

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 12 August 2016.

**SECOND QUARTER AND HALF YEARLY FINANCIAL STATEMENTS ANNOUNCEMENT  
FOR THE PERIOD ENDED 30 JUNE 2016**

**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 30/06/2016 Unaudited RMB'000	Three months period ended 30/06/2015 Unaudited RMB'000	Change +/(-) %	Six months period ended 30/06/2016 Unaudited RMB'000	Six months period ended 30/06/2015 Unaudited RMB'000	Change +/(-) %
Revenue	462,853	287,694	60.9	785,712	563,263	39.5
Cost of sales	(428,063)	(259,462)	65.0	(731,376)	(510,476)	43.3
<b>Gross profit</b>	34,790	28,232	23.2	54,336	52,787	2.9
Other income	5,928	3,083	92.3	14,559	9,287	56.8
Selling and distribution expenses	(6,691)	(6,598)	1.4	(12,700)	(12,618)	0.6
Administrative expenses	(9,789)	(11,228)	(12.8)	(18,278)	(18,856)	(3.1)
Other operating expenses	(1,171)	(1,030)	13.7	(1,385)	(1,776)	(22.0)
<b>Profit from operations</b>	23,067	12,459	85.1	36,532	28,824	26.7
Finance costs	(9,211)	(11,231)	(18.0)	(19,257)	(22,437)	(14.2)
Share of loss of associates	-	(376)	(100.0)	-	(709)	(100.0)
<b>Profit before taxation</b>	13,856	852	1,526.3	17,275	5,678	204.2
Income tax credit/(expense)	(1,943)	1,679	215.7	(2,469)	(255)	868.2
<b>Profit for the period</b>	<b>11,913</b>	<b>2,531</b>	<b>370.7</b>	<b>14,806</b>	<b>5,423</b>	<b>173.0</b>
Other comprehensive income	-	-	N/A	-	-	N/A
<b>Total comprehensive income for the period</b>	<b>11,913</b>	<b>2,531</b>	<b>370.7</b>	<b>14,806</b>	<b>5,423</b>	<b>173.0</b>

	Three months period ended 30/06/2016 Unaudited RMB'000	Three months period ended 30/06/2015 Unaudited RMB'000	Change +/(-) %	Six months period ended 30/06/2016 Unaudited RMB'000	Six months period ended 30/06/2015 Unaudited RMB'000	Change +/(-) %
<b>Total comprehensive income attributable to:</b>						
Owners of the Company	13,143	2,355		15,798	5,658	
Non-controlling interests	(1,230)	176		(992)	(235)	
Earnings per share						
- Basic (RMB cents)	3.04	0.54		3.65	1.31	
The Group's profit before taxation is arrived at after charging/(crediting):						
Amortisation of prepaid premium for land leases	967	949		1,933	1,898	
Depreciation of property, plant and equipment	14,650	12,844		27,470	25,665	
Exchange loss, net	284	449		1,245	1,059	
Interest expenses on interest-bearing bank borrowings	9,211	11,231		19,257	22,437	
Interest income on bank deposits	(858)	(352)		(1,478)	(878)	

**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	
	30/6/2016 RMB'000 (Unaudited)	31/12/2015 RMB'000 (Audited)	30/6/2016 RMB'000 (Unaudited)	31/12/2015 RMB'000 (Audited)
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Property, plant and equipment	804,329	819,364	-	-
Prepaid premium for land leases	118,945	120,878	-	-
Investments in subsidiaries	-	-	84,144	84,144
Goodwill	56,778	56,778	-	-
Biological assets	17,295	24,774	-	-
Deferred tax assets	1,087	1,679	-	-
	<b>998,434</b>	<b>1,023,473</b>	<b>84,144</b>	<b>84,144</b>
<b>Current assets</b>				
Biological assets	41,421	36,274	-	-
Inventories	178,757	176,906	-	-
Trade receivables	85,706	64,933	-	-
Prepayments, other receivables and deposits	74,290	82,667	89	89
Amount due to a related company	-	5,924	-	-
Amounts due from subsidiaries	-	-	228,758	230,542
Current portion of long-term receivables	2,546	2,546	-	-
Pledged deposits	212,735	185,735	-	-
Cash and bank balances	333,068	269,648	69	46
	<b>928,523</b>	<b>824,633</b>	<b>228,916</b>	<b>230,677</b>

	Group		Company	
	30/6/2016 RMB'000 (Unaudited)	31/12/2015 RMB'000 (Audited)	30/6/2016 RMB'000 (Unaudited)	31/12/2015 RMB'000 (Audited)
<b>Current liabilities</b>				
Trade and bills payables	382,089	347,836	-	-
Accrued liabilities and other payables	98,783	104,264	250	250
Interest-bearing bank borrowings	684,000	649,000	-	-
Amount due to a related company	4,166	-	-	-
Deferred government grants	2,637	2,637	-	-
Tax payables	1,576	3,296	-	-
	<b>1,173,251</b>	1,017,033	<b>250</b>	250
<b>Net current (liabilities)/assets</b>	<b>(244,728)</b>	(282,400)	<b>228,666</b>	230,427
<b>Total assets less current liabilities</b>	<b>753,706</b>	741,073	<b>312,810</b>	314,571
<b>Non-current liabilities</b>				
Deferred government grants	20,320	22,120	-	-
Interest-bearing bank borrowings	40,000	40,000	-	-
Deferred tax liabilities	7,596	7,969	-	-
Total non-current liabilities	<b>67,916</b>	70,089	-	-
<b>Net assets</b>	<b>685,790</b>	670,984	<b>312,810</b>	314,571
<b>EQUITY</b>				
<b>Equity attributable to owners of the Company</b>				
- Share capital	112,176	112,176	112,176	112,176
- Reserves	547,760	531,962	200,634	202,395
	<b>659,936</b>	644,138	<b>312,810</b>	314,571
<b>Non-controlling interests</b>	<b>25,854</b>	26,846	-	-
<b>Total equity</b>	<b>685,790</b>	670,984	<b>312,810</b>	314,571

**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 30/6/2016		As at 31/12/2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
205,000	479,000	205,000	444,000

**2. Amount repayable after one year**

As at 30/6/2016		As at 31/12/2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	40,000	-	40,000

## Details of collateral:

Total interest-bearing bank borrowings include secured borrowings of approximately RMB205,000,000.

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

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

RMB'000	Three	Three	Six	Six
	months	months	months	months
	period	period	period	period
	ended	ended	ended	ended
	30/6/2016	30/6/2015	30/6/2016	30/6/2015
	Unaudited	Unaudited	Unaudited	Unaudited
<b>Cash flows from operating activities</b>				
<b>Profit before taxation</b>	13,856	852	17,275	5,678
<b>Adjustments for:</b>				
Interest income	(858)	(352)	(1,478)	(878)
Interest expenses	9,211	11,231	19,257	22,437
Depreciation of property, plant and equipment	14,650	12,844	27,470	25,665
Amortisation of prepaid premium for land leases	967	949	1,933	1,898
Loss/(gain) arising from change in fair value less estimated point-of-sale costs of biological assets, net	514	289	(3,841)	(4,356)
Amortisation of deferred income on government grants	(900)	(1,005)	(1,800)	(2,012)
Share of loss of associates	-	376	-	709
<b>Operating profit before working capital changes</b>	<b>37,440</b>	<b>25,184</b>	<b>58,816</b>	<b>49,141</b>
(Increase)/decrease in inventories	(14,273)	38,186	(1,851)	4,875
Increase in trade receivables	(21,060)	(11,654)	(20,773)	(17,128)
(Increase)/decrease in biological assets	(11,323)	3,622	6,173	18,798
(Increase)/decrease in prepayments, other receivables and deposits	(5,511)	(8,667)	8,377	1,456
(Decrease)/increase in balance with a related company	(2,708)	2,120	10,090	(16,706)
Increase/(decrease) in trade and bills payables	20,796	2,098	34,253	(9,827)
(Decrease)/increase in accrued liabilities and other payables	(12,429)	(2,512)	2,341	(16,550)
<b>Cash (used in)/generated from operations</b>	<b>(9,068)</b>	<b>48,377</b>	<b>97,426</b>	<b>14,059</b>
Interest paid	(9,211)	(11,231)	(19,257)	(22,437)
Income taxes (paid)/received	(2,955)	3,698	(3,970)	(772)
<b>Net cash (used in)/generated from operating activities</b>	<b>(21,234)</b>	<b>40,844</b>	<b>74,199</b>	<b>(9,150)</b>

<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment	(7,051)	(10,225)	(12,435)	(17,889)
Payment to acquire property, plant and equipment	(1,500)	-	(7,822)	-
Increase in pledged deposits	(7,000)	-	(27,000)	-
Interest received	858	352	1,478	878
<i>Net cash used in investing activities</i>	<i>(14,693)</i>	<i>(9,873)</i>	<i>(45,779)</i>	<i>(17,011)</i>
<b>Cash flows from financing activities</b>				
New of bank borrowings	299,000	165,000	389,000	244,000
Repayment of bank borrowings	(275,000)	(169,000)	(354,000)	(264,667)
<i>Net cash generated from/(used in) financing activities</i>	<i>24,000</i>	<i>(4,000)</i>	<i>35,000</i>	<i>(20,667)</i>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(11,927)</b>	<b>26,971</b>	<b>63,420</b>	<b>(46,828)</b>
<b>Cash and cash equivalents at beginning of financial period</b>	<b>344,995</b>	<b>407,646</b>	<b>269,648</b>	<b>481,445</b>
<b>Cash and cash equivalents at end of financial period</b>	<b>333,068</b>	<b>434,617</b>	<b>333,068</b>	<b>434,617</b>
<b>Analysis of balances of cash and cash equivalents</b>				
<b>Cash and bank balances</b>	<b>333,068</b>	<b>434,617</b>	<b>333,068</b>	<b>434,617</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 2016 (Audited)	112,176	257,073	(41,374)	2,374	46,797	267,092	644,138	26,846	670,984
Profit for the period (Unaudited)	-	-	-	-	-	2,655	2,655	238	2,893
Other comprehensive income (Unaudited)	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	-	2,655	2,655	238	2,893
<b>At 31 March 2016 (Unaudited)</b>	<b>112,176</b>	<b>257,073</b>	<b>(41,374)</b>	<b>2,374</b>	<b>46,797</b>	<b>269,747</b>	<b>646,793</b>	<b>27,084</b>	<b>673,877</b>
At 1 April 2016 (Unaudited)	112,176	257,073	(41,374)	2,374	46,797	269,747	646,793	27,084	673,877
Profit/(loss) for the period (Unaudited)	-	-	-	-	-	13,143	13,143	(1,230)	11,913
Other comprehensive income (Unaudited)	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	-	13,143	13,143	(1,230)	11,913
<b>At 30 June 2016 (Unaudited)</b>	<b>112,176</b>	<b>257,073</b>	<b>(41,374)</b>	<b>2,374</b>	<b>46,797</b>	<b>282,890</b>	<b>659,936</b>	<b>25,854</b>	<b>685,790</b>
At 1 January 2015 (Audited)	112,176	257,073	(41,374)	2,374	43,812	298,137	672,198	24,791	696,989
Profit/(loss) for the period (Unaudited)	-	-	-	-	-	3,303	3,303	(411)	2,892
Other comprehensive income (Unaudited)	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	-	3,303	3,303	(411)	2,892
<b>At 31 March 2015 (Unaudited)</b>	<b>112,176</b>	<b>257,073</b>	<b>(41,374)</b>	<b>2,374</b>	<b>43,812</b>	<b>301,440</b>	<b>675,501</b>	<b>24,380</b>	<b>699,881</b>
At 1 April 2015 (Unaudited)	112,176	257,073	(41,374)	2,374	43,812	301,440	675,501	24,380	699,881
Profit for the period (Unaudited)	-	-	-	-	-	2,355	2,355	176	2,531
Other comprehensive income (Unaudited)	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	-	2,355	2,355	176	2,531
<b>At 30 June 2015 (Unaudited)</b>	<b>112,176</b>	<b>257,073</b>	<b>(41,374)</b>	<b>2,374</b>	<b>43,812</b>	<b>303,795</b>	<b>677,856</b>	<b>24,556</b>	<b>702,412</b>

<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 2016 (Audited)	112,176	257,073	6,143	2,374	(63,195)	314,571
Loss for the period (Unaudited)	-	-	-	-	(1,323)	(1,323)
Other comprehensive income (Unaudited)	-	-	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	(1,323)	(1,323)
<b>At 31 March 2016 (Unaudited)</b>	<b>112,176</b>	<b>257,073</b>	<b>6,143</b>	<b>2,374</b>	<b>(64,518)</b>	<b>313,248</b>
At 1 April 2016 (Unaudited)	112,176	257,073	6,143	2,374	(64,518)	313,248
Loss for the period (Unaudited)	-	-	-	-	(438)	(438)
Other comprehensive income (Unaudited)	-	-	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	(438)	(438)
<b>At 31 June 2016 (Unaudited)</b>	<b>112,176</b>	<b>257,073</b>	<b>6,143</b>	<b>2,374</b>	<b>(64,956)</b>	<b>312,810</b>
At 1 January 2015 (Audited)	112,176	257,073	6,143	2,374	(59,091)	318,675
Loss for the period (Unaudited)	-	-	-	-	(710)	(710)
Other comprehensive income (Unaudited)	-	-	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	(710)	(710)
<b>At 31 March 2015 (Unaudited)</b>	<b>112,176</b>	<b>257,073</b>	<b>6,143</b>	<b>2,374</b>	<b>(59,801)</b>	<b>317,965</b>
At 1 April 2015 (Unaudited)	112,176	257,073	6,143	2,374	(59,801)	317,965
Loss for the period (Unaudited)	-	-	-	-	(1,237)	(1,237)
Other comprehensive income (Unaudited)	-	-	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	(1,237)	(1,237)
<b>At 31 June 2015 (Unaudited)</b>	<b>112,176</b>	<b>257,073</b>	<b>6,143</b>	<b>2,374</b>	<b>(61,038)</b>	<b>316,728</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 2015 and 30 June 2016	2,000,000	500,000
<b>Issued and fully paid :</b>		
At 31 December 2015 and 30 June 2016	432,948	108,237

**Note:**

The Company does not have any shares that may be issued on conversion of any outstanding convertibles as at 31 December 2015 and 30 June 2016.

**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.**

	30/6/2016 '000	31/12/2015 '000
<b>Total number of ordinary shares excluding treasury shares</b>	<b>432,948</b>	<b>432,948</b>

**Note:**

There were no treasury shares held by the Company as at 30 June 2016 and 31 December 2015.

**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 2015.



**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.**

During the period, the Group has applied for the first time some revised standards, amendments and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretation Committee ("IFRIC") of the IASB which are effective for the Group's financial statements for the annual period beginning on or after 1 January 2016. The adoption of the new IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

**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 30/6/2016 Unaudited</b>	<b>Three months period ended 30/6/2015 Unaudited</b>	<b>Six months period ended 30/6/2016 Unaudited</b>	<b>Six months period ended 30/6/2015 Unaudited</b>
Earnings per share				
- Basic (RMB cents)	3.04	0.54	3.65	1.31
- Dilute (RMB cents)	3.04	0.54	3.65	1.31

**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 2016 and three months and six months ended 30 June 2015 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>30/6/2016</b>	<b>31/12/2015</b>	<b>30/6/2016</b>	<b>31/12/2015</b>
Net asset value per ordinary share based on issued share capital at the end of:	152.43	148.78	72.25	72.66

**Note:**

The number of ordinary shares of the Company as at 30 June 2016 was 432,948,000 (2015: 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 30/6/2016	Three months ended 30/6/2015	% Change	Six months ended 30/6/2016	Six months ended 30/6/2015	% Change
	2Q2016	2Q2015		HY2016	HY2015	
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	+/(-)	RMB'000	RMB'000	+/(-)
<b>Processed food products</b>	177,244	148,834	19.1	327,168	303,935	7.6
<b>Chilled and frozen rabbit meat</b>	58,495	35,783	63.5	83,770	64,274	30.3
<b>Chilled and frozen chicken meat</b>	175,499	69,015	154.3	286,499	137,892	107.8
<b>Other products</b>	51,615	34,062	51.5	88,275	57,162	54.4
<b>Total</b>	<b>462,853</b>	<b>287,694</b>	<b>60.9</b>	<b>785,712</b>	<b>563,263</b>	<b>39.5</b>

#### Processed Food Products

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

#### Chilled and Frozen Meat Products

The rabbit and chicken meat segments contributed 47.1% and 50.6% to the Group's total revenue for HY2016 and 2Q2016 respectively. Revenue of rabbit and chicken meat segments registered a 83.2% increase to RMB370.3 million for HY2016 due mainly to the increase of chicken meat segment.

The major contributor was chilled and frozen chicken meat products, in which revenue increased by 107.8% to RMB286.5 million and by 154.3% to RMB175.5 million for HY2016 and 2Q2016 respectively. The increase in production and sales volume of chicken meat products was in line with the increase demand in the PRC market.

As the oversupply of rabbit meat in the PRC market began to resolve from the second quarter, revenue derived from the rabbit meat segment increased by 30.3% to RMB83.8 million and by 63.5% to RMB58.5 million for HY2016 and 2Q2016 respectively.

#### Other Products

Revenue from the production and sale of other products increased by 54.4% to RMB88.3 million and by 51.5% to RMB51.6 million for HY2016 and 2Q2016 respectively because of the increase of chicken meat by-products with the increase of production volume of chicken.

## REVENUE BY GEOGRAPHICAL MARKETS

	2Q2016	2Q2015	% Change	HY2016	HY2015	% Change
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	+ / (-)	RMB'000	RMB'000	+ / (-)
Export	138,452	132,237	4.7	248,082	241,206	2.9
PRC	324,401	155,457	108.7	537,630	322,057	66.9
<b>Total</b>	<b>462,853</b>	<b>287,694</b>	<b>60.9</b>	<b>785,712</b>	<b>563,263</b>	<b>39.5</b>

On a geographical basis, revenue from export sales increased slightly by 2.9% to RMB248.1 million and by 4.7% to RMB138.5 million for HY2016 and 2Q2016 respectively.

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

## PROFITABILITY

Gross Profit ("GP") and Margin

	HY2016		HY2015		Change	% Change
	GP	Margin	GP	Margin	GP	
	RMB'000	%	RMB'000	%	RMB'000	%
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Processed food	32,226	9.9	36,600	12.0	(4,374)	(12.0)
Rabbit meat	10,145	12.1	5,115	8.0	5,030	98.3
Chicken meat	3,363	1.2	3,302	2.4	61	1.8
Other products	8,602	9.7	7,770	13.6	832	10.7
<b>Total</b>	<b>54,336</b>	<b>6.9</b>	<b>52,787</b>	<b>9.4</b>	<b>1,549</b>	<b>2.9</b>

Gross profit margin declined from 9.4% to 6.9% in HY2016.

### Processed food products

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

### Chilled and frozen rabbit meat

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

### Chilled and frozen chicken meat

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

### Other products

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

### **Other Income**

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

### **Selling and Distribution Expenses**

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

### **Administrative Expenses**

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

### **Other Operating Expenses**

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

### **Finance Costs**

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

### **Taxation**

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

### **Review of the Group financial position as at 30 June 2016**

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

The reduction in prepaid premium for land leases for HY2016 amounting to approximately RMB1.9 million was due mainly to amortisation.

Goodwill arose from the acquisitions of subsidiaries in the past.

Biological assets refer to progeny rabbits and chickens held for sale and breeder rabbits and chickens held for breeding purpose. These biological assets were valued by the directors of the Group as at 30 June 2016 based on market-determined prices of rabbits/chickens of similar size, species and age. The valuation methodology is in compliance with IAS 41 and IFRS 13 to determine the fair values of biological assets in their present location and condition.

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

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

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

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

Trade and bills payables increased by approximately RMB34.3 million or 9.8% from approximately RMB347.8 million as at 31 December 2015 to approximately RMB382.1 million as at 30 June 2016 to satisfy the Group's future working capital during the period.

Accrued liabilities and other payables represented payables for construction and facilities, salaries and welfare payables, accrued expenses and deposits received. The decrease of approximately RMB5.5 million or 5.3% was due to the decrease of deposits placed by customers compared to 31 December 2015.

The interest-bearing bank borrowings increased by approximately RMB35.0 million to approximately RMB684.0 million after taking into account the additional bank borrowings of approximately RMB389.0 million and the loan repayment of approximately RMB354.0 million. Approximately RMB40.0 million of the bank borrowing was classified as non-current liabilities.

Amount due to a related party represented the outstanding balance due to Qingdao Kangda Foreign Trade Group Limited ("KD Group") as a result of the settlement and trading transactions.

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

### **Cash Flow Statement**

#### **Operating activities**

Cash generated from operating activities increased from approximately RMB9.1 million cash outflow to approximately RMB74.2 million cash inflow for HY2016. The increase in operating cash inflow was due to the better working capital management for HY2016.

#### **Investing activities**

Net cash used in investing activities amounted to approximately RMB45.8 million was due mainly to the increase in pledged deposits and purchase of property, plant and equipment for HY2016 amounted to approximately RMB27.0 million and RMB12.4 million respectively.

#### **Financing activities**

Net cash generated mainly represented the additional bank borrowings of approximately RMB389.0 million and repayment of bank borrowings of approximately RMB354.0 million.

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

Not applicable.

### **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.**

2016 is a challenging year because of the downward pressure faced by the global economy and the oversupply livestock by the numerous smaller chicken breeder farms. As a result of the long-term oversupply, the market price of chicken meat has dropped for the fourth consecutive years. To improve the profitability of the chicken meat processing industry, the Group will continue to increase its efforts in the research and development of new products that command higher profit margins.

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

**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/recommendeded, a statement to that effect.**

No dividend has been declared/recommendeded for the period ended 30 June 2016.

**13. Interested Person Transactions**

The Group is not required to have any IPT mandate.

**14. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)**

The Board of Directors of China Kangda Food Company Limited hereby confirms that the undertakings from all its Directors and Executive Officers as required in the format as set out under Rule 720(1) of the Listing Manual were procured.

BY ORDER OF THE BOARD

Fong William  
CFO & Company Secretary

12 August 2016

**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 and half year ended 30 June 2016 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

An Fengjun  
CEO & Executive Director

12 August 2016

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**KOND 康大**  
**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 2016**

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 2016 together with the comparative figures for the corresponding period in 2015 as set out below.

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

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



**Earnings per share attributable to owners  
of the Company**

10

<b>Basic (RMB cents)</b>	3.65	1.31
<b>Diluted (RMB cents)</b>	3.65	1.31

**Consolidated statement of financial position**

As at 30 June 2016

	Notes	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>804,329</b>	819,364
Prepaid premium for land leases		<b>118,945</b>	120,878
Goodwill		<b>56,778</b>	56,778
Biological assets		<b>17,295</b>	24,774
Deferred tax assets		<b>1,087</b>	1,679
		<b>998,434</b>	1,023,473
<b>Current assets</b>			
Biological assets		<b>41,421</b>	36,274
Inventories		<b>178,757</b>	176,906
Trade receivables	11	<b>85,706</b>	64,933
Prepayments, other receivables and deposits		<b>74,290</b>	82,667
Amount due from a related company		-	5,924
Current portion of long-term receivables		<b>2,546</b>	2,546
Pledged deposits		<b>212,735</b>	185,735
Cash and bank balances		<b>333,068</b>	269,648
		<b>928,523</b>	824,633
<b>Current liabilities</b>			
Trade and bills payables	12	<b>382,089</b>	347,836
Accrued liabilities and other payables		<b>98,783</b>	104,264
Interest-bearing bank borrowings	13	<b>684,000</b>	649,000
Amount due to a related company		<b>4,166</b>	-
Deferred government grants		<b>2,637</b>	2,637
Tax payables		<b>1,576</b>	3,296
		<b>1,173,251</b>	1,017,033
Net current liabilities		<b>(244,728)</b>	(282,400)
<b>Total assets less current liabilities</b>		<b>753,706</b>	741,073

## Consolidated statement of financial position (Continued)

as at 30 June 2016

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
<b>Non-current liabilities</b>			
Deferred government grants		20,320	22,120
Interest-bearing bank borrowings	13	40,000	40,000
Deferred tax liabilities		7,596	7,969
<b>Total non-current liabilities</b>		<b>67,916</b>	70,089
<b>Net assets</b>		<b>685,790</b>	670,984

### EQUITY

<b>Equity attributable to owners of the Company</b>			
- Share capital		112,176	112,176
- Reserves		547,760	531,962
		<b>659,936</b>	644,138
<b>Non-controlling interests</b>		<b>25,854</b>	26,846
<b>Total equity</b>		<b>685,790</b>	670,984

### 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 2015, except that during the period, the Group has applied for the first time some revised

standards, amendments and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretation Committee ("IFRIC") of the IASB which are effective for the Group's financial statements for the annual period beginning on or after 1 January 2016. The adoption of the new IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

### 3. BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with IFRSs which collective term includes all applicable individual IFRSs, International Accounting Standards and Interpretations issued by the IASB. The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The interim financial statements have been prepared on the historical cost basis except for biological assets which are stated at fair values.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

### 4. SEGMENT INFORMATION

The Group is organised into four main business segments:

- Production and sale of processed food
- Production and sale of chilled and frozen rabbit meat
- Production and sale of chilled and frozen chicken meat
- Production and sale of other products

Information regarding the Group's reportable segments as provided to the Group's executive directors is set out below:

	Six months ended 30 June 2016				
	Processed food RMB'000 (unaudited)	Chilled and frozen rabbit meat RMB'000 (unaudited)	Chilled and frozen chicken meat RMB'000 (unaudited)	Other products RMB'000 (unaudited)	Total RMB'000 (unaudited)
<b>Reportable segment revenue</b>					
- revenue from external customers	327,168	83,770	286,499	88,275	785,712
<b>Reportable segment profit/(loss)</b>	24,902	8,014	2,364	6,356	41,636

	Six months ended 30 June 2015				
	Processed food RMB'000 (unaudited)	Chilled and frozen rabbit meat RMB'000 (unaudited)	Chilled and frozen chicken meat RMB'000 (unaudited)	Other products RMB'000 (unaudited)	Total RMB'000 (unaudited)
<b>Reportable segment revenue</b>					
- revenue from external customers	303,935	64,274	137,892	57,162	563,263
<b>Reportable segment profit</b>	27,851	3,892	2,513	5,913	40,169

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

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

## 5. REVENUE AND OTHER INCOME

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

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>		
Sale of goods	785,712	563,263
<b>Other income</b>		
Interest income on financial assets stated at amortised cost		
- Interest income on bank deposits	1,478	878
Amortisation of deferred income on government grants	1,800	2,012
Government grants related to income	3,989	1,071
Gains arising from changes in fair value less estimated point-of-sale costs of biological assets, net	3,841	4,356
Others	3,451	970
	<b>14,559</b>	<b>9,287</b>

## 6. PROFIT FROM OPERATIONS

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

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

## 7. FINANCE COSTS

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

## 8. INCOME TAX EXPENSE

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

No Hong Kong profits tax has been provided for the six months ended 30 June 2016 as the Group did not derive any assessable profit in Hong Kong during the period (six months ended 30 June 2015: Nil).

PRC corporate income tax is provided at the rates applicable to the subsidiaries in the PRC on the income for statutory reporting purpose, adjusted for income and expense items which are not assessable or deductible for income tax purposes based on existing PRC income tax regulations, practices and interpretations thereof.

## 9. DIVIDENDS

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2016 (six months ended 30 June 2015: Nil)

## 10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the earnings attributable to owners of the Company of approximately RMB15,798,000 (six months ended 30 June 2015: RMB5,658,000) and on the weighted average of 432,948,000 (six months ended 30 June 2015: 432,948,000) ordinary shares in issue during the period.

No diluted earnings per share for the six months ended 30 June 2016 and 2015 has been presented as the Company has no potential dilutive ordinary shares during the period.

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

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

## 13. INTEREST-BEARING BANK BORROWINGS

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

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

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

### OPERATING AND FINANCIAL REVIEW

#### REVENUE BY PRODUCTS

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

#### Processed Food Products

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

#### Chilled and Frozen Meat Products

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

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

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



## Other Products

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

## REVENUE BY GEOGRAPHICAL MARKETS

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

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

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

## PROFITABILITY

Gross Profit ("GP") and Margin

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

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

### Processed food products

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

### Chilled and frozen rabbit meat

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

### Chilled and frozen chicken meat

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

### **Other products**

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

### **Other Income**

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

### **Selling and Distribution Expenses**

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

### **Administrative Expenses**

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

### **Other Operating Expenses**

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

### **Finance Costs**

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

### **Taxation**

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

### **Review of the Group's financial position as at 30 June 2016**

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

The reduction in prepaid premium for land leases for HY2016 amounting to approximately RMB1.9 million was due mainly to amortisation.

Goodwill arose from the acquisitions of subsidiaries in the past.

Biological assets refer to progeny rabbits and chickens held for sale and breeder rabbits and chickens held for breeding purpose. These biological assets were valued by the directors of the Group as at 30 June 2016 based on market-determined prices of rabbits/chickens of similar size, species and age. The valuation methodology is in compliance with IAS 41 and IFRS 13 to determine the fair values of biological assets in their present location and condition.

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

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

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

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

Trade and bills payables increased by approximately RMB34.3 million or 9.8% from approximately RMB347.8 million as at 31 December 2015 to approximately RMB382.1 million as at 30 June 2016 for the financing of facilities enhancements during the period.

Accrued liabilities and other payables represented payables for construction and facilities, salaries and welfare payables, accrued expenses and deposits received. The decrease by approximately RMB5.5 million or 5.3% was due to the decrease of deposits placed by customers compared to 31 December 2015.

The interest-bearing bank borrowings increased by approximately RMB35.0 million to approximately RMB684.0 million after taking into account the additional bank borrowings of approximately RMB389.0 million and the loan repayment of approximately RMB354.0 million. Approximately RMB40.0 million of the bank borrowing was classified as non-current liabilities.

Amount due to a related party represented the outstanding balance due to Qingdao Kangda Foreign Trade Group Limited ("KD Group") a result of the settlement and trading transactions.

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

## **CAPITAL STRUCTURE**

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

## **LIQUIDITY AND FINANCIAL RESOURCES**

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

The gearing ratio for the Group was 111% (31 December 2015: 107%) as at 30 June 2016, based on net debt of RMB729.0 million (31 December 2015: RMB689.0 million) and equity attributable to owners of RMB659.9 million (31 December 2015: RMB644.1 million). The Group would serve its debts primarily with cash flow generated from its operation, seeking renewal of the outstanding bank borrowings and new banking facilities and exploring the availability of alternative source of financing. The management is confident that the Group has adequate financial resources to meet its future debt repayment and support its working capital requirement and future expansion.

## **FOREIGN CURRENCY EXPOSURE**

The Group is exposed to foreign exchange risk during the period under review arising from various currency exposures mainly to the extent of its receivables in currencies denominated in US dollars, Japanese Yen and EURO.

The Group does not have a formal foreign currency hedging policy or conducts hedging exercise to reduce its foreign currency exposure. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should it be necessary.

## **CAPITAL COMMITMENTS**

As at 30 June 2016, there is no capital commitment of the Group which had been contracted for but not provided in the financial statements (31 December 2015: Nil).

## **CHARGE ON ASSETS**

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

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

## **CONTINGENT LIABILITIES**

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

## **EMPLOYEES AND EMOLUMENT POLICY**

As at 30 June 2016, the Group employed a total of 3,899 employees (as at 31 December 2015: 4,109 employees) situated in the PRC. The Group's emolument policy is formulated based on industry practices and performance of individual employees. During the period under review, the total staff costs (including directors' emoluments) amounted to approximately RMB84.0 million (six months ended 30 June 2015: RMB86.5 million). The Company does not have share option scheme to employees.

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

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 June 2016.

## **AUDIT COMMITTEE**

The audit committee of the Company consists of the independent non-executive directors, namely Mr. Lau Choon Hoong, Mr. Chong Soo Hoon, Sean and Mr. Yu Chung Leung and the non-executive directors of the Company, namely Mr. Zhang Qi and Mr. Naoki Yamada. The audit committee has reviewed with management the accounting principles and standards adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the Company's unaudited financial statements for the six months ended 30 June 2016.

## **CODE ON CORPORATE GOVERNANCE PRACTICE**

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of the directors of the Company, all the directors confirmed that they had complied with the required standards as set out in the Model Code during the six months ended 30 June 2016.

## **PUBLICATION OF UNAUDITED INTERIM RESULTS**

The Company's 2016 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 2016 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, 12 August 2016

*As at the date of this announcement, the executive directors of the Company are Mr. An Fengjun (Chief Executive Officer) and Mr. Gao Yanxu; 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. Chong Soo Hoon, Sean, Mr. Lau Choon Hoong and Mr. Yu Chung Leung.*