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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 2018

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 2018 together with the comparative figures for the corresponding period in 2017 as set out below.

Consolidated statement of profit or loss and other comprehensive income

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Revenue	5	676,083	637,102
Cost of sales		(636,200)	(595,028)
Gross profit		39,883	42,074
Other income	5	26,805	12,462
Selling and distribution expenses		(12,569)	(10,924)
Administrative expenses		(34,283)	(29,966)
Other operating expenses		(1,355)	(146)
Profit from operations	6	18,481	13,500
Finance costs	7	(11,555)	(12,052)
Profit before taxation		6,926	1,448
Income tax expense	8	(400)	(560)
Profit for the period		6,526	888
Other comprehensive income		-	-
Total comprehensive income for the period		6,526	888
Total comprehensive income attributable to:			
Owners of the Company		6,120	1,139
Non-controlling interests		406	(251)
		6,526	888

Earnings per share attributable to owners of the Company	10		
Basic (RMB cents)		1.41	0.26
Diluted (RMB cents)		1.41	0.26

Consolidated statement of financial position

As at 30 June 2018

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		675,240	747,750
Prepaid premium for land leases		103,481	112,231
Interests in associates		2,740	2,740
Goodwill		56,778	56,778
Biological assets		34,200	30,898
Deferred tax assets		1,653	1,591
Deposits for property, plant and equipment		-	6,526
		874,092	958,514
Current assets			
Biological assets		31,011	43,866
Inventories		161,745	171,039
Trade receivables	11	113,119	98,095
Prepayments, other receivables and deposits		44,457	42,308
Pledged deposits		93,000	40,460
Cash and bank balances		303,406	332,386
		746,738	728,154
Current liabilities			
Trade and bills payables	12	376,536	263,535
Accrued liabilities and other payables		134,972	128,359
Interest-bearing bank borrowings	13	359,000	525,319
Amount due to a related company		39,649	38,269
Deferred government grants		2,420	2,932
Tax payables		2,946	2,594
		915,523	961,008
Net current liabilities		(168,785)	(232,854)
Total assets less current liabilities		705,307	725,660

Consolidated statement of financial position (Continued)

as at 30 June 2018

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Non-current liabilities			
Deferred government grants		20,220	21,500
Interest-bearing bank borrowings	13	-	20,000
Other borrowing		11,760	11,760
Deferred tax liabilities		5,772	6,211
Total non-current liabilities		37,752	59,471
Net assets		667,555	666,189
EQUITY			
Equity attributable to owners of the Company			
- Share capital		112,176	112,176
- Reserves		529,004	522,884
		641,180	635,060
Non-controlling interests		26,375	31,129
Total equity		667,555	666,189

NOTES

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda on 28 April 2006. The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The principal place of business of the Company is located at No. 1, Hainan Road, Economic and Technology Development Zone, Jiaonan City, Qingdao, the People's Republic of China. The Company's shares are primary listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKEx") and the listing status in the Main Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST") was changed from primary listing to secondary listing with effect from 23 January 2017.

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

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

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

The accounting policies used in preparing the interim financial statements are consistent with those followed in the Group's annual financial statements for the year ended 31 December 2017, 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 2018. 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 2018				
	Processed food	Chilled and frozen rabbit meat	Chilled and frozen chicken meat	Other products	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reportable segment revenue					
- revenue from external customers	310,808	72,583	197,130	95,562	676,083
Reportable segment profit/(loss)	38,101	2,425	(18,966)	5,754	27,314

	Six months ended 30 June 2017				
	Processed food	Chilled and frozen rabbit meat	Chilled and frozen chicken meat	Other products	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reportable segment revenue					
- revenue from external customers	335,923	83,526	115,837	101,816	637,102
Reportable segment profit/(loss)	45,532	1,855	(24,667)	8,430	31,150

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Reportable segment profit	27,314	31,150
Other income	26,805	12,462
Administrative expenses	(34,283)	(29,966)
Other operating expenses	(1,355)	(146)
Finance costs	(11,555)	(12,052)
Profit before taxation	6,926	1,448

5. REVENUE AND OTHER INCOME

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	676,083	637,102
Other income		
Interest income on financial assets stated at amortised cost		
- Interest income on bank deposits	2,868	3,739
Amortisation of deferred income on government grant	1,792	1,800
Government grants related to income	935	2,142
Gains arising from changes in fair value less estimated point-of-sale costs of biological assets, net	4,830	3,490
Gain on disposal of subsidiaries	15,434	-
Others	946	1,291
	26,805	12,462

6. PROFIT FROM OPERATIONS

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories recognised as an expense	636,200	595,028
Depreciation of property, plant and equipment	31,830	31,948
Amortisation of prepaid premium for land leases	2,012	1,933
Minimum lease payments under operating leases for production facilities	6,630	7,905
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets, net	(4,830)	(3,490)
Staff costs (including directors' remuneration)	116,478	93,550
Less: Retirement scheme contribution	(4,339)	(4,372)
Total staff costs	112,139	89,178
Exchange loss, net	2,679	602

7. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest charges on bank borrowings	11,579	12,172
Interest charges on other borrowing	176	-
Less: Amount capitalised	(200)	(120)
	11,555	12,052

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current period provision		
- PRC corporate income tax	840	770
Deferred tax credit	(440)	(210)
Total income tax expense	400	560

No Hong Kong profits tax has been provided for the six months ended 30 June 2018 as the Group did not derive any assessable profit in Hong Kong during the period (six months ended 30 June 2017: 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 2018 (six months ended 30 June 2017: 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 RMB6,120,000 (six months ended 30 June 2017: RMB1,139,000) and on the weighted average of 432,948,000 (six months ended 30 June 2017: 432,948,000) ordinary shares in issue during the period.

No diluted earnings per share for the six months ended 30 June 2018 and 2017 has been presented as the Company has no potential dilutive ordinary shares during the period.

11. TRADE RECEIVABLES

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade receivables	113,119	98,663
Less: provision for impairment losses of receivables	-	(568)
Trade receivables - net	113,119	98,095

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

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within 30 days	81,092	78,977
31 – 60 days	16,498	14,785
61 – 90 days	11,630	2,513
91 – 120 days	2,971	189
Over 120 days	928	1,631
	113,119	98,095

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.

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade payables	194,944	184,535
Bills payables	181,592	79,000
	376,536	263,535

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within 60 days	293,862	137,963
61 – 90 days	24,929	28,870
91 – 120 days	9,864	30,288
Over 120 days	47,881	66,414
	376,536	263,535

13. INTEREST-BEARING BANK BORROWINGS

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Interest-bearing bank borrowings		
Classified as current liabilities	359,000	525,319
Classified as non-current liabilities	-	20,000

As at 30 June 2018, approximately RMB204.0 million (31 December 2017: RMB380.0 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 4.57% to 6.00% (six months ended 30 June 2017: 4.83% to 6.05%) per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The overall business sentiment remains challenging for the Group in 2018.

The Group's sales turnover increased by approximately 6.1% from RMB637.1 million to RMB676.1 million for the six months ended 30 June 2018 ("HY2018"). Gross profit decreased by approximately 5.2% from RMB42.1 million for the six months ended 30 June 2017 ("HY2017") to RMB39.9 million for HY2018 and the gross profit margin decreased from approximately 6.6% for HY2017 to approximately 5.9% in HY2018. Operating profit after interest and tax was approximately RMB6.5 million for HY2018, as compared to approximately RMB0.9 million in HY2017.

To align the effort in reducing costs by streamlining and restructuring its operations, the Group had on 29 January 2018 entered into two equity transfer agreements to dispose all the equity interests of the Group in Jilin Kangda Foods Co., Ltd.* (吉林康大食品有限公司) and Laiwu Kangda Feeds Co., Ltd.* (萊蕪康大飼料有限公司) (collectively known as the "Disposal"). As a result, the Group recorded an one-off gain amounted to RMB15.4 million. The Disposal has enhanced the cash flows of the Group and allowed deployment of resources to working capital or investment in existing and future projects which would increase the overall profitability of the Group.

PROSPECTS

Rabbit meat is healthy with far more protein and less fat and calorie levels than other meats. Going forward, the Group will continue to leverage on its leading position in the rabbit products and explore suitable opportunities to develop business in the retail healthcare and/or pharmaceutical business. Correspondingly, the Group will continue to reduce costs by streamlining and restructuring its operations. The Group, as always, implemented brand strategy for food and healthcare and biological products, strictly ensured food safety, constantly optimized structure, refined management, developed channels and strengthened cooperation.

OPERATING AND FINANCIAL REVIEW

REVENUE BY PRODUCTS

	Six months ended 30 June 2018	Six months ended 30 June 2017	% Change
	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	+ / (-)
Processed food products	310,808	335,923	(7.5)
Chilled and frozen rabbit meat	72,583	83,526	(13.1)
Chilled and frozen chicken meat	197,130	115,837	70.2
Other products	95,562	101,816	(6.1)
Total	676,083	637,102	6.1

Processed Food Products

There was a 7.5% decrease in both the production and sales volume of processed food products due to the decrease of demand from export market.

* English name is for identification purpose only

Chilled and Frozen Meat Products

The rabbit and chicken meat segments contributed 39.9% to the Group's total revenue for HY2018. Revenue of rabbit and chicken meat segments registered a 35.3% increase to RMB269.7 million for HY2018 due mainly to the significant increase of chicken meat segment.

- *Chilled and Frozen Chicken Meat*

Affected by H7N9 in 2017, there was inadequate supply of chicken in the market. Therefore, the supply of Group's chilled and frozen chicken meat products has increased to satisfy the demand in the market. In addition, the selling price of chicken meat in the PRC increased with the increase of the market price of day-old chicks. Accordingly, the revenue increased by 70.2% to RMB197.1 million.

- *Chilled and Frozen Rabbit Meat*

Revenue derived from the rabbit meat segment decreased by 13.1% to approximately RMB72.6 million for HY2018.

Other Products

Revenue from the production and sale of other products decreased by 6.1% to RMB95.6 million in HY2018 because of the decrease of pet foods and rabbit by-products with the decrease of demand in the PRC market.

REVENUE BY GEOGRAPHICAL MARKETS

	Six months ended 30 June 2018	Six months ended 30 June 2017	% Change
	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	+ / (-)
Export	259,218	275,462	(5.9)
PRC	416,865	361,640	15.3
Total	676,083	637,102	6.1

On a geographical basis, revenue from export sales decreased by 5.9% to RMB259.2 million in HY2018. 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 2018		Six months ended 30 June 2017		Change	% Change
	GP	Margin	GP	Margin	GP	
	RMB'000	%	RMB'000	%	RMB'000	%
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Processed food	43,880	14.1	54,292	16.2	(10,412)	(19.2)
Rabbit meat	3,774	5.2	1,787	2.1	1,987	111.2
Chicken meat	(15,301)	(7.8)	(24,181)	(20.9)	8,880	36.7
Other products	7,530	7.9	10,176	10.0	(2,646)	(26.0)
Total	39,883	5.9	42,074	6.6	(2,191)	(5.2)

Gross profit margin declined from 6.6% to 5.9% in HY2018 due to lower gross profit contribution from the processed food segment.

Processed food products

Processed food products were the main profit contributor for HY2018. The depreciation of USD against RMB during the period had adversely affected overseas revenue leading to a negative impact on gross profit. Since the selling price was not surged in tandem with the fluctuation of the currency, the gross profit margin decreased from 16.2% to 14.1% for HY2018.

Chilled and frozen rabbit meat

With the increase in rearing “free rearing” rabbit, the gross profit margin of rabbit meat products increased from 2.1% to 5.2% for HY2018.

Chilled and frozen chicken meat

The improvement in the gross loss was mainly due to the decrease of the mortality rate of the chicken caused by better weather during the period. In addition, the price and demand of chicken meat reached a support level and the increase in selling prices according to the market situation, the gross profit margin of this segment improved from -20.9% to -7.8%.

Other products

Other products are mainly pet food products and rabbit meat by-products which are not the core profit drivers of the Group. Due to the decrease in demand of these by-products, the gross profit margin decreased from 10.0% to 7.9% for HY2018.

Other Income

Other income comprised mainly gain on disposal of subsidiaries, government grants, gain on change in fair value of biological assets and interest income from bank deposits amounting to RMB15.4 million, RMB0.9 million, RMB4.8 million and RMB2.9 million respectively. The increase in other income was due to the gain recorded in the Disposal which was completed on 29 January 2018.

Selling and Distribution Expenses

Selling and distribution expenses comprised mainly transportation, promotion and advertising, salaries and welfare increased by 15.1% to approximately RMB12.6 million due to increase of sales.

Administrative Expenses

Administrative expenses comprised mainly staff costs, professional fees, travelling expenses and other miscellaneous administrative expenses increased by 14.4% to approximately RMB34.3 million due mainly to the increase of the staff costs during the period.

Other Operating Expenses

Other operating expenses represented miscellaneous expenses, comprising mainly write off property, plant and equipment, increased to RMB1.4 million for HY2018. The increase was due mainly to the increase of written off of property, plant and equipment as a result of the upgrading of the existing rabbit farms.

Finance Costs

Finance costs decreased by 4.1% to approximately RMB11.6 million for HY2018 due mainly to the decrease of average amount of the bank borrowings.

Taxation

In HY2018, some of the subsidiaries in the Group were engaged in qualifying agricultural business, which include breeding and sales of livestock, and generated most of the profit during the period. Therefore, most of the operating profit are entitled to full exemption of corporate income tax during the period and the tax expense decreased accordingly.

Review of the Group's financial position as at 30 June 2018

The Group's property, plant and equipment ("PPE") were mainly leasehold buildings and plant and machinery. The PPE decreased by 9.7% to approximately RMB675.2 million as at 30 June 2018. The decrease comprised of the depreciation charge of RMB31.8 million and the rest was mainly due to the Disposal.

The reduction in prepaid premium for land leases for HY2018 amounting to approximately RMB8.8 million comprised of the amortisation of RMB2.0 million and the rest was mainly due to the Disposal.

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 2018 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 decreased by approximately RMB9.3 million or 5.4% to approximately RMB161.7 million. The average inventory turnover day for HY2018 was 47 days compared to 44 days for FY2017.

Trade receivables increased by approximately RMB15.0 million or 15.3% to approximately RMB113.1 million in HY2018 due to increase of sales.

Prepayments, other receivables and deposits increased by approximately RMB2.1 million or 5.1% to approximately RMB44.5 million as at 30 June 2018.

Cash and cash equivalents, including pledged deposits, increased by approximately RMB23.6 million or 6.3% to approximately RMB396.4 million. Approximately RMB93.0 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 RMB113.0 million or 42.9% from approximately RMB263.5 million as at 31 December 2017 to approximately RMB376.5 million as at 30 June 2018. The bills payables increased by 129.9% to approximately RMB181.6 million as at 30 June 2018. The increase is due to the increase of the use of bills to finance the Group's 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 increase by approximately RMB6.6 million or 5.2% was due to the increase of deposits placed by customers compared to 31 December 2017.

The interest-bearing bank borrowings decreased by approximately RMB186.3 million to approximately RMB359.0 million after taking into account the additional bank borrowings of approximately RMB149.0 million and the loan repayment of approximately RMB335.3 million.

Amount due to a related company represented the outstanding balance due to Qingdao Kangda Foreign Trade Group Limited as result of the settlement and trading transactions.

Tax payables increased by approximately RMB0.4 million to approximately RMB3.0 million as at 30 June 2018. This was due to accrual of income tax during HY2018.

TERMINATION OF THE FRAMEWORK AGREEMENT

Reference is made to the Company's announcement (the "Announcement") dated 14 September 2017 in relation to the Framework Agreement for the proposed acquisition of Target Company in Qingdao. Since the Vendors were unable to fulfill certain conditions precedent set out in the Framework Agreement, the Company has requested to terminate the Framework Agreement accordingly. On July 2018, Tian Yuan You Shan Company Limited, as the Purchaser and a wholly-owned subsidiary of the Company or its subsidiaries, and the Vendors had entered into a termination agreement (the "Termination Agreement") to terminate the Framework Agreement. Management considers that the termination of the Framework Agreement will not have any material adverse effect on the business operations or financial position of the Group. The business of the retail healthcare being in the developing stage and the Group will continue to adopt a prudent approach to open or acquire pharmacies in developed cities in the PRC.

CAPITAL STRUCTURE

As at 30 June 2018, the Group had net assets of approximately RMB667.6 million (31 December 2017: RMB666.2 million), comprising of non-current assets of approximately RMB874.1 million (31 December 2017: RMB958.5 million), and current assets approximately RMB746.7 million (31 December 2017: RMB728.2 million). The Group recorded a net current liability position of approximately RMB168.8 million as at 30 June 2018 (31 December 2017: RMB232.9 million), which primarily consisted of cash and bank balances amounted to approximately RMB303.4 million (31 December 2017: RMB332.4 million). Moreover, inventories amounted to approximately RMB161.7 million (31 December 2017: RMB171.0 million) and trade receivables amounted to approximately RMB113.1 million (31 December 2017: RMB98.1 million) are also major current assets. Major current liabilities are trade and bills payables and interest-bearing bank borrowings amounted to RMB376.5 million (31 December 2017: RMB263.5 million) and RMB359.0 million (31 December 2017: RMB525.3 million) respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group had cash and bank balances of approximately RMB303.4 million (31 December 2017: RMB332.4 million) and had total interest-bearing bank borrowings and amount due to a related company of approximately RMB359.0 million and RMB39.6 million respectively (31 December 2017: RMB525.3 million and RMB38.3 million respectively). The Group's interest-bearing bank borrowings bear interests ranging from 4.57% to 6.00% (six months ended 30 June 2017: 4.83% to 6.05%).

The gearing ratio for the Group was 64.0% (31 December 2017: 93.7%) as at 30 June 2018, based on net debt of RMB410.4 million (31 December 2017: RMB595.3 million) and equity attributable to owners of RMB641.2 million (31 December 2017: RMB635.1 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 2018, there is no capital commitment of the Group which had been contracted for but not provided in the financial statements (31 December 2017: RMB7.6 million).

CHARGE ON ASSETS

Total interest-bearing bank borrowings include secured liabilities of approximately RMB204.0 million (31 December 2017: RMB380.0 million).

As at 30 June 2018, the Group's interest-bearing bank borrowings are guaranteed by certain related parties of the Group and secured against certain Group's properties, plant and equipment, land use rights and certain properties of the related parties.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any material contingent liabilities (31 December 2017: Nil).

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2018, the Group employed a total of 3,710 employees (as at 31 December 2017: 3,897 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 RMB116.5 million (six months ended 30 June 2017: RMB93.6 million). The Company does not have share option scheme for employees.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

The Group did not have any significant investments held or any material acquisitions or disposals of subsidiaries or associated companies during the six months ended 30 June 2018.

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 2018.

AUDIT COMMITTEE

The audit committee of the Board consists of the independent non-executive directors of the Company, namely Mr. Lau Choon Hoong, Mr. Song Xuejun and Mr. Lu Zhiwen. The audit committee of the Board has reviewed with the management the accounting principles and standards adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the Company's unaudited financial statements for the six months ended 30 June 2018.

CODE ON CORPORATE GOVERNANCE PRACTICE

In the opinion of the directors of the Company, during the six months ended 30 June 2018 and up to the date of this announcement, the Company has complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 of the Listing Rules (the “Code Provisions”), save for certain deviations from the relevant Code Provisions A.2.1 and A.3.2 as listed below:

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the “Model Code”). Having made specific enquiry of the directors of the Company, all the directors confirmed that they had complied with the required standards as set out in the Model Code for the six months ended 30 June 2018 and up to the date of this announcement.

PUBLICATION OF UNAUDITED INTERIM RESULTS

The Company’s 2018 interim results announcement is published on the website of HKEx (www.hkexnews.hk), SGX-ST (www.sgx.com) and the Company at www.kangdafood.com. The Company’s 2018 interim report will also be published on the aforesaid websites in due course.

APPRECIATION

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

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

Hong Kong, 30 August 2018

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