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中國康大食品有限公司
CHINA KANGDA FOOD COMPANY LIMITED
(Incorporated in Bermuda with limited liability)
 (Hong Kong Stock Code: 834)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board of directors (the “Board”) of China Kangda Food Company Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2017 together with the comparative figures for the corresponding period in 2016 as set out below.

Consolidated statement of profit or loss and other comprehensive income

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue	5	637,102	785,712
Cost of sales		(595,028)	(731,376)
Gross profit		42,074	54,336
Other income	5	12,462	14,559
Selling and distribution expenses		(10,924)	(12,700)
Administrative expenses		(29,966)	(18,278)
Other operating expenses		(146)	(1,385)
Profit from operations	6	13,500	36,532
Finance costs	7	(12,052)	(19,257)
Profit before taxation		1,448	17,275
Income tax expense	8	(560)	(2,469)
Profit for the period		888	14,806
Other comprehensive income		-	-
Total comprehensive income for the period		888	14,806
Total comprehensive income attributable to:			
Owners of the Company		1,139	15,798
Non-controlling interests		(251)	(992)
		888	14,806

Earnings per share attributable to owners of the Company	10		
Basic (RMB cents)		0.26	3.65
Diluted (RMB cents)		0.26	3.65

Consolidated statement of financial position

As at 30 June 2017

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		763,805	791,703
Prepaid premium for land leases		114,622	116,555
Goodwill		56,778	56,778
Biological assets		35,475	31,435
Deferred tax assets		846	1,373
Deposits for property, plant and equipment		6,141	6,141
		977,667	1,003,985
Current assets			
Biological assets		26,183	47,867
Inventories		134,950	125,796
Trade receivables	11	101,447	92,513
Prepayments, other receivables and deposits		54,114	71,779
Current portion of long-term receivables		686	686
Pledged deposits		95,100	102,345
Cash and bank balances		327,610	284,159
		740,090	725,145
Current liabilities			
Trade and bills payables	12	296,147	308,571
Accrued liabilities and other payables		96,088	119,751
Interest-bearing bank borrowings	13	579,000	529,000
Amount due to a related company		10,838	32,166
Deferred government grants		2,777	2,777
Tax payables		2,813	541
		987,663	992,806
Net current liabilities		(247,573)	(267,661)
Total assets less current liabilities		730,094	736,324

Consolidated statement of financial position (Continued)

As at 30 June 2017

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Non-current liabilities			
Deferred government grants		18,901	20,701
Interest-bearing bank borrowings	13	25,000	30,000
Deferred tax liabilities		6,772	7,090
Total non-current liabilities		50,673	57,791
Net assets		679,421	678,533
EQUITY			
Equity attributable to owners of the Company			
- Share capital		112,176	112,176
- Reserves		539,396	538,257
		651,572	650,433
Non-controlling interests		27,849	28,100
Total equity		679,421	678,533

NOTES

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 are primary listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKEx") and the listing status in the Main Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST") was changed from primary listing to secondary listing with effect from 23 January 2017.

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

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

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

The accounting policies used in preparing the interim financial statements are consistent with those followed in the Group's annual financial statements for the year ended 31 December 2016, 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 2017. 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.

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 2017				
	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	335,923	83,526	115,837	101,816	637,102
Reportable segment profit/(loss)	45,532	1,855	(24,667)	8,430	31,150

	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	24,902	8,014	2,364	6,356	41,636

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

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Reportable segment profit	31,150	41,636
Other income	12,462	14,559
Administrative expenses	(29,966)	(18,278)
Other operating expenses	(146)	(1,385)
Finance costs	(12,052)	(19,257)
Profit before taxation	1,448	17,275

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	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	637,102	785,712
<hr/>		
Other income		
Interest income on financial assets stated at amortised cost		
- Interest income on bank deposits	3,739	1,478
Amortisation of deferred income on government grant	1,800	1,800
Government grants related to income	2,142	3,989
Gains arising from changes in fair value less estimated point-of-sale costs of biological assets, net	3,490	3,841
Others	1,291	3,451
	12,462	14,559

6. PROFIT FROM OPERATIONS

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories recognised as an expense	595,028	731,376
Depreciation of property, plant and equipment	31,948	27,470
Amortisation of prepaid premium for land leases	1,933	1,933
Minimum lease payments under operating leases for production facilities	7,905	5,730
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets, net	(3,490)	(3,841)
Staff costs (including directors' remuneration)	93,550	84,031
Less: Retirement scheme contribution	(4,372)	(3,311)
Total staff costs	89,178	80,720
Exchange loss, net	602	1,245

7. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest charges on bank loans	12,052	19,257

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current period provision		
- PRC corporate income tax	770	2,689
Deferred tax credit	(210)	(220)
Total income tax expense	560	2,469

No Hong Kong profits tax has been provided for the six months ended 30 June 2017 as the Group did not derive any assessable profit in Hong Kong during the period (six months ended 30 June 2016: 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 2017 (six months ended 30 June 2016: 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 RMB1,139,000 (six months ended 30 June 2016: RMB15,798,000) and on the weighted average of 432,948,000 (six months ended 30 June 2016: 432,948,000) ordinary shares in issue during the period.

No diluted earnings per share for the six months ended 30 June 2017 and 2016 has been presented as the Company has no potential dilutive ordinary shares during the period.

11. TRADE RECEIVABLES

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

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within 30 days	60,794	67,985
31 – 60 days	27,149	15,286
61 – 90 days	6,976	2,699
91 – 120 days	4,949	1,851
Over 120 days	1,579	4,692
	101,447	92,513

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 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within 60 days	107,980	111,598
61 – 90 days	106,111	43,928
91 – 120 days	25,852	61,965
Over 120 days	56,204	91,080
	296,147	308,571

13. INTEREST-BEARING BANK BORROWINGS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Interest-bearing bank borrowings		
Classified as current liabilities	579,000	529,000
Classified as non-current liabilities	25,000	30,000

As at 30 June 2017, approximately RMB215.0 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 6.05% (six months ended 30 June 2016: 4.83% to 7.32%) per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The year of 2017 is very challenging to the Group. Over the past four years, the supply on chicken meat products in the PRC market kept going up, which led to a selling price drop of the chicken meat.

In this connection, the Group had recorded an adverse financial result in that the Group's sales turnover decreased by approximately 18.9% from RMB785.7 million to RMB637.1 million for the six months ended 30 June 2017 ("HY2017").

The Group's gross profit decreased by approximately 22.6% from RMB54.3 million for the six months ended 30 June 2016 ("HY2016") to RMB42.1 million for HY2017 and the gross profit margin decreased from approximately 6.9% for HY2016 to approximately 6.6% in HY2017. Operating profit after interest and tax was approximately RMB0.9 million for HY2017, as compared to approximately RMB14.8 million in HY2016.

The adverse sales turnover and gross profit margin was primarily caused by the reduced production capacity and the trend of reducing selling price of chicken meat throughout the period. To improve the profitability of the chicken meat segment, the Group has adjusted the product structure by increasing the allocation of resources to high value-added sales and enhancement in flavor and recipe to achieve a better result.

Furthermore, with the change in our shareholding structure in June 2017, the Group will continue to develop its existing business and will also be proactively exploring new business opportunities with bright prospect and good returns. The management of the Group will continue to conduct a strategic review on the business activities and assets of the Group and formulate a long-term business and strategic plan of the Group. The Group would further consider any non-performing business operations disposal and/or restructuring of the business so as to enhance the long-term growth of the Company.

OPERATING AND FINANCIAL REVIEW

REVENUE BY PRODUCTS

	Six months ended 30 June 2017	Six months ended 30 June 2016	% Change
	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	+ / (-)
Processed food products	335,923	327,168	2.7
Chilled and frozen rabbit meat	83,526	83,770	(0.3)
Chilled and frozen chicken meat	115,837	286,499	(59.6)
Other products	101,816	88,275	15.3
Total	637,102	785,712	(18.9)

Processed Food Products

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

Chilled and Frozen Meat Products

The rabbit and chicken meat segments contributed 31.3% to the Group's total revenue for HY2017. Revenue of rabbit and chicken meat segments registered a 46.2% decrease to RMB199.4 million for HY2017 due mainly to the significant decrease of chicken meat segment.

- *Chilled and Frozen Chicken Meat*

The decrease in revenue of chilled and frozen chicken meat was due to increase in the import of chicken meat from overseas in the PRC. In addition, the selling price of chicken meat in the PRC was not surged in tandem with the increase of the raw material cost, i.e. the increase of market price of day-old chicks. The increased competition in the PRC has led to decrease in production and sales volume of chicken meat products.. Accordingly, the revenue decreased by 59.6% to RMB115.8 million.

- *Chilled and Frozen Rabbit Meat*

Revenue derived from the rabbit meat segment decreased slightly by 0.3% to approximately RMB83.5 million for HY2017.

Other Products

Revenue from the production and sale of other products increased by 15.3% to RMB101.8 million in HY2017 because of the increase of pet foods and rabbit by-products with the increase of demand in the PRC market.

REVENUE BY GEOGRAPHICAL MARKETS

	Six months ended 30 June 2017	Six months ended 30 June 2016	% Change
	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	+ / (-)
Export	275,462	248,082	11.0
PRC	361,640	537,630	(32.7)
Total	637,102	785,712	(18.9)

On a geographical basis, revenue from export sales increased by 11.0% to RMB275.5 million in HY2017. The decrease of PRC sales was attributable mainly to the decrease of sales of chilled and frozen chicken meat in the PRC market.

PROFITABILITY

Gross Profit ("GP") and Margin

	Six months ended 30 June 2017		Six months ended 30 June 2016		Change	% Change
	GP	Margin	GP	Margin	GP	
	RMB'000	%	RMB'000	%	RMB'000	%
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Processed food	54,292	16.2	32,226	9.9	22,066	68.5
Rabbit meat	1,787	2.1	10,145	12.1	(8,358)	(82.4)
Chicken meat	(24,181)	(20.9)	3,363	1.2	(27,544)	(819.0)
Other products	10,176	10.0	8,602	9.7	1,574	18.3
Total	42,074	6.6	54,336	6.9	(12,262)	(22.6)

Gross profit margin declined from 6.9% to 6.6% in HY2017 due to the performance of the segment of chilled and frozen rabbit and chicken meat.

Processed food products

Processed food products were the main profit contributor for HY2017 and maintained a strong momentum. As a result of the conversion of chilled and frozen chicken meat to high value-added chicken related processed food, the gross profit increased by 68.5% for HY2017. Gross profit margin increased from 9.9% to 16.2% for HY2017 due mainly to the increase in selling prices .

Chilled and frozen rabbit meat

The average selling price of chilled and frozen rabbit meat decreased because of the competition of “cage rearing” rabbit meat in the PRC market. With the higher cost of rearing “free rearing” rabbit, the gross profit margin of rabbit meat products decreased from 12.1% to 2.1% for HY2017.

Chilled and frozen chicken meat

The higher market purchase price of day-old chicks caused an increase in the raw material costs. In combination with the low average selling price, the gross profit margin of this segment decreased significantly to -20.9%.

Other products

Other products are mainly pet food products and rabbit meat by-products. These are not the core profit drivers of the Group. Due to the increase in demand of the those by-products, the gross profit margin increased from 9.7% to 10.0% for HY2017.

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 RMB2.1 million, RMB3.5 million and RMB3.7 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 productivity in HY2017.

Selling and Distribution Expenses

Selling and distribution expenses comprised mainly transportation, promotion and advertising, salaries and welfare decreased by 14.0% to approximately RMB10.9 million with the decrease of sales.

Administrative Expenses

Administrative expenses comprised mainly staff costs, professional fees, travelling expenses and other miscellaneous administrative expenses and increased by 63.9% to approximately RMB30.0 million due to the increase of the staff costs of the senior management and professional fees in relation to the conversion of the Company’s listing status in SGX-ST mentioned in the 2016 annual report and the change in the Company’s shareholding structure during the year.

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 89.5% with the reduction of damaged packaging materials during the period.

Finance Costs

Finance costs decreased by 37.4% to approximately RMB12.1 million for HY2017 due mainly to the decrease of average amount and interest rate of the bank borrowings.

Taxation

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

Review of the Group's financial position as at 30 June 2017

The Group's property, plant and equipment ("PPE") were mainly leasehold buildings and plant and machinery. The PPE decreased marginally by 3.5% to approximately RMB763.8 million as at 30 June 2017. The decrease was mainly due to depreciation charge of RMB31.9 million.

The reduction in prepaid premium for land leases for HY2017 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 2017 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 RMB9.2 million or 7.3% to approximately RMB135.0 million due to the anticipation of an increase in demand in the third quarter of 2017. The average inventory turnover day for HY2017 was 40 days compared to 48 days for the year ended 31 December 2016 ("FY2016").

Trade receivables increased by approximately RMB8.9 million or 9.7% to approximately RMB101.4 million in HY2017. The average trade receivable turnover day for HY2017 was 22 days compared to 23 days for FY2016.

Prepayments, other receivables and deposits decreased by approximately RMB17.7 million or 24.6% to approximately RMB54.1 million as at 30 June 2017.

Cash and cash equivalents, including pledged deposits, increased by approximately RMB36.2 million or 9.4% to approximately RMB422.7 million. Approximately RMB95.1 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 decreased by approximately RMB12.4 million or 4.0% from approximately RMB308.6 million as at 31 December 2016 to approximately RMB296.1 million as at 30 June 2017 with the decrease of turnover during the period.

Accrued liabilities and other payables represented payables for construction and facilities, salaries and welfare payables, accrued expenses and deposits received. The decrease by approximately RMB23.7 million or 19.8% was due to the decrease of deposits placed by customers compared to 31 December 2016.

The interest-bearing bank borrowings increased by approximately RMB45.0 million to approximately RMB604.0 million after taking into account the additional bank borrowings of approximately RMB275.0 million and the loan repayment of approximately RMB320.0 million. Approximately RMB25.0 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 as result of the settlement and trading transactions.

Tax payables increased from approximately RMB0.5 million as at 31 December 2016 to approximately RMB2.8 million as at 30 June 2017. This was due to accrual of income tax during HY2017.

PROSPECTS

Rabbit meat is healthy with far more protein and less fat and calorie levels than other meats. Going forward, the Group will continue to leverage on its leading position in the rabbit products and offer consumers with healthy and safe products and services. The Group invested in the rearing of “free rearing” rabbits since last year. The Group expects that the demand and selling price of rabbit meat will restore to normal level with the growing preference for “free rearing” rabbits against “cage rearing” rabbits from the customers.

The Group also invested most resources on the innovation and application of biotechnology and information technology across the rabbit industry. We were the first company to be granted the certification for breeding progeny rabbit in the PRC. Also, the Group endeavored to increase in the research and development of brand new high value-added healthcare products by constantly utilizing the latest food science and technology, such as Campylobacter (彎曲菌), which is the by-product from the rabbit blood, Rabbit Brain Powder (兔腦粉) and Ferment Nutrition (酵素). Those healthcare products offer preventive care on human blood, kidney and intestine illness. By utilizing our technology, the Group may explore opportunities to extend its business in healthcare and/or pharmacy industry and accordingly, this will accelerate the development of its sales channels and opening of retail chains of the biochemical products in the near future so as to enhance the shareholder’s return.

CAPITAL STRUCTURE

As at 30 June 2017, the Group had net assets of approximately RMB679.4 million (31 December 2016: RMB678.5 million), comprising of non-current assets of approximately RMB977.7 million (31 December 2016: RMB1,004 million), and current assets approximately RMB740.1 million (31 December 2016: RMB725.1 million). The Group recorded a net current liability position of approximately RMB247.6 million as at 30 June 2017 (31 December 2016: RMB267.7 million), which primarily consisted of cash and bank balances amounted to approximately RMB327.6 million (31 December 2016: RMB284.2 million). Moreover, inventories amounted to approximately RMB134.9 million (31 December 2016: RMB125.8 million) and trade receivables amounted to approximately RMB101.5 million (31 December 2016: RMB92.5 million) are also major current assets. Major current liabilities are trade and bills payables and interest-bearing bank borrowings amounted to RMB296.1 million (31 December 2016: RMB308.6 million) and RMB579.0 million (31 December 2016: RMB529.0 million) respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group had cash and bank balances of approximately RMB327.6 million (31 December 2016: RMB284.2 million) and had total interest-bearing bank borrowings and amount due to a related company of approximately RMB604.0 million and RMB10.8 million respectively (31 December 2016: RMB559.0 million and RMB32.2 million respectively). The Group’s interest-bearing bank borrowings bear interests ranging from 4.83% to 6.05% (six months ended 30 June 2016: 4.83% to 7.32%).

The gearing ratio for the Group was 94.4% (31 December 2016: 90.9%) as at 30 June 2017, based on net debt of RMB614.8 million (31 December 2016: RMB591.2 million) and equity attributable to owners of RMB651.6 million (31 December 2016: RMB650.4 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 2017, there is no capital commitment of the Group which had been contracted for but not provided in the financial statements (31 December 2016: Nil).

CHARGE ON ASSETS

Total interest-bearing bank borrowings include secured liabilities of approximately RMB215.0 million (31 December 2016: RMB345.0 million).

As at 30 June 2017, the Group's interest-bearing bank borrowings are guaranteed by certain related parties of the Group and secured against certain Group's properties, plant and equipment, land use rights and certain properties of the related parties.

CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any material contingent liabilities (31 December 2016: Nil).

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2017, the Group employed a total of 3,897 employees (as at 31 December 2016: 4,406 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 RMB93.6 million (six months ended 30 June 2016: RMB84.0 million). The Company does not have share option scheme for employees.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

The Group did not have any significant investments held or any material acquisitions or disposals of subsidiaries or associated companies during the six months ended 30 June 2017.

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 2017.

AUDIT COMMITTEE

The audit committee of the Board consists of the independent non-executive directors of the Company, namely Mr. Lau Choon Hoong, Mr. Song Xuejun and Mr. Lu Zhiwen. The audit committee of the Board has reviewed with the 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 2017.

CODE ON CORPORATE GOVERNANCE PRACTICE

In the opinion of the directors of the Company, during the six months ended 30 June 2017 and up to the date of this announcement, the Company has complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 of the Listing Rules (the "Code Provisions"), save for certain deviations from the relevant Code Provisions A.2.1 and A.3.2 as listed below:

- (a) Code Provision A.2.1 states that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual.

Under the current organisation structure of the Company, Mr. Fang Yu is the chairman and chief executive officer of the Company. With his extensive experience in the financial industry, the Board believes that vesting the roles of both chairman and chief executive officer in the same person provides the Company with strong and consistent leadership, allows for effective and efficient planning and implementation of business decisions and strategies, and is beneficial to the business prospects and management of the Group. Although Mr. Fang Yu performs both the roles of chairman and chief executive officer, the division of responsibilities between the chairman and chief executive officer is clearly established. The two roles are performed by Mr. Fang Yu distinctly. The Company considers that it is the long term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

- (b) Code Provision A.3.2 states that the Company should maintain on the websites of its own and the Stock Exchange an updated list of its directors identifying their roles and functions and whether they are independent non-executive directors.

An updated list of the Company's directors identifying their roles and functions and whether they are independent non-executive directors is available on the website of the Stock Exchange. The Company is of the view that it is not necessary to maintain such list on the Company's website since all the information is available on the website of the Stock Exchange.

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 for the six months ended 30 June 2017 and up to the date of this announcement.

PUBLICATION OF UNAUDITED INTERIM RESULTS

The Company's 2017 interim results announcement is published on the website of HKEx (www.hkexnews.hk), SGX-ST (www.sgx.com) and the Company at www.kangdafood.com. The Company's 2017 interim report will also be published on the aforesaid websites in due course.

APPRECIATION

I would like to extend my gratitude and sincere appreciation to all management and staff members for their diligence and dedication, and also to our business partners and the Company's shareholders for their continuing support.

On behalf of the Board
China Kangda Food Company Limited
Fang Yu
Chairman

Hong Kong, 16 August 2017

As at the date of this announcement, the executive directors of the Company are Mr. Fang Yu (Chief Executive Officer and Chairman), Mr. An Fengjun, Mr. Gao Yanxu, Mr. Luo Zhenwu, Ms Dong Yutong and Mr Wang Yuan; and the independent non-executive directors of the Company are Mr. Lau Choon Hoong, Mr. Song Xuejun and Mr. Lu Zhiwen.