

# KOND 康大

中國康大食品有限公司  
CHINA KANGDA FOOD COMPANY LIMITED

(Incorporated in Bermuda with limited liability)  
Singapore stock code : P74  
Hong Kong stock code : 834

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INTERIM  
REPORT

2016

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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  
Lau Choon Hoong  
Yu Chung Leung

### COMPANY SECRETARIES

Fong William (HKICPA)  
Chiang Wai Ming Angeline (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](http://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

## Management Discussion and Analysis

### BUSINESS REVIEW

2016 is a challenging year because of the downward pressure faced by the global economy and the oversupply livestock by the numerous smaller chicken breeder farms.

As a result of the long-term oversupply, the market price of chicken meat has dropped for the fourth consecutive years. To improve the profitability of the chicken meat processing industry, the Group will continue to increase its efforts in the research and development of new products that command higher profit margins.

To diversify the Group's businesses, the Group will also look for opportunities to commence new business segments and develop any potential business opportunities. The Group will also explore the reduction of its costs by disposing non-performing business operations to enable the Group to have sufficient cash resources to meet its present and future cash flow requirement. The Group remains positive that the Group's financial position is stable and the above strategies and measures will bring the Group steady and sustainable long term growth.

### OPERATING AND FINANCIAL REVIEW

#### Revenue by Products

	Six months ended 30 June 2016 Unaudited RMB'000	Six months ended 30 June 2015 Unaudited RMB'000	% Change Unaudited + / (-)
Processed food products	327,168	303,935	7.6
Chilled and frozen rabbit meat	83,770	64,274	30.3
Chilled and frozen chicken meat	286,499	137,892	107.8
Other products	88,275	57,162	54.4
<b>Total</b>	<b>785,712</b>	<b>563,263</b>	<b>39.5</b>

#### Processed Food Products

There was an increase in both the production and sales volume of processed food products.

As the oversupply of rabbit meat in the PRC market began to resolve from the second quarter, revenue derived from the rabbit meat segment increased by 30.3% to approximately RMB83.8 million for HY2016.

#### Chilled and Frozen Meat Products

The rabbit and chicken meat segments contributed 47.1% to the Group's total revenue for HY2016. Revenue of rabbit and chicken meat segments registered a 83.2% increase to RMB370.3 million for HY2016 due mainly to the increase of chicken meat segment.

#### Other Products

Revenue from the production and sale of other products increased by 54.4% to RMB88.3 million in HY2016 because of the increase of chicken meat by-products with the increase of production volume of chicken.

The major contributor was chilled and frozen chicken meat products, in which revenue increased by 107.8% to RMB286.5 million. The increase in production and sales volume of chicken meat products was in line with the increase demand in the PRC market.

## Management Discussion and Analysis

### Revenue by Geographical Markets

	Six months ended 30 June 2016 Unaudited RMB'000	Six months ended 30 June 2015 Unaudited RMB'000	% Change Unaudited + / (-)
Export	248,082	241,206	2.9
PRC	537,630	322,057	66.9
<b>Total</b>	<b>785,712</b>	<b>563,263</b>	<b>39.5</b>

On a geographical basis, revenue from export sales increased slightly by 2.9% to RMB248.1 million in HY2016.

The increase of PRC sales was attributable mainly to the increase of sales of chilled and frozen chicken meat in the PRC market.

### PROFITABILITY

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

	Six months ended 30 June 2016		Six months ended 30 June 2015		Change	% Change
	GP	Margin	GP	Margin		
	RMB'000 Unaudited	% Unaudited	RMB'000 Unaudited	% Unaudited	RMB'000 Unaudited	% Unaudited
Processed food	32,226	9.9	36,600	12.0	(4,374)	(12.0)
Rabbit meat	10,145	12.1	5,115	8.0	5,030	98.3
Chicken meat	3,363	1.2	3,302	2.4	61	1.8
Other products	8,602	9.7	7,770	13.6	832	10.7
<b>Total</b>	<b>54,336</b>	<b>6.9</b>	<b>52,787</b>	<b>9.4</b>	<b>1,549</b>	<b>2.9</b>

Gross profit margin declined from 9.4% to 6.9% in HY2016 due to the performance of the segment of processed food products and chilled and frozen chicken meat.

#### Processed food products

Processed food products were still the main profit contributor for HY2016. Gross profit margin decreased from 12.0% to 9.9% for HY2016 due mainly to the decrease in selling prices.

#### Chilled and frozen rabbit meat

The average selling price of chilled and frozen rabbit meat increased because the oversupply of rabbit meat in the PRC market began to resolve from the second quarter. Hence, the gross profit margin of rabbit meat products increased from 8.0% to 12.1% for HY2016.

#### Chilled and frozen chicken meat

The higher market purchase price of day-old chicks caused an increase in the raw material costs. As a result, the gross profit margin of this segment decreased to 1.2%.

#### Other products

Other products are mainly pet food products and chicken and rabbit meat by-products. These are not the core profit drivers of the Group. Due to the decrease in demand of the pet food products, the gross profit margin decreased from 13.6% to 9.7% for HY2016.

## Management Discussion and Analysis

### *Other Income*

Other income comprised mainly government grants, gain on change in fair value of biological assets and interest income from bank deposits amounting to RMB4.0 million, RMB3.8 million and RMB1.5 million respectively. The increase in other income was due to the increase of government grants by the Chinese government in relation to the increase of rearing scales in HY2016.

### *Selling and Distribution Expenses*

Selling and distribution expenses comprised mainly transportation, promotion and advertising, salaries and welfare and slightly increased by 0.6% to approximately RMB12.7 million.

### *Administrative Expenses*

Administrative expenses comprised mainly staff costs, professional fees, travelling expenses and other miscellaneous administrative expenses and slightly decreased by 3.1% to approximately RMB18.3 million due to the cost saving measure.

### *Other Operating Expenses*

Other operating expenses represented miscellaneous expenses in the daily operation, mainly related to the handling of damaged packaging materials which decreased by approximately 22% with the reduction of damaged packaging materials during the period.

### *Finance Costs*

Finance costs decreased by 14.2% to approximately RMB19.3 million for HY2016 due mainly to the decrease of average interest rate of the bank borrowings.

### *Taxation*

The increase was due mainly to the increase of taxable income during the period.

### **REVIEW OF THE GROUP'S FINANCIAL POSITION AS AT 30 JUNE 2016**

The Group's property, plant and equipment ("PPE") were mainly leasehold buildings and plant and machinery. The PPE decreased marginally by 1.8% to approximately RMB804.3 million as at 30 June 2016 was due mainly to an acquisition of equipment of approximately RMB12.4 million and a depreciation charge of RMB27.5 million.

The reduction in prepaid premium for land leases for HY2016 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 directors of the Group as at 30 June 2016 based on market-determined prices of rabbits/chickens of similar size, species and age. The valuation methodology is in compliance with IAS 41 and IFRS 13 to determine the fair values of biological assets in their present location and condition.

Inventories increased by approximately RMB1.9 million or 1.0% to approximately RMB178.8 million due to the increase of purchase during the period. The average inventory turnover day for HY2016 was 43 days compared to 56 days for the year ended 31 December 2015 ("FY2015").

Trade receivables increased by approximately RMB20.8 million or 32.0% to approximately RMB85.7 million in HY2016. The average trade receivable turnover day for HY2016 was 17 days compared to 20 days for FY2015.

Prepayments, other receivables and deposits decreased by approximately RMB8.4 million or 10.1% to approximately RMB74.3 million as at 30 June 2016.

Cash and cash equivalents, including pledged deposits, increased by approximately RMB90.4 million or 19.9% to approximately RMB545.8 million. Approximately RMB212.7 million of the bank deposit was secured against the bills payables of the Group to satisfy the Group's future working capital during the period.

Trade and bills payables increased by approximately RMB34.3 million or 9.8% from approximately RMB347.8 million as at 31 December 2015 to approximately RMB382.1 million as at 30 June 2016 for the financing of facilities enhancements 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 RMB5.5 million or 5.3% was due to the decrease of deposits placed by customers compared to 31 December 2015.

The interest-bearing bank borrowings increased by approximately RMB35.0 million to approximately RMB684.0 million after taking into account the additional bank borrowings of approximately RMB389.0 million and the loan repayment of approximately RMB354.0 million. Approximately RMB40.0 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") a result of the settlement and trading transactions.

Tax payables decreased from approximately RMB3.3 million as at 31 December 2015 to approximately RMB1.6 million as at 30 June 2016. This was due to payment of income tax during HY2016.

### CAPITAL STRUCTURE

As at 30 June 2016, the Group had net assets of approximately RMB685.8 million (31 December 2015 RMB671.0 million), comprising non-current assets of approximately RMB998.4 million (31 December 2015: RMB1,023.5 million), and current assets approximately RMB928.5 million (31 December 2015: RMB824.6 million). The Group recorded a net current liability position of approximately RMB244.7 million as at 30 June 2016 (31 December 2015: RMB282.4 million), which primarily consist of cash and bank balances amounted to approximately RMB333.1 million (31 December 2015: RMB269.6 million). Moreover, inventories amounted to approximately RMB178.8 million (31 December 2015: RMB176.9 million) and trade receivables amounted to approximately RMB85.7 million (31 December 2015: RMB64.9 million) are also major current assets. Major current liabilities are trade and bills payables and interest-bearing bank borrowings amounted to RMB382.1 million (31 December 2015: RMB347.8 million) and RMB684.0 million (31 December 2015: RMB649.0 million) respectively.

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group has cash and bank balances of approximately RMB333.1 million (31 December 2015: RMB269.6 million) and had total interest-bearing bank borrowings of approximately RMB729.0 million (31 December 2015: RMB689.0 million). The Group's interest-bearing bank borrowings bear interests ranging from 4.83% to 7.32% (31 December 2015: 4.83% to 6.95%) per annum.

The gearing ratio for the Group was 111% (31 December 2015: 107%) as at 30 June 2016, based on net debt of RMB729.0 million (31 December 2015: RMB689.0 million) and equity attributable to owners of RMB659.9 million (31 December 2015: RMB644.1 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 2016, there is no capital commitment of the Group which had been contracted for but not provided in the financial statements (31 December 2015: Nil).

### CHARGE ON ASSETS

Total interest-bearing bank borrowings include secured liabilities of approximately RMB205.0 million (31 December 2015: RMB205.0 million).

As at 30 June 2016, the Group's interest-bearing bank borrowings are guaranteed by certain related parties of the Group and secured against certain of the Group's property, plant and equipment, land use rights and certain properties of the related parties.



## Management Discussion and Analysis

### CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any material contingent liabilities (31 December 2015: Nil).

### EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2016, the Group employed a total of 3,899 employees (as at 31 December 2015: 4,109 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 RMB84.0 million (six months ended 30 June 2015: RMB86.5 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 2016, 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	-	-	-	-	-	-	-
Yu Chung Leung	-	-	-	-	-	-	-
Naoki Yamada	-	-	-	-	-	-	-
	<b>189,960,000</b>	-	-	-	-	<b>189,960,000</b>	<b>43.9</b>

Save as disclosed above, as at 30 June 2016, 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 2016, 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 2016, 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 2016. No interim dividend was paid in respect of the six months ended 30 June 2015.

#### 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 2016.

## 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 2016.

### CODE ON CORPORATE GOVERNANCE PRACTICE

In the opinion of the Directors, the Company has adopted and complied with the code provisions of the Code on Corporate Governance Practices, as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2016.

### 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 2016.

### 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, 12 August 2016



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

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
<b>Revenue</b>	5	785,712	563,263
Cost of sales		(731,376)	(510,476)
<b>Gross profit</b>		54,336	52,787
Other income	5	14,559	9,287
Selling and distribution expenses		(12,700)	(12,618)
Administrative expenses		(18,278)	(18,856)
Other operating expenses		(1,385)	(1,776)
<b>Profit from operations</b>	6	36,532	28,824
Finance costs	7	(19,257)	(22,437)
Share of loss of associates		–	(709)
<b>Profit before taxation</b>		17,275	5,678
Income tax expense	8	(2,469)	(255)
<b>Profit for the period</b>		14,806	5,423
Other comprehensive income		–	–
<b>Total comprehensive income for the period</b>		14,806	5,423
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		15,798	5,658
Non-controlling interests		(992)	(235)
		14,806	5,423
<b>Earnings per share attributable to owners of the Company</b>	10		
Basic (RMB cents)		3.65	1.31
Diluted (RMB cents)		3.65	1.31

# Unaudited Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		804,329	819,364
Prepaid premium for land leases		118,945	120,878
Goodwill		56,778	56,778
Biological assets		17,295	24,774
Deferred tax assets		1,087	1,679
		<b>998,434</b>	<b>1,023,473</b>
<b>Current assets</b>			
Biological assets		41,421	36,274
Inventories		178,757	176,906
Trade receivables	11	85,706	64,933
Prepayments, other receivables and deposits		74,290	82,667
Amount due from a related company		–	5,924
Current portion of long-term receivables		2,546	2,546
Pledged deposits		212,735	185,735
Cash and bank balances		333,068	269,648
		<b>928,523</b>	<b>824,633</b>
<b>Current liabilities</b>			
Trade and bills payables	12	382,089	347,836
Accrued liabilities and other payables		98,783	104,264
Interest-bearing bank borrowings	13	684,000	649,000
Amount due to a related company		4,166	–
Deferred government grants		2,637	2,637
Tax payables		1,576	3,296
		<b>1,173,251</b>	<b>1,017,033</b>
Net current liabilities		<b>(244,728)</b>	<b>(282,400)</b>
<b>Total assets less current liabilities</b>		<b>753,706</b>	<b>741,073</b>
<b>Non-current liabilities</b>			
Deferred government grants		20,320	22,120
Interest-bearing bank borrowings	13	40,000	40,000
Deferred tax liabilities		7,596	7,969
Total non-current liabilities		<b>67,916</b>	<b>70,089</b>
<b>Net assets</b>		<b>685,790</b>	<b>670,984</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
– Share capital		112,176	112,176
– Reserves		547,760	531,962
		<b>659,936</b>	<b>644,138</b>
<b>Non-controlling interests</b>		<b>25,854</b>	<b>26,846</b>
<b>Total equity</b>		<b>685,790</b>	<b>670,984</b>

## Unaudited Statements of Changes in Equity

For the six months ended 30 June 2016

	Equity attributable to equity holders of the Company						Total RMB'000	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			
At 1 January 2016 (Audited)	112,176	257,073	(41,374)	2,374	46,797	267,092	644,138	26,846	670,984
Profit/(loss) for the period (Unaudited)	-	-	-	-	-	15,798	15,798	(992)	14,806
Other comprehensive income (Unaudited)	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	-	15,798	15,798	(992)	14,806
<b>At 30 June 2016 (Unaudited)</b>	<b>112,176</b>	<b>257,073</b>	<b>(41,374)</b>	<b>2,374</b>	<b>46,797</b>	<b>282,890</b>	<b>659,936</b>	<b>25,854</b>	<b>685,790</b>
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>

## Unaudited Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
<b>Cash flows from operating activities</b>		
<b>Profit before taxation</b>	17,275	5,678
<b>Adjustments for:</b>		
Interest income	(1,478)	(878)
Interest expenses	19,257	22,437
Depreciation of property, plant and equipment	27,470	25,665
Amortisation of prepaid premium for land leases	1,933	1,898
Gain arising from change in fair value less estimated point-of-sale costs of biological assets, net	(3,841)	(4,356)
Amortisation of deferred income on government grants	(1,800)	(2,012)
Share of loss of associates	–	709
Operating profit before working capital changes	58,816	49,141
(Increase)/decrease in inventories	(1,851)	4,875
Increase in trade receivables	(20,773)	(17,128)
Decrease in biological assets	6,173	18,798
Decrease in prepayments, other receivables and deposits	8,377	1,456
Increase/(decrease) in balance with a related company	10,090	(16,706)
Increase/(decrease) in trade and bills payables	34,253	(9,827)
Increase/(decrease) in accrued liabilities and other payables	2,341	(16,550)
Cash generated from operations	97,426	14,059
Interest paid	(19,257)	(22,437)
Income taxes paid	(3,970)	(772)
Net cash generated from/(used in) operating activities	74,199	(9,150)



## Unaudited Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(12,435)	(17,889)
Payment to acquire property, plant and equipment	(7,822)	–
Increase in pledged deposits	(27,000)	–
Interest received	1,478	878
<i>Net cash used in investing activities</i>	<b>(45,779)</b>	<b>(17,011)</b>
<b>Cash flows from financing activities</b>		
Addition of bank loans	389,000	244,000
Repayment of bank loans	(354,000)	(264,667)
<i>Net cash generated from/(used in) financing activities</i>	<b>35,000</b>	<b>(20,667)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>63,420</b>	<b>(46,828)</b>
Cash and cash equivalents at beginning of financial period	269,648	481,445
<b>Cash and cash equivalents at end of financial period</b>	<b>333,068</b>	<b>434,617</b>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	333,068	434,617

# Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2016

## 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 2015, 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 2016. 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 2016

### 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 2016				
	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	327,168	83,770	286,499	88,275	785,712
Reportable segment profit/(loss)	24,902	8,014	2,364	6,356	41,636

	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

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

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Reportable segment profit	41,636	40,169
Other income	14,559	9,287
Administrative expenses	(18,278)	(18,856)
Other operating expenses	(1,385)	(1,776)
Finance costs	(19,257)	(22,437)
Share of loss of associates	–	(709)
Profit before taxation	17,275	5,678

## Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2016

### 5. REVENUE AND OTHER INCOME

Revenue 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	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
<b>Revenue</b>		
Sale of goods	785,712	563,263
<b>Other income</b>		
Interest income on financial assets stated at amortised cost		
– Interest income on bank deposits	1,478	878
Amortisation of deferred income on government grants	1,800	2,012
Government grants related to income	3,989	1,071
Gains arising from changes in fair value less estimated point-of-sale costs of biological assets, net	3,841	4,356
Others	3,451	970
	<b>14,559</b>	<b>9,287</b>

### 6. PROFIT FROM OPERATIONS

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

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Cost of inventories recognised as an expense	731,376	510,476
Depreciation of property, plant and equipment	27,470	25,665
Amortisation of prepaid premium for land leases	1,933	1,898
Minimum lease payments under operating leases for production facilities	5,730	7,395
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets, net	(3,841)	(4,356)
Staff costs (including directors' remuneration)	84,031	86,490
Less: Retirement scheme contribution	(3,311)	(5,187)
	<b>80,720</b>	<b>81,303</b>
Total staff costs		
Exchange loss, net	1,245	1,059



## Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2016

### 7. FINANCE COSTS

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Interest charges on bank loans	19,257	22,437

### 8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Current period provision		
– PRC corporate income tax	2,689	696
Deferred tax credit	(220)	(441)
Total income tax expense	2,469	255

No Hong Kong profits tax has been provided for the six months ended 30 June 2016 as the Group did not derive any assessable profit in Hong Kong during the period (six months ended 30 June 2015: 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 2016 (six months ended 30 June 2015: 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 RMB15,798,000 (six months ended 30 June 2015: RMB5,658,000) and on the weighted average of 432,948,000 (six months ended 30 June 2015: 432,948,000) ordinary shares in issue during the period.

No diluted earnings per share for the six months ended 30 June 2016 and 2015 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 2016

### 11. TRADE RECEIVABLES

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

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within 30 days	65,160	50,775
31 – 60 days	14,024	6,759
61 – 90 days	4,198	3,232
91 – 120 days	875	1,525
Over 120 days	1,449	2,642
	<b>85,706</b>	<b>64,933</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.

### 12. TRADE AND BILLS PAYABLES

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

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within 60 days	267,628	167,550
61 – 90 days	94,861	84,145
91 – 120 days	1,809	35,073
Over 120 days	17,791	61,068
	<b>382,089</b>	<b>347,836</b>

## Notes to the Unaudited Consolidated Financial Statements

For the six months ended 30 June 2016

### 13. INTEREST-BEARING BANK BORROWINGS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
<b>Interest-bearing bank borrowings</b>		
Classified as current liabilities	684,000	649,000
Classified as non-current liabilities	40,000	40,000

As at 30 June 2016, approximately RMB205.0 million of the interest-bearing bank borrowings were secured by the pledge of certain of the Group's property, plant and equipment, land use rights and certain properties of the related parties.

The Group's interest-bearing bank borrowings bear interests ranging from 4.83% to 7.32% (six months ended 30 June 2015: 5.61% to 7.80%) per annum.

### 14. RELATED PARTY TRANSACTIONS

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

		Six months ended 30 June	
	Notes	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Sales to related companies	(i)	543	762
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)	190,000	210,000
(b) Key management personnel compensation			
Short term employee benefits of directors and other members of key management		787	849

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.