

KOND 康大

中國康大食品有限公司

CHINA KANGDA FOOD COMPANY LIMITED

(incorporated in Bermuda with limited liability)

Singapore stock code : P74

Hong Kong stock code : 834

Interim Report **2013**



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Contents

2	Corporate Profile
3	Corporate Information
4	Management Discussion and Analysis
9	Other Information
12	Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income
13	Unaudited Statements of Financial Position
14	Unaudited Statements of Changes in Equity
15	Unaudited Consolidated Statement of Cash Flows
17	Notes to the Unaudited Consolidated Financial Statements

Corporate Profile

Established in 1992, China Kangda is a diversified food manufacturing and processing group based in the People's Republic of China ("PRC") and is primarily engaged in the production, processing, sale and distribution of:

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

China Kangda's chilled and frozen rabbit meat is mainly exported to European Union ("EU"). Besides selling products under its own brand names of "康大", "嘉府", "U味", and "KONDA", China Kangda also acts as an Original Equipment Manufacture ("OEM") manufacturer of a variety of processed foods including meatballs, seafood, chicken-based cooked products, chestnuts, instant soups and curry products and etc.

China Kangda currently distributes its wide range of products in 26 provinces and over 30 major cities in the PRC and exports to more than 20 countries and cities including Japan, the United Arab Emirates and certain countries in the EU.

China Kangda is one of the major companies in the PRC authorised to supply rabbit meat to the EU and one of the largest PRC exporters of rabbit meat. China Kangda is also the first PRC company to be granted the certification for breeding progeny rabbit in the PRC. China Kangda is further strengthening its foothold in this segment through stable expansion strategies.

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

Corporate Information

BOARD OF DIRECTORS

Executive (see note below):
Gao Yanxu (acting CEO)

Non-executive:
Gao Sishi (Chairman)
Zhang Qi
Naoki Yamada

Independent non-executive:
He Dingding
Lau Choon Hoong
Yu Chung Leung

COMPANY SECRETARIES

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

AUDIT COMMITTEE

Lau Choon Hoong (Chairman)
He Dingding
Zhang Qi
Yu Chung Leung
Naoki Yamada

REMUNERATION COMMITTEE

Yu Chung Leung (Chairman)
Lau Choon Hoong
He Dingding
Gao Sishi
Naoki Yamada

NOMINATION COMMITTEE

He Dingding (Chairman)
Lau Choon Hoong
Gao Yanxu
Yu Chung Leung

Note:

The following changes as announced on 22 May 2013, were effected from 22 May 2013:

- (1) Resignation of Mr. Wang Baowang as the chief executive officer of the Company; and
- (2) Appointment of Mr. Gao Yanxu as the acting chief executive officer of the Company.

AUTHORISED REPRESENTATIVES

Gao Yanxu
Fong William

SINGAPORE SHARE REGISTRAR

B.A.C.S. Private Limited
63 Cantonment Road
Singapore 089758

HONG KONG SHARE REGISTRAR

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

AUDITOR

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

BDO LLP
Certified Public Accountants
21 Merchant Road
#05-01, Royal Merukh S.E.A.
Building
Singapore 058267

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

WEBSITE OF THE COMPANY

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 1, Hai Nan Road
Economic and Technology
Development Zone
Jiaonan City
Shandong Province
PRC

PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART XI OF THE COMPANIES ORDINANCE

Room 4215, Office Tower
Convention Plaza,
No. 1 Harbour Road
Wanchai
Hong Kong

Management Discussion and Analysis

BUSINESS REVIEW

As more food safety problems surfaced, drug residues and fast-growing chicken have become one of the most concerned issues for the public. This has impacted the performance of the Group's chicken meat products and chicken based processed food products during the period. The negative impact from H7N9, which detected in chickens in the southern China, has further affected consumers' confidence in consumption of chicken meats from the second quarter. The Group's gross profit margin declined from 7.2% to 5.1% and the comprehensive income attributable to owners of the Company declined by 599.1% to loss of RMB11.1 million for the six months ended 30 June 2013 ("HY2013").

In spite of the above, sales of rabbit meat products had achieved a remarkable growth during the period. The Group has penetrated into the PRC market whereby benefits of rabbit meat as a healthier, safer and quality meat were promoted through advertisements. The Group has taken steps to strengthen and expand the sales network of its rabbit meat products in more provinces in the PRC and broaden its sales channels in the domestic market.

Looking forward, the Group will strive to strengthen its brand by improving its product quality. The PRC's economic performance was inevitably affected by external forces, but its economic conditions are stable as a whole. The rapid urbanisation in the PRC couple with its large population would provide the foundation for the PRC economy to remain relatively robust. The Group will introduce rabbit meat products to the PRC market on a continual basis and launch various new rabbit meat product ranges.

OPERATING AND FINANCIAL REVIEW

Revenue by Products

	Six months ended 30 June 2013 Unaudited RMB'000	Six months ended 30 June 2012 Unaudited RMB'000	% Change Unaudited + / (-)
Processed food products	292,211	316,958	(7.8)
Chilled and frozen rabbit meat	113,480	79,534	42.7
Chilled and frozen chicken meat	160,627	147,375	9.0
Other products	114,841	118,314	(2.9)
Total	681,159	662,181	2.9

For the chicken meat products, the Group is confident that the demand will recover once consumers have restored their confidence. The Group will continue to expand its market share in the PRC by implementing an extensive marketing strategy with emphasis on maintaining good relationships with customers and suppliers and other means in order to achieve a leading position.

The Group is well-positioned to tackle the challenges imposed by the global economic environment and believes that its commitment to healthier, safer and quality meat products will place the Group ahead of its fellow competitors.

FOOD SAFETY

The Group always emphasizes great importance to its quality control and R&D capability, including technical support for scientific breeding, prevention of and treatment for diseases. The Group has its own supply of live poultry with strict controls on its breeding chain. Emphasis has always placed on guidance and proper training given to improve breeding results. The Group has regulated drug use, imposed stringent gate-keeping on drug intake, drug withdrawal periods and quality testing for its poultry to avoid any market risks.

The Group views its ability to comply with the PRC and international standards as its strength. The Group will continue to strengthen its staff training and conduct regular checks on product safety to further enhance its food quality. Food safety has already become a basic and most pertinent factor for the Group's development. The Group is committed to food safety and believes in taking up the responsibility of public safety.

Management Discussion and Analysis

Processed Food Products

Demand for the Group's chicken-based processed food products had decreased following the loss in consumer confidence in consumption of chicken due to H7N9 bird flu and the fast growing chicken related events. In addition, the depreciation of Japanese yen during the period had led to a decrease in the export of the Group's processed food products to Japan. As a result, revenue derived from processed food products decreased by 7.8% to approximately RMB292.2 million for HY2013 from approximately RMB317.0 million for the six months ended 30 June 2012 ("HY2012").

Chilled and Frozen Meat Products

The rabbit and chicken meat segments contributed 40.2% to the Group's total revenue for HY2013 compared to 34.3% of HY2012. Revenue of the rabbit and chicken meat segments registered a 20.8% increase to RMB274.1 million for HY2013.

The Group achieved a satisfactory result in its promotional and product development for its rabbit meat brand in the PRC market. Revenue derived from the rabbit meat segment increased by 42.7% to approximately RMB113.5 million for HY2013.

Revenue of the Group's chicken meat segment increased by 9.0% to approximately RMB160.6 million for HY2013. The increase in sales of chicken meat products was a result of the Group reducing the selling price of its chicken meat products during the period.

Other Products

Revenue from the production and sale of other products decreased slightly by 2.9% to RMB114.8 million in HY2013. Pet food sales contributed over 50% to this segment with revenue generated from the Beijing and Shanghai markets in the PRC and overseas markets in Japan and Korea.

Revenue by Geographical Markets

	Six months ended 30 June 2013 Unaudited RMB'000	Six months ended 30 June 2012 Unaudited RMB'000	% Change Unaudited + / (-)
Export	246,975	274,422	(10.0)
PRC	434,184	387,759	12.0
Total	681,159	662,181	2.9

On a geographical basis, the substantial decline in Japanese yen during the period had affected the export of the Group's products to Japan. Therefore, revenue from export sales decreased by 10.0% to RMB247.0 million in HY2013.

Sales of rabbit meat products in the PRC had achieved a remarkable growth following the stepping up of the Group's promotional efforts. The Group managed to increase its sales by 12.0% to approximately RMB434.2 million for HY2013.

PROFITABILITY

Gross Profit ("GP") and Margin

	Six months ended 30 June 2013		Six months ended 30 June 2012		Change	% Change
	GP	Margin	GP	Margin		
	RMB'000 Unaudited	% Unaudited	RMB'000 Unaudited	% Unaudited	RMB'000 Unaudited	% Unaudited
Processed food	25,582	8.8	36,463	11.5	(10,881)	(29.8)
Rabbit meat	8,279	7.3	4,586	5.8	3,693	80.5
Chicken meat	761	0.5	3,201	2.2	(2,440)	(76.2)
Other products	387	0.3	3,481	2.9	(3,094)	(88.9)
Total	35,009	5.1	47,731	7.2	(12,722)	(26.7)

Management Discussion and Analysis

Gross profit margin declined from 7.2% to 5.1% in HY2013 which was due mainly to the decrease of selling price of chicken related products and the increase of raw materials prices during the period.

Processed Food Products

Processed food products were the main profit contributor in HY2013. Gross profit margin decreased from 11.5% to 8.8% in HY2012 was due to the decrease of selling price.

Chilled and Frozen Rabbit Meat

The gross profit margin of chilled and frozen rabbit meat increased from 5.8% to 7.3% for HY2013 was due to the increase of selling price resulting from the increase of rabbit meat demand in the PRC market.

Chilled and Frozen Chicken Meat

With the lower average selling price of chicken meat coupled with the increased cost of raw materials, both gross profit and gross profit margin of the Group declined to RMB0.8 million and 0.5% respectively.

Other Products

Other products are mainly chicken and rabbit meat by-products and pet food products, which are not the core profit drivers of the Group. Due to the fluctuation in prices of chicken and rabbit meat by-products, gross profit margin decreased to 0.3% in HY2013 and gross profit decreased from RMB3.5 million to RMB0.4 million.

Other Income

Other income comprised mainly government grants, gain on change in fair value of biological assets and interest income from bank deposits amounting to RMB1.4 million, RMB6.0 million and RMB1.3 million respectively. The decrease in other income was due to the decrease of government grants provided by the Chinese government in support of the agricultural operations and business during the period.

Selling and Distribution Expenses

Selling and distribution expenses comprised mainly transportation costs, promotion costs and salary and welfare. The decrease in selling and distribution costs by 16.4% to approximately RMB13.7 million arose from the Company's cost-cutting initiatives, which resulted in a decrease in travelling and entertainment expenses. This has been discussed and explained in the Company's 2012 annual results announcement.

Administrative Expenses

Administrative expenses comprised mainly staff costs, professional fees, travelling expenses and other miscellaneous administrative expenses. The 21.6% decrease in administrative expenses was due mainly to the implementation of cost controls measures.

Other Operating Expenses

Other operating expenses represented miscellaneous expenses relating to the disposal of damaged packaging materials.

Finance Costs

Finance costs increased slightly by 1.8% to RMB15.6 million for HY2013 were due mainly to the increase of average bank borrowings for the Group's future working capital purpose during the period.

Taxation

Income tax credit comprised the deferred tax credit arose from the fair value adjustment on property, plant and equipment, intangible assets and land use rights upon business combination of the Shandong Kaijia Food Company Limited and its subsidiary, Shandong Kaijia International Trade Co., Ltd. (collectively known as the "Kaijia Group") offsetting by the accrued PRC corporate income tax during the period.

REVIEW OF THE GROUP'S FINANCIAL POSITION AS AT 30 JUNE 2013

The Group's property, plant and equipment were mainly leasehold buildings and plant and machinery. The slight decrease by 0.4% to approximately RMB615.8 million as at 30 June 2013 was due mainly to an acquisition of equipment of approximately RMB19.2 million and a depreciation charge of RMB21.6 million.

The reduction in prepaid premium for land leases and intangible assets for HY2013 amounting to approximately RMB1.5 million and approximately RMB0.5 million respectively. This was due mainly to amortisation. The intangible assets refer to the export licences and hygiene registration certificates awarded by the relevant authorities in Japan and European Union ("EU"), where the registered products produced by the Group are allowed to be exported to these countries.

Goodwill arose from the acquisitions of subsidiaries in the past.

Management Discussion and Analysis

Biological assets refer to progeny rabbits and chickens held for sale and breeder rabbits and chickens held for breeding purpose. These biological assets were valued by the directors of the Group as at 30 June 2013 based on market-determined prices of rabbits/chickens of similar size, species and age. The valuation methodology is in compliance with IAS 41 to determine the fair values of biological assets in their present location and condition.

Inventories increased by approximately RMB13.7 million to approximately RMB166.9 million in anticipation of an increase in demand in the third quarter of 2013. The inventory turnover day for HY2013 was 45 days compared to 43 days for the year ended 31 December 2012 ("FY2012"). The increase in the average inventory turnover day resulted from the loss of consumers' confidence in consumption of chicken meats during the period.

Trade receivables slightly increased by approximately RMB0.4 million or 0.5% to approximately RMB88.6 million in HY2013. The increase was attributable to higher level of credit sales in line with the increase in revenue. The trade receivable turnover days was 23 days in HY2013 comparable to FY2012.

Prepayments, other receivables and deposits decreased by approximately RMB12.3 million to approximately RMB45.0 million as at 30 June 2013.

Cash and cash equivalents, including pledged deposits, decreased by approximately RMB91.0 million to approximately RMB331.1 million. Approximately RMB5.4 million of the bank deposit is secured against the interest-bearing borrowings by the Group.

Trade and bills payables decreased by approximately RMB8.5 million from approximately RMB175.7 million as at 31 December 2012 to approximately RMB167.2 million as at 30 June 2013 due to the reduction of payment terms granted by some small suppliers.

Accrued liabilities and other payables represented payables for construction and facilities, salaries and welfare payables, accrued expenses and deposits received. The decrease was due to the decrease of deposits placed by customers compared to 31 December 2012.

The interest-bearing bank borrowings decreased by approximately RMB18.0 million to approximately RMB571.0 million after taking into account the additional bank borrowings of approximately RMB412.0 million and the loan repayment of approximately RMB430.0 million.

Amount due to a related party represented the outstanding balance due to Qingdao Kangda Foreign Trade Group Limited ("KD Group") resulted from the trading and other transactions.

Tax payables increased from approximately RMB0.8 million as at 31 December 2012 to approximately RMB1.9 million as at 30 June 2013. This was due to income tax accrued during HY2013.

CAPITAL STRUCTURE

As at 30 June 2013, the Group had net assets of approximately RMB692.1 million (31 December 2012: RMB705.5 million), comprising non-current assets of approximately RMB851.8 million (31 December 2012: RMB859.3 million), and current assets approximately RMB661.4 million (31 December 2012: RMB750.3 million). The Group recorded a net current liability position of approximately RMB145.3 million as at 30 June 2013 (31 December 2012: RMB139.3 million), which primarily consist of cash and cash equivalents balances amounted to approximately RMB325.7 million (31 December 2012: RMB370.7 million). Moreover, inventories amounted to approximately RMB166.9 million (31 December 2012: RMB153.2 million) and trade receivables amounted to approximately RMB88.6 million (31 December 2012: RMB88.1 million) are also major current assets. Major current liabilities are trade and bills payables and interest-bearing bank borrowings amounted to RMB167.2 million (31 December 2012: RMB175.7 million) and RMB571.0 million (31 December 2012: RMB589.0 million) respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2013, the Group has cash and cash equivalent of approximately RMB325.7 million (31 December 2012: RMB370.7 million) and had total interest-bearing bank borrowings of approximately RMB571.0 million (31 December 2012: RMB589.0 million). The Group's interest-bearing bank borrowings bear interests ranging from 6.00% to 7.87%.

The gearing ratio for the Group was 86.6% (31 December 2012: 87.9%) as at 30 June 2013, based on total interest-bearing bank borrowings of RMB571.0 million (31 December 2012: RMB589.0 million) and equity attributable to owners of RMB659.0 million (31 December 2012: RMB670.1 million). The Group serves its debts primarily with recurring cash flow generated from its operation. The board of directors of the Company is confident that the Group has adequate financial resources to meet its future debt repayment and support its working capital requirement and future expansion.

Management Discussion and Analysis

FOREIGN CURRENCY EXPOSURE

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

The Group does not have a formal foreign currency hedging policy or conducts hedging exercise to reduce its foreign currency exposure. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should it be necessary.

CAPITAL COMMITMENTS

As at 30 June 2013, the capital commitment of the Group which had been contracted for but not provided in the financial statements was in the total amount of approximately RMB9.2 million (31 December 2012: RMB13.1 million).

CHARGE ON ASSETS

Total interest-bearing bank borrowings include secured liabilities of approximately RMB320.0 million (31 December 2012: RMB325.0 million).

As at 30 June 2013, the Group's interest-bearing bank borrowings are guaranteed by certain related parties of the Group and secured against certain of the Group's property, plant and equipment, land use rights, pledged deposits and trade receivables.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group did not have any material contingent liabilities (31 December 2012: Nil).

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2013, the Group employed a total of 5,381 employees (as at 30 June 2012: 5,614 employees) situated in the PRC. The Group's emolument policy is formulated based on industry practices and performance of individual employees. During the period under review, the total staff costs (including directors' emoluments) amounted to approximately RMB79.5 million (six months ended 30 June 2012: RMB74.8 million). The Company does not have share option scheme to employees.

Other Information

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

As at 30 June 2013, the interests and short positions of the directors and chief executives in the shares and underlying shares of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register of members of the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") (together, "Discloseable Interests") were as follows:

Name of Directors	Long positions in the shares the Company					
	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	%
Gao Sishi	166,740,000	-	-	-	166,740,000	38.5
Gao Yanxu	14,310,000	-	-	-	14,310,000	3.3
Zhang Qi	8,910,000	-	-	-	8,910,000	2.1
Lau Choon Hoong	-	-	-	-	-	-
He Dingding	-	-	-	-	-	-
Yu Chung Leung	-	-	-	-	-	-
Naoki Yamada	-	-	-	-	-	-
	189,960,000	-	-	-	189,960,000	43.9

Save as disclosed above, as at 30 June 2013, none of the directors, chief executives of the Company nor their associates had or was deemed to have any interests or short position in the shares, or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which have been recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which has been notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

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

In respect of the Company

As at 30 June 2013, insofar as is known to the directors and chief executive of the Company, the following persons (not being a director or chief executive of the Company), had an interest or short position in the shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholders	Capacity/nature of interests	Number of shares held	Approximate percentage of issued share capital (%)
Wang Baowang	Registered and beneficial owner	21,641,400	5.0
Proven Choice Group Limited (Note 1)	Registered and beneficial owner	27,980,000	6.5
Huang Quan (Note 1)	Deemed interests	27,980,000	6.5
Zensho Co. Ltd. (Note 2)	Register and beneficial owner	51,971,000	12.0

Notes:

1. Proven Choice Group Limited was wholly-owned by Huang Quan who is not related to any of the directors or shareholders of the Company. As such, Huang Quan is deemed to be interested in the 27,980,000 shares held by Proven Choice Group Limited under Part XV of the SFO.
2. Zensho Co. Ltd. is an independent third party and is a listed company in Japan.

Save as disclosed above, the directors are not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as at 30 June 2013, which would fall to be disclosed under Division 2 and 3 of Part XV of the SFO were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIVIDENDS

The Board of the directors of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2013. No interim dividend was paid in respect of the six months ended 30 June 2012.

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

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

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

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 June 2013.

Other Information

AUDIT COMMITTEE

The audit committee of the Company consists of the independent non-executive directors, namely Mr. Lau Choon Hoong, Mr. He Dingding and Mr. Yu Chung Leung and the non-executive directors of the Company, namely Mr. Zhang Qi and Mr. Naoki Yamada. The audit committee has reviewed with management the accounting principles and standards adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the Company's unaudited financial statements for the six months ended 30 June 2013.

CODE ON CORPORATE GOVERNANCE PRACTICE

In the opinion of the Directors, the Company has adopted and complied with the code provisions of the Code on Corporate Governance Practices, as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of the directors of the Company, all the directors confirmed that they had complied with the required standards as set out in the Model Code during the six months ended 30 June 2013.

APPRECIATION

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

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

Hong Kong, 14 August 2013

Unaudited Consolidated Statement of Profit or Loss and Other 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	5	681,159	662,181
Cost of sales		(646,150)	(614,450)
Gross profit		35,009	47,731
Other income	5	9,529	22,636
Selling and distribution expenses		(13,694)	(16,378)
Administrative expenses		(27,920)	(35,627)
Other operating expenses		(413)	(1,154)
Profit from operations	6	2,511	17,208
Finance costs	7	(15,622)	(15,343)
Share of loss of associates		(310)	(140)
(Loss)/profit before taxation		(13,421)	1,725
Income tax credit/(expense)	8	65	(648)
(Loss)/profit for the period		(13,356)	1,077
Other comprehensive income		–	–
Total comprehensive income for the period		(13,356)	1,077
Total comprehensive income attributable to:			
Owners of the Company		(11,079)	2,220
Non-controlling interests		(2,277)	(1,143)
		(13,356)	1,077
(Loss)/earnings per share attributable to owners of the Company	10		
Basic (RMB cents)		(2.56)	0.51
Diluted (RMB cents)		(2.56)	0.51

Unaudited Consolidated Statement of Financial Position

As at 30 June 2013

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		615,799	618,233
Prepaid premium for land leases		121,844	123,298
Intangible assets		1,490	1,990
Interest in associates		2,855	3,166
Biological assets		36,486	39,727
Goodwill		59,428	59,428
Deferred tax assets		13,892	13,470
		851,794	859,312
Current assets			
Biological assets		29,764	29,538
Inventories		166,902	153,169
Trade receivables	11	88,559	88,121
Prepayments, other receivables and deposits		45,022	57,348
Pledged deposits		5,427	51,403
Cash and bank balances		325,711	370,699
		661,385	750,278
Current liabilities			
Trade and bills payables	12	167,184	175,707
Accrued liabilities and other payables		64,310	83,581
Interest-bearing bank borrowings	13	571,000	589,000
Amount due to a related company		770	38,891
Deferred government grants		1,487	1,537
Tax payables		1,926	821
		806,677	889,537
Net current liabilities		(145,292)	(139,259)
Total assets less current liabilities		706,502	720,053
Non-current liabilities			
Deferred government grants		14,406	14,601
Total non-current liabilities		14,406	14,601
Net assets		692,096	705,452
EQUITY			
Equity attributable to owners of the Company			
– Share capital		112,176	112,176
– Reserves		546,867	557,946
Non-controlling interests		659,043	670,122
		33,053	35,330
Total equity		692,096	705,452

Unaudited Statements of Changes in Equity

For the six months ended 30 June 2013

	Equity attributable to equity holders of the Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Capital redemption reserve	Other reserves	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013 (Audited)	112,176	257,073	(41,374)	2,374	44,158	295,715	670,102	35,330	705,452
Loss for the period (Unaudited)	-	-	-	-	-	(11,079)	(11,079)	(2,277)	(13,356)
Other comprehensive income (Unaudited)	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	-	(11,079)	(11,079)	(2,277)	(13,356)
At 30 June 2013 (Unaudited)	112,176	257,073	(41,374)	2,374	44,158	284,636	659,043	33,053	692,096
At 1 January 2012 (Audited)	112,176	257,073	(41,374)	2,374	44,117	290,839	665,205	39,643	704,848
Profit/(loss) for the period (Unaudited)	-	-	-	-	-	2,220	2,220	(1,143)	1,077
Other comprehensive income (Unaudited)	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	-	2,220	2,220	(1,143)	1,077
At 30 June 2012 (Unaudited)	112,176	257,073	(41,374)	2,374	44,117	293,059	667,425	38,500	705,925

Unaudited 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)
Cash flows from operating activities		
Profit before taxation	(13,421)	1,725
Adjustments for:		
Interest income	(1,321)	(923)
Interest expenses	15,622	15,343
Depreciation of property, plant and equipment	21,580	21,739
Amortisation of prepaid premium for land leases	1,454	1,318
Amortisation of intangible assets	500	1,489
Gain arising from change in fair value less estimated point-of-sale costs of biological assets, net	(6,023)	(5,914)
Amortisation of deferred income on government grants	(245)	(396)
Share of loss of associates	310	140
Operating profit before working capital changes	18,465	34,521
(Decrease)/increase in inventories	(13,733)	(7,712)
(Decrease)/increase in trade receivables	(438)	(8,630)
(Decrease)/increase in biological assets	9,038	(3,089)
(Decrease)/increase in prepayments, other receivables and deposits	12,326	(3,180)
(Decrease)/increase in balance with a related company	(38,121)	(11,672)
(Decrease)/increase in trade and bills payables	(8,523)	103,437
(Decrease)/increase in accrued liabilities and other payables	(21,161)	(25,270)
Cash generated from/(used in) operations	(42,147)	78,400
Interest paid	(15,622)	(15,343)
Income taxes paid	(422)	(1,844)
Net cash generated from/(used in) operating activities	(58,191)	61,213

Unaudited 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)
Cash flows from investing activities		
Purchases of property, plant and equipment	(19,145)	(27,294)
Decrease in pledged deposits	45,976	2,667
Proceeds from disposal of interest in a subsidiary	1,312	–
Interest received	3,060	923
<i>Net cash generated from/(used in) investing activities</i>	31,203	(23,704)
Cash flows from financing activities		
Addition of bank loans	412,000	387,000
Repayment of bank loans	(430,000)	(418,430)
Repayment to a related Company	–	(80,000)
<i>Net cash (used in)/generated from financing activities</i>	(180,000)	(111,430)
Net decrease in cash and cash equivalents	(44,988)	(73,921)
Cash and cash equivalents at beginning of financial period	370,699	310,934
Cash and cash equivalents at end of financial period	325,711	237,013
Analysis of balances of cash and cash equivalents		
Cash and bank balances	325,711	237,013

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2013

1. CORPORATE INFORMATION

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

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

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

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

The accounting policies used in preparing the interim financial statements are consistent with those followed in the Group's annual financial statements for the year ended 31 December 2012, except that during the period, the Group has applied for the first time some revised standards, amendments and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretation Committee ("IFRIC") of the IASB which are effective for the Group's financial statements for the annual period beginning on or after 1 January 2013. The adoption of the new IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

3. BASIS OF PREPARATION

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

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

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

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2013

4. SEGMENT INFORMATION

The Group is organised into four main business segments:

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

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

	Six months ended 30 June 2013				
	Processed food RMB'000 (unaudited)	Chilled and frozen rabbit meat RMB'000 (unaudited)	Chilled and frozen chicken meat RMB'000 (unaudited)	Other products RMB'000 (unaudited)	Total RMB'000 (unaudited)
Reportable segment revenue – revenue from external customers	292,211	113,480	160,627	114,841	681,159
Reportable segment profit	14,207	5,997	532	579	21,315

	Six months ended 30 June 2012				
	Processed food RMB'000 (unaudited)	Chilled and frozen rabbit meat RMB'000 (unaudited)	Chilled and frozen chicken meat RMB'000 (unaudited)	Other products RMB'000 (unaudited)	Total RMB'000 (unaudited)
Reportable segment revenue – revenue from external customers	316,958	79,534	147,375	118,314	662,181
Reportable segment profit	23,951	3,013	2,102	2,287	31,353

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

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Reportable segment profit	21,315	31,353
Other income	9,529	22,636
Administrative expenses	(27,920)	(35,627)
Other operating expenses	(413)	(1,154)
Finance costs	(15,622)	(15,343)
Share of loss of associates	(310)	(140)
(Loss)/profit before taxation	(13,421)	1,725

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2013

5. REVENUE AND OTHER INCOME

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

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Revenue		
Sale of goods	681,159	662,181
Other income		
Interest income on financial assets stated at amortised cost		
– Interest income on bank deposits	1,312	923
Amortisation of deferred income on government grants	245	396
Government grants related to income	1,429	13,665
Gains arising from changes in fair value less estimated point-of-sale costs of biological assets, net	6,023	5,914
Others	520	1,738
	9,529	22,636

6. PROFIT FROM OPERATIONS

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

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Cost of inventories recognised as an expense	646,150	614,450
Depreciation of property, plant and equipment	21,580	21,739
Amortisation of intangible assets	500	1,489
Amortisation of prepaid premium for land leases	1,454	1,318
Minimum lease payments under operating leases for production facilities	6,934	6,115
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets, net	(6,023)	(5,914)
Staff costs (including directors' remuneration)	79,532	74,821
Less: Retirement scheme contribution	(4,341)	(10,009)
	75,191	64,812
Exchange loss, net	3,092	395

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2013

7. FINANCE COSTS

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Interest charges on: Bank loans wholly repayable within five years	15,622	15,343

8. INCOME TAX CREDIT/(EXPENSE)

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Current period provision – PRC corporate income tax	(357)	(890)
Deferred tax credit	422	242
Total income tax credit/(expense)	65	(648)

No Hong Kong profits tax has been provided for the six months ended 30 June 2013 as the Group did not derive any assessable profit in Hong Kong during the period (six months ended 30 June 2012: Nil).

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

9. DIVIDENDS

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2013

10. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of approximately RMB11,079,000 (six months ended 30 June 2012: earning of RMB2,220,000) and on the weighted average of 432,948,000 (six months ended 30 June 2012: 432,948,000) ordinary shares in issue during the period.

No diluted earnings per share for the six months ended 30 June 2013 and 2012 has been presented as the Company has no potential dilutive ordinary shares during the period.

11. TRADE RECEIVABLES

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

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

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Within 30 days	53,015	69,447
31 – 60 days	18,263	12,683
61 – 90 days	9,823	4,687
91 – 120 days	5,695	258
Over 120 days	1,763	1,046
	88,559	88,121

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

12. TRADE AND BILLS PAYABLES

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

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

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Within 60 days	120,287	143,788
61 – 90 days	16,658	9,595
91 – 120 days	19,377	6,665
Over 120 days	10,862	15,659
	167,184	175,707

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2013

13. INTEREST-BEARING BANK BORROWINGS

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Current		
Interest-bearing bank borrowings	571,000	589,000

As at 30 June 2013, approximately RMB320.0 million of the interest-bearing bank borrowings were secured by the pledge of certain of the Group's property, plant and equipment, land use rights, trade receivables and pledged deposits.

The Group's interest-bearing bank borrowings bear interests ranging from 6.00% to 7.87% (six months ended 30 June 2012: 6.56% to 8.20%) per annum.

14. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances disclosed elsewhere in the financial statements, the following transactions were carried out with related parties:

	Notes	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Sales to related companies	(i)	244	249
Sales to substantial shareholder	(ii)	51,170	38,915
Rental expenses paid to related companies	(iii)	20	120
Guarantees given by the related companies in connection with bank loans granted to the Group	(iv)	150,000	80,000
(b) Key management personnel compensation			
Short term employee benefits of directors and other members of key management		1,350	1,710

Notes:

- (i) Sales to related companies were made to a related company of which Mr. Gao Sishi, Mr. Gao Yanxu and Mr. Zhang Qi has beneficial interest. These sales were made in the ordinary course of business with reference to the terms negotiated between the Group and these related companies.
- (ii) The Group entered into an agreement with its substantial shareholder dated 26 March 2012 (the "Food Supply Framework Agreement") whereby the Group sold the food products, including packaging products, meat products, soups, vegetables and other food products produced by the Group, to its substantial shareholder. These sales were made in the ordinary course of business with reference to the terms negotiated between the Group and this substantial shareholder.
- (iii) Rental expenses paid to related companies, of which Mr. Gao Sishi, Mr. Gao Yanxu and Mr. Zhang Qi were shareholders and/or directors, were made according to the term of the lease agreements.
- (iv) The Group's bank loans were guaranteed by the related companies of which Mr. Gao Sishi and Mr. Gao Yanxu were also shareholders and directors.