



# SUMPO FOOD HOLDINGS LIMITED

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

## Interim Report **2014**





# SUMPO FOOD

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





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# Corporate Information

## Directors

### Executive Directors

Mr. Lin Qinglin (*Chairman*)  
Mr. Yeung Chun Wai, Anthony (*Vice Chairman*)  
Mr. Wu Shiming  
Mr. Yin Shouhong

### Independent Non-Executive Directors

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

## Audit Committee

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

## Remuneration Committee

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

## Nomination committee

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

## Company Secretary

Ms. Huen Lai Chun

## Auditors

HLB Hodgson Impey Cheng Limited  
Certified Public Accountants

## Legal Advisor

Cheung Tong & Rosa Solicitors

## Stock Code

1089

## Principal Bankers

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

## Registered Office

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

## Principal Place of Business in Hong Kong

Suite 1020-22, 10th Floor,  
Two Pacific Place, 88 Queensway,  
Hong Kong

## Head Office and Principal Place of Business in the PRC

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

## Cayman Islands Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited  
4th Floor, Royal Bank House,  
24 Shedden Road, George Town,  
Grand Cayman KY1-1110,  
Cayman Islands

## Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited  
Level 22, Hopewell Centre,  
183 Queen's Road East,  
Hong Kong

## Company Website

[www.sumpofood.com](http://www.sumpofood.com)

# Financial Highlights

	<b>Six months ended</b>	Six months ended	
	<b>30 June 2014</b>	30 June 2013	Change
	<b>RMB'000</b>	RMB'000	%
	<b>(unaudited)</b>	(unaudited)	
<b>RESULTS HIGHLIGHTS</b>			
Revenue	<b>530,586</b>	490,747	8.1
Gross Profit	<b>35,147</b>	41,856	(16.0)
Gross Profit Margin (%)	<b>6.6%</b>	8.5%	(1.9)
Loss for the period attributable to the owners of the Company	<b>10,017</b>	2,952	239.3
Basic loss per share (RMB cents)	<b>0.50</b>	0.18	177.80
Dividend per share (RMB cents)	<b>Nil</b>	Nil	N/A
	<b>As at</b>	As at	
	<b>30 June 2014</b>	31 December 2013	Change
	<b>RMB'000</b>	RMB'000	%
	<b>(unaudited)</b>	(audited)	
<b>BALANCE SHEET HIGHLIGHTS</b>			
Total assets	<b>800,559</b>	758,611	5.5
Total borrowings	<b>177,000</b>	187,000	(5.3)
Net assets	<b>510,111</b>	467,610	9.1
Net assets per share (RMB)	<b>0.26</b>	0.28	(7.1)
Current ratio	<b>1.36</b>	1.20	
Gearing ratio *	<b>22.1%</b>	24.7%	

\* Gearing ratio = Interest-bearing bank borrowings/Total assets

# Management Discussion and Analysis

## BUSINESS REVIEW

Sumpo Food Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) is one of the well-known chicken meat products suppliers in the Fujian Province of the PRC and our principal business comprises selling chicken meat products under the “森寶 (Sumpo)” brand. The Group’s production process, which comprises the sales of chicken breeds, the production and sales of animal feeds, the breeding of broilers and slaughtering, processing and sales of broilers, is vertically integrated.

### 1. Slow recovery of the chicken meat products industry

The industry is still slowly recovering from the negative impacts of the H7N9 incident in the first half of 2013 and price of chicken meat products only started to stabilize in the first half of 2014. We have a diligent management team that is highly capable of overseeing our Company’s operations during the wide turbulence of this industry. Although the average selling price of chicken products have remained stable in the first half of 2014, the demand for chicken meat products is still weak due to the lingering effects of the H7N9 incident. With the chicken meat products industry being still highly fragmented, we aim to take advantage of this situation by using our cost advantage to gain further market share. For the six months ended 30 June 2014, the Group recorded a consolidated turnover of approximately RMB530.6 million (2013: approximately RMB490.7 million), representing an increase of approximately 8.1% as compared to the corresponding period last year. Loss attributable to the owners of the Company was approximately RMB10.0 million (2013: approximately RMB3.0 million). The loss for the period was mainly due to the increase in operating costs resulting in a drop in gross profit margin to 6.6% (2013: 8.5%). On a half year-on-half year basis, the loss attributable to the owners of the Company remained flat at RMB10.0 million (second half of 2013: RMB9.8 million).

### 2. Technological improvement and cost control

Our Group’s performance has been pressured by the increase of feed cost, increase in price of labor, and stricter environment regulations. Through stringent cost control measures and by establishing a technology innovation team to enhance the production techniques, we are confident that we will gradually return to profitability and our company will be able to turnaround. We are cautiously optimistic about our future as we continue to enhance our competitiveness by transforming our scientific achievements into commercial production capability from the use of our technological innovations.

### 3. Brand differentiation and production facilities

We have a strong brand differentiation that sets us apart from our competitors and our vertically integrated operation allows us to achieve economies of scale. Our current production facilities include four breeder farms, two hatching facilities, five broiler breeding farms, one animal feeds production facility and one slaughtering and processing facility. All the production facilities are highly integrated with state-of-the-art technology in processing chicken products and eggs. We are looking to increase our production facilities by growing organically in anticipation of the long term recovery of the chicken meat product industry, and to match any short term increase of demand.

We will work hard to enhance the core competitiveness of our production techniques and to strictly monitor the production quality of our processes. Going forward, our talented management will guide our Company through the turbulence through the use of our technological advancements and stringent controls on both the production costs and quality of products.

## FINANCIAL REVIEW

### 1. Revenue

The following table sets out a breakdown of our revenue by product categories and their relative percentages of our total revenue during the reporting period and the corresponding period in 2013:

	For the six months ended 30 June				
	2014 RMB'000	% of total revenue	2013 RMB'000	% of total revenue	% change in revenue
Chicken meat products	<b>322,564</b>	<b>60.8</b>	301,670	61.5	6.9
Animal feeds	<b>165,396</b>	<b>31.2</b>	153,999	31.4	7.4
Chicken breeds	<b>42,626</b>	<b>8.0</b>	35,078	7.1	21.5
Total	<b>530,586</b>	<b>100.0</b>	490,747	100.0	8.1

Our total revenue increased by approximately 8.1% from approximately RMB490.7 million for the six months ended 30 June 2013 to approximately RMB530.6 million for the six months ended 30 June 2014, primarily due to the increase in the sales volume of chicken meat products and chicken breeds.

#### Chicken meat products

Revenue from sales of our chicken meat products business increased by approximately 6.9%, from approximately RMB301.7 million for the six months ended 30 June 2013 to approximately RMB322.6 million for the six months ended 30 June 2014, primarily as a result of the increase in the sales volume of our chicken meat products.

#### Animal feeds

Revenue from sales of our animal feeds business increased by approximately 7.4% from approximately RMB154.0 million for the six months ended 30 June 2013 to approximately RMB165.4 million for the six months ended 30 June 2014, primarily as a result of the increase in the average selling price and the sales volume of animal feeds.

#### Chicken breeds

Revenue from sales of our chicken breeds business increased by approximately 21.5% from approximately RMB35.1 million for the six months ended 30 June 2013 to approximately RMB42.6 million for the six months ended 30 June 2014, primarily due to the increase in the sales volume of chicken breeds.

## Management Discussion and Analysis

### 2. Gross Profit and Gross Profit Margin

The following table sets out our total gross profit and gross profit margin by major product categories during the reporting period and the corresponding period in 2013:

	For the six months ended 30 June				
	2014 RMB'000	% of total gross profit	2013 RMB'000	% of total gross profit	% change in gross profit
<b>Gross Profit</b>					
Chicken meat products	5,469	15.5	14,214	34.0	(61.5)
Animal feeds	9,429	26.8	8,258	19.7	14.2
Chicken breeds	20,249	57.7	19,384	46.3	4.5
Total	35,147	100.0	41,856	100.0	(16.0)

	For the six months ended 30 June	
	2014 %	2013 %
<b>Gross Profit Margin</b>		
Chicken meat products	1.7	4.7
Animal feeds	5.7	5.4
Chicken breeds	47.5	55.3
Overall	6.6	8.5

Gross profit decreased by approximately 16.0% from approximately RMB41.9 million for the six months ended 30 June 2013 to approximately RMB35.1 million for the six months ended 30 June 2014. Our overall gross profit margin decreased from approximately 8.5% for the six months ended 30 June 2013 to approximately 6.6% for the six months ended 30 June 2014, primarily due to the stable average selling price of chicken meat products, combined with the escalating raw material prices and operating costs during the period under review.

#### Chicken meat products

Gross profit from our chicken meat products business decreased by approximately 61.5% from approximately RMB14.2 million for the six months ended 30 June 2013 to approximately RMB5.5 million for the six months ended 30 June 2014. The gross profit margin for our chicken meat products business decreased from approximately 4.7% for the six months ended 30 June 2013 to approximately 1.7% for the six months ended 30 June 2014. This was primarily due to the escalating raw material prices and higher operating costs during the period under review.



## Management Discussion and Analysis

### **Animal feeds**

Gross profit from our animal feeds business increased by approximately 14.2% from approximately RMB8.3 million for the six months ended 30 June 2013 to approximately RMB9.4 million for the six months ended 30 June 2014. The gross profit margin for our animal feeds business increased by approximately 0.3 percentage points for the period under review to 5.7% from 5.4% for the six months ended 30 June 2013. This was primarily due to the increase in the average selling price of animal feeds during the period under review.

### **Chicken breeds**

Gross profit from our chicken breeds business increased by approximately 4.5% from approximately RMB19.4 million for the six months ended 30 June 2013 to approximately RMB20.2 million for the six months ended 30 June 2014. The gross profit margin for our chicken breeds business decreased from approximately 55.3% for the six months ended 30 June 2013 to approximately 47.5% for the six months ended 30 June 2014. This was primarily due to the stable average selling price of chicken breeds combined with the increase in breeding costs during the period under review.

### **3. Other Revenue and Gains**

Other revenue and gains increased by approximately 113.9%, from approximately RMB5.8 million for the six months ended 30 June 2013 to approximately RMB12.5 million for the six months ended 30 June 2014, primarily as a result of the increase in sales of side products and related products.

### **4. Selling and Distribution Expenses**

Selling and distribution expenses increased by approximately 59.0%, from approximately RMB9.2 million for the six months ended 30 June 2013 to approximately RMB14.7 million for the six months ended 30 June 2014, primarily as a result of the increase in sales volume and related transportation costs.

### **5. Administrative Expenses**

Administrative expenses increased by approximately 37.8%, from approximately RMB19.7 million for the six months ended 30 June 2013 to approximately RMB27.2 million for the six months ended 30 June 2014, primarily as a result of the removal of the exemption of property tax and land tax for the six months ended 30 June 2014 whereas there was such exemption for the six months ended 30 June 2013 and the increase in salary.

### **6. Finance Costs**

Finance costs increased by approximately 23.0%, from approximately RMB4.7 million for the six months ended 30 June 2013 to approximately RMB5.8 million for the six months ended 30 June 2014, primarily as a result of the increase in bank borrowings.

### **7. Taxation**

Taxation decreased by approximately 103.6%, from a tax expense of approximately RMB0.5 million for the six months ended 30 June 2013 to a tax credit of approximately RMB0.02 million for the six months ended 30 June 2014, primarily as a result of the over-provision of PRC enterprise income tax in the prior year of RMB0.23 million.

# Management Discussion and Analysis

## OUTLOOK

### 1. Development plan for the second half of 2014

Our operations are vertically integrated which enables us to achieve economies of scale, minimize reliance on third party suppliers and achieve efficient production management. We have a viable capital expenditure (CAPEX) plan for the full year 2014 to increase our annual production as we plan to spend RMB92 million in 2014. Our investments for this year will primarily be on a 600,000 tons annual output feed mill, one breeder farm and another broiler farm. This development plan will increase our slaughtering volume per day, allowing us to achieve higher production capacity while maintaining our high operational efficiency.

### 2. Improving our procurement channels

Our Company continues to purchase materials directly from production entities whenever possible in order to reduce the number of intermediaries and save costs. We are conscious of the increase in price of corns and wheat as they have both trended upwards during the period. We plan to apply the tariff quota of corn to utilize the price gap between domestic price of corn and foreign sources to cut costs. Our procurement department also closely follows the market trend and will strengthen the cooperation with large enterprises and trading enterprises in the grain-producing regions. We will also procure raw materials additive in bulk through auction to lower the procurement cost. The combined effect of these measures will help us reduce procurement costs and will reduce the pressure on our margins.

### 3. Development of new products and flavorings

We plan to develop new products such as new flavorings and fresh meat products to add to our existing lineup. Our goal is to increase our chicken meat products market share and secure more orders from large-scale fast food chains for its fast food products and also to increase our product mix and the value of our products as a whole. This will help us realize our goal of increasing production to meet market demands, while at the same time give us a highly diversified product lineup in the chicken meat products industry to keep us ahead of our competitors.

### 4. Strictly monitoring the production quality

The most significant risk to our Company is that at any time there may be outbreak of animal diseases that will lead to the extermination of broilers and decrease in sales. Our key to success is to minimize this risk by maintaining high quality and standards of our products. We will ensure the safety and qualities of the chicken meat products produced by our Company and the materials purchased from independent third suppliers by adopting stringent quality and management control system so that our products will meet the required standard. We also have established a comprehensive food safety and hygiene system and quality control system to differentiate the quality of our Sumpo brand chicken meat products from our competitors'. Our Company has constant monitoring of our processing facilities by on-site inspection at breeding factories and farms to reduce the risks of disease and increase our product quality.

### LIQUIDITY AND FINANCIAL RESOURCES

#### Financial Resources

The Group generally finances its operations with internally generated cash flow and bank facilities for its capital requirements. As at 30 June 2014, cash and cash equivalents amounted to approximately RMB46.8 million (31 December 2013: approximately RMB108.7 million). The decrease in cash and cash equivalents was mainly due to the increase in grain procurement that was at a lower auction price and required payment in advance before delivery, the capital expenditure on the 600,000 tons feed mill and the repayment of bank facilities.

#### Borrowings and Pledged Assets

As at 30 June 2014, the total amount of interest-bearing bank borrowings was approximately RMB177.0 million (31 December 2013: approximately RMB187.0 million). All the Group's bank borrowings were denominated in Renminbi with interest rates ranged from 6.0% to 6.2% per annum.

As at 30 June 2014, the bank borrowings were secured by the Group's bank deposits, properties, plant and equipment and prepaid lease payments with total carrying value of approximately RMB80.7 million (31 December 2013: approximately RMB101.5 million).

#### Gearing Ratio

As at 30 June 2014, the gearing ratio of the Group was approximately 22.1% (31 December 2013: approximately 24.7%). This was calculated by dividing interest-bearing bank borrowings with the total assets of the Group as at 30 June 2014. The decrease in the gearing ratio was mainly due to the repayment of bank borrowings during the period under review.

### FOREIGN EXCHANGE RISK

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

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition and disposal of subsidiaries and associated companies during the period under review.

### CONTRACTUAL AND CAPITAL COMMITMENTS

As at 30 June 2014, the Group had operating lease commitments of approximately RMB2.9 million (31 December 2013: approximately RMB3.5 million).

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

### CONTINGENT LIABILITIES

As at 30 June 2014, the Group had no material contingent liabilities (31 December 2013: Nil).

## Management Discussion and Analysis

### HUMAN RESOURCES

As at 30 June 2014, the Group had 1,638 employees. Employee costs, including directors' emoluments, amounted to approximately RMB8.9 million (30 June 2013: RMB8.2 million) for the six months ended 30 June 2014. All of the Group members 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.

### USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange on 11 January 2011 and after the exercise of the over-allotment options on 28 January 2011 amounted to approximately HK\$283.9 million (approximately RMB231.7 million). As at 30 June 2014, the net proceeds were partially applied in accordance with the proposed applications set out in the Prospectus and the announcement of the Company dated 28 November 2011, as follow:

- Approximately RMB32.0 million was used to finance the costs of establishing our new breeders farms;
- Approximately RMB13.2 million was used to finance the costs of establishing our new hatching facilities;
- Approximately RMB1.7 million was used to finance the costs of establishing our broiler breeding farms;
- Approximately RMB99.0 million was used to finance the costs of establishing our new slaughtering and processing plant;
- Approximately RMB29.5 million was used to finance the Group's general working capital and general corporate services; and
- Approximately RMB56.3 million remained unused, which were deposited with licensed banks and financial institutions in the PRC.



# Disclosure of Interests

## Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2014, the interests and short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

### Long positions in shares and underlying shares of the Company

Name of Director	Capacity/nature of interest	Number of ordinary shares held	Approximate percentage of issued share capital
Mr. Lin Qinglin	Beneficial owner	43,680,000	2.19%

Save as disclosed above, as at 30 June 2014, none of the Directors or chief executives had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to the Model Code.

## Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

As at 30 June 2014, the interests or short positions of the persons (other than the Directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

### Long positions in shares and underlying shares of the Company

Name of shareholder	Capacity/nature of interest	Number of ordinary shares held	Approximate percentage of issued share capital
Taiping Quantum Strategic Fund	Beneficial owner	300,000,000	15.06%
Lai Aizhong	Beneficial owner	200,000,000	10.04%

Save as disclosed above and so far as the Directors are aware of, as at 30 June 2014, no person (other than the Directors or chief executives of the Company) had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

## Disclosure of Interests

### Share Option Scheme

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

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

As at 30 June 2014, the Company has not granted any option under the Share Option Scheme.

# Other Information

## Corporate Governance

The Company has adopted the code provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Listing Rules. Save as disclosed below, the Company had been in compliance with the CG Code during the six months ended 30 June 2014.

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

Under code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders. Certain independent non-executive Directors were unable to attend the annual general meeting of the Company held on 6 June 2014 due to their other business engagements.

## Changes in Information of Directors

The following information is set out pursuant to the requirements of Rule 13.51B(1) of the Listing Rules:

Mr. Chau On Ta Yuen was appointed as an independent non-executive director of Redco Properties Group Limited (力高地產集團有限公司)(Stock Code: 1622) in January 2014, a company listed on the Main Board of the Stock Exchange.

## Review by Audit Committee

The Audit Committee has reviewed the interim report for the six months ended 30 June 2014 including the accounting policies and practices adopted by the Group with the management.

## Model Code for Securities Transactions by Directors

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

## Purchase, Sale or Redemption of Listed Securities of the Company

Save as disclosed below, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

On 17 April 2014, the Company agreed to place 332,000,000 shares to not less than six independent placees at the placing price of HK\$0.2 per share. The placing of the new shares under the general mandate, which was granted to the Directors by a resolution passed at the annual general meeting of the Company held on 23 May 2013, was completed on 29 April 2014. The net proceeds, after the deduction of the placing commission and other related expenses, of approximately HK\$66.4 million will be applied as general working capital of the Group. Please refer to announcements of the Company dated 17 and 30 April 2014 respectively for details.

## Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2014.

# Interim Results

The Board of Directors (the "Board") of Sumpo Food Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2014. These condensed consolidated interim financial statements have not been audited but have been reviewed by the Audit Committee.

## CONDENSED 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	4	530,586	490,747
Cost of sales		(495,439)	(448,891)
Gross profit		35,147	41,856
Other revenue and gains	5	12,507	5,847
Losses arising from changes in fair value less cost to sell of biological assets	11	(3,063)	(1,802)
Fair value of agricultural produce on initial recognition		51,510	38,349
Reversal of fair value of agricultural produce due to hatch and disposals		(52,569)	(39,079)
Net gain on financial assets at fair value through profit or loss	7	9,839	1,245
Selling and distribution expenses		(14,680)	(9,230)
Administrative expenses		(27,168)	(19,722)
Finance costs		(5,760)	(4,684)
Other operating expenses		(16,049)	(15,151)
Loss before taxation		(10,286)	(2,371)
Taxation	6	17	(477)
Loss and total comprehensive loss for the period	7	(10,269)	(2,848)



## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
<b>(Loss)/profit for the period attributable to:</b>			
Owners of the Company		(10,017)	(2,952)
Non-controlling interests		(252)	104
		<b>(10,269)</b>	<b>(2,848)</b>
<b>Total comprehensive (loss)/income for the period attributable to:</b>			
Owners of the Company		(10,017)	(2,952)
Non-controlling interests		(252)	104
		<b>(10,269)</b>	<b>(2,848)</b>
<b>Loss per share</b>			
	8		
Basic and diluted (RMB cents per share)		<b>(0.50)</b>	(0.18)

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

## Interim Results

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	342,487	343,870
Investment property		942	959
Biological assets	11	11,601	14,056
Prepaid lease payments		50,890	50,616
Prepayment for prepaid lease payments		18,010	18,010
Deferred tax assets		4,303	4,286
		<b>428,233</b>	431,797
<b>Current assets</b>			
Inventories		96,663	105,689
Biological assets	11	8,221	3,154
Trade receivables	12	41,754	29,538
Deposits paid, prepayments and other receivables	13	108,582	45,949
Prepaid lease payments		1,298	1,298
Financial assets at fair value through profit or loss	14	69,038	32,469
Cash and bank balances		46,770	108,717
		<b>372,326</b>	326,814
<b>Current liabilities</b>			
Trade payables	15	52,021	34,113
Accruals, deposits received and other payables	16	44,756	52,269
Bank borrowings	18	177,000	187,000
		<b>273,777</b>	273,382
<b>Net current assets</b>		<b>98,549</b>	53,432
<b>Total assets less current liabilities</b>		<b>526,782</b>	485,229

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

As at 30 June 2014

	Notes	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
<b>Equity</b>			
Share capital	17	167,392	141,007
Reserves		328,470	312,102
<b>Equity attributable to owners of the Company</b>		<b>495,862</b>	453,109
<b>Non-controlling interests</b>		<b>14,249</b>	14,501
<b>Total equity</b>		<b>510,111</b>	467,610
<b>Non-current liability</b>			
Deferred revenue		16,671	17,619
<b>Total equity and non-current liability</b>		<b>526,782</b>	485,229

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

## Interim Results

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Equity attributable to owners of the Company							Non-controlling interests	Total equity	
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve	Other reserve	Retained earnings			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
As at 1 January 2013 (audited)	141,007	113,622	17,423	5,205	41,343	38,193	109,078	465,871	13,229	479,100
(Loss)/profit for the period	-	-	-	-	-	-	(2,952)	(2,952)	104	(2,848)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(2,952)	(2,952)	104	(2,848)
Transfer to statutory reserve	-	-	-	-	823	-	(823)	-	-	-
As at 30 June 2013 (unaudited)	141,007	113,622	17,423	5,205	42,166	38,193	105,303	462,919	13,333	476,252
As at 1 January 2014 (audited)	<b>141,007</b>	<b>113,622</b>	<b>17,423</b>	<b>5,205</b>	<b>44,626</b>	<b>38,193</b>	<b>93,033</b>	<b>453,109</b>	<b>14,501</b>	<b>467,610</b>
Loss for the period	-	-	-	-	-	-	(10,017)	(10,017)	(252)	(10,269)
Total comprehensive loss for the period	-	-	-	-	-	-	(10,017)	(10,017)	(252)	(10,269)
Issue of ordinary shares	<b>26,385</b>	<b>26,385</b>	-	-	-	-	-	<b>52,770</b>	-	<b>52,770</b>
Transfer to statutory reserve	-	-	-	-	<b>4,483</b>	-	<b>(4,483)</b>	-	-	-
<b>As at 30 June 2014 (unaudited)</b>	<b>167,392</b>	<b>140,007</b>	<b>17,423</b>	<b>5,205</b>	<b>49,109</b>	<b>38,193</b>	<b>78,533</b>	<b>495,862</b>	<b>14,249</b>	<b>510,111</b>

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



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the six months ended 30 June 2014

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Net cash used in operating activities</b>	<b>(46,702)</b>	(28,946)
<b>Net cash (used in)/generated from investing activities</b>	<b>(58,015)</b>	21,230
<b>Net cash generated from/(used in) financing activities</b>	<b>42,770</b>	(11,492)
<b>Net decrease in cash and cash equivalents</b>	<b>(61,947)</b>	(19,208)
Cash and cash equivalents at the beginning of the period	<b>108,717</b>	131,137
Effect of foreign exchange rate changes, net	-	-
<b>Cash and cash equivalents at the end of the period</b>	<b>46,770</b>	111,929
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	<b>46,770</b>	111,929

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 1. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 June 2014 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 (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). They have been prepared under the historical cost convention, except for biological assets and certain financial assets, which are carried at fair value. The condensed consolidated interim financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated. The condensed consolidated interim financial statements are unaudited but have been reviewed by the Audit Committee.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in preparing the condensed consolidated interim financial statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 December 2013 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 2014.

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

HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Contribution of Hedge Accounting
HK(IFRIC) – Int 21	Levies

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle <sup>2</sup>
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle <sup>1</sup>
HKFRS 9	Financial Instruments <sup>5</sup>
HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosure <sup>5</sup>
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations <sup>3</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>3</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>4</sup>
HKAS 19 (Amendments)	Employee Benefits <sup>1</sup>
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>3</sup>
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017.

<sup>5</sup> No mandatory effective date yet determined but is available for adoption.

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.

## Interim Results

### 3. SEGMENT INFORMATION

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

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

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

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

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

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

	Six months ended 30 June 2014 (Unaudited)				
	Chicken meat RMB'000	Chicken breeds RMB'000	Animal feeds RMB'000	Elimination RMB'000	Total RMB'000
<b>Segment results</b>					
External segment revenue	322,564	42,626	165,396	–	530,586
Inter-segment revenue	284,015	41,204	53,960	(379,179)	–
Segment revenue	606,579	83,830	219,356	(379,179)	530,586
Segment results	5,469	24,759	9,429	–	39,657
Unallocated revenue and gains					12,507
Unallocated net gain on financial assets at fair value through profit or loss					1,207
Unallocated selling and distribution expenses					(14,680)
Unallocated administrative expenses					(27,168)
Unallocated operating expenses					(16,049)
Loss from operations					(4,526)
Finance costs					(5,760)
Loss before taxation					(10,286)



### 3. SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June 2013 (Unaudited)				
	Chicken meat RMB'000	Chicken breeds RMB'000	Animal feeds RMB'000	Elimination RMB'000	Total RMB'000
<b>Segment results</b>					
External segment revenue	301,670	35,078	153,999	–	490,747
Inter-segment revenue	326,314	33,769	65,945	(426,028)	–
Segment revenue	627,984	68,847	219,944	(426,028)	490,747
Segment results	14,214	18,097	8,258	–	40,569
Unallocated revenue and gains					5,847
Unallocated selling and distribution expenses					(9,230)
Unallocated administrative expenses					(19,722)
Unallocated operating expenses					(15,151)
Profit from operations					2,313
Finance costs					(4,684)
Loss before taxation					(2,371)

### 4. REVENUE

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

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Chicken meat products	322,564	301,670
Animal feeds	165,396	153,999
Chicken breeds	42,626	35,078
	530,586	490,747

## Interim Results

### 5. OTHER REVENUE AND GAINS

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Bank interest income	98	714
Sales of side products and related products, net	8,978	4,236
Gain on disposal of property, plant and equipment	–	21
Government grants (Note)	2,971	184
Reversal of impairment loss recognised on other receivables	–	20
Exchange gain	15	–
Rental income	–	212
Sundry income	445	460
	<b>12,507</b>	5,847

Note:

Government grants include subsidies income received by a subsidiary of the Group which operates in the People's Republic of China in accordance with the subsidy policies of local government authorities and in relation to the construction of qualifying assets. Subsidies income received by a subsidiary of the Group is recognised in profit or loss when received and no specific conditions have been required to fulfill. Those government grants in relation to the construction of qualifying assets are recognised as deferred income. The government grants recognised at 30 June 2014 are non-recurring. There are no unfulfilled conditions or contingencies relating to these government grants.

### 6. TAXATION

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
PRC enterprise income tax		
– over provision in prior year	(230)	–
– current period	–	246
Deferred income tax	213	231
	<b>(17)</b>	477

## 6. TAXATION (CONTINUED)

Notes:

- (a) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI for the period.
- (b) No provision for Hong Kong profits tax has been made as the Group did not have assessable profits subject to Hong Kong profits tax for the period.
- (c) Pursuant to the income tax rules and regulations of the PRC, the companies comprising the Group in the PRC are liable to PRC Enterprise Income Tax ("EIT") at a tax rate of 25% for the period, except for the following:
- (i) Pursuant to the Ministry of Finance's Notice on Preferential EIT on Agricultural Products (《國家稅務總局關於發佈享受企業所得稅優惠政策的農產品初加工範圍(試行)的通知》)("Order [2008] No. 149"), issued on 20 November 2008, effective on 1 January 2008, Fujian Sumpo Food Holdings Co., Ltd ("Fujian Sumpo") is entitled to EIT exemption with respect to the income derived from the processing of frozen chicken meat products during the period between 1 January 2008 and 7 September 2018.
- Fujian Baojashun Food Development Company Limited ("Fujian Baojashun") is also entitled to EIT exemption with respect to the income derived from the processing of frozen chicken meat products for the period.
- (ii) Pursuant to the Ministry of Finance's Notice on Preferential EIT (《國家稅務總局關於企業所得稅若干優惠政策的通知》)("Order [1994] No. 001"), issued on 29 March 1994, and effective on 1 January 1994, and the Ministry of Finance's Approval on the Implementation of Preferential Income Tax for Newly Established Enterprises (《國家稅務總局關於新辦企業所得稅優惠執行口徑的批覆》)("Order [2003] No. 1239") issued on 18 November 2003, Longyan Baotai Agriculture Company Limited ("Longyan Baotai") is entitled to EIT exemption with respect to the income derived from broilers breeding for the period.
- Fujian Hetai Poultry Company Limited ("Fujian Hetai") is also entitled to EIT exemption with respect to the income derived from broilers breeding for the period.
- (iii) Longyan Baotai is also entitled to exemption from the value-added tax during the period between 1 December 2005 and 1 November 2025.
- (iv) According to the notice issued by the State Council (the "Notice"), enterprises which are entitled to enjoy tax incentive shall have a grace period of five years commencing from 1 January 2008 before they are required to pay the corporate income tax at the rate of 25%. Before the promulgation of the new PRC EIT Law, as Xiamen Sumpo Food Trading Limited ("Xiamen Sumpo Trading") is located in the Xiamen Special Economic Zone, it was only required to pay corporate income tax at the reduced rate of 15%. As a result of the new PRC tax law and the Notice, it was required to pay corporate income tax at the reduced rate of 18% for the year ended 31 December 2008, 20% for the year ended 31 December 2009, 22% for the year ending 31 December 2010, 24% for the year ending 31 December 2011 and 25% for the year ending 31 December 2012 and afterward.
- (d) Pursuant to the new PRC EIT Law, from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 5% or 10% on various types of passive income such as dividends derived from sources in the PRC. Distributions of the pre-2008 earnings are exempt from the above-mentioned withholding tax. Dividends received by the Group from its PRC subsidiaries are subject to the above-mentioned withholding tax.

No deferred tax liabilities were provided in respect of the tax that would be payable on the distribution of the retained profits as the Group determined that the retained profits for the period would not be distributed in the foreseeable future.

## Interim Results

### 7. LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Staff costs		
including directors' remuneration	7,741	7,329
Contributions to retirement schemes	1,111	864
<b>Total staff costs</b>	<b>8,852</b>	<b>8,193</b>
Depreciation of property, plant and equipment	12,990	12,201
Depreciation of investment property	17	17
Amortisation of prepaid lease payments	655	649
<b>Total depreciation and amortisation</b>	<b>13,662</b>	<b>12,867</b>
<b>Net gain on financial assets at fair value through profit or loss:</b>		
Proceeds on sales	(1,139)	–
Less: Cost of sales	1,097	–
Net realised gain on financial assets at fair value through profit or loss	(42)	–
Unrealised gain on financial assets at fair value through profit or loss	(9,797)	(1,245)
<b>Net gain on financial assets at fair value through profit or loss</b>	<b>(9,839)</b>	<b>(1,245)</b>

### 8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share for the period is based on the loss attributable to the owners of the Company for the six months ended 30 June 2014 of approximately RMB10,017,000 (six months ended 30 June 2013: RMB2,952,000) and the weighted average of 1,775,558,000 (six months ended 30 June 2013: 1,660,000,000) 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 during the period.

## 9. DIVIDENDS

No dividends were declared during the six months ended 30 June 2014 and 2013.

## 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred costs for buildings, machinery and equipment, motor vehicles, tools and construction in progress of approximately RMB4,467,000 (2013: RMB15,599,000), RMB2,906,000 (2013: RMB6,140,000), RMB143,000 (2013: RMB207,000), RMB264,000 (2013: RMB596,000) and RMB3,827,000 (2013: RMB17,379,000) respectively.

## 11. BIOLOGICAL ASSETS

Movements of biological assets are summarised as follows:

	Parent Stock Day-Old Chicks and immature breeders RMB'000	Mature breeders RMB'000	Chicken breeds RMB'000	Total RMB'000
As at 1 January 2013 (audited)	2,102	12,407	4,715	19,224
Increase due to purchases	6,011	–	–	6,011
Increase due to raising (Feeding cost and others)	3,493	–	122,961	126,454
Transfer	(5,973)	5,973	–	–
Decrease due to retirement and deaths	–	(13,286)	–	(13,286)
Decrease due to sales	–	–	(124,445)	(124,445)
Changes in fair value less costs to sell	4,145	(816)	(77)	3,252
As at 31 December 2013 and 1 January 2014 (audited)	9,778	4,278	3,154	17,210
Increase due to purchases	643	–	–	643
Increase due to raising (Feeding cost and others)	6,657	–	53,776	60,433
Transfer	(7,862)	7,862	–	–
Decrease due to retirement and deaths	–	(5,636)	–	(5,636)
Decrease due to sales	–	–	(49,765)	(49,765)
Changes in fair value less costs to sell	(4,250)	131	1,056	(3,063)
<b>As at 30 June 2014 (unaudited)</b>	<b>4,966</b>	<b>6,635</b>	<b>8,221</b>	<b>19,822</b>

Note:

The Group's biological assets at 31 December 2013 and 30 June 2014 have been arrived at on the basis of a valuation carried out by independent qualified professional valuer and the management of the Group respectively. As at 30 June 2014, the fair value less costs to sell of chicken breeds are determined with reference to the market determined prices of items with similar age, breed and genetic merit, if the market-determined prices are available. Due to the fact that the market-determined prices for parent stock day-old chicks and immature breeders and mature breeders are not available, the valuations adopted the net present value approach to calculate the fair value less cost to sell of these items. The resulting losses arising from changes in fair value less costs to sell of biological assets of RMB3,063,000 (resulting losses for six months ended 30 June 2013: RMB1,802,000) has been recognised directly in profit or loss for the six months ended 30 June 2014.



## Interim Results

### 12. TRADE RECEIVABLES

	<b>As at 30 June 2014 RMB'000 (Unaudited)</b>	As at 31 December 2013 RMB'000 (Audited)
Trade receivables	<b>42,162</b>	29,946
Less: Impairment loss recognised	<b>(408)</b>	(408)
	<b>41,754</b>	29,538

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

	<b>As at 30 June 2014 RMB'000 (Unaudited)</b>	As at 31 December 2013 RMB'000 (Audited)
Within 30 days	<b>36,173</b>	27,447
31 to 70 days	<b>3,006</b>	2,022
71 to 180 days	<b>2,529</b>	69
181 to 365 days	<b>46</b>	–
	<b>41,754</b>	29,538

### 13. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	<b>As at 30 June 2014 RMB'000 (Unaudited)</b>	As at 31 December 2013 RMB'000 (Audited)
Deposits paid, prepayments and other receivables	<b>111,798</b>	49,210
Less: Impairment loss recognised	<b>(3,216)</b>	(3,261)
	<b>108,582</b>	45,949

**14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>As at 30 June 2014 RMB'000 (Unaudited)</b>	As at 31 December 2013 RMB'000 (Audited)
<b>Held for trading:</b>		
– Listed equity securities in the PRC and Hong Kong (Note (a))	<b>28,044</b>	121
– Unlisted equity securities in the PRC (Note (b))	<b>40,994</b>	32,348
	<b>69,038</b>	32,469

Notes:

- (a) Fair value is determined with reference to quoted market bid prices.
- (b) The Group holds 0.56% of the paid up capital of Xiamen Bank Company Limited ("Xiamen Bank"), a company engaged in the business of banking for small and medium size enterprise of the local economy. The directors of the Group do not believe that the Group is able to exercise significant influence over Xiamen Bank.

The fair value of the unlisted equity securities are estimated by the management of the Group. The valuation was arrived at by reference to market comparables which are the closest proxies to Xiamen Bank with similar industry focus, risk and nature.

**15. TRADE PAYABLES**

	<b>As at 30 June 2014 RMB'000 (Unaudited)</b>	As at 31 December 2013 RMB'000 (Audited)
Trade payables	<b>52,021</b>	34,113

The ageing analysis of trade payables are as follows:

	<b>As at 30 June 2014 RMB'000 (Unaudited)</b>	As at 31 December 2013 RMB'000 (Audited)
Within 30 days	<b>48,660</b>	32,923
31 to 90 days	<b>2,429</b>	1,146
91 to 180 days	<b>932</b>	44
	<b>52,021</b>	34,113

The average credit period on purchases of certain goods is generally within 15 days to 90 days.

## Interim Results

### 16. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	<b>As at 30 June 2014 RMB'000 (Unaudited)</b>	As at 31 December 2013 RMB'000 (Audited)
Deposits received	<b>1,588</b>	1,529
Accruals and other payables	<b>43,168</b>	50,740
	<b>44,756</b>	52,269

### 17. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Nominal value of ordinary shares		Share premium RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
		HK\$'000 (Unaudited)	RMB'000 (Unaudited)		
Authorised:					
At 1 January 2014 and 30 June 2014,					
ordinary shares of HK\$0.1 each	4,000,000,000	400,000	320,000	–	320,000
Issued and fully paid:					
At 1 January 2014					
ordinary shares of HK\$0.1 each	1,660,000,000	165,999	141,007	113,622	254,629
Issue of ordinary share of HK\$0.1 each	332,000,000	33,200	26,385	26,385	52,770
<b>As at 30 June 2014</b>	<b>1,992,000,000</b>	<b>199,199</b>	<b>167,392</b>	<b>140,007</b>	<b>307,399</b>

## 18. BANK BORROWINGS

	<b>As at 30 June 2014 RMB'000 (Unaudited)</b>	As at 31 December 2013 RMB'000 (Audited)
Bank borrowings – secured	177,000	177,000
Loan from other bank facilities	–	10,000
	<b>177,000</b>	187,000
Carrying amount repayable:		
On demand or within one year	177,000	187,000
Less: Amounts due within one year shown under current liabilities	<b>(177,000)</b>	(187,000)
	–	–

The carrying amount of the Group's bank borrowings are all originally denominated in RMB, which is the functional currency of the Group.

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

	<b>As at 30 June 2014 (Unaudited)</b>	As at 31 December 2013 (Audited)
Bank borrowings at:		
– floating interest rate	<b>6.0%</b>	5.0%-6.0%
– fixed interest rate	<b>6.0%-6.2%</b>	5.0%-6.0%

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

- (a) the Group's property, plant and equipment with a carrying amount of approximately RMB38,053,000 (2013: RMB58,243,000);
- (b) the Group's prepaid lease payments with a carrying amount of approximately RMB42,628,000 (2013: RMB43,215,000).

## 19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable for the six months ended 30 June 2014.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as price) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	As at 30 June 2014 (Unaudited)			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	28,044	–	40,994	69,038

	As at 31 December 2013 (Audited)			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	121	–	32,348	32,469

Reconciliation of Level 3 fair value measurements of financial assets

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
As at 1 January 2013 and 1 January 2014	32,348	30,792
Fair value gain in profit or loss	8,646	1,556
As at 30 June 2014	40,994	32,348

The above fair value gain included in the consolidated statement of profit or loss and other comprehensive income for the current period related to investment in financial assets at fair value through profit or loss (Note 14) held at the end of the period.

## 20. SIGNIFICANT RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated interim financial statements, the Group also had the following related party transactions for the six months ended 30 June 2014 and 2013.

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

Name of company	Nature of transaction	Relationship	Six months ended 30 June	
			2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Fujian Ronghecheng Food Corporation Limited ("Ronghecheng Food Corporation") formerly known as Fujian Sumhua Enterprise Limited	Sales of side products (Note a)	Common director in a related company	644	611
Ronghecheng Food Corporation	Rental income	Common director in a related company	212	212
Xiamen Rohesen Food Company Limited	Sales of side products (Note b)	Common director in a related company	58	–

Notes:

- (a) For the six months ended 30 June 2014 and 2013, the aggregate amount of the purchase price paid by Ronghecheng Food Corporation for the purchase of the agricultural side products was approximately RMB644,000 and RMB611,000 respectively.
- (b) For the six months ended 30 June 2014 and 2013, the aggregate amount of the purchase price paid by Xiamen Rohesen Food Company Limited for the purchase of the agricultural side products was approximately RMB58,000 (2013: Nil).



## Interim Results

### 21. OPERATING LEASE ARRANGEMENTS

#### The Group as lessee:

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

	<b>As at 30 June 2014 RMB'000 (Unaudited)</b>	As at 31 December 2013 RMB'000 (Audited)
Within one year	<b>263</b>	685
In the second to fifth years, inclusive	<b>964</b>	1,059
After the fifth year	<b>1,670</b>	1,772
	<b>2,897</b>	3,516

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

### 22. COMMITMENTS FOR EXPENDITURE

There were no commitments for expenditure for the six months ended 30 June 2014 and the year ended 31 December 2013.

### 23. EVENTS AFTER THE END OF THE REPORTING PERIOD

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

### 24. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 26 August 2014.