Annual Report 2009

KONDE 康大

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

Corporate Profile

Established in 1992, China Kangda is a diversified food manufacturing and processing group based in the PRC and it 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.

The Group's chilled and frozen rabbit meat is mainly exported to European Union ("EU") and Russia. Besides selling products under its own brand names of "康大", "嘉府", "U味", and "KONDA", the Group also acts as an OEM manufacturer of a variety of processed foods including meatballs, seafood, chicken-based cooked products, chestnuts, instant soups and curry products for Japanese food corporations including Zensho, Asahimatsu, Keio Sangyo, Nissin and Kyoei Transport & Warehouse Co., Ltd, as well as various customers in Korea.

The Group current 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, South Korea, Hong Kong, Russia and certain countries in the EU.

As one of the only 12 companies in the PRC to have authorization to supply rabbit meat to the EU, China Kangda currently is the largest exporter of rabbit meat to the EU and Russia in the PRC. The Group is further strengthening its foothold in this segment through aggressive expansion strategies.

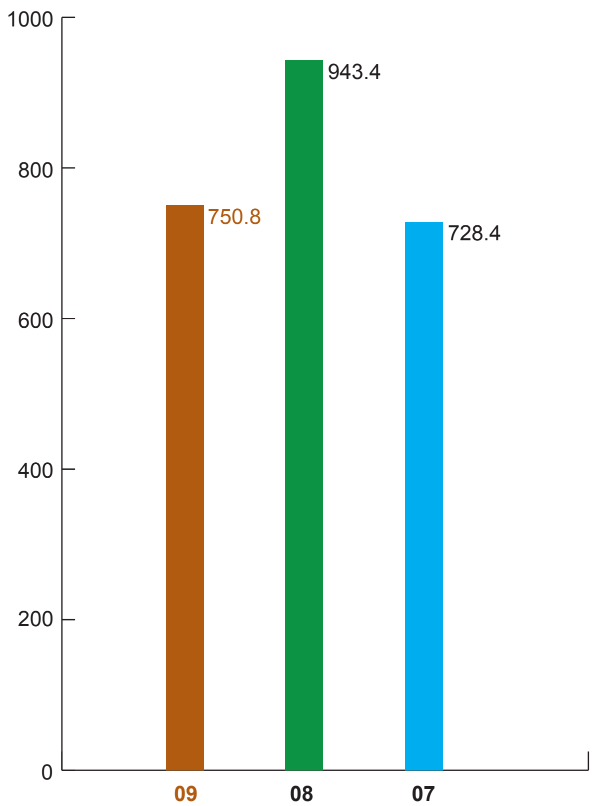
For more information, please log on to www.kangdafood.com

Contents

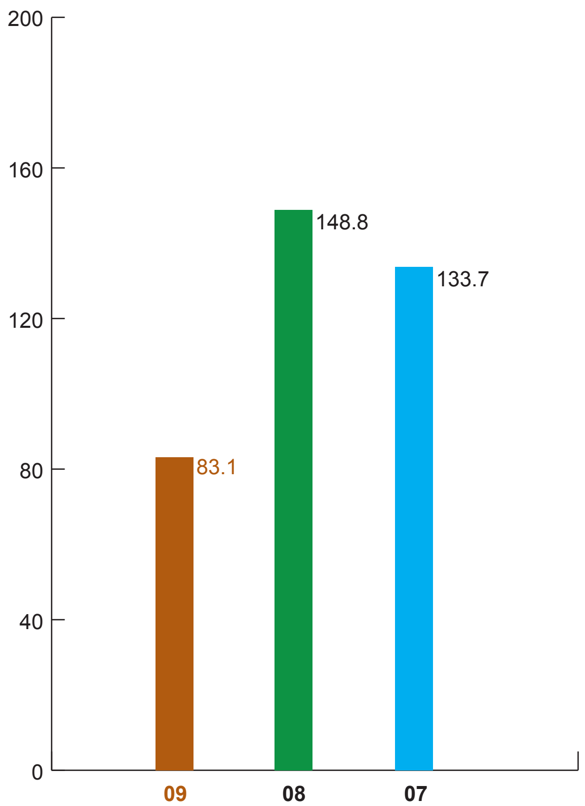
Financial Highlights

	FY2009 *RMB'million*	FY2008 *RMB'million*	FY2007 *RMB'million*
Revenue	**750.8**	943.4	728.4
Gross Profit	**83.1**	148.8	133.7
Net Profit Attributable to Owners of the Company	**30.4**	85.6	109.9
Earnings per Share – Basic (RMB cents)	**7.0**	19.4	25.7
Net Asset Value per Share – Basic (RMB cents)	**153.5**	142.8	132.9

Total Revenue decreased: -20.4%
RMB'million



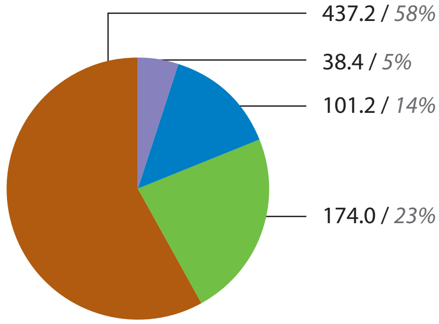
Gross profit decreased: -44.1%
RMB'million



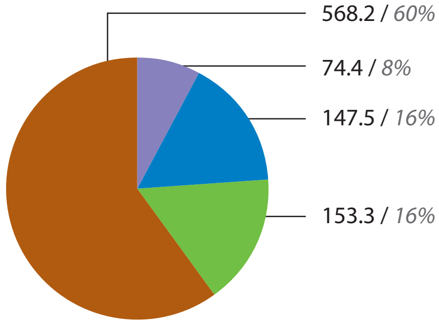
Revenue by Geographical Markets

RMB'million

2009



2008

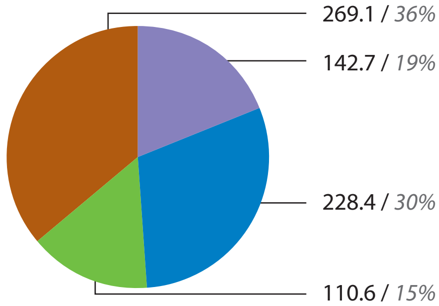


PRC   Japan   Europe   Other Countries

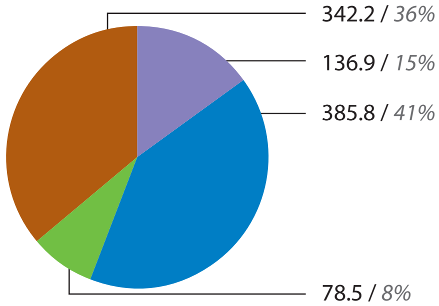
Revenue by Products

RMB'million

2009



2008

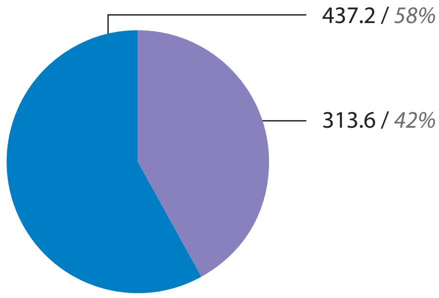


Processed foods   Chilled and frozen rabbit meat   Chilled and frozen chicken meat   Other products

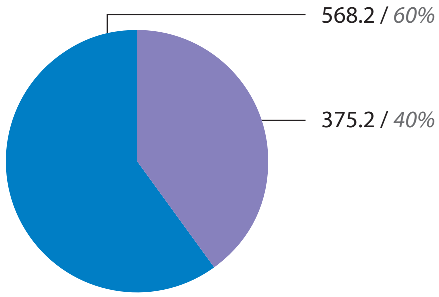
Revenue by Region

RMB'million

2009



2008



Export   PRC

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 2009.

Business Review

The global financial crisis has posed challenges to the Group for 2009. The Group's revenue for 2009 decreased by 20.4% to approximately RMB750,800,000 due to a decrease in export sale of processed foods to Japan and rabbit meat to European Union ("EU"). Profit for the year recorded a decrease of 63.6% to approximately RMB30,800,000 in 2009, compared to approximately RMB84,600,000 in 2008. Management had responded swiftly and decisively to the above decrease in demand by restructuring the Group's products' cost. The Group had also implemented an extensive marketing strategy, as well as focused on production, building and maintaining good relationships with customers and suppliers, widening its international client base and introducing various products to the PRC market on a continual basis.

It is expected that the economy of the PRC will continue to maintain a steady growth in 2010, with an anticipated GDP growth of 8% on an annual basis. Under the policies of "sustaining growth" and "expanding domestic demand" in the PRC, the Group will take this as an opportunistic challenge to expand the domestic trade market. As a diversified food production, processing, selling and distribution group based in the PRC, the Group generates over 50% of its profit from the stable and huge demand from the PRC. The Group will seek to strengthen its brand recognition in the PRC through increasing domestic sales effort of processed food, providing consumers with quality and healthy food products.

In respect of the export market, the Group also has major customers from Europe, Japan and other regions. The Group is one of the companies in the PRC to have the licence to supply rabbit meat to the EU. The Group will continue to leverage on the opportunities arising from strong demand on rabbit meat in EU and Russia to expand its sales. The new processing plant in Nongan County, Jilin Province, the PRC has commenced operation in February 2009. This will enlarge the Group's production capacity of rabbit meat to 12,000 tons per annum.

Through the acquisition of four subsidiaries, namely Qingdao Pu De Food Company Limited, Qingdao Kangda Modern Agricultural Technology Development Company Limited, Qingdao Baishun Food Company Limited and Shandong Kaijia Food Company Limited, the Group has increased its production capacity of processed foods segment and consequently enhanced the Group's client base both in overseas and in the PRC.

Food Safety

The Group's emphasis on food quality has been widely recognized. The Group's quality control centre have complied with both the PRC and international requirements and obtained the HACCP certification. The Group's quality management system has also been certified with ISO9001 and ISO14001. Leveraging on the Group's sound management, emphasis on food safety and strict control, the Group was able to further tap on the opportunities arising from the industrial rectification and has effectively enlarged its market share with its large-scale production model.

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

Future Outlook

Leveraging on the Group's vertically-integrated business model and being a diversified and integrated food processing group, the Group aims to establish a complete and competitive food supply chain in the PRC, and to gain a dominant market position by becoming a leading food enterprise in the PRC.

The Group will continue to expand its sales network, implement stringent cost control measures, improve production efficiency and quality control system for ensuring quality of its products. The management and staff of the Group are confident in the business development prospects and improved its performance in the coming year.

I would like to take this opportunity to express my heartfelt gratitude to our Shareholders, my fellow Directors, the dedicated and competent Management team and all our staff for their ongoing support commitment and belief in the Group. The Group including our Management and staff will strive to keep up with the challenges ahead in year 2010 in appreciation of the continuous support and co-operation from the Group's valued customers and strategic business partners. I truly believe that the stable and healthy development of the Group will ascertain long term shareholders' returns, and the Group's ultimate goal is to maximize shareholders' returns.

Gao Sishi
Chairman

Board of Directors

Executive Directors

Gao Yanxu (高岩緒), aged 44, is the Group's CEO and an executive Director of the Company. He was appointed as a Director on 10 May 2006 and was last re-elected on 29 April 2008. Mr. Gao has more than 10 years of experience in the food production industry. He is primarily responsible for the Group's business strategy and direction, the implementation of the Group's corporate plans and policies, and the general management of the business of the Group. Mr. Gao also oversees the production activities of Qingdao Kangda Foods Co., Ltd. ("Kangda Foods") as its general manager.

From 1996 to 1999, Mr. Gao worked as the manager of 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 Qingdao City Jiaonan Kangda Foreign Trading Group Co., Ltd. (青島市膠南康大外貿集團公司) ("KD Trading Company") with Mr. Gao Sishi, Mr. An Fengjun, Mr. Zhang Qi, Mr. Kang Peiqiang and other independent third parties. As at 31 December 2009, Mr. Gao held 5.3% of the equity interests in KD Trading Company. Mr. Gao obtained a Bachelor's degree of business and economic management in 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 of Management in Business Administration in the graduate school of Renmin University of China (中國人民大學研究生院).

An Fengjun (安豐軍), aged 36, is an executive Director of the Company and was appointed as a Director on 25 August 2006. Mr. An was last re-elected on 28 April 2009. 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 Qingdao City Jiaonan Kangda Feed Co., Ltd. ("KD Feed Company") as both finance manager and an assistant to manager. He was a finance manager of KD Trading Company from 1999 to 2001 and became its vice general manager and sales manager of Qingdao Kangda Property Development Co., Ltd. 2002. As at 31 December 2009, 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). He 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.

Non-Executive Directors

Gao Sishi (高思詩), aged 52 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 2008. 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 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 2009, 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 a course of Master 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.

Zhang Qi (張琪), aged 43 is a non-executive Director. He was appointed as a Director on 25 August 2006 and was last re-elected on 27 April 2007. Mr. Zhang is currently the internal audit manager and assistant to the general manager of KD Trading Company. As at 31 December 2009, 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 Group. Mr. Zhang has more than 20 years of extensive 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 finance matters. Mr. Zhang obtained a Bachelor's degree of Financial Management majored in accounting from Qingdao University (青島大學) in July 1986.

Independent Non-Executive Directors

Kuik See Juan (郭書源), aged 66, is an independent non-executive Director. He was appointed as a Director on 25 August 2006 and was last re-elected on 28 April 2009. Mr. Kuik is presently the chairman and managing director of Inchone Pte Ltd, a company specialising in software application solutions. Mr. Kuik started his career in the banking industry with Oversea-Chinese Banking Corporation Limited in 1962. He then joined the Bank of America in 1972 and held various senior officer positions of its branches in Singapore and Jakarta between 1972 and 1982. In the subsequent years until the end of 2000, Mr. Kuik was actively involved in various management roles as executive directors of various publicly listed companies on the SGX-ST. Currently, Mr. Kuik has also served as an independent non-executive director in four other public companies listed on the SGX-ST. Mr. Kuik holds a Banking Diploma (ACIB) of the Institute of Bankers in London and is an associate member of the Chartered Institute of Bankers in the United Kingdom.

Sim Wee Leong (沈偉龍), aged 45, is an independent non-executive Director. He was appointed as a Director on 25 August 2006 and was last re-elected on 27 April 2007. He is authorised by the Registrar of Public Accountants, Accounting & Corporate Regulatory Authority to practise as a public accountant in the Republic of Singapore. Mr. Sim obtained a Bachelor's degree of Accountancy from the National University of Singapore in June 1989 and is currently practising in Smalley & Co, an accounting firm in Singapore as a sole proprietor.

Yu Chung Leung (余仲良), aged 39, has become an independent non-executive Director upon the listing of the Company on the Stock Exchange of Hong Kong Limited on 22 December 2008. Mr. Yu was last re-elected on 28 April 2009. He is currently a partner of Lee & Yu Certified Public Accountants since March 2003. Mr. Yu was an Audit Manager in an international accounting firm, during the period from July 1993 to January 2003. Mr. Yu is a member of Hong Kong Institute of Certified Public Accountants, 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 in the City University of Hong Kong in July 2006.

Key Management

Leung Ting Yuk（梁廷育）, aged 35, is the chief financial officer and company secretary of the Group. He joined the Group in January 2008 and is responsible for the preparation of the Group's financial statements as well as the reviews and development of the effective financial policies and control procedures for the Group. Mr. Leung has over seven years of experience in accounting and auditing. Mr. Leung worked in an international accounting firm during the period from November 2000 to January 2008. He graduated from University of Wollongong, Australia with a Bachelor's degree in commerce. Mr. Leung is a member of Hong Kong Institute of Certified Public Accountants and Institute of Certified Public Accountants of Australia.

Gao Yumei（高玉梅）, aged 41, 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 Refrigareration 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.

Zhang Weike（張維科）, aged 36, is the vice manager of the Group's research and development department and responsible for product development and information technology. Mr. Zhang has more than 10 years of experience in various industries including product development and information technology. He joined the product development department of our subsidiary Kangda Foods as vice manager in January 2006. From 1994 to 1997, Mr. Zhang was an administrative supervisor of Qingdao Jiaonan City Import and Export Company, Kangli Packaging Paper Factory（膠南市進出口公司康麗倉裝紙品廠）. Mr. Zhang was an assistant to general manager of Qingdao Hualing Food Company Limited（青島華陵食品有限公司）from 1998 to 1999. In January 2000, he joined KD Trading Company where he rose through the ranks and held the position of head of quality control at a production facility of KD Trading Company when he left KD Trading Company in December 2001. He joined our subsidiary, Kangda Foods, in January 2001 where he served as the manager of the quality control department until December 2001; and in January 2002 where he served as vice manager of the management department until December 2002. He was subsequently made assistant manager of the enterprise management department in January 2003 where he remained until December 2003. From January 2004 to July 2004, Mr. Zhang held the position of vice manager at the human resource department at KD Trading Company. In August 2004, he concurrently held the vice manager positions in Qingdao Kangda Delijia Import and Export Company Limited（青島康大得利佳進出口有限公司）and the domestic sales department of Kangda Foods until December 2004. From January 2005 to December 2005, Mr. Zhang served as the vice manager of the trading department at KD Trading Company. During the period from September 1999 to December 2001, Mr. Zhang underwent a part-time economic management course at the Party School of Jiaonan Municipal Party Committee of China Communist Party（中共山東省委黨 校）. Mr. Zhang completed an enterprise management major from the Agricultural Managerial Cadres' College of Shandong Province（山東省農業管理幹部學校）in July 1995, and subsequently completed his post-graduate course on business management at Tianjin University（天津大學）in August 2005.

Zhao Ruifen（趙瑞芬）, aged 45, 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 parttime Economics Management course from Shandong Provincial Party Committee School（中共山東省委黨校）.

Pang Shumei（逄淑梅）, aged 37, 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 major 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:
Gao Yanxu (CEO)
An Fengjun

Non-executive:
Gao Sishi (Chairman)
Zhang Qi

Independent non-executive
Kuik See Juan
Sim Wee Leong
Yu Chung Leung

COMPANY SECRETARIES
Leung Ting Yuk (HKICPA, CPA Australia)
Josephine Toh Lei Mui (ACIS)

AUDIT COMMITTEE
Sim Wee Leong (Chairman)
Kuik See Juan
Zhang Qi
Yu Chung Leung

REMUNERATION COMMITTEE
Yu Chung Leung (Chairman)
Kuik See Juan
Sim Wee Leong
Gao Sishi

NOMINATION COMMITTEE
Kuik See Juan (Chairman)
Sim Wee Leong
Gao Yanxu
Yu Chung Leung

AUTHORISED REPRESENTATIVES
Leung Ting Yuk
Gao Yanxu

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Qingdao
PRC

AUDITORS
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Certified Public Accountants
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Hong Kong

AUDIT PARTNER-IN-CHANGE
Norman Tsui
(since the financial year ended 31 December 2007)

REGISTERED OFFICE
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

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

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

Management Discussion and Analysis

OPERATING AND FINANCIAL REVIEW

Revenue by products	FY2009 RMB'000	FY2008 RMB'000	% Change +/(-)
Processed foods	269,085	342,240	(21.4)
Chilled and frozen rabbit meat	142,708	136,865	4.3
Chilled and frozen chicken meat	228,453	385,828	(40.8)
Other products	110,595	78,493	40.9
Total	**750,841**	**943,426**	**(20.4)**

Chilled and Frozen Meat Products

The rabbit and chicken meat segments contributed 49.4% and 55.4% to the Group's total revenue for the years ended 31 December 2009 ("FY2009") and 2008 ("FY2008") respectively. The revenue of the rabbit and chicken meat segments registered a 29.0% decrease to RMB371.2 million in FY2009 as compared that of FY2008.

Revenue from the rabbit meat segment contributed 19.0% to the Group's total revenue for FY2009. Revenue from the sale of rabbit meat increased by 4.3% to RMB142.7 million in FY2009 as compared to that in FY2008. The increase was attributable to the recovering demand for the Group's rabbit meat products in the EU market and sales of its rabbit meat products to the Russian market in the second half year.

Revenue from the chicken meat segment contributed 30.4% to the Group's total revenue for FY2009. Revenue decreased by 40.8% to RMB228.5 million in FY2009 as compared to that in FY2008. The decrease was mainly due to keen competition in the PRC market. The significant increase in pork prices in the PRC had resulted in an increase in demand for chicken meat products as a substitute for pork in 2008. However, a continual decrease in the average price of pork from the second half year of 2008 had resulted in a significant decrease in demand for chicken meat products in FY2009.

Processed Foods

Revenue from processed foods showed a decreased by 21.4% to RMB269.1 million in FY2009 as compared to that in FY2008. The decrease was mainly due to a slow down of export of products to Japan resulted from the economic downturn.

Other Products

Revenue from other products increased by 40.9% to RMB110.6 million in FY2009 compared to RMB78.5 million in FY2008, mainly due to strong demand from the domestic market and export to Japan.

The increase in revenue was largely driven by an increase in demand for the Company's pet food products. Pet food sales contributed over 50% to this segment with growth generated from Beijing and Shanghai markets in the PRC, and in the export sales to Japan and Korea.

Revenue by geographical markets	FY2009 RMB'000	FY2008 RMB'000	% Change +/(-)
Export	313,669	375,197	(16.4)
PRC	437,172	568,229	(23.1)
Total	**750,841**	**943,426**	**(20.4)**

On a geographical basis, revenue from the export sales decreased by 16.4% to RMB313.7 million in FY2009 as compared to that in FY2008. The lower export sales was attributable to a decrease in export sales of processed foods to Japan.

PRC sales decreased by 23.1% to RMB437.2 million in FY2009 as compared to that in FY2008. The decrease was mainly attributable to a decrease in sale of chicken meat products to the domestic market.

Profitability

Gross Profit and Margin	FY2009 RMB'000	FY2009 Margin %	FY2008 RMB'000	FY2008 Margin %	Change RMB'000	% Change +/(-)
Processed foods	37,010	13.8	66,859	19.5	(29,849)	(44.6)
Chilled and frozen rabbit meat	21,582	15.1	34,777	25.4	(13,195)	(37.9)
Chilled and frozen chicken meat	20,170	8.8	37,481	9.7	(17,311)	(46.2)
Other products	4,378	4.0	9,701	12.4	(5,323)	(54.9)
Total	**83,140**	**11.1**	**148,818**	**15.8**	**(65,678)**	**(44.1)**

Gross profit margin declined from 15.8% in FY2008 to 11.1% in FY2009 which was mainly due to the increase in prices of raw materials prices relating to processed foods and the reduction in selling prices of rabbit meat to the EU.

Processed Foods

Processed foods business remained as the main profit contributor in FY2009. Gross profit decreased by 44.6% to RMB37.0 million in FY2009 as compared to that in FY2008. Gross profit margin declined from 19.5% to 13.8% for FY2009, mainly due to rising raw material costs.

Chilled and frozen rabbit meat

Decrease in gross profit of rabbit meat segment was mainly due to the reduction in selling price of rabbit meat to the EU to stimulate sales during the period of global economic downturn and introduction of rabbit meat to Russian market at a relatively low price at the initial stage. Gross profit margin decreased to 15.1% in FY2009 and gross profit decreased by 37.9% to RMB21.6 million as compared to that in FY2008.

Chilled and frozen chicken meat

Gross profit margin for chicken meat segment has decreased from 9.7% to 8.8% in FY2009 was due to keen competition in the PRC market. The Group's own supply of chicken meat from its vertically-integrated operation ensured a stable price level. Gross profit decreased by RMB17.3 million or 46.2% from RMB37.5 million for FY2008 to RMB20.2 million for FY2009.

Other products

Gross profit margin decreased to 4.0% for FY2009 from 12.4% for FY2008. Other products are mainly chicken and rabbit by-products and pet food products, which are not the core profit drivers of the Group. Significant decrease in gross profit margin was due to the fluctuation in prices of chicken and rabbit by-products.

Other income

Other income of RMB22.3 million mainly comprised interest income of RMB13.9 million, gain on change in fair value of biological assets of RMB3.5 million, gain on sales of raw materials of RMB1.1 million and income from provision of testing services of RMB1.8 million.

Selling and distribution costs

The increase in selling and distribution costs of approximately RMB2.1 million or 14.4% to RMB16.7 million in FY2009 was primarily due to higher staff cost involved resulting from acquisition and establishment of subsidiaries and higher advertising cost for promotion of the Group's products.

Administrative expenses

Administrative expenses decreased by 10.8% to RMB51.8 million in FY2009 from RMB58.0 million in FY2008. This was mainly due to the inclusion of, among other things, professional fees relating to the Hong Kong listing last year which amounted to RMB19.5 million. Administrative expenses mainly comprised employee salaries and allowances of RMB16.5 million, legal and professional fees of RMB4.7 million, depreciation and amortisation of RMB4.8 million, foreign exchange loss of RMB1.9 million, and travelling expense of RMB1.9 million.

Finance costs

Finance costs increased by 129.8% to approximately RMB6.9 million for FY2009 from RMB3.0 million in FY2008 due to a 3-year syndication loan of HK$105 million which was guaranteed and secured against the Company's interests in its two subsidiaries, Perfect Good Group Limited and Spiritzone Group Limited. A bank loan of US$7 million obtained at the end of 2008 for the Group's project investment.

Taxation

Tax credit of approximately RMB2.5 million recorded in FY2009 mainly coming from the over-provision of tax in the prior year in the amount of RMB6.0 million.

Review of the Group's Financial Position as at 31 December 2009

The Group's addition of property, plant and equipment were mainly leasehold buildings and plant and machinery amounted to approximately RMB27.9 million and addition of property, plant and equipment amounted to RMB8.9 million through acquisition of a subsidiary in May 2009, namely Qingdao Pu De Food Company Limited ("Qingdao Pu De"). Aggregate addition of property, plant and equipment in FY2009 amounted to RMB70.2 million.

The significant increase in prepaid premium for land leases of RMB57.8 million was mainly due to the rental of two parcels of land located at Jiaonan, Shandong Province with a total area of 2,372 mu for the purposes of breeding and rearing of chickens and rabbits. The tenancy agreements were signed between the Group and the local government on 26 April 2009 for a lease period of 30 years. Prepayment for these two parcels of land amounted to RMB47.8 million had been paid in May 2009.

Biological assets refer to progeny rabbits and progeny chickens held for sale and breeder rabbits and chickens held for breeding purpose. These biological assets were valued by an independent professional valuer as at 31 December 2009 with reference to the market-determined prices.

Inventories increased by RMB18.0 million to RMB78.6 million in anticipation of an increase in demand in the first quarter of 2010. The inventory turnover period for FY2009 was 38 days for FY2009 compared to 29 days for FY2008.

Trade receivables increased by RMB5.6 million to RMB87.5 million in FY2009 as compared to that of FY2008, which was attributable to higher level of credit sales towards year end resulted from the recovering demand for the Group's products. The trade receivables turnover period for was 41 days FY2009 compared to 27 days for FY2008.

Prepayments, other receivables and deposits decreased by approximately RMB6.8 million from approximately RMB26.5 million for FY2008 to approximately RMB19.8 million for FY2009. The decrease was mainly due to fewer deposits placed with the Group's suppliers for the supply of raw materials.

Trade and bills payables decreased by approximately RMB34.4 million from approximately RMB82.5 million in FY2008 to approximately RMB48.1 million in FY2009 due to shorter payment terms granted by some of the suppliers.

Accrued liabilities, other payables, and deposits received remained constant. These comprised mainly payables for construction and facilities acquired, salary and welfare payables, accrued expenses and deposit received.

The Group continued to generate positive net operating cash flow of RMB9.3 million in FY2009 and cash and cash equivalent amounted to RMB267.9 million as at the end of FY2009.

BUSINESS REVIEW

The Group had the following arrangements for acquisitions and disposal of subsidiaries for the year ended 31 December 2009:

1. On 18 February 2009, the Group entered into an agreement to sell its 70% equity interest in a subsidiary, Qingdao Spiritzone Asiawin Food Co., Ltd. ("Spiritzone Asiawin Food") to a related party at a consideration of RMB8.8 million. Spiritzone Asiawin Food was a sino-foreign equity joint venture established in the PRC and its principal business activity was the production of processed food. After taken into account the operating loss made by Spiritzone Asiawin Food for the year 2008, the directors considered that it was in the interests of the Company to dispose of Spiritzone Asiawin Food as Spiritzone Asiawin Food would probably not contribute positively to the profitability of the Group.

2. On 25 May 2009, the Group acquired 55% of the equity interest with consideration of approximately RMB15.4 million in Qingdao Pu De, a sino-foreign joint venture company incorporated in the PRC from several independent third parties. Qingdao Pu De is principally engaged in the production and sale of processed food products such as frozen vegetables, seafood products and meat products such as meatballs, Dong Po meat (東坡肉) and Gu Lao meat (古老肉), primarily for export to the Japanese market. Its business is similar to the Group's business that can provide an opportunity for the Group to further expand its presence in the Japanese market.

3. On 26 June 2009, the Group acquired 100% equity interest in each of Qingdao Kangda Modern Agricultural Technology Development Company Limited ("Modern Agricultural") and Qingdao Baishun Food Company Limited ("Baishun") from several related parties with a total consideration of RMB8.7 million.

   The principal activities of Modern Agricultural are the planting and selling of vegetables. The acquisition of Modern Agricultural can provide the Group with its own source of supply of vegetables for the production of its processed food products. It will also strengthen the Group's existing production capacity of processed food products. The principal activities of Baishun are the production and sale of food products. Baishun is dormant during the year ended 31 December 2009.

4. On 21 November 2009, the Group entered into a share purchase agreement with two independent vendors to acquire 100% equity interest in Shandong Kaijia Food Company Limited ("Shandong Kaijia Food"), a company incorporated in the PRC, with a total consideration of RMB130 million (subject to adjustment). On 20 January 2010, an ordinary resolution proposed for approving the acquisition of 100% equity interest in Shandong Kaijia Food was duly passed by the shareholders of the Company by way of poll at a special general meeting. The acquisition of Shandong Kaijia Food was completed on 24 February 2010. The principal activities of Shandong Kaijia Food and its subsidiary are the manufacturing and selling of chilled and frozen meat products and other processed foods.

   The acquisition will provide a synergy to the business of the Group and benefit the setting of the overall strategic and development plans of the Group's business in the PRC.

The Group had experienced a dynamic and challenging environment for the year ended 31 December 2009 resulting from the financial tsunami that created the worst trading conditions in living memory. The Group had experienced a decrease in its profit after tax by 63.6% to RMB30.8 million, mainly resulting from the significant decrease in the Group's products exported to the EU and Japanese markets.

Management had responded swiftly and decisively to the above decrease in demand by restructuring the Group's products' cost. The Group had also implemented an extensive marketing strategy with emphasis on manufacturing and building good relationships with customers and suppliers, widening its international client base and introducing various products to the PRC market on a continual basis.

PROSPECT

As affected by the financial tsunami in 2009, the Group's exports of processed foods to Japan and rabbit meat products to the EU had decreased significantly. After the turmoil of the financial tsunami, with the improvement in current international economic environment, the Group's business also begins to pick up gradually. The Group's export of products to Japan and the EU countries had been improved with increases in the number of orders received at this moment. The Group will leverage on the strength of its own brands in promoting a diversified quality products portfolio to strengthen its business in the PRC domestic market and also endeavour to develop the domestic market by enhancing our efforts in advertising and marketing to increase our brand awareness on customers. The Group will also continue to research and develop new type of products to better meeting the demand of consumers.

The Group acquired a number of food manufacturing enterprises in 2009 which will enhance our production capacity significantly in the near future and it is believed that they will contribute profits to the Group. The Board is confident that the Group will achieve better results in the coming years.

CAPITAL STRUCTURE

During the year under review, the Group had net assets of approximately RMB664.6 million (2008: RMB629.0 million), comprising non-current assets of approximately RMB433.8 million (2008: RMB311.0 million), and current assets of approximately RMB466.0 million (2008: RMB657.5 million). The Group recorded a net current asset position of approximately RMB283.5 million (2008: RMB429.9 million) as at 31 December 2009, which primarily consists of cash and bank balances amounted to approximately RMB267.9 million (2008: RMB461.1 million). Moreover, inventories amounted to approximately RMB78.6 million (2008: RMB60.7 million) and trade receivables amounted to approximately RMB87.5 million (2008: RMB81.9 million) are also major current assets. Major current liabilities are trade and bills payables, accrued liabilities, other payables and deposits received and interest-bearing bank borrowings amounted to RMB48.1 million (2008: RMB82.5 million), RMB43.1 million (2008: RMB43.3 million) and RMB66.8 million (2008: RMB87.8 million) respectively.

LIQUIDITY AND FINANCIAL RESOURCES

During the year under review, the Group has cash and cash equivalent of approximately RMB267.9 million (2008: RMB461.1 million) and had total interest-bearing bank borrowings of approximately RMB109.8 million (2008: RMB197.7 million). Where, RMB86.0 million was subject to floating rate of 3.0% over HIBOR per annum and the remaining RMB23.8 million was subject to floating rate of LIBOR plus 3.5%. As at 31 December 2009, RMB66.8 million are payable in instalments within one year and the remaining RMB43.0 million are payable in instalments more than one year.

The gearing ratio for the Group was 16.9% (2008: 31.6%) as at 31 December 2009, based on net debt of RMB109.8 million (2008: RMB197.7 million) and equity attributable to Company's owners of RMB649.6 million (2008: RMB625.4 million). The Group serves its debts primarily with recurring cash flow generated from its operation, 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.

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:

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 should it be necessary.

CAPITAL COMMITMENTS

As at 31 December 2009, the capital commitment of the Group in respect of the acquisition of 100% equity interest in Shandong Kaijia Food and its subsidiary, which had been contracted for but not provided in the financial statements was in the total amount of approximately RMB130.0 million (subject to adjustment) and in respect of purchase of property, plant and equipment amounting to RMB30.6 million (2008: RMB92.9 million).

CHARGE ON ASSETS

As at 31 December 2009, a 3-year syndicated loan of HK$105.0 million was guaranteed and secured against the Company's interests in its two subsidiaries, Perfect Good Group Limited and Spiritzone Group Limited.

CONTINGENT LIABILITIES

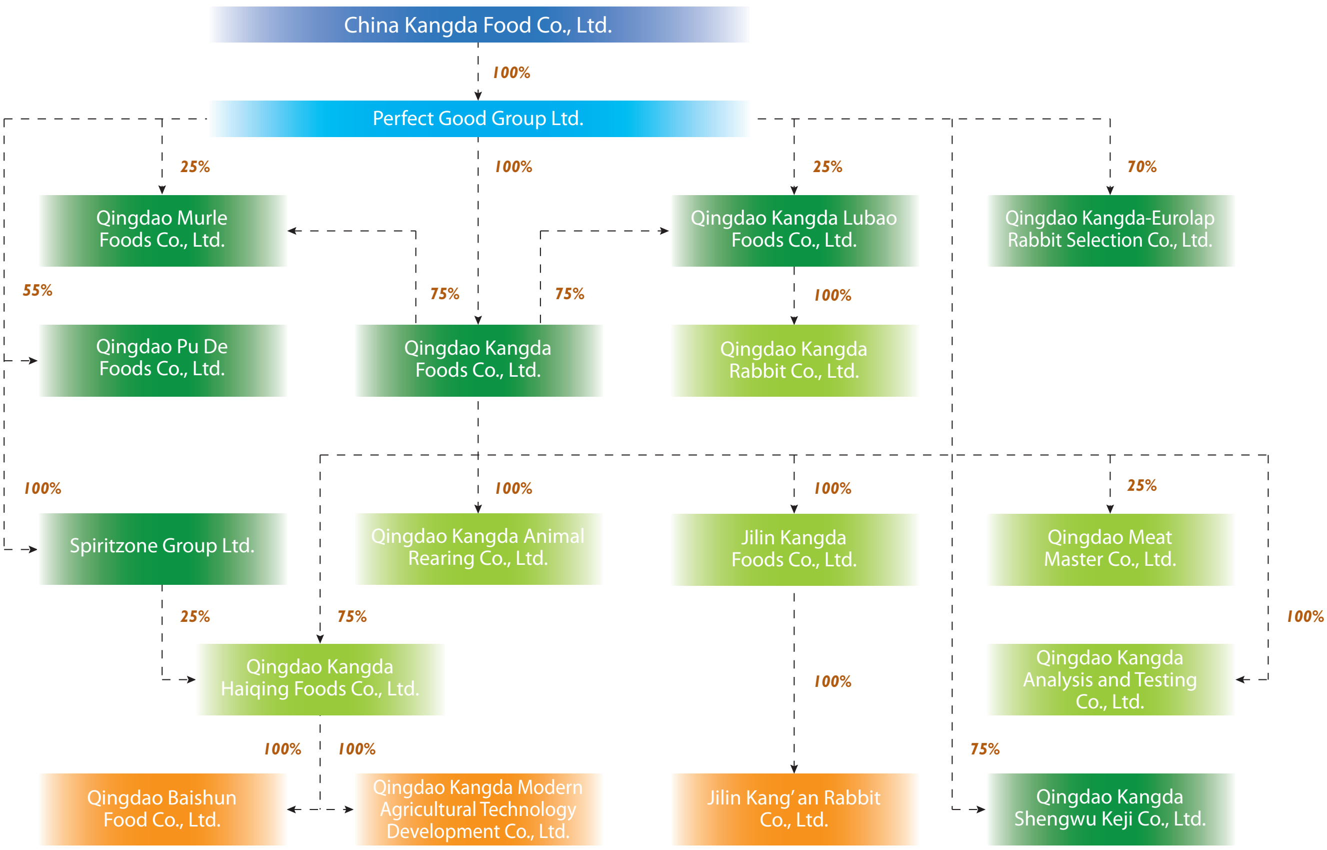
As at 31 December 2009, the Group did not have any material contingent liabilities (2008: Nil).

	USD RMB'000	EURO RMB'000	JPY RMB'000	SGD RMB'000	HK$ RMB'000
Financial assets					
Trade receivables	24,883	21,366	3,418	–	–
Cash and bank balances	5,430	–	–	730	993
Total	**30,313**	**21,366**	**3,418**	**730**	**993**
Financial liabilities					
Interest-bearing bank borrowings	23,804	–	–	–	85,982

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2009, the Group employed a total of 3,586 employees (2008: 2,602 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 RMB54.5 million (2008: RMB48.5 million). The Company does not have share option scheme for its employees.

Corporate Structure



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 Board will review and improve the corporate governance practices from time to time to ensure that the interests of its shareholders are properly protected and promoted.

For the year under review, the Company has generally adhered to the principles and guidelines set out in the Code of Corporate Governance 2005 (the "**Singapore Code**") issued by the Council Corporate Disclosure and Governance, Singapore. The Company has also complied with the Code on Corporate Governance Practices (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**") from the date on which the shares of the Company are listed on the SEHK.

BOARD OF DIRECTORS

(A) Board's Conduct of its Affairs

The Board is responsible for the overall performance of the Group. It 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 the board's policies, strategies and financial objectives of the Group and monitoring the performance of the Management;

2. oversee the process for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;

3. declare interim and final dividends, if applicable;

4. approve the nomination of directors and appointment of key personnel;

5. assume responsibility for corporate governance; and

6. prepare financial statements which give a true and fair view of the Company for each financial period in accordance with the International Financial Reporting Standards.

The Board is supported by the Audit Committee (the "**AC**"), the Remuneration Committee (the "**RC**") and the Nominating Committee (the "**NC**").

The Board meets at least once every quarter to review the strategic policies of the Group, significant business transactions, performance of the business and approve the release of quarterly, half-yearly and year-end results. The Board will also meet as and when warranted by particular circumstances between the scheduled meetings. The Company's Bye-laws provide for meetings to be held via telephone and video conferencing.

The approval of the Board is required for any matters which are likely to have a material impact on the Group's operating units and/or financial positions as well as matters other than in the ordinary course of business.

The day-to-day management, administration and operation of the Group are delegated to the executive directors and senior management. Each executive director and senior management of the Company has accumulated sufficient and valuable experience to hold his position in order to ensure that his fiduciary duties can be carried out in an effective and efficient manner.

Details of directors' attendance at the Board and various Board committee meetings held for the year ended 31 December 2009 are set out in the table below:

Meetings of	**Board**	**AC**	**NC**	**RC**
Total held in 2009	*5*	*5*	*1*	*1*
		Attendance Rate		
Gao Sishi	1	N/A	N/A	1
Gao Yanxu	4	N/A	1	N/A
An Fengjun	2	N/A	N/A	N/A
Zhang Qi	4	4	N/A	N/A
Kuik See Juan	5	5	1	1
Sim Wee Leong	5	5	1	1
Yu Chung Leung*	5	5	1	1

* Mr. Yu Chung Leung was appointed as the Chairman of the RC in place of Mr. Kuik See Juan on 27 February 2009.

Newly appointed directors will be briefed on the Group's business activities, strategic direction and regulatory environment in which the Group operates. Non-executive directors will be provided with letters of appointment setting out their duties, obligations and terms of appointment. Newly appointed executive directors will be provided with service agreements setting out their services of office and terms of appointments.

The Board is kept informed of the new updates in the requirements of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the SEHK from time to time.

(B) BOARD COMPOSITION

The Board comprises seven directors, with two executive directors, two non-executive directors, and three independent non-executive directors. The names of the directors are set out as follows:

Executive Directors:
Gao Yanxu *(Chief Executive Officer)*
An Fengjun

Non-executive Directors:
Gao Sishi *(Chairman)*
Zhang Qi

Independent Non-executive Directors:
Kuik See Juan
Sim Wee Leong
Yu Chung Leung

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

During the year ended 31 December 2009, 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.

The Board has received the annual written confirmations of independence from all the independent non-executive directors pursuant to Rule 3.13 of the Hong Kong Listing Rules. The Board is of the view that all the independent non-executive directors are independent in accordance with the Hong Kong Listing Rules and the Singapore Code. All the independent non-executive directors have appropriate professional qualifications or accounting or related financial management expertise.

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 for effective functioning and informed decision-making. The NC also strives to ensure that the size of the Board is conducive to discussions. The NC with the concurrence of the Board considers the current Board size of seven as appropriate, having regard to the nature and scope of the Group's operations.

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

(C) Chairman and Chief Executive Officer

According to provision A.2.1 of the HK Code and principle 3 of the Singapore Code, the roles of Chairman and Chief Executive Officer ("**CEO**") should be separated and should not be performed by the same individual. This is to ensure an appropriate balance of powers.

The non-executive Chairman of the Group is Mr. Gao Sishi who is the founder of the Group. As Chairman, Mr. Gao Sishi ensures that board meetings are held when necessary, setting the board agenda in consultation with the Group's Chief Financial Officer ("**CFO**")/Company Secretary and the CEO.

Mr. Gao Yanxu, nephew of Mr. Gao Sishi, is the CEO of the Company. As CEO, Mr. Gao Yanxu is responsible for day-to-day management affairs of the Group including reviewing and charting of corporate directions and strategies. He also ensures that stipulated corporate policies are properly complied with.

Notwithstanding the relationship between the Chairman and the CEO, 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.

In line with the recommendations of the HK Code and the Singapore Code, Mr. Kuik See Juan has been appointed as the lead independent non-executive director of the Company to co-ordinate and lead independent directors to provide a non-executive perspective and to contribute a balance viewpoint to the Board. He is also available to address the concerns, if any, of the Company's shareholders on issues that cannot be appropriately dealt with by the Chairman/CEO or the CFO.

(D) Board Membership and Performance

Nominating Committee

The NC, regulated by a set of written terms of reference, comprises four members, a majority of whom are independent non-executive directors. The Chairman is Mr. Kuik See Juan, an independent non-executive director, who is not associated with any connected person of the Company.

The members of the NC are as follows:

Kuik See Juan	*(Chairman)*
Sim Wee Leong	
Gao Yanxu	
Yu Chung Leung	

The principal functions of the NC are to:

1. review nominations for the appointment and re-appointment to the Board;

2. ensure that all directors submit themselves for re-nomination and re-election at regular intervals;

3. evaluate the performance of the Board as a whole;

4. 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, particular when he is has multiple Board representations; and

5. review on an annual basis the independence of directors.

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 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.

Under provision A.4.1 of the HK Code, the non-executive directors should be appointed for a specific term, subject to re-election by the shareholders of the Company. Pursuant to their appointment letters dated 24 November 2008, the two non-executive directors of the Company, Mr. Gao Sishi and Mr. Zhang Qi, are each appointed by the Company for a term of 3 years commencing on 12 May 2006 and 25 August 2006 respectively, subject to re-election by the shareholders of the Company. Their appointment may be terminated by either party by giving the other at least three months' written notice or in accordance with other terms of the appointment letters.

Pursuant to each of their respective appointment letters, the three independent non-executive directors of the Company, Mr. Yu Chung Leung, Mr. Kuik See Juan and Mr. Sim Wee Leong are each appointed by the Company for a term of 3 years commencing on 25 August 2006 (in respect of Mr. Kuik See Juan and Mr. Sim Wee Leong) and 22 December 2008 (in respect of Mr. Yu Chung Leung), subject to re-election by the shareholders of the Company. Their appointment may be terminated by either party by giving the other at least one month's written notice or in accordance with other terms of the appointment letters.

During the year ended 31 December 2009, the NC made recommendations to the Board on all nominations for re-appointment of directors retiring at the Annual General Meeting ("**AGM**").

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 AGM following their appointments. The retiring directors are eligible to offer themselves for re election. Pursuant to the Company's Bye-law 86(1), Mr. Sim Wee Leong and Mr. Zhang Qi will retire at the forthcoming AGM. The Board has accepted the NC's recommendation.

For the year under review, the NC had conducted a Board evaluation to assess the effectiveness of the Board as a whole which will examine factors such as Board composition, information flow to the Board, Board procedures, Board accountability, and standards of conduct of the Board members. The evaluation process is carried out by the NC on an annual basis.

For the year ended 31 December 2009, the NC is generally satisfied with the Board evaluation results with no significant problems being identified. The NC will continue to review its procedure, effectiveness and development from time to time.

(E) 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 management information to enable them to participate at the meetings. The Company secretaries provide secretarial support to the Board, attend Board meetings and ensure adherence to Board procedures and the relevant rules and regulations which are applicable to the Company.

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 in 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.

(F) 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:

Yu Chung Leung *(Chairman)*
Gao Sishi
Sim Wee Leong
Kuik See Juan

The principal functions of the RC are to:

1. determine the remuneration packages of all executive directors and key executives of the Group;

2. assess performance of executive directors;

3. review and recommend the directors' fees for non-executive directors, which are subject to shareholders' approval at the AGM; and

4. assess and recommend the terms of executive directors' service contracts.

The RC had reviewed the letters of appointment of the non-executive directors, Mr. Gao Sishi, Mr. Zhang Qi, Mr. Kuik See Juan and Mr. Sim Wee Leong, and the service agreements of the executive directors, Mr. Gao Yanxu and Mr. An Fengjun. Mr. Gao Sishi's and Mr. Gao Yanxu's term of office had expired on 12 May 2009 while the term of office of Mr. Zhang Qi, Mr. Kuik See Juan and Mr. Sim Wee Leong had expired on 25 August 2009. The RC having regard to their contribution and performance, had recommended that their terms of office be renewed for another 1 year on same terms and conditions. The Board has accepted the RC's recommendation.

The RC had recommended to the Board the amount of S$132,810 as directors' fees for the financial year ended 31 December 2009. The Board will table this at the forthcoming AGM for shareholders' approval.

The annual review of the remuneration packages of all directors was carried out by the RC to ensure that the remuneration of the directors and key executives commensurate with their performance, qualifications, experience and duties giving due regard to the financial and commercial health and business needs of the Group. The objective of the remuneration policies was 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.

Disclosure on remuneration

The breakdown of each individual director's remuneration, in percentage terms showing the level and mix for the year ended 31 December 2009, are as follows:

Name of director	Salary %	Bonus %	Director's fees %	Other benefits %	Total %
Below S$250,000					
Gao Sishi	–	–	–	–	–
Zhang Qi	–	–	–	–	–
Gao Yanxu	100	–	–	–	100
An Fengjun	100	–	–	–	100
Kuik See Juan	–	–	100	–	100
Sim Wee Leong	–	–	100	–	100
Yu Chung Leung	–	–	100	–	100

Other than Mr Gao Yanxu, no employee of the Group is an immediate family member of a director or substantial shareholder.

Details of remuneration paid to the top 5 executives of the Group (who are not directors) for the year ended 31 December 2009 are set our below:

Name of executive	Salary %	Bonus %	Other benefits %	Total %
Below S$250,000				
Leung Ting Yuk	100	–	–	100
Gao Yumei	100	–	–	100
Zhang Weike	100	–	–	100
Zhao Ruifen	100	–	–	100
Gao Chunying	100	–	–	100

(G) 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 SEHK Listing Rules.

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.

The Management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a quarterly basis.

(H) Audit Committee

The AC, regulated by a set of written terms of reference, comprises four members, all of whom are non-executive directors. The members of the AC are:

Sim Wee Leong *(Chairman)*
Kuik See Juan
Zhang Qi
Yu Chung Leung

The principal functions of the AC are to:

1. review the annual, half-yearly and quarterly financial statements of the Company and the Group before submission to the Board for adoption;

2. review with the external auditors, their audit plans and audit reports;

3. approve the internal audit plans and review results of internal audit as well as Management's responses to the recommendations from the internal auditors;

4. review the co-operation given by the Company's officers to the external auditors;

5. nominate and review the appointment or re-appointment of internal and external auditors;

6. review interested person transactions;

7. review the independence of the external auditors annually; and

8. 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.

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. 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.

Five AC meetings were held in the year ended 31 December 2009 to discuss and review the following matters:

1. the financial reporting system, the annual and quarterly financial statements of the Company and the Group before submission to the Board for adoption;

2. the audit plans and audit reports with the external auditors;

3. the adequacy and effectiveness of the internal control system and risk management system and to make recommendation to the Board for improvement of internal control and risk management;

4. the nomination and appointment or re-appointment of external auditors and their fees;

5. the co-operation given by the Company's officers to the external auditors;

6. the related parties transactions, including those interested person transactions (as defined under the Listing Manual of SGX-ST) and continuing connected transactions (as defined under the Hong Kong Listing Rules);

7. the independence of the external auditors annually; and

8. the undertaking of such other functions and duties as may be required by statue or the Listing Manual of the SGX-ST and the Hong Kong Listing Rules.

There is no material uncertainty relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

For the year ended 31 December 2009, the AC had met with the external auditors without the presence of management and had established that the external auditors have had the full co-operation of Management in carrying out their works. In addition, the AC had reviewed the non-audit services provided by the external auditors, Grant Thornton and is of the opinion that the provision of such services does not affect their independence.

The AC has recommended to the Board the re-appointment of Grant Thornton as external auditors at the forthcoming AGM.

The AC has also put in place a "**whistle-blowing**" policy whereby staff of the Group may raise concerns on financial improprieties, fraudulent acts or other matters and ensure that arrangements are in place for investigation. There were no whistle blowing reports received for the year ended 31 December 2009.

(I) Internal Controls and Internal Audit

The Board bears the overall responsibility for maintaining and ensuring that a sound and effective internal control system is maintained within the Group.

The Company has adopted a set of internal control procedures and policies to safeguard the Group's assets, to ensure proper maintenance of accounting records and reliability of financial reporting and to ensure compliance with relevant legislation and regulations. The internal control system is designed to ensure that the financial and operations functions, compliance control, asset management and risk management functions are in place and functioning effectively. It is however, impossible to preclude all errors and irregularities, as the system is designed to manage rather than eliminate risks, and therefore can provide only reasonable and not absolute assurance against material misstatements or losses, errors or misjudgments, fraud or other irregularities.

The Group has an internal audit department to oversee the internal audit and risk management function.

The internal audit department reports primarily to the AC Chairman on audit matters and to the CEO on administrative matters.

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

In line with 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 press releases, 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, half-yearly and fully year via the websites of the SGX-ST, the SEHK, and the Company;

(c) interim reports and annual reports that are sent to all shareholders;

(d) notices of and explanatory notes for general meetings; and

(e) meetings with investors and analysts.

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 market capitalisation of the Company as at 31 December 2009 was approximately S$95,249,000 (issued share capital: 432,948,000 shares at closing market price: S$0.22 per share).

(K) Shareholders Rights

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-law, 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 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 and of the Stock Exchange following the shareholders' meeting.

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 and Listing Rule 1207(18) on Dealings in Securities issued by the SGX-ST (the "**SGX-ST Listing Rule 1207(18)**") 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 and the SGX-ST Listing Rule 1207(18) for the year ended 31 December 2009.

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 two weeks before the release of the quarterly and the half-yearly results and at least one month before the release of full year results and at all times, if in possession of price-sensitive information.

AUDIT FEE

The Company's external auditor is Grant Thornton, Certified Public Accountants. During the year ended 31 December 2009, the total fee paid/payable in respect of audit and non-audit services provided by the external auditor are set out below:

	2009 **RMB'000**
Audit fee	**1,271**
Non-audit fee#	**885**

Non-audit fee paid to the external auditor and for acting as the reporting accountant in relation to the acquisition of Shandong Kaijia Food Company Limited and its subsidiary.

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. The aggregate value of the interested person transactions conducted under the general mandate during the year ended 31 December 2009 is provided below:

(in RMB'000)

	Year ended 31 December 2009	
Name of interested person	**Aggregate value of all IPTs during the financial year under review excluding transactions less than $100,000 and transactions pursuant to the IPT Mandate (or a shareholders' mandate for IPTs under Rule 920 of the New Listing Manual)**	**Aggregate value of all IPTs under the IPT Mandate (or a shareholders' mandate for IPTs under Rule 920 of the New Listing Manual) during the financial year under review (excluding transactions less than $100,000)**
Sales to Qingdao Kangda Foreign Trade Group Company Limited and it's subsidiaries ("**KD Trading Group**") (Note 1)	Nil	2,189
Purchases from KD Trading Group (Note 2)	Nil	47,543
Rental income received from a related company	219	Nil
Rental expenses paid to related companies	188	Nil

Notes:

1. These are the sales of the Group's products to KD Trading Group, including Qingdao Kangda Shidai Property Development Company Limited, Qingdao Kangda Modern Agricultural Technology Development Co., Ltd. ("Modern Agricultural"), Qingdao Jiaonan Kangda Feed Co., Ltd. ("KD Feed Company") and Qingdao Kangda Delijia Import and Export Co., Ltd. for the year ended 31 December 2009.

2. These are the purchases of raw materials such as vegetables and animal feeds from the KD Trading Group including Modern Agricultural and KD Feed Company for the year ended 31 December 2009.

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 (as defined under the Listing Manual of the SGX-ST) involving the interests of the directors or controlling shareholders during the year ended 31 December 2009 as required to be reported under Rule 1207(8) of the Listing Manual of SGX-ST.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING ON THE SGX-ST

The Company refers to the net proceeds (the "**IPO Proceeds**") amounted to RMB142 million (equivalent to S$28.1 million) raised from the initial public offering of its shares on the SGX-ST and has fully utilised its IPO proceeds as follows:

	Intended Use	Amount Allocated and Utilised
1.	To increase production capacity of existing product including cold storage facilities	RMB56.0 million (equivalent to S$11.1 million)
2.	To establish production facilities for new products	RMB14.0 million (equivalent to S$2.8 million)
3.	To acquire land	RMB30.0 million (equivalent to S$5.9 million)
4.	For establishment of farms	RMB32.0 million (equivalent to S$6.3 million)
5.	To build a new building to house the Company's product development centre	RMB10.0 million (equivalent to S$2.0 million)
	Total	**RMB142.0 million (equivalent to S$28.1 million)**

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 Ordinances and the Hong Kong Listing Rules. In preparing the financial statements for the year ended 31 December 2009, 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 the going concern basis.

The statement by the auditor of the Company about its responsibilities for the financial statements is set out in the independent auditor's report contained in this annual report.

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 2009.

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 the year ended 31 December 2009, 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.

Financial Contents

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 2009.

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 change in the nature of the principal activities of the Group during the year.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES

1. On 18 February 2009, the Group entered into an agreement to sell its 70% equity interest in a subsidiary, Qingdao Spiritzone Asiawin Food Co., Ltd. ("Spiritzone Asiawin Food") to a related party at a consideration of approximately RMB8,800,000. Spiritzone Asiawin Food is a sino-foreign equity joint venture established in the PRC and its principal business activity is the production of processed food. After taking into account the operating loss made by Spiritzone Asiawin Food for the year 2008, the directors considered that it was in the interests of the Company to dispose of Spiritzone Asiawin Food as Spiritzone Asiawin Food would probably not contribute positively to the profitability of the Group.

2. On 25 May 2009, the Group acquired 55% of the equity interest for a consideration of approximately RMB15,400,000 in Qingdao Pu De Food Company Limited ("Qingdao Pu De"), a sino-foreign joint venture company incorporated in the PRC from several independent third parties. Qingdao Pu De is principally engaged in the production and sale of processed food products such as frozen vegetables, seafood products and meat products such as meatballs, Dong Po meat（東坡肉）and Gu Lao meat（古老肉）, primarily for export to the Japanese market. Its business is similar to the Group's business which will provide an opportunity for the Group to further expand its presence in the Japanese market.

3. On 26 June 2009, the Group acquired 100% equity interest in each of Qingdao Kangda Modern Agricultural Technology Development Company Limited ("Modern Agricultural") and Qingdao Baishun Food Company Limited ("Baishun") from several related parties for a total consideration of approximately RMB8,700,000.

   The principal activities of Modern Agricultural are that of planting and selling of vegetables. The acquisition of Modern Agricultural will provide the Group with its own source of supply of vegetables for the production of its processed food products. It will also strengthen the Group's existing production capacity of processed food products. The principal activities of Baishun are that of production and sale of food products. Baishun is dormant during the year ended 31 December 2009.

4. On 21 November 2009, the Group entered into a share purchase agreement with two independent vendors to acquire 100% equity interest in Shandong Kaijia Food Company Limited ("Shandong Kaijia Food"), a company incorporated in the PRC, with a total consideration of approximately RMB130,000,000 (subject to adjustment). On 20 January 2010, an ordinary resolution proposed for approving the acquisition of 100% equity interest in Shandong Kaijia Food was duly passed by the shareholders of the Company by way of poll at a special general meeting. The acquisition was completed on 24 February 2010.

   The principal activities of Shandong Kaijia Food and its subsidiary are that of manufacturing and sale of chilled and frozen meat products and other processed foods. The acquisition will provide synergy to the business of the Group and benefit the setting of the overall strategic and development plans of the Group's business in the PRC.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 December 2009 and the state of affairs of the Group and the Company as at that date are set out in the financial statements on pages 40 to 96.

The board of Directors (the "**Board**") did not recommend any dividend for the year ended 31 December 2009.

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.

	Year ended 31 December				
RESULTS	**2009**	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**750,841**	943,426	728,407	506,962	447,652
Profit before tax	**28,345**	97,277	112,907	93,079	97,688
Income tax credit/(expense)	**2,451**	(12,662)	(3,011)	(6,298)	(14,020)
Profit for the year	**30,796**	84,615	109,896	86,781	83,668
Other comprehensive income	**–**	–	–	–	–
Total comprehensive income for the year	**30,796**	84,615	109,896	86,781	83,668
Profit for the year attributable to:					
Owners of the Company	**30,355**	85,643	109,852	86,791	79,877
Minority interests	**441**	(1,028)	44	(10)	3,791
	30,796	84,615	109,896	86,781	83,668

	As at 31 December				
ASSETS AND LIABILITIES	**2009**	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**433,789**	310,989	161,344	88,424	67,794
Current assets	**466,017**	657,482	527,729	441,730	217,804
TOTAL ASSETS	**899,806**	968,471	689,073	530,154	285,598
Current liabilities	**182,485**	227,553	101,597	97,120	201,454
Non-current liabilities	**52,750**	111,869	–	–	36,624
TOTAL LIABILITIES	**235,235**	339,422	101,597	97,120	238,078
NET ASSETS	**664,571**	629,049	587,476	433,034	47,520

PROPERTY, PLANT AND EQUIPMENT

Details of the movement in property, plant and equipment of the Group are set out in note 14 to the financial statements.

INTEREST-BEARING BANK BORROWINGS

Particulars of interest-bearing bank borrowings of the Group as at 31 December 2009 are set out in note 31 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 34 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.

DISTRIBUTABLE RESERVES

As at 31 December 2009, the Company's reserves available for distribution, calculated in accordance with the provision of laws of Bermuda, amounted to approximately RMB263,216,000 (2008: approximately RMB267,341,000). The balance of approximately RMB257,073,000 (2008: approximately RMB261,198,000) 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

During the year, the Company repurchased the following Shares on the SGX-ST. A summary of the details of these repurchases are shown as follows:

Date of repurchase	Number of ordinary shares repurchased	Price per share Highest	Lowest	Consideration
		S$	S$	S$ (Note 1)
12 January 2009	531,000	0.175	0.170	92,269
14 January 2009	900,000	0.175	0.170	156,500
19 January 2009	6,297,000	0.185	0.170	1,129,175
	7,728,000			1,377,944

Note:

1. Handling charges are not included.

As a result of the repurchases, the issued share capital of the Company was reduced to HK$108,237,000 comprising 432,948,000 shares. Premium paid on the repurchases was charged against the reserves of the Company. An amount equivalent to the nominal value of the Shares cancelled pursuant to the repurchases was transferred from retained profits to a capital redemption reserve.

The repurchases of the Company's Shares during the year were effected by the Directors pursuant to the mandate given by the Shareholders at the special general meeting held on 28 April 2009, with a view to benefit Shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's Shares during the year (2008: Nil).

POST-BALANCE SHEET DATE EVENTS

Details of post-balance sheet date events of a material nature are set out in note 42 to the financial statements

MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 30% of the Group's turnover and less than 30% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers, respectively.

As at 31 December 2009, so far as the Directors are aware, the following Directors or their respective associates or persons who are interested in more than 5% of the issued share capital of the Company had an interest in one of the five largest suppliers of the Group:

Name of supplier	Name of shareholder	Nature of interest	Approximate percentage of interest
Qingdao Jiaonan Kangda Feed Co., Ltd. ("**KD Feed Company**")	Qingdao Kangda Foreign Trading Group Co., Ltd. ("KD Trading Company") (Note 1)	Direct	90%
KD Feed Company	Mr. Gao Sishi (Note 1)	Indirect	90%
KD Feed Company	Mr. An Fengjun (Note 2)	Direct	10%

Notes:

1. Mr. Gao Sishi, the controlling Shareholder (as defined in the Rules Governing the Listing of Securities on the SEHK (the "Hong Kong Listing Rules")), non-executive Director and non-executive chairman of the Company, is holding 40% of the equity interest in KD Trading Company. As such, KD Trading Company is an associate of Mr. Gao Sishi, and Mr. Gao Sishi is indirectly interested in 90% interest in KD Feed Company through KD Trading Company.

2. Mr. An Fengjun is an executive Director of the Company.

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:
Gao Yanxu *(Chief Executive Officer)*
An Fengjun

Non-executive Directors:
Gao Sishi *(Chairman)*
Zhang Qi

Independent Non-executive Directors:
Kuik See Juan
Sim Wee Leong
Yu Chung Leung

In accordance with Bye-Law 86(1) of the Company's Bye-Laws, Mr. Zhang Qi and Mr. Sim Wee Leong shall retire at the forthcoming annual general meeting and being eligible, offer themselves for re-election at the annual general meeting.

The Company has received annual confirmations of independence from each of its non-executive directors and considers them to be independent under Rule 3.13 of the Hong Kong Listing Rules and 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' SERVICE CONTRACTS

Executive Directors

For the purpose of the Company's listing on the SEHK, each of Mr. Gao Yanxu and Mr. An Fengjun have each entered into a service contract (the "**ED Service Contracts**") with the Company on 24 November 2008, pursuant to which each of them has been appointed as an executive Director for a term of three years commencing from 12 May 2006 to 11 May 2009 and from 25 August 2006 to 24 August 2009, respectively (subject to re-election by Shareholders), unless otherwise terminated by either party giving not less than three months' notice to the other, or in accordance with other terms of the service agreement. The ED Service Contracts became effective on 22 December 2008 (i.e. the date of listing of the Company on the SEHK).

Under the ED Service Contracts, each of Mr. Gao Yanxu and Mr. An Fengjun is entitled to a monthly salary of RMB50,000 and RMB30,000, respectively, and such salary will be reviewed annually by the Board. Each of Mr. Gao Yanxu and Mr. An Fengjun is also entitled to a management bonus by reference to the consolidated net profits of the Group after taxation and minority interests but before extraordinary 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.

Both Mr. Gao Yanxu and Mr. An Fengjun have their service contracts renewed for a year, commencing from the day after the expiry of their existing term.

Independent Non-executive Directors

For the purpose of the Company's listing on the SEHK, each of Mr. Kuik See Juan and Mr. Sim Leong has signed an appointment letter (the "**INED Appointment Letters**") with the Company on 24 November 2008, pursuant to which each of them has been appointed as an independent non-executive Directors for a term of three years commencing from 25 August 2006 to 24 August 2009 (subject to re-election by Shareholders), unless otherwise terminated by either party by giving not less than one month's notice in writing to the other or in accordance with the terms of the appointment letter. The INED Appointment Letters became effective on 22 December 2008.

Under the INED Appointment Letters, Mr. Kuik See Juan and Mr. Sim Wee Leong are/shall be entitled to a remuneration of S$48,000 and S$48,000 per annum respectively (subject to the approval of the Shareholders).

The letters of appointment for both Mr. Kuik See Juan and Mr. Sim Wee Leong have been renewed for a year, commencing from the day after the expiry of their existing term.

Mr. Yu Chung Leung has signed an appointment letter with the Company on 24 November 2008, pursuant to which he has been appointed as an independent non-executive Director for a term of three years commencing from 22 December 2008 to 21 December 2011 (subject to re-election by Shareholders), otherwise terminated by either party by 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/shall be entitled to a remuneration of RMB180,000 per annum.

Non-executive Directors

Both Mr. Gao Sishi and Mr. Zhang Qi have signed an appointment letter with the Company on 24 November 2008, pursuant to which they have been appointed as non-executive Directors for a term of three years commencing from 12 May 2006 to 11 May 2009 and from 25 August 2006 to 24 August 2009 (subject to re-election by Shareholders), otherwise terminated by either party by giving not less than three month's notice in writing to the other or in accordance with the terms of the appointment letter. The appointment letters became effective on 22 December 2008. None of the non-executive Directors will receive any directors' fee under the appointment letters.

The letters of appointment for both Mr. Gao Sishi and Mr. Zhang Qi have been renewed for a year, commencing from the day after the expiry of their existing term.

None of the Directors proposed for re-election at the forthcoming annual general meeting has entered into a service contract with the Company or any of its subsidiaries which is not determined by the Company or the relevant subsidiaries within one year without payment of compensation, other than statutory compensation.

CONTRACTS OF SIGNIFICANCE

Save as those disclosed in the sub-sections headed "Directors' Services Contracts" above and "Interested Person Transactions, Connected Transactions and Continuing Connected Transactions" below, and note 41 to the financial statements, no Director of the Company 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, the controlling shareholders and/or any of his associates was a party during the year under review.

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")

At 31 December 2009, the interests of the directors and chief executive in the share capital of the Company or its associated corporations (within the meaning of Part XV of the SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**"), were as follows:

	Long positions in the shares of the Company					
Name of Director	**Personal Interests**	**Family Interests**	**Corporate Interests**	**Other Interests**	**Total**	**Percentage**
Gao Sishi	166,740,000	–	–	–	166,740,000	38.5
Gao Yanxu	14,310,000	–	–	–	14,310,000	3.3
Zhang Qi	8,910,000	–	–	–	8,910,000	2.1
An Fengjun	–	–	–	–	–	–
Kuik See Juan	–	–	–	–	–	–
Sim Wee Leong	–	–	–	–	–	–
Yu Chung Leung	–	–	–	–	–	–
	189,960,000	–	–	–	189,960,000	43.9

Save as disclosed above, as at 31 December 2009, none of the Directors, chief executive of the Company nor their associates had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which has been notified to the Company and the SEHK pursuant to the above mentioned Mode Code of the Hong Kong Listing Rules.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

	Held in Name of Director		Deemed Interest	
Name of Director	**1/1/2009**	**21/1/2010 and 31/12/2009**	**1/1/2009**	**21/1/2010 and 31/12/2009**
Gao Sishi	166,740,000	166,740,000	–	–
Gao Yanxu	14,310,000	14,310,000	–	–
Zhang Qi	8,910,000	8,910,000	–	–
An Fengjun	–	–	–	–
Kuik See Juan	–	–	–	–
Sim Wee Leong	–	–	–	–
Yu Chung Leung	–	–	–	–
	189,960,000	189,960,000	–	–

SUBSTANTIAL SHAREHOLDERS' INTERESTS UNDER THE SFO

As at 31 December 2009, 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 were as follows:

In respect of the Company

Name of Shareholder	Capacity/nature of interests	Number of Shares held	Approximate percentage of issued share capital (%)
Cheng Xiutai (Note 1)	Registered and beneficial owner	33,256,000	7.7
Proven Choice Group Limited (Note 2)	Registered and beneficial owner	30,000,000	6.9
Huan Quan (Note 2)	Deemed interests	30,000,000	6.9
Zensho Co. Ltd. (Note 3)	Registered and beneficial owner	28,835,000	6.7

Notes:

1. Mr. Cheng Xiutai is an independent third party.

2. Proven Choice Group Limited was wholly-owned by Huang Quan who is not related to any of the Directors or Shareholders. As such, Huang Quan is deemed to be interested in the 30,000,000 shares held by Proven Choice Group Limited under Part XV of the SFO.

3. Zensho 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 2009, which would fall to be disclosed under Division 2 and 3 of Part XV of the SFO 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 15 to 25 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) and connected transactions (as defined under the Hong Kong Listing Rules) for the year under review are set out in note 41 to the financial statements.

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 9 lease agreements dated between 1 January 2005 to 31 October 2008 either as landlord or tenant (collectively the "Lease Agreements") with various connected persons (as defined under the Hong Kong Listing Rules) including KD Feed Company and KD Trading Company with annual rental ranging from RMB2,400 to RMB218,880. The terms of the Lease Agreements will expire between 31 July 2011 to 31 December 2024. The total amount of rental paid and received by the Group for the year ended 31 December 2009 amounted to approximately RMB187,500 (2008: RMB213,000) and RMB219,000 (2008: RMB219,000), respectively.

- On 30 June 2008, the Company entered into a supply agreement with KD Trading Company (for and on behalf of KD Trading Company, its subsidiaries and associated companies (the "KD Trading Group") (the "Supply Agreement") pursuant to which the Company agreed that the Group will supply to KD Trading Group, and KD Trading Company agreed that KD Trading Group will purchase from the Group chestnuts, soup ingredients and processed food products in accordance with the terms of the Supply Agreement. The terms of the Supply Agreement commenced from the date of the Supply Agreement until 31 December 2010. The total amount of sales made to KD Trading Group for the year ended 31 December 2009 under the Supply Agreement amounted to approximately RMB953,000 (2008: RMB41,500).

- On 30 June 2008, the Company entered into a supply agreement with Qingdao Bonded Zone Kangfulai International Trading Company Limited ("Qingdao Kangfulai") (the "QKC Agreement") pursuant to which the Company agreed that the Group will supply to Qingdao Kangfulai, and Qingdao Kangfulai agreed that KD Trading Group will purchase from the Group onion rings in accordance with the terms of the QKC Agreement. The terms of the QKC Agreement commenced from the date of the QKC Agreement until 31 December 2010. There was no sale of onion rings to Qingdao Kangfulai for the year ended 31 December 2009 (2008: RMB2,164,000) under the QKC agreement.

- On 30 June 2008, the Company entered into a purchase agreement with KD Trading Company (for and on behalf of KD Trading Group) and on 17 November 2008, a supplemental agreement to the Purchase Agreement is entered between the same parties (collectively the "Purchase Agreement"). Pursuant to the Purchase Agreement, the Company agreed that the Group will purchase from KD Trading Group, and KD Trading Company agreed that KD Trading Group will sell to the Group raw materials including vegetables, flowers and fodder in accordance with the terms of the Purchase Agreement. The terms of the Purchase Agreement commenced from the date of the Purchase Agreement until 31 December 2010. The total amount of purchases from KD Trading Group for the year ended 31 December 2009 under the Purchase Agreement amounted to approximately RMB47,543,000 (2008: RMB21,044,000).

KD Trading Company is owned as to 40% by Mr. Gao Sishi (the controlling shareholder of the Company) and is therefore considered as an associate of Mr. Gao Sishi and a connected person of the Company under the Hong Kong Listing Rules.

Qingdao Kangfulai is wholly-owned by Kangfulai Group (H.K.) Co., Limited. Kangfulai Group (H.K.) Co., Limited is in turn owned as to 51% by Mr. Xue Ping, a director of Spiritzone Asiawin Food", which was then a non wholly-owned subsidiary of the Company. Qingdao Kangfulai was therefore considered as an associate of Mr. Xue Ping and a connected person of the Company under the Hong Kong Listing Rules.

Qingdao Spiritzone Asiawin Food Co., Ltd. ("Spiritzone Asiawin Food") was indirectly owned by the Company and Kangfulai Group (H.K.) Co., Limited as to 70% and 30% before 18 February 2009, respectively. Kangfulai Group (H.K.) Co., Limited is owned as to 51% by Mr. Xue Ping, a director of Spiritzone Asiawin Food. As such, Spiritzone Asiawin Food is an associate of Mr. Xue Ping and a connected person of the Company under the Hong Kong Listing Rules.

On 18 February 2009, the Group entered into an agreement to sell its 70% equity interest in Spiritzone Asiawin Food to a third party at a consideration of approximately RMB8,800,000, then Qingdao Kangfulai, Kangfulai Group (H.K.) Co., Limited and Mr. Xue Ping are no longer related parties of the Group.

The Company has applied for, and the SEHK has granted, a waiver i) with regard to the QKC Agreement and the continuing connected transactions contemplated thereunder for the period commencing on 22 December 2008 to the year ending 31 December 2010 from strict compliance with the announcement (but not reporting) requirement under Chapter 14A of the Hong Kong Listing Rules; and ii) with regard to the Purchase Agreement and the continuing connected transactions contemplated thereunder for the period commencing on 22 December 2008 to the year ending 31 December 2010 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 2009 as disclosed in the Listing Document.

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 above continuing connected transactions on a sample basis in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed – Upon Procedures Regarding 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 Group, which comprises 20 PRC companies and are principally engaged in diversified businesses, including trading of construction materials, fresh vegetables, animal feeds and property management.

The following companies of KD Trading Group conduct businesses similar to but are not in competition with the Group's business:

- Modern Agricultural is a company established in the PRC and is owned by KD Trading Company as to 80% and Qingdao Kangda Shidai Property Development Co., Ltd. as to 20% before 26 June 2009. Modern Agricultural is principally engaging in growing and sales of plants and vegetables.

  To the best knowledge of the Directors, the vegetables sold by Modern Agricultural are fresh vegetables. The major customers of Modern Agricultural include the Group, which purchased fresh vegetables as raw materials for production of processed food from Modern Agricultural, and other customers of its own. The vegetables sold by the Group are dehydrated vegetables. Since the vegetables of Modern Agricultural and the Group are of different types, the Directors are of the view that they are not in competition. On 26 June 2009, the Group acquired 100% equity interest in Modern Agricultural with a total consideration of approximately RMB7,690,000.

- KD Feed Company is a company established in the PRC and is owned by KD Trading Company as to 90% and Mr. An Fengjun as to 10%. KD Feed Company is principally engaging in manufacture and sales of feeds for livestock such as rabbits and chickens. Since the feeds manufactured and sold by KD Feed Company is for livestock while the Group manufactures and sells pet food, which is a different type of product targeting at different customers, the Directors are of the view that they are not in competition.

- 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 also engaged in the sales of processed food products to a target group of customers who are its business partners. KD Trading Company would sell the processed food products at a price higher than the purchase price from the Group. KD Trading Company purchased processed products from the Group are used for self-consumption and free gift packages to others and therefore no revenue was derived from KD Trading Company for sale of processed food products for the year ended 31 December 2009. 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.

- Qingdao Kangda Delijia Import and Export Co., Ltd. ("KD Import & Export Company") is a company established in the PRC and is owned by Qingdao Kangda Property Co., Ltd. as to 30%. In 2005 and 2006, apart from its principal business of trading of chemical products, KD Import & Export Company also engaged in selling fish to overseas market. KD Import & Export Company has ceased the trading of fish since 1 September 2006, the Directors are of the view that there is no competition with KD Import & Export Company.

Save as disclosed above, during the year and up to the date of this report, none of the Directors who 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 Group member has 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 Group 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 Group, the Directors are of the view that the businesses of KD Trading Group 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 Listing Rules) as at the date of this report.

AUDIT COMMITTEE, NOMINATING COMMITTEE AND REMUNERATION COMMITTEE

Details of the Company's audit committee, nominating committee and remuneration committee are set out in Corporate Governance Report in pages 15 to 25 of the annual report.

AUDITORS

Grant Thornton, Certified Public Accountants retires and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting. Grant Thornton have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board,

Gao Sishi
Chairman

Gao Yanxu
Executive Director

27 February 2010

Statement by the Directors

We, Gao Sishi 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 Statements of Financial Position, Consolidated Statement of Comprehensive Income, Statement of Changes in Equity and Consolidated Cash Flow Statement of the Group and the Statements of Financial Position and Statement of Changes in Equity of the Company, together with the notes thereto, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and the results of the business, changes in equity and cash flows of the Group 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 when they fall due.

The financial statements for the year ended 31 December 2009 were authorised for issued by the Board of Directors on the date stated hereunder.

Gao Sishi
Chairman

Gao Yanxu
Executive Director

27 February 2010

Independent Auditors' Report

Grant Thornton
均富

Member of Grant Thornton International Ltd

To the members 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 (the "Group") set out on pages 40 to 96, which comprise the company and consolidated statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the company and consolidated statements of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. Their opinion on these financial statements is set out on page 38.

The directors' responsibility for these financial statements includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, 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 as to 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 and true and fair presentation of the financial statements 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.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit 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.

Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

27 February 2010

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Revenue	6	**750,841**	943,426
Cost of sales		**(667,701)**	(794,608)
Gross profit		**83,140**	148,818
Other income	6	**22,344**	24,968
Selling and distribution costs		**(16,718)**	(14,617)
Administrative expenses		**(51,768)**	(58,022)
Other operating expenses		**(1,785)**	(882)
Profit from operations	7	**35,213**	100,265
Finance costs	8	**(6,867)**	(2,988)
Share of loss of an associate		**(1)**	–
Profit before taxation		**28,345**	97,277
Income tax credit/(expense)	9	**2,451**	(12,662)
Profit for the year		**30,796**	84,615
Other comprehensive income		**–**	–
Total comprehensive income for the year		**30,796**	84,615
Profit for the year attributable to:			
Owners of the Company		**30,355**	85,643
Minority interests		**441**	(1,028)
		30,796	84,615
Total comprehensive income attributable to:			
Owners of the Company		**30,355**	85,643
Minority interests		**441**	(1,028)
		30,796	84,615
Earnings per share for profit attributable to the owners of the Company during the year	12		
Basic (RMB cents)		**7.0**	19.4
Diluted (RMB cents)		**N/A**	N/A

Statements of Financial Position
as at 31 December 2009

	Notes	Group 2009 RMB'000	Group 2008 RMB'000	Company 2009 RMB'000	Company 2008 RMB'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	14	**296,978**	247,568	**12**	–
Prepaid premium for land leases	15	**103,220**	45,406	**–**	–
Intangible asset	16	**4,085**	–	**–**	–
Long-term deposits	17	**–**	3,000	**–**	–
Investments in subsidiaries	18	**–**	–	**84,144**	84,144
Interest in an associate	19	**682**	–	**–**	–
Goodwill	20	**3,073**	–	**–**	–
Biological assets	21	**20,791**	14,461	**–**	–
Deferred tax assets	22	**4,960**	554	**–**	–
		433,789	310,989	**84,156**	84,144
Current assets					
Biological assets	21	**12,230**	8,895	**–**	–
Inventories	23	**78,649**	60,655	**–**	–
Trade receivables	24	**87,467**	81,912	**–**	–
Prepayments, other receivables and deposits	25	**19,787**	26,538	**88**	–
Amounts due from subsidiaries	26	**–**	–	**369,046**	413,443
Cash and bank balances	27	**267,884**	461,118	**6,190**	14,024
		466,017	639,118	**375,324**	427,467
Assets classified as held for sale	28	**–**	18,364	**–**	–
		466,017	657,482	**375,324**	427,467
Current liabilities					
Trade and bills payables	29	**48,076**	82,500	**–**	–
Accrued liabilities, other payables and deposits received	30	**43,128**	43,294	**2,340**	10,105
Interest-bearing bank borrowings	31	**66,795**	87,827	**66,795**	23,857
Amount due to a related company	32	**21,585**	1,047	**–**	–
Deferred government grants	33	**658**	185	**–**	–
Tax payables		**2,243**	6,890	**–**	–
		182,485	221,743	**69,135**	33,962
Liabilities directly associated with assets classified as held for sale	28	**–**	5,810	**–**	–
		182,485	227,553	**69,135**	33,962
Net current assets		**283,532**	429,929	**306,189**	393,505
Total assets less current liabilities		**717,321**	740,918	**390,345**	477,649

	Notes	Group		Company	
		2009	2008	**2009**	2008
		RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current liabilities					
Interest-bearing bank borrowings	31	**42,991**	109,839	**42,991**	109,839
Deferred government grants	33	**9,759**	2,030	**–**	–
		52,750	111,869	**42,991**	109,839
Net assets		**664,571**	629,049	**347,354**	367,810
EQUITY					
Equity attributable to Company's owners					
– Share capital	34	**112,176**	114,178	**112,176**	114,178
– Reserves		**537,406**	511,176	**235,178**	253,632
		649,582	625,354	**347,354**	367,810
Minority interests		**14,989**	3,695	**–**	–
Total equity		**664,571**	629,049	**347,354**	367,810

Gao Sishi
Director

Gao Yanxu
Director

Statements of Changes in Equity

for the year ended 31 December 2009

Group

	Equity attributable to owners of the Company									
	Share capital RMB'000	**Proposed final dividends** RMB'000	**Share premium*** RMB'000	**Merger reserve*** (note 35) RMB'000	**Capital redemption reserve*** (note 35) RMB'000	**Other reserves*** (note 35) RMB'000	**Retained profits*** RMB'000	**Total** RMB'000	**Minority interests** RMB'000	**Total equity** RMB'000
At 1 January 2008	114,550	21,442	262,076	(41,374)	–	26,285	179,424	562,403	25,073	587,476
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	–	(20,350)	(20,350)
2007 final dividends approved	–	(21,442)	–	–	–	–	–	(21,442)	–	(21,442)
Repurchase of own shares	(372)	–	(878)	–	–	–	–	(1,250)	–	(1,250)
Transfer to capital redemption reserve	–	–	–	–	372	–	(372)	–	–	–
Transactions with owners	(372)	(21,442)	(878)	–	372	–	(372)	(22,692)	(20,350)	(43,042)
Profit for the year	–	–	–	–	–	–	85,643	85,643	(1,028)	84,615
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	–	85,643	85,643	(1,028)	84,615
Transfer to other reserves	–	–	–	–	–	7,685	(7,685)	–	–	–
At 31 December 2008 and 1 January 2009	114,178	–	261,198	(41,374)	372	33,970	257,010	625,354	3,695	629,049
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	10,430	10,430
Contribution from a minority shareholder	–	–	–	–	–	–	–	–	4,190	4,190
Disposal of a subsidiary	–	–	–	–	–	–	–	–	(3,767)	(3,767)
Repurchase of own shares	(2,002)	–	(4,125)	–	–	–	–	(6,127)	–	(6,127)
Transfer to capital redemption reserve	–	–	–	–	2,002	–	(2,002)	–	–	–
Transactions with owners	(2,002)	–	(4,125)	–	2,002	–	(2,002)	(6,127)	10,853	4,726
Profit for the year	–	–	–	–	–	–	30,355	30,355	441	30,796
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	–	30,355	30,355	441	30,796
Transfer to other reserves	–	–	–	–	–	4,812	(4,812)	–	–	–
At 31 December 2009	**112,176**	**–**	**257,073**	**(41,374)**	**2,374**	**38,782**	**280,551**	**649,582**	**14,989**	**664,571**

* The consolidated reserves of the Group of approximately RMB537,406,000 as at 31 December 2009 (2008: approximately RMB511,176,000) as presented in the Group's statement of financial position comprised these reserve accounts.

Company

	Share Capital RMB'000	Proposed final dividends RMB'000	Share premium** RMB'000	Merger reserve** (note 35) RMB'000	Capital redemption reserve** (note 35) RMB'000	Retained profits/ (Accumulated losses)** RMB'000	Total equity RMB'000
At 1 January 2008	114,550	21,442	262,076	6,143	–	403	404,614
2007 final dividends approved	–	(21,442)	–	–	–	–	(21,442)
Repurchase of own shares	(372)	–	(878)	–	–	–	(1,250)
Transfer to capital redemption reserve	–	–	–	–	372	(372)	–
Transactions with owners	(372)	(21,442)	(878)	–	372	(372)	(22,692)
Loss for the year	–	–	–	–	–	(14,112)	(14,112)
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	–	(14,112)	(14,112)
At 31 December 2008 and 1 January 2009	114,178	–	261,198	6,143	372	(14,081)	367,810
Repurchase of own shares	(2,002)	–	(4,125)	–	–	–	(6,127)
Transfer to capital redemption reserve	–	–	–	–	2,002	(2,002)	–
Transactions with owners	(2,002)	–	(4,125)	–	2,002	(2,002)	(6,127)
Loss for the year	–	–	–	–	–	(14,329)	(14,329)
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	–	(14,329)	(14,329)
At 31 December 2009	**112,176**	**–**	**257,073**	**6,143**	**2,374**	**(30,412)**	**347,354**

** The reserves of the Company of approximately RMB235,178,000 as at 31 December 2009 (2008: approximately RMB253,632,000) as presented in the Company's statement of financial position comprised these reserve accounts.

Consolidated Cash Flow Statement

for the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Cash flows from operating activities			
Profit before taxation		**28,345**	97,277
Adjustments for:			
Interest income	6	**(13,903)**	(9,110)
Interest expenses	8	**6,867**	2,988
Gain arising from changes in fair value of financial liabilities at fair value through profit or loss	6	**–**	(1,673)
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets, net	6	**(3,457)**	(1,662)
Excess over the costs of business combinations recognised as income	6	**–**	(2,379)
Depreciation of property, plant and equipment	7	**19,400**	13,339
Loss on disposal of property, plant and equipment	7	**839**	882
Loss on disposal of a subsidiary	7	**1**	–
Amortisation of prepaid premium for land leases	7	**2,041**	670
Amortisation of deferred income on government grant	6	**(658)**	(262)
Amortisation of an intangible asset	7	**105**	–
Reversal of impairment on trade receivables	7	**–**	(54)
Impairment on other receivable	7	**944**	–
Share of loss of an associate		**1**	–
Operating profit before working capital changes		**40,525**	100,016
(Increase)/decrease in inventories		**(15,495)**	5,742
Increase in trade receivables		**(3,944)**	(25,374)
Decrease in amounts due from related companies		**13,299**	52,721
Decrease/(increase) in prepayments, other receivables and deposits		**8,923**	(3,733)
Increase in biological assets		**(5,165)**	(6,625)
(Decrease)/increase in trade and bills payables		**(35,927)**	43,013
(Decrease)/increase in accrued liabilities, other payables and deposits received		**(2,064)**	18,384
Increase in amount due to a related company		**20,538**	2,133
Cash generated from operations		**20,690**	186,277
Interest paid		**(6,867)**	(2,988)
Income taxes paid		**(4,479)**	(21,947)
Net cash generated from operating activities		**9,344**	161,342
Cash flows from investing activities			
Purchases of property, plant and equipment		**(60,603)**	(101,847)
Additions to prepaid premium for land leases		**(56,578)**	(19,842)
Long-term deposits paid		**–**	(3,000)
Proceeds from disposal of property, plant and equipment		**569**	3,741
Arising from acquisition of subsidiaries (net of cash and cash equivalents acquired)	36	**(21,881)**	(61,800)
Acquisition of additional interests in a subsidiary		**–**	(20,350)
Investment in an associate		**(683)**	–
Proceeds from sale of a subsidiary (net of cash and cash equivalents disposed)	37	**7,775**	–
Receipt of deferred government grants	33	**8,860**	3,176
Interest received		**13,903**	8,918
Net cash used in investing activities		**(108,638)**	(191,004)

	Notes	2009 RMB'000	2008 RMB'000
Cash flows from financing activities			
New bank borrowings		–	197,666
Repayment of bank borrowings		**(87,880)**	(25,000)
Dividend paid		–	(21,442)
Repurchase of shares	34	**(6,127)**	(1,250)
Net cash (used in)/generated from financing activities		**(94,007)**	149,974
Net (decrease)/increase in cash and cash equivalents		**(193,301)**	120,312
Cash and cash equivalents at 1 January		**461,185**	340,873
Cash and cash equivalents at 31 December		**267,884**	461,185
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**267,884**	461,118
Bank balances attributable to assets classified as held for sale	28	–	67
		267,884	461,185

Notes to the Financial Statements
for the year ended 31 December 2009

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 Mainboard of the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the Mainboard 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 to 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 are presented in Renminbi ("RMB"), being the functional currency of the Company and its subsidiaries in the PRC.

The financial statements for the year ended 31 December 2009 were approved for issue by the board of directors on 27 February 2010.

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

In the current year, the Group has adopted for the first time the following new standards, amendments and interpretations (the "new IFRSs") 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 2009:

IAS 1 (Revised)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing Costs
IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 (Amendment)	Share-based Payment – Vesting conditions and cancellations
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
IFRS 8	Operating Segments
Various	Annual improvements to IFRSs 2008
IFRS 8	Annual improvements to IFRSs 2009

Other than as noted below, the adoption of the new IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

IAS 1 (Revised) Presentation of financial statements

The adoption of IAS 1 (Revised) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. IAS 1 (Revised) affects the presentation of owner changes in equity and introduces a "Statement of comprehensive income". Comparatives have been restated to conform with the revised standard. However, the changes to the comparatives have not affected the consolidated or parent company statement of financial position at 1 January 2008 and accordingly this statement is not presented.

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

IFRS 8 Operating segments

The adoption of IFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparatives have been restated on a basis consistent with the new standard.

The Group also early adopted the amended disclosure requirements in relation to operating segments as included in the "Annual Improvements to IFRSs 2009". Following the early adoption of the said amendment, segment assets have not been disclosed as such amounts are not regularly provided to the Group's chief operating decision maker for resources allocation.

At the date of authorisation of these financial statements, certain new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new and amended IFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and amended IFRSs have been issued but are not expected to have a material impact of the Group's financial statements.

IFRS 3 Business combinations (Revised)

The standard is applicable in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard still requires the use of the purchase method (now renamed as the acquisition method) but introduces material changes to the recognition and measurement of consideration transferred and the acquiree's identifiable assets and liabilities, and the measurement of non-controlling interests (previously known as minority interest) in the acquiree. The new standard is expected to have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July 2009.

IFRS 9 Financial instruments

The standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

IAS 27 Consolidated and separate financial statements (Revised)

The revised standard is effective for accounting periods beginning on or after 1 July 2009 and introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. Total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The directors do not expect the standard to have a material effect on the Group's financial statements.

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

Annual improvements 2009

The ISAB has issued Improvements to International Financial Reporting Standards 2009. Most of the amendments become effective for annual periods beginning on or after 1 January 2010. The Group expects the amendment to IAS 17 Leases to be relevant to the Group's accounting policies. Prior to the amendment, IAS 17 generally required a lease of land to be classified as an operating lease. The amendment requires a lease of land to be classified as an operating or finance lease in accordance with the general principles in IAS 17. The Group will need to reassess the classification of its unexpired leases of land at 1 January 2010 on the basis of information existing at the inception of those leases in accordance with the transitional provisions for the amendment. The amendment will apply retrospectively except where the necessary information is not available. In that situation, the leases will be assessed on the date when the amendment is adopted. The directors are currently assessing the possible impact of the amendment on the Group's results and financial position in the first year of application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements on pages 40 to 96 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. The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules") and the Listing Manual of the Singapore Securities Exchange Trading Limited.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on the historical cost basis except for biological assets which are stated at fair values. Disposal groups and non-current assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. The measurement bases are fully described in the accounting policies 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Basis of consolidation (Continued)

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Minority interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated statement of comprehensive income as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interests to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interests only after the minority's share of losses previously absorbed by the Group has been recovered.

3.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Upon the reassessment on the identification and measurement of the subsidiary's identifiable assets, liabilities and contingent liabilities and the measurement of the costs of the business combination, the excess of the Group's interest in the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities over costs is recognised immediately in the consolidated statement of comprehensive income after that reassessment.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment losses. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

3.4 Associates

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor investment in a joint venture.

In consolidated financial statements, an investment in an associate is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Associates (Continued)

Under the equity method, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the period includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on the investment in associate recognised for the year.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Where unrealised losses on assets sales between the Group and its associates are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. At each reporting date, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs to sell) of the associate and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate, including cash flows arising from the operations of the associate and the proceeds on ultimate disposal of the investment.

3.5 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary. Accounting for goodwill arising on acquisition of investment in an associate is set out in note 3.4.

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group, plus any costs directly attributable to the business combination.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 3.8).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 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 an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, and the expenditure of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of property, plant and equipment, less any estimated residual values, over the following estimated useful lives:

Leasehold buildings	The shorter of the lease terms and 20 years
Plant and machinery	5 to 10 years
Furniture, fixtures and office equipment	5 to 10 years
Motor vehicles	5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the profit or loss.

Construction in progress, which represents buildings under construction, and plant and machinery pending installation, is stated at cost less any impairment losses. Cost comprises direct costs incurred during the periods of construction, installation and testing. No depreciation is provided on construction in progress. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

The assets' estimated residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

3.7 Intangible assets (other than goodwill)

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following useful lives are applied:

Technical knowhow	5 years

Intangible assets, with finite and indefinite useful lives, are tested for impairment as described below in note 3.8.

3.8 Impairment of non-financial assets

Property, plant and equipment, prepaid premium for land leases, intangible assets with finite useful lives and interests in subsidiaries and associate are subject to impairment testing and are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment of non-financial assets (Continued)

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

3.9 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries and associate are set out below. Financial assets are categorised as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at their fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Derecognition occurs when the rights to receive cash flows expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets (Continued)

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one of more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

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 was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the profit or loss.

3.10 Financial liabilities

The Group's financial liabilities include trade, bills and other payables, amount due to a related company and borrowings.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see Note 3.20).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial liabilities (Continued)

Trade, bills and other payables and amount due to a related company

Trade, bills and other payables and amount due to a related company are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

3.11 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.

3.12 Provisions

Provisions are recognised when present obligations will probably lead to an outflow of economic resources from the Group which can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognised as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long term provisions are discounted to their present values, where time value of money is material.

All provisions are reviewed at the reporting date and adjusted to reflect the current best estimates.

In those cases where the possible outflow of economic resources as a result of present obligations is considered impossible or remote, or the amount to be provided for cannot be measured reliably, no liability is recognised in the statement of financial position, unless assumed in the course of a business combination.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 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.

(ii) Interest income – interest income is recognised as interest accrues (using the effective interest method) unless collectibility is in doubt.

(iii) Rental income – rental income is recognised in the period in which the properties are let out and on the straight-line basis over the lease terms.

(iv) Government grant – revenue is recognised when there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

3.14 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 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 differences 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Income tax (Continued)

Changes in deferred tax assets or liabilities are recognised in the profit or loss, or other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

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.

3.15 Non-current assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use. This condition is regarded as met only when the sale is highly probable and the assets (or disposal groups) are available for immediate sale in its present condition.

Impairment losses on non-current assets held for sale (or disposal groups) are recognised in the profit or loss. As long as a non-current asset is classified as held for sale or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

3.16 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 annual leave as a result of services rendered by employees up to the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 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.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the exchange reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation have been treated as assets and liabilities of the foreign operation and translated into RMB at the closing rates.

3.18 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3.19 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Leases (Continued)

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 lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the profit or loss on the straight-line basis over the lease terms. 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.

3.20 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

The Group capitalises borrowing costs for all eligible assets where construction was commenced on or after 1 January 2009. The Group continues to expense borrowing costs relating to construction projects that commenced prior to 1 January 2009.

3.21 Cash and cash equivalents

For the purpose of the cash flow statement, 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 bank overdrafts which are repayable in demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and bank balances comprise cash on hand and demand deposits repayable on demand with any banks or other financial institutions. Cash and bank balances include deposits denominated in foreign currencies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 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.

3.23 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

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 statement of financial position and transferred to the 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 the profit or loss in the period in which they become receivable.

3.24 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

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. 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.

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 by reference to the country where the majority of Company's subsidiaries operate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25 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.

3.26 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 point-of-sale costs 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 point-of-sale costs and from a change in fair value less estimated point-of- sale costs of biological assets is recognised in the profit or loss for the period in which it arises.

4. CRITICAL ACCOUNTING ESTIMATES

Estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year 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.

(ii) Impairment of trade receivables

The management assesses the collectability of trade receivables on a regular basis. This estimate is based on the credit worthiness and repayment history of the Group's customers and the current market condition. The management reassesses if there is any indication of the impairment loss at the reporting date.

(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.

4. CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

(iv) Valuation of biological assets

The Group's management determines the fair values less estimated point-of-sale costs of biological assets on initial recognition and at each reporting date with reference to the market-determined prices, species, growing conditions, cost incurred and the professional valuation. This determination involved the use of significant judgement.

(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.

5. SEGMENT INFORMATION

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

			2009		
	Processed foods RMB'000	**Chilled and frozen rabbit meat RMB'000**	**Chilled and frozen chicken meat RMB'000**	**Other products RMB'000**	**Total RMB'000**
Revenue from external customers	**269,085**	**142,708**	**228,453**	**110,595**	**750,841**
Reportable segment revenue	**269,085**	**142,708**	**228,453**	**110,595**	**750,841**
Reportable segment profit	**31,019**	**18,405**	**15,083**	**1,915**	**66,422**
Depreciation	**6,540**	**3,813**	**3,564**	**773**	**14,690**
Amortisation	**909**	**530**	**495**	**107**	**2,041**

			2008		
	Processed foods RMB'000	Chilled and frozen rabbit meat RMB'000	Chilled and frozen chicken meat RMB'000	Other products RMB'000	Total RMB'000
Revenue from external customers	342,240	136,865	385,828	78,493	943,426
Reportable segment revenue	342,240	136,865	385,828	78,493	943,426
Reportable segment profit	63,057	31,156	31,503	8,485	134,201
Depreciation	4,810	2,341	2,637	683	10,471
Amortisation	308	150	169	43	670

5. 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:

	2009 RMB'000	2008 RMB'000
Reportable segment profit	**66,422**	134,201
Other income	**22,344**	24,968
Administrative expenses	**(51,768)**	(58,022)
Other operating expenses	**(1,785)**	(882)
Finance costs	**(6,867)**	(2,988)
Share of loss of an associate	**(1)**	–
Profit before taxation	**28,345**	97,277

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.

	2009 RMB'000	2008 RMB'000
Local (Country of domicile)		
PRC	**437,172**	568,229
Export (Foreign countries)		
Japan	**174,096**	153,297
Europe	**101,177**	147,483
Others	**38,396**	74,417
	750,841	943,426

The Group's non-current assets are solely located in the PRC (the country of domicile of the Company).

6. 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:

	2009 RMB'000	2008 RMB'000
Revenue		
Sale of goods	**750,841**	943,426
Other income		
Interest income on financial assets stated at amortised cost		
– Interest income on bank deposits	**13,903**	8,918
– Interest income from lease	**–**	192
Rental income	**219**	219
Amortisation of deferred income on government grants (note 33)	**658**	262
Government grants related to income	**673**	3,530
Gain arising from changes in fair value of financial liabilities at fair value through profit or loss	**–**	1,673
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets, net (note 21)	**3,457**	1,662
Excess over the costs of business combinations recognised as income	**–**	2,379
Others	**3,434**	6,133
	22,344	24,968

7. PROFIT FROM OPERATIONS

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

	2009 RMB'000	2008 RMB'000
Cost of inventories recognised as an expense	**547,551**	748,809
Depreciation of property, plant and equipment*	**19,400**	13,339
Amortisation of prepaid premium for land leases**	**2,041**	670
Amortisation of an intangible asset***	**105**	–
Minimum lease payments under operating leases for production facilities	**2,296**	919
Reversal of impairment on trade receivables	**–**	(54)
Excess over the costs of business combinations recognised as income	**–**	(2,379)
Gain arising from changes in fair value of financial liabilities at fair value through profit or loss	**–**	(1,673)
Gains arising from changes in fair value less estimated point-of-sale costs of biological assets, net (note 21)	**(3,457)**	(1,662)
Audit fee	**1,271**	988
Non-audit fee	**885**	3,446
Staff costs (including directors' remuneration)	**54,522**	48,475
Less: Retirement scheme contribution	**(4,206)**	(3,355)
	50,316	45,120
Loss on disposal of property, plant and equipment	**839**	882
Exchange loss, net	**1,874**	1,958
Impairment on other receivable	**944**	–
Loss on disposal of a subsidiary	**1**	–

* Depreciation of approximately RMB14,690,000 (2008: RMB10,471,000) and approximately RMB4,710,000 (2008: RMB2,868,000) has been charged to cost of sales and administrative expenses, respectively, for the year ended 31 December 2009.

** Amortisation of prepaid premium for land leases has been charged to cost of sales for the years ended 31 December 2008 and 2009.

*** Amortisation of an intangible asset has been charged to administrative expenses for the year ended 31 December 2009.

8. FINANCE COSTS

	2009 RMB'000	2008 RMB'000
Interest charges on:		
Bank loans wholly repayable within five years	**6,867**	2,988

9. INCOME TAX (CREDIT)/EXPENSE

	2009 RMB'000	2008 RMB'000
Current year provision:		
PRC corporate income tax	**5,842**	14,251
Over provision in respect of prior year	**(6,010)**	(860)
	(168)	13,391
Deferred tax credit (note 22)	**(2,283)**	(729)
Total income tax (credit)/expense	**(2,451)**	12,662

9. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

No Hong Kong profits tax has been provided for the year ended 31 December 2009 as the Group did not derive any assessable profit arising in Hong Kong during the year (2008: 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 then subject to corporate income tax at 25% for the year ended 31 December 2009 (2008: 25%).

Qingdao Kangda Haiqing Foods Co, Ltd. ("Kangda Haiqing") is established and operating in the PRC and subject to PRC corporate income tax. The taxable profits of Kangda Haiqing are subject to corporate income tax at 25% for the year ended 31 December 2009 (2008: 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 Limited and Qingdao Kangda Rabbit Company Limited are 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 2008 and 2009.

Income tax has not been provided by the Company as the Company did not derive any assessable profits during the year (2008: Nil).

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

	2009 RMB'000	2008 RMB'000
Profit before taxation	**28,345**	97,277
Tax calculated at the rates applicable to profits in the tax jurisdiction concerned	**7,407**	26,602
Tax effect of non-deductible expenses	**951**	2,356
Tax effect of non-taxable income	**–**	(475)
Tax holiday and other tax benefits of PRC subsidiaries	**(4,815)**	(14,786)
Over provision in prior year	**(6,010)**	(860)
Others	**16**	(175)
Income tax (credit)/expense	**(2,451)**	12,662

10. DIVIDENDS

The board of directors did not recommend any payment of dividends during the year (2008: Nil).

	2009 RMB'000	2008 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year ended 31 December 2008 of RMB0.0485 per ordinary share	**–**	21,442

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated profit attributable to the owners of the Company of approximately RMB30,355,000 (2008: RMB85,643,000), a loss of approximately RMB14,329,000 (2008: RMB14,112,000) has been dealt with in the financial statements of the Company.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately RMB30,355,000 (2008: RMB85,643,000) and on the weighted average of 433,308,000 (2008: weighted average of 441,792,000) ordinary shares in issue during the year.

In relation to the year ended 31 December 2008, no diluted earnings per share is presented as there was anti-dilutive effect for the share option outstanding during the period.

In relation to the year ended 31 December 2009, no diluted earnings per share is presented as there was no potential ordinary share.

13. EMOLUMENTS FOR DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Directors' remuneration disclosed pursuant to Hong Kong Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Fees	Salaries, allowances and benefits	Retirement scheme contributions	Discretionary bonus	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2009					
Executive directors:					
Gao Yanxu	**–**	**600**	**–**	**–**	**600**
An Fengjun	**–**	**360**	**–**	**–**	**360**
Non-executive directors:					
Gao Sishi	**–**	**–**	**–**	**–**	**–**
Zhang Qi	**–**	**–**	**–**	**–**	**–**
Independent non-executive directors:					
Kuik See Juan	**245**	**–**	**–**	**–**	**245**
Sim Wee Leong	**245**	**–**	**–**	**–**	**245**
Yu Chung Leung	**180**	**–**	**–**	**–**	**180**
Waiver of salaries	**–**	**(362)**	**–**	**–**	**(362)**
	670	**598**	**–**	**–**	**1,268**
Year ended 31 December 2008					
Executive directors:					
Gao Yanxu	–	433	–	–	433
An Fengjun	–	299	–	–	299
Non-executive directors:					
Gao Sishi	–	–	–	–	–
Zhang Qi	–	–	–	–	–
Independent non-executive directors:					
Kuik See Juan	245	–	–	–	245
Sim Wee Leong	245	–	–	–	245
Yu Chung Leung	–	–	–	–	–
	490	732	–	–	1,222

For the year ended 31 December 2009, executive directors Mr. Gao Yanxu and Mr. An Fengjun voluntarily agreed to waive their entitlement to certain remuneration of approximately RMB362,000 (2008: NIl).

13. EMOLUMENTS FOR DIRECTORS 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 (2008: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individual during the year are as follows:

	2009 **RMB'000**	2008 RMB'000
Salaries, allowances and other benefits	**665**	564

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

	2009	2008
Emolument band		
Nil to HK$1,000,000	**1**	1

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.

14. PROPERTY, PLANT AND EQUIPMENT

	Group					
	Leasehold buildings RMB'000	**Plant and machinery** RMB'000	**Furniture, fixtures and office equipment** RMB'000	**Motor vehicles** RMB'000	**Construction in progress** RMB'000	**Total** RMB'000
As at 1 January 2008						
Cost	73,931	79,316	9,841	2,419	1,892	167,399
Accumulated depreciation	(9,990)	(22,716)	(3,606)	(1,429)	–	(37,741)
Net carrying amount	63,941	56,600	6,235	990	1,892	129,658
Year ended 31 December 2008						
Opening net carrying amount	63,941	56,600	6,235	990	1,892	129,658
Additions	28,419	22,737	1,879	1,358	47,454	101,847
Acquisition of subsidiaries	33,974	13,687	1,288	40	500	49,489
Transfer in/(out)	8,291	411	–	–	(8,702)	–
Disposals	(1,785)	(1,498)	(768)	(572)	–	(4,623)
Depreciation charge	(4,259)	(8,051)	(684)	(345)	–	(13,339)
Transfer to non-current assets classified as held for sale (note 28)	(7,063)	(7,898)	(503)	–	–	(15,464)
Closing net carrying amount	121,518	75,988	7,447	1,471	41,144	247,568
As at 31 December 2008 and 1 January 2009						
Cost	134,884	103,400	11,475	2,558	41,144	293,461
Accumulated depreciation	(13,366)	(27,412)	(4,028)	(1,087)	–	(45,893)
Net carrying amount	121,518	75,988	7,447	1,471	41,144	247,568
Year ended 31 December 2009						
Opening net carrying amount	121,518	75,988	7,447	1,471	41,144	247,568
Additions	9,603	18,308	1,476	917	30,299	60,603
Acquisition of subsidiaries (note 36)	3,937	4,737	628	–	313	9,615
Transfer in/(out)	44,703	10,864	–	–	(55,567)	–
Disposals	–	(926)	(249)	(233)	–	(1,408)
Depreciation charge	(7,683)	(9,644)	(1,720)	(353)	–	(19,400)
Closing net carrying amount	**172,078**	**99,327**	**7,582**	**1,802**	**16,189**	**296,978**
As at 31 December 2009						
Cost	193,127	136,010	12,892	2,926	16,189	361,144
Accumulated depreciation	(21,049)	(36,683)	(5,310)	(1,124)	–	(64,166)
Net carrying amount	**172,078**	**99,327**	**7,582**	**1,802**	**16,189**	**296,978**

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

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Certain of the Group's property, plant and equipment with an aggregate carrying amount of approximately RMB12,892,000 were pledged against bank borrowings totalling approximately RMB27,000,000 as at 31 December 2008 (note 31).

	Company Furniture, fixtures and office equipment RMB'000
Year ended 31 December 2009	
Additions	13
Depreciation charge	(1)
Closing net carrying amount	**12**
At 31 December 2009	
Cost	13
Accumulated depreciation	(1)
Net carrying amount	**12**

15. PREPAID PREMIUM FOR LAND LEASES

	Land use rights	Group Long-term prepaid rentals	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2008			
Cost	4,903	22,150	27,053
Accumulated amortisation	(376)	(443)	(819)
Net carrying amount	4,527	21,707	26,234
Year ended 31 December 2008			
Opening net carrying amount	4,527	21,707	26,234
Additions	19,842	–	19,842
Transfer in/(out)	4,251	(4,251)	–
Amortisation for the year	(216)	(454)	(670)
Closing net carrying amount	28,404	17,002	45,406
At 31 December 2008 and 1 January 2009			
Cost	29,175	17,720	46,895
Accumulated amortisation	(771)	(718)	(1,489)
Net carrying amount	28,404	17,002	45,406
Year ended 31 December 2009			
Opening net carrying amount	28,404	17,002	45,406
Acquisition of a subsidiary (note 36)	277	–	277
Additions	11,744	47,834	59,578
Transfer in/(out)	5,411	(5,411)	–
Amortisation for the year	(624)	(1,417)	(2,041)
Closing net carrying amount	**45,212**	**58,008**	**103,220**
At 31 December 2009			
Cost	46,955	59,795	106,750
Accumulated amortisation	(1,743)	(1,787)	(3,530)
Net carrying amount	**45,212**	**58,008**	**103,220**

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 rights certificate for this land. During the years ended 31 December 2008 and 2009, land use rights certificate of 60 Chinese mu and 78 Chinese mu have been obtained respectively. 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.

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 RMB7,324,000 were pledged against bank borrowings totalling approximately RMB27,000,000 as at 31 December 2008 (note 31).

16. INTANGIBLE ASSET

	Group Technical knowhow RMB'000
Year ended 31 December 2009	
Contributed from a minority shareholder	4,190
Amortisation for the year	(105)
Closing net carrying amount	**4,085**
At 31 December 2009	
Cost	4,190
Accumulated amortisation	(105)
Net carrying amount	**4,085**

During the year ended 31 December 2009, a minority shareholder contributed to a subsidiary of the Group certain technical knowhow in relation to rearing and breeding of rabbit in return for 30% equity interest of that subsidiary.

17. LONG-TERM DEPOSITS

Long-term deposits were paid by the Group for acquiring a land located in the PRC from the Bureau of Land and Resources in Jiaonan City during the year ended 31 December 2008. The total consideration for the acquisition of the land is RMB10,050,000. The acquisition was completed and the relevant land use right certificate was obtained during the year ended 31 December 2009.

18. INVESTMENTS IN SUBSIDIARIES

	Company 2009 RMB'000	 2008 RMB'000
Unlisted investments, at cost	**84,144**	84,144

18. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of the subsidiaries as at 31 December 2009 are as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of share/paid-up capital 2009	Nominal value of share/paid-up capital 2008	Percentage of equity attributable to the Company 2009	Percentage of equity attributable to the Company 2008	Principal activities
Directly held:						
美好集團有限公司 Perfect Good Group Ltd. ("Perfect Good")	British Virgin Islands ("BVI")	**US$10,000**	US$10,000	**100**	100	Investment holding
Indirectly held:						
神域集團有限公司 Spiritzone Group Ltd. ("Spiritzone")	BVI	**US$100**	US$100	**100**	100	Investment holding
青島康大食品有限公司 Qingdao Kangda Foods Co., Ltd.	PRC	**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	**US$800,000**	US$800,000	**100**	100	Production of food products
青島康大綠寶食品有限公司 Qingdao Kangda Lubao Foods Co., Ltd.	PRC	**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	**US$11,000,000**	US$11,000,000	**100**	100	Trading of food products
青島康大養殖有限公司 Qingdao Kangda Animal Rearing Co., Ltd.	PRC	**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	**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	**RMB30,000,000**	RMB10,000,000	**100**	100	Production of food products
青島康大生物科技有限公司 Qingdao Kangda Shengwu Keji Co., Ltd.	PRC	**RMB5,985,000**	RMB5,985,000	**75**	75	Inactive

18. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of share/paid-up capital 2009	2008	Percentage of equity attributable to the Company 2009	2008	Principal activities
青島康大歐洲兔業育種有限公司 Qingdao Kangda-Eurolap Rabbit Selection Co., Ltd.	PRC	**RMB13,980,000**	RMB9,790,000	**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	**RMB10,000,000**	–	**100**	–	Planting and sales of vegetables
青島百順食品有限公司* Qingdao Baishun Food Company Limited*	PRC	**RMB1,000,000**	–	**100**	–	Inactive
青島康大分析檢測有限公司 Qingdao Kangda Analysis and Testing Co., Ltd.	PRC	**RMB1,000,000**	N/A	**100**	N/A	Inactive
青島普德食品有限公司* Qingdao Pu De Food Company Limited* ("Pu De")	PRC	**US$4,000,000**	–	**55**	–	Production of food products
吉林康安兔業有限公司 Jilin Kang'an Rabbit Co. Ltd	PRC	**RMB1,000,000**	N/A	**100**	N/A	Inactive

The financial statements of the above subsidiaries for the year ended 31 December 2009 are audited by Grant Thornton, Hong Kong for the purpose of incorporation into the Group's consolidation financial statements.

* Subsidiaries which were newly acquired during the financial year ended 31 December 2009.

19. INTEREST IN AN ASSOCIATE

	2009 RMB'000	2008 RMB'000
Share of net assets	**682**	–

19. INTEREST IN AN ASSOCIATE (CONTINUED)

Particulars of the associate as at 31 December 2009 are as follows:

Name of associate	Form of business structure	Place of registration and operations	Particulars of paid up capital	% interest held	Principal activity
青島肉食得食品有限公司 Qingdao Meat Master Co., Ltd	Co-operative joint venture	PRC	Registered capital of USD400,000	25%	Wholesaling of processed food products

The associate has a reporting date of 31 December.

The aggregated amounts of financial information as extracted from the financial statements of the associate are as follows:

	2009 RMB'000	2008 RMB'000
Assets	**2,954**	–
Liabilities	**(228)**	–
Revenue	**-**	–
Loss	**5**	–

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

20. GOODWILL

The major changes in the carrying amounts of goodwill resulted from the acquisition of Modern Agricultural and Pu De. The net carrying amount of goodwill can be analysed as follows:

	2009 RMB'000	2008 RMB'000
At 1 January	**–**	–
Acquisition of Modern Agricultural (Note 36(a))	**423**	–
Acquisition of Pu De (Note 36(b))	**2,650**	–
At 31 December	**3,073**	–

Goodwill acquired in business combinations are allocated to Modern Agricultural and Pu De, 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. 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 Modern Agricultural and Pu De are 8%.

21. BIOLOGICAL ASSETS

	Group					
	Breeder rabbits	**Progeny rabbits**	**Breeder chickens**	**Hatchable eggs and progeny chickens**	**Vegetables**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Acquisition of subsidiaries	4,355	2,429	3,777	4,508	–	15,069
Increase due to purchases/raising	12,915	12,625	1,590	42,359	–	69,489
Gain/(loss) arising from changes in fair value less estimated point-of-sale costs, net	1,521	(327)	(378)	846	–	1,662
Decrease due to consumption	–	(12,533)	–	(41,012)	–	(53,545)
Decrease due to sales	(8,408)	–	(911)	–	–	(9,319)
At 31 December 2008 and 1 January 2009	10,383	2,194	4,078	6,701	–	23,356
Acquisition of a subsidiary	–	–	–	–	1,043	1,043
Increase due to purchases/raising	17,705	27,412	13,686	62,165	119	121,087
Gain/(loss) arising from changes in fair value less estimated point-of-sale costs, net	3,708	492	(841)	98	–	3,457
Decrease due to consumption	–	(26,665)	–	(60,857)	(373)	(87,895)
Decrease due to sales	(16,214)	–	(11,714)	–	(99)	(28,027)
At 31 December 2009	**15,582**	**3,433**	**5,209**	**8,107**	**690**	**33,021**

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 for sale and to produce further progeny rabbits and hatchable eggs and progeny chickens.

Biological assets as at 31 December 2009 and 2008 are stated at fair values less estimated point-of-sale costs and are analysed as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Non-current portion	**20,791**	14,461
Current portion	**12,230**	8,895
	33,021	23,356

In accordance with the valuation reports issued by an independent professional valuer, the fair value less estimated point-of-sale costs of the livestock and poultry is determined with reference to the market-determined prices of items with similar size, species and age. The valuation methodology is in compliance with IAS 41 to determine the fair values of biological assets in their present location and condition.

21. BIOLOGICAL ASSETS (CONTINUED)

Significant assumptions used by the professional valuers in their valuations are as follows:

(a) There will be no material change in existing political, legal, technological, fiscal or economic condition which may adversely affect the business of the Group; and

(b) All proposed facilities and systems of the Group will be operated efficiently and have sufficient capacity for future expansion.

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

The physical quantity of rabbits, chickens, eggs and vegetables as at 31 December 2009 and 2008 are analysed as follows:

	Group	
	2009 Number of Rabbits/ Chickens/Eggs/ Vegetables	2008 Number of Rabbits/ Chickens/Eggs/ Vegetables
Progeny rabbits	**57,943**	136,699
Breeder rabbits	**101,966**	57,602
	159,909	194,301
Progeny chickens	**737,994**	602,224
Breeder chickens	**64,283**	93,529
	802,277	695,753
Hatchable eggs	**801,565**	637,445
Vegetables (in tonnes)	**1,661**	–

22. DEFERRED TAX ASSETS

Deferred taxation is calculated in full on temporary differences under the liability method using the principal taxation rate of 25% (2008: 25%).

The movements on the deferred tax assets are as follows:

	Group	
	2009 RMB'000	2008 RMB'000
At 1 January	**554**	–
Deferred taxation credited to profit or loss (note 9)	**2,283**	729
Transferred to assets classified as held for sales (note 28)	**–**	(175)
Acquisition of a subsidiary (note 36(b))	**2,123**	–
At 31 December	**4,960**	554

22. DEFERRED TAX ASSETS (CONTINUED)

The principal component of the deferred tax assets is as follows:

	Group		
	Loss available for offsetting against future taxable profits RMB'000	**Deferred government grants** RMB'000	**Total** RMB'000
At 1 January 2008	–	–	–
Recognised in profit or loss (note 9)	–	729	729
Transferred to assets classified as held for sales (note 28)	–	(175)	(175)
At 31 December 2008 and 1 January 2009	–	554	554
Recognised in profit or loss	375	1,908	2,283
Acquisition of a subsidiary (note 36(b))	2,123	–	2,123
At 31 December 2009	**2,498**	**2,462**	**4,960**

As at 31 December 2009, the Group had unused tax losses of RMB18.5 million (2008: RMB3.2 million) available for offset against future profits. Deferred tax assets have been recognised in respect of tax losses of RMB2.5 million as at 31 December 2009. No deferred tax asset has been recognised in respect of the remaining tax losses as at 31 December 2009 and all tax losses as at 31 December 2008. Included in unrecognised tax losses are losses of RMB4.2 million (2008: Nil) that will expire at various dates up to and including 2014. Other unused tax losses may be carried forward indefinitely.

Deferred tax liabilities of RMB15,396,000 (2008: RMB10,037,000) have not been established for the withholding and other taxation that would be payable on the unremitted earnings of certain subsidiaries in the PRC, as such amounts will be permanently reinvested; such unremitted earnings totalled RMB153,965,000 at 31 December 2009 (2008: RMB100,371,000).

23. INVENTORIES

	Group	
	2009 **RMB'000**	2008 RMB'000
Raw materials	**33,436**	18,835
Finished goods	**45,213**	41,820
	78,649	60,655

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

	Group	
	2009	2008
	RMB'000	RMB'000
Within 30 days	**70,321**	60,160
31 – 60 days	**12,358**	13,291
61 – 90 days	**1,816**	4,446
91 – 120 days	**1,769**	2,325
Over 120 days	**1,203**	1,690
	87,467	81,912

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. The movement in the allowance for doubtful debts during the year is as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
At 1 January	**–**	54
Reversal of impairment loss	**–**	(54)
At 31 December	**–**	–

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

	Group	
	2009	2008
	RMB'000	RMB'000
Neither past due nor impaired	**75,771**	73,015
Not more than 3 months past due	**10,556**	8,821
3 to 6 months past due	**180**	68
6 to 12 months past due	**960**	8
	87,467	81,912

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.

24. 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	
	2009	2008
	RMB'000	RMB'000
PRC	**37,800**	23,024
Japan	**3,418**	19,221
Europe	**21,366**	26,907
Others	**24,883**	12,760
	87,467	81,912

25. PREPAYMENTS, OTHER RECEIVABLES AND DEPOSITS

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments	**4,424**	18,653	**11**	–
Other receivables and deposits	**15,363**	7,885	**77**	–
	19,787	26,538	**88**	–

26. AMOUNTS DUE FROM SUBSIDIARIES

The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

27. CASH AND BANK BALANCES

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Time deposits	**199,384**	330,545	**–**	–
Cash and bank balances	**68,500**	130,573	**6,190**	14,024
	267,884	461,118	**6,190**	14,024

The Group had cash and bank balances denominated in RMB amounting to approximately RMB260,731,000 as at 31 December 2009 (2008: RMB442,531,000) 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 time deposits earn interest rate ranging from 0.36% to 6.34% (2008: 0.36% to 8.02%) per annum as at 31 December 2009.

28. ASSETS/(LIABILITIES) CLASSIFIED AS HELD FOR SALE

On 18 February 2009, the Group entered into a sale and purchase agreement with 香港康福萊集團有限公司 ("Kangfulai"), a minority shareholder of Qingdao Spiritzone Asiawin Food Co., Ltd. ("Asiawin"), pursuant to which the Group agreed to dispose of, and Kangfulai agreed to purchase, the entire 70% equity interest in Asiawin at an aggregate consideration of approximately RMB8,786,000. Asiawin engages in manufacturing and sale of processed food products. The assets and liabilities, related to Asiawin, which are expected to be sold within twelve months, have been classified as assets/liabilities held for sale and are presented separately in the statement of financial position as at 31 December 2008. The transaction was completed on 28 February 2009 (note 37).

29. TRADE AND BILLS PAYABLES

	Group	
	2009	2008
	RMB'000	RMB'000
Trade payables	**48,076**	70,707
Bills payables	**–**	11,793
	48,076	82,500

Trade and bill payables are non-interest bearing and are normally settled on terms of 60 days.

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

	Group	
	2009	2008
	RMB'000	RMB'000
Within 60 days	**35,176**	47,526
61 – 90 days	**3,737**	6,796
91 – 120 days	**2,145**	17,738
Over 120 days	**7,018**	10,440
	48,076	82,500

30. ACCRUED LIABILITIES, OTHER PAYABLES AND DEPOSITS RECEIVED

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accrued liabilities	**10,219**	14,760	**2,340**	10,105
Other payables	**32,909**	28,499	**–**	–
Deposits received	**–**	35	**–**	–
	43,128	43,294	**2,340**	10,105

31. INTEREST- BEARING BANK BORROWINGS

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current				
Interest-bearing bank borrowings	**42,991**	109,839	**42,991**	109,839
Current				
Interest-bearing bank borrowings	**66,795**	87,827	**66,795**	23,857
Total interest-bearing bank borrowings	**109,786**	197,666	**109,786**	133,696

At 31 December 2009, the Group's and the Company's interest-bearing bank borrowings were repayable as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**66,795**	87,827	**66,795**	23,857
In the second year	**42,991**	66,848	**42,991**	66,848
In the third year to fifth year	**–**	42,991	**–**	42,991
	109,786	197,666	**109,786**	133,696

Total interest-bearing bank borrowings include secured liabilities of RMB85,982,000 (2008: RMB112,982,000).

As at 31 December 2009, the Group's interest-bearing bank borrowings are guaranteed by Perfect Good, Spiritzone and certain related parties of the Group and secured against the Company's interests in Perfect Good and Spiritzone.

As at 31 December 2008, the Group's interest-bearing bank borrowings are guaranteed by Perfect Good, Spiritzone and certain related parties of the Group and secured against the Company's interest in Perfect Good and Spiritzone and the pledge of certain of the Group's property, plant and equipment (note 14) and land use rights (note 15).

The Group's interest-bearing bank borrowings bear interests ranging from 3.60% to 4.38% (2008: 4.45% to 7.60%) per annum as at 31 December 2009.

32. AMOUNT DUE TO A RELATED COMPANY

As at 31 December 2008 and 2009, the related company is a company in which Mr. Gao Sishi, Mr. Gao Yanxu, Mr. Zhang Qi and Mr. An Fengjun, directors of the Company, have beneficial interest. The amount is unsecured, interest free and repayable on demand.

33. DEFERRED GOVERNMENT GRANTS

	Group 2009 RMB'000	2008 RMB'000
At the beginning of the year	**2,215**	–
Additions	**8,860**	3,176
Transferred to liabilities directly associated with assets classified as held for sales (note 28)	**–**	(699)
Recognised as income during the year	**(658)**	(262)
At the end of the year	**10,417**	2,215
Portion classified as current liabilities	**(658)**	(185)
Non-current portion	**9,759**	2,030

During the year, the Group received certain government subsidies of RMB8,860,000 (2008: RMB3,176,000). The grants were received from the 膠南市財政局 (Finance Bureau of Jiaonan City) for the purpose of acquiring production facilities and information system. 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.

34. SHARE CAPITAL

Ordinary shares of HK$0.25 each	Notes	**Number of shares** '000	**Amount** HK$'000
Authorised:			
At 31 December 2008 and 2009		**2,000,000**	**500,000**
Issued and fully paid:			
At 1 January 2008		442,106	110,527
Repurchase	(a)	(1,430)	(358)
At 31 December 2008 and 1 January 2009		440,676	110,169
Repurchase	(b)	(7,728)	(1,932)
At 31 December 2009		**432,948**	**108,237**

The issued and fully paid share capital is equivalent to approximately RMB114,178,000 and RMB112,176,000 as at 31 December 2008 and 2009 respectively.

The movements in share capital for the years ended 31 December 2008 and 2009 were as follows:

(a) On 10 October 2008 and 15 October 2008, the Company repurchased 930,000 and 500,000 of its ordinary shares, respectively, of HK$0.25 each by way of market acquisition on the SGX-ST with purchase prices ranging from S$0.185 to S$0.205 each. The total consideration paid was approximately RMB1,250,000.

(b) On 13, 14 and 19 January 2009, the Company repurchased 531,000, 900,000 and 6,297,000 of its ordinary shares, respectively, of HK$0.25 each by way of market acquisition on the SGX-ST with purchase prices ranging from S$0.170 to S$0.185 each. The total consideration paid was approximately RMB6,127,000.

35. RESERVES

(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.

(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. Such reserve may be used to reduce any losses incurred or for capitalisation as paid-up 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 reserves had been provided during the years ended 31 December 2008 and 2009.

36. BUSINESS COMBINATIONS

(a) Acquisition of Modern Agricultural

On 26 June 2009, the Group acquired from related companies, 青島康大時代房地產開發有限公司 (Qingdao Kangde Shidai Property Development Co., Ltd.) and 青島康大外貿集團有限公司 (Qingdao Kangda Foreign Trade Group Co., Ltd.), the entire equity interest in Modern Agricultural at a consideration of approximately RMB7,690,000. Modern Agricultural is engaged in planting and sale of vegetables. The acquired business contributed revenues of RMB2,251,000 and loss after tax of RMB545,000 to the Group for the period from 1 September 2009 to 31 December 2009.

If the acquisition had occurred on 1 January 2009, the Group's revenue would have been RMB755,474,000 and profit after tax would have been RMB29,590,000 for the year ended 31 December 2009. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2009, nor is it intended to be a projection of future results.

36. BUSINESS COMBINATIONS (CONTINUED)

(a) Acquisition of Modern Agricultural (Continued)

The assets and liabilities of Modern Agricultural at the acquisition date are as follows:

	Fair value and acquiree's carrying amount RMB'000
Property, plant and equipment	721
Biological assets	1,043
Trade receivables	36
Inventories	217
Prepayments, other receivables and deposits	1,765
Amounts due from related companies	4,154
Cash and bank balances	704
Trade payables	(851)
Accrued liabilities, other payables and deposits received	(522)
Fair value of net assets acquired	7,267
Goodwill	423
Purchase consideration	**7,690**

The goodwill is attributable to the value of the significant synergies expected to arise after the Group's acquisition of Modern Agricultural.

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of Modern Agricultural is as follows:

	RMB'000
Purchase consideration settled in cash	7,690
Cash and cash equivalents acquired	(704)
Cash outflow on acquisition	**6,986**

(b) Acquisition of Pu De

On 25 May 2009, the Group acquired from independent third parties, Prima Meat Packers Ltd., Itochu Corporation and Itochu (China) Group Company Limited, 55% of the equity interest in Pu De at a consideration of approximately USD2,296,000 (approximately RMB15,397,000). Pu De is engaged in manufacture and sale of processed food products. The acquired business contributed revenues of RMB3,604,000 and loss after tax of RMB1,126,000 to the Group for the period from 1 October 2009 to 31 December 2009.

If the acquisition had occurred on 1 January 2009, the Group's revenue would have been RMB759,131,000 and profit after tax would have been RMB28,624,000 for the year ended 31 December 2009. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2009, nor is it intended to be a projection of future results.

36. BUSINESS COMBINATIONS (CONTINUED)

(b) Acquisition of Pu De (Continued)

The assets and liabilities of Pu De at the acquisition date are as follows:

	Acquiree's carrying amount RMB'000	Fair value RMB'000
Land use rights	277	277
Property, plant and equipment	8,894	8,894
Deferred tax asset	–	2,123
Trade receivables	1,575	1,575
Inventories	2,282	2,282
Prepayments, other receivables and deposits	407	407
Amounts due from related companies	9,145	9,145
Cash and bank balances	502	502
Trade payables	(652)	(652)
Accrued liabilities, other payables and deposits received	(1,376)	(1,376)
Minority interests	(10,430)	(10,430)
Fair value of net assets acquired		12,747
Goodwill		2,650
Purchase consideration		**15,397**

The goodwill is attributable to the value of the significant synergies expected to arise after the Group's acquisition of Pu De.

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of Pu De is as follows:

	RMB'000
Purchase consideration settled in cash	15,397
Cash and cash equivalents acquired	(502)
Cash outflow on acquisition	**14,895**

37. DISPOSAL OF A SUBSIDIARY

In pursuant to the agreement entered with Kangfulai (note 38), the Group disposed of its entire 70% equity interest in Asiawin during the year.

	2009 RMB'000
Net assets disposed of:	
Property, plant and equipment	15,464
Deferred tax assets	175
Trade and other receivables	27
Inventories	2,044
Amount due from a minority shareholder	587
Cash and bank balances	67
Trade and other payables	(2,825)
Amount due to a related company	(2,286)
Deferred government grants	(699)
Minority interests	(3,767)
	8,787
Loss on disposal of a subsidiary	(1)
Total consideration	8,786
Satisfied by	
Cash	7,842

An analysis of net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2009 RMB'000
Cash consideration	7,842
Cash and bank balances disposed of	(67)
Net inflow of cash and cash equivalents in respect of disposal of a subsidiary	7,775

Up to 31 December 2009, consideration of RMB944,000 was still outstanding from Kangfulai.

38. COMMITMENTS

Operating lease commitments

Except for the prepaid premium for land leases (note 15), the Group leases certain of its land and buildings and office premises under operating lease arrangements. Leases for land, building and office premises are for terms ranging from 1 to 2 years.

38. COMMITMENTS (CONTINUED)

Operating lease commitments (Continued)

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

As lessee

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**1,870**	1,332	**–**	–
In the second to fifth years	**6,061**	3,551	**–**	–
After the fifth years	**16,114**	6,003	**–**	–
	24,045	10,886	**–**	–

As lessor

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**219**	219	**–**	–
In the second to fifth years	**127**	346	**–**	–
	346	565	**–**	–

Capital commitments

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

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Contracted but not provided for in respect of:–				
Purchase of property, plant, equipment and land	**30,625**	92,943	**–**	–
Acquisition of subsidiaries (Note)	**130,000**	–	**–**	–
	160,625	92,943	**–**	–

Note:

On 21 November 2009, certain wholly-owned subsidiaries of the Company, entered into a share purchase agreement with 濰坊智行投資有限公司 (Weifang Zhixing Investment Company Limited) and Highway Investment Group Company Limited（海外投資集團有限公司）in relation to an acquisition ("Acquisition") of 100% equity interest in 山東凱加食品股份有限公司 (Shandong Kaijia Food Company Limited) and its subsidiary (together as "Kaijia Group") at a cash consideration of approximately RMB130,000,000 (subject to adjustment). The principal activities of Kaijia Group are manufacturing and selling of chilled and frozen meat products and other processed foods. The completion of the Acquisition is conditional upon the fulfilment of certain conditions which were only been fulfilled after 31 December 2009 (note 42).

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 currency risk and interest risk), credit risk and liquidity risk. The Group does not have written risk management policies and guidelines. However, the board of directors of the Company meets periodically to analyse and formulate measures to manage the Group's exposure 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 statement of financial position and the headings in which they are included are as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Financial assets		
Loans and receivables		
– Trade receivables	**87,467**	81,912
– Other receivables	**11,806**	1,859
Cash and bank balances	**267,884**	461,118
	367,157	544,889
Financial liabilities		
At amortised cost		
– Trade and bills payables	**48,076**	82,500
– Accruals and other payables	**43,128**	43,259
– Interest-bearing bank borrowings	**109,786**	197,666
– Amount due to a related company	**21,585**	1,047
	222,575	324,472

	Company	
	2009	2008
	RMB'000	RMB'000
Financial assets		
Loans and receivables		
– Amounts due from subsidiaries	**369,046**	413,443
Cash and bank balances	**6,190**	14,024
	375,236	427,467
Financial liabilities		
At amortised cost		
– Accrued liabilities	**2,340**	10,105
– Interest-bearing bank borrowings	**109,786**	133,696
	112,126	143,801

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 financial instruments at the reporting date:

	Group			
	Weighted average effective interest rate		**Carrying amount**	
	2009	2008	**2009**	2008
	%	%	**RMB'000**	RMB'000
Variable rate instruments				
Financial assets				
Bank balances	**0.38%**	0.390%	**68,039**	130,573
Financial liabilities				
Interest-bearing bank borrowings	**3.99%**	4.975%	**109,786**	133,696
Fixed rate instruments				
Financial assets				
Time deposits	**3.13%**	4.150%	**199,384**	330,545
Financial liabilities				
Interest-bearing bank borrowings	**–**	6.480%	**–**	63,970

	Company			
	Weighted average effective interest rate		**Carrying amount**	
	2009	2008	**2009**	2008
	%	%	**RMB'000**	RMB'000
Variable rate instruments				
Financial assets				
Bank balances	**0.01%**	0.013%	**6,190**	14,024
Financial liabilities				
Interest-bearing bank borrowings	**3.99%**	4.975%	**109,786**	133,696

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 profit for the year and equity to a reasonably possible change in interest rates of +0.5% and -0.5% (2008: +/-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 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			
	2009 RMB'000		2008 RMB'000	
	+0.5%	**-0.5%**	+0.5%	-0.5%
Effect on profit for the year and retained earnings	**(250)**	**250**	(93)	93

	Company			
	2009 RMB'000		2008 RMB'000	
	+0.5%	**-0.5%**	+0.5%	-0.5%
Effect on profit for the year and retained earnings	**(518)**	**518**	(598)	598

(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 maximum exposure to credit risk is represented by the carrying amount of each financial asset.

	Group	
	2009 RMB'000	2008 RMB'000
Classes of financial assets – carrying amounts		
Trade receivables	**87,467**	81,912
Other receivables	**11,806**	1,859
Cash and bank balances	**267,884**	461,118
	367,157	544,889

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

(c) Credit risk (Continued)

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.

(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 related. The currencies giving rise to this risk are mainly Euro, United States dollars and Japanese Yen.

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 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:

			Group 2009		
	USD RMB'000	**EURO RMB'000**	**JPY RMB'000**	**SGD RMB'000**	**HK$ RMB'000**
Financial assets					
Trade receivables	**24,883**	**21,366**	**3,418**	**–**	**–**
Cash and bank balances	**5,430**	**–**	**–**	**730**	**993**
	30,313	**21,366**	**3,418**	**730**	**993**
Financial liabilities					
Interest-bearing bank borrowings	**23,804**	**–**	**–**	**–**	**85,982**

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

(d) Foreign currency risk (Continued)

(i) Foreign currency risk exposure (Continued)

	Group 2008				
	USD RMB'000	EURO RMB'000	JPY RMB'000	SGD RMB'000	HK$ RMB'000
Financial assets					
Trade receivables	24,338	13,993	2,513	–	–
Cash and bank balances	18,033	–	–	256	298
	42,371	13,993	2,513	256	298
Financial liabilities					
Interest-bearing bank borrowings	47,714	–	–	–	85,982

	Company 2009		
	USD RMB'000	**SGD RMB'000**	**HK$ RMB'000**
Financial assets			
Cash and bank balances	**4,589**	**712**	**889**
Financial liabilities			
Interest-bearing bank borrowings	**23,804**	**–**	**85,982**

	Company 2008		
	USD RMB'000	SGD RMB'000	HK$ RMB'000
Financial assets			
Cash and bank balances	13,692	140	192
Financial liabilities			
Interest-bearing bank borrowings	47,714	–	85,982

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

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

(d) Foreign currency risk (Continued)

(ii) Foreign currency sensitivity analysis

The following table indicates the approximate change in the Group's profit for the year and equity in response to a 5% appreciation in the Group'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				
			2009		
	USD RMB'000	**EURO RMB'000**	**JPY RMB'000**	**SGD RMB'000**	**HK$ RMB'000**
Effect on profit for the year and retained earnings	**(36)**	**(802)**	**(130)**	**(6)**	**4,273**
			2008		
	USD RMB'000	EURO RMB'000	JPY RMB'000	SGD RMB'000	HK$ RMB'000
Effect on profit for the year and retained earnings	552	(700)	(126)	(14)	4,702

	Company					
		2009			2008	
	USD RMB'000	**SGD RMB'000**	**HK$ RMB'000**	USD RMB'000	SGD RMB'000	HK$ RMB'000
Effect on profit for the year and retained earnings	**141**	**(1)**	**4,861**	1,701	(7)	4,290

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.

(e) Liquidity risk

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

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 and its compliance with lending covenants, 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 liquidity policy has been followed by the Group since prior years.

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

(e) Liquidity risk (Continued)

As at 31 December 2009 and 2008, the maturity profile of the Group's financial liabilities, based on the contracted undiscounted payments, are summarised below:

	Group					
	2009			2008		
	Within 6 months RMB'000	**6 to 12 months RMB'000**	**Over 1 year RMB'000**	Within 6 months RMB'000	6 to 12 months RMB'000	Over 1 year RMB'000
Interest-bearing bank borrowings	**47,017**	**22,906**	**45,486**	36,053	56,572	121,816
Trade and bills payables	**48,076**	**–**	**–**	72,060	10,440	–
Accrued liabilities and other payables	**43,128**	**–**	**–**	43,259	–	–
Amount due to a related company	**21,585**	**–**	**–**	1,047	–	–
	159,806	**22,906**	**45,486**	152,419	67,012	121,816

	Company					
	2009			2008		
	Within 6 months RMB'000	**6 to 12 months RMB'000**	**Over 1 year RMB'000**	Within 6 months RMB'000	6 to 12 months RMB'000	Over 1 year RMB'000
Interest-bearing bank borrowings	**47,017**	**22,906**	**45,486**	8,787	17,575	121,816
Accrued liabilities and other payables	**2,340**	**–**	**–**	10,105	–	–
	49,357	**22,906**	**45,486**	18,892	17,575	121,816

(f) Fair value

The fair value of the Group's long term interest-bearing bank borrowings as at 31 December 2009 was not materially different from their carrying amount since they are interest bearing at variable rates. The fair value of the Group's other financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

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.

40. CAPITAL MANAGEMENT (CONTINUED)

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 loans and amount due to a related company as shown in the consolidated statement of financial position. Total capital is calculated as total equity attributable to equity holders, as shown in the consolidated statement of financial position. The Group aims to maintain the gearing ratio at a reasonable level.

	2009 RMB'000	2008 RMB'000
Interest-bearing bank borrowings	**109,786**	197,666
Amount due to a related company	**21,585**	1,047
Total debts	**131,371**	198,713
Equity attributable to owners	**649,582**	625,354
Total debts to equity ratio	**20%**	32%

41. 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	2009 RMB'000	2008 RMB'000
Sales to related companies	(i)	**2,189**	3,286
Purchases from related companies	(ii)	**47,543**	54,897
Rental income received from a related company	(iii)	**219**	219
Rental expenses paid to related companies	(iv)	**188**	213
Interest income from lease received from related companies	(v)	**–**	192
Acquisitions of property, plant and equipment and land use right from a related party	(vi)	**–**	21,624
Guarantees given by the related companies in connection with bank loans granted to the Group	(vii)	**–**	22,000

(b) Key management personnel compensation

	2009	2008
Short term employee benefits of directors and other members of key management	**2,131**	1,932

41. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

(i) Sales to related companies of approximately RMB2,189,000 (2008: RMB1,122,000) were made to related companies, of which Mr. Gao Sishi, Mr. Gao Yanxu, Mr. An Fengjun and Mr. Zhang Qi were shareholders and/or directors. In 2008, sales to related companies of approximately RMB2,164,000 were made to a related company of which Kangfulai has beneficial interest. These sales were made in the ordinary course of business with reference to the terms negotiated between the Group and these related companies.

(ii) Purchases from related companies, of which Mr. Gao Sishi, Mr. Gao Yanxu, Mr. An Fengjun and Mr. Zhang Qi were shareholders and/or directors, were made in the ordinary course of business with reference to the terms negotiated between the Group and these related companies.

(iii) Rental income received from a related company, of which Mr. Gao Sishi, Mr. Gao Yanxu, Mr. An Fengjun and Mr. Zhang Qi were shareholders and/or directors, was made according to the term of the lease agreements.

(iv) Rental expenses paid to related companies, 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 term of the lease agreements.

(v) Lease income received from related companies of which Mr. Gao Sishi, Mr. Gao Yanxu, Mr. An Fengjun and Mr. Zhang Qi were shareholders and/or directors.

(vi) In 2008, acquisitions of property, plant and equipment and land use right of approximately RMB17,544,000 and RMB4,080,000 respectively were made from a related company, of which Mr. Gao Sishi, Mr. Gao Yanxu, Mr. An Fengjun and Mr. Zhang Qi were shareholders and/or directors. The transactions are made in the ordinary course of business with reference to the terms negotiated between the Group and the related company.

(vii) The Group's bank loans were guaranteed by the related companies of which Mr. Gao Sishi and Mr. Gao Yanxu were also directors.

42. SUBSEQUENT EVENTS

In addition to those disclosed elsewhere in the financial statements, on 20 January 2010, an ordinary resolution proposed for approving the Acquisition (as defined in note 38) was duly passed by the shareholders of the Company by way of poll at a special general meeting. Following the fulfilment of the other conditions, the Acquisition completed on 24 February 2010. The Group is still in the progress to finalise the amount of each class of the acquiree's assets, liabilities and contingent liabilities at the completion date of Acquisition.

Statistics of Shareholdings

As at 18 March 2010

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

DISTRIBUTION OF SHAREHOLDINGS (SINGAPORE REGISTER)

Size of Shareholdings	No of Shareholders	%	No of Shares	%
1 – 999	0	0.00	0	0.00
1,000 – 10,000	623	46.22	4,543,000	1.05
10,001 – 1,000,000	697	51.70	33,754,000	7.80
1,000,001 and above	28	2.08	394,651,000	91.15
Total	1,348	100.00	432,948,000	100.00

Pursuant to Rule 1207(9)(f) of the Listing Manual of the SGX-ST, the Company does not hold any Treasury Shares.

TWENTY LARGEST SHAREHOLDERS AS AT 18 MARCH 2010

No.	Name	No. of Shares	%
1	GAO SISHI	166,740,000	38.51
2	CHENG XIUTAI	33,256,000	7.68
3	PROVEN CHOICE GROUP LIMITED	30,000,000	6.93
4	ZENSHO CO. LTD.	28,835,000	6.66
5	HU WENBO	14,398,000	3.33
6	GAO YANXU	14,310,000	3.31
7	CIMB-GK SECURITIES PTE. LTD.	11,259,000	2.60
8	ZHANG QI	8,910,000	2.06
9	KANG PEIQIANG	8,910,000	2.06
10	ZHAO RUIFEN	8,400,000	1.94
11	YU PING	8,102,000	1.87
12	DBS VICKERS (HONG KONG) LTD	7,797,000	1.80
13	OCBC SECURITIES PRIVATE LTD	7,490,000	1.73
14	PHILLIP SECURITIES (HK) LTD	7,112,000	1.64
15	OCBC SECURITIES (HONG KONG) LTD	6,620,000	1.53
16	RAFFLES NOMINEES (PTE) LTD	5,557,000	1.28
17	PHILLIP SECURITIES PTE LTD	4,900,000	1.13
18	DBS VICKERS SECURITIES (S) PTE LTD	4,318,000	1.00
19	STANDARD CHARTERED BANK (HONG KONG) LTD	3,252,000	0.75
20	BANK OF CHINA (HONG KONG) LTD	2,444,000	0.56
		382,610,000	88.37

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	No. of Shares			
Substantial Shareholders	**Direct Interest**	**(%)**	**Deemed Interest**	**(%)**
Gao Sishi	166,740,000	38.51%	–	–
Cheng Xiutai	33,256,000	7.68%	–	–
Proven Choice Group Limited	30,000,000	6.93%	–	–
Huang Quan	–	–	30,000,000	6.93%
Zensho Co., Ltd	28,835,000	6.66%	–	–

Note:

1. Proven Choice Group Limited is an investment company incorporated in the BVI. It is wholly-owned by Mr. Huang Quan who is not related to any or the Directors or Shareholders.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Approximately 32.9% of the Company's issued shares are held in the hands of public as at 18 March 2010. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST and the Hong Kong Listing Rules.

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 Boardroom V, Ground Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 29 April 2010 at 10.00 am for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the directors' report and the consolidated audited accounts of the Company for the year ended 31 December 2009 together with the auditors' report thereon.

(Resolution 1)

2. To re-elect the following directors retiring pursuant to the Company's Bye-Laws:

Mr. Sim Wee Leong	(Retiring under Bye-Law 86(1))	**(Resolution 2)**
Mr. Zhang Qi	(Retiring under Bye-Law 86(1))	**(Resolution 3)**

*Mr. Sim Wee Leong will, upon re-election as a director of the Company, remain as chairman of the audit committee and a member of the nominating and remuneration committees and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**") and Rule 3.13 of the Rules Governing the Listing of Securities (the "**Hong Kong Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**SEHK**").*

Mr. Zhang Qi will, upon re-election as a director of the Company, remain as a member of the audit committee and will be considered non-independent for the purposes of Rule 704(8) of the Listing Manual and Rule 3.13 of the Hong Kong Listing Rules.

3. To approve the payment of directors' fees of S$132,810 for the year ended 31 December 2009 (2008: S$96,000).

(Resolution 4)

4. To re-appoint Grant Thornton as the Company's auditors and to authorise the board of directors to fix their remuneration.

(Resolution 5)

5. To transact any other ordinary business which may properly be transacted at an annual general meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Authority to allot and issue shares up to fifty per centum (50%) of issued shares**

That authority be generally and unconditionally given to the directors of the Company to allot and issue with ordinary shares in the share capital of the Company ("**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 per centum (50%) of the total number of issued Shares (excluding treasury shares) in the share capital of the Company, 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 per centum (20%) of the total number of issued Shares (excluding treasury shares) in the share capital of the Company at the time of the passing of this Resolution;

(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 at the time of the passing of this Resolution; and

(c) such authority shall, unless revoked or varied by the Company in a 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 (the "**Issue Mandate**").

See Explanatory notes (i) and (iii)

(Resolution 6)

7. **Authority to allot and issue shares other than on a pro rata basis at a discount of not more than twenty per centum (20%)**

That without prejudice to the generality of, and pursuant and subject to the approval of the Issue Mandate set out in Resolution 6, authority be and is hereby given to the directors of the Company to allot and issue Shares for cash consideration other than on a *pro rata* basis to shareholders of the Company, at a discount to the Weighted Average Price or the Benchmarked Price, as the case may be exceeding ten per centum (10%) but not more than twenty per centum (20%), at any time and upon such terms and conditions and for such purposes and to such persons as the directors of the Company may in their absolute discretion deem fit, provided that:

(a) in exercising the authority conferred by this Resolution, the Company shall comply with the requirements imposed by the Singapore Securities Exchange Trading Limited (the "**SGX-ST**") and the SEHK from time to time and the provisions of the Listing Manual and the Hong Kong Listing Rules for the time being in force (in each case, unless such compliance has been waived by the SGX-ST or the SEHK (as the case may be), all applicable legal requirements under the Companies Act, Chapter 50 of Singapore (the "**Companies Act**") and the Companies Ordinance (Chapter 32) of the Laws of Hong Kong and otherwise, the Bye-Laws for the time being of the Company and the applicable laws of Bermuda;

(b) unless revoked or varied by the Company in a general meeting, the authority conferred by this Resolution shall continue in force until 31 December 2010 or such later date as may be determined by the SGX-ST, but in any event not later than (1) the conclusion of the next annual general meeting of the Company or (2) the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier; and

(c) for the purpose of this Resolution:

"**Weighted Average Price**" means the weighted average price of the Shares for trades done on the SGX-ST for the full market day on which the placement or subscription agreement is signed (or if not available, the weighted average price based on the trades done on the preceding market day); and

"**Benchmarked Price**" means the higher of:

(1) the closing price on the SEHK on the date of the relevant placing agreement or other agreement involving the proposed issue of securities under the Issue Mandate; and

(2) the average closing price on the SEHK in the 5 trading days immediately prior to the earliest of:

(i) the date of announcement of the placing or the proposed transaction or arrangement involving the proposed issue of securities under the Issue Mandate;

(ii) the date of the placing agreement or other agreement involving the proposed issue of securities under the Issue Mandate; and

(iii) the date on which the placing or subscription price is fixed.

See Explanatory notes (ii) and (iii)

(Resolution 7)

8. **Renewal of Shareholders' Mandate for Interested Person Transactions**

That for the purposes of Chapter 9 of the Listing Manual:

(a) approval be given for the renewal of the mandate for the Company, its subsidiaries and associated companies or any of them to enter into any of the transactions falling within the types of Interested Person Transactions (as defined in Chapter 9 of the Listing Manual), particulars of which are set out in Appendix II to the circular of the Company dated 31 March 2010 ("**Appendix II**"), provided that such transactions are carried out in the normal course of business, at arm's length and on commercial terms and in accordance with the guidelines of the Company for Interested Person Transactions as set out in Appendix II (the "**IPT Mandate**");

(b) the IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next annual general meeting; and

(c) authority be given to the directors to complete and do all such acts and things (including executing all such documents as may be required) as they may consider necessary, desirable or expedient to give effect to the IPT Mandate as they may think fit.

See Explanatory notes (iv) and (v)

(Resolution 8)

By Order of the Board

Leung Ting Yuk
Company Secretary

31 March 2010

Explanatory notes to Resolutions to be passed–

(i) The Ordinary Resolution 6 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 per centum (50%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a *pro rata* basis.

For the purpose of the Ordinary Resolution 6, the total number of issued Shares (excluding treasury shares) is based on the Company's total number of issued Shares (excluding treasury shares) at the time the proposed Ordinary Resolution 6 is passed.

(ii) Ordinary Resolution 7 proposed in item 7 above is to empower the directors, pursuant to the Issue Mandate set out in Ordinary Resolution 7, to allot and issue Shares other than on a *pro rata* basis to shareholders of the Company, at a discount to the Weighted Average Price or the Benchmarked Price, as the case may be, exceeding ten per centum (10%) but not more than twenty per centum (20%).

Such allotment and issue of Shares will be priced at the higher of (a) the Weighted Average Price and (b) the Benchmark Price (taking into account such discount), or such price as may be permitted under the Listing Manual and the Hong Kong Listing Rules.

In exercising the authority conferred by Ordinary Resolution 7, the Company shall comply with the requirements of the SGX-ST and the SEHK (unless waived by the SGX-ST or the SEHK (as the case may be)), all applicable legal requirements, the Company's Bye-Laws and the applicable laws of Bermuda, Rule 811(1) of the Listing Manual presently provides that an issue of shares must not be priced at more than ten per centum (10%) discount to the weighted average price for trades done on the SGX-ST for the full market day on which the placement or subscription agreement is signed (or if not available, the weighted average price based on the trades done on the preceding market day).

On 19 February 2009, the SGX-ST released a press release of new measures effective on 20 February 2009 (the "**Press Release**"), which included an interim measure allowing issuers to undertake placements of new shares using the general mandate to issue shares, priced at discounts of up to twenty per centum (20%), subject to the conditions that the issuer seeks shareholders' approval in a separate resolution at a general meeting to issue new shares other than on a *pro rata* basis at a discount exceeding ten per centum (10%) but not more than twenty per centum (20%) The general share issue mandate resolution is not conditional on this resolution. Ordinary Resolution 7 has been included following this interim measure, taking into account the relevant requirements under the Hong Kong Listing Rules. The Press Release states that this new measure will be in effect until 31 December 2010 when it will be reviewed by the SGX-ST.

(iii) **IMPORTANT: Notwithstanding the passing of the Ordinary Resolutions 6 and 7 proposed in items 6 and 7 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(6), 13.36 and 13.36(5) thereof.**

(iv) The Ordinary Resolution 8 proposed in item 8 above, if passed, will authorise the Interested Person Transactions as described in Appendix II and recurring in the year and will empower the directors to do all acts necessary to give effect to the IPT Mandate. This authority will, unless previously revoked or varied by the Company at a general meeting, expire at the conclusion of the next annual general meeting of the Company.

(v) **IMPORTANT: Notwithstanding the passing of the Ordinary Resolution 8 proposed in item 8 above, the Company shall comply with the applicable requirements concerning connected transactions under Chapter 14A of the Hong Kong Listing Rules for all its connected transactions from time to time. For the avoidance of doubt, for transactions not covered by the IPT Mandate which constitute connected transactions for the Company under Chapter 14A of the Hong Kong Listing Rules, the Company shall also comply with all requirements applicable to such transactions under the Hong Kong Listing Rules.**

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 whose name appears in the Depository Register (as defined in Section 130A of the 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.

5. As at the date of this notice, the board of directors of the Company comprises the following members: (1) executive directors: Gao Yanxu, An Fengjun; (2) non-executive directors: Gao Sishi, Zhang Qi; and (3) independent non-executive directors: Kuik See Juan, Sim Wee Leong, Yu Chung Leung.