

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

2014 Interim Report



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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(i) below):
An Fengjun (CEO)
Gao Yanxu

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

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 22, Hopewell Centre,
183 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

(i) The following changes as announced on 11 March 2014, were effected and became effective from 11 March 2014:

- (1) Relinquishment of Mr. Gao Yanxu as the acting chief executive officer of the Company; and
- (2) Appointment of Mr. An Fengjun as the chief executive officer and an executive director of the Company.



Management Discussion and Analysis

BUSINESS REVIEW

During the period, domestic breeding and rearing industry of chicken in the PRC was in a poor condition, the selling prices of chicken products were lower than international prices. In spite of the above, with the effective cost reduction measures and the allocation of resources to high value-added sales, the Group's gross profit and gross profit margin improved from approximately RMB35.0 million to approximately RMB46.1 million and from 5.1% to 7.3% respectively.

Following the efforts in cost control, the comprehensive income attributable to owners of the Company increased from a loss of RMB11.1 million to a profit of RMB7.4 million for the six months ended 30 June 2014 ("HY2014").

The Group will continue to strengthen its brand by improving its product quality. The Group will continue to apply various pro-active and prudent measures such as acceleration of the development of sales channels, strengthening the Group's brand building and exploring new products development and diversification. Further, the Group will continue with its cost control measures and improve management tools, such as increase level of automation and reduce manual processes, to increase efficiency and believes that its commitment to healthier, safer and quality meat products will place the Group ahead of its fellow competitors.

OPERATING AND FINANCIAL REVIEW

Revenue by Products

	Six months ended 30 June 2014 Unaudited RMB'000	Six months ended 30 June 2013 Unaudited RMB'000	% Change Unaudited + / (-)
Processed food products	329,893	292,211	12.9
Chilled and frozen rabbit meat	123,108	113,480	8.5
Chilled and frozen chicken meat	100,092	160,627	(37.7)
Other products	75,739	114,841	(34.0)
Total	628,832	681,159	(7.7)

Processed Food Products

The Group had successfully launched various product ranges under its own brand. Based on the Group's reputation and track records in the processed food products market, there was an increase in both the production and sales volume of processed food products.

To improve the product profitability, some of the chilled and frozen chicken meat products were further processed into high value-added chicken related processed food internally. As a result, revenue derived from processed food products increased by 12.9% to approximately RMB329.9 million for HY2014 from approximately RMB292.2 million for the six months ended 30 June 2013 ("HY2013").

Chilled and Frozen Meat Products

The rabbit and chicken meat segments contributed 35.5% to the Group's total revenue for HY2014 compared to 40.2% of HY2013. Revenue of the rabbit and chicken meat segments registered a 18.6% decrease to RMB223.2 million for HY2014.

The Group achieved a satisfactory result in its promotional and product development for its rabbit meat brand. Revenue derived from the rabbit meat segment increased by 8.5% to approximately RMB123.1 million for HY2014.

As explained in the second paragraph above under the "Processed Food Products", due to the diversion of some of the chilled and frozen chicken meat products for further processing, revenue of the Group's chicken meat segment decreased by 37.7% to approximately RMB100.1 million for HY2014.

Other Products

Revenue from the production and sale of other products decreased by 34.0% to RMB75.7 million in HY2014. 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.

Management Discussion and Analysis

Revenue by Geographical Markets

	Six months ended 30 June 2014 Unaudited RMB'000	Six months ended 30 June 2013 Unaudited RMB'000	% Change Unaudited + / (-)
Export	281,669	246,975	14.0
PRC	347,163	434,184	(20.0)
Total	628,832	681,159	(7.7)

On a geographical basis, revenue from export sales increased by 14.0% to approximately RMB281.7 million for HY2014. The increase in export sales was attributable mainly to the increase in demand for processed food products from overseas market.

The decrease of PRC sales was attributable mainly to the decrease of sales of chilled and frozen chicken meat in the PRC market. As mentioned in the second paragraph above under the "Processed Food Products", some of the chilled and frozen chicken meat products were further processed into high value-added chicken related processed food internally and exported to overseas market.

PROFITABILITY

Gross Profit ("GP") and Margin

	Six months ended 30 June 2014		Six months ended 30 June 2013		Change	% Change
	GP	Margin	GP	Margin		
	RMB'000 Unaudited	% Unaudited	RMB'000 Unaudited	% Unaudited	GP RMB'000 Unaudited	% Unaudited
Processed food	29,551	9.0	25,582	8.8	3,969	15.5
Rabbit meat	13,157	10.7	8,279	7.3	4,878	58.9
Chicken meat	352	0.4	761	0.5	(409)	(53.7)
Other products	3,035	4.0	387	0.3	2,648	684.2
Total	46,095	7.3	35,009	5.1	11,086	31.7

Gross profit margin increased from 5.1% to 7.3% in HY2014 and this was due mainly to the increase of selling price of rabbit related products and processed food during the period.

Processed Food Products

Processed food products were the main profit contributor in HY2014. Gross profit margin increased from 8.8% to 9.0% in HY2014 as a result of the increase in selling price.

Chilled and Frozen Rabbit Meat

The gross profit margin of chilled and frozen rabbit meat increased from 7.3% to 10.7% for HY2014 was due to the increase of selling price resulting from the increase of rabbit meat demand.

Chilled and Frozen Chicken Meat

With the lower average selling price of chicken meat coupled with the increased cost of raw materials, the gross profit and gross profit margin of the Group declined to RMB0.4 million and 0.4% 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 increase in prices of chicken and rabbit meat by-products, gross profit margin increased from 0.3% to 4.0% in HY2014 and gross profit increased from RMB0.4 million to RMB3.0 million.

Management Discussion and Analysis

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 RMB6.4 million, RMB5.8 million and RMB1.3 million respectively. The increase in other income was due to the increase 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, promotion costs, salary and welfare. The decrease in selling and distribution costs by 2.4% to approximately RMB13.4 million arose from the decrease in turnover during the period.

Administrative Expenses

Administrative expenses comprised mainly staff costs, professional fees, travelling expenses and other miscellaneous administrative expenses. The 32.4% decrease in administrative expenses was due mainly to the implementation of cost controls measures which resulted in decreases in travelling and entertainment expenses.

Other Operating Expenses

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

Finance Costs

Finance costs increased by 39.6% to RMB21.8 million for HY2014 were due mainly to the increase of average bank borrowings for the Group's future working capital purpose during the period.

Taxation

Income tax expense comprised the accrued PRC corporate income tax during the period offsetting by 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").

REVIEW OF THE GROUP'S FINANCIAL POSITION AS AT 30 JUNE 2014

The Group's property, plant and equipment were mainly leasehold buildings and plant and machinery. The increase by 3.0% to approximately RMB640.9 million as at 30 June 2014 was due mainly to an acquisition of equipment of approximately RMB42.3 million and a depreciation charge of RMB23.9 million.

The reduction in prepaid premium for land leases and intangible assets for HY2014 amounting to approximately RMB2.2 million and approximately RMB0.2 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.

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 2014 based on market-determined prices of rabbits/chickens of similar size, species and age. The valuation methodology is in compliance with IAS 41 and IFRS 13 to determine the fair values of biological assets in their present location and condition.

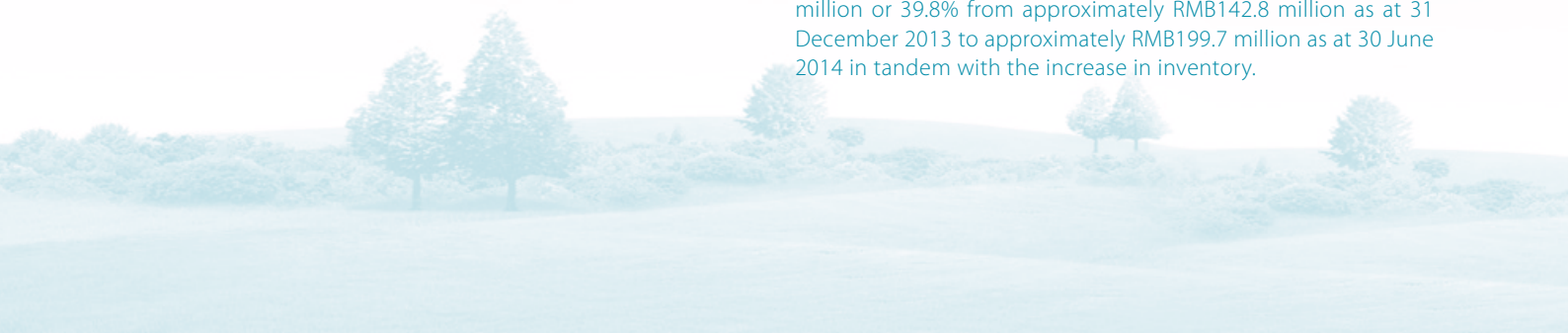
Inventories increased by approximately RMB14.5 million or 11.0% to approximately RMB146.6 million in anticipation of an increase in demand in the third quarter of 2014. The average inventory turnover day for HY2014 was 43 days compared to 38 days for the year ended 31 December 2013 ("FY2013").

Trade receivables increased by approximately RMB4.6 million or 5.7% to approximately RMB85.6 million in HY2014. The average trade receivable turnover day for HY2014 was 24 days compared to 21 days for FY2013.

Prepayments, other receivables and deposits decreased by approximately RMB6.5 million or 16.2% to approximately RMB33.6 million as at 30 June 2014.

Cash and cash equivalents, including pledged deposits, increased by approximately RMB75.3 million or 17.1% to approximately RMB514.7 million. Approximately RMB70.0 million of the bank deposit was secured against the interest-bearing borrowings by the Group.

Trade and bills payables increased by approximately RMB56.9 million or 39.8% from approximately RMB142.8 million as at 31 December 2013 to approximately RMB199.7 million as at 30 June 2014 in tandem with the increase in inventory.



Management Discussion and Analysis

Accrued liabilities and other payables represented payables for construction and facilities, salaries and welfare payables, accrued expenses and deposits received. The decrease by approximately RMB16.2 million or 19.4% was due to the decrease of deposits placed by customers compared to 31 December 2013.

The interest-bearing bank borrowings increased by approximately RMB54.0 million to approximately RMB621.0 million after taking into account the additional bank borrowings of approximately RMB351.0 million and the loan repayment of approximately RMB297.0 million. Approximately RMB58.0 million of the bank borrowing was classified as non-current liabilities.

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 decreased from approximately RMB0.9 million as at 31 December 2013 to approximately RMB0.7 million as at 30 June 2014. This was due to payment of income tax during HY2014.

CAPITAL STRUCTURE

As at 30 June 2014, the Group had net assets of approximately RMB710.5 million (31 December 2013 RMB704.1 million), comprising non-current assets of approximately RMB868.4 million (31 December 2013: RMB853.9 million), and current assets approximately RMB823.7 million (31 December 2013: RMB738.8 million). The Group recorded a net current liability position of approximately RMB88.9 million as at 30 June 2014 (31 December 2013: RMB80.2 million), which primarily consist of cash and cash equivalents balances amounted to approximately RMB444.7 million (31 December 2013: RMB369.4 million). Moreover, inventories amounted to approximately RMB146.6 million (31 December 2013: RMB132.1 million) and trade receivables amounted to approximately RMB85.6 million (31 December 2013: RMB81.0 million) are also major current assets. Major current liabilities are trade and bills payables and interest-bearing bank borrowings amounted to RMB199.7 million (31 December 2013: RMB142.8 million) and RMB621.0 million (31 December 2013: RMB567.0 million) respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2014, the Group has cash and cash equivalent of approximately RMB444.7 million (31 December 2013: RMB369.4 million) and had total interest-bearing bank borrowings of approximately RMB621.0 million (31 December 2013: RMB567.0 million). The Group's interest-bearing bank borrowings bear interests ranging from 6.00% to 7.87%.

The gearing ratio for the Group was 99.3% (31 December 2013: 92.4%) as at 30 June 2014, based on net debt of RMB679.0 million (31 December 2013: RMB625.0 million) and equity attributable to owners of RMB683.5 million (31 December 2013: RMB676.2 million). The Group would serve its debts primarily with cash flow generated from its operation, seeking renewal of the outstanding bank borrowings and new banking facilities and exploring the availability of alternative source of financing. The Board is confident that the Group has adequate financial resources to meet its future debt repayment and support its working capital requirement and future expansion.

FOREIGN CURRENCY EXPOSURE

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

The Group 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 2014, 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 RMB9.5 million (31 December 2013: RMB8.0 million).

CHARGE ON ASSETS

Total interest-bearing bank borrowings include secured liabilities of approximately RMB400.0 million (31 December 2013: RMB320.0 million).

As at 30 June 2014, 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 and pledged deposits.



Management Discussion and Analysis

CONTINGENT LIABILITIES

As at 30 June 2014, the Group did not have any material contingent liabilities (31 December 2013: Nil).

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2014, the Group employed a total of 4,667 employees (as at 31 December 2013: 4,912 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 RMB81.5 million (six months ended 30 June 2013: RMB79.5 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 2014, 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					Total	%
	Personal Interests	Family Interests	Corporate Interests	Other Interests			
Gao Sishi	166,740,000	-	-	-	-	166,740,000	38.5
Gao Yanxu	14,310,000	-	-	-	-	14,310,000	3.3
An Fengjun	-	-	-	-	-	-	-
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 2014, 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 2014, insofar as is known to the directors and chief executive of the Company, the following persons (not being a director or chief executive of the Company), had an interest or short position in the shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholders	Capacity/nature of interests	Number of shares held	Approximate percentage of issued share capital (%)
Cheng Xiutai	Registered and beneficial owner	33,324,000	7.70
Proven Choice Group Limited (Note 1)	Registered and beneficial owner	26,260,000	6.07
Wang Linjia (Note 1)	Deemed interests	26,260,000	6.07
Zensho Co. Ltd. (Note 2)	Register and beneficial owner	51,971,000	12.0

Notes:

1. Proven Choice Group Limited was wholly-owned by Wang Linjia who is not related to any of the directors or shareholders of the Company. As such, Wang Linjia is deemed to be interested in the 26,260,000 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 2014, 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 2014. No interim dividend was paid in respect of the six months ended 30 June 2013.

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.



Other Information

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 2014.

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 2014.

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 2014.

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 2014.

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 2014



Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Revenue	5	628,832	681,159
Cost of sales		(582,737)	(646,150)
Gross profit		46,095	35,009
Other income	5	15,766	9,529
Selling and distribution expenses		(13,370)	(13,694)
Administrative expenses		(18,881)	(27,920)
Other operating expenses		(782)	(413)
Profit from operations	6	28,828	2,511
Finance costs	7	(21,803)	(15,622)
Share of loss of associates		(459)	(310)
Profit/(loss) before taxation		6,566	(13,421)
Income tax (expense)/credit	8	(193)	65
Profit/(loss) for the period		6,373	(13,356)
Other comprehensive income		-	-
Total comprehensive income for the period		6,373	(13,356)
Total comprehensive income attributable to:			
Owners of the Company		7,394	(11,079)
Non-controlling interests		(1,021)	(2,277)
		6,373	(13,356)
Earnings/(loss) per share attributable to owners of the Company	10		
Basic (RMB cents)		1.70	(2.56)
Diluted (RMB cents)		1.70	(2.56)

Unaudited Consolidated Statement of Financial Position

As at 30 June 2014

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		640,891	622,446
Prepaid premium for land leases		127,506	129,698
Intangible assets		942	1,152
Interest in associates		1,741	2,200
Goodwill		59,428	59,428
Biological assets		29,453	31,040
Long-term receivables		5,047	5,047
Deferred tax assets		3,363	2,923
		868,371	853,934
Current assets			
Biological assets		39,742	42,751
Inventories		146,570	132,060
Trade receivables	11	85,596	80,971
Prepayments, other receivables and deposits		33,637	40,156
Current portion of long-term receivables		3,523	3,523
Pledged deposits		70,000	70,000
Cash and bank balances		444,669	369,387
		823,737	738,848
Current liabilities			
Trade and bills payables	12	199,660	142,808
Accrued liabilities and other payables		67,291	83,484
Interest-bearing bank borrowings	13	621,000	567,000
Amount due to a related company		22,686	23,517
Deferred government grants		1,337	1,337
Tax payables		675	882
		912,649	819,028
Net current liabilities		(88,912)	(80,180)
Total assets less current liabilities		779,459	773,754
Non-current liabilities			
Deferred government grants		10,996	11,664
Interest-bearing bank borrowings		58,000	58,000
Total non-current liabilities		68,996	69,664
Net assets		710,463	704,090
EQUITY			
Equity attributable to owners of the Company			
– Share capital		112,176	112,176
– Reserves		571,372	563,978
		683,548	676,154
Non-controlling interests		26,915	27,936
Total equity		710,463	704,090

Unaudited Statements of Changes in Equity

For the six months ended 30 June 2014

	Equity attributable to equity holders of the Company							Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Capital redemption reserve RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000		
At 1 January 2014 (Audited)	112,176	257,073	(41,374)	2,374	43,812	302,093	676,154	27,936	704,090
Profit/(loss) for the period (Unaudited)	-	-	-	-	-	7,394	7,394	(1,021)	6,373
Other comprehensive income (Unaudited)	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	-	7,394	7,394	(1,021)	6,373
At 30 June 2014 (Unaudited)	112,176	257,073	(41,374)	2,374	43,812	309,487	683,548	26,915	710,463
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

Unaudited Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Cash flows from operating activities		
Profit/(loss) before taxation	6,566	(13,421)
Adjustments for:		
Interest income	(1,299)	(1,321)
Interest expenses	21,803	15,622
Depreciation of property, plant and equipment	23,852	21,580
Amortisation of prepaid premium for land leases	2,193	1,454
Amortisation of intangible assets	210	500
Gain arising from change in fair value less estimated point-of-sale costs of biological assets, net	(5,795)	(6,023)
Amortisation of deferred income on government grants	(669)	(245)
Share of loss of associates	459	310
Operating profit before working capital changes	47,320	18,465
Decrease in inventories	(14,510)	(13,733)
Decrease in trade receivables	(4,625)	(438)
Increase in biological assets	10,391	9,038
Increase in prepayments, other receivables and deposits	6,519	12,326
Decrease in balance with a related company	(831)	(38,121)
Increase/(decrease) in trade and bills payables	56,852	(8,523)
Decrease in accrued liabilities and other payables	(16,193)	(21,161)
Cash generated from/(used in) operations	84,923	(42,147)
Interest paid	(21,803)	(15,622)
Income taxes paid	(840)	(422)
Net cash generated from/(used in) operating activities	62,280	(58,191)



Unaudited Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Cash flows from investing activities		
Purchases of property, plant and equipment	(42,297)	(19,145)
Proceeds from disposal of interest in a subsidiary	1,299	1,312
Decrease in pledged deposits	–	45,976
Interest received	–	3,060
<i>Net cash (used in)/generated from investing activities</i>	(40,998)	31,203
Cash flows from financing activities		
Addition of bank loans	351,000	412,000
Repayment of bank loans	(297,000)	(430,000)
<i>Net cash generated from/(used in) financing activities</i>	54,000	(180,000)
Net increase/(decrease) in cash and cash equivalents	75,282	(44,988)
Cash and cash equivalents at beginning of financial period	369,387	370,699
Cash and cash equivalents at end of financial period	444,669	325,711
Analysis of balances of cash and cash equivalents		
Cash and bank balances	444,669	325,711

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2014

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 ("IFRSs")

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 2013, 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 2014. 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 2014

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 2014				
	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	329,893	123,108	100,092	75,739	628,832
Reportable segment profit	22,537	8,637	126	1,425	32,725

	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

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

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Reportable segment profit	32,725	21,315
Other income	15,766	9,529
Administrative expenses	(18,881)	(27,920)
Other operating expenses	(782)	(413)
Finance costs	(21,803)	(15,622)
Share of loss of associates	(459)	(310)
Profit/(loss) before taxation	6,566	(13,421)

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2014

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	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Revenue		
Sale of goods	628,832	681,159
Other income		
Interest income on financial assets stated at amortised cost		
– Interest income on bank deposits	1,299	1,312
Amortisation of deferred income on government grants	669	245
Government grants related to income	6,424	1,429
Gains arising from changes in fair value less estimated point-of-sale costs of biological assets, net	5,795	6,023
Others	1,579	520
	15,766	9,529

6. PROFIT FROM OPERATIONS

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

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Cost of inventories recognised as an expense	582,737	646,150
Depreciation of property, plant and equipment	23,852	21,580
Amortisation of intangible assets	210	500
Amortisation of prepaid premium for land leases	2,193	1,454
Minimum lease payments under operating leases for production facilities	6,354	6,934
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets, net	(5,795)	(6,023)
Staff costs (including directors' remuneration)	81,484	79,532
Less: Retirement scheme contribution	(4,556)	(4,341)
Total staff costs	76,928	75,191
Exchange loss, net	730	3,092

Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2014

7. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest charges on:		
Bank loans wholly repayable within five years	21,803	15,622

8. INCOME TAX (EXPENSE)/CREDIT

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current period provision		
– PRC corporate income tax	(632)	(357)
Deferred tax credit	439	422
Total income tax (expense)/credit	(193)	65

No Hong Kong profits tax has been provided for the six months ended 30 June 2014 as the Group did not derive any assessable profit in Hong Kong during the period (six months ended 30 June 2013: 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 2014 (six months ended 30 June 2013: Nil).

10. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the earnings attributable to owners of the Company of approximately RMB7,394,000 (six months ended 30 June 2013: loss of RMB11,079,000) and on the weighted average of 432,948,000 (six months ended 30 June 2013: 432,948,000) ordinary shares in issue during the period.

No diluted earnings per share for the six months ended 30 June 2014 and 2013 has been presented as the Company has no potential dilutive ordinary shares during the period.



Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2014

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 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within 30 days	65,737	62,314
31 – 60 days	11,146	12,181
61 – 90 days	6,497	3,443
91 – 120 days	1,338	641
Over 120 days	878	2,365
	85,596	80,971

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 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within 60 days	122,281	103,171
61 – 90 days	20,662	19,444
91 – 120 days	18,935	7,526
Over 120 days	37,782	12,667
	199,660	142,808



Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2014

13. INTEREST-BEARING BANK BORROWINGS

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Interest-bearing bank borrowings		
Classified as current liabilities	621,000	567,000
Classified as non-current liabilities	58,000	58,000

As at 30 June 2014, approximately RMB400.0 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 and pledged deposits.

The Group's interest-bearing bank borrowings bear interests ranging from 6.00% to 7.87% (six months ended 30 June 2013: 6.00% to 7.87%) 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	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Sales to related companies	(i)	728	244
Sales to substantial shareholder	(ii)	56,718	51,170
Rental expenses paid to related companies	(iii)	300	20
Guarantees given by the related companies in connection with bank loans granted to the Group	(iv)	250,000	150,000
(b) Key management personnel compensation			
Short term employee benefits of directors and other members of key management		790	1,350

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.