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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 2013**

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 2013 together with the comparative figures for the corresponding period in 2012 as set out below.

**Consolidated statement of profit or loss and other comprehensive income**

For the six months ended 30 June 2013

	Notes	Six months ended 30 June	
		2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
<b>Revenue</b>	5	<b>681,159</b>	662,181
Cost of sales		(646,150)	(614,450)
<b>Gross profit</b>		<b>35,009</b>	47,731
Other income	5	<b>9,529</b>	22,636
Selling and distribution expenses		(13,694)	(16,378)
Administrative expenses		(27,920)	(35,627)
Other operating expenses		(413)	(1,154)
<b>Profit from operations</b>	6	<b>2,511</b>	17,208
Finance costs	7	(15,622)	(15,343)
Share of loss of associates		(310)	(140)
<b>(Loss)/profit before taxation</b>		<b>(13,421)</b>	1,725
Income tax credit/(expense)	8	<b>65</b>	(648)
<b>(Loss)/profit for the period</b>		<b>(13,356)</b>	1,077
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>(13,356)</b>	1,077
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		(11,079)	2,220
Non-controlling interests		(2,277)	(1,143)
		<b>(13,356)</b>	1,077

<b>(Loss)/earnings per share attributable to owners of the Company</b>	10		
<b>Basic (RMB cents)</b>		(2.56)	0.51
<b>Diluted (RMB cents)</b>		(2.56)	0.51

## Consolidated statement of financial position

As at 30 June 2013

	Notes	<b>30 June 2013 RMB'000 (Unaudited)</b>	31 December 2012 RMB'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>615,799</b>	618,233
Prepaid premium for land leases		<b>121,844</b>	123,298
Intangible assets		<b>1,490</b>	1,990
Interest in associates		<b>2,855</b>	3,166
Biological assets		<b>36,486</b>	39,727
Goodwill		<b>59,428</b>	59,428
Deferred tax assets		<b>13,892</b>	13,470
		<b>851,794</b>	859,312
<b>Current assets</b>			
Biological assets		<b>29,764</b>	29,538
Inventories		<b>166,902</b>	153,169
Trade receivables	11	<b>88,559</b>	88,121
Prepayments, other receivables and deposits		<b>45,022</b>	57,348
Pledged deposits		<b>5,427</b>	51,403
Cash and bank balances		<b>325,711</b>	370,699
		<b>661,385</b>	750,278
<b>Current liabilities</b>			
Trade and bills payables	12	<b>167,184</b>	175,707
Accrued liabilities and other payables		<b>64,310</b>	83,581
Interest-bearing bank borrowings	13	<b>571,000</b>	589,000
Amount due to a related company		<b>770</b>	38,891
Deferred government grants		<b>1,487</b>	1,537
Tax payables		<b>1,926</b>	821
		<b>806,677</b>	889,537
Net current liabilities		<b>(145,292)</b>	(139,259)
<b>Total assets less current liabilities</b>		<b>706,502</b>	720,053

## Consolidated statement of financial position (Continued)

as at 30 June 2013

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
<b>Non-current liabilities</b>			
Deferred government grants		14,406	14,601
<b>Total non-current liabilities</b>		<b>14,406</b>	14,601
<b>Net assets</b>		<b>692,096</b>	705,452
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
- Share capital		112,176	112,176
- Reserves		546,867	557,946
		<b>659,043</b>	670,122
<b>Non-controlling interests</b>		<b>33,053</b>	35,330
<b>Total equity</b>		<b>692,096</b>	705,452

## 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 have been listed on the Mainboard of the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 October 2006 and 22 December 2008 respectively.

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

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

### 2. ADOPTION OF NEW OR AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("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 2012, 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 2013. 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 2013				
	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)
<b>Reportable segment revenue</b>					
- revenue from external customers	292,211	113,480	160,627	114,841	681,159
<b>Reportable segment profit</b>	14,207	5,997	532	579	21,315

	Six months ended 30 June 2012				
	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)
<b>Reportable segment revenue</b>					
- revenue from external customers	316,958	79,534	147,375	118,314	662,181
<b>Reportable segment profit</b>	23,951	3,013	2,102	2,287	31,353

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

	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Reportable segment profit	<b>21,315</b>	31,353
Other income	<b>9,529</b>	22,636
Administrative expenses	<b>(27,920)</b>	(35,627)
Other operating expenses	<b>(413)</b>	(1,154)
Finance costs	<b>(15,622)</b>	(15,343)
Share of loss of associates	<b>(310)</b>	(140)
(Loss)/profit before taxation	<b>(13,421)</b>	1,725

## 5. REVENUE AND OTHER INCOME

Revenue of the Group, which is also the turnover of the Group, represents the net invoiced value of goods sold, net of allowances for returns, trade discounts and value-added tax. An analysis of the Group's revenue and other income is as follows:

	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>		
Sale of goods	<b>681,159</b>	662,181
<b>Other income</b>		
Interest income on financial assets stated at amortised cost		
- Interest income on bank deposits	<b>1,312</b>	923
Amortisation of deferred income on government grants	<b>245</b>	396
Government grants related to income	<b>1,429</b>	13,665
Gains arising from changes in fair value less estimated point-of-sale costs of biological assets, net	<b>6,023</b>	5,914
Others	<b>520</b>	1,738
	<b>9,529</b>	22,636

## 6. PROFIT FROM OPERATIONS

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories recognised as an expense	646,150	614,450
Depreciation of property, plant and equipment	21,580	21,739
Amortisation of intangible assets	500	1,489
Amortisation of prepaid premium for land leases	1,454	1,318
Minimum lease payments under operating leases for production facilities	6,934	6,115
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets, net	(6,023)	(5,914)
Staff costs (including directors' remuneration)	79,532	74,821
Less: Retirement scheme contribution	(4,341)	(10,009)
	75,191	64,812
Exchange loss, net	3,092	395

## 7. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest charges on:		
Bank loans wholly repayable within five years	15,622	15,343

## 8. INCOME TAX CREDIT/(EXPENSE)

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current period provision		
- PRC corporate income tax	(357)	(890)
Deferred tax credit	422	242
Total income tax credit/(expense)	65	(648)

No Hong Kong profits tax has been provided for the six months ended 30 June 2013 as the Group did not derive any assessable profit in Hong Kong during the period (six months ended 30 June 2012: 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 2013 (six months ended 30 June 2012: Nil)

## 10. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of approximately RMB11,079,000 (six months ended 30 June 2012: earning of RMB2,220,000) and on the weighted average of 432,948,000 (six months ended 30 June 2012: 432,948,000) ordinary shares in issue during the period.

No diluted earnings per share for the six months ended 30 June 2013 and 2012 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:

	<b>30 June 2013 RMB'000 (Unaudited)</b>	31 December 2012 RMB'000 (Audited)
Within 30 days	<b>53,015</b>	69,447
31 – 60 days	<b>18,263</b>	12,683
61 – 90 days	<b>9,823</b>	4,687
91 – 120 days	<b>5,695</b>	258
Over 120 days	<b>1,763</b>	1,046
	<b>88,559</b>	88,121

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:

	<b>30 June 2013 RMB'000 (Unaudited)</b>	31 December 2012 RMB'000 (Audited)
Within 60 days	<b>120,287</b>	143,788
61 – 90 days	<b>16,658</b>	9,595
91 – 120 days	<b>19,377</b>	6,665
Over 120 days	<b>10,862</b>	15,659
	<b>167,184</b>	175,707

## 13. INTEREST-BEARING BANK BORROWINGS

	<b>30 June 2013 RMB'000 (Unaudited)</b>	31 December 2012 RMB'000 (Audited)
<b>Current</b>		
Interest-bearing bank borrowings	<b>571,000</b>	589,000

As at 30 June 2013, approximately RMB320.0 million of the interest-bearing bank borrowings were secured by the pledge of certain of the Group's property, plant and equipment, land use rights, trade receivables and pledged deposits.

The Group's interest-bearing bank borrowings bear interests ranging from 6.00% to 7.87% (six months ended 30 June 2012: 6.56% to 8.20%) per annum.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

As more food safety problems surfaced, drug residues and fast-growing chicken have become one of the most concerned issues for the public. This has impacted the performance of the Group's chicken meat products and chicken based processed food products during the period. The negative impact from H7N9, which detected in chickens in the southern China, has further affected consumers' confidence in consumption of chicken meats from the second quarter. The Group's gross profit margin declined from 7.2% to 5.1% and the comprehensive income attributable to owners of the Company declined by 599.1% to loss of RMB11.1 million for the six months ended 30 June 2013 ("HY2013").

In spite of the above, sales of rabbit meat products had achieved a remarkable growth during the period. The Group has penetrated into the PRC market whereby benefits of rabbit meat as a healthier, safer and quality meat were promoted through advertisements. The Group has taken steps to strengthen and expand the sales network of its rabbit meat products in more provinces in the PRC and broaden its sales channels in the domestic market.

Looking forward, the Group will strive to strengthen its brand by improving its product quality. The PRC's economic performance was inevitably affected by external forces, but its economic conditions are stable as a whole. The rapid urbanisation in the PRC couple with its large population would provide the foundation for the PRC economy to remain relatively robust. The Group will introduce rabbit meat products to the PRC market on a continual basis and launch various new rabbit meat product ranges.

For the chicken meat products, the Group is confident that the demand will recover once consumers have restored their confidence. The Group will continue to expand its market share in the PRC by implementing an extensive marketing strategy with emphasis on maintaining good relationships with customers and suppliers and other means in order to achieve a leading position.

The Group is well-positioned to tackle the challenges imposed by the global economic environment and believes that its commitment to healthier, safer and quality meat products will place the Group ahead of its fellow competitors.

### **FOOD SAFETY**

The Group always emphasizes great importance to its quality control and R&D capability, including technical support for scientific breeding, prevention of and treatment for diseases. The Group has its own supply of live poultry with strict controls on its breeding chain. Emphasis has always placed on guidance and proper training given to improve breeding results. The Group has regulated drug use, imposed stringent gate-keeping on drug intake, drug withdrawal periods and quality testing for its poultry to avoid any market risks.

The Group views its ability to comply with the PRC and international standards as its strength. The Group will continue to strengthen its staff training and conduct regular checks on product safety to further enhance its food quality. Food safety has already become a basic and most pertinent factor for the Group's development. The Group is committed to food safety and believes in taking up the responsibility of public safety.

## **OPERATING AND FINANCIAL REVIEW**

### **REVENUE BY PRODUCTS**

	Six months ended 30 June 2013	Six months ended 30 June 2012	% Change
	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	+ / (-)
<b>Processed food products</b>	292,211	316,958	(7.8)
<b>Chilled and frozen rabbit meat</b>	113,480	79,534	42.7
<b>Chilled and frozen chicken meat</b>	160,627	147,375	9.0
<b>Other products</b>	114,841	118,314	(2.9)
<b>Total</b>	<b>681,159</b>	<b>662,181</b>	<b>2.9</b>

### Processed Food Products

Demand for the Group's chicken-based processed food products had decreased following the loss in consumer confidence in consumption of chicken due to H7N9 bird flu and the fast growing chicken related events. In addition, the depreciation of Japanese yen during the period had led to a decrease in the export of the Group's processed food products to Japan. As a result, revenue derived from processed food products decreased by 7.8% to approximately RMB292.2 million for HY2013 from approximately RMB317.0 million for the six months ended 30 June 2012 ("HY2012").

### Chilled and Frozen Meat Products

The rabbit and chicken meat segments contributed 40.2% to the Group's total revenue for HY2013 compared to 34.3% of HY2012. Revenue of the rabbit and chicken meat segments registered a 20.8% increase to RMB274.1 million for HY2013.

The Group achieved a satisfactory result in its promotional and product development for its rabbit meat brand in the PRC market. Revenue derived from the rabbit meat segment increased by 42.7% to approximately RMB113.5 million for HY2013.

Revenue of the Group's chicken meat segment increased by 9.0% to approximately RMB160.6 million for HY2013. The increase in sales of chicken meat products was a result of the Group reducing the selling price of its chicken meat products during the period.

### Other Products

Revenue from the production and sale of other products decreased slightly by 2.9% to RMB114.8 million in HY2013. Pet food sales contributed over 50% to this segment with revenue generated from the Beijing and Shanghai markets in the PRC and overseas markets in Japan and Korea.

### REVENUE BY GEOGRAPHICAL MARKETS

	Six months ended 30 June 2013	Six months ended 30 June 2012	% Change
	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	+ / (-)
<b>Export</b>	246,975	274,422	(10.0)
<b>PRC</b>	434,184	387,759	12.0
<b>Total</b>	<b>681,159</b>	<b>662,181</b>	<b>2.9</b>

On a geographical basis, the substantial decline in Japanese yen during the period had affected the export of the Group's products to Japan. Therefore, revenue from export sales decreased by 10.0% to RMB247.0 million in HY2013.

Sales of rabbit meat products in the PRC had achieved a remarkable growth following the stepping up of the Group's promotional efforts. The Group managed to increase its sales by 12.0% to approximately RMB434.2 million for HY2013.

## PROFITABILITY

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

	Six months ended 30 June 2013		Six months ended 30 June 2012		Change	% Change
	GP	Margin	GP	Margin	GP	
	RMB'000	%	RMB'000	%	RMB'000	%
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Processed food	25,582	8.8	36,463	11.5	(10,881)	(29.8)
Rabbit meat	8,279	7.3	4,586	5.8	3,693	80.5
Chicken meat	761	0.5	3,201	2.2	(2,440)	(76.2)
Other products	387	0.3	3,481	2.9	(3,094)	(88.9)
<b>Total</b>	<b>35,009</b>	<b>5.1</b>	<b>47,731</b>	<b>7.2</b>	<b>(12,722)</b>	<b>(26.7)</b>

Gross profit margin declined from 7.2% to 5.1% in HY2013 which was due mainly to the decrease of selling price of chicken related products and the increase of raw materials prices during the period.

### Processed Food Products

Processed food products were the main profit contributor in HY2013. Gross profit margin decreased from 11.5% to 8.8% in HY2012 was due to the decrease of selling price.

### Chilled and Frozen Rabbit Meat

The gross profit margin of chilled and frozen rabbit meat increased from 5.8% to 7.3% for HY2013 was due to the increase of selling price resulting from the increase of rabbit meat demand in the PRC market.

### Chilled and Frozen Chicken Meat

With the lower average selling price of chicken meat coupled with the increased cost of raw materials, both gross profit and gross profit margin of the Group declined to RMB0.8 million and 0.5% respectively.

### Other Products

Other products are mainly chicken and rabbit meat by-products and pet food products, which are not the core profit drivers of the Group. Due to the fluctuation in prices of chicken and rabbit meat by-products, gross profit margin decreased to 0.3% in HY2013 and gross profit decreased from RMB3.5 million to RMB0.4 million.

### Other Income

Other income comprised mainly government grants, gain on change in fair value of biological assets and interest income from bank deposits amounting to RMB1.4 million, RMB6.0 million and RMB1.3 million respectively. The decrease in other income was due to the decrease of government grants provided by the Chinese government in support of the agricultural operations and business during the period.

### Selling and Distribution Expenses

Selling and distribution expenses comprised mainly transportation costs, promotion costs and salary and welfare. The decrease in selling and distribution costs by 16.4% to approximately RMB13.7 million arose from the Company's cost-cutting initiatives, which resulted in a decrease in travelling

and entertainment expenses. This has been discussed and explained in the Company's 2012 annual results announcement.

### **Administrative Expenses**

Administrative expenses comprised mainly staff costs, professional fees, travelling expenses and other miscellaneous administrative expenses. The 21.6% decrease in administrative expenses was due mainly to the implementation of cost controls measures.

### **Other Operating Expenses**

Other operating expenses represented miscellaneous expenses relating to the disposal of damaged packaging materials.

### **Finance Costs**

Finance costs increased slightly by 1.8% to RMB15.6 million for HY2013 were due mainly to the increase of average bank borrowings for the Group's future working capital purpose during the period.

### **Taxation**

Income tax credit comprised the deferred tax credit arose from the fair value adjustment on property, plant and equipment, intangible assets and land use rights upon business combination of the Shandong Kaijia Food Company Limited and its subsidiary, Shandong Kaijia International Trade Co., Ltd. (collectively known as the "Kaijia Group") offsetting by the accrued PRC corporate income tax during the period.

### **Review of the Group's financial position as at 30 June 2013**

The Group's property, plant and equipment were mainly leasehold buildings and plant and machinery. The slight decrease by 0.4% to approximately RMB615.8 million as at 30 June 2013 was due mainly to an acquisition of equipment of approximately RMB19.2 million and a depreciation charge of RMB21.6 million.

The reduction in prepaid premium for land leases and intangible assets for HY2013 amounting to approximately RMB1.5 million and approximately RMB0.5 million respectively. This was due mainly to amortisation. The intangible assets refer to the export licences and hygiene registration certificates awarded by the relevant authorities in Japan and European Union ("EU"), where the registered products produced by the Group are allowed to be exported to these countries.

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 2013 based on market-determined prices of rabbits/chickens of similar size, species and age. The valuation methodology is in compliance with IAS 41 to determine the fair values of biological assets in their present location and condition.

Inventories increased by approximately RMB13.7 million to approximately RMB166.9 million in anticipation of an increase in demand in the third quarter of 2013. The inventory turnover day for HY2013 was 45 days compared to 43 days for the year ended 31 December 2012 ("FY2012"). The increase in the average inventory turnover day resulted from the loss of consumers' confidence in consumption of chicken meats during the period.

Trade receivables slightly increased by approximately RMB0.4 million or 0.5% to approximately RMB88.6 million in HY2013. The increase was attributable to higher level of credit sales in line with the increase in revenue. The trade receivable turnover days was 23 days in HY2013 comparable to FY2012.

Prepayments, other receivables and deposits decreased by approximately RMB12.3 million to approximately RMB45.0 million as at 30 June 2013.

Cash and cash equivalents, including pledged deposits, decreased by approximately RMB91.0 million to approximately RMB331.1 million. Approximately RMB5.4 million of the bank deposit is secured against the interest-bearing borrowings by the Group.

Trade and bills payables decreased by approximately RMB8.5 million from approximately RMB175.7 million as at 31 December 2012 to approximately RMB167.2 million as at 30 June 2013 due to the reduction of payment terms granted by some small suppliers.

Accrued liabilities and other payables represented payables for construction and facilities, salaries and welfare payables, accrued expenses and deposits received. The decrease was due to the decrease of deposits placed by customers compared to 31 December 2012.

The interest-bearing bank borrowings decreased by approximately RMB18.0 million to approximately RMB571.0 million after taking into account the additional bank borrowings of approximately RMB412.0 million and the loan repayment of approximately RMB430.0 million.

Amount due to a related party represented the outstanding balance due to Qingdao Kangda Foreign Trade Group Limited (“KD Group”) resulted from the trading and other transactions.

Tax payables increased from approximately RMB0.8 million as at 31 December 2012 to approximately RMB1.9 million as at 30 June 2013. This was due to income tax accrued during HY2013.

## **CAPITAL STRUCTURE**

As at 30 June 2013, the Group had net assets of approximately RMB692.1 million (31 December 2012: RMB705.5 million), comprising non-current assets of approximately RMB851.8 million (31 December 2012: RMB859.3 million), and current assets approximately RMB661.4 million (31 December 2012: RMB750.3 million). The Group recorded a net current liability position of approximately RMB145.3 million as at 30 June 2013 (31 December 2012: RMB139.3 million), which primarily consist of cash and cash equivalents balances amounted to approximately RMB325.7 million (31 December 2012: RMB370.7 million). Moreover, inventories amounted to approximately RMB166.9 million (31 December 2012: RMB153.2 million) and trade receivables amounted to approximately RMB88.6 million (31 December 2012: RMB88.1 million) are also major current assets. Major current liabilities are trade and bills payables and interest-bearing bank borrowings amounted to RMB167.2 million (31 December 2012: RMB175.7 million) and RMB571.0 million (31 December 2012: RMB589.0 million) respectively.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2013, the Group has cash and cash equivalent of approximately RMB325.7 million (31 December 2012: RMB370.7 million) and had total interest-bearing bank borrowings of approximately RMB571.0 million (31 December 2012: RMB589.0 million). The Group’s interest-bearing bank borrowings bear interests ranging from 6.00% to 7.87%.

The gearing ratio for the Group was 86.6% (31 December 2012: 87.9%) as at 30 June 2013, based on total interest-bearing bank borrowings of RMB571.0 million (31 December 2012: RMB589.0 million) and equity attributable to owners of RMB659.0 million (31 December 2012: RMB670.1 million). The Group serves its debts primarily with recurring cash flow generated from its operation. The board of

directors of the Company 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 2013, the capital commitment of the Group which had been contracted for but not provided in the financial statements was in the total amount of approximately RMB9.2 million (31 December 2012: RMB13.1 million).

## **CHARGE ON ASSETS**

Total interest-bearing bank borrowings include secured liabilities of approximately RMB320.0 million (31 December 2012: RMB325.0 million).

As at 30 June 2013, the Group's interest-bearing bank borrowings are guaranteed by certain related parties of the Group and secured against certain of the Group's property, plant and equipment, land use rights, pledged deposits and trade receivables.

## **CONTINGENT LIABILITIES**

As at 30 June 2013, the Group did not have any material contingent liabilities (31 December 2012: Nil).

## **EMPLOYEES AND EMOLUMENT POLICY**

As at 30 June 2013, the Group employed a total of 5,381 employees (as at 30 June 2012: 5,614 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 RMB79.5 million (six months ended 30 June 2012: RMB74.8 million). The Company does not have share option scheme to employees.

## **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 2013.

## **AUDIT COMMITTEE**

The audit committee of the Company consists of the independent non-executive directors, namely Mr. Lau Choon Hoong, Mr. He Dingding and Mr. Yu Chung Leung and the non-executive directors of the Company, namely Mr. Zhang Qi and Mr. Naoki Yamada. The audit committee has reviewed with management the accounting principles and standards adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the Company's unaudited financial statements for the six months ended 30 June 2013.

## **CODE ON CORPORATE GOVERNANCE PRACTICE**

In the opinion of the Directors, the Company has adopted and complied with the code provisions of the Code on Corporate Governance Practices, as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2013.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of the directors of the Company, all the directors confirmed that they had complied with the required standards as set out in the Model Code during the six months ended 30 June 2013.

## **PUBLICATION OF UNAUDITED INTERIM RESULTS**

The Company's 2013 interim results announcement is published on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and on the Company's website at [www.kangdafood.com](http://www.kangdafood.com). The Company's 2013 interim report will also be published on the aforesaid websites in due course.

## **APPRECIATION**

I would like to thank the Board, management and all our staff for their hard work and dedication, as well as our shareholders and customers for their support to the Group.

On behalf of the Board  
**China Kangda Food Company Limited**  
**Gao Sishi**  
*Chairman*

Hong Kong, 14 August 2013

*As at the date of this announcement, the executive directors of the Company is Mr. Gao Yanxu (acting Chief Executive Officer); the non-executive directors of the Company are Mr. Gao Sishi (Chairman), Mr. Zhang Qi and Mr. Naoki Yamada; and the independent non-executive directors of the Company are Mr. He Dingding, Mr. Lau Choon Hoong and Mr. Yu Chung Leung.*

The following announcement is made by China Kangda Food Company Limited (the “Company”) pursuant to the Listing Manual of the Singapore Exchange Securities Trading Limited. In compliance with Rule 13.09(2) of the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (which requires a listed issuer to ensure that if securities of the listed issuer are also listed on other stock exchanges, The Stock Exchange of Hong Kong Limited is simultaneously informed of any information released to any of such other stock exchanges and that such information is released to the market in Hong Kong at the same time as it is released on the other markets), the following announcement is announced by the Company simultaneously in Hong Kong and in Singapore on 14 August 2013.

**SECOND QUARTER AND HALF YEARLY FINANCIAL STATEMENTS ANNOUNCEMENT  
FOR THE PERIOD ENDED 30 JUNE 2013**

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3),  
HALF-YEAR AND FULL YEAR RESULTS**

**1(a) A statement of profit or loss and other comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Three months period ended 30/06/2013 Unaudited RMB'000	Three months period ended 30/06/2012 Unaudited RMB'000	Change +/(-) %	Six months period ended 30/06/2013 Unaudited RMB'000	Six months period ended 30/06/2012 Unaudited RMB'000	Change +/(-) %
Revenue	362,983	347,120	4.6	681,159	662,181	2.9
Cost of sales	(353,774)	(322,909)	9.6	(646,150)	(614,450)	5.2
<b>Gross profit</b>	9,209	24,211	(62.0)	35,009	47,731	(26.7)
Other income	847	9,604	(91.2)	9,529	22,636	(57.9)
Selling and distribution expenses	(5,201)	(8,019)	(35.1)	(13,694)	(16,378)	(16.4)
Administrative expenses	(16,069)	(20,748)	(22.6)	(27,920)	(35,627)	(21.6)
Other operating expenses	(221)	(362)	(39.0)	(413)	(1,154)	(64.2)
<b>(Loss)/profit from operations</b>	(11,435)	4,686	(344.0)	2,511	17,208	(85.4)
Finance costs	(6,409)	(7,370)	(13.0)	(15,622)	(15,343)	1.8
Share of loss of associates	(54)	(47)	14.9	(310)	(140)	121.4
<b>(Loss)/profit before taxation</b>	(17,898)	(2,731)	(555.4)	(13,421)	1,725	(878.0)
Income tax (expense)/credit	(209)	(555)	(62.3)	65	(648)	(110.0)
<b>(Loss)/profit for the period</b>	<b>(18,107)</b>	<b>(3,286)</b>	<b>(451.0)</b>	<b>(13,356)</b>	<b>1,077</b>	<b>(1,340.1)</b>
Other comprehensive income	-	-	N/A	-	-	N/A
<b>Total comprehensive income for the period</b>	<b>(18,107)</b>	<b>(3,286)</b>	<b>(451.0)</b>	<b>(13,356)</b>	<b>1,077</b>	<b>(1,340.1)</b>

**Total comprehensive income****attributable to:**

Owners of the Company	(16,253)	(2,493)	(551.9)	(11,079)	2,220	(599.1)
Non-controlling interests	(1,854)	(793)	(133.8)	(2,277)	(1,143)	(99.2)

Loss/(earnings) per share						
- Basic (RMB cents)	(3.75)	(0.58)		(2.56)	0.51	

The Group's (loss)/profit before taxation is arrived at after charging/(crediting):

Amortisation of intangible assets	261	135		500	1,489	
Amortisation of prepaid premium for land leases	808	523		1,454	1,318	
Depreciation of property, plant and equipment	10,436	10,834		21,580	21,739	
Exchange (gain)/loss, net	1,487	(492)		3,092	395	
Interest expenses on interest-bearing bank borrowings	6,409	7,370		15,622	15,343	
Interest income on bank deposits	(296)	(178)		(1,312)	(923)	

**1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	Group		Company	
	30/6/2013 RMB'000 (Unaudited)	31/12/2012 RMB'000 (Audited)	30/6/2013 RMB'000 (Unaudited)	31/12/2012 RMB'000 (Audited)
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Property, plant and equipment	615,799	618,233	5	5
Prepaid premium for land leases	121,844	123,298	-	-
Intangible assets	1,490	1,990	-	-
Investments in subsidiaries	-	-	84,144	84,144
Interest in associates	2,855	3,166	-	-
Biological assets	36,486	39,727	-	-
Goodwill	59,428	59,428	-	-
Deferred tax assets	13,892	13,470	-	-
	<b>851,794</b>	859,312	<b>84,149</b>	84,149
<b>Current assets</b>				
Biological assets	29,764	29,538	-	-
Inventories	166,902	153,169	-	-
Trade receivables	88,559	88,121	-	-
Prepayments, other receivables and deposits	45,022	57,348	95	95
Amounts due from subsidiaries	-	-	240,675	237,117
Pledged deposits	5,427	51,403	-	-
Cash and bank balances	325,711	370,699	265	5,419
	<b>661,385</b>	750,278	<b>241,035</b>	242,631
<b>Current liabilities</b>				
Trade and bills payables	167,184	175,707	-	-
Accrued liabilities and other payables	64,310	83,581	1,159	468
Interest-bearing bank borrowings	571,000	589,000	-	-
Amount due to a related company	770	38,891	-	-

Deferred government grants	<b>1,487</b>	1,537	-	-
Tax payables	<b>1,926</b>	821	-	-
	<b>806,677</b>	889,537	<b>1,159</b>	468
<b>Net current (liabilities)/assets</b>	<b>(145,292)</b>	(139,259)	<b>239,876</b>	242,163
<b>Total assets less current liabilities</b>	<b>706,502</b>	720,053	<b>324,025</b>	326,312
<b>Non-current liabilities</b>				
Deferred government grants	<b>14,406</b>	14,601	-	-
Total non-current liabilities	<b>14,406</b>	14,601	-	-
<b>Net assets</b>	<b>692,096</b>	705,452	<b>324,025</b>	326,312

## EQUITY

<b>Equity attributable to owners of the Company</b>				
- Share capital	<b>112,176</b>	112,176	<b>112,176</b>	112,176
- Reserves	<b>546,867</b>	557,946	<b>211,849</b>	214,136
	<b>659,043</b>	670,122	<b>324,025</b>	326,312
<b>Non-controlling interests</b>	<b>33,053</b>	35,330	-	-
<b>Total equity</b>	<b>692,096</b>	705,452	<b>324,025</b>	326,312

### 1(b)(ii) Aggregate amount of group's borrowings and debt securities.

#### 1. Amount repayable in one year or less, or on demand

As at 30/6/2013		As at 31/12/2012	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
320,000	251,000	325,000	264,000

#### 2. Amount repayable after one year

As at 30/6/2013		As at 31/12/2012	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

#### Details of collateral:

Total interest-bearing bank borrowings include secured borrowings of approximately RMB320,000,000.

As at 30 June 2013, the Group's interest-bearing bank borrowings are guaranteed by certain related parties of the Group and secured against certain of the Group's property, plant and equipment, land use rights, pledged deposits and trade receivables.

**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

<b>RMB'000</b>	<b>Three months period ended 30/6/2013 Unaudited</b>	<b>Three months period ended 30/6/2012 Unaudited</b>	<b>Six months period ended 30/6/2013 Unaudited</b>	<b>Six months period ended 30/6/2012 Unaudited</b>
<b>Cash flows from operating activities</b>				
<b>(Loss)/profit before taxation</b>	(17,898)	(2,731)	(13,421)	1,725
<b>Adjustments for:</b>				
Interest income	(296)	(178)	(1,312)	(923)
Interest expenses	6,409	7,370	15,622	15,343
Depreciation of property, plant and equipment	10,436	10,834	21,580	21,739
Amortisation of prepaid premium for land leases	808	523	1,454	1,318
Amortisation of intangible assets	261	135	500	1,489
Loss/(gain) arising from change in fair value less estimated point-of-sale costs of biological assets, net	548	(708)	(6,023)	(5,914)
Amortisation of deferred income on government grants	(55)	(198)	(245)	(396)
Share of loss of associates	54	47	310	140
Operating profit before working capital changes	267	15,094	18,465	34,521
Decrease/(increase) in inventories	544	(17,001)	(13,733)	(7,712)
Decrease/(increase) in trade receivables	1,501	(6,449)	(438)	(8,630)
Decrease/(increase) in biological assets	5,482	1,886	9,038	(3,089)
Decrease/(increase) in prepayments, other receivables and deposits	12,235	(1,134)	12,326	(3,180)
(Decrease)/increase in balance with a related company	(7)	(34,988)	(38,121)	(11,672)
(Decrease)/increase in trade and bills payables	(3,612)	3,599	(8,523)	103,437
(Decrease)/increase in accrued liabilities and other payables	(7,770)	5,799	(21,161)	(25,275)
Cash generated from/(used in) operations	8,640	(33,194)	(42,147)	78,400
Interest paid	(6,409)	(7,370)	(15,622)	(15,343)
Income taxes paid	(20)	(214)	(422)	(1,844)
<i>Net cash generated from/(used in) operating activities</i>	<i>2,211</i>	<i>(40,778)</i>	<i>(58,191)</i>	<i>61,213</i>

<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment	(17,442)	(10,351)	(19,145)	(27,294)
Decrease in pledged deposits	16,218	-	45,976	2,667
Interest received	296	178	1,312	923
Proceeds received from disposal of interest in a subsidiary	3,060	-	3,060	-
<i>Net cash generated from/(used in) investing activities</i>	<i>2,132</i>	<i>(10,173)</i>	<i>31,203</i>	<i>(23,704)</i>
<b>Cash flows from financing activities</b>				
New of bank borrowings	205,000	283,000	412,000	387,000
Repayment of bank borrowings	(313,000)	(243,000)	(430,000)	(418,430)
Repayment to a related company	-	-	-	(80,000)
<i>Net cash (used in)/generated from financing activities</i>	<i>(108,000)</i>	<i>40,000</i>	<i>(18,000)</i>	<i>(111,430)</i>
<b>Net decrease in cash and cash equivalents</b>	<b>(103,657)</b>	<b>(10,951)</b>	<b>(44,988)</b>	<b>(73,921)</b>
<b>Cash and cash equivalents at beginning of financial period</b>	<b>429,368</b>	<b>247,964</b>	<b>370,699</b>	<b>310,934</b>
<b>Cash and cash equivalents at end of financial period</b>	<b>325,711</b>	<b>237,013</b>	<b>325,711</b>	<b>237,013</b>
<b>Analysis of balances of cash and cash equivalents</b>				
<b>Cash and bank balances</b>	<b>325,711</b>	<b>237,013</b>	<b>325,711</b>	<b>237,013</b>

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Group	Equity 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	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013 (Audited)	112,176	257,073	(41,374)	2,374	44,158	295,715	670,122	35,330	705,452
Transactions with owners (Unaudited)	-	-	-	-	-	-	-	-	-
Profit/(loss) for the period (Unaudited)	-	-	-	-	-	5,174	5,174	(423)	4,751
Other comprehensive income (Unaudited)	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	-	5,174	5,174	(423)	4,751
<b>At 31 March 2013 (Unaudited)</b>	<b>112,176</b>	<b>257,073</b>	<b>(41,374)</b>	<b>2,374</b>	<b>44,158</b>	<b>300,889</b>	<b>675,296</b>	<b>34,907</b>	<b>710,203</b>
At 1 April 2013 (Unaudited)	112,176	257,073	(41,374)	2,374	44,158	300,889	675,296	34,907	710,203
Transactions with owners (Unaudited)	-	-	-	-	-	-	-	-	-
Loss for the period (Unaudited)	-	-	-	-	-	(16,253)	(16,253)	(1,854)	(18,107)
Other comprehensive income (Unaudited)	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	-	(16,253)	(16,253)	(1,854)	(18,107)
<b>At 30 June 2013 (Unaudited)</b>	<b>112,176</b>	<b>257,073</b>	<b>(41,374)</b>	<b>2,374</b>	<b>44,158</b>	<b>284,636</b>	<b>659,043</b>	<b>33,053</b>	<b>692,096</b>
At 1 January 2012 (Audited)	112,176	257,073	(41,374)	2,374	44,117	290,839	665,205	39,643	704,84
Transactions with owners (Unaudited)	-	-	-	-	-	-	-	-	-
Profit/(loss) for the period (Unaudited)	-	-	-	-	-	4,713	4,713	(350)	4,363
Other comprehensive income (Unaudited)	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	-	4,713	4,713	(350)	4,363
<b>At 31 March 2012 (Unaudited)</b>	<b>112,176</b>	<b>257,073</b>	<b>(41,374)</b>	<b>2,374</b>	<b>44,117</b>	<b>295,552</b>	<b>669,918</b>	<b>39,293</b>	<b>709,21</b>
At 1 April 2012 (Unaudited)	112,176	257,073	(41,374)	2,374	44,117	295,552	669,918	39,293	709,211
Transactions with owners (Unaudited)	-	-	-	-	-	-	-	-	-
Loss for the period (Unaudited)	-	-	-	-	-	(2,493)	(2,493)	(793)	(3,286)
Other comprehensive income (Unaudited)	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	-	(2,493)	(2,493)	(793)	(3,286)
<b>At 30 June 2012 (Unaudited)</b>	<b>112,176</b>	<b>257,073</b>	<b>(41,374)</b>	<b>2,374</b>	<b>44,117</b>	<b>293,059</b>	<b>667,425</b>	<b>38,500</b>	<b>705,925</b>

<b>Company</b>	<b>Share capital RMB'000</b>	<b>Share Premium RMB'000</b>	<b>Merger reserve RMB'000</b>	<b>Capital redemption reserve RMB'000</b>	<b>Accumulated losses RMB'000</b>	<b>Total equity RMB'000</b>
At 1 January 2013 (Audited)	112,176	257,073	6,143	2,374	(51,454)	326,312
Transactions with owners (Unaudited)	-	-	-	-	-	-
Loss for the period (Unaudited)	-	-	-	-	(1,822)	(1,822)
Other comprehensive income (Unaudited)	-	-	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	(1,822)	(1,822)
<b>At 31 March 2013 (Unaudited)</b>	<b>112,176</b>	<b>257,073</b>	<b>6,143</b>	<b>2,374</b>	<b>(53,276)</b>	<b>324,490</b>
At 1 April 2013 (Unaudited)	112,176	257,073	6,143	2,374	(53,276)	324,490
Transactions with owners (Unaudited)	-	-	-	-	-	-
Loss for the period (Unaudited)	-	-	-	-	(465)	(465)
Other comprehensive income (Unaudited)	-	-	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	(465)	(465)
<b>At 31 June 2013 (Unaudited)</b>	<b>112,176</b>	<b>257,073</b>	<b>6,143</b>	<b>2,374</b>	<b>(53,741)</b>	<b>324,025</b>
At 1 January 2012 (Audited)	112,176	257,073	6,143	2,374	(46,902)	330,864
Transactions with owners (Unaudited)	-	-	-	-	-	-
Loss for the period (Unaudited)	-	-	-	-	(1,047)	(1,047)
Other comprehensive income (Unaudited)	-	-	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	(1,047)	(1,047)
<b>At 31 March 2012 (Unaudited)</b>	<b>112,176</b>	<b>257,073</b>	<b>6,143</b>	<b>2,374</b>	<b>(47,949)</b>	<b>329,817</b>
At 1 April 2012 (Unaudited)	112,176	257,073	6,143	2,374	(47,949)	329,817
Transactions with owners (Unaudited)	-	-	-	-	-	-
Loss for the period (Unaudited)	-	-	-	-	(1,455)	(1,455)
Other comprehensive income (Unaudited)	-	-	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	(1,455)	(1,455)
<b>At 31 June 2012 (Unaudited)</b>	<b>112,176</b>	<b>257,073</b>	<b>6,143</b>	<b>2,374</b>	<b>(49,404)</b>	<b>328,362</b>

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued share excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Ordinary shares of HK\$0.25 each	Number of shares '000	Amount HK\$'000
<b>Authorised :</b>		
At 31 December 2012 and 30 June 2013	2,000,000	500,000
<hr/>		
<b>Issued and fully paid :</b>		
At 31 December 2012 and 30 June 2013	432,948	108,237
<hr/>		

**Note:**

The Company does not have any shares that may be issued on conversion of any outstanding convertibles as at 31 December 2012 and 30 June 2013.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	30/6/2013 '000	31/12/2012 '000
<b>Total number of ordinary shares excluding treasury shares</b>	<b>432,948</b>	<b>432,948</b>
<hr/>		

**Note:**

There were no treasury shares held by the Company as at 30 June 2013 and 31 December 2012.

**1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has adopted the same accounting policies and methods of computations as stated in the audited financial statements for the year ended 31 December 2012.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Not applicable.

6. **Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	<b>Three months period ended 30/6/2013 Unaudited</b>	<b>Three months period ended 30/6/2012 Unaudited</b>	<b>Six months period ended 30/6/2013 Unaudited</b>	<b>Six months period ended 30/6/2012 Unaudited</b>
(Loss)/earnings per share				
- Basic (RMB cents)	(3.75)	(0.58)	(2.56)	0.51
- Dilute (RMB cents)	(3.75)	(0.58)	(2.56)	0.51

**Notes:**

- The calculation of basic earnings per share was computed by dividing the Group's net profit attributable to owners of the Company against the weighted average number of 432,948,000 shares in issue during the period.
- Diluted earnings per share for the three months and six months ended 30 June 2013 and three months and six months ended 30 June 2012 have not been presented as there was no dilutive potential share during the periods.

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**

- current financial period reported on; and**
- immediately preceding financial year.**

<b>In RMB cents</b>	<b>Group</b>		<b>Company</b>	
	<b>30/6/2013</b>	<b>31/12/2012</b>	<b>30/6/2013</b>	<b>31/12/2012</b>
Net asset value per ordinary share based on issued share capital at the end of:	159.86	162.94	74.84	75.37

**Note:**

The number of ordinary shares of the Company as at 30 June 2013 was 432,948,000 (2012: 432,948,000).

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
  - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

#### REVENUE BY PRODUCTS

	Three months ended 30/6/2013	Three months ended 30/6/2012	% Change	Six months ended 30/6/2013	Six months ended 30/6/2012	% Change
	2Q2013	2Q2012		HY2013	HY2012	
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	+ / (-)	RMB'000	RMB'000	+ / (-)
<b>Processed food products</b>	145,666	154,181	(5.5)	292,211	316,958	(7.8)
<b>Chilled and frozen rabbit meat</b>	65,570	44,991	45.7	113,480	79,534	42.7
<b>Chilled and frozen chicken meat</b>	95,352	79,124	20.5	160,627	147,375	9.0
<b>Other products</b>	56,395	68,824	(18.1)	114,841	118,314	(2.9)
<b>Total</b>	<b>362,983</b>	<b>347,120</b>	<b>4.6</b>	<b>681,159</b>	<b>662,181</b>	<b>2.9</b>

#### Processed Food Products

Demand for the Group's chicken-based processed food products had decreased following the loss in consumer confidence in consumption of chicken due to H7N9 bird flu and the fast growing chicken related events. In addition, the depreciation of Japanese yen during the period had led to a decrease in the export of the Group's processed food products to Japan. As a result, revenue derived from processed food products decreased by 7.8% to approximately RMB292.2 million for the six months ended 30 June 2013 ("HY2013") and decreased by 5.5% to approximately RMB145.7 for the three months ended 30 June 2013 ("2Q2013").

#### Chilled and Frozen Meat Products

The rabbit and chicken meat segments contributed 40.2% and 44.3% to the Group's total revenue for HY2013 and 2Q2013 respectively. Revenue of the rabbit and chicken meat segments registered a 20.8% increase to RMB274.1 million in HY2013 and a 29.7% increase to RMB160.9 million in 2Q2013.

The Group achieved a satisfactory result in its promotional and product development for its rabbit meat brand in the PRC market. Revenue derived from the rabbit meat segment increased by 42.7% to approximately RMB113.5 million for HY2013 and increased by 45.7% to RMB65.6 million in 2Q2013. Revenue of the Group's chicken meat segment increased by 9.0% to approximately RMB160.6 million in HY2013 and increased by 20.5% to RMB95.4 million in 2Q2013. The increase in sales of chicken meat products was a result of the Group reducing the selling price of its chicken meat products during the period.

#### Other Products

Revenue from the production and sale of other products decreased by 2.9% to RMB114.8 million in HY2013 and decreased by 18.1% to RMB56.4 million in 2Q2013. Pet food sales contributed over 50% to this segment, with revenue generated from the Beijing and Shanghai markets in the PRC and overseas markets in Japan and Korea.

#### REVENUE BY GEOGRAPHICAL MARKETS

	2Q2013	2Q2012	% Change	HY2013	HY2012	% Change
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited

	RMB'000	RMB'000	+ / (-)	RMB'000	RMB'000	+ / (-)
<b>Export</b>	134,577	135,599	(0.8)	246,975	274,422	(10.0)
<b>PRC</b>	228,406	211,521	8.0	434,184	387,759	12.0
<b>Total</b>	<b>362,983</b>	<b>347,120</b>	<b>4.6</b>	<b>681,159</b>	<b>662,181</b>	<b>2.9</b>

On a geographical basis, the substantial decline in Japanese yen during the period had affected the export of the Group's products to Japan. Therefore, revenue from export sales decreased by 10.0% to RMB247.0 million in HY2013 and decreased by 0.8% to RMB134.6 million in 2Q2013.

Sales of rabbit meat products in the PRC had achieved a remarkable growth following the stepping up of the Group's promotional efforts. The Group managed to increase its sales by 12.0% to RMB434.2 million for HY2013 and increased by 8.0% to RMB228.4 million in 2Q2013.

## PROFITABILITY

Gross Profit ("GP") and Margin

	HY2013		HY2012		Change	% Change
	GP	Margin	GP	Margin	GP	
	RMB'000	%	RMB'000	%	RMB'000	%
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
<b>Processed food</b>	25,582	8.8	36,463	11.5	(10,881)	(29.8)
<b>Rabbit meat</b>	8,279	7.3	4,586	5.8	3,693	80.5
<b>Chicken meat</b>	761	0.5	3,201	2.2	(2,440)	(76.2)
<b>Other products</b>	387	0.3	3,481	2.9	(3,094)	(88.9)
<b>Total</b>	<b>35,009</b>	<b>5.1</b>	<b>47,731</b>	<b>7.2</b>	<b>(12,722)</b>	<b>(26.7)</b>

Gross profit margin declined from 7.2% to 5.1% in HY2013 which was due mainly to the decrease of selling price of chicken related products and the increase of raw materials prices during the period.

### Processed Food Products

Processed food products were the main profit contributor in HY2013. Gross profit margin decreased from 11.5% to 8.8% in HY2012 was due to the decrease of selling price.

### Chilled and Frozen Rabbit Meat

The gross profit margin of chilled and frozen rabbit meat increased from 5.8% to 7.3% for HY2013 was due to the increase of selling price resulting from the increase of rabbit meat demand in the PRC market.

### Chilled and Frozen Chicken Meat

With the lower average selling price of chicken meat coupled with the increased cost of raw materials, both gross profit and gross profit margin of the Group declined to RMB0.8 million and 0.5% respectively.

### **Other Products**

Other products are mainly chicken and rabbit meat by-products and pet food products, which are not the core profit drivers of the Group. Due to the fluctuation in prices of chicken and rabbit meat by-products, gross profit margin decreased to 0.3% in HY2013 and gross profit decreased from RMB3.5 million to RMB0.4 million.

### **Other Income**

Other income comprised mainly government grants, gain on change in fair value of biological assets and interest income from bank deposits amounting to RMB1.4 million, RMB6.0 million and RMB1.3 million respectively. The decrease in other income was due to the decrease of government grants provided by the Chinese government in support of the agricultural operations and business during the period.

### **Selling and Distribution Expenses**

Selling and distribution expenses comprised mainly transportation costs, promotion costs and salary and welfare. The decrease in selling and distribution costs by 16.4% to approximately RMB13.7 million arose from the Company's cost-cutting initiatives, which resulted in a decrease in travelling and entertainment expenses. This has been discussed and explained in the Company's 2012 annual results announcement.

### **Administrative Expenses**

Administrative expenses comprised mainly staff costs, professional fees, travelling expenses and other miscellaneous administrative expenses. The 21.6% decrease in administrative expenses was due mainly to the implementation of cost controls measures.

### **Other Operating Expenses**

Other operating expenses represented miscellaneous expenses relating to the disposal of damaged packaging materials.

### **Finance Costs**

Finance costs increased slightly by 1.8% to RMB15.6 million for HY2013 were due mainly to the increase of average bank borrowings for the Group's future working capital purpose during the period.

### **Taxation**

Income tax credit comprised the deferred tax credit arose from the fair value adjustment on property, plant and equipment, intangible assets and land use rights upon business combination of the Shandong Kaijia Food Company Limited and its subsidiary, Shandong Kaijia International Trade Co., Ltd. (collectively known as the "Kaijia Group") offsetting by the accrued PRC corporate income tax during the period.

### **Review of the Group financial position as at 30 June 2013**

The Group's property, plant and equipment were mainly leasehold buildings and plant and machinery. The slight decrease by 0.4% to approximately RMB615.8 million as at 30 June 2013 was due mainly to an acquisition of equipment of approximately RMB19.2 million and a depreciation charge of RMB21.6 million.

The reduction in prepaid premium for land leases and intangible assets for HY2013 amounting to approximately RMB1.5 million and approximately RMB0.5 million respectively. This was due mainly to amortisation. The intangible assets refer to the export licences and hygiene registration certificates awarded by the relevant authorities in Japan and European Union ("EU"), where the registered products produced by the Group are allowed to be exported to these countries.

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 2013 based on market-determined prices of rabbits/chickens of similar size, species and age. The valuation methodology is in compliance with IAS 41 to determine the fair values of biological assets in their present location and condition.

Inventories increased by approximately RMB13.7 million to approximately RMB166.9 million in anticipation of an increase in demand in the third quarter of 2013. The inventory turnover day for HY2013 was 45 days compared to 43 days for the year ended 31 December 2012 (“FY2012”). The increase in the average inventory turnover day resulted from the loss of consumers’ confidence in consumption of chicken meats during the period.

Trade receivables slightly increased by approximately RMB0.4 million or 0.5% to approximately RMB88.6 million in HY2013. The increase was attributable to higher level of credit sales in line with the increase in revenue. The trade receivable turnover days were 23 days in HY2013 comparable to FY2012.

Prepayments, other receivables and deposits decreased by approximately RMB12.3 million to approximately RMB45.0 million as at 30 June 2013.

Cash and cash equivalents, including pledged deposits, decreased by approximately RMB91.0 million to approximately RMB331.1 million. Approximately RMB5.4 million of the bank deposit is secured against the interest-bearing borrowings by the Group.

Trade and bills payables decreased by approximately RMB8.5 million from approximately RMB175.7 million as at 31 December 2012 to approximately RMB167.2 million as at 30 June 2013 due to the reduction of payment terms granted by some small suppliers.

Accrued liabilities and other payables represented payables for construction and facilities, salaries and welfare payables, accrued expenses and deposits received. The decrease was due to the decrease of deposits placed by customers compared to 31 December 2012.

The interest-bearing bank borrowings decreased by approximately RMB18.0 million to approximately RMB571.0 million after taking into account the additional bank borrowings of approximately RMB412.0 million and the loan repayment of approximately RMB430.0 million.

Amount due to a related party represented the outstanding balance due to Qingdao Kangda Foreign Trade Group Limited (“KD Group”) resulted from the trading and other transactions.

Tax payables increased from approximately RMB0.8 million as at 31 December 2012 to approximately RMB1.9 million as at 30 June 2013. This was due to income tax accrued during HY2013.

## **Cash Flow Statement**

### **Operating activities**

Cash used in operating activities was approximately RMB58.2 million for HY2013 compared with cash generated from operating activities approximately RMB61.2 million for HY2012. The decrease in operating cash flow was due mainly to the repayment of amount due to a related party and trade and bills payables.

### **Investing activities**

Net cash generated from investing activities amounted to approximately RMB31.2 million was due mainly to the decrease of pledged deposits.

### **Financing activities**

Net cash generated mainly represented the additional bank borrowings of approximately RMB412.0 million and repayment of bank borrowings of approximately RMB430.0 million.

## **9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

The interim results for the six months ended 30 June 2013 are in line with the profit warning announcement released to SGX-ST via SGXNet on 24 July 2013.

10. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

**Significant trends and competitive conditions of the industry**

As more food safety problems surfaced, drug residues and fast-growing chicken have become one of the most concerned issues for the public. This has impacted the performance of the Group's chicken meat products and chicken based processed food products during the period. The negative impact from H7N9, which detected in chickens in the southern China, has further affected consumers' confidence in consumption of chicken meats from the second quarter. The Group's gross profit margin declined from 7.2% to 5.1% and the comprehensive income/expense attributable to owners of the Company declined by 599.1% to loss of RMB11.1 million for the six months ended 30 June 2013 ("HY2013").

In spite of the above, sales of rabbit meat products had achieved a remarkable growth during the period. The Group has penetrated into the PRC market whereby benefits of rabbit meat as a healthier, safer and quality meat were promoted through advertisements. The Group has taken steps to strengthen and expand the sales network of its rabbit meat products in more provinces in the PRC and broaden its sales channels in the domestic market.

Looking forward, the Group will strive to strengthen its brand by improving its product quality. The PRC's economic performance was inevitably affected by external forces, but its economic conditions are stable as a whole. The rapid urbanisation in the PRC couple with its large population would provide the foundation for the PRC economy to remain relatively robust. The Group will introduce rabbit meat products to the PRC market on a continual basis and launch various new rabbit meat product ranges.

For the chicken meat products, the Group is confident that the demand will recover once consumers have restored their confidence. The Group will continue to expand its market share in the PRC by implementing an extensive marketing strategy with emphasis on maintaining good relationships with customers and suppliers and other means in order to achieve a leading position.

The Group is well-positioned to tackle the challenges imposed by the global economic environment and believes that its commitment to healthier, safer and quality meat products will place the Group ahead of its fellow competitors.

11. **Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

None

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year?

Not applicable.

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

**12. If no dividend has been declared/recommended, a statement to that effect.**

No dividend has been declared/recommendeded for the period ended 30 June 2013.

**13. Interested Person Transactions**

The Group is not required to have any IPT mandate.

BY ORDER OF THE BOARD

Fong William  
CFO & Company Secretary

14 August 2013

**CHINA KANGDA FOOD COMPANY LIMITED**  
(Incorporated in Bermuda)

*Confirmation By Directors Pursuant to Clause 705(5) of the Listing Manual of SGX-ST.*

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*We confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of China Kangda Food Company Limited which may render the financial statements for the second quarter ended 30 June 2013 to be false or misleading, in any material aspects.*

For and on behalf of the  
Board of Directors of  
China Kangda Food Company Limited

Gao Sishi  
Chairman

Gao Yanxu  
CEO & Executive Director

14 August 2013