,002)	–	–	–
Transactions with owners (Unaudited)	(2,002)	(4,125)	–	2,002	–	(2,002)	(6,127)	(3,767)	(9,894)
Profit for the period (Unaudited)	–	–	–	–	–	17,568	17,568	72	17,640
Other comprehensive income (Unaudited)	–	–	–	–	–	–	–	–	–
Total comprehensive income for the period (Unaudited)	–	–	–	–	–	17,568	17,568	72	17,640
At 30 June 2009 (Unaudited)	112,176	257,073	(41,374)	2,374	33,970	272,576	636,795	–	636,795

Unaudited Consolidated Cash Flow Statement

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Cash flows from operating activities		
Profit before taxation		
Adjustments for:	4,001	18,785
Interest income	(1,825)	(8,424)
Interest expenses	7,899	4,597
Depreciation of property, plant and equipment	11,889	8,754
Amortisation of prepaid premium for land leases	3,256	725
Amortisation of intangible assets	2,298	–
Gain arising from change in fair value less estimated point-of-sale costs of biological assets, net	(749)	(188)
Amortisation of deferred income on government grants	(330)	(132)
Loss on disposal of property, plant and equipment	186	882
Operating profit before working capital changes	26,625	24,999
Increase in inventories	(50,813)	(12,156)
Decrease in trade receivables	3,093	31,824
Decrease in biological assets	885	3,458
Decrease in amount due to a related company	(33,311)	(1,047)
Increase in prepayments, other receivables and deposits	(23,454)	(6,829)
Decrease in trade and bills payables	(3,852)	(30,705)
Decrease in accrued liabilities, other payables and deposits received	(15,047)	(7,741)
Cash (used in)/generated from operations	(95,874)	1,803
Interest paid	(7,899)	(4,597)
Income taxes paid	(3,957)	(4,791)
Net cash used in operating activities	(107,730)	(7,585)

Unaudited Consolidated Cash Flow Statement

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Cash flows from investing activities		
Purchases of property, plant and equipment	(24,377)	(36,950)
Additions to prepaid premium for land leases	–	(47,894)
Acquisition of subsidiaries	(123,890)	–
Proceeds from disposal of a subsidiary	–	8,787
Proceeds from disposal of property, plant and equipment	36	33
Interest received	1,825	8,424
Net cash used in investing activities	(146,406)	(67,600)
Cash flows from financing activities		
Repayment of bank loans	(186,039)	(36,299)
Addition of bank loans	240,000	–
Capital injection from the minority shareholders	9,440	–
Repurchase of shares	–	(6,127)
Net cash generated from/(used in) financing activities	63,401	(42,426)
Net decrease in cash and cash equivalents	(190,735)	(117,611)
Cash and cash equivalents at beginning of financial period	267,884	461,118
Cash and cash equivalents at end of financial period	77,149	343,507
Analysis of balances of cash and cash equivalents		
Cash and bank balances	77,149	343,507

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2010

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda on 28 April 2006. The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The principal place of business of the Company is located at No. 1, Hainan Road, Economic and Technology Development Zone, Jiaonan City, Qingdao, the People's Republic of China. The Company's shares have been listed on the Mainboard of the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 October 2006 and 22 December 2008 respectively.

The principal activity of the Company is investment holding. The principal activities of the Group are production and sale of food products, breeding and sale of livestock, poultry and rabbits.

The Group's operations are principally conducted in the People's Republic of China (the "PRC"). The financial statements are presented in Renminbi ("RMB"), being the functional currency of the Group.

2. ADOPTION OF NEW OR AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised IFRSs") which are effective for the Group's financial year beginning on 1 January 2010.

IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs 2008
IFRSs (Amendments)	Improvements to IFRSs 2009
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 39 (Amendment)	Eligible Hedged Items
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (Revised)	Business Combinations
IFRIC-Int 17	Distributions of Non-cash Assets to Owners

The Group applies IFRS 3 (Revised) Business Combinations prospectively to business combinations for with the acquisition date is on or after 1 January 2010. The requirement in IAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2010

2. ADOPTION OF NEW OR AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

For the six months ended 30 June 2010, the adoption of IFRS 3 (Revised) has affected the accounting for the Group's acquisition of Kaijia Food and its subsidiary Kaijia Trade by increasing the Group's expenses related to acquisition-related costs by RMB2.0 million. Business combinations for which the acquisition date is before 1 January 2010 have not been restated.

In addition, as part of Improvements to IFRSs issued in 2009, IAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to IAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendment to IAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in IAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. In accordance with the transitional provisions set out in the amendment to IAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. The application of the amendments to IAS 17 has no impact on the Group's leasehold land.

The application of the other new and revised IFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

3. BASIS OF PREPARATION

The financial statements have been prepared in accordance with IFRSs which collective term includes all applicable individual IFRSs, International Accounting Standards and Interpretations issued by the IASB. The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The financial statements have been prepared on the historical cost basis except for biological assets which are stated at fair values.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2010

4. SEGMENT INFORMATION

The Group is organised into four main business segments:

- Production and sale of chilled and frozen rabbit meat
- Production and sale of chilled and frozen chicken meat
- Production and sale of processed food
- Production and sale of other products

Information regarding the Group's reportable segments as provided to the Group's executive directors is set out below:

	Six months ended 30 June 2010				
	Processed food RMB'000 (unaudited)	Chilled and frozen rabbit meat RMB'000 (unaudited)	Chilled and frozen chicken meat RMB'000 (unaudited)	Other products RMB'000 (unaudited)	Total RMB'000 (unaudited)
Reportable segment revenue					
– revenue from external customers	147,123	98,172	115,274	82,628	443,197
Reportable segment profit	11,066	14,684	5,818	515	32,083

	Six months ended 30 June 2009				
	Processed food RMB'000 (unaudited)	Chilled and frozen rabbit meat RMB'000 (unaudited)	Chilled and frozen chicken meat RMB'000 (unaudited)	Other products RMB'000 (unaudited)	Total RMB'000 (unaudited)
Reportable segment revenue					
– revenue from external customers	145,796	54,684	107,325	36,991	344,796
Reportable segment profit	18,279	8,402	7,260	1,625	35,566

A reconciliation between the reportable segment profit and the Group's profit before taxation is set out below:

	Six months ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Reportable segment profit	32,083	35,566
Other income	11,889	12,418
Administrative expenses	(31,821)	(24,110)
Other operating expenses	(251)	(492)
Finance costs	(7,899)	(4,597)
Profit before taxation	4,001	18,785

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2010

5. REVENUE AND OTHER INCOME

Revenue of the Group, which is also the turnover of the Group, represents the net invoiced value of goods sold, net of allowances for returns, trade discounts and value-added tax. An analysis of the Group's revenue and other income is as follows:

	Six months ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Revenue		
Sale of goods	443,197	344,796
Other income		
Interest income on financial assets stated at amortised cost		
– Interest income on bank deposits	1,825	8,424
Rental income	134	–
Amortisation of deferred income on government grants	330	132
Government grants related to income	3,101	220
Gains arising from changes in fair value less estimated point-of-sale costs of biological assets, net	749	188
Others	5,750	3,454
	11,889	12,418

6. PROFIT FROM OPERATIONS

The Group's profit from operations is arrived at after charging/(crediting):

	Six months ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Cost of inventories recognised as an expense	401,260	301,280
Depreciation of property, plant and equipment	11,889	8,754
Amortisation of intangible assets	2,298	–
Amortisation of prepaid premium for land leases	3,256	725
Minimum lease payments under operating leases for production facilities	154	382
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets, net	(749)	(188)
Staff costs (including directors' remuneration)	38,863	26,040
Less: Retirement scheme contribution	(4,850)	(3,257)
	34,013	22,783
Loss on disposal of property, plant and equipment	186	882
Exchange loss	3,267	1,303

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2010

7. FINANCE COSTS

	Six months ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Interest charges on:		
Bank loans wholly repayable within five years	7,899	4,597

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Current year provision		
– PRC corporate income tax	355	1,666
Deferred tax	–	(521)
Total income tax expense	355	1,145

No Hong Kong profits tax has been provided for the six months ended 30 June 2010 as the Group did not derive any assessable profit in Hong Kong during the period (six months ended 30 June 2009: Nil).

PRC corporate income tax is provided at the rates applicable to the subsidiaries in the PRC on the income for statutory reporting purpose, adjusted for income and expense items which are not assessable or deductible for income tax purposes based on existing PRC income tax regulations, practices and interpretations thereof.

9. DIVIDENDS

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of approximately RMB4,552,000 (six months ended 30 June 2009: RMB17,568,000) and on the weighted average of 432,948,000 (six months ended 30 June 2009: 432,948,000) ordinary shares in issue during the period.

No diluted earnings per share for the six months ended 30 June 2010 and 2009 has been presented as the Company has no potential dilutive ordinary shares during the period.

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2010

11. TRADE RECEIVABLES

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values at initial recognition.

The aging analysis of trade receivables based on invoice dates as at the reporting dates are as follows:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Within 30 days	53,010	70,321
31 – 60 days	25,293	12,358
61 – 90 days	17,449	1,816
91 – 120 days	8,061	1,769
Over 120 days	1,639	1,203
	105,452	87,467

Before accepting any new customer, the Group will assess the potential customer's credit quality and set credit limits for that customer. Limits attributed to customers are reviewed once a year.

12. TRADE PAYABLES

Trade payables are non-interest bearing and are normally settled on 60 days terms.

The aging analysis of trade payables as at the reporting dates are as follows:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Within 60 days	47,455	35,176
61 – 90 days	17,470	3,737
91 – 120 days	8,184	2,145
Over 120 days	6,333	7,018
	79,442	48,076

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2010

13. INTEREST-BEARING BANK BORROWINGS

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Non-current		
Interest-bearing bank borrowings	–	42,991
Current		
Interest-bearing bank borrowings	305,284	66,795
Total interest-bearing bank borrowings	305,284	109,786

As at 30 June 2010, in respect of syndicated loans with carrying amounts of approximately HK$78.8 million, the Group breached certain loan covenants as stipulated in the loan agreement, which are primarily related to the negative pledge, negative borrowing, negative guarantees and financial covenants on consolidated tangible net worth and leverage ratio. On discovery of the breach, the directors of the Company informed the relevant lenders and commenced a renegotiation of the terms of the syndicated loan with the lenders. At the reporting date, the lenders have not yet agreed to waive the loan covenants and has demanded the remaining balance to be early repayable by three instalments with the last instalment repayable on 13 April 2011. The non-current portion of this loan originally repayable by 13 October 2011 amounting to HK$26.3 million has been classified as a current liability in the consolidated statement of financial position as at 30 June 2010.

The Group expects to raise after the period end, unsecured bank borrowings of approximately RMB100.0 million in order to meet its financing requirements. The additional bank borrowing will also be used for financing the general corporate funding requirements.