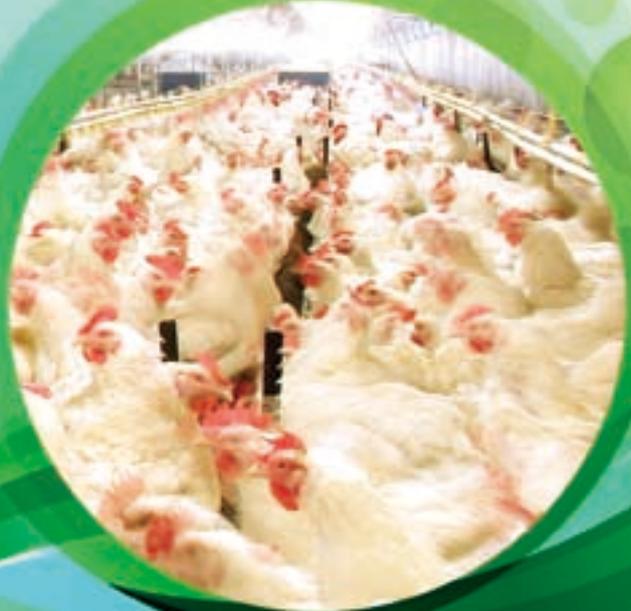




SUMPO FOOD HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1089

Interim Report 2013





SUMPO FOOD

The Group is principally engaged in the production of chicken meat products from white-feathered broilers through its own production facilities. We are one of the well-known chicken meat products suppliers and one of the competitive enterprises of meat products awarded by the China Meat Association (中國肉類協會) in the PRC.



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Corporate Information

Directors

Executive Directors

Mr. Lin Qinglin (*Chairman*)
Mr. Wu Shiming
Mr. Yin Shouhong

Independent Non-Executive Directors

Mr. Hu Chung Ming
Mr. Chau On Ta Yuen
Mr. Wei Ji Min

Audit Committee

Mr. Hu Chung Ming (*Committee Chairman*)
Mr. Chau On Ta Yuen
Mr. Wei Ji Min

Remuneration Committee

Mr. Hu Chung Ming (*Committee Chairman*)
Mr. Wei Ji Min
Mr. Lin Qinglin

Nomination committee

Mr. Lin Qinglin (*Committee Chairman*)
Mr. Hu Chung Min
Mr. Chau On Ta Yuen

Company Secretary

Mr. Ng Kin Sun *CPA, CPA (Aust.)*

Auditors

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Legal Advisor

Cheung Tong & Rosa Solicitors

Stock Code

1089

Principal Bankers

China Construction Bank Corporation
Industrial and Commercial Bank of China Limited
Agricultural Bank of China Limited
Agricultural Development Bank of China
China Merchants Bank Co., Ltd.
Bank of Communications Co., Ltd.

Registered Office

Cricket Square, Hutchins Drive, PO Box 2681,
Grand Cayman, KY1-1111, Cayman Islands

Principal Place Of Business in Hong Kong

Suite 3516, Shun Tak Centre West Tower,
168-200 Connaught Road Central,
Sheung Wan, Hong Kong

Head Office and Principal Place of Business in the PRC

No.688, Denggao East Road, Xinluo District, Longyan,
Fujian, PRC

Cayman Islands Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House,
24 Shedden Road, George Town,
Grand Cayman KY1-1110,
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
26th Floor, Tesbury Centre,
28 Queen's Road East,
Wanchai, Hong Kong

Company Website

www.sumpofood.com

Management Discussion and Analysis

BUSINESS REVIEW

Sumpo Food Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) is one of the well-known chicken meat products suppliers in the Fujian Province of the PRC and our principal business comprises selling chicken meat products under the “森寶 (Sumpo)” brand. The Group’s production process, which comprises the sales of chicken breeds, the production and sales of animal feeds, the breeding of broilers and slaughtering, processing and sales of broilers, is vertically integrated.

Due to the negative impacts arising from the H7N9 incident, the poultry market remained gloomy and the price of chicken meat products kept falling which led to a drop in economic efficiency of the Company in the first half of 2013. However, all government departments paid high attention to the epidemic monitoring system and the Group, as a one-stop broiler breeding enterprise, stressed on the importance in preventing the H7N9 avian influenza among each of the production units and strictly enforced the prevention and control measures adopted by the Company. Benefited from the sound food safety and hygiene system and the quality control system of the Group, and with the efforts from all levels and departments, the Company was able to maintain normal production and operation. All production indicators reflected stable and growing performance, enabling the Company to prepare well in taking advantage of the future recovery of the industry. For the six months ended 30 June 2013, the Group recorded a consolidated turnover of approximately RMB490.7 million (2012: approximately RMB331.6 million), representing an increase of approximately 48.0% as compared to the corresponding period last year. Loss attributable to the owners of the Company was approximately RMB3.0 million (2012: approximately RMB4.6 million). The loss for the period was mainly due to the decrease in the market selling price of chicken meat products and the increase in operating costs resulting in a drop in gross profit margin.

(1) The impact of H7N9 incident and solutions

At the end of March 2013, several H7N9 infection cases occurred in certain provinces and municipals of China which caused panic in the society. The Group, engaged in the breeding, processing and sales of livestock, has established an emergency management team for H7N9 incident in order to secure the health and safety of the general public, ensure our normal development and protect the interest of the Company. To further strengthen H7N9 avian influenza prevention and control, we fully reinforced the screening on any incidents and the virus detection procedures to promptly handle any emergency cases. We did not only improve site management and pay close attention to the health conditions of their employees and farmers (including contract farmers) of each of the breeding farm, but we also increased the inspection frequency on the chickens and reported any special cases every day. On the other hand, the feeds factories have strengthened the sterilization of the vehicles used for transportation and prevent wild birds from entering the warehouse. Besides, the processing plant of chicken meat products has also strengthened sterilization of the vehicles and chicken coops while employees who are responsible for feeding, catching and slaughtering the broilers at the chicken farms had carried out personal protective and sterilization measures and communicated with the government departments for avian influenza prevention and control related matters. Benefited from the sound food safety and hygiene system and the quality control system of the Group, and with the efforts from all levels and departments, the Company was able to maintain normal production and operation. There was no incident related to the slaughtering of broilers due to the outbreak of bird and animal disease during the period under review.

Management Discussion and Analysis

(2) Procurement and production of raw materials of feeds

We purchased materials directly from production entities whenever possible in order to reduce the number of intermediaries and save costs. We also strengthened the cooperation in the grain-producing regions and widened the procurement channels. Most of the wheat was purchased from grain-producing regions while others were obtained via local auction. The price of corns was relatively stable and the price of wheat had slightly increased. On the other hand, the price of soya meal was higher than our estimated price set in early 2013, mainly due to the lower price of soya bean oil recorded this year which had negative correlation with the prices of soya meal. As a result, during the first half of the year, the price of soya meal maintained at a relatively high level and the cost of feeds was almost the same as compared to the previous year. The quality of feeds remained stable and the breeding of breeders and broilers gained better results during the first half of the year.

(3) Slaughtering volume of broilers improved steadily

In the first half of the year, the slaughtering volume of broilers improved steadily to 100,000 per day. Both the production capacity and efficiency were enhanced significantly. With the gradual increase in volume per month, the number of workers increased gradually during the period, which was beneficial to the processing of products and considerably offset the negative impact of the sluggish market on pricing.

(4) Sales of products

Through leveraging our brand advantages, we successfully developed new products such as new flavoring and fresh meat products. This had not only increased our market share and secured more orders from large-scale fast food chains for its fast food products, but also increased our product mix and the value of our products as a whole.

Affected by the outbreak of H7N9 avian influenza and fast-grown chicken incident, we encountered great pressure on product inventory. To address the issue, we accelerated the development of sales channels, pushed up sales to existing customers and expanded our sales regions.

(5) Achieving the target of 36 million broilers in annual slaughtering volume

Due to the outbreak of H7N9 avian influenza and the suppressed price of meat products, the Company adjusted the annual production plan and scaled down the development progress of breeding agreement with contract farmers. It is expected that, however, by the end of this year, the existing breeding scale and the planned breeding farms under construction of contract farmers could help to meet the slaughtering volume of 110,000 broilers per day.

FINANCIAL REVIEW

Revenue

The following table sets out a breakdown of our revenue by product categories and their relative percentage of our total revenue during the reporting period and the corresponding period in 2012:

	For the six months ended 30 June			
	2013 RMB'000	% of total revenue	2012 RMB'000	% of total revenue
Chicken meat products	301,670	61.5	217,870	65.7
Animal feeds	153,999	31.4	89,898	27.1
Chicken breeds	35,078	7.1	23,880	7.2
Total	490,747	100.0	331,648	100.0

Our total revenue increased by approximately 48.0%, from approximately RMB331.6 million for the six months ended 30 June 2012 to approximately RMB490.7 million for the six months ended 30 June 2013, primarily due to the increase in the sales volume of our chicken meat products, animal feeds and chicken breeds as a result of the increase in production capacity.

Chicken meat products

Revenue from sales of our chicken meat products business increased by approximately 38.5%, from approximately RMB217.9 million for the six months ended 30 June 2012 to approximately RMB301.7 million for the six months ended 30 June 2013, primarily as a result of the increase in the sales volume of our chicken meat products.

Animal feeds

Revenue from sales of our animal feeds business increased by approximately 71.3% from approximately RMB89.9 million for the six months ended 30 June 2012 to approximately RMB154.0 million for the six months ended 30 June 2013, primarily as a result of the increase in the sales volume and the average selling price of our animal feeds.

Chicken breeds

Revenue from sales of our chicken breeds business increased by approximately 46.9%, from approximately RMB23.9 million for the six months ended 30 June 2012 to approximately RMB35.1 million for the six months ended 30 June 2013, primarily due to the increase in the sales volume of chicken breeds sold to the contract farmers.

Management Discussion and Analysis

Gross Profit and Gross Profit Margin

The following table sets out our total gross profit and gross profit margin by major product categories during the reporting period and the corresponding period in 2012:

	For the six months ended 30 June			
	2013 RMB'000	% of total gross profit	2012 RMB'000	% of total gross profit
Gross Profit				
Chicken meat products	14,213	34.0	23,565	56.4
Animal feeds	8,258	19.7	4,614	11.0
Chicken breeds	19,385	46.3	13,637	32.6
Total	41,856	100.0	41,816	100.0

	For the six months ended 30 June	
	2013 %	2012 %
Gross Profit Margin		
Chicken meat products	4.7	10.8
Animal feeds	5.4	5.1
Chicken breeds	55.3	57.1
Overall	8.5	12.6

Gross profit increased by approximately 0.1%, from approximately RMB41.8 million for the six months ended 30 June 2012 to approximately RMB41.9 million for the six months ended 30 June 2013, the slight increase was primarily due to the increase in gross profit of animal feeds and chicken breeds but which was offset by the decrease in gross profit of chicken meat. Our overall gross profit margin decreased from approximately 12.6% for the six months ended 30 June 2012 to approximately 8.5% for the six months ended 30 June 2013, primarily due to the decrease in the average selling price of chicken meat products and the increase in operating costs during the period.

Chicken meat products

Gross profit from our chicken meat products business decreased by approximately 39.7%, from approximately RMB23.6 million for the six months ended 30 June 2012 to approximately RMB14.2 million for the six months ended 30 June 2013. The gross profit margin for our chicken meat products business decreased from approximately 10.8% for the six months ended 30 June 2012 to approximately 4.7% for the six months ended 30 June 2013. This was primarily due to the decrease in the average selling price of our chicken meat products and the increase in operating costs.

Animal feeds

Gross profit from our animal feeds business increased by approximately 79.0%, from approximately RMB4.6 million for the six months ended 30 June 2012 to approximately RMB8.3 million for the six months ended 30 June 2013. The gross profit margin for our animal feeds business increased from approximately 5.1% for the six months ended 30 June 2012 to approximately 5.4% for the six months ended 30 June 2013. This was primarily due to the increase in average selling price of animal feeds.

Chicken breeds

Gross profit from our chicken breeds business increased by approximately 42.2%, from approximately RMB13.6 million for the six months ended 30 June 2012 to approximately RMB19.4 million for the six months ended 30 June 2013. The gross profit margin for our chicken breeds business decreased from approximately 57.1% for the six months ended 30 June 2012 to approximately 55.3% for the six months ended 30 June 2013. The decrease was primarily due to the increase in operating costs of chicken breeds.

OUTLOOK

1. Accelerating the construction of ancillary facilities

We will speed up the progress of land acquisition for our breeders, broilers and feeds operations. After passing the environmental assessment, we will standardize the land use requirements for breeder farms, broiler breeding farms and feeds plant and strive for construction of those facilities as soon as possible in order to meet the production requirements.

2. Enhancing our core competitiveness

Based on the postdoctoral research work station and State-certified enterprise technology center as our platform, we will establish a technology innovation team to enhance production techniques and transform our scientific achievements into commercial production capability. We can then solve the problems generated during the course of production, develop the relevant patents and work hard for the application, introduction and service work related to the core competitiveness such as employment of talents.

3. Strictly monitoring the production quality

The Group considers that maintaining high quality and standard is our key of success. The Group will make every endeavor to ensure the safety and qualities of (i) the chicken meat products produced by the Group and (ii) the raw materials purchased from independent third party suppliers. Through adopting stringent quality and management control system, the Group can monitor the whole production process to ensure that the quality of our products meets the required standard.

Management Discussion and Analysis

4. Reasonably leveraging on the national policies

The PRC domestic economy has undergone rapid development in recent years with the continuous improvement of living standard and the surging demand for poultry meat. To prevent the outbreak of food safety incidents, ensure the stable supply of products and increase the income of farmers, the PRC State authorities and local governments have introduced various favorable policies to foster the standardization of poultry breeding and accelerate the transformation and upgrade of livestock industry. The Group will reasonably capitalize on the relevant national supporting policies to seek for the favorable policies from the national, provincial and municipal level and obtain more funding support.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Resources

The Group generally finances its operations with internally generated cashflow and bank facilities. As at 30 June 2013, cash and bank balances and pledged bank deposits amounted to approximately RMB113.9 million (31 December 2012: approximately RMB167.1 million).

Borrowings and Pledged Assets

As at 30 June 2013, the total amount of interest-bearing bank borrowings was approximately RMB147.0 million (31 December 2012: approximately RMB158.5 million). All the Group's bank borrowings were denominated in Renminbi and bore interests at floating and fixed interest rates ranged from 6.0% to 6.6% per annum.

As at 30 June 2013, the bank borrowings was secured by the Group's properties, plant and equipment, prepaid lease payments and bank deposits with total carrying value of approximately RMB141.4 million (31 December 2012: approximately RMB179.1 million).

Gearing Ratio

As at 30 June 2013, the gearing ratio of the Group was approximately 19.5% (31 December 2012: approximately 21.4%). This was calculated by dividing interest-bearing bank borrowings with the total assets of the Group as at 30 June 2013. The decrease in the gearing ratio was mainly due to the repayment of bank borrowings during the period.

FOREIGN EXCHANGE RISK

The Group's main operations are in the PRC. Most of the assets, income, payments and cash balances are denominated in RMB. The Company has not entered into any foreign exchange hedging arrangement. The Directors of the Company consider that exchange rate fluctuation has no significant impact on the Company's performance.

MATERIAL ACQUISITIONS

There was no major acquisition during the period under review.

CONTRACTUAL AND CAPITAL COMMITMENTS

As at 30 June 2013, the Group had operating lease commitments of approximately RMB5.7 million (31 December 2012: approximately RMB6.3 million).

As at 30 June 2013, the Group had capital commitments of approximately RMB7.2 million (31 December 2012: approximately RMB10.9 million).

CONTINGENT LIABILITIES

As at 30 June 2013, the Group had no contingent liabilities (31 December 2012: Nil).

HUMAN RESOURCES

As at 30 June 2013, the Group had 1,690 employees. Employee costs, including directors' emoluments, totalled approximately RMB8.2 million for the period. All of the Group companies are equal opportunity employers which select and promote individuals based on their suitability for the position offered. The Group operates a defined contribution mandatory provident fund retirement benefits for its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulations in the PRC.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange on 11 January 2011 and after the exercise of the over-allotment options on 28 January 2011, amounted to approximately HK\$283.9 million (approximately RMB231.7 million). The net proceeds were partially applied up to 30 June 2013 with the proposed applications set out in the Prospectus and the announcement of the Company dated 28 November 2011, are as follow:

- Approximately RMB23.3 million was used to finance the costs of establishing our new breeders farms;
- Approximately RMB13.2 million was used to finance the costs of establishing our new hatching facilities;
- Approximately RMB99.0 million was used to finance the costs of establishing our new slaughtering and processing plant;
- Approximately RMB29.5 million was used to finance the Group's general working capital and general corporate services; and
- Approximately RMB66.7 million remains unused, which are deposited with licensed banks and financial institutions in the PRC.

Disclosure of Interests

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2013, the interests and short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Capacity/nature of interest	Number of ordinary shares held	Approximate percentage of issued share capital
Mr. Lin Qinglin	Beneficial owner	642,000,000	38.67%

Save as disclosed above, none of the Directors or chief executives had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

As at 30 June 2013, the interests or short positions of the persons (other than the Directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Long positions in shares and underlying shares of the Company

Name of shareholder	Capacity/nature of interest	Number of ordinary shares held	Approximate percentage of issued share capital
Mr. Lin Genghua (Note 1)	Beneficial owner	167,280,000	10.08%
Golden Prince Group Limited	Beneficial owner	108,000,000	6.51%
Mr. Ng Leung Ho (Note 2)	Interest of controlled corporation	108,000,000	6.51%
King & Queen International Limited	Beneficial owner	108,000,000	6.51%
Mr. Ho Kam Hung (Note 3)	Interest of controlled corporation	108,000,000	6.51%
Success Dragon International Limited	Beneficial owner	96,000,000	5.78%
Mr. Chau Gam Jaak (Note 4)	Interest of controlled corporation	96,000,000	5.78%

Notes:

1. Mr. Lin Genghua is the son of Mr. Lin Qinglin.
2. Golden Prince Group Limited is wholly owned by Mr. Ng Leung Ho.
3. King & Queen International Limited is wholly owned by Mr. Ho Kam Hung.
4. Success Dragon International Limited is wholly owned by Mr. Chau Gam Jaak.

Save as disclosed above, as at 30 June 2013, no person (other than the Directors or chief executives of the Company) had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

Share Option Scheme

A share option scheme (the "Share Option Scheme") was approved by a written resolution of the shareholder of the Company passed on 17 December 2010. The Share Option Scheme shall be valid and effective for a period of ten years commencing from 11 January 2011. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules, where appropriate.

The purpose of the Share Option Scheme is to recognize and motivate the contribution by any participant which includes any full time or part time employee (including any executive and non-executive Director or proposed executive and non-executive Director), advisor, consultant, agent, contractor, client and supplier who in the sole discretion of the Board has contributed or is expected to contribute to the Group, and to provide incentives and help the Company in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

During the six months ended 30 June 2013, the Company had not granted any option under the Share Option Scheme.

Other Information

Corporate Governance Practices

The Company has adopted the code provisions of the Code on Corporate Governance Practices (the “Code”) set out in Appendix 14 to the Listing Rules. Save as disclosed below, the Company had been in compliance with the Code during the six months ended 30 June 2013.

Under Rule A.2.1 in Appendix 14 to the Listing Rules, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. During the period, Mr. Lin Qinglin performed his duties as the chairman and the chief executive officer of the Company. The Board believes that the serving by the same individual as chairman and chief executive officer in period of rapid business development is conducive to building a strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently.

Review by Audit Committee

The Audit Committee has reviewed the interim financial report for the six months ended 30 June 2013 including the accounting policies and practices adopted by the Group with the management.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by Directors. The Company has made specific enquiries to all the Directors and all the Directors confirmed that they have complied with the Model Code and the required standards of its code of conduct regarding securities transactions by Directors during the period under review.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the period under review.

Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2013.

Interim Results

The Board of Directors (the “Board”) of Sumpo Food Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2013. These condensed consolidated interim financial statements have not been audited but have been reviewed by the Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013	Notes	Six months ended 30 June	
		2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Revenue	4	490,747	331,648
Cost of sales		(448,891)	(289,832)
Gross profit		41,856	41,816
Other revenue and gains	5	5,847	5,571
Losses arising from changes in fair value less cost to sell of biological assets	11	(1,802)	(8,834)
Fair value of agricultural produce on initial recognition		38,349	29,490
Reversal of fair value of agricultural produce due to hatch and disposals		(39,079)	(29,031)
Net gain on financial assets at fair value through profit or loss	7	1,245	638
Selling and distribution expenses		(9,230)	(5,327)
Administrative expenses		(19,722)	(22,437)
Finance costs		(4,684)	(2,385)
Other operating expenses		(15,151)	(13,700)
Loss before taxation		(2,371)	(4,199)
Taxation	6	(477)	(401)
Loss and total comprehensive loss for the period	7	(2,848)	(4,600)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(CONTINUED)**

For the six months ended 30 June 2013	Notes	Six months ended 30 June	
		2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
(Loss)/profit for the period attributable to:			
Owners of the Company		(2,952)	(4,610)
Non-controlling interests		104	10
		(2,848)	(4,600)
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		(2,952)	(4,610)
Non-controlling interests		104	10
		(2,848)	(4,600)
Loss per share	8		
Basic and diluted (RMB cents per share)		(0.18)	(0.28)

The accompanying notes form an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013	Notes	As at 30 June 2013 RMB'000 (Unaudited)	As at 31 December 2012 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	330,161	328,858
Investment property		978	995
Biological assets	11	11,123	14,509
Prepaid lease payments		51,949	51,949
Deferred tax assets		4,481	4,712
		398,692	401,023
Current assets			
Inventories		93,748	68,835
Biological assets	11	4,018	4,715
Trade receivables	12	34,880	24,279
Deposits paid, prepayments and other receivables	13	75,779	43,926
Prepaid lease payments		649	1,298
Financial assets at fair value through profit or loss	14	32,140	30,895
Pledged bank deposits		2,000	36,000
Cash and bank balances		111,929	131,137
		355,143	341,085
Current liabilities			
Trade and bills payables	15	65,170	19,312
Accruals, deposits received and other payables	16	46,846	65,688
Bank borrowings	18	147,000	158,492
		259,016	243,492
Net current assets		96,127	97,593
Total assets less current liabilities		494,819	498,616

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2013	Notes	As at 30 June 2013 RMB'000 (Unaudited)	As at 31 December 2012 RMB'000 (Audited)
Equity			
Share capital	17	141,007	141,007
Reserves		321,912	324,864
Equity attributable to owners of the Company		462,919	465,871
Non-controlling interests		13,333	13,229
Total equity		476,252	479,100
Non-current liability			
Deferred revenue		18,567	19,516
Total equity and non-current liability		494,819	498,616

The accompanying notes form an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Equity attributable to owners of the Company							Non-controlling interests	Total equity	
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve	Other reserve	Retained earnings			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
As at 1 January 2012 (audited)	141,007	113,622	17,423	5,205	39,306	38,193	124,587	479,343	16,340	495,683
(Loss)/profit for the period	-	-	-	-	-	-	(4,610)	(4,610)	10	(4,600)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(4,610)	(4,610)	10	(4,600)
Dividend paid to owners of the Company	-	-	-	-	-	-	(13,552)	(13,552)	-	(13,552)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(3,960)	(3,960)
Transfer to statutory reserve	-	-	-	-	929	-	(929)	-	-	-
As at 30 June 2012 (unaudited)	141,007	113,622	17,423	5,205	40,235	38,193	105,496	461,181	12,390	473,571
As at 1 January 2013 (audited)	141,007	113,622	17,423	5,205	41,343	38,193	109,078	465,871	13,229	479,100
(Loss)/profit for the period	-	-	-	-	-	-	(2,952)	(2,952)	104	(2,848)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(2,952)	(2,952)	104	(2,848)
Transfer to statutory reserve	-	-	-	-	823	-	(823)	-	-	-
As at 30 June 2013 (unaudited)	141,007	113,622	17,423	5,205	42,166	38,193	105,303	462,919	13,333	476,252

The accompanying notes form an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Net cash (used in)/generated from operating activities	(28,946)	41,483
Net cash generated from/(used in) investing activities	21,230	(129,641)
Net cash (used in)/generated from financing activities	(11,492)	72,038
Net decrease in cash and cash equivalents	(19,208)	(16,120)
Cash and cash equivalents at the beginning of the period	131,137	144,001
Effect of foreign exchange rate changes, net	-	-
Cash and cash equivalents at the end of the period	111,929	127,881
Analysis of balances of cash and cash equivalents		
Cash and bank balances	111,929	127,881

The accompanying notes form an integral part of these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). They have been prepared under the historical cost convention, except for biological assets and financial assets, which are carried at fair value. The condensed consolidated interim financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated. The condensed consolidated interim financial statements are unaudited but have been reviewed by the Audit Committee.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in preparing the condensed consolidated interim financial statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 December 2012 except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA as discussed below.

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2013.

The applicable new and revised HKFRSs adopted in the condensed consolidated interim financial statements are set out below:

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans
HKFRS 7 (Amendments)	Disclosure – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities – Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The application of the above new and revised HKFRSs has had no material effect on the results and financial positions of the Group for the current or prior accounting periods which have been prepared and presented. Accordingly, no prior period adjustment is required.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9 & HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure ²
HKFRS 9	Financial Instruments ²
HKFRS 10, HKFRS 12 and HKFRS 27 (as revised in 2011)	Investment Entities ¹
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities ¹
HKAS 36 (Amendments)	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets ¹
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting ¹
HK(IFRIC)-Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of the above HKFRSs upon initial application but is not yet in a position to state whether the above HKFRSs would have a significant impact on the Group's results of operations and financial position.

3. SEGMENT INFORMATION

Segment information has been identified on the basis of internal management reports which are prepared in accordance with accounting policies which conform to HKFRSs that are regularly reviewed by the chief operating decision maker in order to allocate resources to the reportable segments and to assess their performance.

For the purpose of resources allocation and performance assessment, the Group's executive directors, chief operating decision makers, review operating results and financial information by divisions, which are organised by business lines. Where any group company is operating in similar business model, selling similar products and subject to a similar target group of customers, they are aggregated into the following reportable segments according to the nature of each company:

Chicken meat: The chicken meat segment carries on the business of slaughtering, production and sales of chicken meat.

Chicken breeds: The chicken breeds segment carries on the business of hatching of broiler eggs and breeding of Parent Stock Day-Old Chicks.

Animal feeds: The animal feeds segment carries on the business of feeds production.

The following is an analysis of the Group's revenue and results by reportable segments:

	Six months ended 30 June 2013 (Unaudited)				
	Chicken meat RMB'000	Chicken breeds RMB'000	Animal feeds RMB'000	Elimination RMB'000	Total RMB'000
Segment results					
External segment revenue	301,670	35,078	153,999	–	490,747
Inter-segment revenue	326,314	33,769	65,945	(426,028)	–
Segment revenue	627,984	68,847	219,944	(426,028)	490,747
Segment results	14,214	18,097	8,258	–	40,569
Unallocated revenue and gains					5,847
Unallocated selling and distribution expenses					(9,230)
Unallocated administrative expenses					(19,722)
Unallocated other operating expenses					(15,151)
Profit from operations					2,313
Finance costs					(4,684)
Loss before taxation					(2,371)

3. SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June 2012 (Unaudited)				
	Chicken meat RMB'000	Chicken breeds RMB'000	Animal feeds RMB'000	Elimination RMB'000	Total RMB'000
Segment results					
External segment revenue	217,870	23,880	89,898	–	331,648
Inter-segment revenue	237,643	23,083	47,210	(307,936)	–
Segment revenue	455,513	46,963	137,108	(307,936)	331,648
Segment results	23,565	5,900	4,614	–	34,079
Unallocated revenue and gains					5,571
Unallocated selling and distribution expenses					(5,327)
Unallocated administrative expenses					(22,437)
Unallocated other operating expenses					(13,700)
Loss from operations					(1,814)
Finance costs					(2,385)
Loss before taxation					(4,199)

4. REVENUE

Revenue consists of sales of chicken meat products, chicken breeds and animal feeds. The Group's revenue comprises the following:

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Chicken meat products	301,670	217,870
Animal feeds	153,999	89,898
Chicken breeds	35,078	23,880
	490,747	331,648

5. OTHER REVENUE AND GAINS

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Bank interest income	714	221
Sales of side products and related products, net	4,236	4,166
Gain on disposal of property, plant and equipment	21	12
Government grants (Note)	184	143
Reversal of impairment loss recognised on trade receivables	–	16
Reversal of impairment loss recognised on other receivables	20	–
Rental income	212	125
Sundry income	460	888
	5,847	5,571

Note:

Government grants include subsidies income received by a subsidiary of the Group which operates in the PRC in accordance with the subsidy policies of local government authorities and in relation to the construction of qualifying assets. Subsidies income received by a subsidiary of the Group is recognised in profit or loss when received and no specific conditions have been required to fulfill. Those government grants in relation to the construction of qualifying assets are recognised as deferred income. The government grants recognised at 30 June 2013 are non-recurring. There are no unfulfilled conditions or contingencies relating to these government grants.

6. TAXATION

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
PRC enterprise income tax – current period	246	385
Deferred income tax	231	16
	477	401

6. TAXATION (CONTINUED)

Notes:

- (a) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI for the period.
- (b) No provision for Hong Kong profits tax has been made as the Group did not have assessable profits subject to Hong Kong profits tax for the period.
- (c) Pursuant to the income tax rules and regulations of the PRC, the companies comprising the Group in the PRC are liable to PRC Enterprise Income Tax ("EIT") at a tax rate of 25% for the period, except for the following:
- (i) Pursuant to the Ministry of Finance's Notice on Preferential EIT on Agricultural Products (《國家稅務總局關於發佈享受企業所得稅優惠政策的農產品初加工範圍(試行)的通知》) ("Order [2008] No. 149"), issued on 20 November 2008, effective on 1 January 2008, Fujian Sumpo Food Holdings Co., Ltd ("Fujian Sumpo") is entitled to EIT exemption with respect to the income derived from the processing of frozen chicken meat products during the period between 1 January 2008 and 7 September 2018.
- Fujian Baojiashun Food Development Company Limited ("Fujian Baojiashun") is also entitled to EIT exemption with respect to the income derived from the processing of frozen chicken meat products for the period.
- (ii) Pursuant to the Ministry of Finance's Notice on Preferential EIT (《國家稅務總局關於企業所得稅若干優惠政策的通知》) ("Order [1994] No. 001"), issued on 29 March 1994, effective on 1 January 1994, and the Ministry of Finance's Approval on the Implementation of Preferential Income Tax for Newly Established Enterprises (《國家稅務總局關於新辦企業所得稅優惠執行口徑的批覆》) ("Order [2003] No. 1239") issued on 18 November 2003, Longyan Baotai Agriculture Company Limited ("Longyan Baotai") is entitled to EIT exemption with respect to the income derived from broilers breeding for the period.
- Fujian Hetai Poultry Company Limited ("Fujian Hetai") is also entitled to EIT exemption with respect to the income derived from broilers breeding for the period.
- (iii) Longyan Baotai is also entitled to exemption from the value-added tax during the period between 1 December 2005 and 1 November 2025.
- (iv) According to the notice issued by the State Council (the "Notice"), enterprises which are entitled to enjoy tax incentive shall have a grace period of five years commencing from 1 January 2008 before they are required to pay the corporate income tax at the rate of 25%. Before the promulgation of the new PRC EIT Law, as Xiamen Sumpo Food Trading Limited ("Xiamen Sumpo Trading") is located in the Xiamen Special Economic Zone, it was only required to pay corporate income tax at the reduced rate of 15%. As a result of the new PRC tax law and the Notice, it was required to pay corporate income tax at the reduced rate of 18% for the year ended 31 December 2008, 20% for the year ended 31 December 2009, 22% for the year ended 31 December 2010, 24% for the year ended 31 December 2011 and 25% for the year ended 31 December 2012 and afterward.
- (d) Pursuant to the new PRC EIT Law, from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 5% or 10% on various types of passive income such as dividends derived from sources in the PRC. Distributions of the pre-2008 earnings are exempt from the above-mentioned withholding tax. Dividends received by the Group from its PRC subsidiaries are subject to the above-mentioned withholding tax.

No deferred tax liabilities were provided in respect of the tax that would be payable on the distribution of the retained profits as the Group determined that the retained profits for the period would not be distributed in the foreseeable future.

7. LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD

Loss and total comprehensive loss for the period has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Staff costs		
including directors' remuneration	7,329	5,880
Contributions to retirement schemes	864	810
Total staff costs	8,193	6,690
Depreciation of property, plant and equipment	12,201	9,967
Depreciation of investment property	17	17
Amortisation of prepaid lease payments	649	651
Total depreciation and amortisation	12,867	10,635
Net gain on financial assets at fair value through profit or loss:		
Proceeds on sales	–	(4,533)
Less: Cost of sales	–	3,904
Net realised gain on financial assets at fair value through profit or loss	–	(629)
Unrealised gain on financial assets at fair value through profit or loss	(1,245)	(9)
Net gain on financial assets at fair value through profit or loss	(1,245)	(638)

8. LOSS PER SHARE

The calculation of basic loss per share for the period is based on the loss attributable to the owners of the Company for the six months ended 30 June 2013 of approximately RMB 2,952,000 (six months ended 30 June 2012: RMB4,610,000) and the weighted average of 1,660,000,000 (six months ended 30 June 2012: 1,660,000,000) ordinary shares in issue during the period.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during the period.

9. DIVIDENDS

Dividends recognised as distributions during the period:

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Final dividend of HK\$1.0 cents per share, paid (Note (a))	–	13,552
Dividend paid to non-controlling shareholder (Note (b))	–	3,960

Notes:

- (a) During the period ended 30 June 2012, the Company declared and paid a final dividend of RMB13,552,000 in respect of the year ended 31 December 2011 to the shareholders of the Company which has been proposed by the directors and was approved by the shareholders on 9 May 2012.
- (b) The amount represents dividends paid by the PRC subsidiary to its non-controlling shareholder.

No dividends were declared during the six months ended 30 June 2013.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred costs for buildings, machinery and equipment, motor vehicles, tools and construction in progress of approximately RMB7,504,000 (2012: RMB652,000), RMB2,602,000 (2012: RMB11,554,000), RMB104,000 (2012: RMB6,145,000), RMB109,000 (2012: RMB193,000) and RMB3,198,000 (2012: RMB106,220,000) respectively.

11. BIOLOGICAL ASSETS

Movements of biological assets are summarised as follows:

	Parent Stock Day-Old Chicks and immature breeders	Mature breeders	Chicken breeds	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2012 (audited)	7,494	4,925	6,651	19,070
Increase due to purchases	4,661	–	–	4,661
Increase due to raising (Feeding cost and others)	9,572	–	104,506	114,078
Transfer	(18,575)	18,575	–	–
Decrease due to retirement and deaths	–	(9,586)	–	(9,586)
Decrease due to sales	–	–	(106,043)	(106,043)
Losses arising from changes in fair value less costs to sell	(1,050)	(1,507)	(399)	(2,956)
As at 31 December 2012 and 1 January 2013 (audited)	2,102	12,407	4,715	19,224
Increase due to purchases	1,332	–	–	1,332
Increase due to raising (Feeding cost and others)	3,580	–	69,812	73,392
Transfer	(947)	947	–	–
Decrease due to retirement and deaths	–	(7,018)	–	(7,018)
Decrease due to sales	–	–	(69,987)	(69,987)
Losses arising from changes in fair value less costs to sell	(366)	(914)	(522)	(1,802)
As at 30 June 2013 (unaudited)	5,701	5,422	4,018	15,141

Note:

The Group's biological assets at 31 December 2012 and 30 June 2013 have been arrived at on the basis of a valuation carried out by independent qualified professional valuer and the management of the Group respectively. As at 30 June 2013, the fair value less costs to sell of chicken breeds are determined with reference to the market determined prices of items with similar age, breed and genetic merit, if the market-determined prices are available. Due to the fact that the market-determined prices for parent stock day-old chicks and immature breeders and mature breeders are not available, the valuations adopted the net present value approach to calculate the fair value less cost to sell of these items. The resulting losses arising from changes in fair value less costs to sell of biological assets of RMB1,802,000 (six months ended 30 June 2012: RMB8,834,000) has been recognised directly in profit or loss for the six months ended 30 June 2013.

12. TRADE RECEIVABLES

	As at 30 June 2013 RMB'000 (Unaudited)	As at 31 December 2012 RMB'000 (Audited)
Trade receivables	35,288	24,687
Less: Impairment loss recognised	(408)	(408)
	34,880	24,279

Trade receivables

The Group normally allows a credit period ranging from 15 to 70 days. The ageing analysis of trade receivables, net of impairment is as follows:

	As at 30 June 2013 RMB'000 (Unaudited)	As at 31 December 2012 RMB'000 (Audited)
Within 30 days	31,993	23,053
31 to 70 days	2,887	1,226
	34,880	24,279

13. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2013 RMB'000 (Unaudited)	As at 31 December 2012 RMB'000 (Audited)
Deposits paid, prepayments and other receivables	76,604	44,744
Less: Impairment loss recognised	(825)	(818)
	75,779	43,926

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2013 RMB'000 (Unaudited)	As at 31 December 2012 RMB'000 (Audited)
Held for trading:		
– Listed equity securities in the PRC (Note (a))	122	103
– Unlisted equity securities in the PRC (Note (b))	32,018	30,792
	32,140	30,895

Notes:

- (a) Fair value is determined with reference to quoted market bid prices.
- (b) The Group holds 0.56% of the paid up capital of Xiamen Bank Company Limited ("Xiamen Bank"), a company engaged in the business of banking for small and medium size enterprise of the local economy. The directors of the Group do not believe that the Group is able to exercise significant influence over Xiamen Bank.

The fair value of the unlisted equity securities are estimated by the management of the Group. The valuation was arrived at by reference to market comparables which are the closest proxies to Xiamen Bank with similar industry focus, risk and nature.

15. TRADE AND BILLS PAYABLES

	As at 30 June 2013 RMB'000 (Unaudited)	As at 31 December 2012 RMB'000 (Audited)
Trade payables	55,170	19,312
Bills payable	10,000	–
	65,170	19,312

The ageing analysis of trade and bills payables are as follows:

	As at 30 June 2013 RMB'000 (Unaudited)	As at 31 December 2012 RMB'000 (Audited)
Within 30 days	53,515	18,887
31 to 90 days	11,371	391
91 to 180 days	248	27
Over 180 days	36	7
	65,170	19,312

The average credit period on purchases of certain goods is generally within 15 to 90 days.

16. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	As at 30 June 2013 RMB'000 (Unaudited)	As at 31 December 2012 RMB'000 (Audited)
Deposits received	10,135	1,819
Other payables for property, plant and equipment (Note)	3,914	17,592
Accruals and other payables	32,797	46,277
	46,846	65,688

Note:

Included in other payables for property, plant and equipment were mainly payments for the construction of new slaughtering and processing plant in Longyan.

17. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Nominal value of ordinary shares		Share premium	Total
		HK\$'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Authorised:					
At 1 January 2013 and 30 June 2013, ordinary shares of HK\$0.1 each	4,000,000,000	400,000	320,000	–	320,000
Issued and fully paid:					
At 1 January 2013 and 30 June 2013, ordinary shares of HK\$0.1 each	1,660,000,000	166,000	141,007	113,622	254,629

18. BANK BORROWINGS

	As at 30 June 2013 RMB'000 (Unaudited)	As at 31 December 2012 RMB'000 (Audited)
Bank borrowings – secured	147,000	158,492
Carrying amount repayable:		
On demand or within one year	147,000	158,492
Less: Amounts due within one year shown under current liabilities	(147,000)	(158,492)
	–	–

The carrying amount of the Group's bank borrowings are all originally denominated in RMB, which is the functional currency of the Group.

The contractual fixed and floating interest rates per annum in respect of bank borrowings were within the following ranges:

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Bank borrowings at:		
– floating interest rate	6.0%-6.6%	2.9%-6.6%
– fixed interest rate	6.0%-6.6%	6.0%-6.6%

During the reporting period, the Group's bank borrowings were secured by:

- (a) The Group's property, plant and equipment with a carrying amount of approximately RMB121,175,000 (2012: RMB122,648,000);
- (b) The Group's prepaid lease payments with a carrying amount of approximately RMB 20,255,000 (2012: RMB20,489,000); and
- (c) No bank deposits of the Group (2012: RMB36,000,000).

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable for the six months ended 30 June 2013.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as price) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	As at 30 June 2013 (Unaudited)			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Financial assets				
Financial assets at fair value through profit or loss	122	–	32,018	32,140

	As at 31 December 2012 (Audited)			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Financial assets				
Financial assets at fair value through profit or loss	103	–	30,792	30,895

Reconciliation of Level 3 fair value measurements of financial assets

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
As at 1 January 2012 and 1 January 2013	30,792	–
Purchases	–	26,696
Fair value gain in profit or loss	1,226	4,096
As at 30 June 2013	32,018	30,792

The above fair value gain included in the consolidated statement of profit or loss and other comprehensive income for the current year related to investment in financial assets at fair value through profit or loss (Note 14) held at the end of the period.

20. SIGNIFICANT RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated interim financial statements, the Group also had the following related party transactions for the six months ended 30 June 2013 and 2012.

Particulars of significant party transactions during the period are as follows:

Name of company	Nature of transaction	Relationship	Six months ended 30 June	
			2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Fujian Ronghecheng Food Corporation Limited ("Ronghecheng Food Corporation") formerly known as Fujian Sumhua Enterprise Limited	Sales of chicken meat (Note a)	Common director in a related company	–	287
Ronghecheng Food Corporation	Sales of side products (Note b)	Common director in a related company	611	400
Ronghecheng Food Corporation	Rental income	Common director in a related company	212	125
Xiamen Oporto Catering Management Co., Limited ("Xiamen Oporto")	Sales of chicken meat (Note c)	Common director in a related company	–	171
Xiamen Sumpo Food Trading Limited	Rental paid	Common director in a related company	27	27

Notes:

- (a) For the six months ended 30 June 2013, there was no sales of frozen chicken meat products (six months ended 30 June 2012: RMB287,000) to Ronghecheng Food Corporation.
- (b) For the six months ended 30 June 2013 and 2012, the aggregate amount of the purchase price paid by Ronghecheng Food Corporation for the purchase of the agricultural side products was approximately RMB611,000 and RMB400,000 respectively.
- (c) For the six months ended 30 June 2013, there was no sales of the frozen chicken meat products (six months ended 30 June 2012: RMB171,000) to Xiamen Oporto. Xiamen Oporto was dissolved on 22 May 2012.

21. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

At the end of each reporting period, the Group had commitments for future minimum lease payments in respect of farms and office premises under non-cancellable operating leases from selected farmers at an agreed price based on the area of the farm.

	As at 30 June 2013 RMB'000 (Unaudited)	As at 31 December 2012 RMB'000 (Audited)
Within one year	818	897
In the second to fifth years, inclusive	2,999	3,447
After the fifth years	1,878	1,983
	5,695	6,327

Operating lease payments represent rentals payable by the Group for certain of its farm and office premises. Lease in respect of farms are negotiated for a term of fifteen to fifty years with fixed rentals. Lease in respect of office premises are negotiated for a term of one to two years with fixed rentals.

22. COMMITMENTS FOR EXPENDITURE

	As at 30 June 2013 RMB'000 (Unaudited)	As at 31 December 2012 RMB'000 (Audited)
Commitments for acquisition of property, plant and equipment	7,192	10,937

23. EVENTS AFTER THE END OF THE REPORTING PERIOD

There was no significant event took place subsequent to the end of the reporting period.

24. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 28 August 2013.