



中國康大食品有限公司

CHINA KANGDA FOOD COMPANY LIMITED

(incorporated in Bermuda with limited liability)

Singapore stock code : P74

Hong Kong stock code : 834

從基地到餐桌
全產業鏈
為您提供 安全食品



Corporate Profile

Established in 1992, China Kangda is a diversified food manufacturing and processing group based in the People's Republic of China ("PRC") and is primarily engaged in the production, processing, sale and distribution of:

- a) chilled and frozen rabbit meat;
- b) chilled and frozen chicken meat;
- c) processed foods which include a wide range of food products such as instant soup, curry food, chicken-based cooked products, roasted rabbit food, meatballs, de-oxygenated consumer packed chestnuts and seafood; and
- d) other products which mainly include pet food, dehydrated vegetables, poultry, rabbit organs, fruits, dried chili, pig liver and seasoning.

China Kangda's chilled and frozen rabbit meat is mainly exported to European Union ("EU"). Besides selling products under its own brand names of "康大", "嘉府", "U味", and "KONDA", China Kangda also acts as an Original Equipment Manufacture ("OEM") manufacturer of a variety of processed foods including meatballs, seafood, chicken-based cooked products, chestnuts, instant soups and curry products and etc.

China Kangda currently distributes its wide range of products in 26 provinces and over 30 major cities in the PRC and exports to more than 20 countries and cities including Japan, the United Arab Emirates and certain countries in the EU.

China Kangda is one of the major companies in the PRC authorised to supply rabbit meat to the EU and one of the largest PRC exporters of rabbit meat. China Kangda is also the first PRC company to be granted the certification for breeding progeny rabbit in the PRC. China Kangda is further strengthening its foothold in this segment through stable expansion strategies.

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

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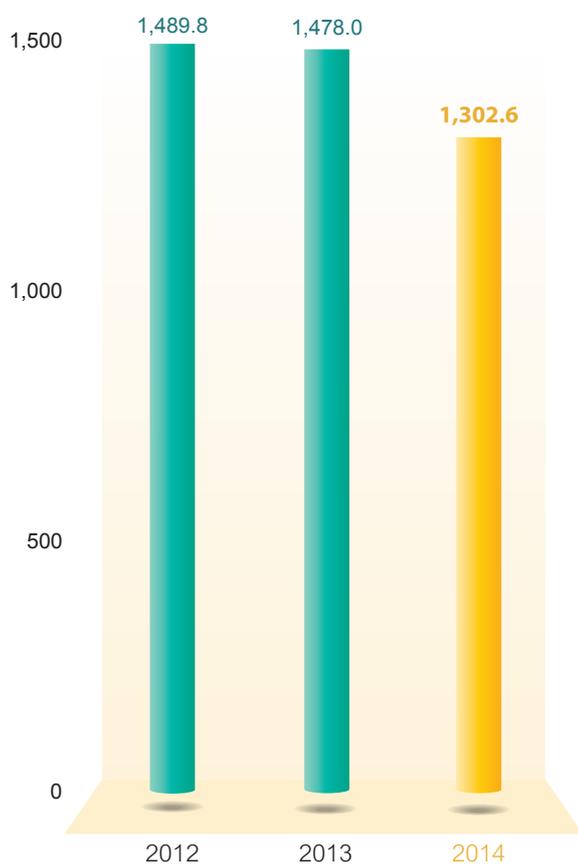


Financial Highlights

	FY2014 <i>RMB'million</i>	FY2013 <i>RMB'million</i>	FY2012 <i>RMB'million</i>
Revenue	1,302.6	1,478.0	1,489.8
Gross Profit	109.7	110.8	111.0
Net (Loss)/Profit Attributable to Owners of the Company	(4.0)	6.4	4.9
(Loss)/Earnings per Share – Basic (RMB cents)	(0.9)	1.5	1.1
Net Asset Value per Share – Basic (RMB cents)	155.3	156.2	154.8

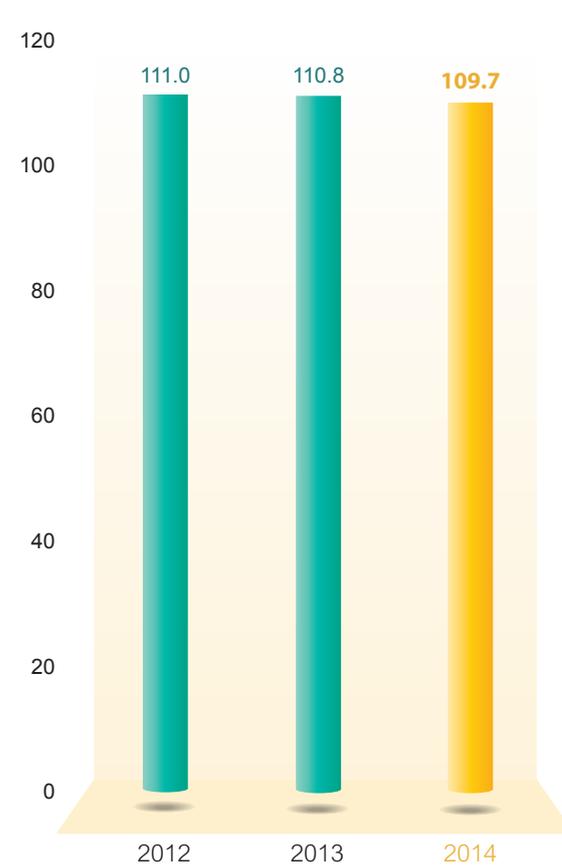
Total Revenue decreased: **11.9%**

RMB'million



Gross profit decreased: **1.0%**

RMB'million

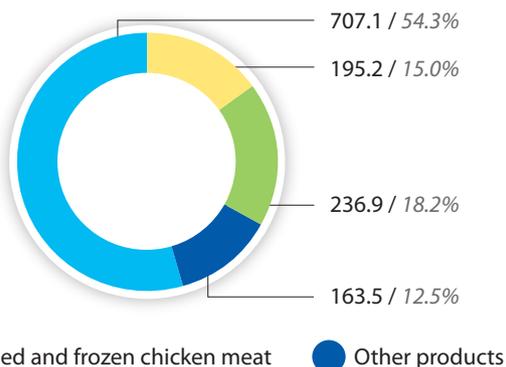


Financial Highlights

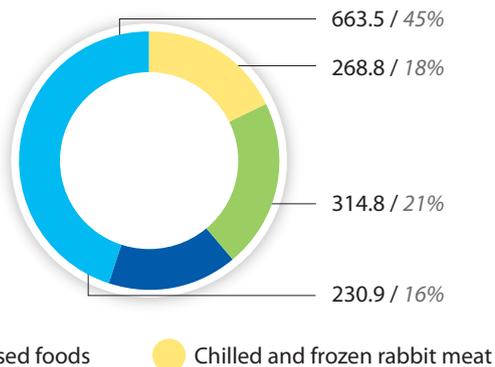
Revenue by Products

RMB'million

2014



2013

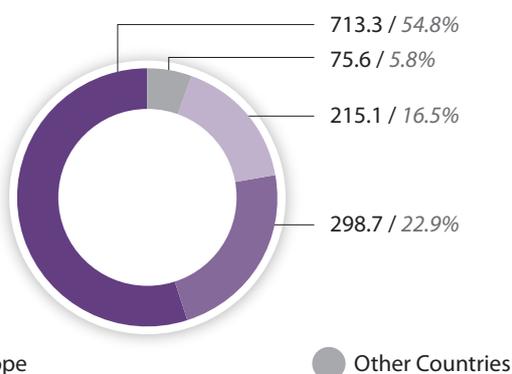


● Chilled and frozen chicken meat ● Other products ● Processed foods ● Chilled and frozen rabbit meat

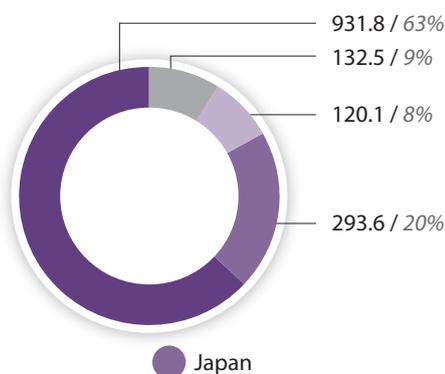
Revenue by Geographical Markets

RMB'million

2014



2013

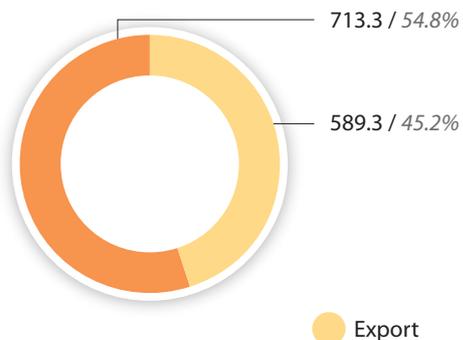


● Europe ● Other Countries ● PRC ● Japan

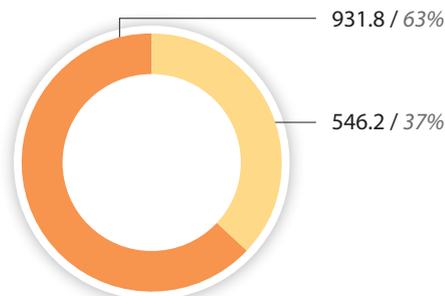
Revenue by Region

RMB'million

2014



2013



● PRC ● Export

Chairman's Statement



Gao Sishi

Non-executive Chairman

Dear Shareholders

On behalf of the Board of Directors (the "Board") of China Kangda Food Company Limited (the "Company"), I am pleased to present the audited annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2014.

BUSINESS REVIEW

Excluding the non-cash loss arising from the release of deferred tax assets amounted to RMB10.4 million and impairment of goodwill amounted to RMB2.7 million following the closure of the Group's subsidiary, the profit attributable to owners of the Group for the year ended 31 December 2014 ("FY2014") amounted to RMB9.1 million. As a result of the allocation of resources to high value-added sales and restructuring of the unprofitable operations, overall profitability of the Group improved and its profit margin increased from 7.5% to 8.4%.

In FY2014, many incidents happened in the agriculture and food industry in PRC. During the past two years, the industry saw a declining demand as a result of various negative news, such as fast-grown chicken, H7N9 virus and Shanghai Hushi Food Scandal. In view of the uncertainties, the Group has implemented a prudent approach in assessing its production plan with the actual market conditions. The Group recorded sales revenue of approximately RMB1,302.6 million, representing a decrease of 11.9% from approximately RMB1,478.0 million.

Due to an oversupply of rabbit related products in the PRC market, the gross profit margin of the Group's chilled and frozen rabbit meat declined from 8.4% to 5.1% in FY2014. The growth of the PRC food industry is driven largely by economic development, continued urbanization and rising disposable income. In 2014, the domestic economy became stable and leading to an increase in people's income level and consumption power. Through the expansion in the market share, the Group believes that the demand of its rabbit meat segment will improve with the recovery of rabbit meat products industry.

Chairman's Statement

The processed food products were still the Group main profit contributor in FY2014. The overall profit margin under this segment had improved following the diversion of some of the Group's chilled and frozen chicken meat products into higher value processed food which could command a higher profit margin. Adhering to the highest standards in food safety and product quality is one of the Group's core values. The Group believes that its fully integrated operations, coupled with its stringent quality control standards and production safety systems, would ensure consistent and high-quality products. The Group operates a platform that seamlessly integrates research and development, production, quality control and distribution. All of the Group's production, processing and distribution facilities have been accredited according to ISO9001, ISO14001, HACCP or other international certification standards.

To satisfy the Group's future working capital, measures have been implemented to tighten cost controls over various operating expenses in order to increase its profitability and to generate positive cash inflow from its operations in the future. During the year, the Group made efforts in costs control and adopted a series of measures, including increasing level of automation, reducing manual processes and regulating procurement processes of materials to lower procurement costs.

OUTLOOK

The Group will continue to expand its market share and enhance its competitiveness by increasing its production capacity through gearing up its productivity and integration of its food supply chain, upstream and downstream. To ensure product quality in PRC, the Group aims to standardize all its processes and operate its facilities using the most advanced technologies, and adopting stringent quality control standards in all aspects of its operations. The Group has continued to improve its production efficiency, utilization rates and product quality through enhancement of the Group's existing production facilities.

The Group's operation strategy in the coming years is to place further emphasis on the differentiation of products, customers and sale segments. The Group will also emphasize its role as a leading advocate of consumer preferences in the market. The Group will also leverage on its research and development team's capability in the product development process.

Based on the Group's reputation as a provider for meat products, the Group believes that a relentless pursuit of its strategies will lead to a sustainable growth, enhance its global leadership role and creates long-term value for its shareholders, employees and other stakeholders.

Gao Sishi
Chairman

Board of Directors

Executive Directors

An Fengjun (安豐軍), aged 42, is the Group's CEO and an Executive Director of the Company. He was appointed as a Director on 11 March 2014 and re-elected on 30 April 2014. He has more than 10 years of experience in the food production industry and is primarily responsible for food production and business operation of the Group.

Mr. An joined Kangda Foods in July 1993, and was initially responsible for finance matters. In April 1996, he worked in KD Feed Company as both Finance Manager and an Assistant to manager. He was a Finance Manager of Qingdao Kangda Foreign Trade Group Company Limited ("KD Trading Company") from 1999 to 2001 and became its Vice General Manager and Sales Manager of Qingdao Kangda Property Development Co., Ltd. in 2002. Mr. An held the position as an Executive Director of the Company since 25 August 2006 to 28 November 2012. After his resignation, Mr. An worked as a general manager of Qingdao Liyumen Catering Co. Ltd. (青島鯉魚門餐飲有限公司), one of the subsidiaries of the KD Trading Company.

As at 31 December 2014, Mr. An held 1.3% of the equity interests in KD Trading Company. Mr. An graduated from Jiaonan City Middle Special Vocational School (膠南市職業中等專業學校) majored in Accounting in June 1993. He also completed a post-graduate course in business management in Tianjin University (天津大學) in August 2005.

Gao Yanxu (高岩緒), aged 49, is an Executive Director. He was appointed as a Director on 10 May 2006 and was last re-elected on 29 April 2011. Mr. Gao has more than 10 years of experience in the food production industry.

From 1996 to 1999, Mr. Gao worked as the Manager of Qingdao City Jiaonan Kangda Feed Co., Ltd. ("KD Feed Company"). He then worked in Shandong Province Qingdao Kanghong Poultry & Egg Co., Ltd. (山東省青島康宏肉食蛋品有限公司) in 1999 as a Manager. On 1 January 2001, Mr. Gao founded KD Trading Company with Mr. Gao Sishi, Mr. An Fengjun, Mr. Zhang Qi and other independent third parties. As at 31 December 2014, Mr. Gao held 5.3% of the equity interests in KD Trading Company. Mr. Gao obtained a Bachelor's Degree in Business and Economic Management from Renmin University of China (中國人民大學) in June 1997. On 28 February 2000, he completed the courses of Master's degree in Management in Business Administration in the graduate school of Renmin University of China (中國人民大學研究生院).

Non-Executive Directors

Gao Sishi (高思詩), aged 57, is a non-executive Chairman and Non-executive Director of the Company. He was appointed as a Director on 12 May 2006 and was last re-elected on 29 April 2011. Mr. Gao has more than 20 years of experience in the food export and production industry. He is the founder and currently the Chairman and General Manager of KD Trading Company, comprising a group of companies engaging in various business activities in the PRC such as property development, transport, animal feeds production and import and export business. As at 31 December 2014, Mr. Gao held 40% of the equity interests in KD Trading Company.

During the period from March 1995 to December 1999, Mr. Gao worked as the Chairman and General Manager of KD Trading Company. From January 1992 to March 1995, Mr. Gao was the General Manager of Qingdao Jiaonan City Import and Export Company (青島市膠南進出口公司). Mr. Gao also worked as Vice Factory Head of Jiao Nan City Foreign Trading Cold Storage Factory (膠南市外貿冷藏廠) from July 1989 to December 1991, and was the Vice Factory Head of Qingdao Jiao Nan Import and Export Company Integrated Processing Factory (青島市膠南進出口公司綜合加工廠) from September 1985 to June 1989. In addition, Mr. Gao served the Qingdao Private Enterprises Committee (青島市民營企業協會) as Vice President and is the founder of the Jiaonan City General Charity Committee (膠南市慈善總會). Mr. Gao completed the degree course of Master in Business Administration at the graduate school of Renmin University of China (中國人民大學研究生院) in March 2004. He is the uncle of Mr. Gao Yanxu, an Executive Director of the Company.

Board of Directors

Non-Executive Directors (Continued)

Zhang Qi (張琪), aged 48, is a Non-executive Director. He was appointed as a Director on 25 August 2006 and was last re-elected on 30 April 2013. Mr. Zhang is currently the Internal Audit Manager and Assistant to the General Manager of KD Trading Company. As at 31 December 2014, Mr. Zhang held 3.3% of the equity interests in KD Trading Company. He is responsible for the auditing of the financial and operating system of KD Trading Company and is a Director of KD Feed Company, Qingdao Tianranju Property Management Co., Ltd. and Beijing International Trust Huaxia Investment Co., Ltd., all of which are members of KD Trading Company. Mr. Zhang has more than 20 years of experience in financial matters.

In December 1986, Mr. Zhang joined Qingdao No. 9 Cotton Textile Factory (青島第九棉紡織廠) as the head of financial department and was subsequently promoted to Vice General Accountant in September 1996. During the period from 2001 to 2002, he joined Sino-Zam MuLuGuCi Textile Co., Ltd. (中贊合資穆隆古希紡織有限公司) and was responsible for financial matters. Mr. Zhang obtained a Bachelor's Degree in Financial Management majored in accounting from Qingdao University (青島大學) in July 1986.

Naoki Yamada (山田直樹), aged 65, is a Non-executive Director. He was appointed as a Director on 29 April 2011 and was last re-elected on 30 April 2012. Mr. Yamada holds a Bachelor's degree in Sociology from Hitotsubashi University in Japan and a Bachelor's degree in Chinese from Nanyang Technological University in Singapore. He has also completed a Master's degree in Business Administration in Tsinghua University, PRC. Mr. Yamada is currently the chairman and general manager of ZENSHO RESTAURANT (SHANGHAI) CO., LTD., a subsidiary of Zensho in Shanghai.

Independent Non-Executive Directors

Lau Choon Hoong (劉俊雄), aged 42, is an Independent Non-executive Director. He was appointed as a Director on 8 November 2012 and re-elected on 30 April 2013. Mr. Lau is currently the General Manager of the finance department in M1 Limited in Singapore. Prior to that, Mr. Lau worked as group accountant and group financial controller of companies listed in Singapore. Mr. Lau has also gained experience in financial and accounting markets through working in international audit firms in Singapore and Kuala Lumpur from 1996 to 2001. Mr. Lau is a member of the Institute of Singapore Chartered Accountants.

He Dingding (賀丁丁), aged 38, is an Independent Non-executive Director. He was appointed as a Director with effect from 25 August 2012 and re-elected on 30 April 2013. Mr. He is currently a director of principal finance department of Guosen Securities (HK) Financial Holdings Co., Ltd ("Guosen") and has been working for Guosen since 2011. Mr. He has gained experience in corporate finance and capital markets through working in an international corporate finance advisory firm in Hong Kong from 2007 to 2011 and in international investment banks in Singapore Prior to that. Mr. He graduated from Nanyang Technological University with a bachelor's degree in civil engineering. Mr. He was awarded the CFA Charter by the CFA Institute in September 2006.

Yu Chung Leung (余仲良), aged 44, is an Independent Non-executive Director. He was appointed as a Director upon the listing of the Company on the Stock Exchange of Hong Kong Limited on 22 December 2008 and was last re-elected as a Director on 30 April 2012. He has been a partner of Lee & Yu Certified Public Accountants since March 2003. Mr. Yu had been working in an international accounting firm, during the period from July 1993 to January 2003. Mr. Yu is a member of each of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and an authorized supervisor to train prospective members of the Hong Kong Institute of Certified Public Accountants. He obtained a Master of Arts in International Accounting from the City University of Hong Kong in July 2006.

Key Management

Fong William (方偉濂), aged 35, is the chief financial officer and company secretary of the Group. He joined the Group on 13 July 2010 and is responsible for the preparation of the Group's financial statements as well as the review and development of the effective financial policies and control procedures of the Group. Mr. Fong has over seven years of experience in accounting and auditing and worked in an international accounting firm prior to joining the Group. He graduated from City University of Hong Kong with a Bachelor's Degree in Accountancy and has attained an MBA from the University of Hong Kong. Mr. Fong is a member of Hong Kong Institute of Certified Public Accountants and Taxation Institute of Hong Kong.

Gao Yumei (高玉梅), aged 46, is the production manager of the production department of the Group. Ms. Gao has more than 20 years of experience in the food production industry. From 1985 to 1995, Ms. Gao worked in Qingdao Jiaonan City Import and Export Company (青島市膠南市進出口公司) as the complex production factory head. She later joined Qingdao Kangda Food Refrigeration Factory (青島市康大食品冷藏廠) as its head of workshop from 1995 to 1997. From 1997 to 1999, she held the position of head of workshop at Second Refrigeration Factory of Kangda Foods (青島康大食品有限公司第二冷凍廠) before joining KD Feed Company as its production manager until 2000. From 2001 to 2002, Ms. Gao was the vice manager at Qingdao Kangyang Food Company, Ltd. (青島康洋食品有限公司). She subsequently moved on to Shandong Qingdao Kanghong Meats and Eggs Products Company, Limited (山東青島康宏肉食蛋品有限公司) in 2002 where she served as a vice manager until 2003. In 2004, she joined our subsidiary, Qingdao Kangda Haiqing Food Co., Ltd. as its vice manager. Ms. Gao undertook a part-time course at the Party School of Shandong Provincial Party Committee of China Communist Party (中共山東省委黨校) and obtained a certificate in economic management. Mr. Gao Yumei is connected with neither Mr. Gao Yanxu nor Mr. Gao Sishi.

Xu Gui Yu (徐桂玉), aged 51, is the vice manager of the Group's production department. Ms. Xu has more than 20 years of experience in the food production industry. She joined the Group's subsidiary, Qingdao Kangda Haiqing Foods Co., Ltd, as the supervisor of the production facility from 1985. In 2000, she joined another subsidiary, Qingdao Kangda Foods Co., Ltd, where she served as the supervisor of the chicken production department. For the period from 2006 to 2013, Ms. Xu held the position of assistant manager of rabbit production department. Ms. Xu completed an enterprise management course from Shandong Professional College (山東職業專業學院).

Zhao Ruifen (趙瑞芬), aged 50, is the manager of the Group's administration department. She has more than 20 years of working experience and is responsible for the administrative functions of the Group. Ms. Zhao joined the Group's subsidiary, Kangda Foods, in July 2001. She assumed management responsibilities of some of the Group's production facilities and was the supervisor of production and business departments of Kangda Foods. From March 2000 to July 2001, Ms. Zhao was the sales manager of the domestic sales department of KD Trading Company. Between March 1995 and March 2000, she was an assistant secretary of Qingdao Kangyu Diamond Company, Ltd. (青島康宇鑽石有限公司). In March 1994, Ms. Zhao joined Qingdao Kangda Food Refrigeration Factory (青島市康大食品冷藏廠) and was responsible for the production activities of the factory. She was in charge of the human resource department of Jiaonan City Foreign Trading Refrigeration Factory (膠南市外貿冷藏廠) between December 1984 and March 1994. Ms. Zhao has completed a part-time Economics Management course from Shandong Provincial Party Committee School (中共山東省委黨校).

Pang Shumei (蓬淑梅), aged 42, is the manager of the Group's quality control department. She has more than 10 years of working experience and is responsible for the products quality control of the Group. Ms. Pang worked in the Second Refrigeration Factory of Kangda Foods (青島康大食品有限公司第二冷凍廠) as a quality control staff during the period from 1997 to 1999. She was the head of the quality control division of Kangda Foods during 2000 to 2002. In 2003, she was the manager of the quality control department of Kangda Foods. Ms. Pang studied foods inspection and graduated from Hubei University of Technology (湖北工業大學), previously known as Hubei Technology Institute (湖北工學院), in June 1997.

Corporate Information

BOARD OF DIRECTORS

Executive (see note (i) below):
An Fengjun (CEO)
Gao Yanxu

Non-executive:
Gao Sishi (Chairman)
Zhang Qi
Naoki Yamada

Independent non-executive:
He Dingding
Lau Choon Hoong
Yu Chung Leung

AUDIT COMMITTEE

Lau Choon Hoong (Chairman)
He Dingding
Zhang Qi
Yu Chung Leung
Naoki Yamada

REMUNERATION COMMITTEE

Yu Chung Leung (Chairman)
He Dingding
Lau Choon Hoong
Gao Sishi
Naoki Yamada

NOMINATION COMMITTEE

He Dingding (Chairman)
Lau Choon Hoong
Gao Yanxu
Yu Chung Leung

COMPANY SECRETARIES

Fong William (HKICPA)
Josephine Toh Lei Mui (ACIS)

AUTHORISED REPRESENTATIVES

Gao Yanxu
Fong William

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 1, Hai Nan Road
Economic and Technology Development Zone
Jiaonan City
Shandong Province
PRC

PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART XI OF THE COMPANIES ORDINANCE

Room 4215, Office Tower
Convention Plaza,
No. 1 Harbour Road
Wanchai
Hong Kong

SINGAPORE SHARE REGISTRAR

B.A.C.S. Private Limited
63 Cantonment Road
Singapore 089758

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

JOINT AUDITORS

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Engagement Director
Wong Kwok Wai (appointed with effect from the financial year ended 31 December 2014)

BDO LLP
Public Accountants and
Chartered Accountants
21 Merchant Road
#05-01
Singapore 058267

Audit Partner In-charge
Poon Yew Wah (appointed with effect from the financial year ended 31 December 2014)

WEBSITE OF THE COMPANY

www.kangdafood.com
(The contents of the Company's website do not form part of this document)

- (i) The following changes as announced on 11 March 2014, were effected and became effective from 11 March 2014:
- (1) Relinquishment of Mr. Gao Yanxu as the acting chief executive officer of the Company; and
 - (2) Appointment of Mr. An Fengjun as the chief executive officer and an executive director of the Company.

Management Discussion and Analysis

BUSINESS REVIEW

Excluding the loss due to the release of deferred tax assets relating to the expiry of recognised prior years' tax losses and the utilization of prior years' recognized tax loss amounted to RMB10.4 million and impairment loss on goodwill of Qingdao Pu De Food Company Limited ("Pu De") amounted to RMB2.7 million, the profit attributable to owners of the Group the year ended 31 December 2014 ("FY2014") amounted to RMB9.1 million.

With the increase in selling prices of the Group's processed food products and the allocation of resources to high value-added sales, the Group's overall gross profit margin improved from 7.5% to 8.4%. As the Group is able to manage cost controls through its own supply of live chickens, gross profit margin of chicken meat products remained stable while the gross profit and gross profit margin of processed food products had improved by 14.5% and increased to 11.5% respectively.

However, due to numerous smaller plants in the PRC, there was an oversupply of rabbit related products in the PRC market, the gross profit margin of chilled and frozen rabbit meat declined from 8.4% to 5.1% in FY2014. The Group will leverage on its leading position in the PRC rabbit meat market and offer competitive pricing and quality products to improve the performance of the Group's chilled and frozen rabbit meat segment. Through the expansion in the market share and its vertically integrated operation over the past few years, the Group is confident that the profitability of its rabbit meat segment will improve with the recovery of the rabbit meat products industry.

The Group also adopted various policies to counteract the intense competition in the market. The most significant one was our cost reduction initiatives by identifying and restructuring or discontinuing unprofitable operations. During the year, the Company has disposed the subsidiary, Qingdao Kangda Shengwu Keji Co., Ltd. ("Shengwu Keji") and determined to terminate the operation of Pu De. Having considered that both subsidiaries has not been making sound profit nor making any distribution to its shareholders, it is desirable for the Company to dispose of the equity interest of Shengwu Keji in the interests of the Company and the Company's shareholders as a whole and terminate the operation of Pu De.

During the year, the Group has continuously applied various pro-active and prudent measures such as acceleration of the development of its sales channels, strengthening its brand building, exploring new products development and diversification. The Group will continue with its cost control measures and improve management tools.

SAFETY

The Shanghai Hushi Food Scandal happened July 2014, which its factory workers mixed both fresh and expired meat before distributing them to its customers, has alerted all food enterprises about the importance of food safety. Given the fact that more and more problems about safety arise, there is a growing of consumer awareness of food safety and quality issues and an increasing demand for better information.

The Group currently has its own production facilities in Jiaonan, Gaomi and Jilin. Effective food control systems are essential to protect the health and safety of the consumers. Its quality management system has obtained HACCP, ISO9001 and ISO14001 certification. The Group views its ability in surveillance, monitoring and enforcement in compliance with PRC and international standards as its strength.

By comprehensively implementing tracing system to monitor food safety and strictly controlling each procedure in the farm-to-table continuum, the Group ensures the consumers with the provision of safe food. The Group has constant monitoring of our processing facilities by on-site inspection at breeding factories and farms to reduce the risks of disease and increase our product quality. Due to the strict compliance with epidemic prevention system and vaccination, there was no incident related to the Group's breeding business due to the outbreak of bird and animal disease in the past.

The Group has been continuously optimizing biological safety, hygienic and disease prevention system. With the commitment to healthier, safer and quality meat products, the Group was firmly strengthened our quality management and risks over every operation process ranging from purchases, breeding, production, logistics and storage to sales to ensure that the Group consistently offers quality and safe food to consumers.

PROSPECT

The Group will continue to optimize its sales channels in PRC by further enhancing its brand profile and launching diversified product mix. The Group has taken steps to strengthen the sales network in more provinces in the PRC and expanding its international sales region. The Group will continue develop new products such as new flavorings and fresh meat products to add to its existing lineup. Our objective is to secure more orders from large-scale fast food chains and to increase the value of the products.

The Group will put forward to strengthen the full supervisory mechanisms from breeding, rearing, slaughtering, processing and sales. The Board remains positive that the Group's financial position is stable and believes that the commitment to healthier, safer and quality meat products will lay a solid foundation for the Group's further development.

Management Discussion and Analysis

OPERATING AND FINANCIAL REVIEW

REVENUE BY PRODUCTS

	FY2014 RMB'000	FY2013 RMB'000	% Change + / (-)
Processed food	707,144	663,470	6.6
Chilled and frozen rabbit meat	195,161	268,779	(27.4)
Chilled and frozen chicken meat	236,850	314,817	(24.8)
Other products	163,477	230,933	(29.2)
Total	1,302,632	1,477,999	(11.9)

Processed Food Products

Based on the Group's reputation and track records in the processed food products market, there was an increase in both the production and sales volume of processed food products.

To improve the profitability, some of the chilled and frozen chicken meat products were further processed internally into high value-added chicken related processed food. As a result, revenue derived from processed food products had increased by 6.6% to approximately RMB707.1 million in FY2014.

Chilled and Frozen Meat Products

The rabbit and chicken meat segments contributed 33.2% and 39.5% to the Group's total revenue in FY2014 and FY2013 respectively. The revenue of the rabbit and chicken meat segments registered a 26.0% decrease to approximately RMB432.0 million in FY2014.

The oversupply of rabbit meat in the PRC market has resulted in a decrease of demand of chilled and frozen rabbit meat in FY2014. Revenue derived from the rabbit meat segment decreased by 27.4% to approximately RMB195.2 million in FY2014.

As explained in the second paragraph above under the "Processed Food Products", due to the diversion of some of the chilled and frozen chicken meat products for further processing, revenue of the Group's chicken meat segment decreased by 24.8% to approximately RMB236.9 million in FY2014.

Other Products

Revenue derived from the production and sale of other products decreased by 29.2% to RMB163.5 million in FY2014. Pet food sales contributed over 50% to this segment with revenue generated from the Beijing and Shanghai markets in the PRC and overseas markets in Japan and Korea.



Management Discussion and Analysis

REVENUE BY GEOGRAPHICAL MARKETS

	FY2014 RMB'000	FY2013 RMB'000	% Change + / (-)
Export	589,383	546,199	7.9
PRC	713,249	931,800	(23.5)
Total	1,302,632	1,477,999	(11.9)

On a geographical basis, revenue from export sales increased by 7.9% to RMB589.4 million in FY2014. The increase in export sales was attributable mainly to the increase in demand for processed food products from Europe and Japan.

The decrease of PRC sales was attributable mainly to the decrease of sales of chilled and frozen rabbit and chicken meat in the PRC market as explained in the second paragraph above under the "Processed Food Products".



Management Discussion and Analysis

PROFITABILITY

Gross Profit and Margin

	FY2014 RMB'000	FY2014 Margin %	FY2013 RMB'000	FY2013 Margin %	Change RMB'000	% Change + / (-)
Processed food	81,549	11.5	71,203	10.7	10,346	14.5
Rabbit meat	10,982	5.6	22,457	8.4	(11,475)	(51.1)
Chicken meat	6,233	2.6	8,296	2.6	(2,063)	(24.9)
Other products	10,901	6.7	8,838	3.8	2,063	23.3
Total	109,665	8.4	110,794	7.5	(1,129)	(1.0)

Due to the improvement of the gross profit margin of processed food products, the overall gross profit margin increased from 7.5% to 8.4% in FY2014.

Processed Food Products

Processed food products were the main profit contributor in FY2014. The increase in gross profit margin from 10.7% to 11.5% in FY2014 was due mainly to the increase in selling prices of the processed food products.

Chilled and Frozen Rabbit Meat

The gross profit margin of chilled and frozen rabbit meat declined from 8.4% to 5.6% in FY2014 was mainly attributable to lower selling price as a result of oversupply of rabbit meat in the PRC market.

Chilled and Frozen Chicken Meat

The gross profit of chilled and frozen chicken meat segment remained at 2.6% in FY2014.

Other Products

Other products are mainly chicken and rabbit meat by-products and pet food products, which are not the core profit drivers of the Group. Due to the decrease of the cost of the pet food products, gross profit margin increased from 3.8% to 6.7% in FY2014.



Management Discussion and Analysis

Other Income

Other income comprised mainly government grants related to income, amortization of deferred income on government grants, insurance claims, gain on change in fair value of biological assets and interest income from bank deposits amounting to RMB7.6 million, RMB1.8 million, RMB4.0 million, RMB6.8 million and RMB6.8 million respectively. The rest was mainly minor income generated from the sale of raw materials, mainly vegetables and food ingredients, to factories in Qingdao.

Selling and Distribution Expenses

Selling and distribution expenses comprised mainly transportation costs, sales promotion expenses, salary and welfare which increased slightly by 0.1% to approximately RMB27.6 million.

Administrative Expenses

Administrative expenses comprised mainly staff costs, professional fees, depreciation charge, travelling expenses and other miscellaneous administrative expenses. The slight decrease in administrative expenses by 5.7% was due mainly to the implementation of cost controls measures.

Other Operating Expenses

Other operating expenses represented mainly the impairment loss on goodwill and written off of values of the remaining property, plant and equipment of Pu De. Management has decided to terminate the business operations of Pu De as it has not been performing up to expectation.

Finance costs

Finance costs increased by 12.4% to approximately RMB38.6 million in FY2014 were due mainly to the increase in bank borrowings for the Group. The higher borrowings is for the Group's future working capital purpose.

Taxation

The income tax expense mainly comprised both the accrued PRC corporate income tax and the release of deferred tax assets relating to the prior years' tax losses arose in the course of the business combination of both Shandong Kaijia Food Company Limited and its subsidiary, Shandong Kaijia International Trade Co., Ltd. (collectively referred as the "Kaijia Group").

During the year, approximately RMB10.4 million of the income tax expense arose from utilization of prior years' recognized tax loss and expiry of prior years' recognized tax losses from certain subsidiaries.

Review of the Group's Financial Position as at 31 December 2014

The Group's property, plant and equipment decreased by 1.2% to approximately RMB614.8 million as at 31 December 2014 due mainly to a depreciation charge of approximately RMB51.8 million and this was offset by an acquisition of equipment of approximately RMB55.5 million.

The prepaid premium for land leases decreased by 3.5% to approximately RMB125.2 million as at 31 December 2014 due mainly to an amortization charge and disposal of land use right arising from the proposed closure of Pu De which amounted to approximately RMB4.3 million and approximately RMB0.2 million respectively.

The reduction of intangible assets in FY2014 was due mainly to amortisation. The intangible assets refer to the export licenses and hygiene registration certificates awarded by the relevant authorities in Japan and EU. The said licenses and certificates allow the Group to export its products to these countries and their remaining balance of these intangible assets were fully amortised in during the year.

Goodwill arose from the acquisitions of subsidiaries in the past and the decrease was due to the impairment loss of goodwill of Pu De.

Biological assets refer to progeny rabbits and progeny chickens for sale and breeder rabbits and chickens for breeding purpose. These biological assets were valued by an independent professional valuer as at 31 December 2014 with reference to market-determined prices.

Management Discussion and Analysis

Inventories increased by 24.2% to approximately RMB164.0 million in anticipation of an increase in demand in the first quarter of 2015. The inventory turnover days for FY2014 were 45 days compared to 38 days for FY2013.

Trade receivables decreased by 11.8% to approximately RMB71.4 million as at 31 December 2014 due mainly to the decrease of sales during the year. The trade receivables turnover days was 21 days in FY2014, the same as in FY2013.

Prepayments, other receivables and deposits increased by approximately 25.7% to approximately RMB50.5 million as at 31 December 2014. The increase was due mainly to the increase in purchase deposit paid to suppliers.

Cash and cash equivalents, including pledged deposits, increased by approximately RMB112.1 million to approximately RMB551.4 million was due mainly to the increase of bank borrowings obtained at the end of the year. Approximately RMB70.0 million of the bank deposit was secured against the interest-bearing borrowings of the Group.

Trade and bills payables increased by 25.9% to approximately RMB179.8 million as at 31 December 2014 and this was in line with the increase in inventory.

Accrued liabilities and other payables represented payables for construction and facilities, salary and welfare payables, accrued expenses and deposit received.

The interest-bearing bank borrowings balance as at 31 December 2014 increased to approximately RMB701.7 million after taking into account the additional bank borrowings of approximately RMB863.7 million and repayment of the bank borrowings of approximately RMB787.0 million during the year. Approximately RMB50.0 million of the bank borrowing was classified as non-current liabilities.

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

Tax payables increased from RMB0.9 million to RMB2.5 million as at 31 December 2014. This was due to income tax accrued during the year.

CAPITAL STRUCTURE

During the year under review, the Group had net assets of approximately RMB697.0 million (31 December 2013: RMB704.1 million), comprising non-current assets of approximately RMB829.8 million (31 December 2013: RMB853.9 million), and current assets of approximately RMB885.3 million (31 December 2013: RMB738.8 million). The Group recorded a net current liability position of approximately RMB58.3 million (31 December 2013: RMB80.2 million) as at 31 December 2014, which primarily consist of cash and cash equivalents balances amounted to approximately RMB481.4 million (31 December 2013: RMB369.4 million). Moreover, inventories amounted to approximately RMB164.0 million (31 December 2013: RMB132.1 million) and trade receivables amounted to approximately RMB71.4 million (31 December 2013: RMB81.0 million) are also major current assets. Major current liabilities are trade and bills payables and interest-bearing bank borrowings amounted to approximately RMB179.8 million (31 December 2013: RMB142.8 million) and approximately RMB651.7 million (31 December 2013: RMB567.0 million) respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group has cash and cash equivalent of approximately RMB481.4 million (31 December 2013: RMB369.4 million) and had total interest-bearing bank borrowings of approximately RMB701.7 million (31 December 2013: RMB625 million). The Group's interest-bearing bank borrowings was debts with interest rate ranging from 4.36% to 7.80% (31 December 2013: 6.00% to 7.87%) per annum.

The gearing ratio for the Group was 104.4% (31 December 2013: 92.4%) as at 31 December 2014, based on net debt of approximately RMB701.7 million (31 December 2013: RMB625.0 million) and equity attributable to Company's owners of approximately RMB672.2 million (31 December 2013: RMB676.2 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 Board is confident that the Group has adequate financial resources to meet its future debt repayment and support its working capital requirement and future expansion.

Management Discussion and Analysis

FOREIGN CURRENCY EXPOSURE

The following table details the Group's exposures at the reporting date to foreign currency risk from the financial assets and financial liabilities denominated in a currency other than the functional currency to which the Group's entities relate:

	USD RMB'000	EURO RMB'000	JPY RMB'000	SGD RMB'000	HK\$ RMB'000
Financial assets					
Trade receivables	11,838	21,888	11,421	–	–
Cash and bank balances	1,310	6,410	–	4	111
	13,148	28,298	11,421	4	111
Financial liabilities					
Trade payables	160	–	350	–	–
Bank borrowings	16,667	–	–	–	–
	16,827	–	350	–	–

In view of the nature of the Group's business, which spans several countries, foreign exchange risks will continue to be an integral aspect of its risk profile in the future. Currently, the Group neither has a formal foreign currency hedging policy nor conducts hedging exercise to reduce foreign currency exposure. The Group will continue to monitor its foreign exchange exposure.

CAPITAL COMMITMENTS

As at 31 December 2014, there is no capital commitment of the Group which had been contracted for but not provided in the financial statements (2013: RMB8.0 million).

CHARGE ON ASSETS

Total secured interest-bearing bank borrowings are approximately RMB334,667,000 as at 31 December 2014 (2013: RMB320,000,000).

As at 31 December 2013 and 2014, the Group's interest-bearing bank borrowings are guaranteed by certain related parties of the Group and secured against pledge of certain of the Group's property, plant and equipment, land use rights, certain properties of the related parties and pledged deposits.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group did not have any material contingent liabilities (31 December 2013: Nil).

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2014, the Group employed a total of 4,456 employees (2013: 4,912 employees) in the PRC. The Group's emolument policy is formulated based on the industry practices and performance of individual employee. During the year under review, the total staff costs (including Directors' emoluments) were in the amount of approximately RMB202.5 million (2013: RMB194.6 million). The Company does not have share option scheme for its employees.



Corporate Governance Report

The Board of Directors (the "**Board**") is committed to maintain a high standard of corporate governance practices and procedures within the Company and its subsidiaries (the "**Group**"). The Board endeavors to ensure that its businesses are conducted in accordance with the rules and regulations and applicable codes and standards.

The Company has applied the Principles and Code Provisions contained in the Code of Corporate Governance 2012 (the "**Singapore Code**") and the Corporate Governance Code (the "**HK Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "**Hong Kong Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**SEHK**") in formulating its corporate Governance Practice. The Company periodically reviews the Company's policies and practices to ensure that operations are conducted in compliance with the standards of both the Singapore Code and HK Code.

For the year under review, the Company has generally complied with all the applicable code provisions of the Singapore Code where applicable, relevant and practicable to the Group and the HK Code (where they are applicable, relevant and practicable to the Group).

BOARD OF DIRECTORS

(A) Board's Conduct of its Affairs

The Board, in addition to its statutory responsibilities has the duty to protect and enhance long-term shareholders' values, is responsible for the overall performance of the Group. It provides effective leadership, sets the Company's values and standards and ensures that the necessary financial and human resources are in place for the Company to achieve its objectives.

The principal functions of the Board are to:

1. approve policy initiatives, strategies and financial objectives of the Group and monitoring the performance of management of the Company (the "**Management**"), including the release of financial results and timely announcements of material transactions;
2. approve annual budgets, major funding proposals, investment and divestment proposals, acquisitions and disposals of assets, interested person transactions and convening of shareholders' meetings;
3. oversee the processes for evaluating the adequacy of internal controls, risk management including financial, operational, information technology and compliance risk areas identified by the Audit Committee that are required to be strengthened for assessment and its recommendation on actions to be taken to address and monitor the areas of concern;
4. recommend the declaration of dividends;
5. approve all Board appointments and re-appointments/re-elections as well as appointments of key management personnel;
6. oversee proper conduct of the Company's business and assume responsibility for corporate governance;
7. ensure that the financial statements which give a true and fair view of the Company for each financial period are prepared in accordance with the International Financial Reporting Standards.; and
8. undertake such other functions and duties as may be required by the statutes or the Listing Manual of the SGX-ST.

The Board has adopted internal control guidelines where appropriate delegation of authority has been given to Management to facilitate operational efficiency. Within these guidelines, the Board approves transactions that exceed certain pre-determined thresholds.

Approval of the Board is required for any matters, *inter alia*, mergers and acquisitions, investments and divestments, acquisitions and disposals of assets, major corporate policies on key areas of operations, acceptances of bank facilities, annual budget, release of the Group's quarterly and full year results, interested person transactions and those matters which are likely to have a material impact on the Group's operating units and/or financial position as well as matters other than in the ordinary course of business. The Board believes that when taking decision, all Directors of the Board act objectively and in the interests of the Company.

Corporate Governance Report

The Board is supported by the Audit Committee (the "AC"), the Remuneration Committee (the "RC") and the Nomination Committee (the "NC") (collectively as "Board Committees"). These Board Committees function within clearly defined terms of reference. Each Board Committees is chaired by an Independent Director and a majority of the members are Independent Directors. The composition and terms of reference of each of the Board Committees are described in this report. The Board accepts that while these Board Committees have the delegated power to make decisions, execute actions or make recommendations in their specific areas respectively and will report to the Board with their decisions and/or recommendations, the ultimate responsibility rests with the Board.

The Board meets on a quarterly basis. These meetings are scheduled in advance to facilitate the Directors' individual administrative arrangements in view of their on-going commitments.

Ad hoc meetings will be convened as and when warranted by particular circumstances between scheduled meetings. The Company's Bye-laws provide for meetings to be held via telephone and video conferencing. When a physical Board or Board Committee meeting is not possible, timely communication with members of the Board or Board Committee can be achieved through electronic means or the circulation of written resolution for approval by the relevant members of the Board or Board Committees.

Directors may request for further explanations, briefings or discussions with Management on any aspect of the Group's operations or business. When circumstances require, Board members exchange views outside the formal environment of Board meetings.

Details of Directors' attendance at the Board, Board Committees and General meetings, held for the year ended 31 December 2014 ("FY2014") are set out in the table below:

Meetings of	Board	AC	NC	RC	General Meeting
<i>Total held in 2014</i>	4	4	1	1	1
Attendance Record					
Gao Sishi	1	N/A	N/A	0	1
An Fengjun ¹	2	N/A	N/A	N/A	0
Gao Yanxu ¹	3	N/A	1	N/A	0
Zhang Qi	3	3	N/A	N/A	0
Naoki Yamada	4	4	N/A	1	1
He Dingding	4	4	1	1	1
Lau Choon Hoong	4	4	1	1	1
Yu Chung Leung	4	4	1	1	1

¹ Mr An Fengjun was appointed as an Executive Director and CEO on 11 March 2014. Since the appointment of Mr. An Fengjun there were 2 board meetings and no general meeting(s) held during his tenure.

Mr Gao Yanxu relinquished his role as Acting CEO on 11 March 2014 and remains as an Executive Director of the Company.

Newly appointed Directors are briefed on the Group's business activities, strategic direction and regulatory environment in which the Group operates. They will also have the opportunity to visit the Group's operational facilities and to meet with Management so as to gain a better understanding of the Group's business operations. They will be provided with a letter of appointment setting out their duties, obligations and terms of appointment.

Directors who do not have prior experience or are not familiar with the duties and obligations required of a Director of a listed company in Singapore, will undergo the necessary training and briefing.

The Board is updated on amendments and requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), and other statutory requirements from time to time. Relevant press release from the SGX-ST and postings on the HKSE website are also circulated to the Board for information.

Corporate Governance Report

(B) Board Composition

The Board comprises eight Directors as follows:

Executive Directors

An Fengjun (CEO)
Gao Yanxu

Non-executive Directors

Gao Sishi (Chairman)
Zhang Qi
Naoki Yamada

Independent Non-executive Directors

He Dingding
Lau Choon Hoong
Yu Chung Leung

The biographies of the Directors are set out on pages 5 to 6 of the annual report.

During FY2014, the Board met the requirements of the Hong Kong Listing Rules relating to the appointment of at least three Independent Non-Executive Directors and one third of the Board comprises Independent Non-Executive Directors in compliance with the Singapore Code and the Hong Kong Listing Rules.

The NC, which is responsible for reviewing the independence of each Director on an annual basis, has adopted the Singapore Code's definition of what constitutes an independent director and guidelines as to relationships which would deem a director not to be independent. In addition, the NC requires each Non-Executive Director to state whether he considers himself independent despite having any of the relationships identified in the Singapore Code which would deem him to be not independent.

The NC and the Board have received the annual written confirmations of independence from all the Non-Executive Directors pursuant to Rule 3.13 of the Hong Kong Listing Rules and the Singapore Code. The NC and the Board are of the view that all the Independent Non-Executive Directors namely Mr Lau Choon Hoong, Mr He Ding Ding and Mr Yu Cheung Leung are independent in accordance with the Hong Kong Listing Rules and the Singapore Code.

The remaining Non-Executive Directors namely Mr Gao Sishi (a substantial shareholder), Mr Zhang Qi (holds the executive position as Internal Audit Manager and Assistant General Manager at KD Trading Company, which is owned by Mr Gao Sishi), Mr Naoki Yamada (by virtue of his nomination made by a substantial shareholder), are deemed non-independent by the NC.

The size and composition of the Board are reviewed on an annual basis by the NC to ensure that it has an appropriate mix of expertise and experience, and collectively possesses the necessary core competencies which the Group may tap on for assistance in furthering its business objectives and shaping its business strategies. The NC also strives to ensure that the size of the Board is conducive to facilitate effective discussions and decision-making. The diversity of the Directors' background allows for useful exchange of ideas and views. The NC with the concurrence of the Board considers the current Board size of eight as appropriate, having regard to the nature, size and scope of the Group's operations.

Non-Executive Directors contribute to the Board process by monitoring and reviewing Management's performance against the Group's goals and objectives. Their views and opinions provide alternative perspectives to the Group's business. When challenging Management's proposals or decisions, they bring independent judgement to bear on business activities and transactions involving conflicts of interest and other complexities.

Mr He Dingding was appointed as the Lead Independent Director whose role is to serve as a channel for shareholders in the event their concerns are not resolved through the Chairman and Chief Executive Officer ("CEO") or the Chief Financial Officer ("CFO"), or for which such contact is inappropriate.

Corporate Governance Report

(C) Chairman and Chief Executive Officer

According to the code provision A.2.1 of the HK Code and principle 3 of the Singapore Code, the roles of Chairman and CEO should be separated and should not be performed by the same individual. This is to ensure that there is an appropriate balance of power and authority such that no one individual embodies a considerable concentration of power. Mr Gao Sishi is the Group's Non-Executive Chairman and Mr An Fengjun is the CEO, both are not related to each other.

As the Non-executive Chairman of the Group, Mr Gao Sishi, who is the founder of the Group, bears the responsibility for the effective working of the Board. He ensures that Board meetings are held when necessary, setting the Board meeting agenda in consultation with the Group's CEO and the CFO/Company Secretary and that the Directors receive accurate timely and clear information. He is also responsible for encouraging constructive relations between Management and the Board as well as between the Executive Directors and Non-executive Directors.

As part of the leadership renewal process, Mr An Fengjun, was appointed an Executive Director on 11 March 2014. Mr An Fengjun also took over the role of CEO of the Company from Mr Gao Yanxu who assumed the Acting CEO from 22 May 2013 while the Company was looking to fill the CEO vacancy. Mr Gao Yanxu continues to remain an Executive Director of the Company. Mr An Fengjun had held the position as an Executive Director of the Company for the period from 25 August 2006 to 28 November 2012. His familiarity and experience with the Group's business and his expertise in the food production industry put him in good stead as CEO to lead the Group.

As CEO, Mr An Fengjun is responsible for the day-to-day management of the affairs of the Group. He also ensures that stipulated corporate policies are properly complied with and the Directors are kept updated and informed of the Group's development.

The Directors are of the view that there are sufficient safeguards and checks to ensure that the decision-making process of the Board is independent and based on collective decision of the Directors without any individual exercising any considerable concentration of power or influence. All major decisions made by the Chairman and the CEO are reviewed by the Board which comprised a majority of Non-Executive Directors.

(D) Continuous Professional Development

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors of the Company. All Directors have been updated on the latest developments regarding the Hong Kong Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. Continuing briefings and professional development to Directors will be arranged whenever necessary.

In compliance with Hong Kong Listing Rules Rule 3.29, both Company Secretaries have taken more than 15 hours of relevant professional training.

Corporate Governance Report

Pursuant to the code provision A.6.5 of the Code and Guideline 1.6 of the Singapore Code for the financial year ended 31 December 2014, all Directors had participated in continuous professional development in the following manner:

	Type of trainings
Gao Sishi	A, C
An Fengjun	A, C
Guo Yanxu	A, C
Zhang Qi	A, C
Naoki Yamada	A, C
He Dingding	A, B, C
Lau Choon Hoong	A, B, C
Yu Chung Leung	A, B, C

A: attending internal briefing session in relation to corporate governance

B: attending seminars/courses/conference to develop professional skills and knowledge

C: reading materials in relation to regulatory update

(E) Board Membership and Performance

Nomination Committee

The NC is regulated by a set of written terms of reference. The majority, including the NC Chairman, are Independent Non-Executive Directors. The NC Chairman is not associated in any manner with any substantial shareholder of the Company.

The members of the NC are as follows:

Independent Non-executive Directors

He Dingding

(Chairman)(Lead Independent Director)

Lau Choon Hoong

Yu Chung Leung

Executive Directors

Gao Yanxu

The principal functions of the NC are to:

1. review and recommend to the Board the structure, size and composition of the Board and Board Committees;
2. determine the process for selection and appointment of new Directors to the Board;
3. review nominations for the appointment, including re-appointments/re-elections to the Board, having regard to the Directors' contribution and performance;
4. ensure that all Directors submit themselves for re-election at regular intervals;
5. evaluate the performance of the Board as a whole and its Board Committees;
6. review and evaluate whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company, having regard to the competing time commitments when serving on multiple Boards;
7. review on an annual basis the independence of Directors bearing in mind the circumstances set forth in the HK Code and Singapore Code and any other salient factors;

Corporate Governance Report

8. review succession plans, in particular, the Chairman and CEO;
9. oversee the induction, orientation and training for any new and existing Directors;
10. undertake such other functions and duties as may be delegated by the Board.

In reviewing and recommending the appointment of new Directors, the NC would seek to identify the competencies required to enable the Board to fulfill its responsibilities. The curriculum vitae and other particulars/documents of the nominee or candidate will be given to the NC for consideration.

The NC has adopted a process for the selection and appointment of new directors which provides the procedure for identification of potential candidates, evaluation of the suitability of the candidate based on his qualifications, skills, knowledge, business and related experience, commitment, ability to contribute to the Board process and such qualities and attributes that may be required by the Board. The NC reviews the suitability of the candidate before making its recommendation to the Board.

Under code provision A.4.1 of the HK Code, the Non-Executive Directors should be appointed for a specific term, subject to re-election. The Non-Executive Directors of the Company, Mr Gao Sishi, Mr Zhang Qi and Mr Naoki Yamada, are each appointed by the Company for a one-year term. Their appointment may be terminated by either party giving at least one month's written notice or in accordance with the terms of their appointment letters.

The Independent Non-Executive Directors, Mr Yu Chung Leung, Mr He Dingding and Mr Lau Choon Hoong were each appointed for a one-year term. Their appointment may be terminated by either party giving at least one month's written notice or in accordance with the terms of the appointment letters.

The Executive Director, Mr Gao Yanxu was also appointed for a period of one year. His appointment may be terminated by either party giving at least one month's notice or in accordance with the terms of his service agreement.

The Executive Director and CEO, Mr An Fengjun, was appointed for a period of 3-year-term. His appointment may be terminated by either party giving at least one month's notice in accordance with the terms of his service agreement.

The NC will review the performance of each of the Directors and will recommend to the Board if their term of office would be renewed for a further year. The RC will review and recommend to the Board if there were any changes to their existing remuneration packages.

Pursuant to its terms of reference, the NC is required to determine if a Director has been adequately carrying out the duties as a Director of the Company, particularly if he has multiple Board representations. In view of this, the NC having considered the annual written confirmations from all the Non-Executive Directors, concluded that such multiple Board representations, if any, do not hinder each Director from carrying out his duties as a Director of the Company. The Board concurred with the NC's views.

The NC is of the view that putting a maximum limit on the number of listed company board representations is arbitrary, given that time requirements for each company vary, and every individual is made differently, thus one should not be presumptive as sufficiency of time cannot be objectively determined in all situations. The Board and the NC are also satisfied that sufficient time and attention have been accorded by these Directors to the affairs of the Company.

Corporate Governance Report

In accordance with the Company's Bye-laws, each Director is required to retire at least once in every three years by rotation and all newly appointed Directors will have to retire at the next annual general meeting ("AGM") following their appointments. The retiring Directors are eligible to offer themselves for re-election.

The NC, having considered the attendance and participation of the following Directors at Board and Board Committee meetings, in particular, their contributions to the business and operation of the Company as well as Board processes, had recommended to the Board the re-election of these Directors who will be retiring at the forthcoming AGM:

Under bye-law 86(1):

- Mr He Dingding
- Mr Naoki Yamada
- Mr Yu Chung Leung

The Board had accepted the NC's recommendation and accordingly, the above Directors will be offering themselves for re-election at the forthcoming AGM.

Each member of the NC shall abstain from voting on any resolutions and/or participating in deliberation in respect of his re-election as Director. Accordingly, Mr He Dingding and Mr Yu Chung Leung had abstained from voting on any resolutions and making any recommendations/participating in respect of his nomination for re-election as Director.

An evaluation of Board performance is conducted annually by the NC to assess the effectiveness of the Board as a whole which examines factors such as Board composition, information flow to the Board, Board procedures, Board accountability, and standards of conduct of the Board members.

For the year under review, the NC had conducted a Board performance evaluation. The results of the Board performance evaluation were collated and presented to the NC for discussion with comparatives from the previous year's results. The NC was generally satisfied with the results of the Board performance evaluation for FY2014, which indicated areas of strengths and those that could be improved further. No significant issues were identified. The NC had presented the results to Board members who agreed to work on those areas that could be improved further.

The NC was of the view that given the small Board size, the cohesiveness of the Board members and that the same Independent Directors sit on the various Board Committees, there would not be any value add in having separate assessments of Board committees.

(F) Access to Information

All Directors have independent access to the Group's senior management and the Company secretaries. All Directors are provided, where appropriate, with complete, adequate and timely information on Board affairs and issues to enable them to participate at the meetings and make informed decisions. Information provided included background or explanations relating to matters to be brought before the Board and copies of disclosure documents.

Board members are kept abreast of key developments affecting the Group as well as material transactions in order that the Board is fully aware of the affairs of the Group. Management provides reports and financial statements to the Board on a regular basis. Board and Board Committee papers are sent to Directors before such meeting so that the Directors may better understand the matter prior to the meeting and discussions may be focused on questions that the Directors have on these matters. Financial highlights of the Group's performance and developments are presented on a quarterly basis at Board meetings. The CEO and senior management attend these meetings to provide input and insight into matters being discussed, and to address any queries which the Board may have.

Both Company Secretaries attend all Board meetings and assist the Board in ensuring that Board procedures and all other rules and regulations applicable to the Company are complied with. The Company Secretaries also follow the direction of the Chairman to ensure that there is sufficient/pertinent information flow within the Board and its committees and between senior management and Non-Executive Directors, as well as to facilitate orientation and assist with professional development when required to do so. The appointment and removal of the Company Secretaries are subject to approval by the Board.

Corporate Governance Report

Should the Directors, whether as a group or individually, need independent professional advice to fulfill their duties, the Directors will be able to obtain such advice from professionals for which the consultation fees incurred will be borne by the Company. The appointment of such independent professional advisor is subject to approval by the Board.

(G) Procedures for Developing Remuneration Policies, Level and Mix of Remuneration and Disclosure on Remuneration

Remuneration Committee

The RC, regulated by a set of written terms of reference, comprises the following Non-Executive Directors:

Independent Non-Executive Directors

Yu Chung Leung (Chairman)
Lau Choon Hoong
He Dingding

Non-Executive Directors

Gao Sishi
Naoki Yamada

The principal functions of the RC are to:

1. review and recommend to the Board a framework of remuneration for the Board and key management personnel;
2. review and recommend the Directors' fees for Non-Executive Directors, which are subject to shareholders' approval at the AGM;
3. assess, review and recommend the remuneration packages of the Executive Directors, key management personnel and those employees related to the Directors, CEO or Controlling Shareholders of the Company;

In the event of termination of the Executive Directors and key management personnel's service contracts, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

4. the service contract of the CEO and Executive Directors (if any), and letters of appointment of Non-Executive Directors;
5. recommend to the Board on share option or long term incentive schemes which may be set up from time to time; and
6. undertake such other functions and duties as may be delegated by the Board.

The Executive Directors' service agreements comprise a salary and a performance bonus to be determined at the discretion of the Board.

The RC had recommended to the Board an amount of RMB540,000 (equivalent to S\$120,000) as Directors' fees for the Independent Non-Executive Directors for FY2014, taking into account factors such as effort, time spent and responsibilities of the Directors. The Board will table this at the forthcoming AGM for shareholders approval. The Non-Executive Directors namely Mr Gao Sishi, Mr Zhang Qi and Mr Naoki Yamada are not entitled to Directors' Fees under their respective letter of appointment.

The annual review of the remuneration packages of all Directors and key management personnel was carried out by the RC to ensure that their remuneration commensurate with their duties and responsibilities, performance, qualifications and experience as well as the Company's performance. For FY2014, the RC is satisfied with the remuneration packages of the Executive Directors and key management personnel and recommended the same for Board approval. The Board had approved the RC's recommendation accordingly.

The RC would also in consultation with Management determine the target profit ("**the Target Profit**") for each financial year for the Executive Directors to achieve. The Target Profit which refers to the consolidated profit after tax and non-controlling interests (excluding extraordinary and exceptional items), would determine the performance incentive of the Executive Directors. For FY2014, no performance incentive was recommended as the Target Profit of RMB20 million was not met.

Corporate Governance Report

The Executive Directors and key management personnel of the Group are rewarded based on actual results and no other incentives, the Group does not use any contractual provisions to reclaim incentive components of remuneration from its Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss of the Company.

The objective of the remuneration policies is to ensure that the Directors would be provided with the appropriate incentives to encourage enhanced performance and are, in a fair and reasonable manner, rewarded for their individual contributions to the success of the Company.

Each member of the RC had abstained from voting on any resolutions and making recommendations and/or participating in any deliberations of the RC in respect of his remuneration package or fees.

Disclosure on remuneration

The breakdown of each individual Director's remuneration, showing the level and mix for FY2014, is as follows:

Name of Director	Salary	Bonus	Director's fees	Other benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gao Sishi	–	–	–	–	–
An Fengjun	324*	–	–	–	324
Gao Yanxu	72	–	–	–	72
Zhang Qi	–	–	–	–	–
Naoki Yamada	–	–	–	–	–
He Dingding	–	–	180	–	180
Lau Choon Hoong	–	–	180	–	180
Yu Chung Leung	–	–	180	–	180

Only Mr. Gao Yanxu, who is a nephew of Mr. Gao Sishi, is the family member of a controlling shareholder. No immediate family member's remuneration exceeds S\$50,000 during the year.

* For FY2014, the Executive Director & CEO, Mr. An Fengjun, voluntarily agreed to waive his entitlement to certain remuneration of approximately RMB166,000.

Details of remuneration (expressed in percentage terms) paid to the top 5 key management personnel of the Group (who are not Directors) for FY2014 are set out below:

Name of key management personnel	Salary	Bonus	Other benefits	Total
	%	%	%	%
Below S\$250,000				
Fong William – CFO	100	–	–	100
Gao Yumei – Production manager	100	–	–	100
Xu Gui Yu – Vice manager of the Production Department	100	–	–	100
Zhao Ruifen – Manager of the Administration Department	100	–	–	100
Pang Shumei – Quality Control Manager	100	–	–	100

The total remuneration paid to the top 5 key management personnel amounted to RMB1,000,000 for FY2014.

The Group does not have a share-option or long-term incentive scheme in place.

Corporate Governance Report

The emoluments paid or payable to members of senior management under code provision B.1.5 of the HK Code were within the following bands:

	2014 No. of individuals	2013 No. of individuals
Nil to RMB1,000,000	5	5

(H) Accountability

The Board provides shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects on a quarterly basis within the timeline as stipulated in the SGX-ST Listing Manual and the Hong Kong Listing Rules. This is supplemented by updates on matters affecting the financial performance and business of the Group. Management will take the relevant steps to provide the Board with management accounts of the Group on a monthly basis for the new financial year 2015, as recommended in the Singapore Code.

In line with the SGX-ST listing requirements, negative assurance statements were issued by the Board to accompany its quarterly financial results announcements, confirming to the best of its knowledge that nothing had come to its shareholders which would render the Company's quarterly results to be false or misleading.

(I) Audit Committee ("AC")

The AC, regulated by a set of written terms of reference, comprises five members, all of whom are Non-executive Directors and a majority of the members is independent. The members of the AC are:

Independent Non-executive Directors

Lau Choon Hoong (Chairman)
He Dingding
Yu Chung Leung

Non-executive Directors

Naoki Yamada
Zhang Qi

The Board is of the view that the members of the AC are appropriately qualified, having the necessary accounting or related financial management expertise or experience as the Board interprets such qualification to discharge their responsibilities.

The principal functions of the AC are to:

1. review the quarterly, interim and annual financial statements of the Company before submission to the Board for adoption focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with statutory and regulatory requirements;
2. review with the external auditors, their scope, audit plans and audit reports as well as any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulation, which has or is likely to have a material impact on the Group's operating results or financial position, and Management's response thereto;
3. approve the internal and external audit plans and review results of their audits and recommendations as well as Management's responses to the recommendations;
4. review the assistance given by Management to the internal and external auditors to facilitate their audits and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of Management at least once a year and where necessary);

Corporate Governance Report

5. review and approve the appointment or re-appointment of internal and external auditors and matters relating to resignation or dismissal of the auditors;
6. review interested person transactions;
7. ensure that arrangements are in place for staff of the Group and any other persons may, in confidence, raise concerns about possible improprieties in financial reporting or, other matters;
8. review annually the scope and results of the audit and its cost effectiveness as well as the, independence and objectivity of the external auditors, including the volume of non-audit services provided by the external auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors before confirming their nomination;
9. potential conflicts of interests, if any;
10. undertake such other functions and duties as may be required by the statute or the Listing Manual of the SGX-ST and the Hong Kong Listing Rules;
11. ensure the adequacy and effectiveness of the Group's internal controls including financial, operational, compliance and information technology controls in order for the Board to provide an opinion on the adequacy of such controls; and
12. undertake such other functions and duties as may be required by statute or the Listing Manual of the SGX-ST and the Hong Kong Listing Rules.

The AC has the explicit powers to conduct or authorise investigation into any of the abovementioned matters.

The AC meets at least four times a year and when deemed appropriate to carry out its functions as sets out under its terms of reference. The AC has full access to and the co-operation of Management, has full discretion to invite any Directors and executive officers to attend its meetings, and has reasonable adequate resources to enable it to discharge its functions.

Four AC meetings were held in FY2014 to discuss and review the following matters:

1. the quarterly and annual financial statements of the Company before submission to the Board for adoption;
2. the audit plans and audit reports with the internal and external auditors;
3. the adequacy and effectiveness of the internal controls system and made recommendations to the Board for improvement of internal controls and risk management;
4. the nomination and appointment or re-appointment of internal and external auditors;
5. met with the internal and external auditors without the presence of Management to discuss the results of their audit findings and their evaluation of the Group's system of accounting and internal controls, set out in their respective reports;
6. ascertained that both the internal and external auditors have had the full co-operation of Management in carrying out their work. No non-audit services were rendered by the external auditors in FY2014. The Auditors, BDO Limited and BDO LLP have affirmed their independence in this respect. Audit services rendered by the external auditors amounted to RMB1,428,000.
7. the related party transactions, interested person transactions (as defined under the Listing Manual of SGX-ST), connected transactions and continuing connected transactions (as defined under the Hong Kong Listing Rules);
8. kept abreast of accounting standards and issues that could potentially impact financial reporting through quarterly updates and advice from the external auditors;

Corporate Governance Report

9. confirmed that the Company had complied with Rules 712 and 715 of the SGX-ST Listing Manual in relation to the appointment of a suitable auditing firm to meet its audit obligations. The AC was satisfied that the resources and experience of both BDO Limited and BDO LLP, the audit engagement partner and his team assigned to the audit of the Group were adequate to meet their audit obligations, given the size, operations, nature and complexity of the Group.

The AC has recommended to the Board the nomination of BDO Limited, Certified Public Accountants, Hong Kong to act jointly with BDO LLP, Public Accountants and Chartered Accountants, Singapore as auditors at the forthcoming AGM.

The Board concurred with the AC's recommendation.

The AC has also put in place a "whistle-blowing" policy whereby staff of the Group and any other persons may raise concerns on financial improprieties, fraudulent acts or other matters and ensure that arrangements are in place for investigation.

Details of the whistle-blowing policies and arrangements are posted on the Company's web-site. The website provides a feedback channel for any complainant to raise possible improprieties to the Audit Committee.

There was no incident of whistle-blowing reported for FY2014.

(J) Risk Management, Internal Controls and Internal Audit

The Board recognises that it is responsible for the overall internal controls framework, but accepts that no cost effective internal control system will preclude all errors and irregularities, as the system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company does not have a risk management committee. However, Management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant control policies and procedures and highlights all significant matters to the Board and AC. During the year, the Company's internal auditors were engaged to review the Group's business and operational activities and identify the significant risk areas and to recommend the appropriate measures to mitigate these risks.

The AC also reviews the effectiveness of the actions taken by Management on the recommendations made by the internal and external auditors and ensures that there are follow-up actions on the implementation. The effectiveness of the internal financial control systems and procedures is monitored by Management.

The Company has outsourced its internal audit function to an external audit firm namely, Elite Partners CPA Limited. The internal audit of the Group covers the review of financial, operational, information technology, compliance controls and risk management functions of the Group. Non-compliance and internal control weaknesses noted during the internal audits and their recommendations thereof are reported to the AC including Management's responses. The AC will review these findings and ensure that the recommendations are implemented. The internal auditors will follow up on the implementations in their next audit review.

The internal auditors report directly to the AC Chairman on internal audit matters and to the CEO on administrative matters.

The AC is of the view that the IA has adequate resources to perform its functions and has, to the best of its ability, maintained its independence from the activities it audits. The AC will review the adequacy of the IA function annually to ensure that the IA function is adequately resourced and is able to perform its function effectively.

The Board has received written assurance from the CEO and CFO that:

- (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- (b) regarding the effectiveness of the Group's risk management and internal control systems.

Corporate Governance Report

Based on the internal controls established and maintained by the Group, reviews conducted by the internal auditors, the Board, with the concurrence of the AC, is of the opinion that the internal controls and risk management system addressing the Group's financial, operational, compliance and information technology risks are adequate and effective. Management will continue to focus on improving the standard of internal controls and corporate governance.

The Group's financial risk management is disclosed under Note 39 of the Notes to the Financial Statements on pages 100 to 106 of this Annual Report.

(K) Communication with Shareholders, Investors and Greater Shareholder Participation

In line with the continuous disclosure obligations, the Company is committed to regular and proactive communication with its shareholders and investors. It is the Company's policy that the shareholders and investors be informed of all major developments that have an impact on the Group.

Information is communicated to the shareholders and investors on a timely basis through:

- (a) publication of announcements and circulars on the websites of the SGX-ST, the SEHK and the Company;
- (b) publication of financial statements containing a summary of the financial information and affairs of the Group for the quarterly and full year period via the websites of the SGX-ST, the SEHK, and the Company;
- (c) interim reports and annual reports; and
- (d) notices of and explanatory notes for general meetings.

The Chairman and the respective chairman of the AC, RC and NC, as well as the external auditors, are also normally available at general meetings to answer shareholders' queries.

The Company will consider the need for analyst briefings, investor roadshows or Investors' Day briefings in future when the Group's performance improves.

The market capitalisation of the Company as at 31 December 2014 was approximately S\$47,624,280 (issued share capital: 432,948,000 shares at closing market price: S\$0.11 per share).

No dividend for FY2014 was declared due to the Group's loss position and need to conserve cash to meet the working capital of the Group's operations.

(L) Shareholders Rights

Procedures for shareholders to convene a special general meeting.

At the annual general meetings, the shareholders will be given an opportunity to voice their views and seek clarification from the Directors and members of the senior management.

In accordance with the Company's Bye-laws, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Bermuda Companies Act.

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the re-election of the retiring directors.

All votes of the shareholders at the shareholders' meeting will be taken by poll. Poll results will be posted on the websites of the Company, the SGX-ST and SEHK after the meeting.

Corporate Governance Report

Procedures for raising enquiries

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong share registrar (details of which are set out in the section headed "Corporate Information" of this annual report).

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

Procedures and contact details for putting forward proposals at shareholders' meetings

To put forward proposals at a general meeting of the Company, shareholder should lodge a written notice of his/her/its proposal (the "Proposal") with his/her/its detailed contact information to the Company's principal place of business in Hong Kong.

The identity of such shareholder and his/her/its request will be verified with the Company's Hong Kong share registrar and upon confirmation by the Hong Kong share registrar that the request is proper and in order and made by a shareholder of the Company, the Board will determine in its sole discretion whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.

The notice period to be given to all the shareholders of the Company for consideration of the Proposal raised by such shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

- (1) Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal requires approval in an annual general meeting;
- (2) Notice of not less than 21 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of a special resolution in an extraordinary general meeting; and
- (3) Notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal requires approval in an extraordinary general meeting other than by way of a special resolution of the Company.

The Group has no significant change in constitutional documents during the year.

SECURITIES TRANSACTIONS

The Company has adopted the Model Code For Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Hong Kong Listing Rules as its own code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of all Directors of the Company, the Company confirms that all Directors of the Company have complied with the required standard as set out in the Model Code for FY2014.

The Group has also adopted an internal compliance code of conduct to provide guidance to its officers regarding dealings in the Company's securities. Officers are prohibited from dealing in securities of the Company on short-term considerations and two weeks before the release of the quarterly and the half-yearly results and at least one month before the release of the full year results. The officers are also advised against dealing in the Company's securities at all times, if in possession of inside information. The Group confirmed that it has adhered to its policy for securities transactions for FY2014.

Corporate Governance Report

INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy with regard to transactions with interested persons and has set out procedures for review and approval of the Company's interested person transactions. All interested person transactions are subject to review by the AC. During the financial year under review, there are no interested person transactions entered into by the Company which are more than 3% of the Group's latest audited net tangible assets. The Group does not have any interested person transactions' mandate. The aggregate value of the interested person transactions during FY2014 is provided below:

(in RMB'000)

Name of interested person	Year ended 31 December 2014	
	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Sales to related parties (Note 1)	1,876	Nil
Rental expenses paid to related parties (Note 2)	644	Nil

Note:

1. Sales to related parties were made to related parties of which Mr. Gao Sishi, Mr. Gao Yanxu, Mr. An Fengjun and Mr. Zhang Qi have beneficial interests. These sales were made in the ordinary course of business with reference to the terms negotiated between the Group and these related parties.
2. Rental expenses paid to related parties, of which Mr. Gao Sishi, Mr. Gao Yanxu, Mr. An Fengjun and Mr. Zhang Qi were shareholders and/or Directors, were made according to the terms of the lease agreements.

MATERIAL CONTRACTS UNDER THE LISTING MANUAL OF SGX-ST

Save as disclosed in the Corporate Governance Report, the Directors' Report and in the Financial Statements, the Group did not enter into any material contracts involving the interests of the directors or controlling shareholders during FY2014 as required to be reported under Rule 1207 (8) of the Listing Manual of SGX-ST.

Corporate Governance Report

FINANCIAL REPORTING

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Group, in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, the Hong Kong Listing Rules and the Listing Manual of SGX-ST. In preparing the financial statements for FY2014, the Directors have selected suitable accounting policies and have applied them consistently which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on a going concern basis.

The statement by the Auditors of the Company about their responsibilities for the financial statements is set out in the independent joint auditors' report and independent auditor's report contained in this annual report. The Group incurred a net loss of approximately RMB7.1 million during the year ended 31 December 2014. As of that date, the Group's current liabilities exceeded its current assets by approximately RMB58.3 million. These conditions may cast significant doubt upon the Group's ability to continue as a going concern.

SHARE INTEREST OF KEY MANAGEMENT

Ms. Zhao Ruifen, being one of the key management whose brief biographical details are set out in this annual report, is beneficially interested in 8,400,000 shares of the Company as at 31 December 2014.

CONFIRMATION OF NON-COMPETITION

Mr Gao Sishi, the controlling shareholder (as defined in the Hong Kong Listing Rules) has provided a written confirmation, which has been reviewed and confirmed by the Independent Non-Executive Directors, confirming that, during FY2014, he has complied with the terms of the Deed of Non-competition Undertaking dated 25 August 2006 and the Supplemental Deed of Non-Competition Undertaking dated 25 November 2009, both entered into with the Company.



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Directors' Report

The Directors of the Company herein present their report and audited financial statements of the Company and the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 18 to the financial statements.

There was no significant change in the nature of the principal activities of the Group during the year.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 December 2014 and the state of affairs of the Group and the Company as at that date are set out in the financial statements on pages 47 to 108.

The Board of Directors (the "Board") did not recommend any dividend for the year ended 31 December 2014.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements is set out below. The summary does not form part of the audited financial statements.

RESULTS	Year ended 31 December				
	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Revenue	1,302,632	1,477,999	1,489,838	1,353,397	1,016,870
Profit before tax	5,191	15,906	1,483	11,316	794
Income tax (expense)/credit	(12,292)	(14,797)	(879)	(2,568)	1,212
(Loss)/Profit for the year	(7,101)	1,109	604	8,748	2,006
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	(7,101)	1,109	604	8,748	2,006
(Loss)/Profit for the year attributable to:					
Owners of the Company	(3,956)	6,378	4,917	12,240	3,383
Non-controlling interests	(3,145)	(5,269)	(4,313)	(3,492)	(1,377)
	(7,101)	1,109	604	8,748	2,006
ASSETS AND LIABILITIES	As at 31 December				
	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000 (Restated)
Non-current assets	829,805	853,934	859,312	834,738	801,763
Current assets	885,317	738,848	750,278	694,482	433,061
TOTAL ASSETS	1,715,122	1,592,782	1,609,590	1,529,220	1,234,824
Current liabilities	943,598	819,028	889,537	811,348	533,874
Non-current liabilities	74,535	69,664	14,601	13,024	11,015
TOTAL LIABILITIES	1,018,133	888,692	904,138	824,372	544,889
NET ASSETS	696,989	704,090	705,452	704,848	689,935

Directors' Report

PROPERTY, PLANT AND EQUIPMENT

Details of the movement in property, plant and equipment of the Group are set out in note 15 to the financial statements.

BIOLOGICAL ASSETS

The production quantities of agricultural produce of rabbits, chicken, hatchable eggs and vegetables during the year ended 31 December 2014 are as follows:

	Group 2014
Rabbits	3,870,479
Chicken	31,992,483
Hatchable eggs	19,204,343
Vegetables (in tonnes)	2,362

Details of the movement in biological assets of the Group are set out in note 21 to the financial statements.

INTEREST-BEARING BANK BORROWINGS

Particulars of interest-bearing bank borrowings of the Group as at 31 December 2014 are set out in note 32 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 35 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Memorandum of Association, Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company (the "Shareholders").

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the Statements of Changes in Equity on page 50 to page 51 of the annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company's reserves available for distribution, calculated in accordance with the provision of laws of Bermuda, amounted to approximately RMB263,216,000 (2013: approximately RMB263,216,000). The balance of approximately RMB257,073,000 (2013: approximately RMB257,073,000) in the share premium account may be distributed in the form of fully paid bonus shares.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's Shares during the year (in 2013: Nil).

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 20% of the Group's turnover and less than 35% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers, respectively.

As at 31 December 2014, Zensho Holdings Co., Ltd who is interested in more than 5% of the issued share capital of the Company had an interest in one of the five largest customers of the Group:

Name of customer	Name of shareholder	Nature of interest	Approximate percentage of interest
Global Table Supply Co., Ltd	Zensho Holdings Co., Ltd (Note)	Direct	100%
Global Foods Ltd	Zensho Holdings Co., Ltd (Note)	Direct	100%

Notes: Zensho Holdings Co., Ltd is a substantial shareholder holding 12.38% of the Company's issued shares.

Save as disclosed above, none of the Directors, their associates or any Shareholder (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any interest in any of the five largest customers and/or suppliers of the Group.

DIRECTORS

The Directors of the Company during the year and up to the date of this report are as follows:

Executive Directors:

Mr. An Fengjun¹ (Chief Executive Officer)
Mr. Gao Yanxu²

Non-executive Directors:

Mr. Gao Sishi (Chairman)
Mr. Zhang Qi
Mr. Naoki Yamada

Independent Non-executive Directors:

Mr. He Dingding
Mr. Lau Choon Hoong
Mr. Yu Chung Leung

¹ Mr. An Fengjun was appointed as Chief Executive Officer and Executive Director of the Company on 11 March 2014.

² Mr. Gao Yanxu was relinquished as acting Chief Executive Officer on 11 March 2014.

In accordance with the Company's Bye-Laws, the following Directors shall retire at the forthcoming annual general meeting and being eligible, offer themselves for re-election at the annual general meeting:

Under bye-law 86(1):

- Mr. Naoki Yamada
- Mr. Yu Chung Leung
- Mr. He Dingding

The Company has received annual confirmations of independence from each of its independent non-executive directors and considers Mr Lau Choon Hoong, Mr He Dingding and Mr Yu Chung Leung to be independent under Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules") and all the applicable code provisions of the Code of Corporate Governance 2012 (the "Singapore Code").

Biographical details of the Directors and the senior management of the Group are set out on pages 5 to 7 of the annual report.

Directors' Report

DIRECTORS' SERVICE CONTRACTS

Executive Directors

Each of Mr. Gao Yanxu and Mr. An Fengjun has entered into service contracts (the "ED Service Contracts") with the Company, which are as follows:

Mr. Gao Yanxu – 26 August 2014 to 25 August 2015

Mr. An Fengjun – 11 March 2014 to 10 March 2017

The appointment of each of Mr. Gao Yanxu and Mr. An Fengjun may be terminated by either party giving not less than one month's notice in writing to the other or in accordance with the terms of the ED Service Contracts.

Under the ED Service Contracts, Mr An Fengjun is entitled to a fixed fee of RMB400,000 per year, and such fee will be reviewed annually by the Remuneration Committee. Each of Mr Gao Yanxu and Mr An Fengjun is also entitled to a management bonus by reference to the consolidated profits after taxation and non-controlling interests (excluding extraordinary and exceptional items) ("Net Profits") as the Board may approve provided that the aggregate amount of management bonuses payable to all Executive Directors in respect of any financial year of the Group shall not exceed 10 percent of the Net Profits for the relevant financial year.

Independent Non-executive Directors

Mr He Dingding and Mr Lau Choon Hoong have signed re-appointment letters (the "INED Re-Appointment Letters") with the Company, for a one-year term from their date of appointment. Their respective INED Appointment Letters can be terminated by either party giving not less than one month's notice in writing to the other or in accordance with the terms of the appointment letter.

Under the INED Appointment Letters, Mr He Dingding and Mr Lau Choon Hoong are each entitled to a remuneration of RMB15,000 per month (and RMB10,000 per month after 1 January 2015) respectively (subject to the approval of the Shareholders).

Mr Yu Chung Leung has signed an appointment letter with the Company which had been renewed for a year up to 26 August 2015 unless otherwise terminated by either party giving not less than one month's notice in writing to the other or in accordance with the terms of the appointment letter. Under the appointment letter, Mr Yu Chung Leung is entitled to a remuneration of RMB15,000 per month (and RMB10,000 per month after 1 January 2015).

Non-executive Directors

Both Mr Gao Sishi, and Mr Zhang Qi have each signed appointment letters with the Company, which had been renewed up to 25 August 2015, unless otherwise terminated by either party giving not less than one month's notice in writing to the other or in accordance with the terms of the appointment letter. Mr Naoki Yamada has signed a letter of appointment with the Company on 29 April 2014. His term will expire on 25 August 2015 unless otherwise terminated by either party giving not less than one month's notice in writing to the other or in accordance with the terms of the appointment letter. Mr. Gao Sishi, Mr. Zhang Qi and Mr. Naoki Yamada will not receive any directors' fee under the appointment letters.

None of the retiring Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract or an appointment letter with the Company or any of its subsidiaries which is not terminable by the employer within one year without payment of compensation, (other than statutory compensation).

CONTRACTS OF SIGNIFICANCE

Save as those disclosed in the sub-sections headed "Directors' Service Contracts" above and "Interested Person Transactions, Connected Transactions and Continuing Connected Transactions" below, and note 41 to the financial statements, none of the Directors of the Company, the controlling shareholders and/or their respective associates has a significant interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, any of its subsidiaries was a party during the year under review.

Directors' Report

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

During and at the end of the financial year, neither the Company nor any of its subsidiaries was a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY UNDER THE SECURITIES AND FUTURES ORDINANCE (CHAPTER 571) OF THE LAWS OF HONG KONG (THE "SFO")

As at 31 December 2014, the interests of the Directors and Chief Executive in the share capital of the Company or 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 as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Name of Director	Long positions in the shares of the Company				Total	Percentage (%)
	Personal Interests	Family Interests	Corporate Interests	Other Interests		
Gao Sishi	166,740,000	–	–	–	166,740,000	38.5
An Fengjun ¹	–	–	–	–	–	–
Gao Yanxu	14,310,000	–	–	–	14,310,000	3.3
Zhang Qi	8,910,000	–	–	–	8,910,000	2.1
Naoki Yamada	–	–	–	–	–	–
He Dingding	–	–	–	–	–	–
Lau Choon Hoong	–	–	–	–	–	–
Yu Chung Leung	–	–	–	–	–	–
	189,960,000	–	–	–	189,960,000	43.9

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

Name of Director	Held in Name of Director		Deemed Interest	
	1/1/2014	31/12/2014 and 21/1/2015	1/1/2014	31/12/2014 and 21/1/2015
Gao Sishi	166,740,000	166,740,000	–	–
An Fengjun ¹	–	–	–	–
Gao Yanxu	14,310,000	14,310,000	–	–
Zhang Qi	8,910,000	8,910,000	–	–
Naoki Yamada	–	–	–	–
He Dingding	–	–	–	–
Lau Choon Hoong	–	–	–	–
Yu Chung Leung	–	–	–	–
	189,960,000	189,960,000	–	–

¹ Mr An Fengjun was appointed as CEO and Executive Director of the Company on 11 March 2014.

Directors' Report

SUBSTANTIAL SHAREHOLDERS' INTERESTS UNDER THE SFO

As at 31 December 2014, insofar as is known to the Directors and Chief Executive of the Company, the following persons (not being a Director or Chief Executive of the Company), had an interest and short position in the shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as follows:

In respect of the Company

Name of Substantial Shareholder (Note 1)	Capacity/nature of interests	Number of Shares held (Note 1)	Approximate percentage of issued share capital (%)
Cheng Xiutai (Note 2)	Registered and beneficial owner	33,324,000	7.7
Proven Choice Group Limited (Note 3)	Registered and beneficial owner	26,260,000	6.1
Wang Lin Jia (Note 3)	Deemed interests	26,260,000	6.1
Zensho Holdings Co., Ltd. (Note 4)	Registered and beneficial owner	53,611,000	12.4

Notes:

1. Information was provided by substantial shareholder.
2. Mr Cheng Xiutai is an independent third party.
3. Proven Choice Group Limited is wholly-owned by Wang Lin Jia who is not related to any of the Directors or Shareholders. As such, Wang Lin Jia is deemed to be interested in the 26,260,000 shares held by Proven Choice Group Limited under Part XV of the SFO.
4. Zensho Holdings Co., Ltd. is an independent third party and is a listed company in Japan.

Save as disclosed above, the Directors were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as at 31 December 2014, which would fall to be disclosed under Division 2 and 3 of Part XV of the SFO and were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 17 to 32 of the Annual Report.

INTERESTED PERSON TRANSACTIONS, CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Details of the interested person transactions (as defined under the Listing Manual of the SGX-ST) for the year under review are set out on page 31 of this Annual Report and connected transactions (as defined under the Hong Kong Listing Rules) for the year under review are set out as below.

The Group has entered into the following continuing connected transactions (the "Transactions") as defined under the Hong Kong Listing Rules. These continuing connected transactions between certain connected parties (as defined in the Hong Kong Listing Rules) and the Group also constituted certain related party transactions as disclosed in note 41 to the financial statements.

- The Group entered into 7 lease agreements dated between 1 January 2005 to 1 January 2010 either as tenant (collectively the "Lease Agreements") with various connected persons (as defined under the Hong Kong Listing Rules) including Qingdao Kangda Foreign Trade Group Company Limited ("KD Trading Company") with annual rent ranging from RMB6,240 to RMB300,000. The terms of the Lease Agreements will expire between 15 December 2015 and 31 December 2024. The total amount of rent paid by the Group for the year ended 31 December 2014 amounted to approximately RMB644,000 as disclosed in note 41.

Directors' Report

- The total amount of sales to KD Trading Company, of which Mr. Gao Sishi, Mr. Gao Yanxu, Mr. An Fengjun and Mr. Zhang Qi have beneficial interests, for the year ended 31 December 2014 amounted to approximately RMB1,876,000.
- On 26 March 2012, the Company entered into a framework agreement, pursuant to which the Company agreed that the Group will sell and supply to the Zensho Group, and Zensho agreed that the Zensho Group will purchase from the Group directly, instead of purchasing through a sourcing company, which is a third party independent of the Group and Zensho Group. This arrangement may provide the Group with greater flexibility relating to price negotiation with the Zensho Group and allow the Group to sell the products to the Zensho Group at prices higher than that to the sourcing company and therefore can improve the profit margins of the relevant products. The annual caps for the products sales by the Group to Zensho Group under the framework agreement for 2012, 2013 and 2014 are RMB300 million, RMB550 million and RMB650 million respectively.
- The guarantees given by KD Trading Company in connection with the bank loans granted to the Group for the year ended 31 December 2014 amounted to approximately RMB210,000,000.

Regarding the continuing connected transactions with Zensho Group, the Company has applied for, and the SEHK has granted, a waiver with regard to the framework agreement and the continuing connected transactions ("Transactions") contemplated thereunder for the period commencing on 26 March 2012 to the year ending 31 December 2014 from strict compliance with the announcement (but not reporting) and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules, provided that the above-mentioned continuing connected transactions are conducted in compliance with the conditions (including the respective proposed cap amounts) imposed by the SEHK.

The Independent Non-executive Directors of the Company have reviewed the Transactions conducted during the year and confirmed that the Transactions:

- (i) have been entered into in the ordinary and usual course of the business of the Group;
- (ii) have been entered into either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than those available to or from independent third parties;
- (iii) have been entered into in accordance with the relevant agreements on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and
- (iv) have not exceeded the annual cap for the year ended 31 December 2014 as disclosed in the framework agreement.

In accordance with paragraph 14A.38 of the Hong Kong Listing Rules, the Board engaged the auditors of the Company to perform certain factual finding procedures on the continuing connected transactions under the framework agreement on a sample basis in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have reported their factual findings for the selected samples based on the agreed procedures to the Board.

The Company confirms that the Group has complied with the disclosure requirements in accordance with Chapter 14A of the Hong Kong Listing Rules, save as the aforesaid, there were no other transactions which need to be disclosed as connected transactions or continuing connected transactions in accordance with the requirements under the Hong Kong Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Mr Gao Sishi is directly and indirectly interested in KD Trading Company, which is principally engaged in diversified businesses, including trading of construction materials, fresh vegetables, animal feeds and property management.

Directors' Report

KD Trading Company is a company established in the PRC and is owned by Mr Gao Sishi as to 40%, Mr Gao Yanxu as to 5.3%, Mr An Fengjun as to 1.3% and Mr Zhang Qi as to 3.3%. Apart from its principal business of construction materials trading, KD Trading Company is also engaged in the sales of processed food products to a target group of customers who are its business partners. The Directors understand that KD Trading Company will continue to purchase processed food products for self-consumption, including making of gift packages to be gifted to others at nil consideration but does not intend to sell any processed food products in the future. As such, the Directors are of the view that there is no competition with KD Trading Company.

Save as disclosed above, during the year and up to the date of this report, none of the Directors are considered to have interests in a business that competes or is likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors have been appointed or were appointed as Directors to represent the interests of the Company and/or the Group. The Directors are not aware that any KD Trading Company member had any actual operation in food processing business during the year and up to the date of this report. The Directors also are not aware that any KD Trading Company member plans to engage in food processing business which may compete with the business of the Group in the near future. As the Group is principally engaged in the production and sales of chicken meat, rabbit meat and processed foods which are distinct from the businesses of KD Trading Company, the Directors are of the view that the businesses of KD Trading Company do not compete or are unlikely to compete directly or indirectly with the Group's business.

SUFFICIENCY OF PUBLIC FLOAT

As far as the information publicly available to the Company is concerned and to the best knowledge of the Directors, at least 25% of the Company's issued share capital were held by members of the public (as defined in the Hong Kong and Singapore Listing Rules and the Listing Manual of the Singapore Securities Exchange Trading Limited) as at the date of this report.

AUDIT COMMITTEE, NOMINATION COMMITTEE AND REMUNERATION COMMITTEE

Details of the Company's Audit Committee, Nomination Committee and Remuneration Committee are set out in the Corporate Governance Report in pages 17 to 32 of the Annual Report.

AUDITORS

BDO Limited, Certified Public Accountants, ("BDO") and BDO LLP, Public Accountants and Chartered Accountants, Singapore ("BDO LLP") were re-appointed on 30 April 2014 as auditors and act jointly and severally to satisfy the Listing Manual of the Singapore Exchange Securities Trading Limited. There is no change in the auditors of the Company in any of the preceding three years.

BDO and BDO LLP retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming Annual General Meeting of the Company to the appointment of BDO as auditors of the Company to satisfy the Hong Kong Listing Rules and BDO LLP as auditors and to act jointly and severally with BDO for the purpose of compliance with Rule 712 of the Listing Manual of the Singapore Exchange Securities Trading Limited for the ensuing year until the next Annual General Meeting in 2015.

On behalf of the Board

An Fengjun

Executive Director and CEO

Gao Yanxu

Executive Director

23 March 2015

Statement by the Directors

We, An Fengjun and Gao Yanxu, being two of the Directors of China Kangda Food Company Limited, do hereby state that, in the opinion of the Directors,

- (i) the accompanying Consolidated Statement of Financial Position, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows of the Group and the Statement of Financial Position and Statement of Changes in Equity of the Company, together with the notes thereto, are drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and of the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year then ended; and
- (ii) as at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The financial statements for the year ended 31 December 2014 were authorised for issue by the Board of Directors on the date stated hereunder.

An Fengjun

Executive Director and CEO

Gao Yanxu

Executive Director

23 March 2015

The following is the text of the joint auditors' report on the consolidated financial statements for the year ended 31 December 2014 received from the Company's joint auditors in respect of the Company's listing on the Singapore Exchange Securities Trading Limited. The Company's joint auditors are BDO LLP, Singapore and BDO Limited, Hong Kong.



**INDEPENDENT JOINT AUDITORS' REPORT
TO THE SHAREHOLDERS OF CHINA KANGDA FOOD COMPANY LIMITED**

(Incorporated in Bermuda with limited liability)

We have audited the financial statements of China Kangda Food Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 47 to 108, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2014, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Joint Auditors' Report

OPINION

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of the financial performance and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards.

EMPHASIS OF MATTER

We draw attention to note 3(b) to the financial statements which indicates that the Group incurred a net loss of approximately RMB7.1 million during the year ended 31 December 2014, and as of that date, the Group's current liabilities exceeded its current assets by approximately RMB58.3 million. These conditions, along with other matters as set forth in note 3(b), indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

BDO LLP

Public Accountants and Chartered Accountants
21 Merchant Road
#05-01,
Singapore 058267

23 March 2015

BDO Limited

Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

23 March 2015

The following is the text of the auditor's report on the Company's consolidated financial statements for the year ended 31 December 2014 received from the Company's auditor in Hong Kong, BDO Limited, in respect of the Company's listing on The Stock Exchange of Hong Kong Limited.



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF CHINA KANGDA FOOD COMPANY LIMITED**

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Kangda Food Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 47 to 108, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated and company statements of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

We draw attention to note 3(b) to the financial statements which indicates that the Group incurred a net loss of approximately RMB7.1 million during the year ended 31 December 2014, and as of that date, the Group's current liabilities exceeded its current assets by approximately RMB58.3 million. These conditions, along with other matters as set forth in note 3(b), indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

BDO Limited

Certified Public Accountants

Wong Kwok Wai
Practising Certificate Number P06047

25 Floor Wing On Centre
111 Connaught Road Central
Hong Kong

23 March 2015

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Revenue	7	1,302,632	1,477,999
Cost of sales		(1,192,967)	(1,367,205)
Gross profit		109,665	110,794
Other income	7	29,221	30,986
Selling and distribution costs		(27,641)	(27,611)
Administrative expenses		(58,266)	(61,805)
Other operating expenses		(8,135)	(1,133)
Profit from operations	8	44,844	51,231
Finance costs	9	(38,618)	(34,359)
Share of loss of associates		(1,035)	(966)
Profit before taxation		5,191	15,906
Income tax expense	10	(12,292)	(14,797)
(Loss)/Profit for the year		(7,101)	1,109
Other comprehensive income		-	-
Total comprehensive income for the year		(7,101)	1,109
(Loss)/Profit for the year and total comprehensive income attributable to:			
Owners of the Company		(3,956)	6,378
Non-controlling interests		(3,145)	(5,269)
		(7,101)	1,109
(Loss)/Earnings per share for (loss)/profit attributable to the owners of the Company during the year	13		
Basic (RMB cents)		(0.91)	1.47
Diluted (RMB cents)		(0.91)	1.47

Statements of Financial Position

As At 31 December 2014

	Notes	Group		Company	
		2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	15	614,752	622,446	–	2
Prepaid premium for land leases	16	125,202	129,698	–	–
Intangible assets	17	–	1,152	–	–
Investments in subsidiaries	18	–	–	84,144	84,144
Interest in associates	19	784	2,200	–	–
Goodwill	20	56,778	59,428	–	–
Biological assets	21	27,781	31,040	–	–
Available-for-sale financial assets	22	–	–	–	–
Long-term receivables	28	2,523	5,047	–	–
Deferred tax assets	23	1,985	2,923	–	–
Total non-current assets		829,805	853,934	84,144	84,146
Current assets					
Biological assets	21	45,462	42,751	–	–
Inventories	24	163,973	132,060	–	–
Trade receivables	25	71,446	80,971	–	–
Prepayments, other receivables and deposits	26	50,467	40,156	89	95
Amounts due from subsidiaries	27	–	–	234,850	238,641
Current portion of long-term receivables	28	2,524	3,523	–	–
Pledged deposits	29	70,000	70,000	–	–
Cash and cash equivalents	29	481,445	369,387	46	271
Total current assets		885,317	738,848	234,985	239,007
Current liabilities					
Trade and bills payables	30	179,781	142,808	–	–
Accrued liabilities and other payables	31	83,888	83,484	454	487
Interest-bearing bank borrowings	32	651,667	567,000	–	–
Amount due to a related party	33	23,955	23,517	–	–
Deferred government grants	34	1,807	1,337	–	–
Tax payables		2,500	882	–	–
Total current liabilities		943,598	819,028	454	487
Net current (liabilities)/assets		(58,281)	(80,180)	234,531	238,520
Total assets less current liabilities		771,524	773,754	318,675	322,666
Non-current liabilities					
Deferred government grants	34	15,687	11,664	–	–
Interest-bearing bank borrowings	32	50,000	58,000	–	–
Deferred tax liabilities	23	8,848	–	–	–
Total non-current liabilities		74,535	69,664	–	–
Net assets		696,989	704,090	318,675	322,666

Statements of Financial Position

As At 31 December 2014

	Notes	Group		Company	
		2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
EQUITY					
Equity attributable to the Company's owners					
Share capital	35	112,176	112,176	112,176	112,176
Reserves	36	560,022	563,978	206,499	210,490
		672,198	676,154	318,675	322,666
Non-controlling interests		24,791	27,936	-	-
Total equity		696,989	704,090	318,675	322,666

An Fengjun
Director

Gao Yanxu
Director

Statements of Changes in Equity

For the year ended 31 December 2014

Group

	Equity attributable to the Company's owners							Non-controlling interests	Total equity
	Share capital	Share premium*	Merger reserve*	Capital redemption reserve*	Other reserves*	Retained profits*	Total		
	RMB'000	RMB'000	(note 36) RMB'000	(note 36) RMB'000	(note 36) RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	112,176	257,073	(41,374)	2,374	44,158	295,715	670,122	35,330	705,452
Profit for the year	-	-	-	-	-	6,378	6,378	(5,269)	1,109
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	6,378	6,378	(5,269)	1,109
Disposal of subsidiaries (note 38(b))	-	-	-	-	(346)	-	(346)	(2,125)	(2,471)
At 31 December 2013 and 1 January 2014	112,176	257,073	(41,374)	2,374	43,812	302,093	676,154	27,936	704,090
Loss for the year	-	-	-	-	-	(3,956)	(3,956)	(3,145)	(7,101)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	(3,956)	(3,956)	(3,145)	(7,101)
Transfer to other reserves	-	-	-	-	-	-	-	-	-
At 31 December 2014	112,176	257,073	(41,374)	2,374	43,812	298,137	672,198	24,791	696,989

* The consolidated reserves of the Group as at 31 December 2014 of approximately RMB560,022,000 (2013: RMB563,978,000) as presented in the Group's statement of financial position comprised these reserve accounts.

Statements of Changes in Equity

For the year ended 31 December 2014

Company

	Share capital RMB'000	Share premium** RMB'000	Merger reserve** (note 36) RMB'000	Capital redemption reserve** (note 36) RMB'000	Accumulated losses** RMB'000	Total equity RMB'000
At 1 January 2013	112,176	257,073	6,143	2,374	(51,454)	326,312
Loss for the year	-	-	-	-	(3,646)	(3,646)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(3,646)	(3,646)
At 31 December 2013 and 1 January 2014	112,176	257,073	6,143	2,374	(55,100)	322,666
Loss for the year	-	-	-	-	(3,991)	(3,991)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(3,991)	(3,991)
At 31 December 2014	112,176	257,073	6,143	2,374	(59,091)	318,675

** The reserves of the Company as at 31 December 2014 of approximately RMB206,499,000 (2013: RMB210,490,000) as presented in the Company's statement of financial position comprised these reserve accounts.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Profit before taxation		5,191	15,906
Adjustments for:			
Interest income	7	(6,780)	(3,623)
Interest expenses	9	38,618	34,359
Gains arising from changes in fair value less estimated costs to sell of biological assets, net	7	(6,813)	(8,417)
Depreciation of property, plant and equipment	8	51,808	50,703
Gain on disposal of land use right	7	(322)	–
Loss on disposal of property, plant and equipment	8	2,754	4,106
Amortisation of prepaid premium for land leases	8	4,315	5,738
Amortisation of deferred income on government grant	7	(1,807)	(1,459)
Amortisation of intangible assets	8	1,152	838
Write down of inventories	8	3,945	–
Impairment loss on goodwill	8	2,650	–
Gain on disposal of subsidiaries	7	(232)	(1,316)
Loss on deregistration of an associate		21	–
Share of loss of associates		1,035	966
Operating profit before working capital changes		95,535	97,801
(Increase)/Decrease in inventories		(37,461)	16,016
Decrease in trade receivables		8,318	3,690
(Increase)/Decrease in prepayments, other receivables and deposits		(11,273)	14,956
Decrease in biological assets		7,361	3,277
Increase/(Decrease) in trade and bills payables		37,588	(30,327)
Decrease in accrued liabilities and other payables		1,120	3,746
(Increase)/Decrease in amount due to a related party		150	(15,328)
Cash generated from operations		101,338	93,831
Interest paid		(40,659)	(36,941)
Income taxes paid		(869)	(4,461)
<i>Net cash generated from operating activities</i>		59,810	52,429
Cash flows from investing activities			
Purchases of property, plant and equipment		(55,519)	(67,760)
Increase in prepaid premium for land leases		–	(12,138)
Proceeds from disposal of subsidiaries, net of cash and cash equivalents disposed of	38	6,348	2,321
Proceeds from disposal of land use rights		503	–
Proceeds from disposal of property, plant and equipment		7,286	1,160
Receipt of deferred government grants	34	6,300	1,650
Receipt from deregistration of an investment in an associate		360	–
Decrease in long-term receivables		3,523	–
Interest received		6,780	3,623
Increase in pledged deposits		–	(18,597)
<i>Net cash used in investing activities</i>		(24,419)	(89,741)

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
Cash flows from financing activities		
New bank borrowings	863,667	625,000
Repayment of bank borrowings	(787,000)	(589,000)
<i>Net cash generated from financing activities</i>	76,667	36,000
Net increase/(decrease) in cash and cash equivalents	112,058	(1,312)
Cash and cash equivalents as at 1 January	369,387	370,699
Cash and cash equivalents as at 31 December	481,445	369,387
Analysis of balances of cash and cash equivalents		
Cash and bank balances	481,445	369,387

Notes to the Financial Statements

31 December 2014

1 CORPORATE INFORMATION

China Kangda Food Company Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda on 28 April 2006. The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The principal place of business of the Company is located at No. 1, Hainan Road, Economic and Technology Development Zone, Jiaonan City, Qingdao, the People's Republic of China. The Company's shares have been listed on the Main Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the Main Board of The Stock Exchange of Hong Kong Limited (the "HKEx") since 9 October 2006 and 22 December 2008 respectively.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries (together with the Company referred as the "Group") are set out in note 18 to the financial statements.

The Group's operations are principally conducted in the People's Republic of China, excluding Hong Kong and Macau, (the "PRC").

The financial statements for the year ended 31 December 2014 were approved for issue by the board of directors on 23 March 2015.

2 APPLICATIONS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

(a) Adoption of new/revised IFRSs – first effective on 1 January 2014

In the current year, the Group has applied for the first time the following new and revised standards issued by the International Accounting Standards Board ("IASB"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2014:

Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
IFRIC 21	Levies

Except as explained below, the adoption of these new and revised standards has no significant impact on the Group's financial statements.

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to IAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

The adoption of the amendments has no impact on these financial statements as the amendments are consistent with the Group's previous application of its accounting policies.

Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired assets or cash-generating unit (CGU) whose recoverable amount is based on fair value less costs of disposal. The adoption of the amendments has no impact on these financial statements.

IFRIC 21 – Levies

IFRIC 21 clarifies that an entity recognises a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation has been applied retrospectively.

The adoption of IFRIC 21 has no impact on these financial statements as the interpretation is consistent with the Group's previous application of its accounting policies on provisions.

Notes to the Financial Statements

31 December 2014

2 APPLICATIONS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (CONTINUED)

(b) New/revised IFRSs that have been issued but are not yet effective

At the date of authorisation of these financial statements, the following new/revised IFRSs, potentially relevant to the Group’s financial statements, have been issued but are not yet effective and have not been early adopted by the Group.

IFRSs (Amendments)	Annual Improvements 2010-2012 Cycle ²
IFRSs (Amendments)	Annual Improvements 2011-2013 Cycle ¹
IFRSs (Amendments)	Annual Improvements 2012-2014 Cycle ³
Disclosure Initiative (Amendments to IAS 1)	Presentation of Financial Statements ³
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ³
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants ³
Amendments to IAS 27	Equity Method in Separate Financial Statements ³
IFRS 9 (2014)	Financial Instruments ⁵
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
IFRS 15	Revenue from Contracts with Customers ⁴

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

² Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

³ Effective for annual periods beginning on or after 1 January 2016

⁴ Effective for annual periods beginning on or after 1 January 2017

⁵ Effective for annual periods beginning on or after 1 January 2018

Annual Improvements 2010-2012 Cycle, 2011-2013 Cycle and 2012-2014 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear.

Disclosure Initiative (Amendments to IAS 1) – Presentation of Financial Statements

The amendments to IAS 1 are designed to encourage entities to use judgement in the application of IAS 1 when considering the layout and content of their financial statements. In addition, an amendment is made to IAS 1 to clarify the presentation of an entity’s share of other comprehensive income from its equity accounted interests in associates and joint ventures. The amendment requires an entity’s share of other comprehensive income to be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as single line items within those two groups.

Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants

The amendments define bearer plants and require biological assets that meet the definition to be accounted for as property, plant and equipment in accordance with IAS 16. The agricultural produce of bearer plants remains within the scope of IAS 41.

Amendments to IAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

Notes to the Financial Statements

31 December 2014

2 APPLICATIONS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (CONTINUED)

(b) New/revised IFRSs that have been issued but are not yet effective (Continued)

IFRS 9 (2014) – Financial Instruments

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

IFRS 9 (2014) includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in IAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

IFRS 9 (2014) carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 (2014) retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors’ interests in the joint venture or associate.

IFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 supersedes existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

IFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

IFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under IFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group is in the process of making an assessment of the potential impact of these pronouncements in the period of initial application and the Directors anticipate that more disclosures would be made but are not yet in a position to state whether they would have material financial impact on the Group’s financial statements.

Notes to the Financial Statements

31 December 2014

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with IFRSs which collective term includes all applicable individual International Financial Reporting Standards and Interpretations approved by the IASB, and all applicable individual International Accounting Standards and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB.

(b) Basis of measurement and going concern assumption

The financial statements have been prepared under the historical cost basis except for biological assets which are stated at fair values as explained in the accounting policies set out below.

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.

In preparing the financial statements, the Directors considered the operations of the Group as a going concern notwithstanding that:

1. The Group incurred a net loss of approximately RMB7.1 million during the year ended 31 December 2014, and as of that date, the Group's current liabilities exceeded its current assets by approximately RMB58.3 million; and
2. Amongst the total bank borrowings of approximately RMB701.6 million as at 31 December 2014, bank borrowings of approximately RMB651.7 million as at 31 December 2014 are due for repayment within one year from 31 December 2014.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the financial statements were prepared based on the assumption that the Group can be operated as a going concern and the Directors are of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from 31 December 2014, after taking into consideration of the following:

1. The Group continues to expand its production volume by improving the utilisation rate of its facilities and implement measures to tighten cost controls over various operating expenses in order to improve its profitability and to generate positive cash inflow from its operations in the future;
2. The Group is actively negotiating with the banks to seek for renewal of the outstanding bank borrowings. Subsequent to reporting date, the Group successfully renewed bank borrowings of RMB50 million upon maturity of these bank borrowings. In addition, subsequent to reporting date, the Group also obtained written confirmation from one of the Group's major bankers, which confirmed to renew certain bank borrowings, in aggregate of up to RMB170 million, to the Group for another year upon the maturity of the bank borrowings.
3. The Group is actively exploring the availability of alternative source of financing; and
4. Qingdao Kangda Foreign Trade Group Limited ("KD Group"), which is substantially beneficially owned by a substantial shareholder of the Company, has agreed to provide continuing financial support to the Group so as to enable the Group to continue its day-to-day operations as a going concern notwithstanding any present or future financial difficulties experienced by the Group.

The Directors of the Company believe that the aforementioned financing/business plans and operational measures will be successful, based on the continuous efforts and commitment given by the management.

Notes to the Financial Statements

31 December 2014

3. BASIS OF PREPARATION (CONTINUED)

(b) Basis of measurement and going concern assumption (Continued)

Having regard to the cash flow projection of the Group, which are prepared assuming that these measures are successful, the Directors of the Company are of the opinion that, in the light of the measures taken to-date, together with the expected results of the other measures in progress, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the financial statements to write down the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of such adjustments has not been reflected in the financial statements.

(c) Functional and presentation currency

The financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and its subsidiaries in the PRC.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Notes to the Financial Statements

31 December 2014

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and the entire carrying amount of the investment is subject to impairment test, by comparing the carrying amount with its recoverable amount, which is higher of value in use and fair value less costs to sell.

(d) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment at the end of that financial year or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(e) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Notes to the Financial Statements

31 December 2014

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (Continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold buildings	10 to 20 years
Plant and machinery	5 to 10 years
Furniture, fixtures and office equipment	5 to 10 years
Motor vehicles	5 years

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(f) Intangible assets

(i) *Acquired intangible assets*

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss.

The following useful lives are applied:

Technical knowhow	5 years
Products safety/export licences	1-2 years

Notes to the Financial Statements

31 December 2014

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets (Continued)

(ii) Impairment

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (see the accounting policies in respect of impairment losses for non-financial assets below).

(g) Financial Instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. The Group's financial assets are categorised as loans and receivables and available-for-sale financial assets. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;

Notes to the Financial Statements

31 December 2014

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial Instruments (Continued)

(ii) *Impairment loss on financial assets (Continued)*

- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) *Financial liabilities*

The Group classified its financial liabilities, depending on the purpose for which the liabilities were incurred. The Group's financial liabilities are carried at amortised cost, which include trade, bills and other payables and amount due to a related party and interest-bearing borrowings. They are subsequently measured at amortised cost using the effective interest method. The related interest expense is recognised in profit or loss. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Gain or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials computed using weighted average method and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is calculated as the estimated selling price in the ordinary course of business less all further costs of completion and the estimated costs necessary to make the sale.

Notes to the Financial Statements

31 December 2014

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Revenue recognition

Revenue is recognised to the extent when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received, net of allowances for returns, trade discounts and value-added tax. The following specific recognition criteria must also be met before revenue is recognised:

- (i) Sale of goods – revenue is recognised when the significant risks and rewards of ownership have been transferred to the customers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Normally, risk is transferred upon dispatch of goods or acknowledgement of acceptance of good by customers.
- (ii) Interest income – interest income is recognised as interest accrues (using the effective interest method) unless collectability is in doubt.
- (iii) Government grant – revenue is recognised when there is reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

(j) Income tax

Income tax for the year comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. The PRC corporate income tax is provided at rates applicable to enterprises in the PRC on the income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. All charges to current tax assets or liabilities are recognised as a component of income tax expense in the profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at the tax rates that are expected to apply to the period the liability is settled or the asset is realised, provided they are enacted or substantively enacted at the reporting date.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Notes to the Financial Statements

31 December 2014

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Income tax (Continued)

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(k) Foreign currencies

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(l) Employee benefits

Retirement benefits scheme

Pursuant to the relevant regulations of the PRC government, the Group participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiaries of the Company in the PRC are required to contribute a certain percentage of the basic salaries of their employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries of the Company. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to the profit or loss as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

Short-term employee benefits

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. A provision is made for the estimated liability for unutilised annual leave as a result of services rendered by employees up to the reporting date.

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4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of non-financial assets (except for goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- investments in subsidiaries and associates; and
- intangible assets with finite lives.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(n) Related parties

- (1) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (2) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (1).
 - (vii) A person identified in (1)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

Notes to the Financial Statements

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4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases that transfer substantially all the rewards and risks of ownership of assets to the lessee, other than legal title, are accounted for as finance lease. Where the Group is the lessee, at the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit or loss so as to provide a constant periodic rate of charge over the lease terms. Where the Group is the lessor, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit or loss on the straight-line basis over the lease terms.

Prepaid premium for land leases represent up-front payments to acquire long term interests in the usage of land in the PRC. They are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on the straight-line basis over the term of the leases.

(p) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(q) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand and in banks and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less pledged bank deposits and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and bank balances comprise cash on hand and demand deposits repayable on demand with any banks or other financial institutions, which are not restricted to use. Cash and bank balances include deposits denominated in foreign currencies.

(r) Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

Notes to the Financial Statements

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4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Government grants

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(t) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major products.

The Group has identified the reportable segments as production and sales of:

- Processed food products
- Chilled and frozen rabbit meat
- Chilled and frozen chicken meat
- Other products comprising chicken and rabbit meat by products and pet food products

Each of these operating segments is managed separately as each of the product lines requires different resources as well as marketing approaches.

For the purposes of assessing segment performance and allocating resources between segments, the Directors assess segment profit or loss by gross profit/loss less selling expenses and impairment loss on goodwill. The measurement policies used by the Group for reporting segment results under IFRS 8 are the same as those accounting policies used in its financial statements prepared under IFRSs. Segment assets/liabilities have not been disclosed as such amounts are not regularly provided to the Directors for resources allocation.

For the purpose of presenting geographical location of the Group's revenue from external customers and the Group's non-current assets, country of domicile is determined to be the PRC where the majority of Company's subsidiaries operate.

(u) Dividends

Final dividends proposed by the Directors are classified as an allocation of retained profits on a separate line within the equity, until they have been approved by the shareholders at general meeting. When these dividends are approved by the shareholders and declared, they are recognised as a liability.

(v) Biological assets

Biological assets are living animals involved in the agricultural activities of the transformation of biological assets for sale, into agricultural produce, or into additional biological assets.

Biological assets are measured at fair value less estimated costs to sell at initial recognition and at each reporting date. The fair value of biological assets is determined based on the market price of livestock of similar age, breed and genetic merit.

The gain or loss arising on initial recognition of biological assets at fair value less estimated costs to sell and from a change in fair value less estimated costs to sell of biological assets is recognised in the profit or loss for the period in which it arises.

Notes to the Financial Statements

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5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies and key sources of estimation uncertainty are discussed below.

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. Management reassesses the estimations at the reporting date. The carrying amount of the Group's inventories is disclosed in note 24 to the financial statements.

(ii) Impairment of trade receivables

The Group's management assesses the collectability of trade receivables. This estimate is based on the credit worthiness and repayment history of the Group's customers and the current market condition. Management reassesses if there is any indication of the impairment loss at the reporting date. The carrying amount of the Group's trade receivables is disclosed in note 25 to the financial statements.

(iii) Provision for taxes

The Group is mainly subject to various taxes in the PRC including corporate income tax. Significant judgement is required in determining the amount of the provision for taxes and the timing of related taxes. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the period in which such determination is made. The total amount of the Group's tax payables is RMB2,500,000 (2013: RMB882,000).

(iv) Fair value measurement of biological assets

Biological assets included in the Group's financial statements require measurement at fair value. The fair value measurement of the Group's biological assets utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted);

Level 2: Observable direct or indirect inputs other than Level 1 inputs; and

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

Notes to the Financial Statements

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5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(iv) Fair value measurement of biological assets (Continued)

Further information about the assumptions made in measuring fair values of the biological assets is included in note 21 to the financial statements.

(v) Depreciation

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives reflect the management's estimates of the periods that the Group intends to derive economic benefits from use of these assets. The carrying amount of the Group's property, plant and equipment is disclosed in note 15 to the financial statements.

(vi) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of the Group's goodwill as at 31 December 2014 is RMB56,778,000 (2013: RMB59,428,000). The impairment loss on goodwill of RMB2,650,000 was charged to profit and loss during the year ended 31 December 2014.

(vii) Impairment of non-financial assets (except for goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of fair value less costs to sell and value in use. The carrying amounts of the property, plant and equipment, prepaid premium for land leases and intangible assets, as disclosed in note 15, 16 and 17 respectively, are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable in accordance with the accounting policy as disclosed in note 4(m). Estimating the value in use requires the Group to estimate future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

(viii) Going concern basis

These financial statements have been prepared on a going concern basis and the details are explained in note 3(b) to the financial statements.

(ix) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised and deferred tax assets related to government grants. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of deferred tax assets relating to recognised tax losses and deferred government grants as at 31 December 2014 is disclosed in note 23 to the financial statements.

(x) Impairment of investments in subsidiaries and amounts due from subsidiaries

The carrying amount of investments in subsidiaries of RMB84,144,000 (2013: RMB84,144,000) and amounts due from subsidiaries of RMB234,850,000 (2013: RMB238,641,000) as at 31 December 2014 are reviewed for impairment when there are indicators of impairment.

Notes to the Financial Statements

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6. SEGMENT INFORMATION

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

	Processed foods RMB'000	Chilled and frozen rabbit meat RMB'000	2014 Chilled and frozen chicken meat RMB'000	Other products RMB'000	Total RMB'000
Revenue from external customers	707,144	195,161	236,850	163,477	1,302,632
Reportable segment revenue	707,144	195,161	236,850	163,477	1,302,632
Reportable segment profit	63,894	7,179	870	7,431	79,374
Depreciation of property, plant and equipment	26,164	7,221	8,763	6,048	48,196
Amortisation of prepaid premium for land leases	2,342	647	785	541	4,315
Amortisation of intangible assets	-	1,152	-	-	1,152
Impairment loss on goodwill	2,650	-	-	-	2,650
Write down of inventories	-	3,945	-	-	3,945

	Processed Foods RMB'000	Chilled and frozen rabbit meat RMB'000	2013 Chilled and frozen chicken meat RMB'000	Other products RMB'000	Total RMB'000
Revenue from external customers	663,470	268,779	314,817	230,933	1,477,999
Reportable segment revenue	663,470	268,779	314,817	230,933	1,477,999
Reportable segment profit	58,808	17,436	2,415	4,524	83,183
Depreciation of property, plant and equipment	21,040	8,524	9,984	7,323	46,871
Amortisation of prepaid premium for land leases	1,285	460	805	3,188	5,738
Amortisation of intangible assets	-	838	-	-	838

Notes to the Financial Statements

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6. SEGMENT INFORMATION (CONTINUED)

Reportable segment revenue represented turnover of the Group in the consolidated statement of comprehensive income. A reconciliation between the reportable segment profit and the Group's profit before taxation is set out below:

	2014 RMB'000	2013 RMB'000
Reportable segment profit	79,374	83,183
Other income	29,221	30,986
Administrative expenses	(58,266)	(61,805)
Other operating expenses	(5,485)	(1,133)
Finance costs	(38,618)	(34,359)
Share of loss of associates	(1,035)	(966)
Profit before taxation	5,191	15,906

The following table set out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is determined based on the location at which the goods were delivered.

	2014 RMB'000	2013 RMB'000
Local (Country of domicile)		
PRC	713,249	931,800
Export (Foreign countries)		
Japan	298,697	293,563
Europe [#]	215,079	120,108
Others	75,607	132,528
	1,302,632	1,477,999

The Group's non-current assets are solely located in the PRC.

Principally include Germany, France, Spain and Russia.

7. REVENUE AND OTHER INCOME

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

	2014 RMB'000	2013 RMB'000
Revenue		
Sale of goods	1,302,632	1,477,999
Other income		
Interest income on financial assets stated at amortised cost		
– Interest income on bank deposits	6,780	3,623
Amortisation of deferred income on government grants (note 34)	1,807	1,459
Government grants related to income *	7,575	12,104
Gains arising from changes in fair value less estimated costs to sell of biological assets, net (note 21)	6,813	8,417
Gain on disposal of land use right	322	–
Gain on disposal of subsidiaries (note 38)	232	1,316
Insurance claims	3,964	–
Others	1,728	4,067
	29,221	30,986

* Various government grants have been received mainly from the Finance Bureau of Jiaonan City (膠南市財政局) for the Group's business conducted in those areas. There are no unfulfilled conditions or contingencies related to these grants.

Notes to the Financial Statements

31 December 2014

8. PROFIT FROM OPERATIONS

The Group's profit from operations is arrived at after charging:

	2014 RMB'000	2013 RMB'000
Cost of inventories recognised as an expense	978,991	1,019,840
Depreciation of property, plant and equipment*	51,808	50,703
Amortisation of prepaid premium for land leases**	4,315	5,738
Amortisation of intangible assets***	1,152	838
Write down of inventories#	3,945	–
Impairment loss on goodwill	2,650	–
Minimum lease payments under operating leases for production facilities	11,973	4,082
Audit fee paid to auditors:		
Auditors of the Company	1,428	1,420
Other auditors	111	82
Staff costs (including Directors' remuneration)	192,415	183,920
Retirement scheme contribution	10,107	10,641
Total staff costs##	202,522	194,561
Loss on disposal of property, plant and equipment	2,754	4,106
Exchange loss, net	5,686	2,653

* Depreciation of approximately RMB48,102,000 (2013: RMB46,414,000), approximately RMB94,000 (2013: RMB457,000) and approximately RMB3,612,000 (2013: RMB3,832,000) has been charged to cost of sales, selling and distribution costs and administrative expenses, respectively, for the year ended 31 December 2014.

** Amortisation of prepaid premium for land leases has been charged to cost of sales for the years ended 31 December 2013 and 2014.

*** Amortisation of intangible assets has been charged to cost of sales for the years ended 31 December 2013 and 2014.

Write down of inventories for the year was included in cost of sales for the year ended 31 December 2014.

Total staff costs of approximately RMB171,038,000 (2013: RMB165,062,000), approximately RMB9,520,000 (2013: RMB8,358,000) and approximately RMB21,964,000 (2013: RMB21,141,000) has been changed to cost of sales, selling and distribution costs and administrative expenses, respectively, for the year ended 31 December 2014.

9. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interest charges on:		
Bank borrowings wholly repayable within five years	40,659	36,941
Less: Amount capitalised (note)	(2,041)	(2,582)
	38,618	34,359

Note: Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.54% (2013: 7.14%) to expenditure on qualifying assets.

Notes to the Financial Statements

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10. INCOME TAX EXPENSE

	2014 RMB'000	2013 RMB'000
PRC corporate income tax		
Current year provision	2,392	3,709
Under-provision in prior years	114	974
	2,506	4,683
Deferred tax charge (note 23)	9,786	10,114
Total income tax expense	12,292	14,797

No Hong Kong profits tax has been provided for the year ended 31 December 2014 as the Group did not derive any assessable profit arising in Hong Kong during the year (2013: 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.

Qingdao Kangda Foods Co., Ltd. ("Kangda Foods") is established and operating in the PRC and subject to PRC corporate income tax. According to the New PRC Corporate Income Tax Law, the profit arising from agricultural, poultry and primary food processing businesses of Kangda Foods are exempted from PRC corporate income tax. The taxable profits of Kangda Foods arising from profit from business other than agricultural, poultry and primary food processing are subject to corporate income tax at 25% for the year ended 31 December 2014 (2013: 25%).

Under the New PRC Corporate Income Tax Law and Implementation Rules, enterprises that engage in qualifying agricultural business are eligible for certain tax benefits, including full corporate income tax exemption or half reduction of corporate income tax on profits derived from such business. Qingdao Kangda Animal Rearing Company Ltd., Qingdao Kangda Rabbit Company Ltd., Gaomi Kaijia Rearing Co., Ltd., Qingdao Kangda Modern Agricultural Technology Development Company Limited, Jilin Kang'an Rabbit Co. Ltd, Jilin Kangmei Rabbit Co., Ltd and Jilin Kangda Rabbit Co., Ltd engaged in qualifying agricultural business, which include breeding and sales of livestock, and are entitled to full exemption of corporate income tax during the years ended 31 December 2014 and 2013.

Notes to the Financial Statements

31 December 2014

10. INCOME TAX EXPENSE (CONTINUED)

Laiwu Kangda Feeds Co., Ltd. ("Laiwu Kangda") has been approved by The Laiwu City Federal Tax Authority to pay a fixed amount of corporate income tax for the years ended 31 December 2014 and 2013 since Laiwu Kangda engaged in organic animal feeds production business.

Tax has not been provided by the Company as the Company did not derive any assessable profits during the year (2013: Nil).

A reconciliation of the income tax expense and the accounting profit at applicable tax rates is presented below:

	2014 RMB'000	2013 RMB'000
Profit before taxation	<u>5,191</u>	15,906
Tax calculated at the rates applicable to respective subsidiaries	747	5,186
Tax effect of non-deductible expenses	1,761	525
Tax effect of non-taxable income	(144)	(445)
Tax holiday and other tax benefits of PRC subsidiaries	(1,139)	(4,550)
Tax effect on current year's unrecognised tax losses	4,094	5,557
Tax effect of utilisation of tax losses previously not recognised	(12)	(2,564)
Tax effect of utilisation of prior years' recognised tax losses	-	1,289
De-recognition of deferred tax assets	6,871	8,825
Under-provision in prior years	<u>114</u>	974
Income tax expense	<u>12,292</u>	14,797

11. DIVIDENDS

The board of Directors did not recommend any payment of dividends during the year (2013: Nil).

12. (LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated (loss)/profit attributable to the owners of the Company of RMB3,956,000 (2013: a profit of RMB6,378,000), a loss of RMB3,991,000 (2013: RMB3,646,000) has been dealt with in the financial statements of the Company.

13. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to owners of the Company of approximately RMB3,956,000 (2013: a profit of RMB6,378,000) and on the 432,948,000 (2013: 432,948,000) ordinary shares in issue during the year.

For the years ended 31 December 2014 and 2013, the Company did not have any potential shares. Accordingly, diluted earnings per share are the same as basic earnings per share.

Notes to the Financial Statements

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14. EMOLUMENTS FOR DIRECTORS, CHIEF EXECUTIVE AND HIGHEST PAID INDIVIDUALS

(a) Directors and chief executive' emoluments

Directors and chief executive' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, Section 78(1) of Schedule 11 of the Hong Kong Companies Ordinance, Cap. 622 which requires compliance with Section 161 of the Hong Kong Companies Ordinance, Cap. 32 and paragraph 1207-12 of Chapter 12 of the listing manual of SGX-ST, is as follows:

	Fees RMB'000	Salaries, allowances and benefits RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2014				
Executive directors and chief executive:				
An Fengjun (note (i))	–	324	–	324
Gao Yanxu (notes (i) and (ii))	–	72	–	72
Non-executive directors:				
Gao Sishi	–	–	–	–
Zhang Qi	–	–	–	–
Naoki Yamada	–	–	–	–
Independent non-executive directors:				
Lau Choon Hoong	180	–	–	180
He Dingding	180	–	–	180
Yu Chung Leung	180	–	–	180
Waiver of salary (note (ii))	–	(166)	–	(166)
	540	230	–	770
Year ended 31 December 2013				
Executive directors and chief executive:				
Gao Yanxu (notes (i) and (ii))	–	72	–	72
Wang Baowang (note (ii))	–	230	–	230
Non-executive directors:				
Gao Sishi	–	–	–	–
Zhang Qi	–	–	–	–
Naoki Yamada	–	–	–	–
Independent non-executive directors:				
Lau Choon Hoong	180	–	–	180
He Dingding	180	–	–	180
Yu Chung Leung	180	–	–	180
	540	302	–	842

Notes:

- (i) Gao Yanxu relinquished as the acting chief executive officer of the Company on 11 March 2014 and An Fengjun was appointed as chief executive officer and executive director of the Company on the same date.
- For the year ended 31 December 2014, due to the cost-saving policy, executive director Mr. An Fengjun voluntarily agreed to waive his entitlement to certain remuneration of approximately RMB166,000 (2013: Nil).
- (ii) Wang Baowang resigned as an executive director of the Company on 22 May 2013. Gao Yanxu was appointed as acting chief executive officer on the same date.

Notes to the Financial Statements

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14. EMOLUMENTS FOR DIRECTORS, CHIEF EXECUTIVE AND HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included four (2013: four) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individual during the year are as follows:

	2014	2013
	RMB'000	RMB'000
Salaries, allowances and other benefits	<u>721</u>	<u>720</u>

The number of individuals fell within the following emolument band (excluding the Directors):

	2014	2013
Emolument band		
Nil to HK\$1,000,000	<u>1</u>	<u>1</u>

- (c) No emolument was paid by the Group to the Directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

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15. PROPERTY, PLANT AND EQUIPMENT

	Group					
	Leasehold buildings	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013						
Cost	459,841	295,697	17,324	3,756	28,038	804,656
Accumulated depreciation	(73,407)	(103,242)	(7,672)	(2,102)	–	(186,423)
Net carrying amount	<u>386,434</u>	<u>192,455</u>	<u>9,652</u>	<u>1,654</u>	<u>28,038</u>	<u>618,233</u>
Year ended 31 December 2013						
Opening net carrying amount	386,434	192,455	9,652	1,654	28,038	618,233
Additions [#]	5,509	18,554	719	–	45,560	70,342
Transfer in/(out)	7,423	3,017	–	–	(10,440)	–
Disposal	(3,298)	(1,436)	(261)	(223)	(48)	(5,266)
Disposal of subsidiaries (note 38(b))	(7,377)	(2,310)	(252)	(221)	–	(10,160)
Depreciation charge	(21,921)	(27,089)	(1,237)	(456)	–	(50,703)
Closing net carrying amount	<u>366,770</u>	<u>183,191</u>	<u>8,621</u>	<u>754</u>	<u>63,110</u>	<u>622,446</u>
At 31 December 2013 and 1 January 2014						
Cost	461,156	311,929	16,504	2,789	63,110	855,488
Accumulated depreciation	(94,386)	(128,738)	(7,883)	(2,035)	–	(233,042)
Net carrying amount	<u>366,770</u>	<u>183,191</u>	<u>8,621</u>	<u>754</u>	<u>63,110</u>	<u>622,446</u>
Year ended 31 December 2014						
Opening net carrying amount	366,770	183,191	8,621	754	63,110	622,446
Additions [#]	7,748	9,621	503	803	38,885	57,560
Transfer in/(out)	63,353	22,275	2	–	(85,630)	–
Disposal	(3,340)	(5,646)	(710)	(338)	(6)	(10,040)
Disposal of subsidiaries (note 38(a))	–	(3,406)	–	–	–	(3,406)
Depreciation charge	(22,419)	(27,369)	(1,915)	(105)	–	(51,808)
Closing net carrying amount	<u>412,112</u>	<u>178,666</u>	<u>6,501</u>	<u>1,114</u>	<u>16,359</u>	<u>614,752</u>
At 31 December 2014						
Cost	521,022	310,189	17,819	2,103	16,359	867,492
Accumulated depreciation	(108,910)	(131,523)	(11,318)	(989)	–	(252,740)
Net carrying amount	<u>412,112</u>	<u>178,666</u>	<u>6,501</u>	<u>1,114</u>	<u>16,359</u>	<u>614,752</u>

[#] Including borrowing costs of RMB2,041,000 (2013: RMB2,582,000) capitalised during the year (note 9)

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15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

All property, plant and equipment held by the Group are located in the PRC.

Certain of the Group's property, plant and equipment with an aggregate carrying amount of approximately RMB101,932,343 (2013: RMB109,567,194) were pledged against certain of the Group's bank borrowings as at 31 December 2014 (note 32).

	Company Furniture, fixtures and office equipment RMB'000
At 1 January 2013	
Cost	13
Accumulated depreciation	(8)
Net carrying amount	<u>5</u>
Year ended 31 December 2013	
Opening net carrying amount	5
Depreciation charge	(3)
Closing net carrying amount	<u>2</u>
At 31 December 2013 and 1 January 2014	
Cost	13
Accumulated depreciation	(11)
Net carrying amount	<u>2</u>
Year ended 31 December 2014	
Opening net carrying amount	2
Depreciation charge	(2)
Closing net carrying amount	<u>–</u>
At 31 December 2014	
Cost	13
Accumulated depreciation	(13)
Net carrying amount	<u>–</u>

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16. PREPAID PREMIUM FOR LAND LEASES

	Land use rights RMB'000	Prepaid land lease RMB'000	Group Long-term prepaid rentals RMB'000	Total RMB'000
At 1 January 2013				
Cost	75,774	–	59,795	135,569
Accumulated amortisation	(6,425)	–	(5,846)	(12,271)
Net carrying amount	69,349	–	53,949	123,298
Year ended 31 December 2013				
Opening net carrying amount	69,349	–	53,949	123,298
Additions	–	12,138	–	12,138
Amortisation for the year	(1,789)	(405)	(3,544)	(5,738)
Closing net carrying amount	67,560	11,733	50,405	129,698
At 31 December 2013 and 1 January 2014				
Cost	75,774	12,138	59,795	147,707
Accumulated amortisation	(8,214)	(405)	(9,390)	(18,009)
Net carrying amount	67,560	11,733	50,405	129,698
Year ended 31 December 2014				
Opening net carrying amount	67,560	11,733	50,405	129,698
Disposal	(181)	–	–	(181)
Amortisation for the year	(1,875)	(607)	(1,833)	(4,315)
Closing net carrying amount	65,504	11,126	48,572	125,202
At 31 December 2014				
Cost	75,593	12,138	59,795	147,526
Accumulated amortisation	(10,089)	(1,012)	(11,223)	(22,324)
Net carrying amount	65,504	11,126	48,572	125,202

Long-term prepaid rentals were paid by the Group for leasing of certain farm land in the PRC.

During the year ended 31 December 2007, long-term prepaid rentals of RMB22,150,000 was paid by the Group for leasing of a plot of land in the PRC with a site area of 300 Chinese mu. The Group is in the process of applying for the land use right certificates for this land. During the years ended 31 December 2008 and 2009, land use right certificates of 60 Chinese mu and 78 Chinese mu had been obtained. The Directors, based on the opinion from a PRC lawyer, do not expect any legal obstacles for the Group in obtaining the relevant title certificate for the remaining 162 Chinese mu.

Prepaid land lease represented the upfront payment of the land portion of an owned-occupied commercial building.

The lands are located in the PRC and the terms for land leases are from 30 to 50 years.

Certain of the Group's land use rights with an aggregate carrying amount approximately RMB51,642,000 (2013: RMB53,104,000) were pledged against certain of the Group's bank borrowings as at 31 December 2014 (note 32).

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17. INTANGIBLE ASSETS

	Group		Total RMB'000
	Products safety/export licences RMB'000	Technical knowhow RMB'000	
At 1 January 2013			
Cost	10,611	4,190	14,801
Accumulated amortisation	(10,611)	(2,200)	(12,811)
Net carrying amount	–	1,990	1,990
Year ended 31 December 2013			
Opening net carrying amount	–	1,990	1,990
Amortisation for the year	–	(838)	(838)
Closing net carrying amount	–	1,152	1,152
At 31 December 2013 and 1 January 2014			
Cost	10,611	4,190	14,801
Accumulated amortisation	(10,611)	(3,038)	(13,649)
Net carrying amount	–	1,152	1,152
Year ended 31 December 2014			
Opening net carrying amount	–	1,152	1,152
Amortisation for the year	–	(1,152)	(1,152)
Closing net carrying amount	–	–	–
At 31 December 2014			
Cost	10,611	4,190	14,801
Accumulated amortisation	(10,611)	(4,190)	(14,801)
Net carrying amount	–	–	–

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014 RMB'000	2013 RMB'000
Unlisted investments, at cost	84,144	84,144

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18. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of the subsidiaries as at 31 December 2014 are as follows:

Name of subsidiaries	Place of incorporation/ registration and operations	Nominal value of share/paid-up capital		Percentage of equity attributable to the Company		Principal activities
		2014	2013	2014	2013	
Directly held: 美好集團有限公司 Perfect Good Group Ltd.	British Virgin Islands ("BVI"), limited liability company	US\$10,000	US\$10,000	100	100	Investment holding
Indirectly held: 神域集團有限公司 Spiritzone Group Ltd.	BVI, limited liability company	US\$100	US\$100	100	100	Investment holding
青島康大食品有限公司 Qingdao Kangda Foods Co., Ltd.#	PRC, limited liability company	US\$20,000,000	US\$20,000,000	100	100	Production of food products
青島康大海青食品有限公司 Qingdao Kangda Haiqing Foods Co., Ltd.	PRC, limited liability company	US\$800,000	US\$800,000	100	100	Production of food products
青島康大緣寶食品有限公司 Qingdao Kangda Lubao Foods Co., Ltd.	PRC, limited liability company	US\$5,000,000	US\$5,000,000	100	100	Trading of food products
青島莫爾利食品有限公司 Qingdao Murle Foods Co., Ltd.	PRC, limited liability company	US\$11,000,000	US\$11,000,000	100	100	Inactive
青島康大養殖有限公司 Qingdao Kangda Animal Rearing Co., Ltd.	PRC, limited liability company	RMB3,000,000	RMB3,000,000	100	100	Breeding and sales of livestock and poultry
青島康大兔業發展有限公司 Qingdao Kangda Rabbit Co., Ltd.	PRC, limited liability company	RMB5,000,000	RMB5,000,000	100	100	Breeding and sales of rabbits
吉林康大食品有限公司 Jilin Kangda Foods Co., Ltd.	PRC, limited liability company	RMB30,000,000	RMB30,000,000	100	100	Production of food products
青島康大歐洲兔業育種有限公司 Qingdao Kangda-Eurolap Rabbit Selection Co., Ltd.	PRC, limited liability company	RMB13,980,000	RMB13,980,000	70	70	Breeding and sales of rabbits
青島康大現代農業科技發展 有限公司 Qingdao Kangda Modern Agricultural Technology Development Company Limited ("Modern Agricultural")	PRC, limited liability company	RMB10,000,000	RMB10,000,000	100	100	Planting and selling of vegetables
青島百順食品有限公司 Qingdao Baishun Food Company Limited	PRC, limited liability company	RMB1,000,000	RMB1,000,000	100	100	Inactive

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18. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation/ registration and operations	Nominal value of share/paid-up capital		Percentage of equity attributable to the Company		Principal activities
		2014	2013	2014	2013	
青島康大分析檢測有限公司 Qingdao Kangda Analysis and Testing Co., Ltd.	PRC, limited liability company	RMB1,000,000	RMB1,000,000	100	100	Testing and checking on the livestock
青島普德食品有限公司 Qingdao Pu De Food Company Limited ("Pu De")	PRC, limited liability company	US\$4,000,000	US\$4,000,000	55	55	Inactive
吉林康安兔業有限公司 Jilin Kang'an Rabbit Co. Ltd.	PRC, limited liability company	RMB1,000,000	RMB1,000,000	100	100	Breeding and sales of rabbits
山東凱加食品有限公司 Shandong Kaijia Food Company Limited # ("Kaijia Food")	PRC, limited liability company	RMB100,000,000	RMB100,000,000	100	100	Production of food products
山東凱加國際貿易有限公司 Shandong Kaijia International Trading Co., Ltd. ("Kaijia Trading")	PRC, limited liability company	RMB4,667,000	RMB4,667,000	70	70	Trading of food products
高密凱加養殖有限公司 Gaomi Kaijia Rearing Co., Ltd.	PRC, limited liability company	RMB39,253,051	RMB39,253,051	100	100	Breeding and sales of livestock and poultry
吉林康大擔保有限公司 Jilin Kangda Guarantee Co., Ltd	PRC, limited liability company	RMB20,000,000	RMB20,000,000	90	90	Inactive
青島康萊爾皮草有限公司 Qingdao Klair Fur Co., Ltd.	PRC, limited liability company	RMB1,000,000	RMB1,000,000	100	100	Inactive
吉林康都飼料有限公司 Jilin Kangdu Feeds Co., Ltd.	PRC, limited liability company	RMB2,000,000	RMB2,000,000	100	100	Feed processing
萊蕪康大飼料有限公司 Laiwu Kangda Feeds Co., Ltd.	PRC, limited liability company	RMB3,000,000	RMB3,000,000	100	100	Sales of feed products
吉林康美兔業有限公司 Jilin Kangmei Rabbit Co., Ltd.	PRC, limited liability company	RMB8,500,000	RMB8,500,000	51	51	Breeding and sales of rabbits
青島康大生物科技有限公司 Qingdao Kangda Shengwu Keji Co., Ltd.	PRC, limited liability company	N/A	RMB7,980,000	N/A	100	Development and sales of rabbits

These significant subsidiaries are audited by BDO Limited for the purpose of the Group's consolidation.

The remaining subsidiaries are reviewed by BDO Limited for the purpose of the Group's consolidation.

None of the subsidiaries had issued any debt securities at the end of the year.

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18. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Non-controlling interests

Kaijia Trading, a 70% owned subsidiary of the Company, has material non-controlling interests. The non-controlling interests of all other subsidiaries that are not 100% owned by the Group are considered to be immaterial.

Summarised financial information in relation to Kaijia Trading, before intra-group eliminations, is presented below:

	2014 RMB'000	2013 RMB'000
For the year ended 31 December		
Revenue	10,591	10,144
Profit or loss for the year	(79)	(1,729)
Total comprehensive income for the year	(79)	(1,729)
Loss allocated to non-controlling interests	(24)	(519)
For the year ended 31 December		
Cash flows from operating activities	2,897	4,560
Cash flows used in investing activities	(410)	(3,867)
Cash flows from financing activities	–	–
Net cash inflow	2,487	693
As at 31 December		
Current assets	23,126	19,046
Non-current assets	35,665	39,979
Current liabilities	(25,933)	(26,088)
Non-current liabilities	–	–
Net assets	32,858	32,937
Accumulated non-controlling interests	9,857	9,881

19. INTEREST IN ASSOCIATES

	2014 RMB'000	2013 RMB'000
Share of net assets	784	2,200

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19. INTEREST IN ASSOCIATES (CONTINUED)

Particulars of the associates as at 31 December 2014 are as follows:

Name of associate	Form of business structure	Place of registration and operations	Particulars of paid up capital		Percentage of ownership interest held		Principal activities
			2014	2013	2014	2013	
青島肉食得食品有限公司 Qingdao Meat Master Co., Ltd	Co-operative joint venture	PRC	N/A	USD400,000	N/A	25%	Wholesaling of processed food products
吉林康大兔業有限公司 Jilin Kangda Rabbit Co., Ltd	Co-operative joint venture	PRC	RMB10,000,000	RMB10,000,000	35%	35%	Breeding and sale of rabbits for medicinal uses and trading of rabbits

The associate has a reporting date of 31 December.

The financial information as extracted from the management accounts of the immaterial associates is as follows:

	2014 RMB'000	2013 RMB'000
As at 31 December		
Current assets	3,844	5,958
Non-current assets	10,397	10,326
Current liabilities	(12,003)	(9,577)
Non-current liabilities	–	–
For the year ended 31 December		
Revenue	10,306	21,676
Loss for the year	(2,957)	(3,009)
Other comprehensive income	–	–
Total comprehensive income	(2,957)	(3,009)

The Group has not incurred any contingent liabilities or other commitments relating to its investments in the associates.

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20. GOODWILL

	Group	
	2014	2013
	RMB'000	RMB'000
At beginning of the year		
Gross carrying amount	59,428	59,428
Accumulated impairment loss	-	-
Net carrying amount	59,428	59,428
For the year		
Opening net carrying amount	59,428	59,428
Impairment loss	(2,650)	-
Closing net carrying amount	56,778	59,428
At end of the year		
Gross carrying amount	59,428	59,428
Accumulated impairment loss	(2,650)	-
Net carrying amount	56,778	59,428

Goodwill acquired in business combinations of RMB56,355,000, RMB423,000 and RMB2,650,000 are allocated to Kaijia Food and Kaijia Trading (collectively referred to as "Kaijia Group"), Modern Agricultural and Pu De respectively, cash-generating units of the Group.

The recoverable amounts of the cash-generating units are determined from value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates, budgeted gross margin and turnover during the period. Cash flow beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2013: 3%), which does not exceed the long-term growth rate for the food production industry in the PRC. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating units. The growth rates, budgeted gross margin and turnover are determined based on the past performance and management's expectation of market development.

The rate used to discount the forecast cash flows from Kaijia Food and Modern Agricultural are 14.3% (2013: 15.7%) per annum.

During the year, the impairment loss on goodwill of Pu De of RMB2,650,000 was charged to profit or loss since Pu De had ceased its business operation in current year.

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21. BIOLOGICAL ASSETS

(a) Reconciliation of the carrying amount of biological assets

	Group					Total RMB'000
	Breeder rabbits RMB'000	Progeny rabbits RMB'000	Breeder chickens RMB'000	Hatchable eggs and progeny chickens RMB'000	Vegetables RMB'000	
At 1 January 2013	26,709	12,173	13,018	16,737	628	69,265
Increase due to purchases/raising	131,330	213,462	82,354	349,049	4,115	780,310
Gains/(Losses) arising from changes in fair value less estimated costs to sell	4,041	4,110	(68)	334	–	8,417
Decrease due to consumption	–	(210,692)	–	(343,530)	(1,417)	(555,639)
Decrease due to sales	(140,461)	–	(85,883)	–	(1,604)	(227,948)
Disposal of subsidiaries (note 38)	–	(614)	–	–	–	(614)
At 31 December 2013 and 1 January 2014	21,619	18,439	9,421	22,590	1,722	73,791
Increase due to purchases/raising	129,208	244,894	51,894	346,805	2,612	775,413
Gains/(Losses) arising from changes in fair value less estimated costs to sell	3,092	2,144	(554)	2,131	–	6,813
Decrease due to consumption	–	(246,196)	–	(345,999)	(1,638)	(593,833)
Decrease due to sales	(137,689)	–	(49,210)	–	(2,042)	(188,941)
At 31 December 2014	16,230	19,281	11,551	25,527	654	73,243

The progeny rabbits, hatchable eggs and progeny chickens and vegetables are raised for sale and consumption in production. The breeder rabbits and chickens are held to produce further progeny rabbits and hatchable eggs and progeny chickens.

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21. BIOLOGICAL ASSETS (CONTINUED)

(a) Reconciliation of the carrying amount of biological assets (Continued)

Biological assets as at 31 December 2014 and 2013 are stated at fair values less estimated costs to sell and are analysed as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Non-current portion	27,781	31,040
Current portion	45,462	42,751
	73,243	73,791

(b) Physical quantities

The physical quantity of rabbits, chickens, eggs and vegetables as at 31 December 2014 and 2013 are analysed as follows:

	Group	
	2014	2013
	Number of Rabbits/ Chickens/Eggs/ Vegetables	Number of Rabbits/ Chickens/Eggs/ Vegetables
Progeny rabbits	766,731	803,721
Breeder rabbits	114,531	139,361
	881,262	943,082
Progeny chickens	2,184,459	1,326,768
Breeder chickens	170,055	157,225
	2,354,514	1,483,993
Hatchable eggs	1,359,742	2,161,529
Vegetables (in tonnes)	200	200

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21. BIOLOGICAL ASSETS (CONTINUED)

(c) Measurement of fair value

The fair values of the biological assets except vegetables were independently valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a firm of independent professional valuers, who has appropriate qualifications and recent experiences in valuation of biological assets.

The fair value of biological assets is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below.

	2014 Group					
	Breeder rabbits RMB'000	Progeny rabbits RMB'000	Breeder chickens RMB'000	Hatchable eggs and progeny chickens RMB'000	Vegetables RMB'000	Total RMB'000
Opening balance (level 3 recurring fair value)	21,619	18,439	9,421	22,590	1,722	73,791
Increase due to purchases/raising	129,208	244,894	51,894	346,805	2,612	775,413
Gains included in other income	3,092	2,144	(554)	2,131	–	6,813
Decrease due to consumption	–	(246,196)	–	(345,999)	(1,638)	(593,833)
Decrease due to sales	(137,689)	–	(49,210)	–	(2,042)	(188,941)
Closing balance (level 3 recurring fair value)	16,230	19,281	11,551	25,527	654	73,243
Change in unrealised gains or losses for the year included in profit or loss for assets held at 31 December	3,092	2,144	(554)	2,131	–	6,813

The fair value of the biological assets is determined by using the market-comparison technique and is with reference to the market-determined prices of items with similar size, species, age and weight. These adjustments are based on unobservable inputs.

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21. BIOLOGICAL ASSETS (CONTINUED)

(c) Measurement of fair value (Continued)

Significant unobservable inputs

	2014 Range	2013 Range
Premium on weight	10% – 28%	10%-28%

The higher the premium on weight is, the higher the fair value of the biological assets is.

There were no changes to the valuation technique during the period.

The fair value of vegetables is determined by the Directors with reference to market-determined prices with similar size, species and age.

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

As detailed in note 38(b), upon the disposal of 60% equity interest in Chongqing Juxin Rabbit Co., Ltd. ("Chongqing Kangda") during the year ended 31 December 2013, the Group had a remaining 10% equity interest in it. The aforesaid investment was accounted for an available-for-sale investment since then as the Group was only acted as a passive investor in Chongqing Kangda. In the opinion of the Directors, at the date of disposal of Chongqing Kangda, the fair value of the 10% equity interest in Chongqing Kangda was nil. Accordingly, the cost of such unlisted equity investments was nil as at 31 December 2013 and 2014.

23. DEFERRED TAX (LIABILITIES)/ASSETS

Deferred taxation is calculated in full on temporary differences under the liability method using the principal tax rate of 25% (2013: 25%).

The movements on the deferred tax (liabilities)/assets are as follows:

	Group 2014 RMB'000	2013 RMB'000
At 1 January	2,923	13,470
Disposal of subsidiaries (note 38(b))	–	(433)
Deferred taxation charged to profit or loss (note 10)	(9,786)	(10,114)
At 31 December	(6,863)	2,923

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23. DEFERRED TAX (LIABILITIES)/ASSETS (CONTINUED)

The principal components of the deferred tax assets/(liabilities) are as follows:

	Fair value adjustment on property, plant and equipment, intangible assets and land use rights upon business combination RMB'000	Loss available for offsetting against future taxable profits RMB'000	Deferred government grants RMB'000	Total RMB'000
At 1 January 2013	(10,606)	21,030	3,046	13,470
Disposal of subsidiaries (note 38)	–	–	(433)	(433)
Recognised in profit or loss	879	(10,671)	(322)	(10,114)
At 31 December 2013 and 1 January 2014	(9,727)	10,359	2,291	2,923
Recognised in profit or loss	879	(10,359)	(306)	(9,786)
At 31 December 2014	(8,848)	–	1,985	(6,863)

As at 31 December 2014, the Group's had unused tax losses of RMB37.2 million (2013: RMB82.9 million) available for offset against future profits. Deferred tax assets have been recognised in respect of tax losses of nil (2013: RMB41.4 million). No deferred tax asset has been recognised in respect of these remaining tax losses as it is not probable that future taxable profits will be available against which these tax losses can be utilised. Tax losses of RMB37.2 million (2013: RMB82.9 million) will expire at various dates up to and including 2019.

Deferred tax liabilities of RMB27,008,000 (2013: RMB27,211,000) as at 31 December 2014 have not been recognised for the withholding taxation that would be payable on the unremitted earnings of certain subsidiaries in the PRC, of RMB270,079,000 at 31 December 2014 (2013: RMB272,110,000) as such amounts will be permanently reinvested.

24. INVENTORIES

	Group 2014 RMB'000	2013 RMB'000
Raw materials	53,779	58,150
Finished goods	110,194	73,910
	163,973	132,060

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25. TRADE RECEIVABLES

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

The ageing analysis of trade receivables based on invoice dates as at the reporting date is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Within 30 days	53,513	62,341
31 – 60 days	8,693	12,181
61 – 90 days	2,520	3,443
91 – 120 days	1,131	641
Over 120 days	5,589	2,365
	71,446	80,971

Before accepting any new customer, the Group will assess the potential customer's credit quality and set credit limits for that customer. Limits attributed to customers are reviewed once a year. Further details on the Group's credit policy are set out in note 39.

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly or the trade receivables are written-off against the allowance account if impairment losses on that trade receivables have been recorded in the allowance account previously. No allowance was made for the years ended 31 December 2014 and 2013.

The ageing analysis of trade receivables that are not impaired is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Neither past due nor impaired	65,110	63,406
Not more than 3 months past due	5,167	14,935
3 to 6 months past due	470	1,323
6 to 12 months past due	699	1,307
	71,446	80,971

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there were no recent history of default.

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25. TRADE RECEIVABLES (CONTINUED)

Trade receivables that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region is:

	Group	
	2014	2013
	RMB'000	RMB'000
PRC	26,299	49,183
Japan	11,421	18,282
Europe	21,888	12,056
Others	11,838	1,450
	71,446	80,971

26. PREPAYMENTS, OTHER RECEIVABLES AND DEPOSITS

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	34,834	27,739	–	–
Other receivables and deposits [#]	15,633	12,417	89	95
	50,467	40,156	89	95

[#] The balances mainly represent rental deposits and advance payments to various suppliers.

27. AMOUNTS DUE FROM SUBSIDIARIES

The amounts due are funds advance, non-trade in nature, unsecured, interest free and repayable on demand.

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28. LONG-TERM RECEIVABLES

	Group	
	2014 RMB'000	2013 RMB'000
Long-term receivables	5,047	8,570
Portion classified as current assets	(2,524)	(3,523)
	2,523	5,047

As at 31 December 2014 and 2013, the balance represented the amount due from Chongqing Kangda which is interest-free and unsecured. As at 31 December 2014, the long-term receivables of RMB2,523,000 and RMB2,524,000 are repayable on or before 31 December 2015 and 31 December 2016 respectively. As at 31 December 2013, the long-term receivables of RMB3,523,000, RMB2,523,000 and RMB2,524,000 were repayable on or before 31 December 2014, 31 December 2015 and 31 December 2016 respectively.

29. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Short-term deposits	358,140	124,810	–	–
Cash and bank balances	193,305	314,577	46	271
	551,445	439,387	46	271
Deposits pledged for bill payables and bank loans (note 30 and note 32)	(70,000)	(70,000)	–	–
	481,445	369,387	46	271

The Group had cash and bank balances and pledged deposits denominated in RMB amounting to approximately RMB543,487,000 as at 31 December 2014 (2013: RMB430,024,000) which were deposited with banks in the PRC. RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

The bank balances earn interest at floating rates based on daily bank deposit rates. The short-term deposits are made for varying periods between one day to six months (2013: one week to two months) and earn interest at 1.50% (2013: 1.49%) per annum as at 31 December 2014.

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30. TRADE AND BILLS PAYABLES

Trade payables are non-interest bearing and are normally settled on terms of 60 days. Bills payables are non-interest bearing, secured by the pledged deposits (note 29) and are normally settled on terms of 180 (2013: 60) days.

	Group 2014 RMB'000	2013 RMB'000
Trade payables	101,781	102,808
Bills payables	78,000	40,000
	179,781	142,808

The ageing analysis of trade and bills payables as at the reporting date is as follows:

	Group 2014 RMB'000	2013 RMB'000
Within 60 days	78,294	103,171
61 –90 days	6,663	19,444
91 – 120 days	4,424	7,526
Over 120 days	90,400	12,667
	179,781	142,808

31. ACCRUED LIABILITIES AND OTHER PAYABLES

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Accrued liabilities	42,214	39,972	454	487
Other payables [#]	41,674	43,512	–	–
	83,888	83,484	454	487

[#] The balances mainly represent receipt in advance from customers and payables of certain construction costs.

32. INTEREST-BEARING BANK BORROWINGS

	Group 2014 RMB'000	2013 RMB'000
Interest-bearing bank borrowings		
Classified as current liabilities	651,667	567,000
Classified as non-current liabilities	50,000	58,000

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32. INTEREST-BEARING BANK BORROWINGS (CONTINUED)

As at 31 December 2014, the Group's interest-bearing borrowings were repayable as follows:

	Group 2014 RMB'000	2013 RMB'000
Portion of term loans from banks due for repayable within one year	651,667	567,000
Portion of term loans from banks repayable in the second year	10,000	8,000
Portion of term loans from banks repayable in the third to fifth years, inclusive	30,000	30,000
Portion of term loans from banks repayable beyond five years	10,000	20,000
	701,667	625,000

Total secured interest-bearing bank borrowings are approximately RMB334,667,000 (2013: RMB320,000,000) as at 31 December 2014.

As at 31 December 2014 and 2013, the Group's interest-bearing bank borrowings are guaranteed by certain related parties of the Group and secured against pledge of certain of the Group's property, plant and equipment (note 15), land use rights (note 16), certain properties of the related parties and pledged deposits (note 29).

The Group's interest-bearing bank borrowings bear interests ranging from 4.36% to 7.80% (2013: 6.00% to 7.87%) per annum as at 31 December 2014.

33. AMOUNT DUE TO A RELATED PARTY

The related party is a company in which Mr. Gao Sishi and Mr. Gao Yanxu, Directors of the Company, have beneficial interest.

The amount due is non-trade in nature, unsecured, interest free and repayable on demand.

34. DEFERRED GOVERNMENT GRANTS

	Group 2014 RMB'000	2013 RMB'000
At the beginning of the year	13,001	16,138
Additions	6,300	1,650
Disposal of subsidiaries (note 38(b))	-	(3,328)
Recognised as income during the year (note 7)	(1,807)	(1,459)
At the end of the year	17,494	13,001
Portion classified as current liabilities	(1,807)	(1,337)
Non-current portion	15,687	11,664

During the year, the Group received certain government subsidies with an aggregate amount of RMB6,300,000 (2013: RMB1,650,000). The grants were mainly received from the Finance Bureau of Chongqing City (重慶市財政局) and Jiaonan City (膠南市財政局) for the purpose of acquiring production facilities. Since the Group fulfilled the conditions attaching to the government grants, the Group recognised the government grants as deferred income over the expected useful lives of the relevant assets of 10 to 20 years.

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35. SHARE CAPITAL

Ordinary shares of HK\$0.25 each	Number of shares '000	Amount HK\$'000
Authorised:		
At 31 December 2013 and 2014	2,000,000	500,000
Issued and fully paid:		
At 31 December 2013 and 2014	432,948	108,237

The issued and fully paid share capital is equivalent to approximately RMB112,176,000 as at 31 December 2014 and 2013. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company. All ordinary shares rank equally will regard to the Company's residual assets.

36. RESERVES

	Notes	Group	
		2014 RMB'000	2013 RMB'000
Share premium		257,073	257,073
Merger reserve	(a)	(41,374)	(41,374)
Capital redemption reserve	(b)	2,374	2,374
Other reserves	(c)	43,812	43,812
Retained profits		298,137	302,093
		560,022	563,978
Company			
	Notes	2014	2013
		RMB'000	RMB'000
Share premium		257,073	257,073
Merger reserve	(a)	6,143	6,143
Capital redemption reserve	(b)	2,374	2,374
Accumulated losses		(59,091)	(55,100)
		206,499	210,490

(a) Merger reserve

The merger reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired and the nominal value of the share capital of the Company issued in exchange thereof as a result of a restructuring exercise of the Group in 2006.

The merger reserve of the Company represents the difference between the net tangible asset value of the subsidiaries acquired and the nominal value of the share capital of the Company issued in exchange thereof as a result of the Group's restructuring exercise in 2006.

(b) Capital redemption reserve

The capital redemption reserve of the Group represents the nominal value of the share capital of the Company repurchased and cancelled.

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36. RESERVES (CONTINUED)

(c) Other reserves

In accordance with the relevant laws and regulations of the PRC, the subsidiaries of the Company established in the PRC are required to transfer 10% of its profit after taxation determined in accordance with the accounting regulations in the PRC to the other reserve until the reserve balance reaches 50% of the respective registered capital of the PRC subsidiaries.

During the previous years, the subsidiaries of the Company established in the PRC has discretionarily transferred 5% of its profit after taxation prepared in accordance with the accounting regulations in the PRC to the public welfare reserve. The use of the public welfare reserve is restricted to capital expenditure for employees' facilities. This public welfare reserve is non-distributable except upon liquidation of the PRC subsidiaries. No public welfare reserve had been provided since financial year ended 31 December 2006.

37. COMMITMENTS

(a) Operating lease commitments

Except for the prepaid premium for land leases (note 16), the Group leases certain of its land and buildings and office premises under operating lease arrangements. Leases for land and buildings and office premises are for terms ranging from 10 to 30 years.

The total future minimum lease payments under non-cancellable operating leases, which the Group is a lessee are as follows:

As lessee

	Group	
	2014	2013
	RMB'000	RMB'000
Within one year	11,181	12,223
In the second to fifth years	38,948	43,867
After the fifth year	42,327	53,652
	92,456	109,742

(b) Capital commitments

Capital commitments not provided for in the financial statements were as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Contracted but not provided for in respect of:		
Purchase of property, plant, equipment and land	–	7,953

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38. DISPOSAL OF SUBSIDIARIES

- (a) During the year ended 31 December 2014, the Group disposed 100% equity interest in Qingdao Kangda Shengwu Keji Co., Ltd., which is engaged in development and sales of rabbits, to a related party of which is 40% indirectly owned by Mr. Gao Sishi, non-executive director of the Company. This constituted a connected party transaction. More details were disclosed in the Company's announcement made on 19 September 2014. The net assets of this subsidiary at the date of disposal were as follows:

	2014 RMB'000
Property, plant and equipment	3,406
Inventories	1,603
Trade and other receivables	2,169
Cash and cash equivalents	104
Amount due from a related company	288
Trade and other payables	(1,331)
Tax payables	(19)
	<u>6,220</u>
Gain on disposal of a subsidiary	<u>232</u>
Total consideration	<u>6,452</u>
	2014 RMB'000
Satisfied by:	
Cash	<u>6,452</u>
Net cash inflow arising on disposal:	
Cash consideration	6,452
Cash and bank balances disposed of	<u>(104)</u>
	<u>6,348</u>

Notes to the Financial Statements

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38. DISPOSAL OF SUBSIDIARIES (CONTINUED)

- (b) During the year ended 31 December 2013, the Group disposed 51% equity interest in Gaomi Kangda Liuhe Feed Co., Limited and 60% equity interest in Chongqing Kangda, which were engaged in trading of feed products and breeding and sales of rabbits respectively. The net assets of these subsidiaries at the dates of disposal were as follows:

	2013 RMB'000
Property, plant and equipment	10,160
Deferred tax assets	433
Inventories	5,093
Biological assets	614
Trade and other receivables	4,650
Cash and cash equivalents	739
Deferred government grants	(3,328)
Trade and other payables	(13,985)
Tax payables	(161)
Other reserves	(346)
Non-controlling interests	(2,125)
	<u>1,744</u>
Gain on disposal of subsidiaries	<u>1,316</u>
Total consideration	<u>3,060</u>
	2013 RMB'000
Satisfied by:	
Cash	<u>3,060</u>
Net cash inflow arising on disposal:	
Cash consideration	3,060
Cash and bank balances disposed of	<u>(739)</u>
	<u>2,321</u>

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39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations. The financial risks included market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The board of Directors of the Company meets periodically to analyse and formulate measures, to manage the Group's response to the financial risk, including principally changes in interest rates and currency exchange rates.

Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

(a) Categories of financial assets and liabilities

The categories of financial assets and financial liabilities included in the statements of financial position and the headings in which they are included are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Financial assets		
Loans and receivables		
– Long-term receivables	5,047	8,570
– Trade receivables	71,446	80,971
– Other receivables	15,633	12,256
– Cash and bank balances (including pledged deposits)	551,445	439,387
	643,571	541,184
Financial liabilities		
At amortised cost		
– Trade and bills payables	179,781	142,808
– Accrued liabilities and other payables	79,758	80,422
– Interest-bearing bank borrowings	701,667	625,000
– Amount due to a related party	23,955	23,517
	985,161	871,747
Company		
	2014	2013
	RMB'000	RMB'000
Financial assets		
Loans and receivables		
– Amounts due from subsidiaries	234,850	238,641
– Other receivables	89	95
– Cash and bank balances	46	271
	234,985	239,007
Financial liabilities		
At amortised cost		
– Accrued liabilities	454	487

Notes to the Financial Statements

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39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group borrows both loans issued at fixed and floating interest rates. Exposure to floating interest rate presents when there are unexpected adverse interest rate movements. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements and rates are approximately fixed when necessary. The policies to manage interest rate risk have been followed by the Group since prior years.

(i) Interest rate profile

The following tables detail the interest rate profile of the Group's and the Company's financial instruments at the reporting date:

	Group			
	Weighted average effective interest rate		Carrying amount	
	2014	2013	2014	2013
	%	%	RMB'000	RMB'000
Variable rate instruments				
<i>Financial assets</i>				
Bank balances	0.35%	0.29%	193,183	314,550
<i>Financial liabilities</i>				
Interest-bearing bank borrowings	6.32%	7.45%	204,667	229,000
Fixed rate instruments				
<i>Financial assets</i>				
Time deposits	1.66%	1.49%	358,140	124,810
<i>Financial liabilities</i>				
Interest-bearing bank borrowings	6.88%	6.00%	497,000	396,000
	Company			
	Weighted average effective interest rate		Carrying amount	
	2014	2013	2014	2013
	%	%	RMB'000	RMB'000
Variable rate instruments				
<i>Financial assets</i>				
Bank balances	0.01%	0.01%	46	271

Notes to the Financial Statements

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39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis

The following tables illustrate the sensitivity of the (loss)/profit for the year and equity to a reasonably possible change in interest rates of +0.5% and – 0.5% (2013: +0.5% and – 0.5%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's and the Company's financial instruments held at each reporting date. All other variables are held constant. There is no impact on other components of consolidated equity in response to the possible change in interest rates.

	Group			
	2014 RMB'000 +0.5%	-0.5%	2013 RMB'000 + 0.5%	-0.5%
Effect on (loss)/profit for the year and retained profits	(57)	57	428	(428)

	Company			
	2014 RMB'000 +0.5%	-0.5%	2013 RMB'000 + 0.5%	-0.5%
Effect on loss for the year and accumulated losses	1	(1)	1	(1)

(c) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its business.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. The credit policy has been followed by the Group since prior years.

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The Company's maximum exposure to credit risk is primarily attributable to amounts due from subsidiaries.

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39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

(d) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the Group entities to which they relate. The currencies giving rise to this risk are mainly Euro, United States dollars ("USD"), Japanese Yen ("JPY"), Singapore dollar ("SGD") and Hong Kong dollar ("HK\$").

The Group reviews its foreign currency exposures regularly and does not consider its foreign exchange risk to be significant. The policy to manage foreign currency risk has been followed by the Group since prior years.

(i) Foreign currency risk exposure

The following tables detail the Group's and the Company's exposures at the reporting date to foreign currency risk from the financial assets and financial liabilities denominated in a currency other than the functional currency to which the Group entities relate:

	USD RMB'000	EURO RMB'000	Group 2014 JPY RMB'000	SGD RMB'000	HK\$ RMB'000
<i>Financial assets</i>					
Trade receivables	11,838	21,888	11,421	–	–
Cash and bank balances	1,310	6,410	–	4	111
	13,148	28,298	11,421	4	111
<i>Financial liabilities</i>					
Trade payables	160	–	350	–	–
Bank borrowings	16,667	–	–	–	–
	16,827	–	350	–	–
	USD RMB'000	EURO RMB'000	Group 2013 JPY RMB'000	SGD RMB'000	HK\$ RMB'000
<i>Financial assets</i>					
Trade receivables	15,002	11,786	3,280	–	–
Cash and bank balances	9,236	1	–	5	120
	24,238	11,787	3,280	5	120
<i>Financial liabilities</i>					
Trade payables	4,964	74	–	–	–

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39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

(d) Foreign currency risk (Continued)

(i) Foreign currency risk exposure (Continued)

	Company 2014		
	USD RMB'000	SGD RMB'000	HK\$ RMB'000
<i>Financial assets</i>			
Cash and bank balances	38	4	4
<i>Financial liabilities</i>			
Cash and bank balances	250	5	16

	Company 2013		
	USD RMB'000	SGD RMB'000	HK\$ RMB'000
<i>Financial assets</i>			
Cash and bank balances	250	5	16
<i>Financial liabilities</i>			
Cash and bank balances	250	5	16

Apart from the above, all the Group's and the Company's financial assets and liabilities are denominated in RMB.

(ii) Foreign currency sensitivity analysis

The following table indicates the approximate change in the Group's (loss)/profit for the year and the Company's loss for the year and equity in response to a 5% appreciation in the Group's and the Company's functional currencies against the respective foreign currencies. There is no impact on other components of consolidated equity in response to the general increase in the following foreign currency rates.

	Group 2014				
	USD RMB'000	EURO RMB'000	JPY RMB'000	SGD RMB'000	HK\$ RMB'000
Effect on loss for the year and retained profits	(184)	1,415	554	-	6
<i>Financial assets</i>					
Cash and bank balances	964	586	164	-	6
<i>Financial liabilities</i>					
Cash and bank balances	964	586	164	-	6

	Company	
	2014 USD RMB'000	2013 USD RMB'000
Effect on loss for the year and accumulated losses	2	13

A weakening of the above foreign currencies against RMB at each reporting date would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

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39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

(e) Business risk

The Group is exposed to the following risks relating to its agricultural activities.

(i) Regulatory and environmental risks

The Group is subject to laws and regulations in the PRC which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

(ii) Supply and demand risk

The Group is exposed to financial risks arising from changes in prices of livestock and livestock's agricultural produce and the change in cost and supply of feed ingredients, all of which are determined by constantly changing market forces of supply and demand, and other factors. When possible, the Group manages these risks by aligning its production volume to market supply and demand and the Group also manages its exposure to fluctuation in the price of the key raw materials used in operations by maintaining a large number of suppliers so as to limit high concentration in a particular supplier.

(iii) Other risk

The Group is subject to risks relating to its ability to maintain health status. Livestock health problems could adversely impact production and consumer confidence. The Group monitors the health of its livestock on a regular basis and has procedures in place to reduce potential exposure to infectious diseases.

(f) Liquidity risk

Liquidity risk relates to the risk that the Group and the Company will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or financial asset. The Group and the Company are exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management.

As disclosed in note 3(b) to the financial statements, the Group incurred a net loss of approximately RMB7.1 million during the year ended 31 December 2014 and, as of that date, the Group's current liabilities has exceeded its current assets by RMB58.3 million. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its obligations as they fall due, and on its ability to obtain external financing. Further details are set out in note 3(b) to the financial statements. Subsequent to reporting date, the Group successfully renewed bank borrowings of RMB50 million upon maturity of these bank borrowings. In addition, subsequent to reporting date, the Group also obtained written confirmation from one of the Group's major bankers, which confirmed to renew certain bank borrowings, in aggregate of up to RMB170 million, to the Group for another year upon the maturity of the bank borrowings. The Directors of the Company have also carried out a detailed review of the cash flow projection of the Group for the next 12 months from the reporting date. The Directors are of the opinion that the assumptions which are included in the cash flow projection are reasonable. Based on above, the Directors have determined that adequate liquidity exists to finance its working capital and financing activities of the Group for that period.

The cash flow management of all operating entities is centralised, including the raising of funds to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The maturity analysis for bank borrowings is prepared based on the scheduled repayment dates.

	Group	
	2014	2013
	RMB'000	RMB'000
Repayable within one year	651,667	567,000
Repayable in the second year	10,000	8,000
Repayable in the third to fifth years, inclusive	30,000	30,000
Repayable beyond five years	10,000	20,000
	701,667	625,000

The liquidity policy has been followed by the Group since prior years.

Notes to the Financial Statements

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39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

(f) Liquidity risk (Continued)

As at 31 December 2014 and 2013, the maturity analysis of the Group's financial assets, based on the contracted undiscounted maturity, and the maturity profile of the Group's financial liabilities, based on the contracted undiscounted payments, are summarised below:

	Group					
	2014	2014		2013		
	Within 6 months or on demand RMB'000	6 to 12 months RMB'000	After 1 year RMB'000	Within 6 months or on demand RMB'000	6 to 12 months RMB'000	After 1 year RMB'000
Non-derivative financial assets:						
Long-term receivables	–	2,524	2,523	–	3,523	5,047
Trade receivables	71,446	–	–	80,971	–	–
Other receivables	15,633	–	–	12,256	–	–
Cash and bank balances (including pledged deposits)	551,445	–	–	439,316	–	–
	638,524	2,524	2,523	532,543	3,523	5,047
Non-derivative financial liabilities:						
Interest-bearing bank borrowings	295,618	380,372	67,525	321,174	266,342	70,131
Trade and bills payables	179,781	–	–	142,808	–	–
Accrued liabilities and other payables	79,758	–	–	80,422	–	–
Amount due to a related party	23,955	–	–	23,517	–	–
	579,112	380,372	67,525	567,921	266,342	70,131
	Company					
	2014		2013			
	Within 6 months or on demand RMB'000	6 to 12 Months RMB'000	Within 6 months or on demand RMB'000	6 to 12 months RMB'000		
Non-derivative financial assets:						
Amounts due from subsidiaries	234,850	–	238,641	–	–	–
Other receivables	89	–	95	–	–	–
Cash and bank balances	46	–	271	–	–	–
	234,985	–	239,007	–	–	–
Non-derivative financial liabilities:						
Accrued liabilities and other payables	454	–	487	–	–	–

(g) Fair value

The fair value of the Group's financial assets and liabilities carried at amortised costs are not materially different from their fair values as at 31 December 2014 and 2013.

Notes to the Financial Statements

31 December 2014

40. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the current and previous years.

The Group monitors capital using a gearing ratio, which is total debts divided by total capital. Total debts are calculated as the sum of bank borrowings and amount due to a related party as shown in the consolidated statement of financial position. Total capital is calculated as total equity attributable to the Company's owners, as shown in the consolidated statement of financial position. The Group aims to maintain the gearing ratio at a reasonable level.

	2014 RMB'000	2013 RMB'000
Interest-bearing bank borrowings	701,667	625,000
Amount due to a related party	23,955	23,517
Total debts	725,622	648,517
Equity attributable to the Company's owners	672,198	676,154
Total debts to equity ratio	108%	96%

Subsidiaries of the Group established in the PRC are required to contribute and maintain a non-distributable statutory reserve fund whose utilisation is subject to certain restrictions as set out in the relevant regulations in the PRC. These externally imposed capital requirements have been complied with by the Group for the years ended 31 December 2014 and 2013.

Notes to the Financial Statements

31 December 2014

41. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Notes	2014 RMB'000	2013 RMB'000
Sales to related parties	(i)	1,876	1,259
Purchases from related parties	(ii)	–	1,498
Rental expenses paid to related parties	(iii)	644	644
Guarantees given by the related parties in connection with bank loans granted to the Group	(iv)	<u>210,000</u>	250,000
(b) Key management personnel compensation			
Short term employee benefits of Directors and other members of key management		<u>1,491</u>	1,562

Notes:

- (i) Sales to related parties were made to related parties of which Mr. Gao Sishi, Mr. Gao Yanxu, Mr. An Fengjun and Mr. Zhang Qi have beneficial interest. These sales were made in the ordinary course of business with reference to the terms negotiated between the Group and these related parties.
- (ii) Purchases from related parties were mainly construction materials from related parties of which Mr. Gao Sishi, Mr. Gao Yanxu, Mr. An Fengjun and Mr. Zhang Qi have beneficial interest. These purchases were made in the ordinary course of business with reference to the terms negotiated between the Group and these related parties.
- (iii) Rental expenses paid to related parties, of which Mr. Gao Sishi, Mr. Gao Yanxu, Mr. An Fengjun and Mr. Zhang Qi were shareholders and/or Directors, were made according to the terms of the lease agreements.
- (iv) The Group's bank borrowings (note 32) were guaranteed by the related parties, of which Mr. Gao Sishi and Mr. Gao Yanxu were also shareholders and Directors.

Statistics of Shareholdings as at 10 March 2015

Authorised share capital:	HK\$500,000,000
Issued and fully paid up capital:	HK\$108,237,000
No. of issued shares:	432,948,000 Ordinary shares
Class of shares:	Ordinary share of HK\$0.25 each
Voting rights:	One vote per share
Treasury Shares:	Nil

DISTRIBUTION OF SHAREHOLDINGS (SINGAPORE REGISTER)

Size of Shareholdings	No of Shareholders	%	No of Shares	%
1 – 99	0	0.00	0	0.00
100 – 1,000	18	1.77	18,000	0.05
1,001 – 10,000	466	45.96	3,454,900	8.92
10,001 – 1,000,000	528	52.07	25,885,100	66.81
1,000,001 and above	2	0.20	9,386,000	24.22
Total	1,014	100.00	38,744,000	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 10 MARCH 2015

No.	Name	No. of Shares	%
1	PHILLIP SECURITIES PTE LTD	6,744,000	17.41
2	DBS VICKERS SECURITIES (S) PTE LTD	2,642,000	6.82
3	TEH KIU CHEONG @TEONG CHENG @ CHENG CHIU CHANG	1,000,000	2.58
4	MAYBANK KIM ENG SECURITIES PTE LTD	746,000	1.93
5	LOW WOO SWEE @ LOH SWEE TECK	646,000	1.67
6	TAN ENG CHUA EDWIN	576,000	1.49
7	PATRICK TAN CHOON HOCK	575,000	1.48
8	SERENE LEE SIEW KIN	415,000	1.07
9	OCBC SECURITIES PRIVATE LTD	405,000	1.05
10	TAN MENG HOR	400,000	1.03
11	KOH YEOW KOON	380,000	0.98
12	DBS NOMINEES PTE LTD	376,000	0.97
13	CIMB SECURITIES (SINGAPORE) PTE LTD	353,000	0.91
14	LIM & TAN SECURITIES PTE LTD	340,000	0.88
15	CITIBANK NOMINEES SINGAPORE PTE LTD	320,000	0.83
16	CITIBANK CONSUMER NOMINEES PTE LTD	300,000	0.77
17	TAN CHENG HWEE	300,000	0.77
18	TAN TIEN SENG	300,000	0.77
19	RAFFLES NOMINEES (PTE) LTD	195,000	0.50
20	CHIAM TEE CHYE	182,000	0.47
		17,195,000	44.38

Statistics of Shareholdings as at 10 March 2015

DISTRIBUTION OF SHAREHOLDINGS (HONG KONG REGISTER)

Size of Shareholdings	No of Shareholders	%	No of Shares	%
1 – 99	2	2.94	100	0.00
100 – 1,000	6	8.82	3,400	0.00
1,001 – 10,000	10	14.71	46,500	0.01
10,001 – 1,000,000	39	57.35	4,458,000	1.13
1,000,001 and above	11	16.18	389,696,000	98.86
Total	68	100.00	394,204,000	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 10 MARCH 2015

No.	Name	No. of Shares	%
1	SUN HUNG KAI INVESTMENT SERVICES LTD	166,848,000	42.33
2	PHILLIP SECURITIES (HONG KONG) LTD	70,566,000	17.90
3	VICTORY SECURITIES CO LTD	40,530,000	10.28
4	DBS VICKERS (HONG KONG) LTD	39,033,000	9.90
5	CITIBANK N.A.	31,786,000	8.06
6	DAIWA CAPITAL MARKETS HONG KONG LTD	22,118,000	5.61
7	YUANTA SECURITIES (HONG KONG) CO LTD	13,482,000	3.42
8	THE HONGKONG AND SHANGHAI BANKING	1,554,000	0.39
9	BANK OF CHINA (HONG KONG) LTD	1,472,000	0.37
10	BUSINESS SECURITIES LTD	1,176,000	0.30
11	CHIEF SECURITIES LTD	1,131,000	0.29
12	GUOTAI JUNAN SECURITIES (HONG KONG) LTD	768,000	0.19
13	KGI SECURITIES (HONG KONG) LTD	570,000	0.14
14	BRIGHT SMART SECURITIES INTERNATIONAL	452,000	0.11
15	BOOM.COM LTD	376,000	0.10
16	GUOSEN SECURITIES (HK) BROKERAGE CO LTD	248,000	0.06
17	ICBC (ASIA) SECURITIES LTD	160,000	0.04
18	HANG SENG SECURITIES LTD	152,000	0.04
19	ENLIGHTEN SECURITIES LTD	144,000	0.04
20	REALINK FINANCIAL TRADE LTD	144,000	0.04
		392,710,000	99.62

SUBSTANTIAL SHAREHOLDERS

	Direct interest	%	Deemed interest	%
Gao Sishi	166,740,000	38.51	–	–
Zensho Holdings Co., Ltd.	53,611,000	12.38	–	–
Cheng Xiutai	33,324,000	7.70	–	–
Proven Choice Group Ltd ¹	26,260,000	6.07	–	–
Wang Lin Jia ¹	–	–	26,260,000	6.07

Note:

1. Proven Choice Group Limited is wholly-owned by Wang Lin Jia who is not related to any of the Directors or shareholders of the Company. Wang Lin Jia is deemed to be interested in the shares held by Proven Choice Group Ltd.

As far as the information publicly available to the Company is concerned and to the best knowledge of the Directors, at least 25% of the Company's issued shares is held by members of the public (as defined in the Hong Kong and Singapore Listing Rules and the listing manual of the Singapore Securities Exchange Trading Limited) as at 10 March 2015.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of CHINA KANGDA FOOD COMPANY LIMITED (the “**Company**”) will be held at RELC International Hotel, Tanglin 2, Level 1, 30 Orange Grove Road, Singapore 258352 on Thursday, 30 April 2015 at 9.30 am for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and the Audited Financial Statements of the Company for the year ended 31 December 2014 together with the Auditors’ Report thereon.

(Resolution 1)

2. To re-elect the following Directors retiring pursuant to Bye-law 86(1) of the Company’s Bye-laws:

Mr He Dingding
Mr Naoki Yamada
Mr Yu Chung Leung

(Resolution 2)

(Resolution 3)

(Resolution 4)

*Mr He Dingding will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee and as a member of the Audit Committee and the Remuneration Committee. Mr He Dingding will be considered independent for the purpose of the Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).*

Mr Naoki Yamada will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and the Remuneration Committee. Mr Naoki Yamada will be considered non-independent for the purpose of the Rule 704(8) of the Listing Manual of the SGX-ST.

Mr Yu Chung Leung will, upon re-election as Director of the Company, remain as the Chairman of the Remuneration Committee, and as a member of the Audit Committee and the Nominating Committee. Mr Yu Chung Leung will be considered independent for the purpose of the Rule 704(8) of the Listing Manual of the SGX-ST.

3. To approve the payment of Directors’ fees of RMB540,000 (equivalent to S\$120,000) for the year ended 31 December 2014 (2013: RMB540,000, equivalent to S\$108,000).

(Resolution 5)

4. To re-appoint BDO Limited, Certified Public Accountants, Hong Kong (“**BDO**”) as auditor of the Company to satisfy the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited and to re-appoint BDO LLP, Public Accountants and Chartered Accountants, Singapore (“**BDO LLP**”) as auditors to act jointly and severally with BDO for the purpose of compliance with Rule 712 of the Listing Manual of the SGX-ST and to authorise the Directors to fix their remuneration.

(Resolution 6)

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

Notice of Annual General Meeting

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as Ordinary Resolution:

6. SHARE ISSUE MANDATE

That authority be given to the Directors of the Company to issue shares ("**Shares**") whether by way of rights, bonus or otherwise, and/or make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit provided that:

- (a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty percent (50%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a *pro rata* basis to all shareholders of the Company shall not exceed twenty percent (20%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company;
- (b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) of the Company as at the date of the passing of this Resolution, after adjusting for:
 - (i) new shares arising from the conversion or exercise of convertible securities;
 - (ii) new shares arising from exercising share options or vesting of Share awards outstanding or subsisting at the time this Resolution is passed; and
 - (iii) any subsequent bonus issue, consolidation or subdivision of shares;
- (c) Such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities;

See Explanatory Notes (i) and (ii)

(Resolution 7)

By Order of the Board

Fong William
Company Secretary

27 March 2015

Notice of Annual General Meeting

Explanatory Notes to Resolutions to be passed –

- (i) The Ordinary Resolution 7 proposed in item 6 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty percent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty percent (20%) may be issued other than on a *pro rata* basis.
- (ii) **IMPORTANT: Notwithstanding the passing of the Ordinary Resolution 7 proposed in item 6 above, the Company shall from time to time comply with the relevant requirements under the Hong Kong Listing Rules in relation to issuance of securities, in particular, Rules 7.19, 13.36 and 13.36(5) thereof.**

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. A member who wishes to appoint a proxy should complete the attached Shareholder Proxy Form. Thereafter, the proxy form must be lodged at the office of the Company's branch share registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (for Hong Kong Shareholders), or the Company's Singapore Share Transfer Agent, B.A.C.S. Private Limited, at 63 Cantonment Road, Singapore 089758 (for Singapore Shareholders), not less than forty-eight (48) hours before the time appointed for the meeting.
3. If the member is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.
4. A Depositor (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore) (the "**Singapore Companies Act**") whose name appears in the Depository Register (as defined in Section 130A of the Singapore Companies Act) of the Company and who is unable to attend personally but wishes to appoint a nominee to attend and vote on his behalf, or if such Depositor is a corporation, should complete the depositor proxy form under seal or the hand of its duly authorised officer or attorney and lodge the same at the office of the Company's Singapore Share Transfer Agent, B.A.C.S. Private Limited, at 63 Cantonment Road, Singapore 089758 not later than 48 hours before the time appointed for the meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.