



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

從基地到餐桌

# 全產業鏈

為您提供 安全食品



Interim Report

# 2015

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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](http://www.kangdafood.com)

## Corporate Information

### BOARD OF DIRECTORS

Executive:

An Fengjun (CEO)  
Gao Yanxu

Non-executive:

Gao Sishi (Chairman)  
Zhang Qi  
Naoki Yamada

Independent non-executive:

Chong Soo Hoon, Sean  
(see note(i) below)  
Lau Choon Hoong  
Yu Chung Leung

### COMPANY SECRETARIES

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

### AUDIT COMMITTEE

Lau Choon Hoong (Chairman)  
Chong Soo Hoon, Sean  
Zhang Qi  
Yu Chung Leung  
Naoki Yamada

### REMUNERATION COMMITTEE

Yu Chung Leung (Chairman)  
Lau Choon Hoong  
Chong Soo Hoon, Sean  
Gao Sishi  
Naoki Yamada

### NOMINATION COMMITTEE

Chong Soo Hoon, Sean (Chairman)  
Lau Choon Hoong  
Gao Yanxu  
Yu Chung Leung

### AUTHORISED REPRESENTATIVES

Gao Yanxu  
Fong William

### SINGAPORE SHARE REGISTRAR

B.A.C.S. Private Limited  
8 Robinson Road #03-00  
Aso Building  
Singapore 048544

### 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

31/F Tower One  
Time Square  
1 Matheson Street  
Causeway Bay  
Hong Kong

(i) The following changes as announced on 1 June 2015, were effected and became effective from 1 June 2015:

- (1) Resignation of Mr. He Dingding as an independent non-executive director of the Company; and
- (2) Appointment of Mr. Chong Soo Hoon, Sean as an independent non-executive director of the Company.

## Management Discussion and Analysis

### BUSINESS REVIEW

Due to the decrease in demand for chilled and frozen rabbit meat, the comprehensive income attributable to owners of the Company decreased from RMB7.4 million to approximately RMB5.7 million for the six months ended 30 June 2015 ("HY2015"). However the effective cost reduction measures implemented by the Group and the allocation of resources to high value-added sales have improved the Group's gross profit margin in HY2015. The Group's gross profit and gross profit margin improved from approximately RMB46.1 million to approximately RMB52.8 million and from 7.3% to 9.4% respectively for HY2015.

The Group has a proven track record of launching successful new products that help drive our revenue growth and increase its margins in each of its key markets. The Group will leverage on its leading position in the PRC market and offer competitive pricing and quality products to improve the Group's performance. Going

forward, 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.

To fulfil more overseas markets' export requirements and to penetrate into more overseas market, the Group will increase its efforts in improving its existing production and breeding facilities. The Group will also increase its efforts to explore the opportunity to extend the production and sales of pet food products.

Through the continuous enhancements to the Group's facilities and with its vertically integrated operation, the Group believes that the profitability of the Group will improve with the recovery of the industry.

### OPERATING AND FINANCIAL REVIEW

#### Revenue by Products

	Six months ended 30 June 2015 Unaudited RMB'000	Six months ended 30 June 2014 Unaudited RMB'000	% Change Unaudited + / (-)
Processed food products	303,935	329,893	(7.9)
Chilled and frozen rabbit meat	64,274	123,108	(47.8)
Chilled and frozen chicken meat	137,892	100,092	37.8
Other products	57,162	75,739	(24.5)
<b>Total</b>	<b>563,263</b>	<b>628,832</b>	<b>(10.4)</b>

#### Processed Food Products

Due to a lower demand from overseas markets, there was a decrease in both the production and sales volume of processed food products.

#### Chilled and Frozen Meat Products

The rabbit and chicken meat segments contributed 35.9% and 36.4% to the Group's total revenue for HY2015 and for three months ended 30 June 2015 ("2Q 2015").

#### – Chilled and Frozen Chicken Meat

The major contributor was chilled and frozen chicken meat products, in which revenue increased by 37.8% to RMB137.9 million and by 25.5% to RMB69.0 million for HY2015 and 2Q2015 respectively because of the increased demand with the recovery of the market.

#### – Chilled and Frozen Rabbit Meat

Due to the sprouting of numerous smaller plants in the PRC in the past, there was an oversupply of rabbit meat in the PRC market. This had resulted in a decrease of demand and price of chilled and frozen rabbit meat since the last quarter of 2014.

#### Other Products

Revenue from the production and sale of other products decreased by 24.5% to RMB57.2 million in HY2015 and increased by 41.4% to RMB34.1 million in 2Q2015. 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 2015 Unaudited RMB'000	Six months ended 30 June 2014 Unaudited RMB'000	% Change Unaudited + / (-)
Export	241,206	281,669	(14.4)
PRC	322,057	347,163	(7.2)
<b>Total</b>	<b>563,263</b>	<b>628,832</b>	<b>(10.4)</b>

On a geographical basis, revenue from export sales decreased by 14.4% to approximately RMB241.2 million for HY2015 and decreased by 19.7% to RMB132.2 million in 2Q2015. The decrease in export sales was attributable mainly to the decrease in demand for processed food products from Europe and Japan.

The decrease of PRC sales was attributable mainly to the decrease of sales of chilled and frozen rabbit meat in the PRC market as explained above under the "Chilled and Frozen Meat Products".

### PROFITABILITY

#### Gross Profit ("GP") and Margin

	Six months ended 30 June 2015		Six months ended 30 June 2014		Change	% Change
	GP	Margin	GP	Margin		
	RMB'000 Unaudited	% Unaudited	RMB'000 Unaudited	% Unaudited	GP RMB'000 Unaudited	% Unaudited
Processed food	36,600	12.0	29,551	9.0	7,049	23.9
Rabbit meat	5,115	8.0	13,157	10.7	(8,042)	(61.1)
Chicken meat	3,302	2.4	352	0.4	2,950	838.1
Other products	7,770	13.6	3,035	4.0	4,735	156.0
<b>Total</b>	<b>52,787</b>	<b>9.4</b>	<b>46,095</b>	<b>7.3</b>	<b>6,692</b>	<b>14.5</b>

Due mainly to the higher gross profit margin of the Group's processed food products, the Group's gross profit margin increased from 7.3% to 9.4% in HY2015. The increase in gross profit margin was attributable to the effectiveness of costs management and the positive effects of new measures, including increasing level of automation, reducing manual processes and increasing sales contribution from high value-added chicken related processed food.

#### Processed Food Products

Processed food products were still the main profit contributor for HY2015. Gross profit margin increased from 9.0% to 12.0% for HY2015 was due mainly to the increase in selling prices of the processed food products as a result of value add initiatives undertaken, such as products design and enhancement in flavor and recipe.

#### Chilled and Frozen Rabbit Meat

The decrease in gross profit margin of chilled and frozen rabbit meat from 10.7% to 8.0% for HY2015 was due to the decrease of rabbit meat demand and price as explained above under the "Chilled and Frozen Meat Products – Chilled and Frozen Rabbit Meat".

#### Chilled and Frozen Chicken Meat

As a result of the effective costs reduction measures and breeding technology, the gross profit and gross profit margin of this segment increased to RMB3.3 million or 2.4% for HY2015.

#### 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 meat by-



## Management Discussion and Analysis

products, gross profit margin increased from 4.0% to 13.6% in HY2015 and gross profit increased from RMB3.0 million to RMB7.8 million.

### *Other Income*

Other income comprised mainly government grants, gain on change in fair value of biological assets and interest income from bank deposits amounting to RMB1.1 million, RMB4.4 million and RMB0.9 million respectively. The decrease in other income was due to the decrease of government grants by the Chinese government in relation to the decrease of agricultural constructions, such as building new rabbit and chicken farms, in HY2015.

### *Selling and Distribution Expenses*

Selling and distribution expenses comprised mainly transportation, promotion and advertising, salaries and welfare. The slight decrease in selling and distribution expenses by 5.6% to approximately RMB12.6 million arose from the Company's cost-cutting initiatives, which resulted in a decrease in travelling and entertainment expenses and lower number of employees.

### *Administrative Expenses*

Administrative expenses comprised mainly staff costs, professional fees, travelling expenses and other miscellaneous administrative expenses.

### *Other Operating Expenses*

Other operating expenses represented miscellaneous expenses in the daily operation, mainly related to the handling of damaged packaging materials which had increased during the period.

### *Finance Costs*

Finance costs increased by 2.9% to RMB22.4 million for HY2015 were due mainly to the increase of average bank borrowings for the Group's future working capital purpose during the period.

### *Taxation*

The increase was due mainly to the increase of taxable income during the period. Due to the overprovision of accrued tax paid in the first quarter of 2015, the income tax expense increased from RMB0.4 million for the three months period ended 30 June 2014 to the income tax credit RMB1.7 million for the three months period ended 30 June 2015.

## REVIEW OF THE GROUP'S FINANCIAL POSITION AS AT 30 JUNE 2015

The Group's property, plant and equipment ("PPE") were mainly leasehold buildings and plant and machinery. The PPE decreased marginally by 1.3% to approximately RMB607.0 million as at 30 June 2015 was due mainly to an acquisition of equipment of approximately RMB17.9 million and a depreciation charge of RMB25.7 million.

The reduction in prepaid premium for land leases for HY2015 amounting to approximately RMB1.9 million was due mainly to amortisation.

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 Group as at 30 June 2015 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 decreased by approximately RMB4.9 million or 3.0% to approximately RMB159.1 million due to the decrease of purchase during the period. The average inventory turnover day for HY2015 was 57 days compared to 45 days for the year ended 31 December 2014 ("FY2014"). The increase in turnover days was due to the increase of inventory level of rabbit skin related products in the first quarter of 2015. As at the date of this report, more than half of rabbit skin inventory had been sold to customers and the Group is confident that the remaining inventories will eventually be sold with the recovery of the rabbit meat products demand.

Trade receivables increased by approximately RMB17.1 million or 24.0% to approximately RMB88.6 million in HY2015. The average trade receivable turnover day for HY2015 was 26 days compared to 21 days for FY2014.

Prepayments, other receivables and deposits decreased marginally by approximately RMB1.5 million or 2.9% to approximately RMB49.0 million as at 30 June 2015.

Cash and cash equivalents, including pledged deposits, decreased by approximately RMB46.8 million or 8.5% to approximately RMB504.6 million. Approximately RMB70.0 million of the bank deposit was secured against the interest-bearing borrowings by the Group.

Trade and bills payables decreased by approximately RMB9.8 million or 5.5% from approximately RMB179.8 million as at 31 December 2014 to approximately RMB170.0 million as at 30 June 2015 in tandem with the decrease of purchase during the period.

## 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 RMB16.6 million or 19.7% was due to the decrease of deposits placed by customers compared to 31 December 2014.

The interest-bearing bank borrowings decreased by approximately RMB20.7 million to approximately RMB681.0 million after taking into account the additional bank borrowings of approximately RMB244.0 million and the loan repayment of approximately RMB264.7 million. Approximately RMB50.0 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 RMB2.5 million as at 31 December 2014 to approximately RMB2.3 million as at 30 June 2015. This was due to payment of income tax during HY2015.

### CAPITAL STRUCTURE

As at 30 June 2015, the Group had net assets of approximately RMB702.4 million (31 December 2014 RMB697.0 million), comprising non-current assets of approximately RMB824.6 million (31 December 2014: RMB829.8 million), and current assets approximately RMB830.0 million (31 December 2014: RMB885.3 million). The Group recorded a net current liability position of approximately RMB49.6 million as at 30 June 2015 (31 December 2014: RMB58.3 million), which primarily consist of cash and cash equivalents balances amounted to approximately RMB434.6 million (31 December 2014: RMB481.4 million). Moreover, inventories amounted to approximately RMB159.1 million (31 December 2014: RMB164.0 million) and trade receivables amounted to approximately RMB88.6 million (31 December 2014: RMB71.4 million) are also major current assets. Major current liabilities are trade and bills payables and interest-bearing bank borrowings amounted to RMB170.0 million (31 December 2014: RMB179.8 million) and RMB631.0 million (31 December 2014: RMB651.7 million) respectively.

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, the Group has cash and cash equivalent of approximately RMB434.6 million (31 December 2014: RMB481.4 million) and had total interest-bearing bank borrowings of approximately RMB681.0 million (31 December 2014: RMB701.7 million). The Group's interest-bearing bank borrowings bear interests ranging from 5.61% to 7.80% (31 December 2014: 6.00% to 7.87%) per annum.

The gearing ratio for the Group was 100.5% (31 December 2014: 104.4%) as at 30 June 2015, based on net debt of RMB681.0 million (31 December 2014: RMB701.7 million) and equity attributable to owners of RMB677.9 million (31 December 2014: RMB672.2 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 management 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 2015, there is no capital commitment of the Group which had been contracted for but not provided in the financial statements (31 December 2014: Nil).

### CHARGE ON ASSETS

Total interest-bearing bank borrowings include secured liabilities of approximately RMB320.0 million (31 December 2014: RMB334.7 million).

As at 30 June 2015, 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, certain properties of the related parties and pledged deposits.



## Management Discussion and Analysis

### CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any material contingent liabilities (31 December 2014: Nil).

### EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2015, the Group employed a total of 3,989 employees (as at 31 December 2014: 4,456 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 RMB86.5 million (six months ended 30 June 2014: RMB81.5 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 2015, 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	-	-	-	-	-	-	-
Chong Soo Hoon, Sean <sup>1</sup>	-	-	-	-	-	-	-
Yu Chung Leung	-	-	-	-	-	-	-
Naoki Yamada	-	-	-	-	-	-	-
	<b>189,960,000</b>	-	-	-	-	<b>189,960,000</b>	<b>43.9</b>

<sup>1</sup> Mr Chong Soo Hoon, Sean was appointed as independent non-executive director on 1 June 2015.

Save as disclosed above, as at 30 June 2015, 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 2015, 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 Substantial Shareholders (Note 1)	Capacity/nature of interests	Number of shares held	Approximate percentage of issued share capital (%)
Cheng Xiutai (Note 2)	Registered and beneficial owner	33,324,000	7.7
Proven Choice Group Limited (Note 3)	Registered and beneficial owner	26,260,000	6.1
Wang Linjia (Note 3)	Deemed interests	26,260,000	6.1
Zensho Co. Ltd. (Note 4)	Register and beneficial owner	53,611,000	12.4

Notes:

- Information was provided by substantial shareholder.
- Mr Cheng Xiutai is an independent third party.
- 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.
- 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 2015, 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 2015. No interim dividend was paid in respect of the six months ended 30 June 2014.

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

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

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

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 June 2015.



## Other Information

### AUDIT COMMITTEE

The audit committee of the Company consists of the independent non-executive directors, namely Mr. Lau Choon Hoong, Mr. Chong Soo Hoon, Sean 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 2015.

### CODE ON CORPORATE GOVERNANCE PRACTICE

The Company is committed to fulfilling its responsibilities to its shareholders by ensuring that there are proper processes for supervision and management of the Group's businesses in place and that good corporate governance practices and procedures are established.

The Company refers to the code provisions set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules ("CG Code").

In the opinion of the Directors, the Company has met the code provisions set out in the CG Code, where appropriate, during the six months ended 30 June 2015, except for the following deviations:

- (i) code provision A.2.7 of the CG Code:– the chairman unable to hold meetings with the non-executive directors without the executive directors present due to other commitment;
- (ii) code provision C.1.2 of the CG Code:– management should provide board members with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects to enable the board and each director to discharge their duties under Rule 3.08 and Chapter 13. During the period, the executive directors and chief financial officer of the Company have provided and will continue to provide all non-executive directors (including independent non-executive directors) with updates on any material changes to the positions and prospects of the Company, which is considered to be sufficient to provide general updates of the Company's performance, position and prospects to the board and allow them to give a balanced and understandable assessment of the same to serve the purpose required by the code provision C.1.2.;
- (iii) code provision C.2.2 of the CG Code:– the board's annual review should, in particular, consider the adequacy of resources, qualifications and experience of staff of the issuer's accounting and financial reporting function, and their training programmers and budget and the board commences such annual review in the current financial year ending 31 December 2015; and
- (iv) code provision E1.4 of the CG Code:– the board should establish a shareholder's communication policy and review it on a regular basis and the board will adopt a shareholder's communication policy in the current financial year ending 31 December 2015.

### 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 2015.

### 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 2015

## Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
<b>Revenue</b>	5	563,263	628,832
Cost of sales		(510,476)	(582,737)
<b>Gross profit</b>		52,787	46,095
Other income	5	9,287	15,766
Selling and distribution expenses		(12,618)	(13,370)
Administrative expenses		(18,856)	(18,881)
Other operating expenses		(1,776)	(782)
<b>Profit from operations</b>	6	28,824	28,828
Finance costs	7	(22,437)	(21,803)
Share of loss of associates		(709)	(459)
<b>Profit before taxation</b>		5,678	6,566
Income tax expense	8	(255)	(193)
<b>Profit for the period</b>		5,423	6,373
Other comprehensive income		–	–
<b>Total comprehensive income for the period</b>		5,423	6,373
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		5,658	7,394
Non-controlling interests		(235)	(1,021)
		5,423	6,373
<b>Earnings per share attributable to owners of the Company</b>	10		
Basic (RMB cents)		1.31	1.70
Diluted (RMB cents)		1.31	1.70

## Unaudited Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	606,972	614,752
Prepaid premium for land leases		123,304	125,202
Interest in associates		75	784
Goodwill		56,778	56,778
Biological assets		32,575	27,781
Long-term receivables		2,523	2,523
Deferred tax assets		2,332	1,985
		824,559	829,805
<b>Current assets</b>			
Biological assets		26,225	45,462
Inventories		159,098	163,973
Trade receivables	12	88,574	71,446
Prepayments, other receivables and deposits		49,011	50,467
Current portion of long-term receivables		2,524	2,524
Pledged deposits		70,000	70,000
Cash and bank balances		434,617	481,445
		830,049	885,317
<b>Current liabilities</b>			
Trade and bills payables	13	169,954	179,781
Accrued liabilities and other payables		67,332	83,888
Interest-bearing bank borrowings	14	631,000	651,667
Amount due to a related company		7,249	23,955
Deferred government grants		1,807	1,807
Tax payables		2,331	2,500
		879,673	943,598
Net current liabilities		(49,624)	(58,281)
<b>Total assets less current liabilities</b>		<b>774,935</b>	<b>771,524</b>
<b>Non-current liabilities</b>			
Deferred government grants		13,675	15,687
Interest-bearing bank borrowings	14	50,000	50,000
Deferred tax liabilities		8,848	8,848
Total non-current liabilities		72,523	74,535
<b>Net assets</b>		<b>702,412</b>	<b>696,989</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
– Share capital		112,176	112,176
– Reserves		565,680	560,022
<b>Non-controlling interests</b>		<b>677,856</b>	<b>672,198</b>
		24,556	24,791
<b>Total equity</b>		<b>702,412</b>	<b>696,989</b>



## Unaudited Statements of Changes in Equity

For the six months ended 30 June 2015

	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 2015 (Audited)	112,176	257,073	(41,374)	2,374	43,812	298,137	672,198	24,791	696,989
Profit/(loss) for the period (Unaudited)	-	-	-	-	-	5,658	5,658	(235)	5,423
Other comprehensive income (Unaudited)	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	-	5,658	5,658	(235)	5,423
<b>At 30 June 2015 (Unaudited)</b>	<b>112,176</b>	<b>257,073</b>	<b>(41,374)</b>	<b>2,374</b>	<b>43,812</b>	<b>303,795</b>	<b>677,856</b>	<b>24,556</b>	<b>702,412</b>
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
<b>At 30 June 2014 (Unaudited)</b>	<b>112,176</b>	<b>257,073</b>	<b>(41,374)</b>	<b>2,374</b>	<b>43,812</b>	<b>309,487</b>	<b>683,548</b>	<b>26,915</b>	<b>710,463</b>

## Unaudited Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
<b>Cash flows from operating activities</b>		
<b>Profit before taxation</b>	5,678	6,566
<b>Adjustments for:</b>		
Interest income	(878)	(1,299)
Interest expenses	22,437	21,803
Depreciation of property, plant and equipment	25,665	23,852
Amortisation of prepaid premium for land leases	1,898	2,193
Amortisation of intangible assets	–	210
Gain arising from change in fair value less estimated point-of-sale costs of biological assets, net	(4,356)	(5,795)
Amortisation of deferred income on government grants	(2,012)	(669)
Share of loss of associates	709	459
Operating profit before working capital changes	49,141	47,320
Decrease/(increase) in inventories	4,875	(14,510)
Decrease in trade receivables	(17,128)	(4,625)
Decrease in biological assets	18,798	10,391
Decrease in prepayments, other receivables and deposits	1,456	6,519
(Decrease)/increase in balance with a related company	(16,706)	(831)
(Decrease)/increase in trade and bills payables	(9,827)	56,852
Decrease in accrued liabilities and other payables	(16,550)	(16,193)
Cash generated from operations	14,059	84,923
Interest paid	(22,437)	(21,803)
Income taxes paid	(772)	(840)
Net cash (used in)/generated from operating activities	(9,150)	62,280

## Unaudited Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(17,889)	(42,297)
Interest received	878	1,299
<i>Net cash used in investing activities</i>	(17,011)	(40,998)
<b>Cash flows from financing activities</b>		
Addition of bank loans	244,000	351,000
Repayment of bank loans	(264,667)	(297,000)
<i>Net cash (used in)/generated from financing activities</i>	(20,667)	54,000
<b>Net (decrease)/increase in cash and cash equivalents</b>	(46,828)	75,282
<b>Cash and cash equivalents at beginning of financial period</b>	481,445	369,387
<b>Cash and cash equivalents at end of financial period</b>	434,617	444,669
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	434,617	444,669



# Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2015

## 1. CORPORATE INFORMATION

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

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

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

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

The accounting policies used in preparing the interim financial statements are consistent with those followed in the Group's annual financial statements for the year ended 31 December 2014, 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 2015. 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 2015

### 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 2015				
	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	303,935	64,274	137,892	57,162	563,263
Reportable segment profit	27,851	3,892	2,513	5,913	40,169

	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

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

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Reportable segment profit	40,169	32,725
Other income	9,287	15,766
Administrative expenses	(18,856)	(18,881)
Other operating expenses	(1,776)	(782)
Finance costs	(22,437)	(21,803)
Share of loss of associates	(709)	(459)
Profit before taxation	5,678	6,566

## Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2015

### 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	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
<b>Revenue</b>		
Sale of goods	563,263	628,832
<b>Other income</b>		
Interest income on financial assets stated at amortised cost		
– Interest income on bank deposits	878	1,299
Amortisation of deferred income on government grants	2,012	669
Government grants related to income	1,071	6,424
Gains arising from changes in fair value less estimated point-of-sale costs of biological assets, net	4,356	5,795
Others	970	1,579
	<b>9,287</b>	<b>15,766</b>

### 6. PROFIT FROM OPERATIONS

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

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Cost of inventories recognised as an expense	510,476	582,737
Depreciation of property, plant and equipment	25,665	23,852
Amortisation of intangible assets	–	210
Amortisation of prepaid premium for land leases	1,898	2,193
Minimum lease payments under operating leases for production facilities	7,395	6,354
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets, net	(4,356)	(5,795)
Staff costs (including directors' remuneration)	86,490	81,484
Less: Retirement scheme contribution	(5,187)	(4,556)
Total staff costs	<b>81,303</b>	<b>76,928</b>
Exchange loss, net	1,059	730



## Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2015

### 7. FINANCE COSTS

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Interest charges on: Bank loans wholly repayable within five years	22,437	21,803

### 8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Current period provision – PRC corporate income tax Deferred tax credit	696 (441)	632 (439)
Total income tax expense	255	193

No Hong Kong profits tax has been provided for the six months ended 30 June 2015 as the Group did not derive any assessable profit in Hong Kong during the period (six months ended 30 June 2014: 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 2015 (six months ended 30 June 2014: Nil)

### 10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the earnings attributable to owners of the Company of approximately RMB5,658,000 (six months ended 30 June 2014: RMB7,394,000) and on the weighted average of 432,948,000 (six months ended 30 June 2014: 432,948,000) ordinary shares in issue during the period.

No diluted earnings per share for the six months ended 30 June 2015 and 2014 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 2015

### 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group did not have any disposal of property, plant and equipment (six months ended 30 June 2014: nil). Additions to property, plant, equipment amounted to RMB17,889,000 (six months ended 30 June 2014: RMB42,297,000), consisting of equipment.

### 12. 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 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within 30 days	68,134	53,513
31 – 60 days	14,256	8,693
61 – 90 days	4,283	2,520
91 – 120 days	889	1,131
Over 120 days	1,012	5,589
	<b>88,574</b>	<b>71,446</b>

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.

### 13. 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 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within 60 days	118,901	78,294
61 – 90 days	13,378	6,663
91 – 120 days	13,043	4,424
Over 120 days	24,632	90,400
	<b>169,954</b>	<b>179,781</b>

## Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2015

### 14. INTEREST-BEARING BANK BORROWINGS

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
<b>Interest-bearing bank borrowings</b>		
Classified as current liabilities	631,000	651,667
Classified as non-current liabilities	50,000	50,000

As at 30 June 2015, approximately RMB320.0 million of the interest-bearing bank borrowings were secured by the pledge of certain of the Group's property, plant and equipment, land use rights, certain properties of the related parties and pledged deposits.

The Group's interest-bearing bank borrowings bear interests ranging from 5.61% to 7.80% (six months ended 30 June 2014: 6.00% to 7.87%) per annum.

### 15. 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:

		Six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
	Notes		
Sales to related companies	(i)	762	728
Rental expenses paid to related companies	(ii)	300	300
Guarantees given by the related companies in connection with bank loans granted to the Group	(iii)	210,000	250,000
(b) Key management personnel compensation			
Short term employee benefits of directors and other members of key management		849	790

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) 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.
- (iii) 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.