Lawn To Table Eating
The Whole Industry Chain

Provide Safe and Healthy Lifestyle

KONDE 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

Interim Report 2019

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Corporate Profile

Established in 1992, China Kangda Food Company Limited (the "Company") is a diversified food manufacturing and processing group based in the People's Republic of China (the "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, seasoning and high value-added healthcare products.

The Company's chilled and frozen rabbit meat is mainly exported to European Union (the "EU"). Besides selling products under its own brand names of "康大", "嘉府", "U味", and "KONDA", the Company 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.

The Company 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.

The Company 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. The Company is also the first PRC company to be granted the certification for breeding progeny rabbit in the PRC. The Company has further strengthened its foothold in this segment through stable expansion strategies.

For more information, please log on to www.kangdafood.com

Corporate Information

BOARD OF DIRECTORS
Executive:
Fang Yu (Chairman & CEO)
Gao Yanxu
An Fengjun
Luo Zhenwu
Li Wei
Wang Yuan

Independent non-executive:
Lau Choon Hoong
Song Xuejun
Lu Zhiwen

COMPANY SECRETARIES
Ong King Keung (HKICPA)
Chiang Wai Ming Angeline (ACIS)

AUDIT COMMITTEE
Lau Choon Hoong (Chairman)
Song Xuejun
Lu Zhiwen

REMUNERATION COMMITTEE
Lu Zhiwen (Chairman)
Lau Choon Hoong
Song Xuejun
Luo Zhenwu

NOMINATION COMMITTEE
Song Xuejun (Chairman)
Lau Choon Hoong
Lu Zhiwen
Fang Yu

AUTHORISED REPRESENTATIVES
Fang Yu
Luo Zhenwu

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 54, 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

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 16 OF THE COMPANIES ORDINANCE
Suite A, 5/F,
Centremark II,
305-313 Queen's Road Central,
Hong Kong

Management Discussion and Analysis

BUSINESS REVIEW

The overall business sentiment remains challenging for the Group in 2019.

The Group's sales turnover slightly decreased by approximately 0.1% from RMB676.1 million for the six months ended 30 June 2018 ("HY2018") to RMB675.3 million for the six months ended 30 June 2019 ("HY2019"). Gross profit increased by approximately 32.7% from RMB39.9 million for HY2018 to RMB52.9 million for HY2019 and the gross profit margin increased from approximately 5.9% for HY2018 to approximately 7.8% for HY2019. Net profit was approximately RMB5.2 million for HY2019, as compared to approximately RMB6.5 million in HY2018. The decrease in net profit was a net effect of increase in other operating expenses and finance costs and increase in gross profit.

PROSPECTS

With the growing awareness on environmental protection by the PRC government and many uncertainties, the development of the food industry will continue to face challenges with low growth and intense competition. To maintain the overall profitability and to enhance the competitiveness and resistance against market risk, the Group will focus on high value-added processed foods, to safeguard the business relationship with the major customers and to proactively explore new markets and new customers.

Rabbit meat segment is always the core and competitive business of the Group. Rabbit meat is healthier with far more protein, less fat and calorie levels compared to other meats. The Group is one of the eight enterprises in the PRC which had successfully obtained the approval to export rabbit meat to overseas market. The Group is confident that the demands for rabbit meat will increase steadily with further improvement of living standards and more consumers tend to prefer a wider variety of nutritious foods. Therefore, the Group will continue to leverage on its leading position in the rabbit segment and offer consumers with healthy and safe products.

OPERATING AND FINANCIAL REVIEW

Revenue By Products

	Six months ended 30 June 2019 Unaudited RMB'000	Six months ended 30 June 2018 Unaudited RMB'000	% Change Unaudited +/(-)
Processed food products	361,084	310,808	16.2
Chilled and frozen rabbit meat	82,406	72,583	13.5
Chilled and frozen chicken meat	154,060	197,130	(21.8)
Other products	77,740	95,562	(18.6)
Total	**675,290**	**676,083**	**(0.1)**

Processed Food Products

The revenue of processed food product contributed 53.5% to the Group's total revenue for HY2019. The revenue increased by 16.2% to RMB361.1 million due to the increase of demand from domestic market.

Chilled and Frozen Meat Products

The rabbit and chicken meat segments contributed 35.0% to the Group's total revenue for HY2019. Revenue of rabbit and chicken meat segments decreased by 12.3% to RMB236.5 million for HY2019 due to the decrease in revenue of chicken meat segment.

Management Discussion and Analysis

– *Chilled and Frozen Chicken Meat*

Revenue derived from chilled and frozen chicken meat decreased by 21.8% to RMB154.1 million in HY2019. The decrease was mainly due to shortage of supply of raw material of chilled and frozen chicken meat in the market.

– *Chilled and Frozen Rabbit Meat*

Revenue derived from the rabbit meat segment increased by 13.5% to approximately RMB82.4 million for HY2019.

Other Products

Revenue from the production and sale of other products decreased by 18.6% to RMB77.7 million in HY2019 due to the disposal of the wholly-owned subsidiary of the Group, Laiwu Kangda Feeds Co., Ltd.* (萊蕪康大飼料有限公司) ("Laiwu Kangda Feeds") in May 2018.

Revenue by Geographical Markets

	Six months ended 30 June 2019 Unaudited RMB'000	Six months ended 30 June 2018 Unaudited RMB'000	% Change Unaudited +/(-)
Export	171,953	259,218	(33.7)
The PRC	503,337	416,865	20.7
Total	**675,290**	**676,083**	**(0.1)**

On a geographical basis, revenue from the PRC market increased by 20.7% to RMB503.3 million and revenue from export sales decreased by 33.7% to RMB172.0 million for HY2019. Due to uncertainty of international market, the Group put more efforts recently in domestic market and set up new online sales channels in Tmall and Jingdong. The domestic sales increased due to the expansion of sales channels. Meanwhile, because of our supply shortage of chilled and frozen chicken meat, certain overseas customers choose to purchase from their local markets and Thailand. The export revenue decreased accordingly.

PROFITABILITY

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

	Six months ended 30 June 2019		Six months ended 30 June 2018		Change	% Change
	GP	Margin	GP	Margin	GP	
	RMB'000 Unaudited	% Unaudited	RMB'000 Unaudited	% Unaudited	RMB'000 Unaudited	% Unaudited
Processed food	29,508	8.2	43,880	14.1	(14,372)	(32.8)
Rabbit meat	4,633	5.6	3,774	5.2	859	22.8
Chicken meat	9,582	6.2	(15,301)	(7.8)	24,883	(162.6)
Other products	9,217	11.9	7,530	7.9	1,687	22.4
Total	**52,940**	**7.8**	**39,883**	**5.9**	**13,057**	**32.7**

The gross profit margin rose from 5.9% for HY2018 to 7.8% for HY2019 due to higher gross margin of chicken meat. The improvement was due to higher selling price.

Processed food products

With the higher environmental standard and higher food safety requirements, the price of raw material of processed food and production costs increased, leading to a negative impact on gross profit margin of processed food products.

Management Discussion and Analysis

Chilled and frozen rabbit meat

The gross profit margin of rabbit meat remained stable in current period as compared to HY2018.

Chilled and frozen chicken meat

Affected by African swine fever, the demand of chicken increased in the current period, however, there was inadequate supply of chicken in the market. As a result, the selling price of chilled and frozen chicken meat increased significantly. The gross profit margin of this segment improved from –7.8% for HY2018 to 6.2% for HY2019.

Other products

Other products are mainly pet food products and rabbit meat by-products which are not the core profit drivers of the Group. Due to the disposal of Laiwu Kangda Feeds in May 2018, the gross profit margin of other products increased from 7.9% for HY2018 to 11.9% for HY2019.

Other Income

Other income comprised mainly interest income from bank deposits, gain on change in fair value of biological assets and government grants. The increase in other income was a net effect of increase of RMB20.6 million of gain on change in fair value of biological assets and decrease of RMB15.4 million in gain on disposal of subsidiaries.

Selling and Distribution Expenses

Selling and distribution expenses comprised mainly transportation, promotion and advertising, salaries and welfare was higher by 57.5% to approximately RMB19.8 million for HY2019 due to increase of sales. In order to expand sales channels in domestic market, the Group incurred more selling expenses in the period.

Administrative Expenses

Administrative expenses comprised mainly staff costs, professional fees, travelling expenses and other miscellaneous administrative expenses decreased by 3.6% to approximately RMB33.0 million during the period under review mainly due to the decrease of the staff costs.

Other Operating Expenses

Other operating expenses represented miscellaneous expenses. The increase was mainly due to the recognition of loss on disposal of property, plant and equipment of RMB11.8 million as a result of upgrading of the existing factories facilities and breeder farms.

Finance Costs

Finance costs increased by 22.8% for HY2018 to approximately RMB14.2 million for HY2019 mainly due to the increase of interest rate of bank borrowings.

Taxation

In HY2019, some of the subsidiaries in the Group engaged in qualifying agricultural business, which include breeding and sales of livestock, had generated most of the profit during the period under review. Therefore, most of the operating profit were entitled to full exemption of corporate income tax during the period under review and the tax expense decreased accordingly.

REVIEW OF THE GROUP’S FINANCIAL POSITION AS AT 30 JUNE 2019

The Group’s property, plant and equipment (“PPE”) were mainly leasehold buildings and plant and machinery. The PPE decreased by 4.6% to approximately RMB646.4 million as at 30 June 2019. The decrease was a net effect of depreciation charge, disposal of existing factories facilities and breeder farms and addition of PPE due to upgrading factories facilities and breeder farms. The addition of PPE mainly included rabbit hutch and environmental equipments in rabbit farms.

Right-of-use assets represented operating lease assets and prepaid premium for land leases as the adoption of IFRS 16 in current period. For details, please refer to the Note 3 of the condensed consolidated interim financial statements.

The prepaid premium for land leases was reclassified to right-of-use assets as the adoption of IFRS 16 in current period. For details, please refer to Note 3 of the condensed consolidated interim financial statements.

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 management of the Group as at 30 June 2019 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. The increase was mainly due to the addition of quantities of rabbits as new rabbit farms were set up during the period under review.

Inventories increased by approximately RMB7.7 million or 6.2% to approximately RMB132.6 million for HY2019. The average inventory turnover day for HY2019 was 38 days compared to 47 days for HY2018.

Management Discussion and Analysis

Trade and bills receivables increased by approximately RMB5.5 million to approximately RMB128.2 million for HY2019 which was in line with the sales increase.

Prepayments, other receivables and deposits increased by approximately RMB25.0 million or 77.7% to approximately RMB57.1 million as at 30 June 2019. The increase was mainly due to the increase of prepayment for raw material of processed food.

The decrease of RMB144.0 million in pledged deposits was mainly due to the settlement of bills payables secured by bank deposits during the period under review.

The increase of cash and cash equivalents was mainly due to the release of pledged deposits.

Trade and bills payables decreased by approximately RMB77.4 million or 15.3% from approximately RMB507.2 million as at 31 December 2018 to approximately RMB429.8 million as at 30 June 2019. The decrease was mainly due to the settlement of bills payables in current period.

Accrued liabilities and other payables represented payables for construction and facilities, salaries and welfare payables, accrued expenses and deposits received. The increase of accrued liabilities and other payable was mainly due to the increase in payable for construction of new farms.

The interest-bearing bank borrowings increased by approximately RMB1.0 million to approximately RMB385.0 million for HY2019 after taking into account the additional bank borrowings of approximately RMB50.7 million and the loan repayment of approximately RMB49.7 million.

CAPITAL STRUCTURE

As at 30 June 2019, the Group had net assets of approximately RMB670.3 million (31 December 2018: RMB665.1 million), comprising of non-current assets of approximately RMB883.1 million (31 December 2018: RMB867.6 million), and current assets approximately RMB849.6 million (31 December 2018: RMB896.3 million). The Group recorded a net current liability position of approximately RMB159.0 million as at 30 June 2019 (31 December 2018: RMB178.2 million), which primarily consisted of cash and bank balances amounted to approximately RMB320.6 million (31 December 2018: RMB276.9 million). Moreover, inventories amounted to approximately RMB132.6 million (31 December 2018: RMB124.9 million) and trade and bills receivables amounted to approximately RMB128.2 million (31 December 2018: RMB122.7 million) are also major current assets. Major current liabilities are trade and bills payables and interest-bearing bank borrowings amounted to RMB429.8 million (31 December 2018: RMB507.2 million) and RMB385.0 million (31 December 2018: RMB384.0 million), respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, the Group had cash and bank balances of approximately RMB320.6 million (31 December 2018: RMB276.9 million) and had total interest-bearing bank borrowings and amount due to a related company of approximately RMB385.0 million and nil, respectively (31 December 2018: RMB384.0 million and RMB19.0 million, respectively). The Group's interest-bearing bank borrowings bear interests ranging from 4.70% to 6.00% (six months ended 30 June 2018: 4.57% to 6.00%).

The gearing ratio for the Group was 63.1% as at 30 June 2019 (31 December 2018: 69.2%), based on total debts of RMB406.5 million (31 December 2018: RMB442.2 million) divided by equity attributable to owners of RMB643.9 million (31 December 2018: RMB639.1 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 2019, there is no capital commitment of the Group which had been contracted for but not provided in the financial statements (31 December 2018: RMB15.3 million).

CHARGE ON ASSETS

Total interest-bearing bank borrowings were approximately RMB385.0 million (31 December 2018: RMB384.0 million).

As at 30 June 2019, the Group's interest-bearing bank borrowings are secured by certain of the Group's properties, plants and equipment and land use rights, certain of the Group's related party's properties, plants and equipment and land use rights, short term pledged deposits and guaranteed by certain subsidiaries and related parties of the Group.

Management Discussion and Analysis

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any material contingent liabilities (31 December 2018: Nil).

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2019, the Group employed a total of 3,364 employees (as at 31 December 2018: 3,849 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 RMB101.2 million (six months ended 30 June 2018: RMB116.5 million). The Company does not have share option scheme for employees.

INTERIM DIVIDEND

The Board did not recommend the distribution of any interim dividend for HY2019 (HY2018: Nil).

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 2019.

MANDATORY UNCONDITIONAL CASH OFFER

On 26 June 2019, Tian Yuan Manganese Limited*（天元錳業有限公司）（formally known as China Tian Yuan Manganese Limited*（中國天元錳業有限公司））(the "Vendor") and Zenith Hope Limited (the "Offeror") entered into a share purchase agreement (the "Share Purchase Agreement"), pursuant to which, among other things, the Vendor has conditionally agreed to sell 300,740,000 Shares (the "Sale Share(s)"), representing approximately 69.46% of the entire issued share capital of the Company at that time, to the Offeror for a total consideration of HK$240,592,000 (equivalent to HK$0.8 per Sale Share). The completion of the sale and purchase of the Sale Shares pursuant to the Share Purchase Agreement took place on 10 July 2019.

In August 2019, pursuant to Rule 26.1 of the Code on Takeovers and Mergers (the "Takeovers Code"), the Offeror made a mandatory unconditional cash offer (the "Offer") to acquire all the issued shares of the Company other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it (the "Offer Share(s)") at an offer price of HK$0.8 per Offer Share. As the Company's primary listing is not on the Singapore Stock Exchange, and as it is not a Singapore incorporated public company, the Singapore Takeovers Code will not apply to the Offer.

The Offer was closed on 10 September 2019, whereby the Offeror received valid acceptances in respect of a total of 30,524,066 Offer Shares, representing approximately 7.05% of the entire issued share capital of the Company at that time.

Upon the close of the Offer made by the Offeror, on 10 September 2019, there were 101,683,934 Shares in the hands of the public, representing approximately 23.49% of the entire issued share capital of the Company. The Company therefore cannot fulfill the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules. The Stock Exchange has granted a waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules for a period from 10 September 2019 to 11 October 2019.

For details, please refer to the composite document and the announcement jointly published by the Company and the Offeror dated 16 August 2019 and 10 September 2019, respectively and the announcement of the Company dated 16 September 2019.

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 2019.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") consists of all independent non-executive directors of the Company, namely Mr. Lau Choon Hoong, Mr. Song Xuejun and Mr. Lu Zhiwen. The Audit Committee has reviewed with the management of the Company 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 and the interim report for the six months ended 30 June 2019.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Directors and chief executives of the Company are required to disclose the interests and short positions 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.

As at 30 June 2019, 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2019, insofar as is known to the directors and chief executives 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 (%)
Tian Yuan Manganese Limited (Note 2)	Registered and beneficial owner	300,740,000	69.46%

Notes:

1. Information was provided by substantial shareholder.

2. Tian Yuan Manganese Limited is a wholly owned subsidiary of NingXia Tianyuan Manganese Industry Co., Ltd, a corporation controlled by Mr. Jia Tianjiang. By virtue of the SFO, NingXia Tianyuan Manganese Industry Co., Ltd, Mr. Jia Tianjiang and his spouse, Ms. Dong Jufeng are deemed to be interested in the 300,740,000 shares of the Company held by Tian Yuan Manganese Limited.

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 2019, 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 2019. No interim dividend was paid in respect of the six months ended 30 June 2018.

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 executives of the Company to acquire such rights in any other body corporate.

Other Information

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

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 June 2019.

AUDIT COMMITTEE

The Audit Committee consists of all independent non-executive directors of the Company, namely Mr. Lau Choon Hoong, Mr. Song Xuejun and Mr. Lu Zhiwen. The Audit Committee has reviewed with the management of the Company 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 and the interim report for the six months ended 30 June 2019.

CODE ON CORPORATE GOVERNANCE PRACTICE

In the opinion of the directors of the Company, during the six months ended 30 June 2019 and up to the date of this report, 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. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

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 of Hong Kong Limited (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 of the Company confirmed that they had complied with the required standards as set out in the Model Code for the six months ended 30 June 2019 and up to the date of this report.

DIRECTORS' INFORMATION

There has been no change in the information of directors and chief executive of the Company that is required to be disclosed under Rules 13.51(2) and 13.51B of the Listing Rules since the publication of the 2018 annual report of the Company.

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, 30 August 2019

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue	6	675,290	676,083
Cost of sales		(622,350)	(636,200)
Gross profit		52,940	39,883
Other income	6	32,316	26,805
Selling and distribution expenses		(19,797)	(12,569)
Administrative expenses		(33,040)	(34,283)
Other operating expenses		(12,771)	(1,355)
Profit from operations	7	19,648	18,481
Finance costs	8	(14,185)	(11,555)
Share of loss of an associate		(252)	–
Profit before taxation		5,211	6,926
Income tax credit/(expense)	9	11	(400)
Profit for the period		5,222	6,526
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences in translating foreign operations		(3)	–
Other comprehensive income for the period		(3)	–
Total comprehensive income for the period		5,219	6,526
Profit for the period attributable to:			
Owners of the Company		4,798	6,120
Non-controlling interests		424	406
		5,222	6,526
Total comprehensive income for the period attributable to:			
Owners of the Company		4,795	6,120
Non-controlling interests		424	406
		5,219	6,526
Earnings per share attributable to owners of the Company	11		
Basic (RMB cents)		1.11	1.41
Diluted (RMB cents)		1.11	1.41

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	646,422	677,602
Rights-of-use assets		137,414	–
Prepaid premium for land leases		–	101,324
Interests in associates		1,974	2,226
Goodwill		56,778	56,778
Biological assets		26,063	23,339
Deferred tax assets		890	1,188
Deposits for property, plant and equipment		13,548	5,119
		883,089	867,576
Current assets			
Biological assets		43,111	28,679
Inventories		132,603	124,857
Trade and bills receivables	13	128,162	122,707
Prepayments, other receivables and deposits		57,078	32,126
Amount due from a related company		904	–
Pledged deposits		167,066	311,100
Cash and bank balances		320,638	276,867
		849,562	896,336
Current liabilities			
Trade and bills payables	14	429,789	507,156
Accrued liabilities and other payables		147,813	112,702
Lease Liabilities		4,964	–
Contract liabilities		16,026	7,988
Interest-bearing bank borrowings	15	384,952	384,000
Other borrowings		21,539	38,887
Amount due to a related company		–	19,001
Deferred government grants		3,325	3,339
Tax payables		142	1,511
		1,008,550	1,074,584
Net current liabilities		(158,988)	(178,248)
Total assets less current liabilities		724,101	689,328
Non-current liabilities			
Deferred government grants		16,964	18,619
Other borrowings		264	264
Lease liabilities		31,648	–
Deferred tax liabilities		4,893	5,332
		53,769	24,215
Net assets		670,332	665,113
EQUITY			
Equity attributable to owners of the Company			
– Share capital		112,176	112,176
– Reserves		531,690	526,895
		643,866	639,071
Non-controlling interests		26,466	26,042
Total equity		670,332	665,113

Condensed Consolidated Statements of Changes in Equity

For the six months ended 30 June 2019

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Capital redemption reserve RMB'000	Other reserves RMB'000	Foreign currency translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019 (audited)	112,176	257,073	(41,374)	2,374	46,798	(11)	262,035	639,071	26,042	665,113
Profit for the period (unaudited)	–	–	–	–	–	–	4,798	4,798	424	5,222
Other comprehensive income (unaudited)	–	–	–	–	–	(3)	–	(3)	–	(3)
Total comprehensive income for the period (unaudited)	–	–	–	–	–	(3)	4,798	4,795	424	5,219
At 30 June 2019 (unaudited)	**112,176**	**257,073**	**(41,374)**	**2,374**	**46,798**	**(14)**	**266,833**	**643,866**	**26,466**	**670,332**

For the six months ended 30 June 2018

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Capital redemption reserve RMB'000	Other reserves RMB'000	Foreign currency translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018 (audited)	112,176	257,073	(41,374)	2,374	46,798	410	257,603	635,060	31,129	666,189
Profit/(loss) for the period (unaudited)	–	–	–	–	–	–	6,120	6,120	406	6,526
Other comprehensive income (unaudited)	–	–	–	–	–	–	–	–	–	–
Total comprehensive income for the period (unaudited)	–	–	–	–	–	–	6,120	6,120	406	6,526
Disposal of subsidiary	–	–	–	–	–	–	–	–	(5,160)	(5,160)
At 30 June 2018 (unaudited)	**112,176**	**257,073**	**(41,374)**	**2,374**	**46,798**	**410**	**263,723**	**641,180**	**26,375**	**667,555**

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Operating activities		
Net cash (used in)/generated from operating activities	(47,178)	180,751
Investing activities		
Decrease/(Increase) in pledged deposits	144,034	(52,540)
Other cash flows arising from investing activities	(15,843)	29,128
Net cash generated from/(used in) investing activities	128,191	(23,412)
Financing activities		
New bank borrowings	50,689	149,000
Repayment to a related party	(19,905)	–
Repayment of bank borrowings	(49,737)	(335,319)
Other cash flows arising from financing activities	(17,938)	–
Net cash used in financing activities	(36,891)	(186,319)
Net increase/(decrease) in cash and cash equivalents	44,122	(28,980)
Effect of foreign exchange rate change, net	(351)	–
Cash and cash equivalents at 1 January	276,867	332,386
Cash and cash equivalents at 30 June	320,638	303,406

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

1. GENERAL 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. BASIS OF PREPARATION

The condensed consolidated 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 condensed consolidated interim 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 condensed consolidated 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 condensed consolidated interim 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.

3. PRINCIPAL ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2018 annual financial statements, 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 2019. 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 except as explained below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the IASB, which are effective for the Group's financial year beginning on 1 January 2019.

IFRS 16	Leases
IFRIC – Interpretation 23	Uncertainty over Income Tax Treatments
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 23, Borrowing Costs
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IAS 12, Income Taxes
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, Business Combinations
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 11, Joint Arrangements
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IFRS 9	Prepayment Features with Negative Compensation

The impact of the adoption of IFRS 16 Leases has been summarised below. The other new or amended IFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(i) Impact of the adoption of IFRS 16

IFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces IAS 17 Leases ("IAS 17"), IFRIC-Int 4 Determining whether an Arrangement contains a Lease, SIC-Int 15 Operating Leases-Incentives and SIC-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the condensed consolidated statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases.

From a lessor's perspective, the accounting treatment is substantially unchanged from IAS 17. For details of IFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted as allowed under IFRS 16, please refer to section (ii) to (iv) of this note.

The Group has applied IFRS 16 using the cumulative effect approach and recognised the right-of-use asset at the amount equal to the lease liability, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. The comparative information presented in 2018 has not been restated and continues to be reported under IAS 17 and related interpretations as allowed by the transition provision in IFRS 16.

The following table summarised the impact of transition to IFRS 16 on condensed consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

Condensed consolidated statement of financial position as at 1 January 2019

	RMB'000
Right-of-use assets	143,161
Less: prepaid premium for land leases	(101,324)
Less: prepayments of lease payments	(5,358)
Total assets	36,479
Lease liabilities (non-current)	34,524
Lease liabilities (current)	1,955
Total liabilities	36,479

The following reconciliation explains how the operating lease commitments disclosed applying IAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the condensed consolidated statement of financial position as at 1 January 2019:

Reconciliation of operating lease commitment to lease liabilities

	RMB'000
Operating lease commitment as of 31 December 2018	47,383
Less: future interest expenses	(5,546)
Less: prepayments of lease payments	(5,358)
Total lease liabilities as of 1 January 2019	36,479

The weighted average leasee's incremental borrowing rates applied to lease liabilities recognised in the condensed consolidated statement of financial position as at 1 January 2019 is 5.86%.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(ii) New definition of a lease

Under IFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee applies the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases in which the Group is a leesee.

(iii) Accounting as a lessee

Under IAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the condensed consolidated statement of financial position of the lessee.

The Group recognised a right-of-use asset and a lease liability at the date of adoption of IFRS 16, i.e. 1 January 2019.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(iii) Accounting as a lessee (Continued)

Lease liability (Continued)

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Transition

As mentioned above, the Group has applied IFRS 16 using the cumulative effect approach and recognised the right-of-use asset at the amount equal to the lease liability, adjusted by the amount of any prepayments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. The comparative information presented in 2018 has not been restated and continues to be reported under IAS 17 and related interpretations as allowed by the transition provision in IFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying IAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under IAS 17 as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied IAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) exclude the initial direct costs from the measurement of the right-of-use assets at 1 January 2019; and (iii) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) IFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 Determining whether an Arrangement contains a Lease; and (ii) not to apply IFRS 16 to contracts that were not previously identified as containing a lease under IAS 17 and IFRIC-Int 4.

The following new/revised IFRSs, potentially relevant to the Group's condensed consolidated interim financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to IAS 1 and IAS 8	Definition of Material[1]
Amendments to IFRS 3	Definition of Business[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

[1] Effective for annual periods beginning on or after 1 January 2020

[2] The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same those that applied to 2018 annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 16 as described in note 3 above.

5. 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 2019				
	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	361,084	82,406	154,060	77,740	675,290
Reportable segment profit	18,475	2,901	5,998	5,769	33,143
Timing of revenue recognition					
At a point in time	361,084	82,406	154,060	77,740	675,290

	Six months ended 30 June 2018				
	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	310,808	72,583	197,130	95,562	676,083
Reportable segment profit/(loss)	38,101	2,425	(18,966)	5,754	27,314
Timing of revenue recognition					
At a point in time	310,808	72,583	197,130	95,562	676,083

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

5. SEGMENT INFORMATION (CONTINUED)

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Reportable segment profit	33,143	27,314
Other income	32,316	26,805
Administrative expenses	(33,040)	(34,283)
Other operating expenses	(12,771)	(1,355)
Finance costs	(14,185)	(11,555)
Share of loss of an associate	(252)	–
Profit before taxation	5,211	6,926

6. REVENUE AND OTHER INCOME

An analysis of the Group's revenue and other income is as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	675,290	676,083
Other income		
Interest income on financial assets stated at amortised cost		
– Interest income on bank deposits	3,940	2,868
Amortisation of deferred income on government grant	1,669	1,792
Government grants related to income	664	935
Gains arising from changes in fair value less estimated costs to sell of biological assets, net	25,468	4,830
Gain on disposal of subsidiaries	–	15,434
Others	575	946
	32,316	26,805

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

7. PROFIT FROM OPERATIONS

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

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Cost of inventories recognised as an expense	622,350	636,200
Depreciation of property, plant and equipment	31,132	31,830
Depreciation of rights-of-use assets	5,747	–
Amortisation of prepaid premium for land leases	–	2,012
Minimum lease payments under operating leases for production facilities	–	6,630
Provision for trade and bills receivables	485	–
Provision for other receivables	121	–
Staff costs (including directors' remuneration)	101,227	116,478
Less: Retirement scheme contribution	(5,127)	(4,339)
Total staff costs	96,100	112,139
Exchange loss, net	1,501	2,679

8. FINANCE COSTS

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Interest charges on bank borrowings	12,866	11,579
Interest charges on other borrowings	628	176
Interest charges on lease liabilities	1,071	–
Less: Amount capitalised	(380)	(200)
	14,185	11,555

9. INCOME TAX CREDIT/(EXPENSE)

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Current period		
– Overprovision of PRC corporate income tax	(130)	(840)
Deferred tax credit	141	440
	11	(400)

No Hong Kong profits tax has been provided for the six months ended 30 June 2019 as the Group did not derive any assessable profit in Hong Kong during the period (six months ended 30 June 2018: Nil).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

9. INCOME TAX CREDIT/(EXPENSE) (CONTINUED)

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.

Qingdao Kangda Foods Co., Ltd. ("Kangda Foods") and Shandong Kaijia Food Company Limited ("Kaijia Food") are established and operating in the PRC and subject to PRC corporate income tax. According to the New PRC Corporate Income Tax Law, the profit arising from agricultural, poultry and primary food processing businesses of Kangda Foods and Kaijia Food are exempted from PRC corporate income tax. The taxable profits of Kangda Foods arising from profit from business other than agricultural, poultry and primary food processing are subject to corporate income tax at 25% for six months ended 30 June 2019 and 2018.

Under the New PRC Corporate Income Tax Law and Implementation Rules, enterprises that engage in qualifying agricultural business are eligible for certain tax benefits, including full exemption of corporate income tax on profits derived from such business. Qingdao Kangda Animal Rearing Company Ltd., Qingdao Kangda Rabbit Company Ltd., Gaomi Kaijia Rearing Co., Ltd. and Qingdao Kangda Modern Agricultural Technology Development Company Limited ("Modern Agricultural") engaged in qualifying agricultural business, which include breeding and sales of livestock, and are entitled to full exemption of corporate income tax during six months ended 30 June 2019 and 2018.

Tax has not been provided by the Company as the Company did not derive any assessable profits during the period (2018: Nil).

10. DIVIDENDS

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2019 (six months ended 30 June 2018: Nil)

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the earnings attributable to owners of the Company of approximately RMB4,798,000 (six months ended 30 June 2018: RMB6,120,000) and on the weighted average of 432,948,000 (six months ended 30 June 2018: 432,948,000) ordinary shares in issue during the period.

No diluted earnings per share for the six months ended 30 June 2019 and 2018 has been presented as the Company has no potential dilutive ordinary shares during the period.

12. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately RMB11,354,000 (six months ended 30 June 2018: RMB5,560,000).

13. TRADE AND BILLS RECEIVABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade receivables	104,652	102,162
Bills receivables	26,000	22,550
Less: provision for impairment	(2,490)	(2,005)
	128,162	122,707

Trade receivables and bills 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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

13. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 30 days	101,975	90,567
31 – 60 days	15,579	27,962
61 – 90 days	6,711	2,625
91 – 120 days	787	566
Over 120 days	3,110	987
	128,162	122,707

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.

14. TRADE AND BILLS PAYABLES

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade payables	272,789	161,156
Bills payables	157,000	346,000
	429,789	507,156

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 60 days	218,852	251,033
61 – 90 days	36,970	77,341
91 – 120 days	70,420	54,730
Over 120 days	103,547	124,052
	429,789	507,156

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

15. INTEREST-BEARING BANK BORROWINGS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Interest-bearing bank borrowings Classified as current liabilities	384,952	384,000

As at 30 June 2019, approximately RMB385.0 million (31 December 2018: RMB384.0 million) of the interest-bearing bank borrowings were secured by certain of the Group's properties, plants and equipment and land use rights, certain of the Group's related party's properties, plants and equipment and land use rights, short-term pledged deposits and guaranteed by certain subsidiaries and related parties of the Group.

As of 30 June 2019, the Group's interest-bearing bank borrowings bear interests ranging from 4.70% to 6.00% (31 December 2018: 4.57% to 6.00%) per annum.

16. RELATED PARTY TRANSACTIONS

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

	Notes	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Sales to related parties	(i)	1,049	312
Rental expenses paid to related parties	(ii)	230	230
Guarantees given by the related parties in connection with bank loans granted to the Group	(iii)	520,000	240,000

(b) Key management personnel compensation

	2019 RMB'000	2018 RMB'000
Short term employee benefits of directors and other member of key management	6,380	6,660

Notes:

(i) Sales to related parties were made to related parties of which Mr. Gao Yanxu and Mr. An Fengjun have beneficial interest. These sales were made in the ordinary course of business with reference to the terms negotiated between the Group and these related parties.

(ii) Rental expenses paid to related parties, of which Mr. Gao Yanxu and Mr. An Fengjun were directors of the Company, have beneficial interest, were made according to the term of the lease agreements.

(iii) The Group's bank borrowings were guaranteed by the related parties, who provided key management services to the Group, of which Mr. An Fengjun and Mr. Gao Yanxu were directors of the Company, have beneficial interest.