



SUMPO FOOD HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1089

Interim Report **2012**



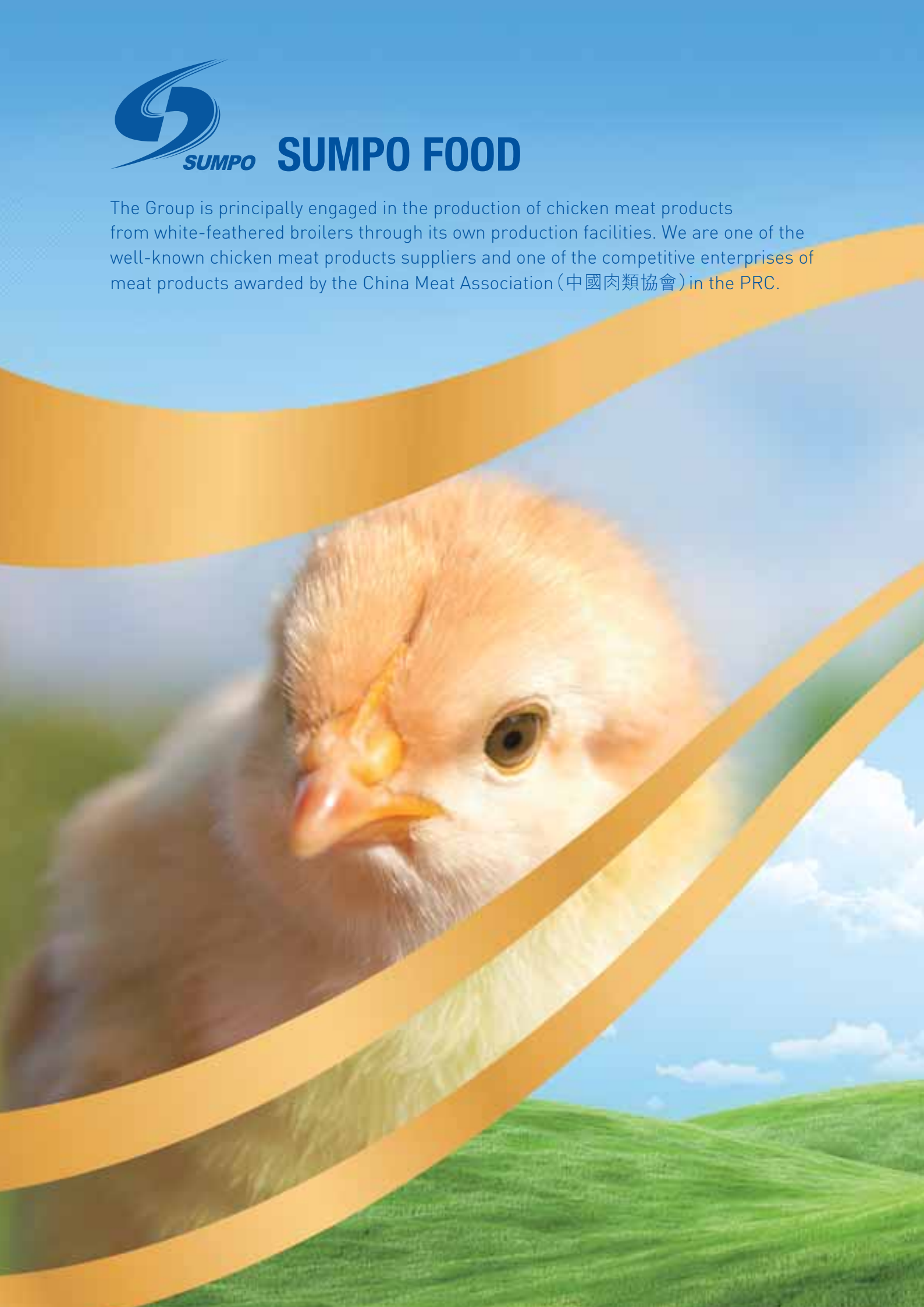
In Pursuit of
Quality



SUMPO

SUMPO FOOD

The Group is principally engaged in the production of chicken meat products from white-feathered broilers through its own production facilities. We are one of the well-known chicken meat products suppliers and one of the competitive enterprises of meat products awarded by the China Meat Association (中國肉類協會) in the PRC.



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Corporate Information

DIRECTORS

Executive Directors

Mr. Lin Qinglin (*Chairman*)
Mr. Wu Shiming
Mr. Yin Shouhong

Independent Non-Executive Directors

Mr. Hu Chung Ming
Mr. Chau On Ta Yuen
Mr. Wei Ji Min

AUDIT COMMITTEE

Mr. Hu Chung Ming (*Committee Chairman*)
Mr. Chau On Ta Yuen
Mr. Wei Ji Min

REMUNERATION COMMITTEE

Mr. Hu Chung Ming (*Committee Chairman*)
Mr. Wei Ji Min
Mr. Lin Qinglin

NOMINATION COMMITTEE

Mr. Lin Qinglin (*Committee Chairman*)
Mr. Hu Chung Min
Mr. Chau On Ta Yuen

COMPANY SECRETARY

Mr. Ng Kin Sun *CPA, CPA (Aust.)*

AUDITORS

HLB Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants

LEGAL ADVISOR

Cheung Tong & Rosa Solicitors

COMPLIANCE ADVISOR

Kingston Corporate Finance Limited

STOCK CODE

1089

PRINCIPAL BANKERS

China Construction Bank Corporation
Industrial and Commercial Bank of China Limited
Agricultural Bank of China Limited
Agricultural Development Bank of China
China Merchants Bank Co., Ltd.
Bank of Communications Co., Ltd.
Wing Lung Bank Limited

REGISTERED OFFICE IN CAYMAN ISLANDS

Cricket Square, Hutchins Drive, PO Box 2681,
Grand Cayman, KY1-1111, Cayman Islands

PLACE OF BUSINESS IN HONG KONG

Suite 3516, Shun Tak Centre West Tower,
168-200 Connaught Road Central,
Sheung Wan, Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No.688, Denggao East Road, Xinluo District,
Longyan, Fujian, PRC

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House,
68 Fort Street,
P.O. Box 609,
Grand Cayman KY1-1107,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor, Tesbury Centre,
28 Queen's Road East,
Wanchai, Hong Kong

COMPANY WEBSITE

www.sumpofood.com

Management Discussion and Analysis

BUSINESS REVIEW

Sumpo Food Holdings Limited (the “Company”), together with its subsidiaries (the “Group”) are one of the well-known chicken meat products suppliers in the Fujian Province of the PRC and our principal business comprises selling chicken meat products under the “森寶 (Sumpo)” brand. The Group’s production process, which comprises the sales of chicken breeds, the production and sales of animal feeds, the breeding of broilers and slaughtering, processing and sales of broilers, is vertically integrated. We currently have our own production facilities in Longyan, Fujian. With the completion of establishment of a new slaughtering and processing facility and a new breeder farm during the period, our total facilities include 4 breeder farms, 5 broiler breeding farms, 1 hatching facility, 1 animal feeds production facility and 2 slaughtering and processing facilities.

With the global economy being misty and volatile during the first half of 2012, domestic economic growth slowed down and consumption shrank while the price of meat products kept falling. Further, the price of the raw materials of feeds increased due to the implementation of protection measures on agricultural products by the central government. The economic efficiency of the Company thus dropped. However, with the efforts from each department, the Company was able to carry out production and operation with steadily growing production benchmarks, which laid a solid foundation for future development. For the six months ended 30 June 2012, the Group recorded a consolidated turnover amounted to approximately RMB331.6 million (2011: approximately RMB320.5 million), representing an increase of approximately 3.5% as compared to last year. The loss attributable to the owners of the Company was approximately RMB4.6 million (2011: profit attributable to the owners of the Company was approximately RMB15.8 million). The loss for the period was mainly due to (i) the drop in gross profit margin as a result of increase in raw materials and operation costs; and (ii) the decrease in the market selling price of chicken meat products resulting in decrease in the fair value of biological assets.

Despite the above situation, the Board considers that the financial and operation condition of the Group remain healthy. During the period, the Group adopted a series of actions and measures to respond to the challenging business environment, including the following:

1. Broadening procurement channel of raw materials

The procurement department closely followed the market trend and strengthened the cooperation with large enterprises and trading enterprises in the grain-producing regions. We participated in the auction of reserved wheat in Anhui and Xiamen for our primary procurement to lower the cost of raw materials.

We also procured raw materials additive in bulk through auction to lower the procurement cost.

2. Steadily improving the quality of feeds

The Group launched campaign to achieve the goal of zero compliant (compliant about product quality and services quality) and zero production accident. Production by each team is recorded in order to drive innovative and pioneering spirit and to arouse the awareness amongst staff towards safety and product quality. The staff rectified their bad habits by maintaining checks over each other and to make improvement conscientiously.

We also regularly monitored the feeds factory to reduce impact of the irregularity in sizes and hardness of feeds on broilers during intake of feeds.

3. Refining the management of feeds formula

External experts of feeds and breeding were invited to the Company to give technical instruction regarding our feeds and breeding methods so as to improve the general technical standard of the Company.

Management Discussion and Analysis

The Group also modified the feeds formula and breeding method for breeders and controlled the weight of breeders to increase their general fertilisation rate.

By stabilizing the quality of feeds for broilers, the Group was able to minimize the cost.

4. Paying attention to the details of breeding management, enlarging breeding scale and improving breeding result

The Group has been optimizing biological safety, hygienic and disease prevention system, adjusting the immunity formula for breeders and improving the risk resistance of breeding business. Thanks to the strict compliance with epidemic prevention system and vaccination program, despite there was epidemic that spreaded amongst the breeders across the country during the period, there was no outbreak in the Company's breeding business.

The Group has also been monitoring major cases and taking corresponding measures according to different breeding and management stages as well as different breeding seasons to enhance the prevention of diseases.

With the newly established hatching facility and breeder farms commenced production and breeding, new contract farmers were engaged according to plan to guarantee production volume.

5. Strengthening the slaughtering and processing of broilers and stabilizing the product quality

The newly established slaughtering facility has successfully commenced operation at the beginning of the year and the transition

work was completed smoothly. After the commencement of the new facility, the production environment improved significantly. It provided a perfect timing for recruiting suitable human resources, establishing production and management standard suitable for the new facility, optimizing processing technique and developing good habit for equipment operation and maintenance in order to ensure a gradual increase in production volume.

Both product processing and quality control were under the Group's strict monitoring. With reference to the market condition and man power of our factories, we tried to coordinate our staff to solve quality control issues identified and to have a better quality control over our products and to fully satisfy market demand on product quality.

6. Extending sales channel, consolidate and optimize return of sales team

The Company entered into new cooperation agreement with six major distributors for our sales activities. We gradually developed certain large distributors for some major markets. There were 37 new customers, of which 12 customers were located in Fujian peripheral markets and in Guangdong region, which helped to enlarge the market of the Company's product in Fujian peripheral regions to ensure a stable sales volume.

We have completed in establishing the structure of marketing and staff deployment thereof. We have also recruited new members to establish sales and marketing team so that we would gradually commence the promotion activity of the Company's brand.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The following table sets out a breakdown of our revenue by product categories and their relative percentage of our total revenue during the reporting period and the corresponding period in 2011:

	For the six months ended 30 June			
	2012	% of	2011	% of
	RMB'000	total	RMB'000	total
		revenue		revenue
Chicken meat products	217,870	65.7	225,733	70.4
Animal feeds	89,898	27.1	76,240	23.8
Chicken breeds	23,880	7.2	18,569	5.8
Total	331,648	100.0	320,542	100.0

Our total revenue increased by approximately 3.5%, from approximately RMB320.5 million for the six months ended 30 June 2011 to approximately RMB331.6 million for the six months ended 30 June 2012, primarily due to the increase in the sales volume of our chicken meat products, animal feeds and chicken breeds as a result of the increase in production capacity.

Chicken meat products

Revenue from sales of our chicken meat products business decreased by approximately 3.5%, from approximately RMB225.7 million for the six months ended 30 June 2011 to approximately RMB217.9 million for the six months ended 30 June 2012, primarily as a result of the decrease in the average selling price of our chicken meat products.

Animal feeds

Revenue from sales of our animal feeds business increased by approximately 17.9% from approximately RMB76.2 million for the six months ended 30 June 2011 to approximately RMB89.9 million for the six months ended 30 June 2012, primarily as a result of the increase in the sales volume and the average selling price of our animal feeds.

Chicken breeds

Revenue from sales of our chicken breeds business increased by approximately 28.6%, from approximately RMB18.6 million for the six months ended 30 June 2011 to approximately RMB23.9 million for the six months ended 30 June 2012, primarily due to the increase in the sales volume of chicken breeds sold to contract farmers.

Management Discussion and Analysis

Gross Profit and Gross Profit Margin

The following table sets out our total gross profit and gross profit margin by major product categories during the reporting period and the corresponding period in 2011:

	For the six months ended 30 June			
	2012 RMB'000	% of total gross profit	2011 RMB'000	% of total gross profit
Gross Profit				
Chicken meat products	23,565	56.4	42,381	74.3
Animal feeds	4,614	11.0	2,773	4.8
Chicken breeds	13,637	32.6	11,916	20.9
Total	41,816	100.0	57,070	100.0

	For the six months ended 30 June	
	2012 %	2011 %
Gross Profit Margin		
Chicken meat products	10.8	18.8
Animal feeds	5.1	3.6
Chicken breeds	57.1	64.2
Overall	12.6	17.8

Gross profit decreased by approximately 26.7%, from approximately RMB57.1 million for the six months ended 30 June 2011 to approximately RMB41.8 million for the six months ended 30 June 2012, primarily due to the decrease in gross profit of chicken meat. Our overall gross profit margin decreased from approximately 17.8% for the six months ended 30 June 2011 to approximately 12.6% for the six months ended 30 June 2012, primarily due to the increase in cost of raw materials and operating costs.

Chicken meat products

Gross profit from our chicken meat products business decreased by approximately 44.4%, from approximately RMB42.4 million for the six months ended 30 June 2011 to approximately RMB23.6 million for the six months ended 30 June 2012. The gross profit margin for our chicken meat products business decreased from approximately 18.8% for the six months ended 30 June 2011 to approximately 10.8% for the six months ended 30 June 2012. This was primarily due to the decrease in the average selling price of our chicken meat products and increase in cost of raw materials and operating costs.

Management Discussion and Analysis

Animal feeds

Gross profit from our animal feeds business increased by approximately 66.4%, from approximately RMB2.8 million for the six months ended 30 June 2011 to approximately RMB4.6 million for the six months ended 30 June 2012. The gross profit margin for our animal feeds business increased from approximately 3.6% for the six months ended 30 June 2011 to approximately 5.1% for the six months ended 30 June 2012. This was primarily due to the increase in average selling price of animal feeds.

Chicken breeds

Gross profit from our chicken breeds business increased by approximately 14.4%, from approximately RMB11.9 million for the six months ended 30 June 2011 to approximately RMB13.6 million for the six months ended 30 June 2012. The gross profit margin for our chicken breeds business decreased from approximately 64.2% for the six months ended 30 June 2011 to approximately 57.1% for the six months ended 30 June 2012. The decrease was primarily due to the increase in operating costs of chicken breeds.

OUTLOOK

Development plan for the second half of 2012

1. *Further carrying out relevant affiliated work for extensive production plan of broilers*

Currently, the slaughtering volume of broilers has amounted to 80,000 per day and we would promptly increase the slaughtering volume according to market situation. In order to make the best use of the increased capacity of the slaughtering facilities, the Group plans to expand its production capacity as follow:

- (i) we would modify comprehensively the infrastructure and equipment of existing hatching facilities to meet the newly increased slaughtering volume;

- (ii) we would establish a work team to look for suitable lands and to strengthen our communication with relevant government departments in order to reverse our current passive position in land expropriation; and accelerate the relevant approval procedure for the lands for new feeds production facility and the second and the third breeder farms. We would also finish the selection of equipment suppliers and the design of factories and facilities to meet the production demand for feeds and broiler eggs;

- (iii) we would also accelerate the process of looking for and acquisition of suitable land for constructing new breeding farms for broilers and standardizing the land through passing environment assessment.

2. *Consolidating internal management and development base*

- (i) We would allocate resources reasonably to optimize team performance, give training to potential and core management, establish a hierarchy of staff with appropriate training and to carry out various training corresponding to the actual production and operation of the Company, improve execution ability and optimizing system establishment to make the best use of our staff and equipments.

- (ii) Our staff would closely work together to increase revenue and reduce expenses, perform equipment maintenance and inspection system and enhance the control on product quality over the critical production process to improve product yield and customer satisfaction.

- (iii) We would also promote office automation and informatization process to achieve informatization management of human resources, financial, sales and inventory data.

Management Discussion and Analysis

3. *Technology innovation*

- (i) We would be engaging in the forming of innovation team comprising management staff to carry out assessment on each procedure of production units phase by phase, mainly focusing on production organization and the reasonableness of product processing, as well as learning advanced management technique and production technique from other industrial players to solve the problem of low yield after the commencement of operation of new factory with higher automation.
- (ii) We would also establish an incentive policy for the technicians to transfer their technique into the Group's productivity by applying patents on the Company's behalf.
- (iii) Relevant experimental projects in postdoctoral research work station would be commenced to transfer scientific study into actual productivity and to solve problems encountered during production.
- (iv) The Group would develop and promote the broiler breeding technique in farms with high density to improve the output volume.

4. *Focusing on added value of product and exploring market*

- (i) By focusing on the exploration of high-end market, focusing on the sales of fresh meat products, modifying pricing system for repurchasing of broiler as well as breeding policy to assign certain contract farmers to breed cock, hen, chick, or grown-up broiler only for adopting different repurchasing prices for different kinds of product to ensure stable supply of fresh meat products every day, the Group can increase the value of products.
- (ii) Given the stable quality of the Group's products, certain large customers shift the production process of flavoring from restaurants to factories. Our processing factories will make good planning for manpower and site management in order to take part in the production of certain flavoring to create new source of profits for the Company.
- (iii) The Group would also focus on the positioning of the products, making a good sales layout, planning to establish office in Southern China, negotiating with clients about new supplying region, commencing projects for supermarkets and improving the development and consolidation of new regional market.
- (iv) We would introduce new technology, promote product innovation, promptly develop products to meet the market needs, develop new products and modify the packing of certain products to ensure our product brand remain the leading position in the industry.
- (v) The Group would improve its trading business, extend channels and seek factory partners to achieve mutual complement, to ensure our supply, to achieve friendly cooperation and a win-win situation.

Management Discussion and Analysis

5. *Fostering the awareness of operation to solve the bottle-neck problem encountered during production*

Based on the prevailing market condition, the business environment for the second half of 2012 is unfavorable. Yet, under the leadership of the Board, the Company would increase source of income and manage cost saving measures by correctly understand the current market situation. Besides, the Company will continue to improve on work critical for production (the salient point is to focus on the affiliated work and technology innovation in breeding volume, extension of product line of meat product processing factory and staff training) and to lay a solid foundation for future development.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Resources

The Group generally finances its operations with internally generated cashflow and bank facilities. As at 30 June 2012, cash and bank balances and pledged bank deposits amounted to approximately RMB164.3 million (31 December 2011: approximately RMB156.8 million).

Borrowings and Pledged Assets

As at 30 June 2012, the total amount of interest-bearing bank borrowings was approximately RMB140.2 million (31 December 2011: approximately RMB50.6 million). Except for a secured bank borrowing of approximately RMB31.6 million (31 December 2011: nil) that was denominated in Hong Kong dollar, all the Group's bank borrowings were denominated in Renminbi.

As at 30 June 2012, except for the bank borrowing denominated in Hong Kong dollar bore interest at floating interest rate, the other bank borrowings denominated in Renminbi bore interests at fixed interest rates ranged from 2.4% to 7.0% per annum.

As at 30 June 2012, the bank borrowings was secured by the Group's properties, plant and equipment, prepaid lease payments and bank deposits with total carrying value of approximately RMB199.5 million (31 December 2011: approximately RMB80.6 million).

Gearing Ratio

As at 30 June 2012, the gearing ratio of the Group was approximately 19.7% (31 December 2011: approximately 8.2%). This was calculated by dividing interest-bearing bank borrowings with the total assets of the Group as at 30 June 2012. The increase in the gearing ratio was mainly due to the increase of borrowings during the period.

FOREIGN EXCHANGE RISK

The Group's main operations are in the PRC. Most of the assets, income, payments and cash balances are denominated in RMB. The Company has not entered into any foreign exchange hedging arrangement. The Directors of the Company consider that exchange rate fluctuation has no significant impact on the Company's performance.

MATERIAL ACQUISITIONS

There was no major acquisition during the period under review.

CONTRACTUAL AND CAPITAL COMMITMENTS

As at 30 June 2012, the Group had operating lease commitments of approximately RMB6.9 million (31 December 2011: approximately RMB6.9 million).

As at 30 June 2012, the Group had capital commitments of approximately RMB7.2 million (31 December 2011: approximately RMB142.7 million).

Management Discussion and Analysis

CONTINGENT LIABILITIES

As at 30 June 2012, the Group had no contingent liabilities (31 December 2011: Nil).

HUMAN RESOURCES

At at 30 June 2012, the Group had 1,424 employees. Employee costs, including directors' emoluments, totalled approximately RMB5.9 million for the period. All of the Group companies are equal opportunity employers which select and promote individuals based on their suitability for the position offered. The Group operates a defined contribution mandatory provident fund retirement benefits for its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulations in the PRC.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange on 11 January 2011 and after the exercise of the over-allotment options on 28 January 2011, amounted to approximately HK\$283.9 million (approximately RMB231.7 million). The net proceeds were partially applied up to 30 June 2012 with the proposed applications set out in the Prospectus and the announcement of the Company dated 28 November 2011, as following:

- Approximately RMB85.1 million was used to finance the costs of establishing our new slaughtering and processing plant;
 - Approximately RMB29.5 million was used to finance the Group's general working capital and general corporate services; and
 - Approximately RMB93.6 million remains unused, which are deposited with licensed banks and financial institutions in the PRC.
-
- Approximately RMB12.0 million was used to finance the costs of establishing our new breeders farms;
 - Approximately RMB11.5 million was used to finance the costs of establishing our new hatching facilities;

Disclosure of Interests

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

As at 30 June 2012, the interests and short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company

or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Capacity/nature of interest	Number of ordinary shares held	Approximate percentage of issued share capital
Mr. Lin Qinglin	Beneficial owner	642,000,000	38.67%

Save as disclosed above, none of the Directors or chief executives had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2012, the interests or short positions of the persons (other than the Directors or chief executives of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Long positions:

Name of shareholder	Capacity/nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Lin Genghua (Note 1)	Beneficial owner	167,280,000	10.08%
Golden Prince Group Limited	Beneficial owner	108,000,000	6.51%
Mr. Ng Leung Ho (Note 2)	Interest of controlled corporation	108,000,000	6.51%
King & Queen International Limited	Beneficial owner	108,000,000	6.51%
Mr. Ho Kam Hung (Note 3)	Interest of controlled corporation	108,000,000	6.51%
Success Dragon International Limited	Beneficial owner	96,000,000	5.78%
Mr. Chau Gam Jaak (Note 4)	Interest of controlled corporation	96,000,000	5.78%

Disclosure of Interests

Notes:

1. Mr. Lin Genghua is the son of Mr. Lin Qinglin.
2. Golden Prince Group Limited is wholly owned by Mr. Ng Leung Ho.
3. King & Queen International Limited is wholly owned by Mr. Ho Kam Hung.
4. Success Dragon International Limited is wholly owned by Mr. Chau Gam Jaak.

Save as disclosed above, as at 30 June 2012, no person (other than the Directors or chief executives of the Company) had any interests or short positions in the shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

The purpose of the Share Option Scheme is to recognize and motivate the contribution by any participant which includes any full time or part time employee (including any executive and non-executive Director or proposed executive and non-executive Director), advisor, consultant, agent, contractor, client and supplier who in the sole discretion of the Board has contributed or is expected to contribute to the Group, and to provide incentives and help the Company in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

During the six months ended 30 June 2012, the Company had not granted any option under the Share Option Scheme.

SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was approved by a written resolution of the shareholder of the Company passed on 17 December 2010. The Share Option Scheme shall be valid and effective for a period of ten years commencing from 11 January 2011. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules, where appropriate.

DISCLOSURE OF INFORMATION ON DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

During the reporting period, the updated information on Directors discloseable under Rule 13.51B(1) of the Listing Rules are as follow:

- Mr. Wu Shiming was appointed as an independent non-executive director of China Putian Food Holding Limited (stock code: 1699) on 7 February 2012.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Listing Rules. Save as disclosed below, the Company had been in compliance with the Code during the six months ended 30 June 2012.

Under Rule A.2.1 in Appendix 14 to the Listing Rules, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. During the period, Mr. Lin Qinglin performed his duties as the chairman and the chief executive officer of the Company. The Board believes that the serving by the same individual as chairman and chief executive officer in period of rapid business development is conducive to building a strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently.

REVIEW BY AUDIT COMMITTEE

The Audit Committee has reviewed the interim financial report for the six months ended 30 June 2012 including the accounting policies and practices adopted by the Group with the management.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by Directors. The Company has made specific enquiries to all the Directors and all the Directors confirmed that they have complied with the Model Code and the required standards of its code of conduct regarding securities transactions by Directors during the period under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2012.

Interim Results

The Board of Directors (the "Board") of Sumpo Food Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2012. These condensed consolidated interim financial statements have not been audited but have been reviewed by the Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012	Notes	Six months ended 30 June	
		2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Revenue	4	331,648	320,542
Cost of sales		(289,832)	(263,472)
Gross profit		41,816	57,070
Other revenue and gains	5	5,571	7,862
Change in fair value less cost to sell of biological assets	11	(8,834)	(1,900)
Net gain on financial assets at fair value through profit or loss	7	638	98
Fair value of agricultural produce on initial recognition		29,490	28,458
Reversal of fair value of agricultural produce due to hatch and disposals		(29,031)	(29,411)
Selling and distribution expenses		(5,327)	(6,399)
Administrative expenses		(22,437)	(22,165)
Finance costs		(2,385)	(2,913)
Other operating expenses		(13,700)	(10,960)
(Loss)/profit before taxation		(4,199)	19,740
Taxation	6	(401)	(827)
(Loss)/profit for the period	7	(4,600)	18,913

Interim Results

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Notes	Six months ended 30 June	
		2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
For the six months ended 30 June 2012			
Other comprehensive income for the period, net of income tax			
Exchange differences on translating foreign operations		–	10
Other comprehensive income for the period, net of income tax		–	10
Total comprehensive (loss)/income for the period		(4,600)	18,923
(Loss)/profit for the period attributable to:			
Owners of the Company		(4,610)	15,824
Non-controlling interests		10	3,089
		(4,600)	18,913
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		(4,610)	15,834
Non-controlling interests		10	3,089
		(4,600)	18,923
Dividends	9	13,552	–
(Loss)/earnings per share	8		
Basic and diluted (RMB cents per share)		(0.28)	0.96

The accompanying notes form an integral part of these financial statements.

Interim Results

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012	Notes	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	324,096	226,528
Investment property		1,014	1,031
Biological assets	11	3,973	12,419
Prepaid lease payments		53,622	53,247
Deferred tax assets		823	839
		383,528	294,064
Current assets			
Inventories		66,203	54,118
Biological assets	11	4,755	6,651
Trade and other receivables and deposits	12	93,136	104,651
Prepaid lease payments		651	1,298
Financial assets at fair value through profit or loss	13	101	92
Held-to-maturity investment		–	1,000
Pledged bank deposits		36,369	12,780
Cash and bank balances		127,881	144,001
		329,096	324,591
Current liabilities			
Trade and other payables	14	78,368	50,794
Bank borrowings	16	120,180	30,630
Current tax liabilities		41	279
		198,589	81,703
Net current assets		130,507	242,888
Total assets less current liabilities		514,035	536,952

Interim Results

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2012	Notes	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Equity			
Share capital	15	141,007	141,007
Reserves		320,174	338,336
Equity attributable to owners of the Company		461,181	479,343
Non-controlling interests		12,390	16,340
Total equity		473,571	495,683
Non-current liabilities			
Bank borrowings	16	20,000	20,000
Deferred revenue		20,464	21,269
		40,464	41,269
Total equity and non-current liabilities		514,035	536,952

The accompanying notes form an integral part of these financial statements.

Interim Results

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Equity attributable to owners of the Company							Non-controlling interests	Total equity	
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve	Other reserve	Retained earnings			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
As at 1 January 2011 (audited)	-	-	17,423	5,195	29,819	38,193	91,234	181,864	12,076	193,940
Profit for the period	-	-	-	-	-	-	15,824	15,824	3,089	18,913
Other comprehensive income for the period	-	-	-	10	-	-	-	10	-	10
Total comprehensive income for the period	-	-	-	10	-	-	15,824	15,834	3,089	18,923
Issue of ordinary shares by way of placing and public offer	33,984	197,107	-	-	-	-	-	231,091	-	231,091
Shares capitalisation	101,951	(101,951)	-	-	-	-	-	-	-	-
Share issued pursuant to exercise of the over-allotment option	5,072	29,416	-	-	-	-	-	34,488	-	34,488
Transaction costs attributable to issue of shares	-	(10,950)	-	-	-	-	-	(10,950)	-	(10,950)
Transfer to statutory reserve	-	-	-	-	3,527	-	(3,527)	-	-	-
As at 30 June 2011 (unaudited)	141,007	113,622	17,423	5,205	33,346	38,193	103,531	452,327	15,165	467,492
As at 1 January 2012 (audited)	141,007	113,622	17,423	5,205	39,306	38,193	124,587	479,343	16,340	495,683
(Loss)/profit for the period	-	-	-	-	-	-	(4,610)	(4,610)	10	(4,600)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(4,610)	(4,610)	10	(4,600)
Dividend paid to owners of the Company (Note 9 (a))	-	-	-	-	-	-	(13,552)	(13,552)	-	(13,552)
Dividend paid to non-controlling interests (Note 9 (b))	-	-	-	-	-	-	-	-	(3,960)	(3,960)
Transfer to statutory reserve	-	-	-	-	929	-	(929)	-	-	-
As at 30 June 2012 (unaudited)	141,007	113,622	17,423	5,205	40,235	38,193	105,496	461,181	12,390	473,571

The accompanying notes form an integral part of these financial statements.

Interim Results

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
For the six months ended 30 June 2012	(Unaudited)	(Unaudited)
Net cash generated from/(used in) operating activities	41,483	(76,806)
Net cash (used in)/generated from investing activities	(129,641)	27,292
Net cash generated from financing activities	72,038	221,678
Net (decrease)/increase in cash and cash equivalents	(16,120)	172,164
Cash and cash equivalents at the beginning of the period	144,001	40,421
Effect of foreign exchange rate changes, net	–	10
Cash and cash equivalents at the end of the period	127,881	212,595
Analysis of balances of cash and cash equivalents		
Cash and bank balances	127,881	212,595

The accompanying notes form an integral part of these financial statements.

Interim Results

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 June 2012 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). They have been prepared under the historical cost convention, except for financial assets and financial liabilities, which are carried at fair value. The condensed consolidated interim financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated. The condensed consolidated interim financial statements are unaudited but have been reviewed by the Audit Committee.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in preparing the condensed consolidated interim financial statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 December 2011 except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA as discussed below.

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2012.

The applicable new and revised HKFRSs adopted in the condensed consolidated interim financial statements are set out below:

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets
HKFRS 12 (Amendments)	Deferred tax: Recovery of Underlying Assets

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The application of the above new and revised HKFRSs has had no material effect on the results and financial positions of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (2011)	Employee Benefits ²
HKAS 27 (2011)	Separate Financial Statements ²
HKAS 28 (2011)	Investments in Associates and Joint Ventures ²
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ³
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ²
HKFRS 1 (Amendments)	Government Loans ²
HKFRS 7 (Amendments)	Disclosure – Offsetting Financial Assets and Financial Liabilities ²
HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure ⁴
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interest in Other Entities ²
HKFRS 13	Fair Value Measurement ²
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs Contained in Annual Improvements 2009-2011 issued in June 2012 ²

¹ Effective for annual periods beginning on or after 1 July 2012.

² Effective for annual periods beginning on or after 1 January 2013.

³ Effective for annual periods beginning on or after 1 January 2014.

⁴ Effective for annual periods beginning on or after 1 January 2015.

The Group is in the process of making an assessment of the impact of the above HKFRSs upon initial application but is not yet in a position to state whether the above HKFRSs would have a significant impact on the Group's and the Company's results of operations and financial position.

Interim Results

3. SEGMENT INFORMATION

Segment information has been identified on the basis of internal management reports which are prepared in accordance with accounting policies which conform to HKFRSs that are regularly reviewed by the chief operating decision maker in order to allocate resources to the reportable segments and to assess their performance.

For the purpose of resources allocation and performance assessment, the Group's executive directors, chief operating decision makers, review operating results and financial information by divisions, which are organised by business lines. Where any group company is operating in similar business model, selling similar products and subject to a similar target group of customers, they are aggregated into the following reportable segments according to the nature of each company:

Chicken meat: The chicken meat segment carries on the business of slaughtering, production and sales of chicken meat.

Chicken breeds: The chicken breeds segment carries on the business of hatching of broiler eggs and breeding of Parent Stock Day-Old Chicks.

Animal feeds: The animal feeds segment carries on the business of feeds production.

The following is an analysis of the Group's revenue and results by reportable segments:

	Six months ended 30 June 2012 (Unaudited)				
	Chicken meat RMB'000	Chicken breed RMB'000	Animal feeds RMB'000	Elimination RMB'000	Total RMB'000
Segment results					
External segment revenue	217,870	23,880	89,898	–	331,648
Inter-segment revenue	237,643	23,083	47,210	(307,936)	–
Segment revenue	455,513	46,963	137,108	(307,936)	331,648
Segment results	23,565	5,900	4,614	–	34,079
Unallocated revenue and gains					5,571
Unallocated selling and distribution expenses					(5,327)
Unallocated administrative expenses					(22,437)
Unallocated operating expenses					(13,700)
Loss from operations					(1,814)
Finance costs					(2,385)
Loss before taxation					(4,199)

Interim Results

3. SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June 2011 (Unaudited)				
	Chicken meat RMB'000	Chicken breed RMB'000	Animal feeds RMB'000	Elimination RMB'000	Total RMB'000
Segment results					
External segment revenue	225,733	18,569	76,240	–	320,542
Inter-segment revenue	253,332	18,186	47,483	(319,001)	–
Segment revenue	479,065	36,755	123,723	(319,001)	320,542
Segment results	42,381	9,063	2,773	–	54,217
Unallocated revenue and gains					8,070
Unallocated selling and distribution expenses					(6,399)
Unallocated administrative expenses					(22,165)
Unallocated operating expenses					(11,070)
Profit from operations					22,653
Finance costs					(2,913)
Profit before taxation					19,740

4. REVENUE

Revenue consists of sales of chicken meat products, chicken breeds and animal feeds. The Group's revenue comprises the following:

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Chicken meat products	217,870	225,733
Animal feeds	89,898	76,240
Chicken breeds	23,880	18,569
	331,648	320,542

Interim Results

5. OTHER REVENUE AND GAINS

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Interest income on:		
Bank deposits	221	1,975
Held-to-maturity investment	–	38
Total interest income	221	2,013
Sales of side products and related products, net	4,166	4,274
Gain on disposal of property, plant and equipment	12	1
Government grants (Note)	143	1,235
Reversal of impairment loss recognised on trade receivables	16	–
Rental income	125	–
Sundry income	888	339
	5,571	7,862

Note:

Government grants include subsidies income received by a subsidiary of the Group which operates in the PRC in accordance with the subsidy policies of local government authorities and in relation to the construction of qualifying assets. Subsidies income received by a subsidiary of the Group is recognised in the statements of comprehensive income when received and no specific conditions have been required to fulfill. Those government grants in relation to the construction of qualifying assets are recognised as deferred income. The government grants recognised at 30 June 2012 are non-recurring. There are no unfulfilled conditions or contingencies relating to these government grants.

6. TAXATION

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
PRC enterprise income tax – current period	385	811
Deferred income tax	16	16
	401	827

6. TAXATION (CONTINUED)

Notes:

- (a) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and BVI for the period.
- (b) No provision for Hong Kong profits tax has been made as the Group did not have assessable profits subject to Hong Kong profits tax for the period.
- (c) Pursuant to the income tax rules and regulations of the PRC, the companies comprising the Group in the PRC are liable to PRC Enterprise Income Tax (“EIT”) at a tax rate of 25% for the period, except for the following:
 - (i) Pursuant to the Ministry of Finance’s Notice on Preferential Enterprise Income Tax on Agricultural Products (《國家稅務總局關於發佈享受企業所得稅優惠政策的農產品初加工範圍(試行)的通知》) (“Order [2008] No. 149”), issued on 20 November 2008, effective on 1 January 2008, Fujian Sumpo Food Holdings Co., Ltd (“Fujian Sumpo”) is entitled to EIT exemption with respect to the income derived from the processing of frozen chicken meat products during the period between 1 January 2008 and 7 September 2018.

Fujian Baojiashun Food Development Company Limited (“Fujian Baojiashun”) is also entitled to EIT exemption with respect to the income derived from the processing of frozen chicken meat products during the period between 1 February 2012 to 31 December 2012.
 - (ii) Pursuant to the Ministry of Finance’s Notice on Preferential Enterprise Income Tax (《國家稅務總局關於企業所得稅若干優惠政策的通知》) (“Order [1994] No. 001”), issued on 29 March 1994, effective on 1 January 1994, and the Ministry of Finance’s Approval on the Implementation of Preferential Income Tax for Newly Established Enterprises (《國家稅務總局關於新辦企業所得稅優惠執行口徑的批覆》) (“Order [2003] No. 1239”) issued on 18 November 2003, Longyan Baotai Agriculture Company Limited (“Longyan Baotai”) is entitled to EIT exemption with respect to the income derived from broilers breeding during the reporting period.
 - (iii) Longyan Baotai is also entitled to exemption from the value-added tax during the period between 1 December 2005 and 1 November 2025.
 - (iv) According to the notice issued by the State Council (the “Notice”), enterprises which are entitled to enjoy tax incentive shall have a grace period of five years commencing from 1 January 2008 before they are required to pay the corporate income tax at the rate of 25%. Before the promulgation of the new PRC EIT Law, as Xiamen Sumpo Food Trading Limited (“Xiamen Sumpo Trading”) is located in the Xiamen Special Economic Zone, it was only required to pay corporate income tax at the reduced rate of 15%. As a result of the new PRC tax law and the Notice, it was required to pay corporate income tax at the reduced rate of 18% for the year ended 31 December 2008, 20% for the year ended 31 December 2009, 22% for the year ending 31 December 2010, 24% for the year ending 31 December 2011 and 25% for the year ending 31 December 2012.
- (d) Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the undistributed profits earned by the PRC subsidiaries amounting to approximately RMB64,369,000 (30 June 2011: RMB104,037,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Interim Results

7. (LOSS)/PROFIT FOR THE PERIOD

(Loss)/profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Staff costs		
including directors' remuneration	5,880	4,429
Contributions to retirement schemes	810	996
Total staff costs	6,690	5,425
Depreciation of property, plant and equipment	9,967	7,078
Depreciation of investment property	17	17
Amortisation of prepaid lease payments	651	612
Total depreciation and amortisation	10,635	7,707
Net gain on financial assets at fair value through profit or loss:		
Proceeds on sales	(4,533)	–
Less: Cost of sales	3,904	–
Net realised gain on financial assets in listed equity securities	(629)	–
Unrealised gain on financial assets in listed equity securities	(9)	(98)
Net gain on financial assets at fair value through profit and loss	(638)	(98)

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic (loss)/earnings per share for the period is based on the loss attributable to the owners of the Company for the six months ended 30 June 2012 of approximately RMB4,610,000 (profit attributable to the owners of the Company for the six months ended 30 June 2011: RMB15,824,000) and the weighted average of 1,660,000,000 (six months ended 30 June 2011: 1,649,724,000) ordinary shares in issue during the period.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existence for reporting period.

9. DIVIDENDS

Dividends recognised as distributions during the period:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Final dividend of HK\$1.0 cent per share, paid (Note (a))	13,552	–
Dividend paid to non-controlling shareholders (Note (b))	3,960	–

Note:

- (a) During the period ended 30 June 2012, the Company declared and paid a final dividend of RMB13,552,000 in respect of the year ended 31 December 2011 to the shareholders of the Company which has been proposed by the directors and was approved by the shareholders on 9 May 2012.
- (b) The amount represents dividends paid by the PRC subsidiary to its non-controlling shareholder.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred costs for buildings, machinery and equipment, motor vehicles, tools and construction in progress of approximately RMB17,708,000 (2011: RMB751,000), RMB58,875,000 (2011: RMB3,658,000), RMB6,047,000 (2011: RMB2,479,000), RMB1,645,000 (2011: RMB587,000) and RMB23,769,000 (2011: RMB96,295,000) respectively.

Interim Results

11. BIOLOGICAL ASSETS

Movements of biological assets are summarised as follows:

	Parent Stock Day-Old Chicks and immature breeders RMB'000	Mature breeders RMB'000	Chicken breeds RMB'000	Total RMB'000
As at 1 January 2011 (audited)	6,873	5,699	7,135	19,707
Increase due to purchases	3,982	–	–	3,982
Increase due to raising (Feeding cost and others)	4,815	–	102,588	107,403
Transfer	(6,581)	6,581	–	–
Decrease due to retirement and deaths	–	(5,703)	–	(5,703)
Decrease due to sales	–	–	(103,294)	(103,294)
Change in fair value less costs to sell	(1,595)	(1,652)	222	(3,025)
As at 31 December 2011 and 1 January 2012 (audited)	7,494	4,925	6,651	19,070
Increase due to purchases	3,186	–	–	3,186
Increase due to raising (Feeding cost and others)	1,301	–	50,345	51,646
Transfer	(5,289)	5,289	–	–
Decrease due to retirement and deaths	–	(5,230)	–	(5,230)
Decrease due to sales	–	–	(51,110)	(51,110)
Change in fair value less costs to sell	(5,167)	(2,536)	(1,131)	(8,834)
As at 30 June 2012 (unaudited)	1,525	2,448	4,755	8,728

Note:

The Group's biological assets at 31 December 2011 and 30 June 2012 have been arrived at on the basis of a valuation carried out by independent qualified professional valuer. As at 30 June 2012, the fair value less costs to sell of chicken breeds are determined with reference to the market determined prices of items with similar age, breed and genetic merit, if the market-determined prices are available. Due to the fact that the market-determined prices for parent stock day-old chicks and immature breeders and mature breeders are not available, the valuations adopted the net present value approach to calculate the fair value less cost to sell of these items. The resulting loss arising from changes in fair value less costs to sell of biological assets of RMB8,834,000 (2011: RMB1,900,000) has been recognised directly in profit or loss for the six months ended 30 June 2012.

Interim Results

12. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Trade receivables	23,963	14,471
Less: Impairment loss recognised	(405)	(421)
	23,558	14,050
Deposits paid, prepayments and other receivables	70,169	91,192
Less: Impairment loss recognised	(591)	(591)
	69,578	90,601
Total	93,136	104,651

Trade receivables

The Group normally allows a credit period ranging from 15 to 70 days. The ageing analysis of trade receivables, net of impairment is as follows:

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Within 30 days	21,842	12,991
31 days to 70 days	1,679	615
71 days to 180 days	34	422
Over 180 days	3	22
	23,558	14,050

Interim Results

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Held for trading:		
Listed securities		
– Equity securities listed in the PRC	101	92

Fair value is determined with reference to quoted market bid prices.

14. TRADE AND OTHER PAYABLES

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Trade payables	32,796	20,744
Deposit received	621	492
Accruals and other payables	44,951	29,558
	78,368	50,794

The ageing analysis of trade payables is as follows:

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Within 30 days	30,418	19,132
31 to 90 days	2,011	995
91 to 180 days	18	96
Over 180 days	349	521
	32,796	20,744

The average credit period on purchases of certain goods is generally within 15 days to three months.

15. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Nominal value of ordinary shares		Share premium	Total
		HK\$'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Authorised: At 1 January and 30 June 2012, ordinary shares of HK\$0.1 each	4,000,000,000	400,000	320,000	–	320,000
Issued and fully paid: At 1 January and 30 June 2012, ordinary shares of HK\$0.1 each	1,660,000,000	166,000	141,007	113,622	254,629

16. BANK BORROWINGS

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Bank borrowings-secured	139,550	50,000
Loan from other bank facilities	630	630
Total bank borrowings	140,180	50,630
Carrying amount repayable:		
	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
On demand or within one year	120,180	30,630
More than one year but less than two years	–	–
More than two years but less than five years	–	–
Over five years	20,000	20,000
Total bank borrowings	140,180	50,630
Less: Amounts due within one year shown under current liabilities	(120,180)	(30,630)
	20,000	20,000

The carrying amount of the Group's bank borrowings are all originally denominated in RMB, which is the functional currency of the Group, except for the bank loans of HK\$38,726,000 (equivalent to RMB31,550,000) as at 30 June 2012 (2011: Nil), which were denominated in Hong Kong dollar.

Interim Results

16. BANK BORROWINGS (CONTINUED)

The contractual fixed and floating interest rates per annum in respect of bank borrowings were within the following ranges:

	As at 30 June 2012 (Unaudited)	As at 31 December 2011 (Audited)
Bank borrowings	1.9%-7.0%	2.4%-7.0%

During the reporting period, the Group's bank borrowings were secured by:

- (a) the Group's property, plant and equipment with a carrying amount of approximately RMB118,793,000 (2011: RMB35,419,000);
- (b) the Group's prepaid lease payments with a carrying amount of approximately RMB44,726,000 (2011: RMB45,229,000); and
- (c) the Group's bank deposits of approximately RMB36,000,000 (2011: Nil).

17. SIGNIFICANT RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated interim financial statements, the Group also had the following related party transactions for the six months ended 30 June 2012 and 2011.

Particulars of significant party transactions during the period are as follows:

Name of company	Nature of transaction	Relationship	Six months ended 30 June	
			2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Fujian Sumhua Enterprise Limited ("Fujian Sumhua")	Sales of chicken meat (Note a)	Common director in a related company	287	506
Fujian Sumhua	Sales of side products (Note b)	Common director in a related company	400	362
Fujian Sumhua	Rental income	Common director in a related company	125	125
Xiamen Oporto Catering Management Co., Limited	Sales of chicken meat (Note c)	Common director in a related company	171	445
Xiamen Sumpo Food Trading Limited	Rental paid	Common director in a related company	27	27

17. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

- (a) For the six months ended 30 June 2011 and 2012, the aggregate amount of the purchase price paid by Fujian Sumhua for the purchase of the frozen chicken meat products was approximately RMB506,000 and RMB287,000 respectively.
- (b) For the six months ended 30 June 2011 and 2012, the aggregate amount of the purchase price paid by Fujian Sumhua for the purchase of the agricultural side products was approximately RMB362,000 and RMB400,000 respectively.
- (c) For the six months ended 30 June 2011 and 2012, the aggregate amount of the purchase price paid by Xiamen Oporto Catering Management Co., Limited for the purchase of the frozen chicken meat products was approximately RMB445,000 and RMB171,000 respectively.

18. OPERATING LEASE ARRANGEMENTS

The Group as lessor:

The property held has committed tenant for one year.

At the end of each reporting date, the Group had contracted with tenant for the following future minimum lease payments:

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Within one year	30	46
In the second to fifth years, inclusive	–	7
	30	53

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18. OPERATING LEASE ARRANGEMENTS (CONTINUED)

The Group as lessee:

At the end of each reporting date, the Group had commitments for future minimum lease payments in respect of farms and office premises under non-cancellable operating leases from selected farmers at an agreed price based on the area of the farm.

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Within one year	1,036	1,073
In the second to fifth years, inclusive	3,757	3,615
After the fifth year	2,090	2,195
	6,883	6,883

Operating lease payments represent rentals payable by the Group for certain of its farm and office premises. Lease in respect of farms are negotiated for a term of fifteen to fifty years with fixed rentals. Lease in respect of office premises are negotiated for a term of one to two years with fixed rentals.

19. COMMITMENTS FOR EXPENDITURE

	As at 30 June 2012 RMB'000 (Unaudited)	As at 31 December 2011 RMB'000 (Audited)
Commitments for acquisition of property, plant and equipment	7,166	142,660

20. EVENTS AFTER THE END OF THE REPORTING PERIOD

There was no significant event took place subsequent to the end of the reporting period.

21. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 28 August 2012.