

CHINA PUTIAN FOOD HOLDING LIMITED

中國普甜食品控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code 股份代號: 1699



普甜
PUTIAN

2013

中期報告 Interim Report

China Putian Food Holding Limited is a
**Leading Vertically
Integrated** pork products supplier

中國普甜食品控股有限公司為
領先的垂直一體化 豬肉供應商





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Corporate Information

Directors

Executive Directors

Mr. Cai Chenyang (*Chairman*)
Mr. Cai Haifang
Ms. Cai Shengyin

Independent Non-Executive Directors

Mr. Wu Shiming
Mr. Cai Zirong
Mr. Yu Wenquan

Audit Committee

Mr. Wu Shiming (*Committee Chairman*)
Mr. Cai Zirong
Mr. Yu Wenquan

Remuneration Committee

Mr. Cai Zirong (*Committee Chairman*)
Mr. Wu Shiming
Mr. Yu Wenquan

Nomination Committee

Mr. Yu Wenquan (*Committee Chairman*)
Mr. Wu Shiming
Mr. Cai Zirong

Company Secretary

Mr. Ku Kin Shing, Ignatius *HKICPA, CPA (Aust.)*

Legal Advisor

Cheung Tong & Rosa Solicitors

Compliance Advisor

Cinda International Capital Limited

Auditors

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Principal Bankers

Bank of China
No. 156, Dongda Road
Chengxiang District
Putian City
Fujian Province, the PRC

Registered Office

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

Principal Place of Business in Hong Kong

No. 3312, 33rd Floor, West Tower
Shun Tak Centre
No. 168–200 Connaught Road
Central, Hong Kong

Head Office and Principal Place of Business in the PRC

Hualin Road, Hualin Industrial Zone
Chengxiang District
Putian City, Fujian Province
the PRC

Cayman Islands Principal Share Registrar and Transfer Office

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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

Company Website

www.putian.com.hk

Stock Code

1699

Management Discussion & Analysis

Business Review

The Group is one of the largest vertically integrated pork suppliers in Fujian Province, the PRC. With the core business of the Company being the sale of pork products under “Putian” brand, the operation of the Group adopts a vertically integrated business model with a comprehensive industry chain comprising hog farming, hog slaughtering, pork separating, and sales and distribution of pork. Currently, the Group’s production facilities in Putian City, Fujian Province, comprised of a hog farm in compliance with national standards, five large-scale contract farms and the only recognized “2-Star” slaughterhouse in Putian City with a maximum annual slaughtering capacity of two million hogs.

For the six months ended 30 June 2013 (the “Review Period”), the overall production operations of the Group was satisfactory and the internal operation at all levels proceeded in an orderly manner, which ensured a stable development of the Group and secured resources for future expansion needs. During the Review Period, the Group recorded an unaudited revenue of approximately RMB286,192,000 (30 June 2012: approximately RMB269,499,000), representing an increase of approximately 6.2% over the same period of last year. The Group recorded an unaudited net profit for the period of approximately RMB41,299,000 (30 June 2012: approximately RMB42,280,000), representing a slight decrease of approximately 2.3% as compared with the same period of last year, mainly due to an increase in administrative costs.

The Group has been actively expanding the sales network after its listing in last year. Moreover, our “Putian” brand which put food safety as its first priority has become increasingly well-received by consumers. While the price of pork experienced its cyclical peak, both operations of retail and wholesale of pork recorded growth, leading to an increase in revenue with gross profit margin increased to approximately 25% (30 June 2012: approximately 21.7%).

The Company upholds the principle of creating gratifying life for the general public. By conducting its business under the Group’s corporate vision of “offering high-quality pork products”, pork products marketed under the “Putian” brand have been becoming more popular and gaining more recognition among customers and thus, the sales performance and distribution channels of the Group were substantially enhanced. The points of sales of the Group’s retail sales network expanded from 86 as at 31 December 2012 to 89 as at 30 June 2013. By means of implementing a stringent epidemic prevention system in the hog farms and implementing safety control measures in every production stage, the Group continues to maintain health and safety of its farms to ensure the availability of nutritious and healthy pork products to consumers.

Financial Review

(1) Revenue

The following table sets out a breakdown of the unaudited revenue of the Group by sales segments and their relevant percentage of the total revenue during the Review Period:

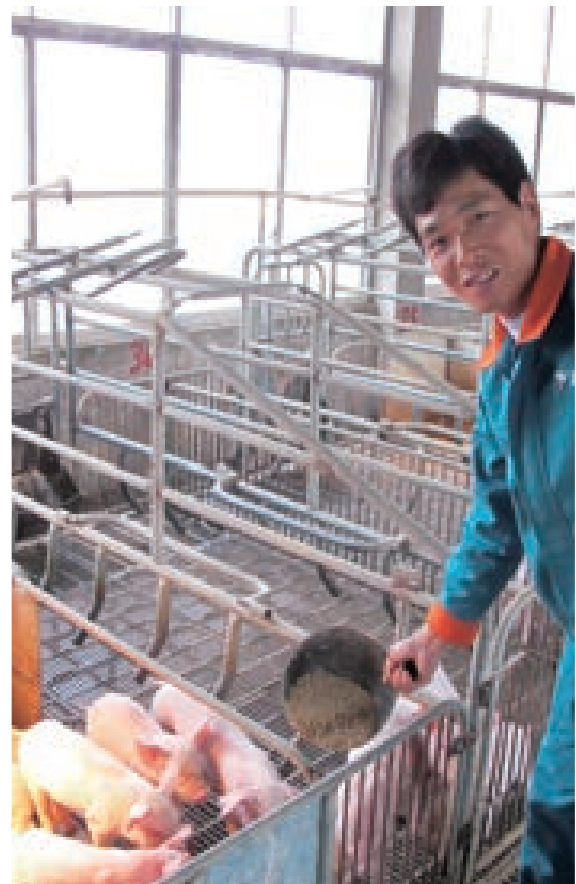
	For the six months ended 30 June			
	2013	% of total	2012	% of total
	RMB'000 (Unaudited)	revenue	RMB'000 (Unaudited)	revenue
Revenue				
Retail of pork	151,759	53.0	139,505	51.8
Wholesale of pork	134,433	47.0	129,994	48.2

Management Discussion & Analysis (Continued)

The total unaudited revenue of the Group increased from approximately RMB269,499,000 for the six months ended 30 June 2012 to approximately RMB286,192,000 for the six months ended 30 June 2013, primarily due to a rise in sales volume of pork products. The Group has been actively expanding the sales network after its listing in last year. Moreover, our “Putian” brand which put food safety as its first priority has become increasingly well-received by consumers. Both operations of retail and wholesale of pork recorded growth, leading to an increase of approximately 6.2% in total revenue over the same period of last year.

Revenue from Retail of Pork

The unaudited revenue from retail of pork of the Group increased by approximately 9% from approximately RMB139,505,000 for the six months ended 30 June 2012 to approximately RMB151,759,000 for the six months ended 30 June 2013. The Group continued to expand its sales network and enlarge its market share of pork retailing in Fujian Province. The Group’s direct sales retail outlets increased to 89 as of 30 June 2013 and the Group maintained close cooperation with the world’s largest supermarket groups and domestic chain supermarkets with nationwide presence. Through internet advertising campaigns and customer recognition, Putian brand’s products gradually gained awareness and recognition on the back of our reliable and savory market positioning, particularly from those who pursuit high living standards with consuming power. The management expects that the turnover from retail of pork will continue to increase leveraging on the distribution networks throughout the province.



Management Discussion & Analysis (Continued)

Revenue from Wholesale of Pork

The unaudited revenue from wholesale of pork of the Group recorded an increase of over 3% from approximately RMB129,994,000 for the six months ended 30 June 2012 to approximately RMB134,433,000 for the six months ended 30 June 2013, which was primarily due to an increase in the wholesale price of pork.

(2) Gross Profit and Gross Profit Margin

The following table sets out the total gross profit and gross profit margin of the Group by sales segments during the Review Period:

	For the six months ended 30 June			
	2013		2012	
	RMB'000	Gross profit margin	RMB'000	Gross profit margin
	(Unaudited)	(%)	(Unaudited)	(%)
Gross profit and gross profit margin				
Retail of pork	42,918	28.3	34,330	24.6
Wholesale of pork	30,140	22.4	24,132	18.6

The overall unaudited gross profit of the Group increased from approximately RMB58,462,000 for the six months ended 30 June 2012 to approximately RMB73,058,000 for the six months ended 30 June 2013. The overall gross profit margin of the Group increased from approximately 21.7% for the six months ended 30 June 2012 to approximately 25% for the six months ended 30 June 2013. Cost of sales during the period remained stable, whilst turnover from retail and wholesale both recorded growth, leading to an increase in total gross profit and gross profit margin.

Gross Profit and Gross Profit Margin of Retail of Pork

The gross profit of retail of pork increased from approximately RMB34,330,000 for the six months ended 30 June 2012 to approximately RMB42,918,000 for the six months ended 30 June 2013. The gross profit margin of retail of pork increased from approximately 24.6% for the six months ended 30 June 2012 to approximately 28.3% for the six months ended 30 June 2013. With increased customers' awareness and recognition of the "Putian" brand, the Group managed to increase the retail price of pork. Along with the expansion in distribution network, the turnover from the retail of pork increased, leading to an increase in gross profit margin.

Gross Profit and Gross Profit Margin of Wholesale of Pork

The gross profit of wholesale of pork increased from approximately RMB24,132,000 for the six months ended 30 June 2012 to approximately RMB30,140,000 for the six months ended 30 June 2013. The gross profit margin of wholesale of pork increased from approximately 18.6% for the six months ended 30 June 2012 to approximately 22.4% for the six months ended 30 June 2013, primarily due to an increase in the wholesale price of pork.



Management Discussion & Analysis (Continued)

Liquidity and Financial Resources

Financial Resources

The Group primarily finances the capital requirements for operations by internally generated cashflow and bank facilities. As at 30 June 2013, cash and cash equivalents amounted to approximately RMB20,901,000 (31 December 2012: approximately RMB110,851,000).

Borrowings and Pledged Assets

As at 30 June 2013, the total amount of interest-bearing bank borrowings was approximately RMB128,000,000 (31 December 2012: approximately RMB118,000,000, all of which was denominated in Renminbi and on a floating interest rate.

As at 30 June 2013, the bank borrowings of RMB128,000,000 was pledged by the Group's property, plant and equipment and two parcels of land with a total carrying value of approximately RMB144,754,000 (31 December 2012: approximately RMB148,736,000).

Gearing Ratio

As at 30 June 2013, the gearing ratio of the Group was 22.6% (31 December 2012: 22.6%). This was calculated by dividing bank borrowings with the total assets of the Group as at 30 June 2013.

Foreign Exchange Risk

The Group's main operations are located at Putian City, Fujian Province, the PRC. Most of the assets, income, payments and cash balances are denominated in Renminbi. Additionally, the Group has not entered into any foreign exchange hedging arrangement. The directors of the Company consider that exchange rate fluctuation had no material impact on the Company's performance.

Material Acquisitions and Disposal of Subsidiaries

There was no material acquisition and disposal of subsidiaries or associated companies during the Review Period.

Operating Lease Commitments

As at 30 June 2013, the Group had operating lease commitments of approximately RMB2,987,000 (31 December 2012: approximately RMB1,554,000).

Contingent Liabilities

As at 30 June 2013, the Group had no material contingent liabilities (30 June 2012: Nil).

Management Discussion & Analysis (Continued)

Human Resources

As at 30 June 2013, the Group had 546 employees. Staff costs, including directors' emoluments, totalled approximately RMB10,092,000 (30 June 2012: RMB8,529,000) during the Review Period. All of the Group's companies are equal opportunity employers, with the selection and promotion of 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.

Prospects

(1) Further expansion of distribution channels to enlarge market shares

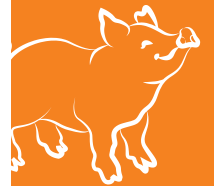
As at 30 June 2013, there were 89 points of sales established by the Group dispersedly located across Fuzhou City, Ningde City, Putian City, Quanzhou City and Zhangzhou City of Fujian Province. The total points of sales are expected to increase to 116 by the end of 2013. The expanded distribution channels of the Group's products will enable the Group to enlarge its market share in various sales regions.

(2) Strengthening product quality control

The Group strengthens the quality control in every production stage by implementing stringent quality control measures consistently, which guarantees the supply of quality pork for safe consumption. Such measures include enhancing product safety awareness among the staff, increasing the efforts in quality assessment and incentivization, enforcing stricter inspection on raw materials upon warehouse acceptance, increasing the percentage of urinary check on hogs before slaughtering, conducting regular assessment on suppliers and contract farmers to assure breeding is performed in compliance with pollution-free agricultural product regulations and examining the products of the Group against authoritative standards on a regular basis.

(3) Commencing the operation of production line for chilled pork to develop the market of value-added products

Benefiting from the emphasis given to agricultural and slaughtering industries by "China's 12th Five-Year Plan", the Group will be more focused on and carry out more in-depth analysis on social and economic developments in China as well as the trend of pork consumption in the market. In response to the changing market demands, the Group has actively introduced a series of advanced chilled pork production techniques and facilities in June 2013 to adapt to certain changes in market demands. Additionally, the Group will continue to enhance and subdivide new market segments and new products based on actual market demands. Riding on the competitive edge of its multi-regional sales network, the Group will balance its product sales differentiation in anticipation to maximize the value of its products and generate higher returns for the Group and its shareholders.



Management Discussion & Analysis (Continued)

(4) Construction of hog farms and strengthening the collaboration with contract farmers for expansion of production capacity

The Group is building six additional hog farms in Putian City, which include one for farming breeder hogs, three for farming commodity hogs (grow up to 60-day old) and two for farming commodity hogs (grow up to 180-day old). The first commodity hog farm is expected to commence operation by the end of 2013, and the first output of finishers will be put on sale in May 2014. The second to sixth hog farms will be constructed one after another. The Group expects that its annual hog farming output capacity will increase from 36,000 hogs to 300,000 hogs by the end of 2015.

Meanwhile, the Group will continue to engage the five existing contract farmers to provide hog farming services. The Group will continue to refine the farming management requirements of contract farming and strengthen the communication with the contract farmers, with a view to uplift the breeding standard and production efficiency of contract farming.

(5) Reinforcement of product quality control

Thanks to the Group's consistent implementation of its stringent quality control measures, which strengthens the quality control at every production stage, there was no outbreak of severe epidemics at the Group's farms, which in turn reassured customers' confidence and ensured the stable supply of pork. The Group planned to build a laboratory in the first quarter of 2013 and planned to purchase industry-advanced laboratory equipment and instruments, which is expected to commence operation in the third quarter of 2013, in order to ensure the Group's ability in monitoring various production processes ranging from hog farming and production of pork products to final sales in a more attentive manner. The Group is committed to enhance product safety awareness among its staff, increasing the efforts on quality assessment and giving incentives, enforcing stricter inspection on raw materials upon warehouse acceptance, conducting regular assessment on suppliers and contract farmers continuously to assure breeding is performed in compliance with the regulations of pollution-free agricultural products, as well as examining the products of the Group with authoritative standards on a regular basis, so as to provide customers with high-quality, healthy and safe pork products.

Interim Financial Report

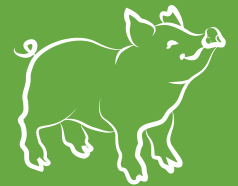
The board of directors (the “Board”) of China Putian Food Holding Limited (the “Company”) is pleased to present the unaudited condensed interim financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2013 together with the comparative figures for the corresponding period in 2012.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

	Notes	Six months ended 30 June	
		2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Revenue	4	286,192	269,499
Cost of sales		(213,134)	(211,037)
Gross profit		73,058	58,462
Other revenue and gains	5	2,887	1,480
Change in fair value less cost to sell of biological assets	11	(3,982)	2,427
Selling and distribution expenses		(10,341)	(9,333)
Administrative expenses		(15,987)	(8,136)
Finance costs		(3,605)	(2,563)
Other operating expenses		(731)	(57)
Profit before taxation		41,299	42,280
Taxation	6	—	—
Profit for the period	7	41,299	42,280
Other comprehensive income, net of income tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(373)	(117)
Other comprehensive income for the period, net of income tax		(373)	(117)
Total comprehensive income for the period, net of income tax		40,926	42,163
Earnings per share	9		
— Basic (RMB cents per share)		5.16	7.05
— Diluted (RMB cents per share)		5.16	7.05

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



Condensed Consolidated Statement of Financial Position

As at 30 June 2013

	Notes	As at 30 June 2013 RMB'000 (Unaudited)	As at 31 December 2012 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	258,281	166,672
Prepaid lease payments		102,704	90,426
Biological assets	11	3,240	3,545
		364,225	260,643
Current assets			
Inventories		13,174	9,270
Biological assets	11	46,242	45,536
Trade receivables	12	73,739	77,927
Deposits paid, prepayments and other receivables	13	43,273	13,547
Prepaid lease payments		3,880	3,588
Cash and bank balances		20,901	110,851
		201,209	260,719
Current liabilities			
Trade payables	14	9,113	7,978
Deposits received, accruals and other payables	15	5,783	8,203
Bills payables		1,000	—
Bank borrowings	17	128,000	118,000
Deferred revenue		253	253
		144,149	134,434
Net current assets		57,060	126,285
Total assets less current liabilities		421,285	386,928
Equity attributable to owners of the Company			
Share capital	16	65,178	65,178
Reserves		352,286	317,802
Total equity		417,464	382,980
Non-current liabilities			
Deferred revenue		3,821	3,948
Total equity and non-current liabilities		421,285	386,928

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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Share capital	Share Premium	Exchange reserve	Statutory reserve	Other reserve	Retained earnings	Proposed total dividend	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2012 (Audited)	7	—	673	20,490	53,089	112,621	—	186,880
Profit for the period	—	—	—	—	—	42,280	—	42,280
Other comprehensive loss for the period	—	—	(117)	—	—	—	—	(117)
Total comprehensive (loss)/income for the period	—	—	(117)	—	—	42,280	—	42,163
Issue of shares	81	—	—	—	—	—	—	81
Effect of reorganisation	(7)	—	—	—	(74)	—	—	(81)
Transfer to statutory reserve	—	—	—	4,708	—	(4,708)	—	—
As at 30 June 2012 (Unaudited)	81	—	556	25,198	53,015	150,193	—	229,043
As at 1 January 2013 (Audited)	65,178	18,509	1,543	31,931	53,015	206,285	6,519	382,980
Profit for the period	—	—	—	—	—	41,299	—	41,299
Other comprehensive income for the period	—	—	(296)	—	—	—	(77)	(373)
Total comprehensive income for the period	—	—	(296)	—	—	41,299	(77)	40,926
Transfer to statutory reserve	—	—	—	5,444	—	(5,444)	—	—
Dividend paid	—	—	—	—	—	—	(6,442)	(6,442)
As at 30 June 2013 (Unaudited)	65,178	18,509	1,247	37,375	53,015	242,140	—	417,464



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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Net cash generated from operating activities	24,612	1,003
Net cash used in investing activities	(114,149)	(4,521)
Net cash used in financing activities	(124)	(2,087)
Net decrease in cash and cash equivalents	(89,661)	(5,605)
Cash and cash equivalents at the beginning of the period	110,851	13,430
Effect of foreign exchange rate changes	(289)	(114)
Cash and cash equivalents at the end of the period	20,901	7,711

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013

1. Basis of Preparation

The condensed consolidated interim financial information for the six months ended 30 June 2013 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 information are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated. The condensed consolidated interim financial information are unaudited but have been reviewed by the audit committee.

2. Significant Accounting Policies

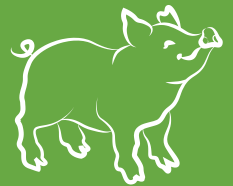
The accounting policies adopted in preparing the condensed consolidated interim financial information are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 December 2012 except for the adoption of the new and revised Hong Kong Financial 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 2013.

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

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKFRSs (Amendments)	Annual Improvements 2009–2011 Cycle
HKFRS 1	First-time adoption of Hong Kong Financial Reporting Standards — Government Loans
HKFRS 7 (Amendments)	Disclosure — Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities — Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

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 which have been prepared and presented. Accordingly, no prior period adjustment has been required.



Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2013

2. Significant Accounting Policies (Continued)

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

HKFRS 9 & HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure ²
HKFRS 9	Financial Instruments ²
HKFRS 10, HKFRS 12 and HKFRS 27 (as revised in 2011)	Investment Entities ¹
HKAS 32 (Amendments)	Presentation — Offsetting Financial Assets and Financial Liabilities ¹
HKAS 36 (Amendments)	Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets ¹
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting ¹
HK(IFRIC)-Int 21	Levies ¹

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

² 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 results of operations and financial position.

3. Segment Information

The Group currently operates in one operating segment which is the sales of pork operation. A single management team reports to the Group's Chief Executive Officer (being the chief operating decision-maker) who allocates resources and assesses performance based on the consolidated result for the year for the entire business comprehensively. Accordingly, the Group does not present separately segment information.

During the reporting period, all revenue is derived from customers in the PRC and almost all the non-current assets of the Group are located in the PRC.

4. Revenue

The Group's revenue comprises the following:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from		
— Retail of pork	151,759	139,505
— Wholesale of pork	134,433	129,994
	286,192	269,499

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2013

5. Other Revenue and Gains

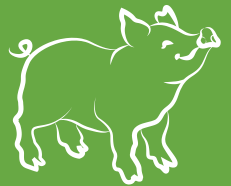
	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Interest income on:		
Bank deposits	306	12
Amortisation of deferred revenue	127	251
Gain on disposal of hog droppings	101	—
Gain on disposal of biological assets	832	746
Government grants	1,265	458
Net foreign exchange gain	176	—
Sundry income	80	13
	2,887	1,480

6. Taxation

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Profit before taxation	41,299	42,280
Tax at the applicable income tax rate	10,646	10,923
Tax exemption for subsidiary operating in the PRC	(11,269)	(11,606)
Tax effect of tax loss not recognised	623	683
Income tax expenses	—	—

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 during the reporting period.
- (b) No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits subject to Hong Kong profits tax during the reporting period.
- (c) Pursuant to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) ("EIT Law"), the statutory income tax rate for both domestic enterprises and foreign investment enterprises is 25%. However, a major subsidiary of the Group, Fujian Tianyi, is entitled to the following preferential tax treatments:
- According to Article 16 (1) of the Provisional Regulations of the People's Republic of China on Value-Added Tax (中華人民共和國增值稅暫行條例), self-produced agricultural products sold by agricultural producers is exempted from the statutory value-added tax ("VAT") of 13% of sales.
 - According to Article 86 (1) of the Implementation Regulations of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), income derived by an enterprise from farming of livestock and poultry is exempted from EIT.



Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2013

6. Taxation (Continued)*Notes: (Continued)*

- (d) Under the EIT Law, Fujian Tianyi is required to pay withholding tax of 5% on the dividend payable to the foreign shareholders and PRC income tax on gain on transfer of shares.

Since the Group can control the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

7. Profit for the Period

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Staff costs		
including directors' remuneration	9,429	8,077
Retirement scheme contributions	663	452
Total staff costs	10,092	8,529
Depreciation of property, plant and equipment	8,512	8,516
Amortisation of prepaid lease payments	2,032	238
Total depreciation and amortisation	10,544	8,754

8. Dividends

Dividends recognised as distributions during the period:

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
2012 final dividend of HK1.0 cent per ordinary share (approximately RMB0.8 cent per share), paid (2011: nil)	6,442	—

The Board does not recommend the payment of any interim dividend for the period. (Six months ended 30 June 2012: nil).

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2013

9. Earnings Per Share Attributable to Owners of the Company

	Six months ended 30 June	
	2013	2012
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Earnings		
Earnings attributable to owners of the Company for the purpose of basic earnings per share	41,299	42,280

	Six months ended 30 June	
	2013	2012
	'000 (Unaudited)	'000 (Unaudited)
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	800,000	600,000

The calculation of basic earnings per share for the period is based on the profit attributable to the owners of the Company for the reporting period of approximately RMB41,299,000 (profit attributable to the owners of the Company for six months ended 30 June 2012: RMB42,280,000) and the weighted average number of 800,000,000 (six months ended 30 June 2012: 600,000,000) 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.

10. Movement in Property, Plant and Equipment

During the period, the Group has acquired building, plant, machinery and equipment, motor vehicles and construction in progress of approximately RMB185,000 (2012: RMB1,303,000), RMB1,511,000 (2012: RMB2,916,000), nil (2012: RMB2,881,000) and RMB98,449,000 (2012: RMB26,695,000).



Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2013

11. Biological Assets

Movements of biological assets are summarised as follows:

	Breeder hogs RMB'000	Commodity hogs RMB'000	Total RMB'000
As at 1 January 2012 (Audited)	3,070	40,028	43,098
Increase due to purchases	985	304,225	305,210
Increase due to raising (Feeding cost and others)	5,032	106,891	111,923
Transfer	(5,116)	5,116	—
Decrease due to retirement and deaths	—	(3,826)	(3,826)
Decrease due to sales	(559)	(411,024)	(411,583)
Change in fair value less costs to sell	133	4,126	4,259
As at 31 December 2012 and 1 January 2013 (Audited)	3,545	45,536	49,081
Increase due to purchases	19	147,559	147,578
Increase due to raising (Feeding cost and others)	2,465	58,461	60,926
Transfer	(2,435)	2,435	—
Decrease due to retirement and deaths	—	(920)	(920)
Decrease due to sales	(401)	(202,800)	(203,201)
Change in fair value less costs to sell	47	(4,029)	(3,982)
As at 30 June 2013 (Unaudited)	3,240	46,242	49,482

Note:

The Group's biological assets as at 30 June 2013 and 31 December 2012 have been arrived at on the basis of a valuation carried out by independent qualified professional valuer. Given the nature of the biological assets where market determined prices are available, the fair values less costs to sell have been determined by the market approach based on the market-determined prices as at 30 June 2013 and 31 December 2012 adjusted with such attributes as pig breed and stage of growth in the lifecycle. The resulting loss arising from changes in fair value less costs to sell of biological assets of RMB3,982,000 (gain recognised for the six months ended 30 June 2012: RMB2,427,000) has been recognised directly in profit or loss for the six months ended 30 June 2013.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2013

12. Trade Receivables

	As at 30 June 2013 RMB'000 (Unaudited)	As at 31 December 2012 RMB'000 (Audited)
Trade receivables	73,739	77,927

The fair values of trade receivables approximate their carrying amounts.

The Group normally allows a credit period ranging from cash upon delivery to 90 days depending on the customer's creditworthiness and the length of business relationship with the customers. The ageing analysis of trade receivables based on the invoice date at the end of each period is as follows:

	As at 30 June 2013 RMB'000 (Unaudited)	As at 31 December 2012 RMB'000 (Audited)
Within 30 days	45,499	53,642
31 days to 90 days	28,240	24,160
91 days to 180 days	—	121
Over 180 days	—	4
Total	73,739	77,927

Trade receivables that are past due are not considered impaired. These relate to a number of independent customers for whom there is no recent default.

The trade receivables are denominated in RMB. The Group does not hold any collateral over these balances.



Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2013

13. Deposits Paid, Prepayments and Other Receivables

	As at 30 June 2013 RMB'000 (Unaudited)	As at 31 December 2012 RMB'000 (Audited)
Advances to staff	730	373
Deposits paid for purchase of property, plant and equipment	28,193	1,240
Deposits paid and prepayments	14,350	11,934
	43,273	13,547

14. Trade Payable

	As at 30 June 2013 RMB'000 (Unaudited)	As at 31 December 2012 RMB'000 (Audited)
Trade payables	9,113	7,978

The aging analysis of trade payables is as follows:

	As at 30 June 2013 RMB'000 (Unaudited)	As at 31 December 2012 RMB'000 (Audited)
Within 30 days	5,589	6,477
31 days to 90 days	2,012	494
91 days to 180 days	1,512	516
Over 180 days	—	491
Total	9,113	7,978

The average credit period on purchases of certain goods is within 90 days.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2013

15. Deposits Received, Accruals and Other Payables

	As at 30 June 2013 RMB'000 (Unaudited)	As at 31 December 2012 RMB'000 (Audited)
Deposits received	489	299
Other payables for property, plant and equipment	234	297
Accruals and other payables	5,060	7,607
	5,783	8,203

16. Share Capital

	Number of share	Nominal value of ordinary shares HK\$'000 (Unaudited)	Total RMB'000 (Unaudited)
Authorised:			
At 1 January and 30 June 2013 ordinary shares of HK\$0.1 each	40,000,000,000	4,000,000	3,240,009
Issued and fully paid:			
At 1 January 2013 ordinary shares of HK\$0.1 each	800,000,000	80,000	65,178
Issue of ordinary shares of HK\$0.1 each for reorganisation	—	—	—
	800,000,000	80,000	65,178



Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2013

17. Bank Borrowings

	As at 30 June 2013 RMB'000 (Unaudited)	As at 31 December 2012 RMB'000 (Audited)
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Bank borrowings — secured	128,000	118,000
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	As at 30 June 2013 RMB'000 (Unaudited)	As at 31 December 2012 RMB'000 (Audited)
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Carrying amount repayable: On demand or within one year	128,000	118,000
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The contractual fixed and floating interest rates per annum in respect of bank borrowings were within the following ranges:

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
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Bank borrowings at: — floating interest rates	6.300%–6.600%	6.300%–6.600%
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The carrying amount of the Group's bank borrowings are all originally denominated in RMB, which is the functional currency of the Group.

The collaterals for the Group's bank borrowings are as follows:

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
--	---	---

Property, plant and equipment	124,469	127,974
Prepaid lease payments	20,285	20,762
	144,754	148,736

The fair values of the short-term borrowings are approximate to their carrying amounts.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2013

18. Operating Lease Commitments**The Group as lessee:**

At the end of each reporting date, the Group had commitments for future minimum lease payments in respect of retail outlets and office premises under non-cancellable operating lease which fall due as follows:

	As at 30 June 2013 RMB'000 (Unaudited)	As at 31 December 2012 RMB'000 (Audited)
Within one year	1,492	1,321
In the second to fifth years, inclusive	1,495	233
	2,987	1,554

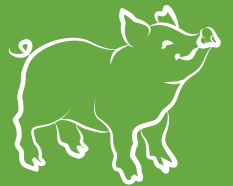
Operating lease payments represent rentals payable by the Group for certain of its office premises and retail outlets. Lease in respect of office premises are negotiated for a term of two years with fixed rentals. Lease in respect of direct sales outlets are negotiated for a term of one year with fixed rentals.

19. Events After the End of the Reporting Period

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

20. Approval of the Interim Financial Information

The condensed consolidated interim financial information were approved and authorised for issue by the Board of directors of the Company on 28 August 2013.



Other Information

Disclosure of Interests

Interests and Short Positions of the Directors and Chief Executive in Shares, Underlying Shares and Debentures of the Company and Associated Corporations

As at 30 June 2013, the interests and short positions of the directors and chief executive in shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") as recorded in the register of interest 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 Issuer as set out in Appendix 10 to the Listing Rules ("Model Code") were as follows :

Long position in the shares and underlying shares of the Company

Name	Nature of interest	Number of ordinary shares of the Company held	Approximate percentage of the issued share capital of the Company
Mr. Cai Chenyang (Note 1)	Interest of controlled corporation	408,000,000	51%

Note:

- (1) Mr. Cai Chenyang is deemed to be interested in 408,000,000 shares of the Company, which are held by Zhan Rui Investments Limited ("Zhan Rui"), a corporation controlled by Mr. Cai Chenyang.

Save as disclosed above, as at 30 June 2013, none of the directors or chief executive of the Company 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) which would have to be recorded in the register of interests required to be kept by the Company pursuant to Section 352 of the SFO or which would otherwise be notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information (Continued)

Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares of the Company

As at 30 June 2013, the interest or short position of the persons (other than the directors or chief executive of the Company) in shares and underlying shares of the Company as recorded in the register of interests 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 Division 2 and 3 of Part XV of the SFO were as follows :

Long position in the shares and underlying shares of the Company

Name	Nature of interests	Number of ordinary shares of the Company held	Approximate percentage of the issued share capital of the Company
Zhan Rui (<i>Note 1</i>)	Beneficial owner	408,000,000	51%
Charming Investment Holdings Limited (<i>Note 2</i>)	Beneficial owner	60,000,000	7.5%
Ms. Lee Ming Hin (<i>Note 2</i>)	Interest of controlled corporation	60,000,000	7.5%
Long Excel Limited (<i>Note 3</i>)	Beneficial owner	60,000,000	7.5%
Mr. Chi Chi Hung Kenneth (<i>Note 3</i>)	Interest of controlled corporation	60,000,000	7.5%

Notes:

- (1) Mr. Cai Chenyang is deemed to be interested in 408,000,000 shares of the Company, which are held by Zhan Rui, a corporation controlled by Mr. Cai Chenyang.
- (2) Ms. Lee Ming Hin is deemed to be interested in 60,000,000 shares of the Company, which are held by Charming Investment Holdings Limited, a corporation controlled by Ms. Lee Ming Hin.
- (3) Mr. Chi Chi Hung Kenneth is deemed to be interested in 60,000,000 shares of the Company, which are held by Long Excel Limited, a corporation controlled by Mr. Chi Chi Hung Kenneth.

Save as disclosed above, as at 30 June 2013, no person (other than the directors or chief executive of the Company) had any interests or short positions in the shares and underlying shares of the Company which would be required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.



Other Information (Continued)

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 Review Period.

Corporate Governance Practices

The Company has adopted the code provisions of the Corporate Governance Code (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Save as disclosed below, none of the directors of the Company is aware of any information which would reasonably indicate that the Company has not, during the six months ended 30 June 2013, complied with all applicable code provisions of the Code.

Code A.2.1 of the Code stipulates that the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. Mr. Cai Chenyang is the chairman and the chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals who meet regularly to discuss issues affecting the operation of the Company. The Board believes that this structure, in the period of rapid business development of the Company, is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Cai Chenyang and believes that having Mr. Cai Chenyang performing the roles of chairman and chief executive director is beneficial to the business prospect of the Group.

Compliance with the Model Code

The Company has adopted the code provisions of the Model Code as its code of conduct regarding directors' securities transactions. Having made specific enquiry with all the directors of the Company, all directors of the Company confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions for the six months ended 30 June 2013.

Audit Committee

The Audit Committee of the Board comprises three independent non-executive directors, namely Mr. Wu Shiming, Mr. Cai Zirong and Mr. Yu Wenquan. The Audit Committee is chaired by Mr. Wu Shiming.

The Audit Committee had reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2013, including the accounting principles adopted by the Group, and took the view that the Company was in full compliance with all applicable accounting standards and regulations and adequate disclosures had been made.

Other Information (Continued)

Share Option Scheme

The Company has adopted a share option scheme (the “Share Option Scheme”) which had become effective upon the commencement of dealings of the shares of the Company (the “Shares”) on the Stock Exchange on 13 July 2012. As at the date of this report, the Company has not granted any option under the Share Option Scheme.

Set out below is a summary of the Share Option Scheme:

Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to recognise and motivate the contribution of employees (which include any full time or part time employee, executive and non-executive director or proposed executive and non-executive director) of the Group and other person(s) who may make a contribution to the Group and to provide incentives and help the Company retain its existing employees and recruit additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

Participants of the Share Option Scheme

The participants of the Share Option Scheme (the “Participant”) to whom options may be granted by the Board shall include 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.

Total number of Shares available for issue under the Share Option Scheme

The total number of Shares which may be issued upon exercise of all options which may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of Shares in issue as at the adoption date immediately following completion of the listing of the Shares of the Company on the Stock Exchange. In addition, the maximum number of Shares which may be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of Shares in issue from time to time. As at the date of this report, the Company has not granted any option under the Share Option Scheme.

Maximum entitlement of each Participant

The maximum number of Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised, cancelled and outstanding options) in any twelve-month period up to and including the date of grant to each Participant under the Share Option Scheme shall not exceed 1% of the Shares for the time being in issue. Any further grant of options in excess of this limit is subject to shareholders’ approval in a general meeting with the grantee and his associates abstaining from voting. Options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company’s shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.



Other Information (Continued)

Period within which the securities must be taken up under an option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not be more than 10 years from the date on which an option is granted to any Participant and the Board may provide restrictions on the exercise of an option during the period an option may be exercised.

Payment on acceptance of option offer

An offer for grant of options must be accepted within 20 business days from the offer date. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK\$1.00.

Basis of determining the subscription price

The subscription price for the share under the Share Option Scheme will be a price determined by the Board at its absolute discretion at the time of the grant of the relevant option and notified to each grantee but in any case will not be less than the highest of: (i) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange for the five trading days immediately preceding the date of the grant; or (iii) the nominal value of a share.





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