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

源於完整產業鏈的安全食品：
兔肉、鷄肉、蔬菜、快餐食品等。

Annual Report 2011

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.

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

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

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

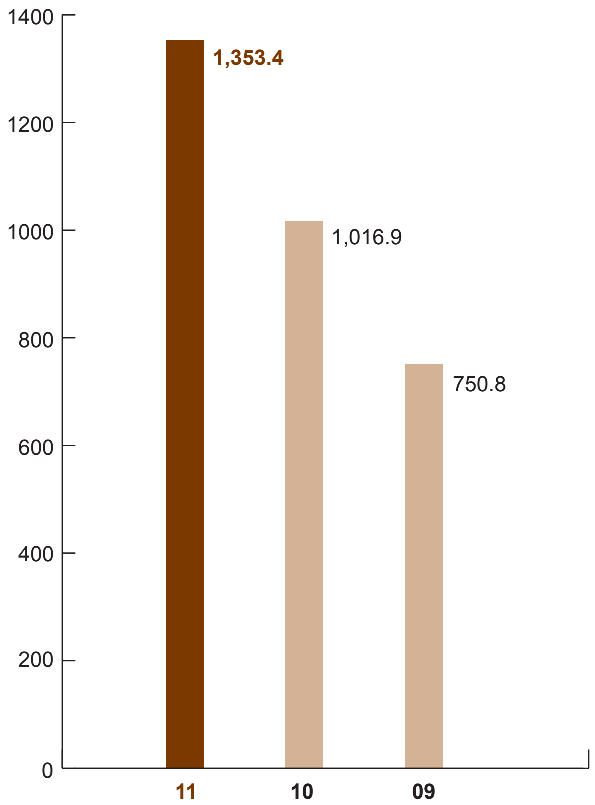
For more information, please log on to www.kangdafood.com

Contents

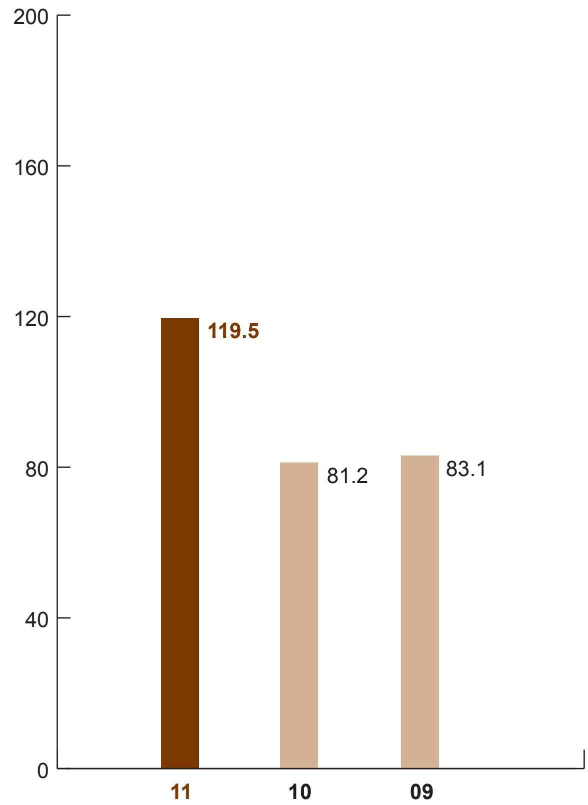
Financial Highlights

	FY2011 *RMB'million*	FY2010 *RMB'million*	FY2009 *RMB'million*
Revenue	**1,353.4**	1,016.9	750.8
Gross Profit	**119.5**	81.2	83.1
Net Profit Attributable to Owners of the Company	**12.2**	3.4	30.4
Earnings per Share – Basic (RMB cents)	**2.8**	0.8	7.0
Net Asset Value per Share – Basic (RMB cents)	**162.8**	159.4	153.5

Total Revenue increased: 33.1%
RMB'million



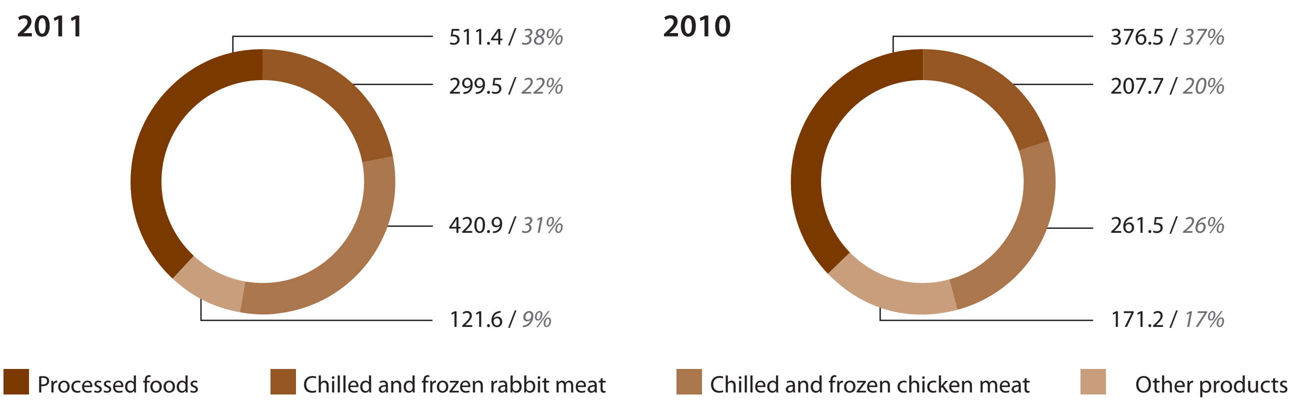
Gross profit increased: 47.1%
RMB'million



Financial Highlights

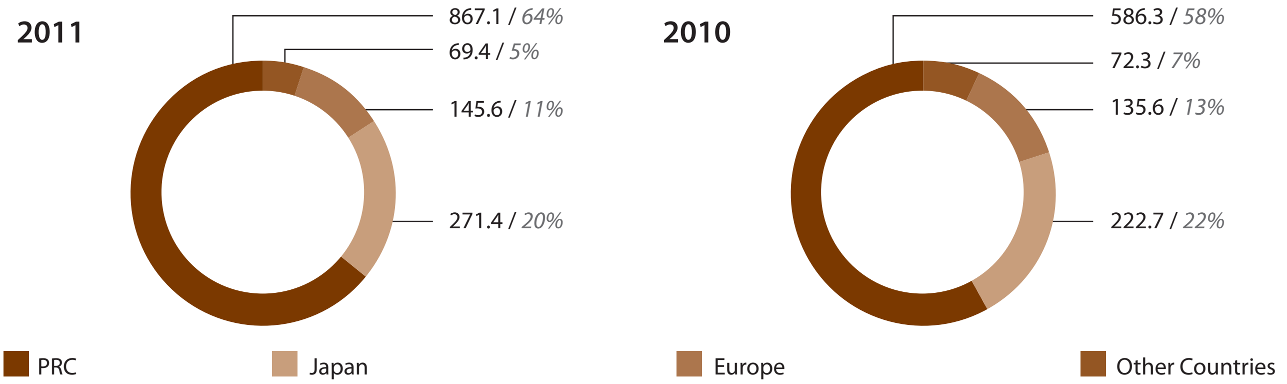
Revenue by Products

RMB'million



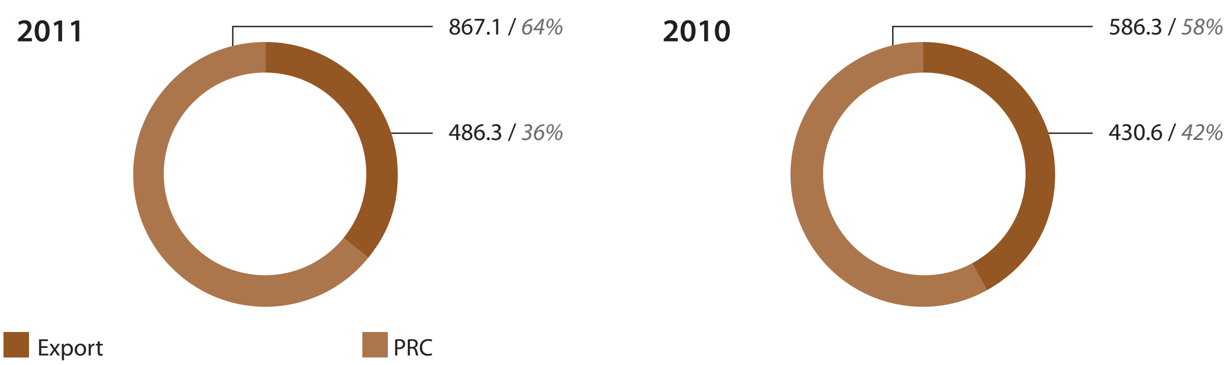
Revenue by Geographical Markets

RMB'million



Revenue by Region

RMB'million



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 2011.

BUSINESS REVIEW

In 2011, the Group continues its business growth strategy to expand its market shares by expanding its production capacity, strengthening its research and development capabilities, and to diversify its product offerings. For the year ended 31 December 2011, the Group recorded sales revenue of approximately RMB1,353.4 million, an increase of 33.1% from that of RMB1,016.9 million recorded in the previous year. Such increase was primarily attributable to the increase in sales volume in line with the increase in productivity and the appropriate marketing strategies.

The Group's gross profit margin was still under pressure due to the increase of raw materials cost and labour wages and the strong appreciation of the Renminbi ("RMB"). Nevertheless, driven by the gradual attainment of economies of scale and the advantage of the cost control through the Group's own supply of living animals, the gross profit and profit after tax recorded an increment of 47.1% to RMB119.5 million and 336.1% to RMB8.7 million respectively compared to the previous year.

The Group is well positioned to penetrate into the PRC market by its continued efforts to promote the own brand name products and expand the sales network in more provinces in the PRC. The PRC's large population with its rapid urbanisation is expected to provide the foundation for the PRC economy to remain relatively robust. Given that the PRC continued its strong economic growth, the demand for healthier, safer and quality meat products from consumers will grow stronger and provide the Group with a favourable operating environment.

It is the strategy of the Group to leverage its leading marketing position and offer competitive pricing products. The main objective is to continually expand its market share by increasing the production capacity so the Group has invested on expanding the productivity and upsteaming rearing industry over the past few years. Indeed the increase in borrowing and operating cost incurred from those operation bases had adversely affected the Group's profitability. However, on the basis that those operation bases had successfully integrated into the Group's business, together with the continuous development and growth of the PRC's economy, the Group continues to be positive of significant growth in its profitability in the coming years.

Chairman's Statement

FOOD SAFETY

To ensure safety of the products produced by the Group and boost consumer confidence, the Group has devoted itself to implementing a series of comprehensive quality control measures to ascertain the Group's quality control centre has complied with both the PRC and international requirements and obtained the HACCP certification. It's quality management system has also achieved ISO9001 and ISO14001 certification. The Group views its ability to comply with PRC and international standards as its strength. It will continue to strengthen its staff training and conduct regular checks on product safety to further enhance and maintain its food quality.

The Group's emphasis on food quality has been widely recognized. 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.

RESEARCH AND DEVELOPMENT

The Group enhances its research and development to the customers by collaborating with them in the product design and development process. The Group has a leading research and development team, with approximately 117 staff, many of whom have significant experience in the industry, which enhances the ability in the product development process, maintain its profitability, as well as secure additional business.

In 2011, the Group, being the first PRC company, obtained the certification for breeding progeny rabbit from the Ministry of Agriculture in the PRC. The Group had achieved its aim to improve its breeding techniques and efficiency through the use of this technical know-how to further reduce its production costs. In the coming years, it is expected that the breeding techniques can enable the Group to improve the breed of rabbits and quality of rabbit meat products so as to increase its competitiveness in the rabbit meat industry.

CORPORATE GOVERNANCE

The Board is committed to achieving and maintaining high standards of corporate governance in managing the business and affairs of the Group, guided by all the applicable code provisions of the Code of Corporate Governance 2005 (the "Singapore Code") and the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Hong Kong Listing Rules"). These practices are instilled throughout the Group's operations.

OUTLOOK

The Group operated under an environment of uncertainty with concerns over the spreading the Euro financial crisis to the wider world economy that could cause another economic slowdown and impacting upon customers demand. It is expected that the PRC economy will continue with its growth momentum in 2012 and increase the demand for healthier, safer and quality meat products from consumers.

The Group will continuously expand its market share in PRC by further upgrading its machinery and equipment and improving management tools in order to enhance the operational efficiency. Although we cannot control the costs of bulk raw materials and labour cost, the management will continue to adopt last year's cost saving and profitability improvement measures to ensure the profit of our Group will not be materially eroded by inflation. The management will also monitor closely cost trends and deliver the best strategies to cope with market challenges. The Board remains confident of and optimistic about the future prospect of the Group.

To satisfy the Group's future working capital, the Group will continue to implement measures to tighten cost controls over various operating expenses in order to increase its profitability and to generate positive cash inflow from its operations in the future. The Group will also actively negotiate with the banks to seek the renewal of the outstanding bank borrowings as well as to negotiate for new banking facilities. The Board is confident that the Group will achieve better results in the coming years.

I, on behalf of the Board of Directors, hereby express our most sincere gratitude to the Directors, the management and all employees for their strong commitment, dedication and contributions made to the Group. I would also like to take this opportunity to thank all Shareholders and business partners for their confidence and support to the Group.

Gao Sishi
Non-executive Chairman

Board of Directors

Executive Directors

Gao Yanxu（高岩緒）, aged 46, 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 2011. 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 Qingdao City Jiaonan Kangda Feed Co., Ltd. ("KD Feed Company"). He then worked in Shandong Province Qingdao Kanghong Poultry & Egg Co., Ltd.（山東省青島康宏肉食蛋品有限公司）in 1999 as a Manager. On 1 January 2001, Mr. Gao founded 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 2010, Mr. Gao held 5.3% of the equity interests in KD Trading Company. Mr. Gao obtained a Bachelor's Degree in Business and Economic Management from Renmin University of China（中國人民大學）in June 1997. On 28 February 2000, he completed the courses of Master's degree 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 38, 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 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. in 2002. As at 31 December 2011, Mr. An held 1.3% of the equity interests in KD Trading Company. Mr. An graduated from Jiaonan City Middle Special Vocational School（膠南市職業中等專業學校） majored in Accounting in June 1993. He also completed a post-graduate course in business management in Tianjin University（天津大學）in August 2005.

Non-Executive Directors

Gao Sishi（高思詩）, aged 54, is a non-executive Chairman and non-executive Director of the Company. He was appointed as a Director on 12 May 2006 and was last re-elected on 29 April 2011. Mr. Gao has more than 20 years of experience in the food export and production industry. He is the founder and currently the Chairman and General Manager of KD Trading Company, comprising 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 2011, 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 in Business Administration at the graduate school of Renmin University of China（中國人民大學研究生院）in March 2004. He is the uncle of Mr. Gao Yanxu.

Board of Directors

Zhang Qi (張琪), aged 45, is a Non-executive Director. He was appointed as a Director on 25 August 2006 and was last re-elected on 29 April 2010. Mr. Zhang is currently the Internal Audit Manager and Assistant to the General Manager of KD Trading Company. As at 31 December 2011, Mr. Zhang held 3.3% of the equity interests in KD Trading Company. He is responsible for the auditing of the financial and operating system of KD Trading Company and is a Director of KD Feed Company, Qingdao Tianranju Property Management Co., Ltd. and Beijing International Trust Huaxia Investment Co., Ltd., all of which are members of KD Trading Company. Mr. Zhang has more than 20 years of experience in financial matters. In December 1986, Mr. Zhang joined Qingdao No. 9 Cotton Textile Factory (青島第九棉紡織廠) as the head of financial department and was subsequently promoted to Vice General Accountant in September 1996. During the period from 2001 to 2002, he joined Sino-Zam MuLuGuCi Textile Co., Ltd. (中贊合資穆隆古希紡織有限公司) and was responsible for financial matters. Mr. Zhang obtained a Bachelor's Degree in Financial Management majored in accounting from Qingdao University (青島大學) in July 1986.

Naoki Yamada (山田直樹), aged 62, is a Non-executive Director. He was appointed as a Director on 29 April 2011. Mr. Yamada holds a Bachelor's degree in Sociology from Hitotsubashi University in Japan and a Bachelor's degree in Chinese from Nanyang Technological University in Singapore. He has also completed a Master's degree in Business Administration in Tsinghua University, PRC. Mr Yamada is currently the chairman and general manager of ZENSHO RESTAURANT (SHANGHAI) CO., LTD., a subsidiary of Zensho in Shanghai.

Independent Non-Executive Directors

Kuik See Juan (郭書源), aged 68, 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 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 serves 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 same institute since 1969.

Sim Wee Leong (沈偉龍), aged 47, is an Independent Non-executive Director. He was appointed as a Director on 25 August 2006 and was last re-elected on 29 April 2010. 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 in 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 41, was appointed 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 has been 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 from the City University of Hong Kong in July 2006.

Key Management

Fong William (方偉濂), aged 32, is the chief financial officer and company secretary of the Group. He joined the Group on 13 July 2010 and is responsible for the preparation of the Group's financial statements as well as the review and development of the effective financial policies and control procedures of the Group. Mr. Fong has over seven years of experience in accounting and auditing and worked in an international accounting firm prior to joining the Group. He graduated from City University of Hong Kong with a Bachelor's Degree in Accountancy. Mr. Fong is a member of Hong Kong Institute of Certified Public Accountants and Taxation Institute of Hong Kong.

Gao Yumei (高玉梅), aged 43, 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 38, 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 he served as vice manager of the management department from January 2002 to 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 course 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 in business management at Tianjin University (天津大學) in August 2005.

Zhao Ruifen (趙瑞芬), aged 47, is the manager of the Group's administration department. She has more than 20 years of working experience and is responsible for the administrative functions of the Group. Ms. Zhao joined the Group's subsidiary, Kangda Foods, in July 2001. She assumed management responsibilities of some of the Group's production facilities and was the supervisor of production and business departments of Kangda Foods. From March 2000 to July 2001, Ms. Zhao was the sales manager of the domestic sales department of KD Trading Company. Between March 1995 and March 2000, she was an assistant secretary of Qingdao Kangyu Diamond Company, Ltd. (青島康宇鑽石有限公司). In March 1994, Ms. Zhao joined Qingdao Kangda Food Refrigeration Factory (青島市康大食品冷藏廠) and was responsible for the production activities of the factory. She was in charge of the human resource department of Jiaonan City Foreign Trading Refrigeration Factory (膠南市外貿冷藏廠) between December 1984 and March 1994. Ms. Zhao has completed a part-time Economics Management course from Shandong Provincial Party Committee School (中共山東省委黨校).

Pang Shumei (逄淑梅), aged 39, is the manager of the Group's quality control department. She has more than 10 years of working experience and is responsible for the products quality control of the Group. Ms. Pang worked in the Second Refrigeration Factory of Kangda Foods (青島康大食品有限公司第二冷凍廠) as a quality control staff during the period from 1997 to 1999. She was the head of the quality control division of Kangda Foods during 2000 to 2002. In 2003, she was the manager of the quality control department of Kangda Foods. Ms. Pang studied foods inspection and graduated from Hubei University of Technology (湖北工業大學), previously known as Hubei Technology Institute (湖北工學院), in June 1997.

Corporate Information

BOARD OF DIRECTORS
Executive:
Gao Yanxu (CEO)
An Fengjun

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

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

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

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

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

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

AUTHORISED REPRESENTATIVES
Gao Yanxu
Fong William

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

HONG KONG SHARE REGISTRAR
Tricor Investor Services Limited
Level 26, Tesbury Centre
28 Queens's Road East
Hong Kong

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

Engagement director
Tsui Ka Che, Norman
(since the financial year ended
31 December 2010)

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

BUSINESS REVIEW

Notwithstanding the increasing competition in our target markets, the Group was still able to achieve an admirable organic growth in revenue for this year. For the year ended 31 December 2011 ("FY2011"), the Group recorded a revenue of approximately RMB1,353.4 million, representing an increase of 33.1% compared to the year ended 31 December 2010 ("FY2010"), which showed an increase in the sales quantity achieved through expansion of the Group's productivity driven by the strong market demand in tandem with the increased consumer spending on healthier, safer and quality meat products.

Although the continuous rise in both raw material costs and staff costs was still a challenge faced by the Group in FY2011, the gross profit margin and gross profit recorded an increment of 10% resulting to 8.8% and 47.1% resulting to approximately RMB119.5 million respectively compared to FY2010. The increase was due mainly to the advantage of the cost control through the Group's own supply of living rabbits and chickens.

The Group has major customers in the PRC, Europe, Japan, the United Arab Emirates and other regions. The Group, being one of the licenced companies in the PRC to supply rabbit meat to the EU, had continued to leverage on the opportunities arising from strong demand of rabbit meat in the EU to expand its sales. The Group had also continued to implement an extensive marketing strategy with emphasis on maintaining good relationships with customers and suppliers and focus on widening the Group's domestic and international customer base. In FY2011, the Group also introduced various new products to the PRC market on a continual basis and took steps aimed at strengthening and expanding the sales network in more provinces in the PRC.

Over the past few years, the Group has invested on expanding the productivity and upsteam rearing industry, such as the acquisitions of the Shandong Kaijia Food Company Limited and its subsidiary, Shandong Kaijia International Trade Co., Ltd. (collectively referred as the "Kaijia Group") and the Group's new operations in Jilin and Chongqing Provinces. The additional cost incurred to consolidate, integrate and fine-tune those operation bases had adversely affected the Group's profitability. To increase the working capital, the Group's operating costs and finance costs had risen significantly and this factor continually weakened the Group's profitability. In spite of this, benefiting from the Group's effective cost management and expense control, the profit after tax showed a fourfold increase from approximately RMB2.0 million in FY2010 to approximately RMB8.7 million in FY2011. On the basis that the operations of the Group's new subsidiaries had successfully integrated into the Group's business, the Group continues to be positive of significant growth in its profitability in the coming years.

SAFETY

The Group's emphasis on food quality has been widely recognized. The Group's quality control centre has complied with both the PRC and international requirements and obtained the HACCP certification. Its quality management system has also achieved ISO9001 and ISO14001 certification. The Group views its ability to comply with PRC and international standards as its strength. Food safety has already become a basic and most pertinent factor for the Group's development.

In view of the food safety law recently promulgated by the PRC legislature, the Group will be firmly committed to food quality and safety and further strengthen our quality management and risks over every operation process ranging from purchases, production, logistics, storage to sales to ensure that the Group consistently offer quality and safe food to consumers.

PROSPECT

The global economy is currently affected by the Euro financial crisis so the business environment remains difficult. The Group expects that the PRC domestic consumption is ultimately the essential driving force of social and economic growth and the current crisis will accelerate the transformation of the PRC's economy to demand for healthier, safer and quality meat products. In view of this, the Group is well positioned to penetrate into the PRC market by its continued efforts to broaden its sales channels in the PRC domestic market and raise the Group's brand profile through advertisements. Due to the market's recognition, the proportion of revenue generated from PRC domestic market increased from 57.7% in FY2010 to 64.1% in FY2011.

Looking forward, the Group will continue to expand its market share in PRC by further enhancing the building of sales and other related mechanisms, strengthening cost control, improving management tools and simultaneously accelerating talent development in order to achieve a leading position to expand the Group's market share. At the same time, the Group will continue to increase its production capacity and control its products quality through enhancement of its existing production facilities to meet the increase in market demand for its products.

To mitigate the increasing prices of raw materials, the Group would invest its efforts in the research and development of new products. In FY2011, the Group had successfully passed the requirements in a research project working with the Shandong Agriculture University of China and obtained the certification for breeding progeny rabbit from the Ministry of Agriculture in the PRC. China Kangda is the first PRC company to be granted this certification and recognition. The Group had achieved its aim to improve its breeding techniques and efficiency through the use of this technical know-how to further reduce its production costs.

In addition, the Group will also continue to improve production efficiency, utilization rates, operational efficiency and its product quality through enhancement of its existing production facilities. Taking advantage of the Group's reputation as a provider for meat products, the commitment to healthier, safer and quality meat products will place the Group ahead of its fellow competitors.

To satisfy the Group's future working capital, the Group will continue to implement measures to tighten cost controls over various operating expenses in order to increase its profitability and to generate positive cash inflow from its operations in the future. The Group will also actively negotiate with the banks to seek the renewal of the outstanding bank borrowings as well as to negotiate for new banking facilities. The Board is confident that the Group will achieve better results in the coming years.

Management Discussion and Analysis

OPERATING AND FINANCIAL REVIEW

REVENUE BY PRODUCTS

	FY2011 RMB'000	FY2010 RMB'000	% Change +/(-)
Processed foods	511,416	376,497	35.8
Chilled and frozen rabbit meat	299,492	207,673	44.2
Chilled and frozen chicken meat	420,907	261,511	61.0
Other products	121,582	171,189	(29.0)
Total	**1,353,397**	**1,016,870**	**33.1**

Processed Food Products

Revenue derived from processed food increased by 35.8% to approximately RMB511.4 million in FY2011. The Group had successfully launched various new product ranges under its own brand, such as instant soup, chicken-based cooked products and roasted rabbit food. Based on the Group's reputation and track record in the processed food products market, a momentous growth in revenue was achieved.

The significant increase in revenue was also attributable to the expansion of the Group's production capacity through the acquisition of Kaijia Group in the prior year. The principal activities of Kaijia Group are production and sale of processed food products as well as chilled and frozen chicken meat products, which commenced from March 2010. The Group's revenue included full year's result of Kaijia Group in FY2011 and ten month's result in FY2010.

Chilled and Frozen Meat Products

The rabbit and chicken meat segments contributed 53.2% and 46.1% to the Group's total revenue in FY2011 and FY2010 respectively. The revenue of the rabbit and chicken meat segments registered a 53.5% increase to approximately RMB720.4 million in FY2011.

Revenue derived from the sale of rabbit meat increased by 44.2% to approximately RMB299.5 million in FY2011. The increase was attributable to the uptrend for rabbit meat demand in the PRC market.

Revenue of the chicken meat segment contributed 31.1% to the Group's total revenue for FY2011 and increased by 61.0% to approximately RMB420.9 million in FY2011. The increase was due to the recovering demand in the PRC market and the expanded production capacity of chilled and frozen chicken meat products following the acquisition of Kaijia Group, which has been discussed and explained under "Process food products" above.

Other Products

Due to the weaker demand from the PRC market, revenue derived from the production and sale of other products, mainly chicken and rabbit meat by-products and pet food products, decreased by 29.0% to approximately RMB121.6 million in FY2011, compared to approximately RMB171.2 million in FY2010. Pet food sales contributed over 50% to this segment with growth generated from Beijing and Shanghai markets in the PRC and overseas markets in Japan and Korea.

Management Discussion and Analysis

REVENUE BY GEOGRAPHICAL MARKETS

	FY2011 RMB'000	FY2010 RMB'000	% Change +/(-)
Export	486,337	430,541	13.0
PRC	867,060	586,329	47.9
Total	**1,353,397**	**1,016,870**	**33.1**

On a geographical basis, revenue from the export sales increased by 13.0% to approximately RMB486.3 million in FY2011. The increase in export sales was attributable mainly to the increase in demand for rabbit meat and processed food products.

PRC sales increased by 47.9% to approximately RMB867.1 million in FY2011. PRC sales achieved remarkable growth through continuous expansion of the Group's market share by optimizing its sales channels and stepping up its brand promotion.

Management Discussion and Analysis

PROFITABILITY

Gross Profit and Margin

	FY2011 RMB'000	FY2011 Margin %	FY2010 RMB'000	FY2010 Margin %	Change RMB'000	% Change +/(-)
Processed foods	59,257	11.6	31,776	8.4	27,481	86.5
Rabbit meat	40,958	13.7	25,479	12.3	15,479	60.8
Chicken meat	14,210	3.4	10,512	4.0	3,698	35.2
Other products	5,027	4.1	13,443	7.9	(8,416)	(62.6)
Total	**119,452**	**8.8**	**81,210**	**8.0**	**38,242**	**47.1**

Although the continuous rise in the raw material costs of chicken meat products and the overall staff costs was still a challenge faced by the Group during the year, the gross profit margin increased slightly from 8.0% to 8.8% in FY2011.

Processed Food Products

Processed food business was the largest profit contributor in FY2011. Gross profit increased by 86.5% to approximately RMB59.3 million and the gross profit margin increased from 8.4% to 11.6% in FY2011.

Chilled and Frozen Rabbit Meat

Gross profit increased by 60.8% to approximately RMB41.0 million. As the Group was able to control the cost of raw materials through its own supply of rabbit meat, the gross profit margin of chilled and frozen rabbit meat increased from 12.3% to 13.7%.

Chilled and Frozen Chicken Meat

The slight decline in gross profit margin of chilled and frozen chicken meat segment from 4.0% to 3.4% was due mainly to the increase in raw material prices and keen competition. As a result of the oversupply of chicken meat products from smaller plants in the PRC, the bargaining power on discount of bulk-purchase of raw materials had weakened. The production cost was affected by the fluctuation and the general increase in prices of raw materials.

Other Products

Other products are mainly chicken and rabbit meat by-products and pet food products. These are not the core profit drivers of the Group. Due to the fluctuation in prices of chicken and rabbit meat by-products, the gross profit margin decreased from 7.9% to 4.1%.

Other Income

Other income comprised mainly government grants, gain on change in fair value of biological assets and interest income from bank deposits amounting to approximately RMB20.7 million, approximately RMB5.2 million and approximately RMB3.1 million respectively. The rest was mainly minor income generated from sale of raw materials, mainly vegetables and food ingredients, to factories in Qingdao. The increase in other income was due to the increase of government grants provided by the Chinese government to support the Group's operations and business in Shandong and Jilin Provinces.

The decrease in interest income from bank deposits from RMB9.3 million to RMB3.1 million was due mainly to the lower average cash and bank balances maintained with the banks.

Management Discussion and Analysis

Selling and Distribution Costs

Selling and distribution expenses comprised mainly transportation costs, promotion costs and salary and welfare. The increase by 43.4% to approximately RMB36.2 million was primarily due to the increase in transportation and quality inspection costs as a result of higher sales volume in FY2011.

Administrative Expenses

Administrative expenses comprised mainly staff costs, professional fees, travelling expenses and other miscellaneous expenses. The increase of 16.0% to approximately RMB69.1 million was due mainly to higher cost of salaries and allowance expenses of the administrative staff in FY2011.

Other Operating Expenses

Other operating expenses represented miscellaneous expenses relating to the disposal of damaged packaging materials. As a result of the enhancement of the quality control on such materials, the expenses decreased by 30.8% to approximately RMB0.9 million in FY2011.

Finance costs

Finance costs increased by 46.3% to approximately RMB33.1 million in FY2011 were due mainly to the higher average bank borrowings level.

Taxation

The income tax expense was mainly as a result of the offsetting of the deferred tax liability and deferred tax asset, which arose from the fair value adjustment on property, plant and equipment, intangible assets and land use rights in the course of the acquisition of Kaijia Group.

Exchange loss, net

Since some of the Group's export sales transactions were originally invoiced in foreign currency, such as Japanese yen and US dollar, the appreciation of RMB against those currencies and the increase of sales in FY2011 increased the exchange loss significantly.

Review of the Group's Financial Position as at 31 December 2011

The Group's property, plant and equipment increased by 6.5% to approximately RMB595.3 million as at 31 December 2011 due mainly to an acquisition of equipment of approximately RMB80.3 million. This was offset by a depreciation charge of approximately RMB43.6 million.

The reduction in prepaid premium for land leases and intangible assets in FY2011 by approximately RMB3.2 million and approximately RMB5.4 million respectively. This was due mainly to amortisation. The intangible assets refer to the export licenses and hygiene registration certificates awarded by the relevant authorities in Japan and EU. The said licenses and certificates allow the Group to export its products to these countries.

Goodwill arising from the acquisitions of subsidiaries in the past.

Biological assets refer to progeny rabbits and progeny chickens for sale and breeder rabbits and chickens for breeding purpose. These biological assets were valued by an independent professional valuer as at 31 December 2011 with reference to market-determined prices.

Inventories increased by approximately RMB54.5 million to approximately RMB191.6 million in anticipation of an increase in demand in the first quarter of 2012. The inventory turnover days for FY2011 was 49 days compared to 42 days for FY2010. The Lunar New Year is traditionally the peak season for the Group. Since the Lunar New Year in 2012 was earlier than that in 2011, more inventories were produced to meet the expected increase of customer's need and this in turn increased the inventory turnover days for FY2011.

Trade receivables increased by approximately RMB9.4 million or 10.1% to approximately RMB102.6 million as at 31 December 2011. The increase was attributable to higher level of credit sales in line with the increase in business volume. The trade receivables turnover days decreased to 26 days in FY2011 compared with 32 days FY2010 due to the stepping up of collection efforts.

Prepayments, other receivables and deposits increased slightly by approximately RMB2.0 million or 3.9% to approximately RMB53.8 million as at 31 December 2011.

Management Discussion and Analysis

Cash and cash equivalents, including pledged deposits, increased by approximately RMB198.5 million to approximately RMB315.1 million was due mainly to the increase of bank borrowings acquired close to the year ended in 2011. Approximately RMB4.2 million of the bank deposits is for securing the interest-bearing borrowings by the Group.

Trade and bills payables increased by approximately RMB62.0 million to approximately RMB135.2 million as at 31 December 2011 due to the increase in purchase of raw materials to cater to the anticipated increase in demand in the first quarter of 2012.

Accrued liabilities and other payables received represented payables for construction and facilities, salary and welfare payables, accrued expenses and deposit received. The increase was due to the increase of deposits placed by customers compared to balance as at 31 December 2010.

The interest-bearing bank borrowings balance as at 31 December 2011 increased to approximately RMB500.4 million after taking into account the additional bank borrowing of approximately RMB553.9 million and the bank borrowings repayment of approximately RMB438.4 million during the year.

Amount due from/to a related company represented the cash advance received from KD Group and the outstanding balance resulting from the sales to KD Group.

To provide for the Group's additional working capital, KD Group had advanced approximately RMB100.0 million on March 2011 to the Group which is unsecured and interest-free. Approximately RMB20.0 million was repaid to KD Group on December 2011 and the remaining approximately RMB80.0 million was subsequently repaid to KD Group on January 2012.

Tax payables decreased slightly from approximately RMB2.1 million as at 31 December 2010 to approximately RMB1.9 million as at 31 December 2011. This was due to income tax paid during 2011.

CAPITAL STRUCTURE

During the year under review, the Group had net assets of approximately RMB704.8 million (31 December 2010: RMB689.9 million), comprising non-current assets of approximately RMB834.7 million (31 December 2010: RMB801.8 million), and current assets of approximately RMB694.5 million (31 December 2010: RMB433.1 million). The Group recorded a net current liability position of approximately RMB116.9 million (31 December 2010: RMB100.8 million) as at 31 December 2011, which primarily consist of cash and cash equivalents balances amounted to approximately RMB310.9 million (31 December 2010: RMB116.6 million). Moreover, inventories amounted to approximately RMB191.6 million (31 December 2010: RMB137.0 million) and trade receivables amounted to approximately RMB102.6 million (31 December 2010: RMB93.2 million) are also major current assets. Major current liabilities are trade and bills payables and interest-bearing bank borrowings amounted to approximately RMB135.2 million (31 December 2010: RMB73.2 million) and approximately RMB500.4 million (31 December 2010: RMB384.9 million) respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the Group has cash and cash equivalent of approximately RMB310.9 million (31 December 2010: RMB116.6 million) and had amount due to related company of approximately RMB86.5 million (31 December 2010: NIL) and interest-bearing bank borrowings of approximately RMB500.4 million (31 December 2010: RMB384.9 million). The Group's interest-bearing bank borrowings was fixed rate debts with interest rate ranging from 4.38% to 7.60% (31 December 2010: 3.26% to 5.58%) per annum.

The gearing ratio for the Group was 75.2% (31 December 2010: 58.9%) as at 31 December 2011, based on net debt of approximately RMB500.4 million (31 December 2010: RMB384.9 million) and equity attributable to Company's owners of approximately RMB665.2 million (31 December 2010: RMB653.0 million). The Group would serve its debts primarily with cash flow generated from its operation, seeking renewal of the outstanding bank borrowings and new banking facilities and exploring the availability of alternative source of financing. The Board is confident that the Group has adequate financial resources to meet its future debt repayment and support its working capital requirement and future expansion.

Management Discussion and Analysis

FOREIGN CURRENCY EXPOSURE

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

	USD RMB'000	EURO RMB'000	JPY RMB'000	SGD RMB'000	HK$ RMB'000
Financial assets					
Trade receivables	21,706	17,648	3,457	–	–
Cash and bank balances	119,644	4,943	–	23	55
Total	**141,350**	**22,591**	**3,457**	**23**	**55**
Financial liabilities					
Trade and bills payables	12,010	–	–	–	–
Total	**12,010**	**–**	**–**	**–**	**–**

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 2011, the capital commitment of the Group which had been contracted for but not provided in the financial statements was in the total amount of approximately RMB12.0 million (2010: RMB11.6 million).

CHARGE ON ASSETS

Total interest-bearing bank borrowings include secured liabilities of approximately RMB205,000,000 (2010: RMB195,000,000).

As at 31 December 2011, the Group's interest-bearing bank borrowings are secured against the pledge of certain of the Group's property, plant and equipment, land use rights and pledged deposits.

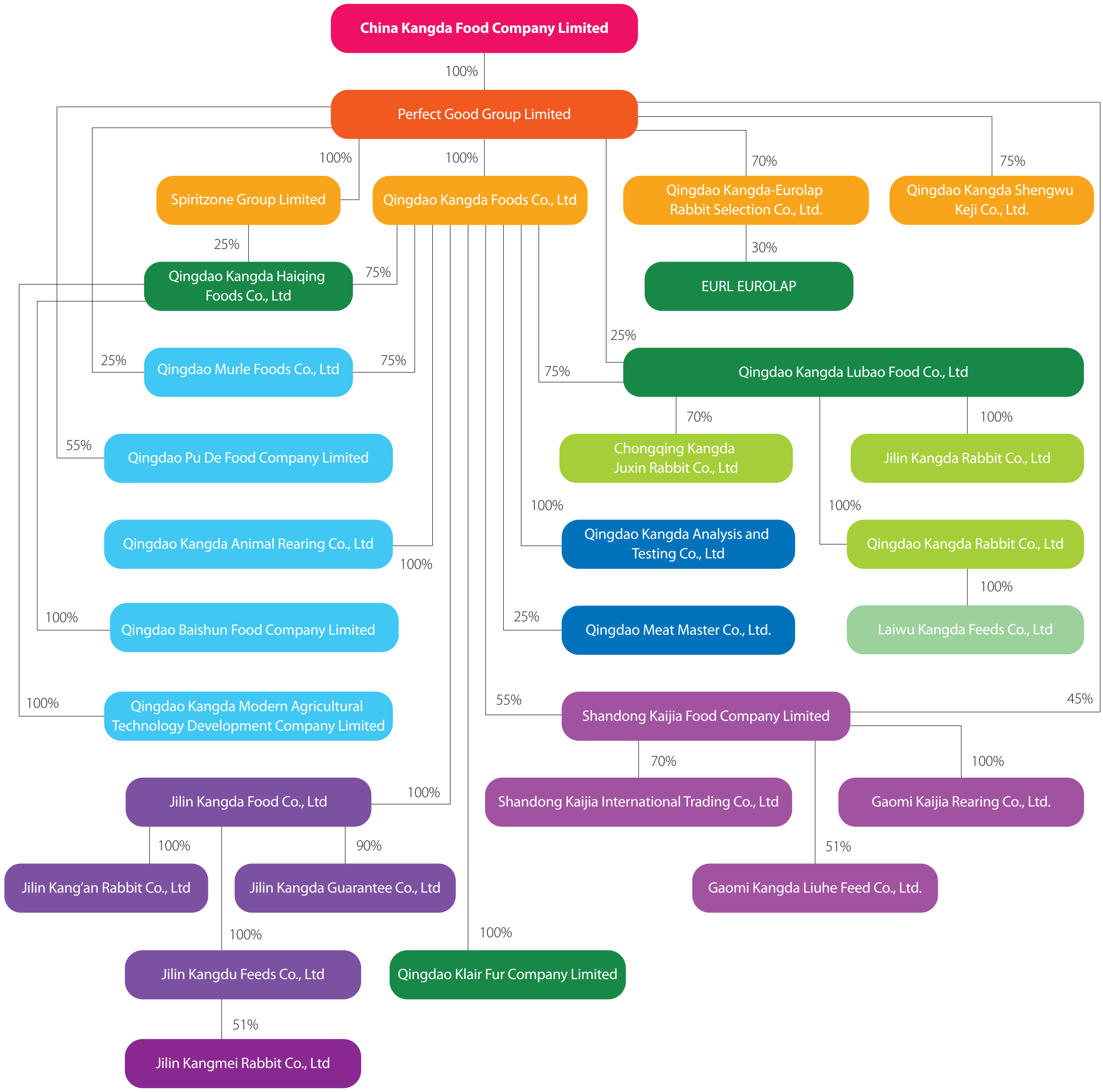
CONTINGENT LIABILITIES

As at 31 December 2011, the Group did not have any material contingent liabilities (31 December 2010: Nil).

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2011, the Group employed a total of 5,008 employees (2010: 4,056 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 RMB160.9 million (2010: RMB102.2 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 complied with all the applicable code provisions of the Code of Corporate Governance 2005 (the "**Singapore Code**") issued by the Council Corporate Disclosure and Governance, Singapore and 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 (where they are applicable, relevant and practicable to the Group). Any deviation from the guidelines of the Singapore Code and HK Code or areas of non-compliance would be explained accordingly.

BOARD OF DIRECTORS

(A) Board's Conduct of its Affairs

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

The principal functions of the Board are to:

1. approve the policy initiatives, strategies and financial objectives of the Group and monitoring the performance of Management towards achieving adequate shareholders' value;
2. approve annual budgets, major funding proposals, investment and divestment proposals, material acquisitions and disposal of assets and interested person transactions of a material nature;
3. oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance, including the release of financial results and timely announcements of material transactions;
4. declare of interim and final dividends, if applicable;
5. approve all Board appointments and appointment of key personnel;
6. assume responsibility for corporate governance;
7. prepare of financial statements which give a true and fair view of the Company for each financial period in accordance with the International Financial Reporting Standards; and
8. oversee the proper conduct of the Company's business.

The Board is supported by the Audit Committee (the "**AC**"), the Remuneration Committee (the "**RC**") and the Nominating Committee (the "**NC**") (collectively as "Board Committees"). These Board Committees function within clearly defined terms of reference and operating procedures which are reviewed on a regular basis. All Board Committees are chaired by an Independent Director and a majority of the members are Independent Directors. The composition and terms of reference of each Board Committees are described in this report. The Board accepts that while these Board Committees have the delegated power to make decisions, execute actions or make recommendations in their specific areas respectively and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility for the decisions and actions rest with the Board. The effectiveness of each Committee is also constantly monitored.

The Board meets on a quarterly basis. These meetings are scheduled in advance to facilitate the Directors' individual administrative arrangements in respect of ongoing commitments. Ad hoc meetings will be convened 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. When a physical Board or Board Committee meeting is not possible, timely communication with members of the Board or Board Committee can be achieved through electronics means or the circulation of written resolution for approval by the relevant members of the Board or Board Committees.

Corporate Governance Report

The approval of the Board is required for any matters which is 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 Board believes that when taking decisions, all Directors of the Board act objectively and for the interest of the Company.

The day-to-day management, administration and operation of the Group are taken by the executive Board members and which are to be delegated to management. Each Executive Director 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 Board Committee meetings, held for the year ended 31 December 2011 ("**FY2011**") are set out in the table below:

Meetings of	**Board**	**AC**	**NC**	**RC**
Total held in 2011	*4*	*5*	*1*	*1*
		Attendance Record		
Gao Sishi	2	N/A	N/A	1
Gao Yanxu	4	N/A	1	N/A
An Fengjun	3	N/A	N/A	N/A
Zhang Qi	4	5	N/A	N/A
Naoki Yamada *	3	2	1	1
Kuik See Juan	3	5	1	1
Sim Wee Leong	4	5	1	1
Yu Chung Leung	4	5	1	1

* Mr. Yamada was appointed as a Director of the Company and Remuneration Committee member on 29 April 2011. He was appointed an Audit Committee member on 12 August 2011.

Newly appointed directors will be briefed on the Group's business activities, strategic direction and regulatory environment in which the Group operates. They will also have the opportunity to visit the Group's operational facilities and to meet with the Management so as to gain a better understanding of the Group's business operations. They will be provided with a letter of appointment setting out their duties, obligations and terms of appointment. Directors who do not have prior experience or are not familiar with the duties and obligations required of a Director of a listed company in Singapore, will undergo the necessary training and briefing. The Board is updated on amendments and requirements of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), and other statutory requirements from time to time.

(B) Board Composition

The Board comprises eight Directors, with two Executive Directors, three 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
Naoki Yamada

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

Corporate Governance Report

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

During FY2011, the Board met the requirements of the Hong Kong Listing Rules related 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 NC, which is responsible for reviewing the independence of each Director on an annual basis, has adopted the Singapore Code's definition of what constitutes an independent director and guidelines as to relationships which would deem a director not to be independent. In addition, the NC requires each Non-Executive Director to state whether he considers himself independent despite having any of the relationships identified in the Singapore Code which would deem him to be not independent.

The NC and the Board have received the annual written confirmations of independence from all the Independent Non-Executive Directors pursuant to Rule 3.13 of the Hong Kong Listing Rules and the Singapore Code. The NC and the Board are of the view that all the Independent Non-Executive Directors 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 which the Group may tap on for assistance in furthering its business objectives and shaping its business strategies. The NC also strives to ensure that the size of the Board is conducive to facilitate effective discussions and decision-making. The diversity of the Directors' background allows for useful exchange of ideas and views. The NC with the concurrence of the Board considers the current Board size of eight as appropriate, having regard to the nature 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 power and authority such that no one individual represents a considerable concentration of power.

The Non-executive Chairman of the Group is Mr. Gao Sishi, who is the founder of the Group. As Chairman, Mr. Gao Sishi, bears the responsibility for the effective working of the Board. He ensures that the Board meetings are held when necessary, setting the Board agenda in consultation with the Group's CEO and the Chief Financial Officer ("**CFO**")/Company Secretary and that the Directors receive accurate timely and clear information. In addition to making sure that effective communication is achieved with shareholders, he acts as facilitator to Non-executive Directors for them to contribute effectively to the Group. He is responsible for encouraging constructive relations between the Management of the Company and the Board as well as between the Executive Directors and Non-Executive Directors.

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

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. All major decisions made by the Chairman and the CEO are reviewed by the Board. Their performance and appointment to the Board are reviewed by the NC and remuneration packages by the NC. Both the NC & RC are chaired by respective Directors.

Corporate Governance Report

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 directly 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. determine the process for selection and appointment of new Directors to the Board including disclosure on the search and nomination process;

2. review nominations for the appointment, including re-elections to the Board, having regard to the Directors' contribution and performance;

3. ensure that all Directors submit themselves for re-election at regular intervals;

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

5. review and evaluate whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company, having regard to the competing time commitments when serving on multiple Boards; and

6. review on an annual basis the independence of Directors bearing in mind the circumstances set forth in the Hong Kong Code and Singapore Code and any other salient factors.

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. The NC will make its recommendation to the Board after its review.

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

Corporate Governance Report

Each of the Independent Non-Executive Director's, Mr. Yu Chung Leung, Mr. Kuik See Juan and Mr. Sim Wee Leong were appointed for a term of 1 year. Their appointment may be terminated by either party giving at least one month's written notice or in accordance with the terms of the appointment letters.

The Executive Directors, Mr. Gao Yanxu and Mr. An Fengjun were appointed for a period of one year. Their appointment may be terminated by either party giving at least one month's notice or in accordance with the terms of the service agreements.

Pursuant to its Terms of Reference, the NC is required to determine if a director has been adequately carrying out the duties as a Director of the Company, particular if he has multiple Board representation. In view of this, the NC having considered the annual written confirmations from all the Non-Executive Directors, concluded that such multiple Board representations, if any, do not hinder each Director from carrying out his duties as a Director of the Company.

Mr. Naoki Yamada's term of service commences from 29 April 2011 to 25 August 2012.

During FY2011, the NC made recommendations to the Board for the re-election 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.

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

(a) Under bye-law 86(1):

- Mr. An Fengjun
- Mr. Kuik See Juan
- Mr. Yu Chung Leung

(b) Under bye-law 85(6):

- Mr. Naoki Yamada

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

Each member of the NC had abstained from voting on any resolutions and making any recommendations/participating in any deliberations of the NC in respect of his re-nomination as Director.

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

For the year under review, the NC had conducted a Board performance evaluation. The results of the Board performance evaluation were collated and presented to the NC for discussion with comparatives from the previous year's results. The NC was generally satisfied with the results of the Board performance evaluation for FY2011, which indicated areas of strengths and those that could be improved further. No significant problems were identified. The NC had presented the results to Board members who agreed to work on those areas that could be improved further. The NC will continue to review its procedure, effectiveness and development from time to time.

Corporate Governance Report

(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 complete, adequate and timely information on Board affairs and issues to enable them to participate at the meetings and make informed decisions. Information provided included background or explanations relating to matters to be brought before the Board and copies of disclosure documents.

The CEO keeps Board members abreast of key developments affecting the Group as well as material transactions in order that the Board is fully aware of the affairs of the Group. Management provides reports and financial statements to the Board on a regular basis. Board and Board Committees papers are sent to Directors at least three working days before such meeting so that the Directors may better understand the matter prior to the meeting and discussions may be focused on questions that the Directors have on these matters. Financial highlights of the Group's performance and developments are presented on a quarterly basis at Board Meetings. The CEO and senior management are present at these presentations to address any queries which the Board may have.

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

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
Naoki Yamada

The principal functions of the RC are to:

1. review and recommend to the Board a framework of remuneration for the Board and key executives;
2. review and recommend the Directors' fees for Non-Executive Directors, which are subject to shareholders' approval at the AGM;
3. assess and recommend the terms of executive Directors' service contracts; and
4. recommend to the Board on share option or long term incentive schemes which may be set up from time to time.

Corporate Governance Report

The RC had reviewed the letters of appointment of the Non-Executive Directors, Mr. Gao Sishi, Mr. Zhang Qi, Mr. Naoki Yamada, Mr. Kuik See Juan, Mr. Yu Chung Leung 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 been renewed from 26 August 2011 to 25 August 2012 while the term of office of Mr. Zhang Qi, Mr. Kuik See Juan and Mr. Sim Wee Leong had also been renewed on 26 August 2011 and would expire on 25 August 2012. Mr. Yu Chung Leung's term of office had been renewed on 22 December 2011 and would expire on 21 December 2012. Mr. Naoki Yamada's term of office was from 29 April 2011 and would expire on 25 August 2012. The RC, having regard to the contribution and performance of each Director, had recommended that their terms of office be renewed as above. The Board had accepted the RC's recommendation.

The RC had recommended to the Board an amount of S$132,000 (equivalent to RMB646,000) as Directors' fees for FY2011. 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.

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

Disclosure on remuneration

The breakdown of each individual Director's remuneration, in percentage terms showing the level and mix for FY2011, are as follows:

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

Mr. Gao Yanxu, is the nephew of Mr. Gao Sishi. Other than this disclosure, there is no employee of the Group who is an immediate family member of a Director or the CEO and whose remuneration exceeds S$150,000 during the year.

Details of remuneration paid to the top 5 executives of the Group (who are not Directors) for the year ended 31 December 2011 are set our below:

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

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

Corporate Governance Report

(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.

(H) Audit Committee ("AC")

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

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

Mr. Sim Wee Leong, Mr. Kuik See Juan, Mr. Naoki Yamada and Mr. Yu Chung Leung have appropriate accounting professional qualifications and/or related management expertise or experience as the Board interprets such qualification to discharge their responsibilities.

The principal functions of the AC are to:

1. review the 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 scope, audit plans and audit reports as well as any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulation, which has or is likely to have a material impact on the Group's operating results or financial position, and Management's response thereto to satisfy itself that adequate measures are in place to identify and mitigate any material business risks associated with the Group;

3. approve the internal audit plans and review results of internal audit made by internal auditors as well as Management's responses to the recommendations from the internal auditors and to ensure that the internal control recommendations have been implemented by the Management;

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 cost effectiveness of the audit, independence and objectivity of the external auditors annually;

8. appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors;

9. potential aspects of interests, if any;

10. undertake such other functions and duties as may be required by the statute or the Listing Manual of the SGX-ST and the Hong Kong Listing Rules; and

11. and to ensure the Board is in a position to comment on the adequacy of the internal controls of the Group.

Corporate Governance Report

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

The AC meets at least four times a year and when deemed appropriate to carry out its functions as sets out under its terms of reference. The AC has full access to and the co-operation of Management, has full discretion to invite any Directors and executive officers to attend its meetings, and has reasonable adequate resources to enable it to discharge its functions. 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 FY2011 to discuss and review the following matters:

1. 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 to make recommendation to the Board for improvement of internal control and risk management;

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

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

6. the related party transactions, 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.

For FY2011, 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 work. The AC had conducted a review of the audit and non-audit services provided by the external auditors and approved the following fees amounting to RMB1,473,000:

	2011 **RMB'000**
Audit fee	**1,346**
Non-audit fee	**127**

In view of this, the AC is of the opinion that the non-audit services provided by the external auditors would not affect their independence.

The external auditors had also confirmed their independence in this respect.

The AC confirmed that the Company had complied with Rule 715 of the SGX-ST Listing Manual in relation to the appointment of the same auditing firm based in Singapore to audit its accounts, its Singapore-incorporated subsidiaries and significant associated companies, its foreign-incorporated subsidiaries and associated companies.

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 was no whistle-blowing report for FY2011.

Corporate Governance Report

The AC has recommended to the Board the nomination of BDO Limited, Certified Public Accountants, Hong Kong ("BDO HK") for re-appointment as auditors of the Company at its forthcoming AGM. To comply with Rule 712 of the SGX-ST Listing Manual, the AC has also recommended that BDO LLP, Certified Public Accountants, Singapore to be appointed as auditors of the Company, to act jointly with BDO HK, at the forthcoming AGM.

(I) Internal Controls and Internal Audit

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

The Company does not have a Risk Management Committee. However, Management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant control policies and procedures and highlights all significant matters to the Directors and AC.

The Group has outsourced the internal audit function to Reanda, Certified Public Accountants. The internal audit of the Group covers the review of financial, operational and compliance controls and risk management functions of the Group. Non-compliance and internal control weaknesses noted during internal audits and the recommendations thereof are reported to the AC as part of the Group's internal control system.

The internal auditors report directly to the AC.

Based on the reports from the internal auditors and the concurrence of the Audit Committee, the Board is satisfied that there are reasonably adequate internal control to address the financial operational and compliance risks as at 31 December 2011 for the nature and size of the Group's operations and business, pursuant to Rule 1207(10) of the SGX-ST Listing Manual. The Management continues to focus on improving the standard of internal controls and corporate governance.

The Group's financial risk management is disclosed under Note 37 of the Notes to the Financial Statements on pages 94 to 102 of this Annual Report.

Corporate Governance Report

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

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

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

(a) publication of 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 2011 was approximately S$51,953,760 (issued share capital: 432,948,000 shares at closing market price: S$0.12 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-laws, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the 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.

Corporate Governance Report

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 required standard as set out in the Model Code and the SGX-ST Listing Rule 1207(18) for FY2011.

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. The Group confirmed that it has adhered to its policy for securities transactions for FY2011.

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 obtained from shareholders during FY2011 is provided below:

(in RMB'000)

	Year ended 31 December 2011	
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 its subsidiaries ("**KD Trading Group**") (Note 1)	Nil	632
Advances from KD Trading Group (Note 2)	100,000	Nil
Rental expenses paid to related companies	344	Nil
Guarantees given by the KD Trading Group in connection with bank loans granted to the Group	100,000	Nil

Notes:

1. These are the sales of the Group's products to KD Trading Group, including Qingdao Kangda Shidai Property Development Co., Ltd., for FY2011.

2. KD Trading Group had advanced approximately RMB100.0 million to the Group which is unsecured and interest-free for the year ended 31 December 2011 of which RMB20 million has been repaid by the Group before 31 December 2011.

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 FY2011 as required to be reported under Rule 1207 (8) of the Listing Manual of SGX-ST.

Corporate Governance Report

FINANCIAL REPORTING

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Group, in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinances and the Hong Kong Listing Rules. In preparing the financial statements for FY2011, 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 2011.

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 FY2011, 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 2011.

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.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 December 2011 and the state of affairs of the Group and the Company as at that date are set out in the financial statements on pages 43 to 103.

The Board of Directors (the "**Board**") did not recommend any dividend for the year ended 31 December 2011.

Directors' Report

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	**2011**	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000
Revenue	**1,353,397**	1,016,870	750,841	943,426	728,407
Profit before tax	**11,316**	794	28,345	97,277	112,907
Income tax (expense)/credit	**(2,568)**	1,212	2,451	(12,662)	(3,011)
Profit for the year	**8,748**	2,006	30,796	84,615	109,896
Other comprehensive income	**–**	–	–	–	–
Total comprehensive income for the year	**8,748**	2,006	30,796	84,615	109,896
Profit for the year attributable to:					
Owners of the Company	**12,240**	3,383	30,355	85,643	109,852
Non-controlling interests	**(3,492)**	(1,377)	441	(1,028)	44
	8,748	2,006	30,796	84,615	109,896

	As at 31 December				
ASSETS AND LIABILITIES	**2011**	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000
Non-current assets	**834,738**	801,763	433,789	310,989	161,344
Current assets	**694,482**	433,061	466,017	657,482	527,729
TOTAL ASSETS	**1,529,220**	1,234,824	899,806	968,471	689,073
Current liabilities	**811,348**	533,874	225,476	337,392	101,597
Non-current liabilities	**13,024**	11,015	9,759	2,030	–
TOTAL LIABILITIES	**824,372**	544,889	235,235	339,422	101,597
NET ASSETS	**704,848**	689,935	664,571	629,049	587,476

PROPERTY, PLANT AND EQUIPMENT

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

INTEREST-BEARING BANK BORROWINGS

Particulars of interest-bearing bank borrowings of the Group as at 31 December 2011 are set out in note 30 to the financial statements.

Directors' Report

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 33 to the financial statements.

PRE-EMPTIVE RIGHTS

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

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the Statements of Changes in Equity on page 46 to page 47 of the annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2011, the Company's reserves available for distribution, calculated in accordance with the provision of laws of Bermuda, amounted to approximately RMB263,216,000 (2010: approximately RMB263,216,000). The balance of approximately RMB257,073,000 (2010: approximately RMB257,073,000) in the share premium account may be distributed in the form of fully paid bonus shares.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's Shares during the year (in 2010: Nil).

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.

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' Report

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
Naoki Yamada – appointed on 29 April 2011

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

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

(i) Bye-Law 86(1)

- Mr. An Fengjun
- Mr. Kuik See Juan
- Mr. Yu Chung Leung

(ii) Bye-Law 85(6)

- Mr. Naoki Yamada

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 Rules Governing the Listing of Securities (the "Hong Kong Listing Rules") and all the applicable code provisions of the code Corporate Governance 2005 (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

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

Mr. Gao Yanxu – 26 August 2011 to 25 August 2012
Mr. An Fengjun – 26 August 2011 to 25 August 2012

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

Directors' Report

Under the ED Service Contracts, each of Mr. Gao Yanxu and Mr. An Fengjun is entitled to a monthly salary of RMB41,667 and RMB41,667, 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.

Independent Non-executive Directors

Each of Mr. Kuik See Juan and Mr. Sim Wee Leong has signed appointment letters (the "**INED Appointment Letters**") with the Company, which had been renewed for a year up to 25 August 2012, unless otherwise terminated by either party giving not less than one month's notice in writing to the other or in accordance with the terms of the appointment letter.

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

Mr. Yu Chung Leung has signed an appointment letter with the Company which had been renewed for a year up to 26 August 2012 unless otherwise terminated by either party giving not less than one month's notice in writing to the other or in accordance with the terms of the appointment letter. Under the appointment letter, Mr. Yu Chung Leung is entitled to a remuneration of RMB180,000 per annum.

Non-executive Directors

Both Mr. Gao Sishi, and Mr. Zhang Qi have each signed appointment letters with the Company, which had been renewed up to 25 August 2012, unless otherwise terminated by either party giving not less than one month's notice in writing to the other or in accordance with the terms of the appointment letter. Mr. Naoki Yamada has signed a letter of appointment with the Company on 29 April 2011. His term will expire on 25 August 2012 unless otherwise terminated by either party giving not less than one month's notice in writing to the other or in accordance with the terms of the appointment letter. None of the Non-executive Directors will receive any directors' fee under the appointment letters.

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

CONTRACTS OF SIGNIFICANCE

Save as those disclosed in the sub-sections headed "Directors' Services Contracts" above and "Interested Person Transactions, Connected Transactions and Continuing Connected Transactions" below, and note 39 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' Report

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 2011, 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
Naoki Yamada	–	–	–	–	–	–
An Fengjun	–	–	–	–	–	–
Kuik See Juan	–	–	–	–	–	–
Sim Wee Leong	–	–	–	–	–	–
Yu Chung Leung	–	–	–	–	–	–
	189,960,000	–	–	–	189,960,000	43.9

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

	Held in Name of Director		Deemed Interest	
Name of Director	**1/1/2011**	**21/1/2012 and 31/12/2011**	**1/1/2011**	**21/1/2012 and 31/12/2011**
Gao Sishi	166,740,000	166,740,000	–	–
Gao Yanxu	14,310,000	14,310,000	–	–
Zhang Qi	8,910,000	8,910,000	–	–
Naoki Yamada	–	–	–	–
An Fengjun	–	–	–	–
Kuik See Juan	–	–	–	–
Sim Wee Leong	–	–	–	–
Yu Chung Leung	–	–	–	–
	189,960,000	189,960,000	–	–

There was no change in any of the above mentioned interests between the end of the financial year end and 21 January 2012.

Directors' Report

SUBSTANTIAL SHAREHOLDERS' INTERESTS UNDER THE SFO

As at 31 December 2011, 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 Substantial Shareholder (Note 1)	**Capacity/nature of interests**	**Number of Shares held** (Note 1)	**Approximate percentage of issued share capital** (%)
Cheng Xiutai (Note 2)	Registered and beneficial owner	33,324,000	7.7
Proven Choice Group Limited (Note 3)	Registered and beneficial owner	28,000,000	6.5
Huang Quan (Note 3)	Deemed interests	28,000,000	6.5
Zensho Holdings Co., Ltd. (Note 4)	Registered and beneficial owner	43,307,000	10.0

Notes:

1. Information was provided by substantial shareholder.

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

3. Proven Choice Group Limited is wholly-owned by Huang Quan who is not related to any of the Directors or Shareholders. As such, Huang Quan is deemed to be interested in the 28,000,000 shares held by Proven Choice Group Limited under Part XV of the SFO.

4. Zensho Holdings Co., Ltd. is an independent third party and is a listed company in Japan.

Save as disclosed above, the Directors were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as at 31 December 2011, 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 17 to 19 of the Annual Report.

INTERESTED PERSON TRANSACTIONS, CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Details of the interested person transactions (as defined under the Listing Manual of the SGX-ST) for the year under review are set out on page 28 of this Annual Report and connected transactions (as defined under the Hong Kong Listing Rules) for the year under review are set out as below.

The Group has entered into the following continuing connected transactions (the "**Transactions**") as defined under the Hong Kong Listing Rules. These continuing connected transactions between certain connected parties (as defined in the Hong Kong Listing Rules) and the Group also constituted certain related party transactions as disclosed in note 39 to the financial statements.

- The Group entered into 8 lease agreements dated between 1 January 2005 to 31 October 2008 either as tenant (collectively the "**Lease Agreements**") with various connected persons (as defined under the Hong Kong Listing Rules) including Qingdao Kangda Foreign Trade Group Company Limited ("KD Trading Company") with annual rent ranging from RMB2,400 to RMB218,880. The terms of the Lease Agreements will expire between 31 July 2011 and 31 December 2024. The total amount of rent paid by the Group for the year ended 31 December 2011 amounted to approximately RMB344,000 (2010: RMB384,000).

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' Report

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Mr. Gao Sishi is directly and indirectly interested in KD Trading Company, which 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:

- 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. 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 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 had any actual operation in food processing business during the year and up to the date of this report. The Directors also are not aware that any KD Trading 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 17 to 29 of the Annual Report.

Directors' Report

AUDITOR

Due to a merger of the businesses of Grant Thornton ("**GTHK**"), now known as JBPB & Co. and BDO Limited ("**BDO HK**") to practise in the name of BDO HK as announced on 26 November 2010, GTHK resigned and BDO HK was appointed as auditor of the Company effective from 8 December 2010. Save as aforesaid, there was no change in auditor during the past three years.

BDO HK retire and, being eligible, offer themselves for re-appointment. The following resolution will be proposed at the forthcoming Annual General Meeting of the Company to the appointment of auditors of the Company for the ensuring year until the next Annual General Meeting in 2013.

"To re-appoint BDO Limited, Certified Public Accountants, Hong Kong ("BDO HK") as auditors of the Company to satisfy the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited and to appoint BDO LLP, Certified Public Accountants, Singapore* ("BDO LLP") as auditors to act jointly with BDO HK for the purpose of compliance with Rule 712 of the Listing Manual of the Singapore Exchange Securities Trading Limited and to authorise the Directors to fix their remuneration.

* BDO LLP is a member of BDO International in Singapore."

On behalf of the Board,

Gao Sishi
Chairman

Gao Yanxu
Executive Director

30 March 2012

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 Consolidated Statement of Financial Position, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows of the Group and the Statement of Financial Position and Statement of Changes in Equity of the Company, together with the notes thereto, are drawn up 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 2011 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year then ended; and

(ii) as at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The financial statements for the year ended 31 December 2011 were authorised for issued by the Board of Directors on the date stated hereunder.

Gao Sishi
Chairman

Gao Yanxu
Executive Director

30 March 2012

Independent Auditor's Report

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TO THE SHAREHOLDERS OF CHINA KANGDA FOOD COMPANY LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Kangda Food Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 43 to 103, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated and company statements of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 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.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 3(b) to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. The Group's current liabilities exceeded its current assets by approximately RMB116,866,000 as at 31 December 2011. This condition, along with other matters as set forth in note 3(b), indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

BDO Limited
Certified Public Accountants
Tsui Ka Che, Norman
Practising Certificate no. P05057

Hong Kong, 30 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Revenue	7	**1,353,397**	1,016,870
Cost of sales		**(1,233,945)**	(935,660)
Gross profit		**119,452**	81,210
Other income	7	**31,543**	28,517
Selling and distribution costs		**(36,195)**	(25,240)
Administrative expenses		**(69,073)**	(59,531)
Other operating expenses		**(871)**	(1,258)
Profit from operations	8	**44,856**	23,698
Finance costs	9	**(33,097)**	(22,624)
Share of loss of associates		**(443)**	(280)
Profit before taxation		**11,316**	794
Income tax (expense)/credit	10	**(2,568)**	1,212
Profit for the year		**8,748**	2,006
Other comprehensive income		**–**	–
Total comprehensive income for the year		**8,748**	2,006
Profit for the year attributable to:			
Owners of the Company		**12,240**	3,383
Non-controlling interests		**(3,492)**	(1,377)
		8,748	2,006
Total comprehensive income attributable to:			
Owners of the Company		**12,240**	3,383
Non-controlling interests		**(3,492)**	(1,377)
		8,748	2,006
Earnings per share for profit attributable to owners of the Company during the year	13		
Basic (RMB cents)		**2.83**	0.8
Diluted (RMB cents)		**N/A**	N/A

Statements of Financial Position

As at 31 December 2011

	Notes	Group 2011 RMB'000	Group 2010 RMB'000	Company 2011 RMB'000	Company 2010 RMB'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	15	**595,347**	559,186	**8**	10
Prepaid premium for land leases	16	**125,849**	129,031	**–**	–
Intangible assets	17	**3,171**	8,592	**–**	–
Investments in subsidiaries	18	**–**	–	**84,144**	84,144
Interest in associates	19	**3,459**	3,902	**–**	–
Goodwill	20	**59,428**	59,428	**–**	–
Biological assets	21	**32,935**	27,653	**–**	–
Deferred tax assets	22	**14,549**	13,971	**–**	–
Total non-current assets		**834,738**	801,763	**84,152**	84,154
Current assets					
Biological assets	21	**31,384**	21,598	**–**	–
Inventories	23	**191,552**	137,039	**–**	–
Trade receivables	24	**102,592**	93,182	**–**	–
Prepayments, other receivables and deposits	25	**53,849**	51,804	**95**	88
Amount due from a related company	31	**–**	12,795	**–**	–
Amounts due from subsidiaries	26	**–**	–	**133,682**	277,982
Pledged deposits	27	**4,171**	–	**–**	–
Cash and cash equivalents	27	**310,934**	116,643	**113,521**	306
Total current assets		**694,482**	433,061	**247,298**	278,376
Current liabilities					
Trade and bills payables	28	**135,223**	73,200	**–**	–
Accrued liabilities and other payables	29	**86,408**	72,839	**586**	652
Interest-bearing bank borrowings	30	**500,430**	384,902	**–**	24,902
Amount due to a related company	31	**86,527**	–	**–**	–
Deferred government grants	32	**891**	791	**–**	–
Tax payables		**1,869**	2,142	**–**	–
Total current liabilities		**811,348**	533,874	**586**	25,554
Net current (liabilities)/assets		**(116,866)**	(100,813)	**246,712**	252,822
Total assets less current liabilities		**717,872**	700,950	**330,864**	336,976
Non-current liabilities					
Deferred government grants	32	**13,024**	11,015	**–**	–
Total non-current liabilities		**13,024**	11,015	**–**	–
Net assets		**704,848**	689,935	**330,864**	336,976

Statements of Financial Position

As at 31 December 2011

		Group		Company	
		2011	2010	**2011**	2010
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
EQUITY					
Equity attributable to the Company's owners					
Share capital	33	**112,176**	112,176	**112,176**	112,176
Reserves		**553,029**	540,789	**218,688**	224,800
		665,205	652,965	**330,864**	336,976
Non-controlling interests		**39,643**	36,970	**–**	–
Total equity		**704,848**	689,935	**330,864**	336,976

Gao Sishi
Director

Gao Yanxu
Director

Statements of Changes in Equity

For the year ended 31 December 2011

Group

	Equity attributable to the Company's owners								
	Share capital RMB'000	Share premium* RMB'000	Merger reserve* (note 34) RMB'000	Capital redemption reserve* (note 34) RMB'000	Other reserves* (note 34) RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2010	112,176	257,073	(41,374)	2,374	38,782	280,551	649,582	14,989	664,571
Contribution from a non-controlling shareholder	–	–	–	–	–	–	–	4,740	4,740
Acquisition of a subsidiary (note 35)	–	–	–	–	–	–	–	18,618	18,618
Transactions with owners	–	–	–	–	–	–	–	23,358	23,358
Profit for the year	–	–	–	–	–	3,383	3,383	(1,377)	2,006
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	3,383	3,383	(1,377)	2,006
Transfer to other reserves	–	–	–	–	3,036	(3,036)	–	–	–
At 31 December 2010 and 1 January 2011	112,176	257,073	(41,374)	2,374	41,818	280,898	652,965	36,970	689,935
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	6,165	6,165
Transactions with owners	–	–	–	–	–	–	–	6,165	6,165
Profit for the year	–	–	–	–	–	12,240	12,240	(3,492)	8,748
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	12,240	12,240	(3,492)	8,748
Transfer to other reserves	–	–	–	–	2,299	(2,299)	–	–	–
At 31 December 2011	**112,176**	**257,073**	**(41,374)**	**2,374**	**44,117**	**290,839**	**665,205**	**39,643**	**704,848**

* The consolidated reserves of the Group of approximately RMB553,029,000 as at 31 December 2011 (2010: approximately RMB540,789,000) as presented in the Group's statement of financial position comprised these reserve accounts.

Statements of Changes in Equity

For the year ended 31 December 2011

Company

	Share capital RMB'000	Share premium** RMB'000	Merger reserve** (note 34) RMB'000	Capital redemption reserve** (note 34) RMB'000	Accumulated losses** RMB'000	Total equity RMB'000
At 1 January 2010	112,176	257,073	6,143	2,374	(30,412)	347,354
Transactions with owners	–	–	–	–	–	–
Loss for the year	–	–	–	–	(10,378)	(10,378)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	(10,378)	(10,378)
At 31 December 2010 and 1 January 2011	112,176	257,073	6,143	2,374	(40,790)	336,976
Translation with owners	–	–	–	–	–	–
Loss for the year	–	–	–	–	(6,112)	(6,112)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	(6,112)	(6,112)
At 31 December 2011	**112,176**	**257,073**	**6,143**	**2,374**	**(46,902)**	**330,864**

** The reserves of the Company of approximately RMB218,688,000 as at 31 December 2011 (2010: approximately RMB224,800,000) as presented in the Company's statement of financial position comprised these reserve accounts.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	**2011 RMB'000**	2010 RMB'000
Cash flows from operating activities			
Profit before taxation		**11,316**	794
Adjustments for :			
Interest income	7	**(3,093)**	(9,301)
Interest expenses	9	**33,097**	22,624
Gains arising from changes in fair value less estimated point-of-sale costs of biological assets, net	7	**(5,223)**	(9,694)
Depreciation of property, plant and equipment	8	**43,622**	32,553
(Gain)/Loss on disposal of property, plant and equipment	8	**(213)**	970
Amortisation of prepaid premium for land leases	8	**3,182**	2,337
Amortisation of deferred income on government grants	7	**(891)**	(791)
Amortisation of intangible assets	8	**5,421**	6,104
Share of loss of associates		**443**	280
Operating profit before working capital changes		**87,661**	45,876
Increase in inventories		**(54,513)**	(43,251)
(Increase)/Decrease in trade receivables		**(9,410)**	3,970
Decrease/(Increase) in amounts due from related companies		**12,795**	(12,795)
Increase in prepayments, other receivables and deposits		**(2,045)**	(26,444)
Increase in biological assets		**(9,845)**	(6,536)
Increase in trade and bills payables		**62,023**	9,651
Increase/(Decrease) in accrued liabilities and other payables		**13,569**	(92,887)
Increase/(Decrease) in amount due to a related company		**6,527**	(21,607)
Cash generated from/(used in) operations		**106,762**	(144,023)
Interest paid		**(33,097)**	(22,624)
Income taxes paid		**(3,419)**	(1,122)
Net cash generated from(/used in) operating activities		**70,246**	(167,769)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(80,347)**	(94,064)
Proceeds from disposal of property, plant and equipment		**777**	190
Arising from acquisition of subsidiaries (net of cash and cash equivalents acquired)	35	**–**	(123,891)
Investment in an associate		**–**	(3,500)
Proceeds from sale of a subsidiary (net of cash and cash equivalents disposed)		**–**	944
Receipt of deferred government grants	32	**3,000**	2,180
Interest received		**3,093**	9,301
Increase in pledged deposits		**(4,171)**	–
Net cash used in investing activities		**(77,648)**	(208,840)

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Cash flows from financing activities			
Capital contribution from non-controlling shareholders		**6,165**	4,740
Advance from a related company		**100,000**	–
Repayment to a related company		**(20,000)**	–
New bank borrowings		**553,900**	305,512
Repayment of bank borrowings		**(438,372)**	(84,884)
Net cash generated from financing activities		**201,693**	225,368
Net increase/(decrease) in cash and cash equivalents		**194,291**	(151,241)
Cash and cash equivalents at 1 January		**116,643**	267,884
Cash and cash equivalents at 31 December		**310,934**	116,643
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**310,934**	116,643

Notes to the Financial Statements

31 December 2011

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 as the "Group") are set out in note 18 to the financial statements.

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

The financial statements for the year ended 31 December 2011 were approved for issue by the board of directors on 30 March 2012.

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

(a) Adoption of new/revised IFRSs – effective 1 January 2011

In the current year, the Group has applied for the first time the following revision and amendment to standards and interpretations 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 2011:

IFRSs (Amendments)	Improvements to IFRSs 2010
IFRS 24 (Revised)	Related Party Disclosures

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

IFRS 3 (Amendments) – Business Combinations

As part of the Improvements to IFRSs issued in 2010, IFRS 3 has been amended to clarify that the option to measure non-controlling interests ("NCI") at either fair value or the NCI's proportionate share in the recognised amounts of the acquiree's identifiable net assets is limited to instruments that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of NCI are measured at their acquisition date fair value unless another measurement basis is required by IFRSs. The Group has amended its accounting policies for measuring NCI but the adoption of the amendment has had no impact on the Group's financial statements as the Group did not have any business acquisition in current year.

IFRS 7 (Amendments) – Financial Instruments: Disclosures

As part of the Improvements to IFRSs issued in 2010, IFRS 7 has been amended to enhance the interaction between quantitative and qualitative disclosures. If the carrying amount of a financial asset best represents the maximum exposure to credit risk, the standard does not require a positive statement with a table to this effect in the financial statements. This amended disclosure requirement has been applied retrospectively. The prior year financial statements included a positive statement with a table to this effect which is removed in the 2011 financial statements following the amendments. The adoption of the amendments has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

Notes to the Financial Statements

31 December 2011

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

(a) Adoption of new/revised IFRSs – effective 1 January 2010 (Continued)

IAS 24 (Revised) – Related Party Disclosures

IAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition in relation to the transactions with subsidiaries of the Group's associates and to exclude transactions with an entity which was significantly influenced by a member of the Group's key management personnel. The adoption of IAS 24 (Revised) has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

IAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

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

The following new/revised IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to IFRS 7	Disclosures – Transfers of Financial Assets [1]
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities [3]
Amendments to IAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities [4]
Amendments to IAS 1 (Revised)	Presentation of Items of Other Comprehensive Income [2]
IFRS 9	Financial Instruments [5]
IFRS 10	Consolidated Financial Statements [3]
IFRS 12	Disclosure of Interests in Other Entities [3]
IFRS 13	Fair Value Measurement [3]
IAS 27 (2011)	Separate Financial Statements [3]
IAS 28 (2011)	Investments in Associates and Joint Ventures [3]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 July 2012
[3] Effective for annual periods beginning on or after 1 January 2013
[4] Effective for annual periods beginning on or after 1 January 2014
[5] Effective for annual periods beginning on or after 1 January 2015

Amendments to IFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to IFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Amendments to IAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

Notes to the Financial Statements

31 December 2011

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

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

IFRS 9 – Financial Instruments

Under IFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. IFRS 9 carries forward the recognition and measurement requirements for financial liabilities from IAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

IFRS 10 – Consolidated Financial Statements

IFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. IFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of IFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing IAS 27 on other consolidation related matters are carried forward unchanged. IFRS 10 is applied retrospectively subject to certain transitional provisions.

IFRS 12 – Disclosures of Interests in Other Entities

IFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

Notes to the Financial Statements

31 December 2011

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

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

IFRS 13 – Fair Value Measurement

IFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with IFRS 7 "Financial Instruments: Disclosures". IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. IFRS 13 can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of these new/revised IFRSs and the directors so far concluded that the application of these new/revised IFRSs will have no material impact on the Group's financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement and going concern assumption

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

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

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

1. The Group's current liabilities exceeded its current assets by approximately RMB116.9 million as at 31 December 2011; and

2. There was a significant increase in the bank borrowings of the Group from approximately RMB384.9 million as at 31 December 2010 to approximately RMB500.4 million as at 31 December 2011, all of which are due for repayment within one year from 31 December 2011.

Notes to the Financial Statements

31 December 2011

3. BASIS OF PREPARATION (CONTINUED)

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

These conditions indicate the existence of a material uncertainty which may cast significant doubts on the Group's ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the financial statements were prepared based on the assumption that the Group can be operated as a going concern and the directors are of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from 31 December 2011, after taking into consideration of the following:

1. The Group continues to expand its production volume by improving the utilisation rate of its facilities and implement measures to tighten cost controls over various operating expenses in order to improve its profitability and to generate positive cash inflow from its operations in the future;

2. The Group is actively negotiating with the banks to seek for renewal of the outstanding bank borrowings. Subsequent to year end date, the Group successfully renewed bank borrowings of RMB104 million upon maturity of these bank borrowings;

3. The Group is actively exploring the availability of alternative source of financing; and

4. Qingdao Kangda Foreign Trade Group Limited ("KD Group"), which is substantially beneficially owned by a substantial shareholder of the Company, has agreed to provide continuing financial support to the Group so as to enable the Group to continue its day-to-day operations as a going concern notwithstanding any present or future financial difficulties experienced by the Group.

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

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

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

(c) Functional and presentation currency

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

Notes to the Financial Statements

31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

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

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

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest that represent present ownership interest in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by IFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied IFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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

Notes to the Financial Statements

31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Business combination and basis of consolidation (Continued)

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

(b) Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

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

(c) Associates

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

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

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

Notes to the Financial Statements

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Goodwill

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

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

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

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

(e) Property, plant and equipment

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

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

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

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

Leasehold buildings	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

Notes to the Financial Statements

31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (Continued)

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

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

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

(f) Intangible assets

(i) Acquired intangible assets

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

The following useful lives are applied:

Technical knowhow	5 years
Product license	1-2 years

(ii) Impairment

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

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

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

Notes to the Financial Statements

31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial Instruments

(i) Financial assets

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

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

(ii) Impairment loss on financial assets

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

– significant financial difficulty of the debtor;

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

– granting concession to a debtor because of debtor's financial difficulty; and

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

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

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Financial Statements
31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial Instruments (Continued)

(iii) Financial liabilities

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

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

(iv) Effective interest method

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

(v) Derecognition

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

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

(h) Inventories

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

Notes to the Financial Statements

31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Revenue recognition

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

(i) Sale of goods – revenue is recognised when the significant risks and rewards of ownership have been transferred to the customers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Normally, risk is transferred upon dispatch of goods.

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

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

(j) Income tax

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

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. The PRC corporate income tax is provided at rates applicable to enterprises in 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.

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.

Notes to the Financial Statements

31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Income tax (Continued)

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

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(k) Foreign currencies

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

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.

(l) Employee benefits

Retirement benefits scheme

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

Notes to the Financial Statements

31 December 2011

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Employee benefits (Continued)

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.

(m) Impairment of other assets

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

– property, plant and equipment;

– interests in leasehold land held for own use under operating leases;

– investments in subsidiaries and associates; and

– intangible assets with finite lives.

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

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

(n) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

Notes to the Financial Statements

31 December 2011

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a). A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(o) Lease

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

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

Notes to the Financial Statements

31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Lease (Continued)

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.

(p) Capitalisation of borrowing costs

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

(q) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand and in banks and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less 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, which are not restricted to use. Cash and bank balances include deposits denominated in foreign currencies.

(r) Share capital

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

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

Notes to the Financial Statements

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Government grants

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

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

(t) Segment reporting

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

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

- Processed food products
- Chilled and frozen rabbit meat
- Chilled and frozen chicken meat
- Other products

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.

(u) Dividends

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Biological assets

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

Biological assets are measured at fair value less estimated 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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

(i) Net realisable value of inventories

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

(ii) Impairment of trade receivables

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

(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.

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

(vi) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

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

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

(viii) Going concern basis

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

Notes to the Financial Statements

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6. SEGMENT INFORMATION

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

2011	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	**511,416**	**299,492**	**420,907**	**121,582**	**1,353,397**
Reportable segment revenue	**511,416**	**299,492**	**420,907**	**121,582**	**1,353,397**
Reportable segment profit	**45,580**	**32,948**	**2,953**	**1,776**	**83,257**
Depreciation of property, plant and equipment	**16,484**	**9,653**	**13,566**	**3,919**	**43,622**
Amortisation of prepaid premium for land leases	**1,202**	**704**	**990**	**286**	**3,182**
Amortisation of intangible assets	**4,583**	**838**	**–**	**–**	**5,421**

2010	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	376,497	207,673	261,511	171,189	1,016,870
Reportable segment revenue	376,497	207,673	261,511	171,189	1,016,870
Reportable segment profit	22,431	20,323	4,022	9,194	55,970
Depreciation of property, plant and equipment	12,738	7,129	10,728	1,958	32,553
Amortisation of prepaid premium for land leases	914	512	770	141	2,337
Amortisation of intangible assets	5,685	419	–	–	6,104

Notes to the Financial Statements

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6. SEGMENT INFORMATION (CONTINUED)

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

	2011 RMB'000	2010 RMB'000
Reportable segment profit	**83,257**	55,970
Other income	**31,543**	28,517
Administrative expenses	**(69,073)**	(59,531)
Other operating expenses	**(871)**	(1,258)
Finance costs	**(33,097)**	(22,624)
Share of loss of associates	**(443)**	(280)
Profit before taxation	**11,316**	794

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.

	2011 RMB'000	2010 RMB'000
Local (Country of domicile)		
PRC	**867,060**	586,329
Export (Foreign countries)		
Japan	**271,350**	222,669
Europe	**145,575**	135,581
Others	**69,412**	72,291
	1,353,397	1,016,870

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

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7. REVENUE AND OTHER INCOME

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

	2011 RMB'000	2010 RMB'000
Revenue		
Sale of goods	**1,353,397**	1,016,870
Other income		
Interest income on financial assets stated at amortised cost		
– Interest income on bank deposits	**3,093**	9,301
Amortisation of deferred income on government grants (note 32)	**891**	791
Government grants related to income*	**19,850**	6,295
Gains arising from changes in fair value less estimated point-of-sale costs of biological assets, net (note 21)	**5,223**	9,694
Others	**2,486**	2,436
	31,543	28,517

* Various government grants have been received mainly from the Finance Bureau of Jiaonan City (膠南市財政局) and Cultivated Animal Husbandry and Veterinary Bureau of Kai Xian (開縣畜牧獸醫局) for the Group's business conducted in those areas. There are no unfulfilled conditions or contingencies related to these grants.

8. PROFIT FROM OPERATIONS

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

	2011 RMB'000	2010 RMB'000
Cost of inventories recognised as an expense	**935,048**	770,233
Depreciation of property, plant and equipment*	**43,622**	32,553
Amortisation of prepaid premium for land leases**	**3,182**	2,337
Amortisation of intangible assets***	**5,421**	6,104
Minimum lease payments under operating leases for production facilities	**4,067**	2,517
Gains arising from changes in fair value less estimated point-of-sale costs of biological assets, net (note 21)	**(5,223)**	(9,694)
Audit fee	**1,346**	1,206
Non-audit fee	**127**	–
Staff costs (including directors' remuneration)	**152,371**	94,259
Retirement scheme contribution	**8,492**	7,982
Total staff costs	**160,863**	102,241
(Gain)/Loss on disposal of property, plant and equipment	**(213)**	970
Exchange loss, net	**3,371**	690

* Depreciation of approximately RMB36,853,000 (2010: RMB26,357,000), approximately RMB108,000 (2010: Nil) and approximately RMB6,661,000 (2010: RMB6,196,000) has been charged to cost of sales, selling and distribution costs and administrative expenses, respectively, for the year ended 31 December 2011.

** Amortisation of prepaid premium for land leases has been charged to cost of sales for the years ended 31 December 2010 and 2011.

*** Amortisation of intangible assets has been charged to cost of sales for the years ended 31 December 2010 and 2011.

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9. FINANCE COSTS

	2011 RMB'000	2010 RMB'000
Interest charges on:		
Bank borrowings wholly repayable within five years	**33,097**	22,624

10. INCOME TAX EXPENSE/(CREDIT)

	2011 RMB'000	2010 RMB'000
Current year provision:		
PRC corporate income tax	**3,146**	1,021
Deferred tax credit (note 22)	**(578)**	(2,233)
Total income tax expense/(credit)	**2,568**	(1,212)

No Hong Kong profits tax has been provided for the year ended 31 December 2011 as the Group did not derive any assessable profit arising in Hong Kong during the year (2010: Nil).

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

Qingdao Kangda Foods Co., Ltd. ("Kangda Foods") is established and operating in the PRC and subject to PRC corporate income tax. According to the New PRC Corporate Income Tax Law, the profit arising from agricultural, poultry and primary food processing businesses of Kangda Foods are exempted from PRC corporate income tax. The taxable profits of Kangda Foods arising from profit from business other than agricultural, poultry and primary food processing are subject to corporate income tax at 25% for the year ended 31 December 2011 (2010: 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, Qingdao Kangda Rabbit Company Limited, Chongqing Juxin Rabbit Co., Limited, Gaomi Kaijia Rearing Co., Limited and Qingdao Kangda Modern Agricultural Technology Development Company Limited 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 2010 and 2011.

Income tax has not been provided by the Company as the Company did not derive any assessable profits during the year (2010: Nil).

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

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

	2011 RMB'000	2010 RMB'000
Profit before taxation	**11,316**	794
Tax calculated at the rates applicable to profits in the tax jurisdiction concerned	**8,723**	3,343
Tax effect of non-deductible expenses	**91**	151
Tax effect of non-taxable income	**(559)**	(647)
Tax holiday and other tax benefits of PRC subsidiaries	**(5,149)**	(6,947)
Tax effect of temporary differences not recognised	**475**	2,888
Tax effect of utilisation of tax losses previously not recognised	**(1,013)**	–
Income tax expense/(credit)	**2,568**	(1,212)

11. DIVIDENDS

The board of directors did not recommend any payment of dividends during the year (2010: Nil).

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated profit attributable to owners of the Company of RMB12,240,000 (2010: RMB3,383,000), a loss of RMB6,112,000 (2010: RMB10,378,000) has been dealt with in the financial statements of the Company.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately RMB12,240,000 (2010: RMB3,383,000) and on the weighted average of 432,948,000 (2010: weighted average of 432,948,000) ordinary shares in issue during the year.

In relation to the years ended 31 December 2010 and 2011, no diluted earnings per share are presented as there was no potential ordinary share.

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14. 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 RMB'000	Salaries, allowances and benefits RMB'000	Retirement scheme contributions RMB'000	Discretionary bonus RMB'000	Total RMB'000
Year ended 31 December 2011					
Executive directors:					
Gao Yanxu	**–**	**500**	**–**	**–**	**500**
An Fengjun	**–**	**500**	**–**	**–**	**500**
Non-executive directors:					
Gao Sishi	**–**	**–**	**–**	**–**	**–**
Zhang Qi	**–**	**–**	**–**	**–**	**–**
Naoki Yamada	**–**	**–**	**–**	**–**	**–**
Independent non-executive directors:					
Kuik See Juan	**233**	**–**	**–**	**–**	**233**
Sim Wee Leong	**233**	**–**	**–**	**–**	**233**
Yu Chung Leung	**180**	**–**	**–**	**–**	**180**
	646	**1,000**	**–**	**–**	**1,646**
Year ended 31 December 2010					
Executive directors:					
Gao Yanxu	–	600	–	–	600
An Fengjun	–	360	–	–	360
Non-executive directors:					
Gao Sishi	–	–	–	–	–
Zhang Qi	–	–	–	–	–
Independent non-executive directors:					
Kuik See Juan	246	–	–	–	246
Sim Wee Leong	246	–	–	–	246
Yu Chung Leung	180	–	–	–	180
Waiver of salaries	–	(331)	–	–	(331)
	672	629	–	–	1,301

For the year ended 31 December 2010, executive directors Mr. Gao Yanxu and Mr. An Fengjun voluntarily agreed to waive their entitlement to certain remuneration of approximately RMB331,000.

Notes to the Financial Statements

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14. 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 (2010: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individuals during the year are as follows:

	2011 **RMB'000**	2010 RMB'000
Salaries, allowances and other benefits	**625**	546

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

	2011	2010
Emolument band		
Nil to HK$1,000,000	**1**	2

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

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15. PROPERTY, PLANT AND EQUIPMENT

	Group					
	Leasehold buildings 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
At 1 January 2010						
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
Year ended 31 December 2010						
Opening net carrying amount	172,078	99,327	7,582	1,802	16,189	296,978
Additions	40,721	28,906	1,599	1,140	21,698	94,064
Acquisition of subsidiaries (note 35)	132,032	60,332	376	–	9,117	201,857
Transfer in/(out)	319	1,233	–	–	(1,552)	–
Disposal	–	(921)	(137)	(102)	–	(1,160)
Depreciation charge	(14,319)	(16,893)	(704)	(637)	–	(32,553)
Closing net carrying amount	330,831	171,984	8,716	2,203	45,452	559,186
At 31 December 2010 and 1 January 2011						
Cost	366,199	225,069	14,312	3,876	45,452	654,908
Accumulated depreciation	(35,368)	(53,085)	(5,596)	(1,673)	–	(95,722)
Net carrying amount	330,831	171,984	8,716	2,203	45,452	559,186
Year ended 31 December 2011						
Opening net carrying amount	330,831	171,984	8,716	2,203	45,452	559,186
Additions	11,122	28,623	2,301	618	37,683	80,347
Transfer in/(out)	54,220	10,815	–	–	(65,035)	–
Disposal	(200)	(193)	(50)	(121)	–	(564)
Depreciation charge	(18,755)	(22,878)	(1,377)	(612)	–	(43,622)
Closing net carrying amount	**377,218**	**188,351**	**9,590**	**2,088**	**18,100**	**595,347**
At 31 December 2011						
Cost	431,228	264,133	16,309	4,325	18,100	734,095
Accumulated depreciation	(54,010)	(75,782)	(6,719)	(2,237)	–	(138,748)
Net carrying amount	**377,218**	**188,351**	**9,590**	**2,088**	**18,100**	**595,347**

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

Notes to the Financial Statements

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15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Certain of the Group's property, plant and equipment with an aggregate carrying amount of approximately RMB57,179,000 (2010: RMB63,532,000) were pledged against bank borrowings totalling approximately RMB205,000,000 (2010: RMB195,000,000) as at 31 December 2011 (note 30).

	Company **Furniture, fixtures and office equipment** RMB'000
At 1 January 2010	
Cost	13
Accumulated depreciation	(1)
Net carrying amount	12
Year ended 31 December 2010	
Opening net carrying amount	12
Depreciation charge	(2)
Closing net carrying amount	10
At 31 December 2010 and 1 January 2011	
Cost	13
Accumulated depreciation	(3)
Net carrying amount	10
Year ended 31 December 2011	
Opening net carrying amount	10
Depreciation charge	(2)
Closing net carrying amount	**8**
At 31 December 2011	
Cost	13
Accumulated depreciation	(5)
Net carrying amount	**8**

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16. PREPAID PREMIUM FOR LAND LEASES

	Group		
	Land use rights	**Long-term prepaid rentals**	**Total**
	RMB'000	RMB'000	RMB'000
At 1 January 2010			
Cost	46,955	59,795	106,750
Accumulated amortisation	(1,743)	(1,787)	(3,530)
Net carrying amount	45,212	58,008	103,220
Year ended 31 December 2010			
Opening net carrying amount	45,212	58,008	103,220
Acquisition of subsidiaries (note 35)	28,148	–	28,148
Amortisation for the year	(920)	(1,417)	(2,337)
Closing net carrying amount	72,440	56,591	129,031
At 31 December 2010 and 1 January 2011			
Cost	75,103	59,795	134,898
Accumulated amortisation	(2,663)	(3,204)	(5,867)
Net carrying amount	72,440	56,591	129,031
Year ended 31 December 2011			
Opening net carrying amount	72,440	56,591	129,031
Amortisation for the year	(1,957)	(1,225)	(3,182)
Closing net carrying amount	**70,483**	**55,366**	**125,849**
At 31 December 2011			
Cost	75,103	59,795	134,898
Accumulated amortisation	(4,620)	(4,429)	(9,049)
Net carrying amount	**70,483**	**55,366**	**125,849**

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 certificates 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. 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 RMB24,708,000 (2010: RMB17,516,000) were pledged against bank borrowings totalling approximately RMB205,000,000 (2010: RMB195,000,000) as at 31 December 2011 (note 30).

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17. INTANGIBLE ASSETS

	Group		
	Products safety/export licences RMB'000	Technical knowhow RMB'000	Total RMB'000
At 1 January 2010			
Cost	–	4,190	4,190
Accumulated amortisation	–	(105)	(105)
Net carrying amount	–	4,085	4,085
Year ended 31 December 2010			
Opening net carrying amount	–	4,085	4,085
Acquisition of subsidiaries (note 35)	10,611	–	10,611
Amortisation for the year	(5,685)	(419)	(6,104)
Closing net carrying amount	4,926	3,666	8,592
At 31 December 2010 and 1 January 2011			
Cost	10,611	4,190	14,801
Accumulated amortisation	(5,685)	(524)	(6,209)
Net carrying amount	4,926	3,666	8,592
Year ended 31 December 2011			
Opening net carrying amount	4,926	3,666	8,592
Amortisation for the year	(4,583)	(838)	(5,421)
Closing net carrying amount	**343**	**2,828**	**3,171**
At 31 December 2011			
Cost	10,611	4,190	14,801
Accumulated amortisation	(10,268)	(1,362)	(11,630)
Net carrying amount	**343**	**2,828**	**3,171**

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011 RMB'000	2010 RMB'000
Unlisted investments, at cost	**84,144**	84,144

Notes to the Financial Statements

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18. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of the subsidiaries as at 31 December 2011 are as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of share/paid-up capital 2011	2010	Percentage of equity attributable to the Company 2011	2010	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 Kangda Foods	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 FoodsCo., 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	Inactive
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**	RMB30,000,000	**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	**RMB7,980,000**	RMB7,980,000	**100**	100	Development and sales of rabbits
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**	RMB13,980,000	**70**	70	Breeding and sales of rabbits

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18. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of share/paid-up capital 2011	2010	Percentage of equity attributable to the Company 2011	2010	Principal activities
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**	RMB10,000,000	**100**	100	Planting and selling of vegetables
青島百順食品有限公司 Qingdao Baishun Food Company Limited	PRC	**RMB1,000,000**	RMB1,000,000	**100**	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**	RMB1,000,000	**100**	100	Testing and checking on the livestock
青島普德食品有限公司 Qingdao Pu De Food Company Limited ("Pu De")	PRC	**US$4,000,000**	US$4,000,000	**55**	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**	RMB1,000,000	**100**	100	Breeding and sales of rabbits
山東凱加食品有限公司Shandong Kaijia Food Company Limited ("Kaijia Food")	PRC	**RMB100,000,000**	RMB100,000,000	**100**	100	Production of food products
山東凱加國貿有限公司Shandong Kaijia International Trading Co., Ltd. ("Kaijia Trading")	PRC	**RMB4,667,000**	RMB4,667,000	**70**	70	Trading of food products
高密凱加養殖有限公司 Gaomi Kaijia Rearing Co., Ltd.	PRC	**RMB39,253,051**	RMB39,253,051	**100**	100	Breeding and sales of livestock and poultry
高密康大六和飼料有限公司Gaomi Kangda Liuhe Feed Co., Ltd.	PRC	**RMB6,000,000**	RMB6,000,000	**51**	51	Trading of feed products
重慶康大聚鑫兔業有限公司 Chongqing Kangda Juxin Rabbit Co., Ltd.	PRC	**RMB6,000,000**	RMB6,000,000	**70**	70	Breeding and sales of rabbits

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18. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of share/paid-up capital 2011	2010	Percentage of equity attributable to the Company 2011	2010	Principal activities
吉林康大擔保有限公司 Jilin Kangda Guarantee Co., Ltd	PRC	**RMB20,000,000**	RMB10,000,000	**90**	100	Guarantee service
青島康萊爾皮草有限公司 Qingdao Klair Fur Co., Ltd.	PRC	**RMB1,000,000**	–	**100**	–	Inactive
吉林康都飼料有限公司 Jilin Kangdu Feeds Co., Ltd.	PRC	**RMB2,000,000**	–	**100**	–	Feed processing
萊蕪康大飼料有限公司 Laiwu Kangda Feeds Co., Ltd.	PRC	**RMB3,000,000**	–	**100**	–	Sales of feed products
吉林康美兔業有限公司 Jilin Kangmei Rabbit Co., Ltd.	PRC	**RMB8,500,000**	–	**51**	–	Breeding and sales of rabbits

The financial statements of the above subsidiaries for the year ended 31 December 2011 are audited by BDO Limited, for the purpose of incorporation into the Group's consolidated financial statements.

19. INTEREST IN ASSOCIATES

	2011 RMB'000	2010 RMB'000
Share of net assets	**3,459**	3,902

Particulars of the associates as at 31 December 2011 are as follows:

Name of associate	Form of business structure	Place of registration and operations	Particulars of paid up capital 2011	2010	Percentage of ownership interest held 2011	2010	Principal activities
青島肉食得食品有限公司 Qingdao Meat Master Co., Ltd	Co-operative joint venture	PRC	**USD400,000**	USD400,000	**25%**	25%	Wholesaling of processed food products
吉林康大兔業有限公司 Jilin Kangda Rabbit Co., Ltd	Co-operative joint venture	PRC	**RMB10,000,000**	RMB10,000,000	**35%**	35%	Breeding and sale of rabbits for medicinal uses and trading of rabbits

The associates have a reporting date of 31 December.

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19. INTEREST IN ASSOCIATES (CONTINUED)

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

	2011 RMB'000	2010 RMB'000
Assets	**15,818**	12,767
Liabilities	**5,330**	970
Revenue	**16,771**	12,557
Loss	**1,315**	929

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

20. GOODWILL

The net carrying amount of goodwill can be analysed as follows:

	2011 RMB'000	2010 RMB'000
At 1 January	**59,428**	3,073
Acquisition of Kaijia Group (as defined in note 35)	**–**	56,355
At 31 December	**59,428**	59,428

Goodwill acquired in business combinations are allocated to Kaijia Group, 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. In addition, the cash flows project of the cash-generating-unit of Kaijia Group are extrapolated for another 5 years using a growth rate of 10%. 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 Kaijia Group, Modern Agricultural and Pu De are 8%.

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21. BIOLOGICAL ASSETS

	Group					
	Breeder rabbits RMB'000	**Progeny rabbits** RMB'000	**Breeder chickens** RMB'000	**Hatchable eggs and progeny chickens** RMB'000	**Vegetables** RMB'000	**Total** RMB'000
At 1 January 2010	15,582	3,433	5,209	8,107	690	33,021
Increase due to purchases/raising	22,646	28,726	75,854	128,247	7,077	262,550
Gains/(Losses) arising from changes in fair value less estimated point-of-sale costs, net	10,257	(808)	1,075	(1,166)	336	9,694
Decrease due to consumption	–	(23,788)	–	(122,639)	(2,101)	(148,528)
Decrease due to sales	(26,935)	–	(76,035)	–	(4,516)	(107,486)
At 31 December 2010 and 1 January 2011	21,550	7,563	6,103	12,549	1,486	49,251
Increase due to purchases/raising	56,620	171,958	115,758	309,227	5,665	659,228
Gains/(Losses) arising from changes in fair value less estimated point-of-sale costs, net	4,356	1,603	(3,441)	2,509	196	5,223
Decrease due to consumption	–	(166,775)	–	(309,292)	(145)	(476,212)
Decrease due to sales	(63,408)	–	(104,603)	–	(5,160)	(173,171)
At 31 December 2011	**19,118**	**14,349**	**13,817**	**14,993**	**2,042**	**64,319**

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

Biological assets as at 31 December 2011 and 2010 are stated at fair values less estimated point-of-sale costs and are analysed as follows:

	Group	
	2011 **RMB'000**	2010 RMB'000
Non-current portion	**32,935**	27,653
Current portion	**31,384**	21,598
	64,319	49,251

In accordance with the valuation reports issued by a firm of independent professional valuers, 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.

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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) The Group will have sufficient capacity for future expansion and facilities and systems of the Group will be operated efficiently.

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 2011 and 2010 are analysed as follows:

	Group	
	2011 Number of Rabbits/ Chickens/Eggs/ Vegetables	2010 Number of Rabbits/ Chickens/Eggs/ Vegetables
Progeny rabbits	**394,349**	157,880
Breeder rabbits	**79,301**	182,790
	473,650	340,670
Progeny chickens	**934,671**	1,092,689
Breeder chickens	**594,314**	83,336
	1,528,985	1,176,025
Hatchable eggs	**1,376,975**	206,886
Vegetables (in tonnes)	**4,793**	4,424

22. DEFERRED TAX ASSETS

Deferred taxation is calculated in full on temporary differences under the liability method using the principal tax rate of 25% (2010: 25%).

The movements on the deferred tax assets are as follows:

	Group	
	2011 RMB'000	2010 RMB'000
At 1 January	**13,971**	4,960
Acquisition of subsidiaries (note 35)	**–**	6,778
Deferred taxation credited to profit or loss (note 10)	**578**	2,233
At 31 December	**14,549**	13,971

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22. DEFERRED TAX ASSETS (CONTINUED)

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

	Fair value adjustment on property, plant and equipment, intangible assets and land use rights upon business combination	Loss available for offsetting against future taxable profits	Deferred government grants	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	–	2,498	2,462	4,960
Acquisition of a subsidiary	(15,719)	22,497	–	6,778
Recognised in profit or loss	2,124	–	109	2,233
At 31 December 2010 and 1 January 2011	(13,595)	24,995	2,571	13,971
Recognised in profit or loss	2,024	(1,511)	65	578
At 31 December 2011	**(11,571)**	**23,484**	**2,636**	**14,549**

As at 31 December 2011, the Group had unused tax losses of RMB116.2 million (2010: RMB112.2 million) available for offset against future profits. Deferred tax assets have been recognised in respect of tax losses of RMB93.9 million (2010: RMB99.8 million). No deferred tax asset has been recognised in respect of the remaining tax losses (2010: Nil). Tax losses of RMB46.3 million (2010: RMB45.1 million) will be expired at various dates up to and including 2016. Other unused tax losses may be carried forward indefinitely.

Deferred tax liabilities of RMB22,322,000 (2010: RMB18,276,000) as at 31 December 2011 have not been recognised for the withholding and other taxation that would be payable on the unremitted earnings of certain subsidiaries in the PRC, of RMB223,215,000 at 31 December 2011 (2010: RMB182,763,000) as such amounts will be permanently reinvested.

23. INVENTORIES

	Group	
	2011	2010
	RMB'000	RMB'000
Raw materials	**77,396**	54,679
Finished goods	**114,156**	82,360
	191,552	137,039

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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 date is as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Within 30 days	**71,086**	64,874
31 – 60 days	**17,025**	16,550
61 –90 days	**3,460**	6,587
91 – 120 days	**1,062**	2,218
Over 120 days	**9,959**	2,953
	102,592	93,182

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 37.

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly or the trade receivables are written-off against the allowance account if impairment losses on that trade receivables have been recorded in the allowance account previously. No allowance was made for the years ended 31 December 2010 and 2011.

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

	Group	
	2011	2010
	RMB'000	RMB'000
Neither past due nor impaired	**85,561**	72,194
Not more than 3 months past due	**7,662**	18,863
3 to 6 months past due	**5,566**	1,614
6 to 12 months past due	**3,803**	511
	102,592	93,182

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

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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	
	2011	2010
	RMB'000	RMB'000
PRC	**59,730**	41,246
Japan	**13,219**	17,944
Europe	**29,329**	26,904
Others	**314**	7,088
	102,592	93,182

25. PREPAYMENTS, OTHER RECEIVABLES AND DEPOSITS

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments	**19,899**	14,133	**11**	11
Other receivables and deposits	**33,950**	37,671	**84**	77
	53,849	51,804	**95**	88

26. AMOUNTS DUE FROM SUBSIDIARIES

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

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27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Short-term deposits	**53,015**	6,000	**–**	–
Cash and bank balances	**262,090**	110,643	**113,521**	306
	315,105	116,643	**113,521**	306
Deposits pledged for bank loans (note 30)	**(4,171)**	–	**–**	–
	310,934	116,643	**113,521**	306

The Group had cash and bank balances and pledged deposits denominated in RMB amounting to approximately RMB314,768,000 as at 31 December 2011 (2010: RMB113,990,000) which were deposited with banks in the PRC. RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

The bank balances earn interest at floating rates based on daily bank deposit rates. The short-term deposits earn interest at 1.45% (2010: 1.35%) per annum as at 31 December 2011.

28. TRADE AND BILLS PAYABLES

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

	Group	
	2011	2010
	RMB'000	RMB'000
Trade payables	**107,682**	73,200
Bills payables	**27,541**	–
	135,223	73,200

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

	Group	
	2011	2010
	RMB'000	RMB'000
Within 60 days	**96,612**	60,268
61 – 90 days	**20,297**	5,081
91 – 120 days	**4,822**	1,924
Over 120 days	**13,492**	5,927
	135,223	73,200

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29. ACCRUED LIABILITIES AND OTHER PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accrued liabilities	**30,526**	22,422	**586**	652
Other payables	**55,882**	50,417	**–**	–
	86,408	72,839	**586**	652

30. INTEREST– BEARING BANK BORROWINGS

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Classified as current liabilities				
Interest-bearing bank borrowings	**500,430**	384,902	**–**	24,902

At 31 December 2011, the Group's and the Company's interest-bearing borrowings were repayable as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Portion of term loans from banks due for repayment within one year	**500,430**	384,902	**–**	24,902

Total interest-bearing bank borrowings include secured liabilities of RMB205,000,000 (2010: RMB195,000,000).

As at 31 December 2011, the Group's interest-bearing bank borrowings are secured against the pledge of certain of the Group's property, plant and equipment (note 15), land use rights (note 16) and pledged deposits (note 27).

As at 31 December 2010, 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 and the pledge of certain of the Group's property, plant and equipment (note 15) and land use rights (note 16).

The Group's interest-bearing bank borrowings bear interests ranging from 4.38% to 7.6% (2010: 3.26% to 5.58%) per annum as at 31 December 2011.

As at 31 December 2010, the syndicated loan of RMB24,902,000 was subject to the fulfilment of certain covenants. In the circumstances when the covenants were not met, the drawn down facilities would become payable on demand. As at 31 December 2010, certain covenants of the syndicated loan were not met, which primarily related to the value of the Group's current ratio, interest cover ratio and terms and conditions of the negative pledge of certain assets. No waiver has been obtained by the Group from the respective lenders on or before 31 December 2010. During the year, the Group had received a waiver from the bankers in respect of the syndicated loan in relation to financial ratios and the terms and conditions of negative pledge of certain assets and the syndicated loan was discharged properly upon maturity.

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31. AMOUNT DUE FROM/(TO) A RELATED COMPANY

As at 31 December 2010 and 2011, 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 due is unsecured, interest free and repayable on demand except for an amount of RMB80,000,000 as at 31 December 2011 which is unsecured, interest free and repayable within a year. Subsequent to year end date, the Group repaid RMB80,000,000 to the related company.

32. DEFERRED GOVERNMENT GRANTS

	Group	
	2011	2010
	RMB'000	RMB'000
At the beginning of the year	**11,806**	10,417
Additions	**3,000**	2,180
Recognised as income during the year	**(891)**	(791)
At the end of the year	**13,915**	11,806
Portion classified as current liabilities	**(891)**	(791)
Non-current portion	**13,024**	11,015

During the year, the Group received certain government subsidies of RMB3,000,000 (2010: RMB2,180,000). The grants were mainly received from the Finance Bureau of Jiaonan City（膠南市財政局）and Cultivated Animal Husbandry and Veterinary Bureau of KaiXian（開縣畜牧獸醫局）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.

33. SHARE CAPITAL

	Number of shares	**Amount**
Ordinary shares of HK$0.25 each	'000	HK$'000
Authorised :		
At 31 December 2010 and 2011	**2,000,000**	**500,000**
Issued and fully paid :		
At 31 December 2010 and 2011	**432,948**	**108,237**

The issued and fully paid share capital is equivalent to approximately RMB112,176,000 as at 31 December 2010 and 2011.

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34. 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 reserve had been provided during the years ended 31 December 2010 and 2011.

35. BUSINESS COMBINATIONS

During the year ended 31 December 2011, the Group did not have any business combinations.

On 24 February 2010, the Group acquired from independent third parties, Weifang Zhixing Investment Company Limited and Highway Investment Group Company Limited, the 100% equity interests in Kaijia Food at a total consideration of RMB130,000,000. Kaijia Food and its 70% owned subsidiary, Kaijia Trading (together as "Kaijia Group") was engaged in production of food products. The aforesaid acquisition was made as part of the Group's strategy to expand its production capacities and improve its operational efficiency. Having satisified the terms and conditions of the share purchase agreement as entered with the independent third parties, the Group had the right to nominate members of the boards of directors of Kaijia Food and Kaijia Trading and, by this means, obtained the control of Kaijia Group as at 24 February 2010.

The non-controlling interests in Kaijia Trading recognised at the acquisition date was measured by the non-controlling interests' proportionate share of Kaijia Trading's identifiable net assets and the amount was accounted for RMB18,618,000.

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35. BUSINESS COMBINATIONS (CONTINUED)

The assets and liabilities of Kaijia Group at the acquisition date were as follows:

	Acquiree's carrying amount RMB'000	Fair value RMB'000
Property, plant and equipment	160,864	201,857
Prepaid premium for land leases	16,878	28,148
Intangible assets	–	10,611
Deferred tax assets	–	6,778
Inventories	15,139	15,139
Trade receivables	9,685	9,685
Prepayments, other receivables and deposits	5,859	5,859
Tax recoverable	658	658
Cash and bank balances	6,109	6,109
Trade payables	(15,473)	(15,473)
Amounts due to related companies	(22)	(22)
Accrued liabilities, other payables and deposits received	(122,598)	(122,598)
Interest-bearing borrowings	(54,488)	(54,488)
Non-controlling interests	(15,148)	(18,618)
Fair value of net assets acquired		73,645
Goodwill		56,355
Purchase consideration		**130,000**

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB9,685,000 and RMB2,431,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB9,685,000 and RMB2,431,000, respectively, and all are expected to be collectible.

Goodwill arose in the acquisition of Kaijia Group because the consideration paid for the combination effectively included amounts in relation to the benefit of production and quality control, revenue growth and future market development of Kaijia Group. None of the goodwill recognised is expected to be deductible for income tax purpose.

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of Kaijia Group was as follows:

	RMB'000
Purchase consideration settled in cash	130,000
Cash and cash equivalents acquired	(6,109)
Cash outflow on acquisition	**123,891**

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36. COMMITMENTS

(a) Operating lease commitments

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

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

As lessee

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**3,830**	2,517	**–**	–
In the second to fifth years	**10,383**	8,918	**–**	–
After the fifth years	**5,899**	14,411	**–**	–
	20,112	25,846	**–**	–

(b) Capital commitments

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Contracted but not provided for in respect of :				
Purchase of property, plant, equipment and land	**12,039**	11,559	**–**	–

37. 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 rate 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.

Notes to the Financial Statements

31 December 2011

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

(a) Categories of financial assets and liabilities

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

	Group	
	2011	2010
	RMB'000	RMB'000
Financial assets		
Loans and receivables		
– Trade receivables	**102,592**	93,182
– Other receivables	**28,720**	33,598
– Amount due from a related company	**–**	12,795
Cash and bank balances (including pledged deposits)	**315,105**	116,643
	446,417	256,218
Financial liabilities		
At amortised cost		
– Trade and bills payables	**135,223**	73,200
– Accruals and other payables	**86,408**	72,839
– Interest-bearing bank borrowings	**500,430**	384,902
– Amount due to a related company	**86,527**	–
	808,588	530,941

	Company	
	2011	2010
	RMB'000	RMB'000
Financial assets		
Loans and receivables		
– Amounts due from subsidiaries	**133,682**	277,982
Cash and bank balances	**113,521**	306
	247,203	278,288
Financial liabilities		
At amortised cost		
– Accrued liabilities	**586**	652
– Interest-bearing bank borrowings	**–**	24,902
	586	25,554

Notes to the Financial Statements

31 December 2011

37. 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**	
	2011	2010	**2011**	2010
	%	%	**RMB'000**	RMB'000
Variable rate instruments				
Financial assets				
Bank balances	**0.23%**	0.34%	**257,004**	110,133
Financial liabilities				
Interest-bearing bank borrowings	**7.54%**	3.26%	**44,287**	24,902
Fixed rate instruments				
Financial assets				
Time deposits	**1.49%**	1.35%	**53,014**	6,000
Financial liabilities				
Interest-bearing bank borrowings	**6.52%**	5.33%	**456,143**	362,404

	Company			
	Weighted average effective interest rate		**Carrying amount**	
	2011	2010	**2011**	2010
	%	%	**RMB'000**	RMB'000
Variable rate instruments				
Financial assets				
Bank balances	**0.01%**	0.01%	**113,516**	306
Financial liabilities				
Interest-bearing bank borrowings	**–**	3.26%	**–**	24,902

Notes to the Financial Statements

31 December 2011

37. 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% (2010: +0.5% and – 0.5%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's 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			
	2011 RMB'000		2010 RMB'000	
	+0.5%	**–0.5%**	+0.5%	–0.5%
Effect on profit for the year and retained earnings	**931**	**(931)**	294	(294)

	Company			
	2011 RMB'000		2010 RMB'000	
	+0.5%	**–0.5%**	+0.5%	–0.5%
Effect on loss for the year and accumulated losses	**568**	**(568)**	(123)	123

(c) Credit risk

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

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

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

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

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

Notes to the Financial Statements

31 December 2011

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

(d) 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 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) Currency risk exposure

The following tables detail the Group's exposures at the reporting date to 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 2011		
	USD RMB'000	**EURO RMB'000**	**JPY RMB'000**	**SGD RMB'000**	**HK$ RMB'000**
Financial assets					
Trade receivables	**21,706**	**17,648**	**3,457**	**–**	**–**
Cash and bank balances	**119,644**	**4,943**	**–**	**23**	**55**
	141,350	**22,591**	**3,457**	**23**	**55**
Financial liabilities					
Trade payables	**12,010**	**–**	**–**	**–**	**–**

			Group 2010		
	USD RMB'000	EURO RMB'000	JPY RMB'000	SGD RMB'000	HK$ RMB'000
Financial assets					
Trade receivables	34,299	17,589	4,405	–	–
Cash and bank balances	2,511	–	–	30	112
	36,810	17,589	4,405	30	112
Financial liabilities					
Interest-bearing bank borrowings	–	–	–	–	24,902

Notes to the Financial Statements

31 December 2011

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

(d) Currency risk (Continued)

(i) Currency risk exposure (Continued)

	Company 2011		
	USD RMB'000	**SGD RMB'000**	**HK$ RMB'000**
Financial assets			
Cash and bank balances	**113,512**	**5**	**4**

	Company 2010		
	USD RMB'000	SGD RMB'000	HK$ RMB'000
Financial assets			
Cash and bank balances	267	30	9
Financial liabilities			
Interest-bearing bank borrowings	–	–	24,902

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

(ii) Foreign currency sensitivity analysis

The following table indicates the approximate change in the Group's 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 2011				
	USD RMB'000	**EURO RMB'000**	**JPY RMB'000**	**SGD RMB'000**	**HK$ RMB'000**
Effect on profit for the year and retained profits	**(4,850)**	**(847)**	**(126)**	**(1)**	**(2)**

	Group 2010				
	USD RMB'000	EURO RMB'000	JPY RMB'000	SGD RMB'000	HK$ RMB'000
Effect on profit for the year and retained profits	(138)	(17)	(66)	–	124

Notes to the Financial Statements

31 December 2011

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

(d) Currency risk (Continued)

(ii) Foreign currency sensitivity analysis (Continued)

	Company					
	2011			2010		
	USD	**SGD**	**HK$**	USD	SGD	HK$
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Effect on loss for the year and accumulated losses	**5,676**	**–**	**–**	1	–	146

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.

As disclosed in note 3(b) to the financial statements, the Group's current liabilities has exceeded its current assets by RMB116,866,000 as at 31 December 2011. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its obligations as they fall due, and on its ability to obtain external financing. Further details are set out in note 3(b) to the financial statements. The directors of the Company have carried out a detailed review of the cash flow projection of the Group for the next 12 months from the reporting date. Based on such projection, the directors have determined that adequate liquidity exists to finance its working capital and financing activities of the Group for that period. The directors are of the opinion that the assumptions which are included in the cash flow projection are reasonable.

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

Notes to the Financial Statements

31 December 2011

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

(e) Liquidity risk (Continued)

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

As at 31 December 2011 and 2010, the maturity analysis of the Group's financial assets, based on the contracted undiscounted maturity, and the maturity profile of the Group's financial liabilities, based on the contracted undiscounted payments, are summarised below:

	Group			
	2011		2010	
	Within 6 months RMB'000	**6 to 12 months RMB'000**	Within 6 months RMB'000	6 to 12 months RMB'000
Non-derivative financial assets:				
Trade receivables	**102,592**	**–**	93,182	–
Other receivables	**28,720**	**–**	33,598	–
Amount due from a related company	**–**	**–**	12,795	–
Cash and bank balances (including pledged deposits)	**315,105**	**–**	116,643	–
	446,417	**–**	256,218	–
Non-derivative financial liabilities:				
Interest-bearing bank borrowings	**408,810**	**124,700**	269,332	124,646
Trade and bills payables	**135,223**	**–**	73,200	–
Accrued liabilities and other payables	**86,408**	**–**	72,839	–
Amount due to a related company	**86,527**	**–**	–	–
	716,968	**124,700**	415,371	124,646

	Company			
	2011		2010	
	Within 6 months RMB'000	**6 to 12 months RMB'000**	Within 6 months RMB'000	6 to 12 months RMB'000
Non-derivative financial assets:				
Amounts due from subsidiaries	**133,682**	**–**	277,982	–
Cash and bank balances	**113,521**	**–**	306	–
	247,203	**–**	278,288	–
Non-derivative financial liabilities:				
Interest-bearing bank borrowings	**–**	**–**	25,172	–
Accrued liabilities and other payables	**586**	**–**	652	–
	586	**–**	25,824	–

Notes to the Financial Statements

31 December 2011

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

(e) Liquidity risk (Continued)

Specifically, for bank borrowings which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

	Maturity analysis – undiscounted cash outflows					
	Group				Company	
	2011		2010		2011	2010
	On demand RMB'000	Within 1 year RMB'000	On demand RMB'000	Within 1 year RMB'000	On demand RMB'000	On demand RMB'000
Term loans subject to a repayment on demand clause	–	–	25,172	–	–	25,172
Other banks borrowings	–	533,510	–	368,806	–	–
	–	533,510	25,172	368,806	–	25,172

(f) Fair value

The fair value of the Group's financial assets and liabilities as at 31 December 2011 are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

38. CAPITAL MANAGEMENT

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

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

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

Notes to the Financial Statements

31 December 2011

38. CAPITAL MANAGEMENT (CONTINUED)

	Group 2011 RMB'000	2010 RMB'000
Interest-bearing bank borrowings	**500,430**	384,902
Amount due to a related company	**86,527**	–
Total debts	**586,957**	384,902
Equity attributable to the Company's owners	**665,205**	652,965
Total debts to equity ratio	**88%**	59%

39. 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	2011 RMB'000	2010 RMB'000
Sales to related companies	(i)	**632**	206
Purchases from related companies	(ii)	**–**	31,940
Rental expenses paid to related companies	(iii)	**344**	384
Guarantees given by the related companies in connection with bank loans granted to the Group	(iv)	**100,000**	100,000

(b) Key management personnel compensation

	2011 RMB'000	2010 RMB'000
Short term employee benefits of directors and other members of key management	**2,397**	1,724

Notes:

(i) Sales to related companies were made to a related company of which Mr. Gao Sishi, Mr. Gao Yanxu, Mr. An Fengjun and Mr. Zhang Qi 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) During the year ended 31 December 2010, 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 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.

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

Statistics of Shareholdings in Singapore

As at 14 March 2012

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

DISTRIBUTION OF SHAREHOLDINGS (SINGAPORE REGISTER)

Size of Shareholdings	No of Shareholders	%	No of Shares	%
1 – 999	–	0.00	–	0.00
1,000 – 10,000	554	47.72	4,028,000	10.14
10,001 – 1,000,000	605	52.11	29,156,000	73.43
1,000,001 and above	2	0.17	6,525,000	16.43
Total	1,161	100.00	39,709,000	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 14 MARCH 2012

No.	Name	No. of Shares	%
1	PHILLIP SECURITIES PTE LTD	3,953,000	9.95
2	DBS VICKERS SECURITIES (S) PTE LTD	2,572,000	6.48
3	TEH KIU CHEONG	1,000,000	2.52
4	MAYBANK KIM ENG SECURITIES PTE LTD	746,000	1.88
5	LOW WOO SWEE @ LOH SWEE TECK	646,000	1.63
6	PATRICK TAN CHOON HOCK	575,000	1.45
7	KOH YEOW KOON	500,000	1.26
8	SERENE LEE SIEW KIN	415,000	1.05
9	OCBC SECURITIES PRIVATE LTD	405,000	1.02
10	TAN MENG HOR	400,000	1.01
11	CIMB SECURITIES (SINGAPORE) PTE LTD	393,000	0.99
12	TAN ENG CHUA EDWIN	374,000	0.94
13	LIM & TAN SECURITIES PTE LTD	345,000	0.87
14	HSBC (SINGAPORE) NOMINEES PTE LTD	313,000	0.79
15	CITIBANK CONSUMER NOMINEES PTE LTD	300,000	0.76
16	TAN CHENG HWEE	300,000	0.76
17	TAN TIEN SENG	300,000	0.75
18	LEE POH CHEONG	230,000	0.57
19	YIM WING CHEONG	217,000	0.54
20	UOB KAY HIAN PTE LTD	193,000	0.48
		14,177,000	35.70

Statistics of Shareholdings in Hong Kong

As at 14 March 2012

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

DISTRIBUTION OF SHAREHOLDINGS (HONG KONG REGISTER)

Size of Shareholdings	No of Shareholders	%	No of Shares	%
1 – 999	0	0.00%	0	0.00%
1,000 – 10,000	7	14.59%	34,000	0.00%
10,001 – 1,000,000	31	64.58%	5,682,000	1.45%
1,000,001 and above	10	20.83%	387,523,000	98.55%
Total	48	100.00%	393,230,000	100.00%

TWENTY LARGEST SHAREHOLDERS AS AT 14 MARCH 2012

No.	Name	No. of Shares	%
1	SUN HUNG KAI INVESTMENT SERVICES LTD	166,760,000	42.41%
2	PHILLIP SECURITIES (HONG KONG) LTD	73,282,000	18.64%
3	DBS VICKERS (HONG KONG) LTD	41,569,000	10.57%
4	VICTORY SECURITIES CO LTD	40,530,000	10.31%
5	NOMURA SECURITIES (HK) LTD	25,081,000	6.38%
6	DAIWA CAPITAL MARKETS HONG KONG LTD	22,246,000	5.66%
7	POLARIS SECURITIES (HONG KONG) LTD	13,818,000	3.51%
8	CHIEF SECURITIES LTD	1,443,000	0.37%
9	THE HONGKONG AND SHANGHAI BANKING	1,442,000	0.37%
10	BANK OF CHINA (HONG KONG) LTD	1,352,000	0.34%
11	TOPMORE SECURITIES LTD	1,000,000	0.25%
12	BOCI SECURITIES LTD	924,000	0.23%
13	KGI SECURITIES (HONG KONG) LTD	754,000	0.19%
14	CHINA MERCHANTS BANK CO LTD	604,000	0.15%
15	CHINA MERCHANTS SECURITIES (HK) CO LTD	428,000	0.11%
16	TOYO SECURITIES ASIA LTD	292,000	0.07%
17	BOOM.COM LTD	216,000	0.05%
18	ICBC (ASIA) SECURITIES LTD	172,000	0.04%
19	KINGSTON SECURITIES LTD	156,000	0.04%
20	UNITED WORLD ONLINE LTD	152,000	0.04%
		392,221,000	99.74%

Statistics of Shareholdings as at 14 March 2012

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	27,980,000	6.46%	–	–
Huang Quan	–	–	27,980,000	6.46%
Zensho Holdings Co., Ltd	43,307,000	10.00%	–	–

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 31.98% of the Company's issued shares are held in the hands of public as at 14 March 2012. 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 The Library, Basement 2, INTERCONTINENTAL GRAND STANFORD HONG KONG, 70 Mody Road, Tsimshatsui East Kowloon, Hong Kong on Monday, 30 April 2012 at 10:00 am for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the year ended 31 December 2011 together with the Auditor's Report thereon.

   (Resolution 1)

2. To re-elect the following Directors retiring pursuant to Bye-law 86(1) & 85(6) of the Company's Byelaws:

Mr An Fengjun	(Retiring under Bye-Law 86(1))	**(Resolution 2)**
Mr Kuik See Juan	(Retiring under Bye-Law 86(1))	**(Resolution 3)**
Mr Yu Chung Leung	(Retiring under Bye-Law 86(1))	**(Resolution 4)**
Mr Naoki Yamada	(Retiring under Bye-Law 85(6))	**(Resolution 5)**

   Mr Kuik See Juan will, upon re-election as a Director of the Company, remain Chairman of the Nominating Committee and a member of the Audit 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.

   Mr Yu Chung Leung will, upon re-election as a Director of the Company, remain Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

   Mr Naoki Yamada will, upon re-election as a Director of the Company, remain a member of the Audit and Remuneration Committees and will be considered not independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

3. To approve the payment of Directors' fees of S$132,000 (equivalent to RMB646,000) for the year ended 31 December 2011 (2010: S$131,294) (equivalent to RMB672,000).

   See Explanatory Note (i)

   (Resolution 6)

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

   * BDO LLP is a member of BDO International in Singapore.

   (Resolution 7)

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

Notice of Annual General Meeting

AS SPECIAL BUSINESS

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

6. SHARE ISSUE MANDATE

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

(a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty percent (50%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty percent (20%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company;

(b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) of the Company as at the date of the passing of this Resolution, after adjusting for:

(i) new shares arising from the conversion or exercise of convertible securities;

(ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares; and

(c) such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities;

See Explanatory Notes (ii) and (iii)

(Resolution 8)

By Order of the Board

Fong William
Company Secretary

5 April 2012

Notice of Annual General Meeting

Explanatory Notes to Ordinary Resolution 8 –

(i) The Ordinary Resolution 6 proposed in item 3 above, is to approve the payment of Directors' fees of S$132,000 for the year ended 31 December 2011.

The slight increase of S$706 compared to FY2010 is due to the exchange rate difference arising from the Hong Kong independent director's fee.

(ii) The Ordinary Resolution 8 proposed in item 6 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty percent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty percent (20%) may be issued other than on a *pro rata* basis to all shareholders of the Company. Shareholders are advised to read the Letter to Shareholders dated 5 April 2012 (which accompanies this notice of Annual General Meeting) for further information on Ordinary Resolution 8.

(iii) IMPORTANT: Notwithstanding the passing of the Ordinary Resolution 8 proposed in item 6 above, the Company shall from time to time comply with the relevant requirements under the Hong Kong Listing Rules in relation to issuance of securities, in particular, Rules 7.19, 13.36 and 13.36(5) thereof.

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

2. A member who wishes to appoint a proxy should complete the attached Shareholder Proxy Form. Thereafter, the proxy form must be lodged at the office of the Company's branch share registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (for Hong Kong Shareholders), or the Company's Singapore Share Transfer Agent, B.A.C.S. Private Limited, at 63 Cantonment Road, Singapore 089758 (for Singapore Shareholders), not less than forty-eight (48) hours before the time appointed for the meeting.

3. If the member is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

4. A Depositor (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore) (the "**Singapore Companies Act**") whose name appears in the Depository Register (as defined in Section 130A of the Singapore Companies Act) of the Company and who is unable to attend personally but wishes to appoint a nominee to attend and vote on his behalf, or if such Depositor is a corporation, should complete the depositor proxy form under seal or the hand of its duly authorised officer or attorney and lodge the same at the office of the Company's Singapore Share Transfer Agent, B.A.C.S. Private Limited, at 63 Cantonment Road, Singapore 089758 not later than 48 hours before the time appointed for the meeting.