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

Annual Report **2016**

Lawn To Table Eating

The Whole Industry Chain

Provide Safe and Healthy Food

Corporate Profile

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

a) chilled and frozen rabbit meat;

b) chilled and frozen chicken meat;

c) processed foods which include a wide range of food products such as instant soup, curry food, chicken-based cooked products, roasted rabbit food, meatballs, de-oxygenated consumer packed chestnuts and seafood; and

d) other products which mainly include pet food, dehydrated vegetables, poultry, rabbit organs, fruits, dried chili, pig liver and seasoning.

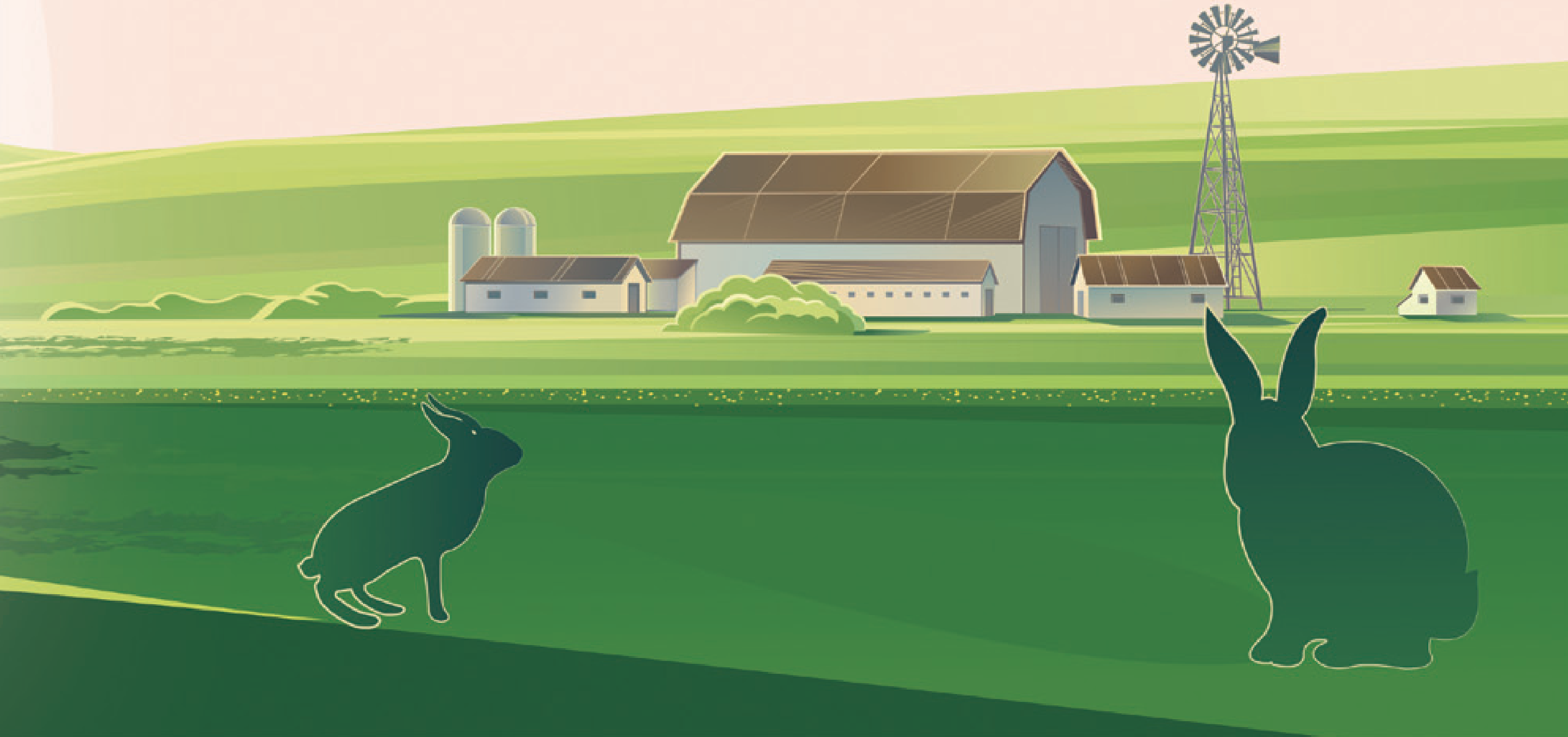
The Company's chilled and frozen rabbit meat is mainly exported to European Union (the "EU"). Besides selling products under its own brand names of "康大", "嘉府", "U味", and "KONDA", the Company also acts as an Original Equipment Manufacture ("OEM") manufacturer of a variety of processed foods including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

The Company 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.

The Company 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. The Company is also the first PRC company to be granted the certification for breeding progeny rabbit in the PRC. The Company has further strengthened its foothold in this segment through stable expansion strategies.

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

Contents

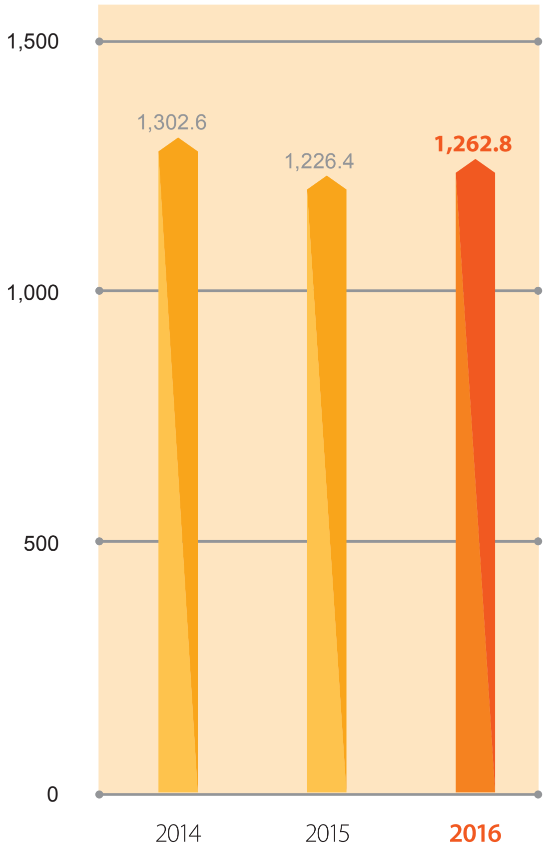


Financial Highlights

	FY2016 RMB'million	FY2015 *RMB'million*	FY2014 *RMB'million*
Revenue	**1,262.8**	1,226.4	1,302.6
Gross Profit	**101.6**	122.8	109.7
Net Profit/(Loss) Attributable to Owners of the Company	**6.3**	(28.1)	(4.0)
Earnings/(Loss) per Share – Basic (RMB cents)	**1.5**	(6.5)	(0.9)
Net Asset Value per Share – Basic (RMB cents)	**150.2**	148.8	155.3

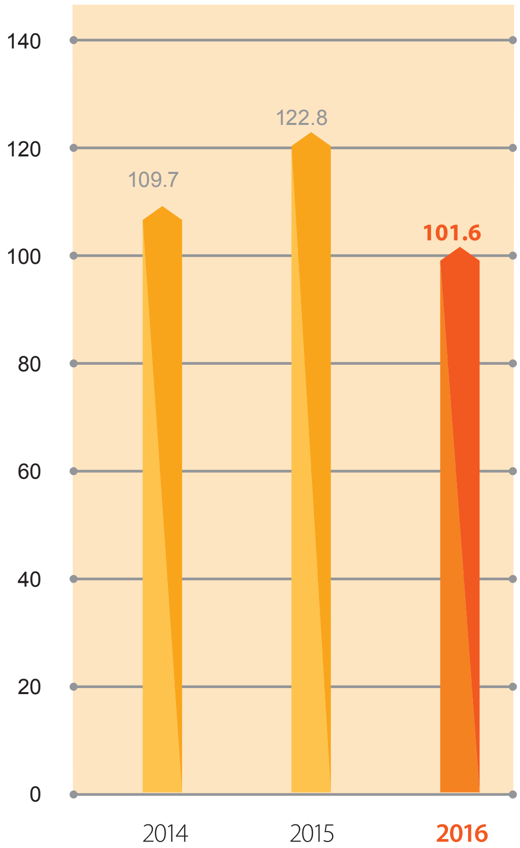
Total Revenue increased: 3.0%

RMB'million



Gross profit decreased: 17.3%

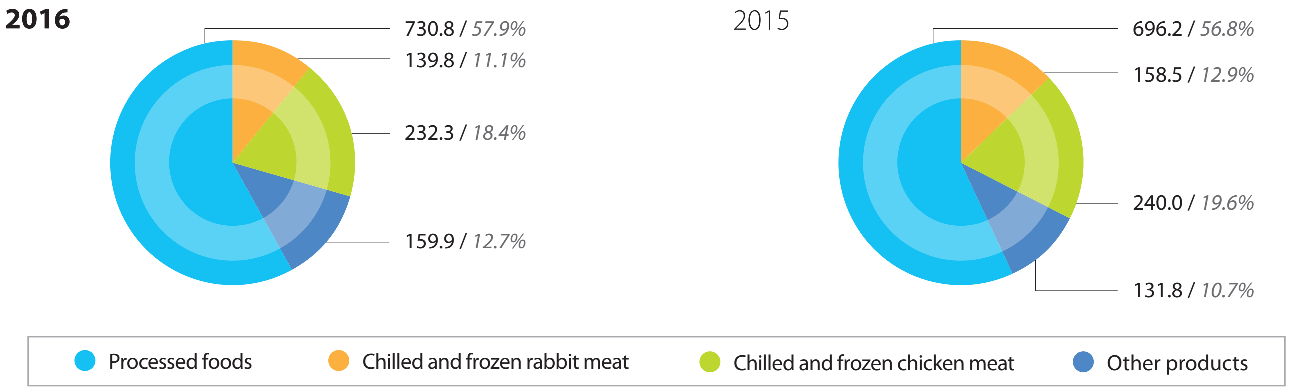
RMB'million



Financial Highlights

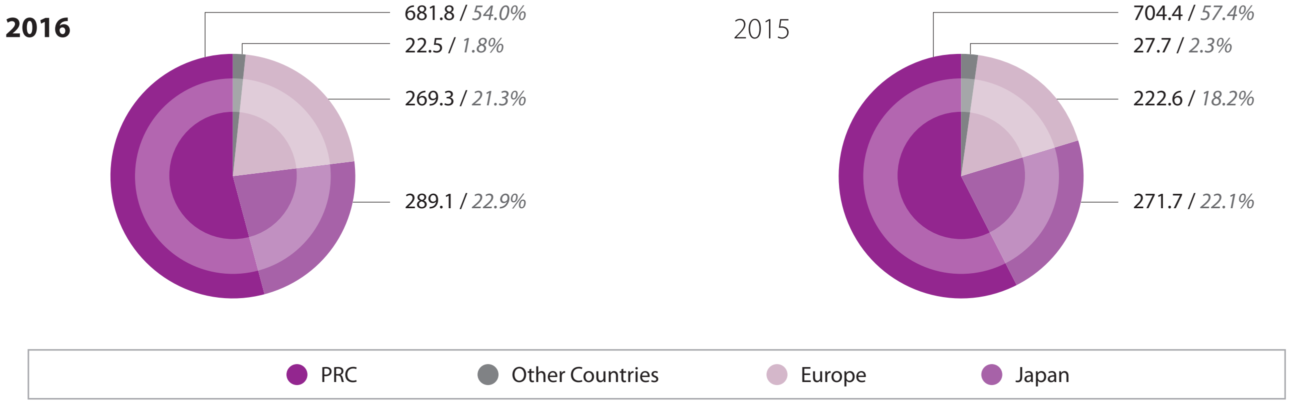
Revenue by Products

RMB'million



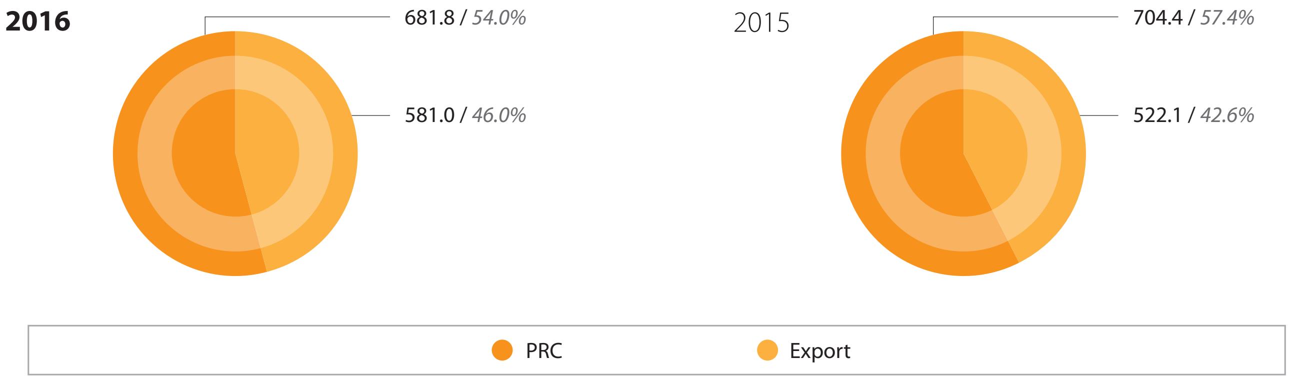
Revenue by Geographical Markets

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 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 2016.

BUSINESS REVIEW

During 2016 ("FY2016"), the Group recorded a profit attributable to owners of the Group amounted to RMB6.3 million as a result of the inclusion of impairment loss on the property, plant and equipment amounted to RMB11.3 million in consideration of the weak market demand for rabbit meat and on the closing down a chicken and rabbit farm. Excluding the said impairment loss, the Group recorded a profit attributable to owners of the Group amounted to RMB17.6 million for FY2016 as compared to a profit of RMB13.4 million recorded during 2015 ("FY2015").

During the past years, many incidents happened in the agriculture and food industry in the PRC. In view of the uncertainties and continue decrease of the market prices, the Group has implemented a prudent approach in assessing its production plan with the actual market conditions. The Group recorded sales revenue of approximately RMB1,262.8 million, representing an increase of 3.0% from approximately RMB1,226.4 million a year ago.

Due to oversupply of rabbit related products in the PRC market and the sales of rabbit skin at a lower price, the gross profit margin of the Group's chilled and frozen rabbit meat further declined from –1.1% to –2.8% in FY2016. The Group is one of the 8 enterprises in the PRC which have successfully obtained the approval to export rabbit meat to overseas market. The Company is also the first PRC company to be granted the certification for breeding progeny rabbit in the PRC. In view of the growing preference for "free rearing" rabbits from its customers, the Group has invested in rearing "free roaming" rabbits. Through the expansion in the market share, the Group believes that the demand of its rabbit meat segment will improve with the recovery of rabbit meat products industry.

Chairman's Statement

The processed food products were still the Group's main profit contributor in FY2016. Adhering to the highest standards in food safety and product quality is one of the Group's core values. The overall profitability under this segment had improved following the diversion of some of the Group's chilled and frozen chicken meat products into higher value processed food which could command a satisfactory return. The Group believes that its fully integrated operations, coupled with its stringent quality control standards and production safety systems, would ensure consistent and high-quality products. The Group operates a platform that seamlessly integrates research and development, production, quality control and distribution. All of the Group's production, processing and distribution facilities have been accredited according to ISO9001, ISO14001, HACCP or other international certification standards.

The conversion of the Company's listing status on the Main Board of the Singapore Exchange Securities Trading Limited from a primary to a secondary listing became effective on 23 January 2017. The conversion is expected to streamline the Company's compliance obligations, reduce its compliance-related costs and enable more efficient allocation of resources for other critical aspects of the growth and operations.

Through the continuous enhancements to the Group's facilities and with its vertically integrated operation, the Group believes that the profitability of the Group will improve with the recovery of the industry.

OUTLOOK

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

To diversify the Group's businesses, the Group will look for opportunities to commence new business segments and develop any potential business opportunities. The Group will also explore the opportunities to reduce of its costs by disposing non-performing business operations to enable the Group to have sufficient cash resources to meet its present and future cash flow requirement. The Group remains positive that the Group's financial position is stable and the above strategies and measures will bring the Group steady and sustainable long term growth.

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

Gao Sishi
Chairman

Board of Directors

Executive Directors

An Fengjun（安豐軍）, aged 44, is the Group's CEO and an Executive Director of the Company. He was appointed as a Director on 11 March 2014 and was last re-elected on 30 April 2014. He has more than 10 years of experience in the food production industry and is primarily responsible for food production and business operation of the Group.

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

As at 31 December 2016, Mr. An held 1.3% of the equity interests in KD Trading Company. Mr. An graduated from Jiaonan City Middle Special Vocational School（膠南市職業中等專業學校）majored in Accounting in June 1993. He also completed a post-graduate course in business management in Tianjin University（天津大學）in August 2005.

Gao Yanxu（高岩緒）, aged 51, is an Executive Director. He was appointed as a Director on 10 May 2006 and was last re-elected on 30 April 2014. Mr. Gao has more than 10 years of experience in the food production industry.

From 1996 to 1999, Mr. Gao worked as the Manager of Qingdao City Jiaonan Kangda Feed Co., Ltd. ("KD Feed Company"). He then worked in Shandong Province Qingdao Kanghong Poultry & Egg Co., Ltd.（山東省青島康宏肉食蛋品有限公司）in 1999 as a Manager. On 1 January 2001, Mr. Gao founded KD Trading Company with Mr. Gao Sishi, Mr. An Fengjun, Mr. Zhang Qi and other independent third parties. As at 31 December 2016, Mr. Gao held 5.3% of the equity interests in KD Trading Company. Mr. Gao obtained a Bachelor's Degree in Business and Economic Management from Renmin University of China（中國人民大學）in June 1997. On 28 February 2000, he completed the courses of Master's degree in Management in Business Administration in the graduate school of Renmin University of China（中國人民大學研究生院）. He is the nephew of Mr. Gao Sishi, an Non-executive Director of the Company.

Non-Executive Directors

Gao Sishi（高思詩）, aged 60, 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 30 April 2014. Mr. Gao has more than 20 years of experience in the food export and production industry. He is the founder and currently the Chairman and General Manager of KD Trading Company, comprising a group of companies engaging in various business activities in the PRC such as property development, transport, animal feeds production and import and export business. As at 31 December 2016, Mr. Gao held 40% of the equity interests in KD Trading Company.

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

Board of Directors

Non-Executive Directors (Continued)

Zhang Qi（張琪）, aged 50, is a Non-executive Director. He was appointed as a Director on 25 August 2006 and was last re-elected on 29 April 2016. Mr. Zhang is currently the Internal Audit Manager and Assistant to the General Manager of KD Trading Company. As at 31 December 2016, 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 66, is a Non-executive Director. He was appointed as a Director on 29 April 2011 and was last re-elected on 30 April 2015. Mr. Yamada holds a Bachelor's Degree in Sociology from Hitotsubashi University in Japan and a Bachelor's Degree in Chinese from Nanyang Technological University in Singapore. He has also completed a Master's Degree in Business Administration in Tsinghua University, PRC. Mr. Yamada is currently the Chairman and General Manager of ZENSHO RESTAURANT (SHANGHAI) CO., LTD., a subsidiary of Zensho in Shanghai.

Independent Non-Executive Directors

Lau Choon Hoong（劉俊雄）, aged 44, is an Independent Non-executive Director. He was appointed as a Director on 8 November 2012 and was re-elected on 29 April 2016. Mr. Lau is currently the General Manager of the finance department in M1 Limited in Singapore. Prior to that, Mr. Lau worked as group accountant and group financial controller of companies listed in Singapore. Mr. Lau has also gained experience in financial and accounting markets through working in international audit firms in Singapore and Kuala Lumpur from 1996 to 2001. Mr. Lau is a member of the Institute of Singapore Chartered Accountants.

Chong Soo Hoon, Sean（張詩雲）, age 42, is an Independent Non-executive Director. He was appointed as a Director with effect from 1 June 2015. Mr. Chong is currently the Managing Director of Anda Capital Solutions Private Limited, a business advisory and investment firm. He has more than 15 years of experience in investment banking, corporate advisory and direct investment, in particular, he was actively involved in a broad range of corporate finance transactions for listed and private entities throughout the Asia-Pacific region, including initial public offerings, mergers and acquisitions, rights issues and other corporate advisory works. Mr. Chong graduated with a Bachelor's (Honours) Degree in Accounting and Financial Studies from University of Exeter, United Kingdom. He is currently an Independent Non-executive Director of China Yuanbang Property Holdings Limited, a public company listed on the Mainboard of Singapore Exchange Securities Trading Limited, and a Director of several private companies in Singapore.

Yu Chung Leung（余仲良）, aged 46, is an Independent Non-executive Director. He was appointed as a Director upon the listing of the Company on the Stock Exchange of Hong Kong Limited on 22 December 2008 and was last re-elected on 30 April 2015. He has been a partner of Lee & Yu Certified Public Accountants since March 2003. Mr. Yu had been working in an international accounting firm, during the period from July 1993 to January 2003. Mr. Yu is a member of each of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and an authorized supervisor to train prospective members of the Hong Kong Institute of Certified Public Accountants. He obtained a Master of Arts in International Accounting from the City University of Hong Kong in July 2006.

Key Management

Fong William（方偉濂）, aged 37, 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 is also currently an independent director of North Mining Shares Company Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 433). Mr. Fong has over nine years of experience in accounting and auditing and worked in an international accounting firm prior to joining the Group. He graduated from City University of Hong Kong with a Bachelor's Degree in Accountancy and has attained an MBA from the University of Hong Kong. Mr. Fong is a member of Hong Kong Institute of Certified Public Accountants and Taxation Institute of Hong Kong.

Gao Yumei（高玉梅）, aged 48, is the production manager of the production department of the Group. Ms. Gao has more than 20 years of experience in the food production industry. From 1985 to 1995, Ms. Gao worked in Qingdao Jiaonan City Import and Export Company（青島市膠南市進出口公司）as the complex production factory head. She later joined Qingdao Kangda Food Refrigeration Factory（青島市康大食品冷藏廠）as its head of workshop from 1995 to 1997. From 1997 to 1999, she held the position of head of workshop at Second Refrigeration Factory of Kangda Foods（青島康大食品有限公司第二冷凍廠）before joining KD Feed Company as its production manager until 2000. From 2001 to 2002, Ms. Gao was the vice manager at Qingdao Kangyang Food Company, Ltd.（青島康洋食品有限公司）. She subsequently moved on to Shandong Qingdao Kanghong Meats and Eggs Products Company, Limited（山東青島康宏肉食蛋品有限公司）in 2002 where she served as a vice manager until 2003. In 2004, she joined our subsidiary, Qingdao Kangda Haiqing Food Co., Ltd. as its vice manager. Ms. Gao undertook a part-time course at the Party School of Shandong Provincial Party Committee of China Communist Party（中共山東省委黨校）and obtained a certificate in economic management. Ms. Gao Yumei is connected with neither Mr. Gao Yanxu nor Mr. Gao Sishi.

Xu Gui Yu（徐桂玉）, aged 53, is the vice manager of the Group's production department. Ms. Xu has more than 20 years of experience in the food production industry. She joined the Group's subsidiary, Qingdao Kangda Haiqing Foods Co., Ltd, as the supervisor of the production facility from 1985. In 2000, she joined another subsidiary, Qingdao Kangda Foods Co., Ltd, where she served as the supervisor of the chicken production department. For the period from 2006 to 2013, Ms. Xu held the position of assistant manager of rabbit production department. Ms. Xu completed an enterprise management course from Shandong Professional College（山東職業專業學院）.

Zhao Ruifen（趙瑞芬）, aged 52, 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 44, 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:
An Fengjun (CEO)
Gao Yanxu

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

Independent Non-executive:
Chong Soo Hoon, Sean
Lau Choon Hoong
Yu Chung Leung

AUDIT COMMITTEE
Lau Choon Hoong (Chairman)
Chong Soo Hoon, Sean
Zhang Qi
Yu Chung Leung
Naoki Yamada

REMUNERATION COMMITTEE
Yu Chung Leung (Chairman)
Chong Soo Hoon, Sean
Lau Choon Hoong
Gao Sishi
Naoki Yamada

NOMINATION COMMITTEE
Chong Soo Hoon, Sean (Chairman)
Lau Choon Hoong
Gao Yanxu
Yu Chung Leung

COMPANY SECRETARIES
Fong William (HKICPA)
Chiang Wai Ming Angeline (ACIS)

AUTHORISED REPRESENTATIVES
Gao Yanxu
Fong William

REGISTERED OFFICE
Canon's Court
22 Victoria Street
Hamilton HM 12
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HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC
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Economic and Technology Development Zone
Jiaonan City
Shandong Province
PRC

PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE
45/F, The Lee Gardens, 33 Hysan Avenue,
Causeway Bay, Hong Kong

SINGAPORE SHARE REGISTRAR
B.A.C.S. Private Limited
8 Robinson Road #03-00
ASO Building,
Singapore 048544

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

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

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

Management Discussion and Analysis

BUSINESS REVIEW

In FY2016, the Group recorded a profit attributable to owners of the Company amounted to approximately RMB6.3 million as compared to a loss of approximately RMB28.1million recorded in FY2015 due to the decrease of impairment loss on property, plant and equipment which incurred from the rabbit meats business in Jilin.

In the past years, the oversupply of rabbit and chicken related products in the PRC market had negative impacts on the overall performance of the Group. In current year, the recovery of the market price of meat products have improved the Group's profitability.

Chilled and Frozen Rabbit Meat

In order to satisfy the increasing market demand for "free rearing" rabbits, the Group has invested in rearing "free roaming" rabbits including improving the related production and breeding facilities to comply with the European animal protection rights' requirement. This investment can increase the competitiveness of the Group and provides the Group with a good way of acquiring higher returns.

Chilled and Frozen Chicken Meat and Processed Foods

Through the enhancements to the Group's facilities and with its vertically integrated operation, the Group combined the advantages of the integrated supply chain to produce and sell dependable and traceable processed foods. This measure brought positive effect to the Group's consolidated financial results attributable to the shareholders.

In addition, the improvement in profitability was attributable to the effectiveness of costs management and the progressive effects of increasing level of automation and reducing manual processes. The effective cost reduction measures implemented by the Group have further significantly increased the profitability. Therefore, management believe that the profitability of the Group continued to improve with the recovery of the industry.

SAFETY

The Group currently has its own production facilities in Jiaonan, Gaomi and Jilin. With the growing awareness on food safety, effective food control systems are essential to protect the health and safety of the consumers, particularly from those high spending customers who concern their living standards. The Group's quality management system has obtained HACCP, ISO9001 and ISO14001 certification. The Group views its ability in surveillance, monitoring and enforcement in compliance with PRC and international standards as its strength.

The Group has been continuously optimizing its biological safety, hygienic and disease prevention system. By comprehensively implementing tracing system to monitor food safety and strictly controlling each procedure in the farm-to-table continuum, the Group ensures the consumers with the provision of safe food. The Group is constantly monitoring our processing facilities by on-site inspection at breeding factories and farms to reduce the risks of disease and increase our product quality. With the commitment to healthier, safer and quality meat products, the Group has firmly strengthened our quality management and risks over every operation process ranging from purchases, breeding, production, logistics and storage to sales to ensure that the Group consistently offers quality and safe food to consumers.

Management Discussion and Analysis

POSSIBLE DISPOSAL

Reference is made to the announcements made by the Company dated 30 December 2016, 27 January 2017, 27 February 2017 and 27 March 2017 (the "Announcements"). As stated in the Announcements, the Directors were informed by two groups of shareholders, namely, Gao Sishi, Gao Yanxu, Cheng Xiutai, Zhang Qi, Kang Peiqiang and Hu Wenbo (collectively, the "Group A Vendors"), and Zensho Holdings Co., Ltd. (the "Group B Vendor", together with the Group A Vendors, the "Potential Vendors") that the Group A Vendors on 30 December 2016, and the Group B Vendor on 28 December 2016 (after trading hours), have separately entered into two memoranda of understanding with a potential purchaser in relation to the possible disposal. The possible disposal, if it materialises, will result in a change in control of the Company.

PROSPECT

2016 is a challenging year because of the downward pressure faced by the global economy.

Based on the understanding from management, the Group is one of 8 enterprises in the PRC which have successfully obtained the approval to export rabbit meat to overseas market. There is a growing preference for "free rearing rabbits" from its customers and the management expects the demand and selling price of "free rearing" rabbits will be higher than that of the current "cage rearing" rabbits, especially in the overseas market. Therefore, we participated in the rearing of "free rearing" rabbits and expected this strategy able to improve the overseas sales and restore the market demand for rabbit meat to normal level.

For the chicken meat and processed food products segment, the oversupply livestock by the numerous smaller chicken breeder farms caused the long-term oversupply of chicken meats in the past. Although the market price of day-old chick and feather chicken have rebounded, the Group hold the view that there is a greater price fluctuation in this industry. To maintain the profitability of the chicken meat processing industry, the Group will continue to increase its efforts in the research and development of new products that command higher profit margins.

The Group has also been optimizing and adjusting its existing business in addition to upgrading the production facilities. To diversify the Group's businesses and broaden its revenue base, the Group will also look for opportunities to commence new business segments and develop any potential business opportunities. Going forward, the Group will continue to reduce our costs by identifying and restructuring unprofitable operations. The Group will also explore the reduction of its costs by disposing non-performing business operations to enable the Group to have sufficient cash resources to meet its present and future cash flow requirement.

OPERATING AND FINANCIAL REVIEW

REVENUE BY PRODUCTS

	FY2016 RMB'000	FY2015 RMB'000	% Change +/(-)
Processed food	**730,786**	696,207	5.0
Chilled and frozen rabbit meat	**139,802**	158,460	(11.8)
Chilled and frozen chicken meat	**232,259**	240,023	(3.2)
Other products	**159,938**	131,758	21.4
Total	**1,262,785**	1,226,448	3.0

Processed Food Products

The processed food product segment has been maintaining its stable operation with a suitable scale in 2016. Revenue derived from the production and sales of processed food products increased slightly by 5.0% to RMB730.8 million for FY2016 mainly due to the increase in demand in the overseas market.

Chilled and Frozen Meat Products

The rabbit and chicken meat segments contributed 29.5% to the Group's total revenue for FY2016.

– ***Chilled and Frozen Rabbit Meat***
  Since the rabbit meat segment is still facing the oversupply of rabbit meat in the PRC market, this had resulted in a decrease of demand of chilled and frozen rabbit meat.

– ***Chilled and Frozen Chicken Meat***
  Revenue derived from the production and sales of chilled and frozen chicken meat products decreased slightly by 3.2% to RMB232.3 million for FY2016.

Other Products

Revenue derived from the production and sale of other products increased by 21.4% to RMB159.9 million in FY2016. The increase is mainly due to the increase in demand of feed and pet food products.

Management Discussion and Analysis

REVENUE BY GEOGRAPHICAL MARKETS

	FY2016 RMB'000	FY2015 RMB'000	% Change +/(-)
Export	**580,968**	522,053	11.3
PRC	**681,817**	704,395	(3.2)
Total	**1,262,785**	1,226,448	(3.0)

On a geographical basis, revenue from export sales increased by 11.3% to RMB581.0 million in FY2016. The increase in export sales was attributable mainly to the increase in demand for processed food products from Europe and Japan.

The decrease of the PRC sales was attributable mainly to the decrease of sales of chilled and frozen rabbit meat in the PRC market as explained above under the Chilled and Frozen Meat Products.

Management Discussion and Analysis

PROFITABILITY

Gross Profit and Margin

	FY2016 RMB'000	FY2016 Margin %	FY2015 RMB'000	FY2015 Margin %	Change RMB'000	% Change +/(-)
Processed food	**87,018**	**11.9**	105,273	15.1	(18,255)	(17.3)
Rabbit meat	**(3,904)**	**(2.8)**	(1,758)	(1.1)	(2,146)	(122.1)
Chicken meat	**3,990**	**1.7**	1,054	0.4	2,936	278.6
Other products	**14,472**	**9.0**	18,267	13.9	(3,795)	(20.8)
Total	**101,576**	**8.0**	122,836	10.0	(21,260)	(17.3)

Due to the unsatisfactory performance of the segment of chilled and frozen rabbit and processed food, the overall gross profit margin decreased from 10.0% to 8.0% in FY2016.

Processed Food Products

Processed food products were the main profit contributor in FY2016 and due to the decrease of selling price, the gross profit margin declined from 15.1% to 11.9% in FY2016.

Chilled and Frozen Rabbit Meat

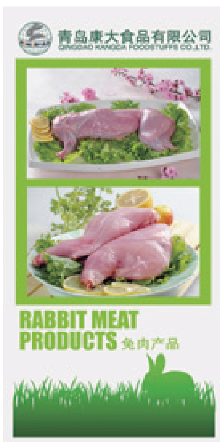
The gross profit margin of chilled and frozen rabbit meat declined from -1.1% to -2.8% in FY2016. The decline of profit margin was due to the sales of rabbit skin related products in the fourth quarter of this year. Those rabbit skin related products were accumulated as inventories in 2015 and were mostly sold at a lower price in current year.

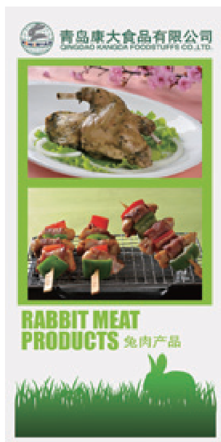
Chilled and Frozen Chicken Meat

The chicken industry in PRC recorded its 5-year lowest average selling price in 2015. In 2016, the price of chicken meat finally reached a support level. As a result of the increase purposively in selling prices according to the market situation, the gross profit of chilled and frozen chicken meat segment increased slightly from 0.4% to 1.7% in FY2016.

Other Products

Other products are mainly pet food products, chicken and rabbit meat by-products and feeds. Due to the decrease in selling price, gross profit margin decreased from 13.9% to 9.0% in FY2016 and gross profit decreased from RMB18.3 million to RMB14.5 million.





Management Discussion and Analysis

Other Income

Other income comprised mainly government grants, gain on change in fair value of biological assets, insurance claim and interest income from financial assets amounting to RMB1.9 million, RMB37.8 million, RMB3.1 million and RMB11.4 million respectively. The rest were mainly sales of rabbit excrement as fertilizer. The increase in other income is mainly due to RMB37.8 million gains arising from changes in fair value less estimated costs to sell of biological assets during the year and as of year ended date.

Selling and Distribution Expenses

Selling and distribution expenses comprised mainly transportation costs, sales promotion expenses, salary and welfare which increased by 20.4% to approximately RMB34.6 million due to the increase of the export sales during the year.

Administrative Expenses

Administrative expenses comprised mainly staff costs, professional fees, depreciation charge, travelling expenses and other miscellaneous administrative expenses. The slight decrease in administrative expenses by 1.1% was due to the implementation of cost controls measures.

Other Operating Expenses

Other operating expenses represented miscellaneous expenses, comprising mainly impairment loss of bad debt and loss on disposal of property, plant and equipment amounting to RMB18.9 million in FY2016. The increase was due to the impairment loss of outstanding receivables from Jilin Kangda Rabbit Co., Ltd (an associate) and Chongqing Kangda Juxin Rabbit Co., Ltd (a former subsidiary) during the year.

Impairment loss on property, plant and equipment

The business related to the sale of rabbit products showed a decline and has yet to recover. The Group performed an impairment assessment on certain property, plant and equipment of this segment in accordance with the accounting policy on impairment on non-financial assets. Based on the assessment, an impairment loss of approximately RMB2.9 million was recognised in the consolidated statement of comprehensive income for FY2016. The rest was related to the impairment loss of property, plant and equipment due to the closing down a chicken farm and a rabbit farm during the year.

Finance costs

Finance costs increased slightly by 0.7% to approximately RMB39.2 million in FY2016. The borrowing is for the purpose of enhancing the production facilities and future working capital.

Taxation

Taxation decreased by 57.3% to approximately RMB2.2 million in FY2016. 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 of corporate income tax on profits derived from such business.

In FY2016, some of the subsidiaries in the Group were engaged in qualifying agricultural business, which include breeding and sales of livestock, and generated most of the profit during the year. Therefore, most of the operating profit are entitled to full exemption of corporate income tax during the year and the tax expense decreased significantly.

Review of the Group's Financial Position as at 31 December 2016

The Group's property, plant and equipment decreased by 3.4% to approximately RMB791.7 million as at 31 December 2016 mainly due to additions of property, plant and equipment of approximately RMB62.3 million and this was offset by the impairment loss and a depreciation charge of approximately RMB11.3 million and approximately RMB63.3 million respectively.

The prepaid premium for land leases decreased by 3.6% to approximately RMB116.6 million as at 31 December 2016 mainly due to an amortisation charge of land use right amounted to approximately RMB4.3 million.

Goodwill arose from the acquisitions of subsidiaries in the past.

The deposits for property, plant and equipment were the deposits paid for the future increase in property, plant and equipment and were non-current in nature.

Management Discussion and Analysis

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 2016 with reference to market-determined prices.

Inventories decreased by 28.9% to approximately RMB125.8 million and the inventory turnover days for FY2016 were 48 days compared to 56 days for FY2015. The decrease in both inventories and inventory turnover days were due to the decrease of inventory level after the sales of rabbit skin related products.

Trade and bills receivables increased by 42.5% to approximately RMB92.5 million as at 31 December 2016 mainly due to the increase of sales during the year. The trade and bills receivables turnover days was 23 days in FY2016 compared to 20 days for FY2015.

Prepayments, other receivables and deposits decreased by 13.2% to approximately RMB71.8 million as at 31 December 2016. The decrease was mainly due to the decrease of trade deposit paid to suppliers.

Cash and cash equivalents, including pledged deposits, decreased by approximately RMB68.9 million to approximately RMB386.5 million. Approximately RMB102.3 million of the bank deposit was secured against the bills payables of the Group.

Trade and bills payables decreased by 11.3% to approximately RMB308.6 million as at 31 December 2016. The decrease in the trade and bills payables was mainly due to the decrease of bill payables secured by the pledged deposits from approximately RMB191.4 million to approximately RMB139.8 million as at 31 December 2016.

Accrued liabilities and other payables represented payables for construction and facilities, salary and welfare payables, accrued expenses and deposit received. It increased by 14.9% to approximately RMB119.8 million as at 31 December 2016 and the increase was due to the increase of deposits placed by customers and the increase of payables of construction costs compared to 31 December 2015.

The interest-bearing bank borrowings balance as at 31 December 2016 decreased by RMB130.0 million to approximately RMB559.0 million after taking into account the additional bank borrowings of approximately RMB729.0 million and repayment of the bank borrowings of approximately RMB859.0 million during the year. Approximately RMB30.0 million of the bank borrowing was classified as non-current liabilities.

Change in balance with a related party represented the outstanding balance due to Qingdao Kangda Foreign Trade Group Limited as a result of the settlement, trading and financing transactions.

Tax payables decreased from RMB3.3 million to RMB0.5 million as at 31 December 2016. This was due to payment of income tax during the year.

CAPITAL STRUCTURE

During the year under review, the Group had net assets of approximately RMB678.5 million (31 December 2015: RMB671.0 million), comprising non-current assets of approximately RMB1,004.0 million (31 December 2015: RMB1,023.5 million), and current assets of approximately RMB725.1 million (31 December 2015: RMB824.6 million). The Group recorded a net current liability position of approximately RMB267.7 million (31 December 2015: RMB282.4 million) as at 31 December 2016, which primarily consist of cash and cash equivalents balances amounted to approximately RMB284.2 million (31 December 2015: RMB269.6 million). Moreover, inventories amounted to approximately RMB125.8 million (31 December 2015: RMB176.9 million) and trade and bills receivables amounted to approximately RMB92.5 million (31 December 2015: RMB64.9 million) are also major current assets. Major current liabilities are trade and bills payables and interest-bearing bank borrowings amounted to approximately RMB308.6 million (31 December 2015: RMB347.8 million) and approximately RMB529.0 million (31 December 2015: RMB649.0 million) respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group has cash and cash equivalent of approximately RMB284.2 million (31 December 2015: RMB269.6 million) and had total interest-bearing bank borrowings and amount due to a related party of approximately RMB559.0 million and RMB32.2 million (31December 2015: RMB689.0 million and nil) respectively. The Group's interest-bearing bank borrowings was debts with interest rate ranging from 4.57% to 6.88% (31 December 2015: 4.83% to 6.95%) per annum.

The gearing ratio for the Group was 90.9% as at 31 December 2016 (31 December 2015: 107.0%), based on net debt of approximately RMB591.2 million (31 December 2015: RMB689.0 million) and equity attributable to the Company's owners of approximately RMB650.4 million (31 December 2015: RMB644.1 million). The Group would serve its debts primarily with cash flow generated from its operation, seeking renewal of the outstanding bank borrowings and new banking facilities and exploring the availability of alternative source of financing. The 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.

CONVERSION OF THE COMPANY'S LISTING STATUS FROM PRIMARY LISTING TO SECONDARY LISTING ON THE MAIN BOARD OF THE SGX-ST

As disclosed in the Company's announcement dated 14 October 2016, the Company received the in-principle approval from the SGX-ST for its application for the conversion in its listing status from a primary listing to a secondary listing on the Main Board of the SGX-ST while maintaining its primary listing status on The Stock Exchange of Hong Kong Limited ("SEHK"). The Company has obtained its shareholders' approval at the special general meeting held on 12 January 2017. The Company completed the conversion of its listing status on the SGX-ST on 23 January 2017. The Company is now primarily listed on the SEHK and secondarily listed on the SGX-ST.

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	44,527	7,470	5,227	–	–
Cash and bank balances	7,013	4,184	2,119	5	104
	51,540	11,654	7,346	5	104
Financial liabilities					
Trade payables	4,150	–	–	–	–

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

CAPITAL COMMITMENTS

As at 31 December 2016, there is capital commitment of the Group which had been contracted for but not provided in the financial statements amounted to approximately RMB5.5 million (2015: RMB21.4 million).

CHARGE ON ASSETS

Total secured interest-bearing bank borrowings were approximately RMB345.0 million as at 31 December 2016 (2015: RMB205.0 million).

As at 31 December 2015 and 2016, the Group's interest-bearing bank borrowings were guaranteed by certain related parties of the Group and secured against pledge of certain of the Group's property, plant and equipment, land use rights, certain properties of the related parties and pledged deposits.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any material contingent liabilities (31 December 2015: Nil).

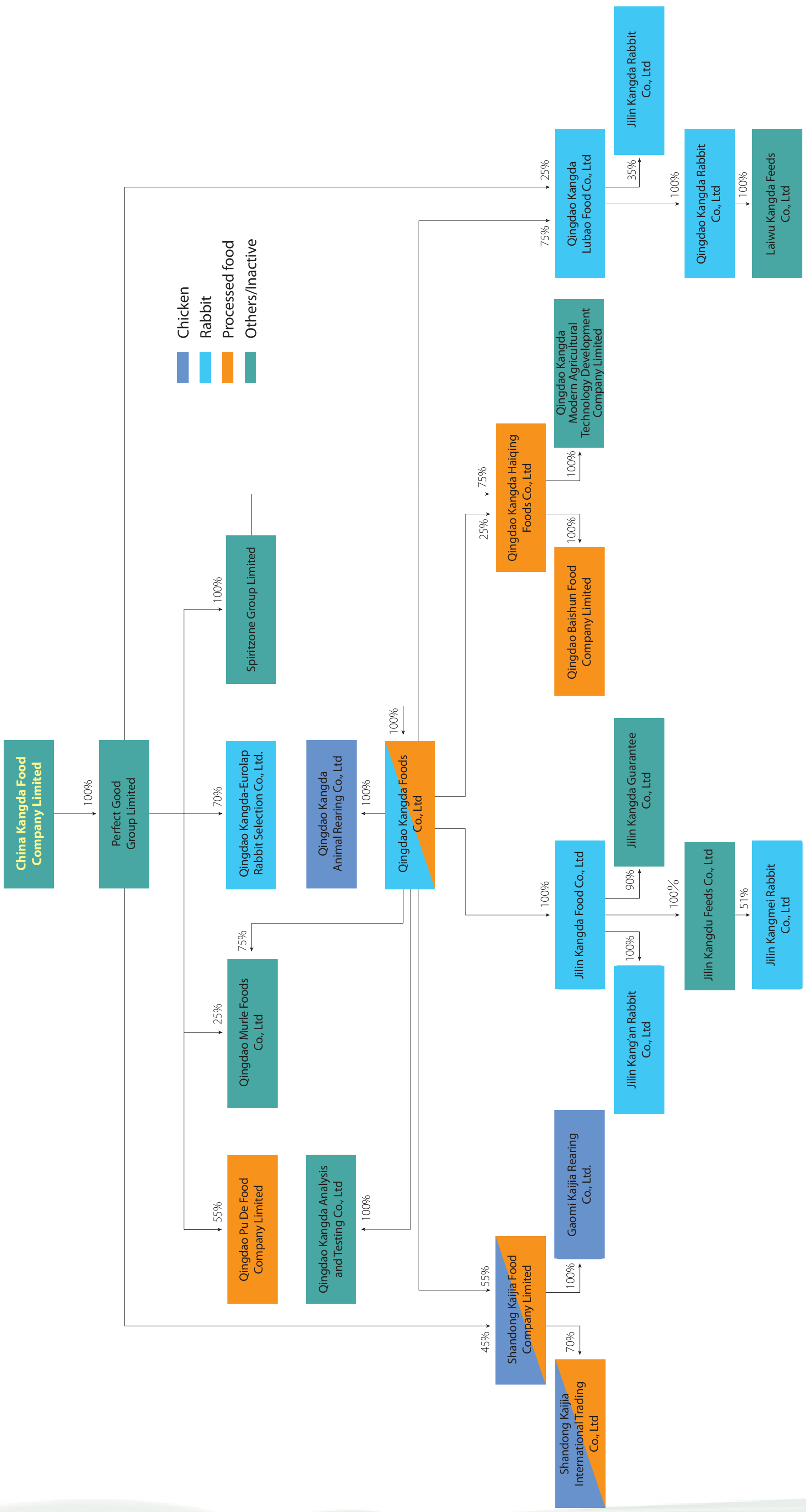
EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2016, the Group employed a total of 4,406 employees (2015: 4,109 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 RMB191.0 million (2015: RMB203.3 million). The Company does not have share option scheme for its employees.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 December 2016.

Corporate Structure



Corporate Governance Report

(I) STATEMENT OF COMPLIANCE

It is the policy of the Company to manage the affairs of the Group in accordance with the appropriate standards for good corporate governance. Summarised below is a statement on how the Company during the year ended 31 December 2016 has applied the principles and complied with the code provisions as set out in the Corporate Governance Code in effect during the year ended 31 December 2016 (the "CG Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules"), save for certain deviations from the relevant Code Provision A3.2 listed below.

A. Directors

A.1 The Board

Principle

An issuer should be headed by an effective Board which should assume responsibility for its leadership and control and be collectively responsible for promoting its success by directing and supervising its affairs. Directors should take decisions objectively in the best interests of the issuer.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the issuer, and whether he is spending sufficient time performing them.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.1.1	At least 4 regular physical Board meetings should be held each year.	No	The Board has overall responsibility for the proper conduct of the Company's business. Regular Board meetings are held on a quarterly basis and ad hoc Board meetings will be held as and when required.
A.1.2	All Directors should be given an opportunity to include matters in the agenda for regular Board meetings.	No	Draft notice and agenda for regular Board meetings are provided to all Directors for comments and consideration and inclusion of any matters for deliberation at the meetings.
A.1.3	Notice of at least 14 days should be given of a regular Board meeting. For all other Board meetings, reasonable notice should be given.	No	Reasonable notice will be given for all other Board meetings.
A.1.4	Minutes of Board and Board Committees meetings should be kept by a duly appointed secretary of the meeting and should be open for inspection on reasonable notice by any Director.	No	Minutes of the meetings of the Board, the Audit Committee, the Nomination Committee, and Remuneration Committee are kept by the Company Secretary. Such minutes are available for inspection on reasonable notice by any Director.
A.1.5	Draft and final versions of minutes of Board meetings should be sent to all Directors for their comments and records within a reasonable time after the Board meeting is held.	No	Draft and final versions of minutes of Board meetings are sent to all Directors for their comments and records within a reasonable time.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.1.6	There should be a procedure agreed by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the issuer's expense.	No	The Board has agreed on a procedure to enable the Directors to seek independent professional advice in appropriate circumstances, at the Company's expense, to assist them to perform their duties.
A.1.7	If a substantial shareholder or a Director has a conflict of interest in a material matter to be considered by the Board, the matter should be dealt with by a physical Board meeting rather than a written resolution.	No	Material transactions with connected persons will be considered at Board meetings whereat the Directors may consider, if appropriate, granting approval in-principle for the proposed transactions and authorising the final forms thereof be further approved by way of circulation of written resolution or by a Board committee set up for that purpose. The Company's Bye-laws and the Bermuda laws allow the attendance of the Company's Directors by means of, inter alia, telephone or electronic facilities and such attendance shall be counted as attendance at a physical Board meeting.
A.1.8	Issuer should arrange appropriate insurance cover in respect of legal action against its Directors.	No	All Directors are provided with appropriate insurance cover in respect of legal action against them.

A.2 Chairman and Chief Executive

Principle

There are two key aspects of the management of every issuer – the management of the Board and the day-to-day management of business. There should be a clear division of these responsibilities to ensure a balance of power and authority, so that power is not concentrated in any one individual.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.2.1	Roles of Chairman and Chief Executive should be separate and should not be performed by the same individual.	No	Mr. Gao Sishi is the Group's Non-executive Chairman and Mr. An Fengjun is the CEO, both are not related to each other.
A.2.2	The Chairman should ensure that all Directors are properly briefed on issues arising at Board meetings.	No	All Directors are properly briefed on issues arising at Board meetings.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.2.3	The Chairman should ensure that Directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable.	No	Adequate business documents and information about the Group are provided to all Directors in a timely manner.
A.2.4	The Chairman provides leadership for the Board and should ensure that the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner.	No	The Board, under the leadership of the Chairman, works effectively and performs its responsibilities with all key and appropriate issues discussed in a timely manner. Comments on the draft notice and agenda of regular Board meetings and matters proposed to be included in such drafts by any Director will be duly considered before finalisation.
A.2.5	The Chairman should ensure that good corporate governance practices and procedures are established.	No	The Board establishes and maintains good governance practices and procedures.
A.2.6	The Chairman should encourage all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the issuer.	No	All Directors are encouraged to make a full and active contribution to the Board's affairs and to voice their concerns if they have different views. Directors are given sufficient time for discussion at Board meetings. All Directors endeavour to act in the best interests of the Company.
A.2.7	The Chairman should at least annually hold meetings with the Non-executive Directors (including INEDs) without the Executive Directors present.	No	During the year under review, the Chairman of the Company had held a meeting with the INEDs of the Company.
A.2.8	The Chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the Board as a whole.	No	Shareholders' Communication Policy has been established by the Board to ensure that an effective system of communication with shareholders is in place. Shareholders are encouraged to participate in general meetings whereat members of the Board and Board Committees are available to answer their questions. Mr. Chong Soo Hoon, Sean was appointed as the Lead Independent Director whose role is to serve as a channel for shareholders in the event their concerns are not resolved through the Chairman and Chief Executive Officer ("CEO") or the Chief Financial Officer ("CFO"), or for which such contact is inappropriate.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.2.9	The Chairman should promote a culture of openness and debate by facilitating the effective contribution of Non–executive Directors and ensuring constructive relations between Executive and Non-executive Directors.	No	All Directors are encouraged to openly share their views on the Company's affairs and issues and they are entitled to have access to Management who will respond to queries raised by the Directors as promptly and fully as possible. The Board has agreed on a procedure to enable the Directors to seek independent professional advice in appropriate circumstances, at the Company's expense, to assist them to perform their duties.

A.3 Board composition

Principle

The Board should have a balance of skills and experience and diversity of perspectives appropriate to the requirements of the issuer's business. It should ensure that changes to its composition can be managed without undue disruption. It should include a balanced composition of Executive and Non-executive Directors (including Independent Non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement. Non-executive Directors should be of sufficient calibre and number for their views to carry weight.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.3.1	INEDs should be identified in all corporate communications that disclose the names of Directors.	No	Composition of the Board at the prevailing time throughout the year, by category of Directors, including names of Executive Director(s), NED and INEDs, has been disclosed in all corporate communication.
A.3.2	Issuer should maintain on the websites of its own and the Exchange an updated list of its Directors identifying their roles and functions and whether they are INEDs.	Yes	An updated list of the Company's Directors identifying their roles and functions and whether they are INEDs is available on the website of the Exchange. The Company is of the view that it is not necessary to maintain such list on the Company's website since all the information is available on the website of the Exchange.

A.4 Appointments, re-election and removal

Principle

There should be a formal, considered and transparent procedure for the appointment of new Directors. There should be plans in place for orderly succession for appointments. All Directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any Director.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.4.1	Non-executive Directors should be appointed for a specific term, subject to re-election.	No	The NEDs should be appointed for a specific term, subject to re-election. The Non-Executive Directors of the Company, Mr. Gao Sishi, Mr. Zhang Qi and Mr. Naoki Yamada, are each appointed by the Company for a one-year term. Their appointment may be terminated by either party giving at least one month's written notice or in accordance with the terms of their appointment letters. The INEDs, Mr. Yu Chung Leung, Mr. Chong Soo Hoon, Sean and Mr. Lau Choon Hoong were each appointed for a one-year term. Their appointment may be terminated by either party giving at least one month's written notice or in accordance with the terms of the appointment letters.
A.4.2	All Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every Director should be subject to retirement by rotation at least once every three years.	No	The Company's Bye-laws conform with this code provision whereby every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and Directors appointed by the Board to fill casual vacancy shall be subject to re-election by shareholders at the first general meeting after appointment.
A.4.3	Re-appointment of any INED who has served more than 9 years should be subject to a separate resolution to be approved by shareholders and the papers to shareholders accompanying that resolution should include the reasons why the Board believes he is still independent and should be re-elected.	No	There is no INED who has served more than 9 years.

A.5 Nomination Committee

Principle

In carrying out its responsibilities, the Nomination Committee should give adequate consideration to the Principles under A.3 and A.4 above.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.5.1	A Nomination Committee should be established and be chaired by the Chairman of the Board or an INED and comprises a majority of INEDs.	No	The Board has established a Nomination Committee which is chaired by an INED. A majority of the members of the Nomination Committee are INEDs.
A.5.2	The Nomination committee should have specific written terms of reference to include the prescribed specific duties.	No	The Nomination Committee has specific written terms of reference which contain all the specific duties as prescribed by the CG Code. Please refer to section (III)(C)(2) of this Report for the principal duties of the Nomination Committee.
A.5.3	The Nomination Committee should make available its terms of reference by including them on the websites of the Exchange and the issuer.	No	Terms of reference of the Nomination Committee (including its role and functions) are available on the websites of the Exchange and the Company.
A.5.4	The Nomination committee should be provided with sufficient resources to perform its duties.	No	The Nomination Committee is entitled to seek independent professional advice, at the Company's expenses, if it considers necessary in order to perform its duties.
A.5.5	Where the Board proposes a resolution to elect an individual as an INED at the general meeting, it should set out in the in the circular to shareholders and/or explanatory statements accompanying the notice of the relevant general meeting the reasons why it believes the individual should be elected and considers him to be independent.	No	For the proposed re-appointment of the retiring INED during the year under review, the Company has included in the circular to shareholders accompanying the notice of the relevant general meeting the reasons why the Board considered him to be independent and recommended him to be re-elected.
A 5.6	The Nomination Committee (or the Board) should have a policy concerning diversity of Board members, and should disclose the policy or a summary of the policy in the Corporate Governance Report.	No	The Nomination Committee is of the view that the current Board composition is in tact. The Nomination Committee would review the need to establish a policy concerning diversity of Board members at an appropriate time.

A.6 Responsibilities of Directors

Principle

Every Director must always know his responsibilities as a Director of an issuer and its conduct, business activities and development. Given the essential unitary nature of the Board, Non-executive Directors have the same duties of care and skill and fiduciary duties as Executive Directors.

Summary of Code Provisions	Any deviations?	Governance practices of the Company
A.6.1 Every newly appointed Director should receive a comprehensive, formal and tailored induction on appointment. Subsequently, he should receive such briefing and professional development as is necessary.	No	Every newly appointed Directors are given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group. The Directors are updated on the latest developments regarding the Hong Kong Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. Continuing briefings and professional development to Directors will be arranged whenever necessary.
A.6.2 Functions of Non-executive Directors should include the following: (a) participating in Board meetings to bring an independent judgement; (b) taking the lead where potential conflicts of interest arise; (c) serving on the audit, remuneration, nomination and other governance committees, if invited; and (d) scrutinising the issuer's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.	No	All INEDs and NEDs of the Company in office during the year under review have duly performed these functions.
A.6.3 Every Director should give sufficient time and attention to the issuer's affairs.	No	The Directors continue to give appropriate time and attention to the affairs of the Company.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.6.4	Directors Written guidelines should be established for relevant employees' dealings in the securities of the issuer, which shall be on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. "Relevant Employee" includes any employee or a Director or employee of a subsidiary or holding company who is likely to be in possession of unpublished price sensitive information in relation to the issuer or its securities.	No	The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules in force during the year ended 31 December 2016 as its code of conduct regarding securities transactions by its Directors. The Model Code has been extended and has become equally applicable to dealings in the securities of the Company by members of Management as included in the Company's latest Annual Report or as otherwise resolved by the Board from time to time.
A.6.5	All Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The issuer should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director.	No	All Directors are provided with continuous updates and briefings on the latest changes or material developments in statutes, the Listing Rules, corporate governance practices, etc. and are encouraged to participate in continuous professional development programmes, at the Company's expenses, to update and enhance their knowledge and skills for performing Directors' roles and responsibilities. The Company maintains and updates a record of training received by the Directors. Please refer to sections (III)(A)(8) to (10) of this Report for further details.
A.6.6	Each Director should disclose to the issuer at the time of his appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments. The identity of the public companies or organisations and an indication of the time involved should also be disclosed.	No	Each Director is required, on appointment, to disclose to the Board his directorships in public companies or organisations and other significant commitments, and provides continuous updates, on a regular basis, for any change therein, with an indication of the time involved.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.6.7	INEDs and other Non-executive Directors, as equal Board members, should give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.	No	During the year under review, all INEDs and, where relevant, the NED of the Company have given the Board and any Board Committees on which they served the benefit of their skills, expertise, varied backgrounds and qualifications through regular attendance and active participation at meetings of the Board and relevant Board Committees (as the case may be). All INEDs of the Company had attended AGM and the special general meeting of the Company ("SGM") held on 29 April 2016 and 12 January 2017 respectively. They were available to answer questions thereat. Save for the aforesaid, no other general meeting was held during the year under review.
A.6.8	INEDs and other Non-executive Directors, should make a positive contribution to the development of the issuer's strategy policies through independent, constructive and informed comments.	No	Please refer to the section headed "Directors and Key Management Profiles" of the Company's Annual Report for the skills and experience of each Director. Adequate business documents and information about the Group were provided to all Directors in a timely manner. The INEDs and, where relevant, the NED in office during the year were able to provide independent, constructive and informed comments and decisions on the development of the Company's strategy and policies.

A.7 Supply of and access to information

Principle

Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.7.1	For regular Board meetings, and as far as practicable in all other cases, Board papers should be sent, in full, to all Directors at least 3 days (or other agreed period) before a Board or Board Committee meeting.	No	Board papers in respect of regular Board meetings, and as far as practicable in all other cases, are sent to all Directors or Board Committee members (as the case may be) at least 3 days (or other agreed period) before the relevant meetings.
A.7.2	Management has an obligation to supply the Board and its committees with adequate information in a timely manner. The Board and individual Directors should have separate and independent access to the issuer's Senior Management.	No	The Company continues to supply the Board and its committees with adequate information in a timely manner. There are formal and informal contacts between the Board and the Management from time to time at Board meetings and other events.
A.7.3	All Directors are entitled to have access to Board papers and related materials. Queries raised by Directors should receive a prompt and full response, if possible.	No	Board papers, minutes and related corporate documentation are made available for inspection by all Directors. All Directors are entitled to have access to Management who will respond to queries raised by the Directors as promptly and fully as possible.

B. Remuneration of Directors and Senior Management and Board Evaluation

B.1 The level and make-up of remuneration and disclosure

Principle

An issuer should disclose its Directors' remuneration policy and other remuneration related matters. The procedure for setting policy on Executive Directors' remuneration and all Directors' remuneration packages should be formal and transparent. Remuneration levels should be sufficient to attract and retain Directors to run the company successfully without paying more than necessary. No Director should be involved in deciding his own remuneration.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
B.1.1	The Remuneration Committee should consult the Chairman and/or Chief Executive about their remuneration proposals for other Executive Directors and have access to independent professional advice if necessary.	No	The Chairman of the Company is one of the Remuneration Committee members and shall participate in formulating proposals on the remuneration of other Executive Directors, if any (except his associates), prior to their due consideration by the Remuneration Committee. The Chairman of the Company is to abstain from voting when his and his associates' remuneration is considered by the Remuneration Committee. During the financial year, the Remuneration Committee did not require the service of an independent professional advice.
B.1.2	The terms of reference of the Remuneration Committee should include, as a minimum, the prescribed specific duties.	No	Terms of reference of the Remuneration Committee contain all the specific duties as prescribed by the CG Code. Please refer to section (III)(B)(2) of this Report for the principal duties of the Remuneration Committee.
B.1.3	The Remuneration Committee should make available its terms of reference by including them on the websites of the Exchange and the issuer.	No	Terms of reference of the Remuneration Committee (including its role and functions) are available on the websites of the Exchange and the Company.
B.1.4	The Remuneration Committee should be provided with sufficient resources to perform its duties.	No	The Remuneration Committee is entitled to seek independent professional advice, at the Company's expenses, if it considers necessary in order to perform its duties.
B.1.5	Issuers should disclose details of any remuneration payable to members of Senior Management by band in their annual reports.	No	Remuneration paid to members of Senior Management has been disclosed by band in the Company's Annual Report. Please refer to section (III)(B)(5) of this Report for details of remuneration payable to members of Senior Management by band.

C. Accountability and Audit

C.1 Financial reporting

Principle

The Board should present a balanced, clear and comprehensible assessment of the issuer's performance, position and prospects.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
C.1.1	Management should provide sufficient explanation and information to the Board to enable it to make an informed assessment of financial and other information put before it for approval.	No	The Directors are regularly provided with relevant reports and updates on the Company's business and financial information.
C.1.2	Management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the Board and each Director to discharge their duties.	No	All Directors are provided with monthly updates giving a balanced and understandable assessment of the Group's performance, position, recent developments and prospects, where applicable, in sufficient details to keep the Directors abreast of the Group's affairs in order to perform their duties.
C.1.3	The Directors should acknowledge in this Report their responsibility for preparing the accounts. There should be a statement by the auditor about their reporting responsibilities in the Auditor's Report on the financial statements.	No	The Directors are responsible for preparing accounts for each financial year which give a true and fair view of the financial position of the Group and of the financial performance and cash flows of the Group for the year then ended. In preparing accounts for the year ended 31 December 2016, the Directors have: (i) selected suitable accounting policies and applied them consistently; (ii) made judgements and estimates that are prudent and reasonable; and (iii) prepared accounts on the going concern basis. The Auditor's Report states the auditor's reporting responsibilities.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
C.1.4	The Directors should include in the separate statement containing a discussion and analysis of the issuer group's performance in the annual report, an explanation of the basis on which the issuer generates or preserves value over the longer term and the strategy for delivering the issuer's objectives of the Group.	No	The Company's corporate strategy and long term business model are explained in the section headed "Management Discussion and Analysis" of the Company's Annual Report.
C.1.5	The Board should present a balanced, clear and understandable assessment in annual and interim reports and other financial disclosures required by the Listing Rules; and for reports to regulators and information disclosed under statutory requirements.	No	The Board endeavours to present a balanced, clear and understandable assessment of the Group's position in all corporate communications issued under statutory and/or regulatory requirements.

C.2 Internal control

Principle

The Board should ensure that the issuer maintains sound and effective internal control to safeguard shareholders' investment and the issuer's assets.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
C.2.1	Directors shall at least annually conduct a review of the effectiveness of the issuer's and its subsidiaries' internal control systems and report to shareholders that they have done so in this Report. The review should cover all material controls, including financial, operational and compliance controls and risk management functions.	No	The Board through the Audit Committee, has conducted periodic reviews of the effectiveness of the Group's system of internal control, which include financial, operational, compliance controls and risk management functions. The Board is of the view that the Group maintains a reasonably sound and effective system of internal control relevant to its level of operations.
C.2.2	The Board's annual review should, in particular, consider the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting and financial reporting function.	No	The periodic reviews of the Board conducted through the Audit Committee as mentioned above have also considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

C.3 Audit Committee

Principle

The Board should establish formal and transparent arrangements to consider how it will apply financial reporting and internal control principles and maintain an appropriate relationship with the issuer's Auditors. The Audit Committee established under the Listing Rules should have clear terms of reference.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
C.3.1	Minutes of Audit Committee meetings should be kept a duly appointed secretary of the meeting. Draft and final versions of minutes of the meetings should be sent to all committee members for their comments and records within a reasonable time after the meeting.	No	Minutes of the Audit Committee meetings are kept by the Company Secretary as Secretary of the Audit Committee. Draft and final versions of minutes of Audit Committee meetings are sent to all committee members for their comments and records within a reasonable time.
C.3.2	A former partner of the issuer's existing auditing firm should be prohibited from acting as a member of its Audit Committee for a period of 1 year from the date of his ceasing: (a) to be partner of the firm; or (b) to have any financial interest in the firm, whichever is later.	No	None of the Directors who served on the Audit Committee during the year under review were former partners of the external auditor.
C.3.3	The Audit Committee's terms of reference should include at least the prescribed specific duties.	No	The terms of reference of the Audit Committee contain at least the specific duties as prescribed by the CG Code in force during the year. Please refer to section (III)(D)(2) of this Report for the principal duties of the Audit Committee.
C.3.4	The Audit Committee should make available its terms of reference by including them on the websites of the Exchange and the issuer.	No	The relevant versions of the terms of reference of the Audit Committee (including its role and functions) are available on the websites of the Exchange and the Company during their respective applicable periods.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
C.3.5	Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the issuer shall include in this Report a statement from the Audit Committee explaining its recommendation and the reasons why the Board has taken a different view.	No	The Audit Committee recommended to the Board that, subject to shareholders' approval at the forthcoming AGM, BDO Limited be re-appointed as the external auditor. The Board endorsed the Audit Committee's recommendation on the re-appointment of the external auditor.
C.3.6	The Audit Committee should be provided with sufficient resources to perform its duties.	No	The Audit Committee is entitled to seek independent professional advice, at the Company's expenses, if it considers necessary in order to perform its duties.
C.3.7	The terms of reference of the Audit Committee should also require it to review arrangements employees of the issuer can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and to act as the key representative body for overseeing the issuer's relations with the external auditor.	No	The terms of reference of the Audit Committee contain at least the specific duties as prescribed by the CG Code in force during the year. Please refer to section (III)(D)(2) of this Report for the principal duties of the Audit Committee.

D. Delegation by the Board

D.1 Management functions

Principle

An issuer should have a formal schedule of matters specifically reserved for Board approval. The Board should give clear directions to Management on the matters that must be approved by it before decisions are made on the issuer's behalf.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
D.1.1	When the Board delegates aspects of its management and administration functions to Management, it must also give clear directions as to the management's powers.	No	The Board delegates management and administration functions to Management as it considers appropriate from time to time, with clear directions as to the Management's powers including circumstances where Management shall report back and obtain prior Board approval.
D.1.2	The issuer should formalize the functions reserved to the Board and those delegated to Management and review those arrangements periodically.	No	There is a formal schedule of matters reserved for the Board's decision, including: (i) Mergers and acquisitions; (ii) Investments and divestments; (iii) Acquisitions and disposals of assets; (iv) Major corporate policies on key area of operations; (v) Acceptances of bank facilities; (vi) Annual budget; (vii) Release of Group's quarterly and full year results; and (viii) Those matters which are likely to have a material impact on the Group's operating units and/or financial position as well as matters other than in the ordinary course of business.
D.1.3	The issuer should disclose the respective responsibilities, accountabilities and contributions of the Board and Management.	No	Please refer to sections (III)(A)(1) and (2) of this Report for the respective responsibilities, accountabilities and contributions of the Board and Management.
D.1.4	Issuers should have formal letters of appointment for Directors who should clearly understand delegation arrangements in place.	No	A formal letter of appointment setting out the key terms and conditions of appointment had been entered into between the Company and individual Directors. Each Director understands the delegation arrangements in place.

D.2 Board Committees

Principle

Board committees should be formed with specific written terms of reference which deal clearly with their authority and duties.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
D.2.1	The Board should give sufficiently clear terms of reference to Board Committees.	No	Clear terms of reference have been adopted for the formal Board Committees of the Company, namely the Audit Committee, the Remuneration Committee and the Nomination Committee.
D.2.2	The terms of reference of Board Committees should require them to report back to the Board on their decisions or recommendations, unless there are legal or regulatory restriction on their ability to do so.	No	This term has been included in the terms of reference of the relevant Board Committees.

D.3 Corporate Governance Functions

Summary of Code Provisions		Any deviations?	Governance practices of the Company
D.3.1	The terms of reference of the Board (or a committee(s) performing the corporate governance functions) should include, as a minimum, the prescribed specific duties.	No	Terms of reference of the Board contain all the specific corporate governance duties as prescribed by the CG Code. Please refer to section (III)(A)(6) of this Report for the principal corporate governance duties of the Board.
D.3.2	The Board should perform or delegate to a committee or committees to perform the prescribed corporate governance duties.	No	The Board is responsible for performing the corporate governance duties as prescribed by the CG Code.

E. Communication with Shareholders

E.1 Effective communication

Principle

The Board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
E.1.1	A separate resolution on each substantially separate issue should be proposed by the Chairman of a general meeting to avoid "bundling" resolutions unless they are interdependent and linked and in such case, the reasons and material implications should be explained in the notice of meeting.	No	A separate resolution is proposed on each substantially separate issue at a general meeting.
E.1.2	Chairman of the Board should attend the annual general meeting and invite the Chairmen of the Audit, Remuneration, Nomination and any other Committees (as appropriate) to attend and in their absence, invite another member of the committee or failing this, his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. Management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.	No	The Chairman had nominated one of the Board members to chair the Company's 2016 AGM pursuant to the Company's Bye-laws. All the Chairman and/or other members of the Audit Remuneration and Nomination Committees and the external auditor of the Company were available to answer questions at the general meeting.
E.1.3	The issuer should arrange for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings.	No	During the year under review, more than 20 clear business days' notice period had been given for the 2016 AGM. During the year under review, more than 10 clear business days' notice period had been given for the SGM.
E.1.4	The Board should establish a shareholders' communication policy and review it regularly to ensure its effectiveness.	No	Shareholders' Communication Policy has been established by the Board and will be reviewed regularly to ensure its effectiveness.

E.2 Voting by poll

Principle

The issuer should ensure that shareholders are familiar with the detailed procedures for conducting a poll.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
E.2.1	The Chairman of a meeting should provide an explanation on the detailed procedures for conducting a poll and answer questions from shareholders on voting by poll.	No	During the year under review, procedures for conducting a poll were properly explained during the Company's general meeting proceedings.

F. Company Secretary

Principle

The Company Secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. The Company Secretary is responsible for advising the Board through the Chairman and/or the Chief Executive on governance matters and should also facilitate induction and professional development of Directors.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
F.1.1	The Company Secretary should be an employee of the issuer and have day-to-day knowledge of the issuer's affairs.	No	The Company Secretary is an employee of the Company and has general knowledge of its affairs.
F.1.2	The Board should approve the selection, appointment or dismissal of the Company Secretary.	No	The selection, appointment or dismissal of the Company Secretary shall be approved by the Board as appropriate at Board meeting, as and when the occasion arises.
F.1.3	The Company Secretary should report to the Board Chairman and/or the Chief Executive.	No	The Company Secretary reports to the Board of Directors on Board matters.
F.1.4	All Directors should have access to the advice and services of the Company Secretary to ensure that Board procedures, and all applicable law, rules regulations, are followed.	No	All Directors have access to the advice and services of the Company Secretary on Board procedures and corporate governance matters as and when required.

(II) STATE OF INTERNAL CONTROL

(A) Board responsibilities

The Board, in addition to its statutory responsibilities 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.

(B) Internal controls

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

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

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

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

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

The Audit Committee is of the view that the internal auditors have adequate resources to perform the internal audit function and have, to the best of their ability, maintained their independence from the audit activities. The Audit Committee reviews the adequacy and effectiveness of the internal audit function annually to ensure that the internal audit resources are adequate and that the internal audits are performed effecitvely.

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

(a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(b) regarding the effectiveness of the Group's risk management and internal control systems.

Based on the internal controls established and maintained by the Group, reviews conducted by the internal auditors, the Board, with the concurrence of the Audit Committee, is of the opinion that the internal controls and risk management system addressing the Group's financial, operational, compliance and information technology risks are sound and effective as at 31 December 2016. Management will continue to focus on improving the standard of internal controls and corporate governance.

The Group's financial risk management is disclosed under Note 36 of the Notes to the Financial Statements on pages 126 to 133 of this Annual Report.

(C) Statement from Directors

Based on the internal controls established and maintained by the Group, reviews conducted by the internal auditors, the Board, with the concurrence of the Audit Committee, is of the opinion that the internal controls and risk management system addressing the Group's financial, operational, compliance and information technology risks are sound and effective as at 31 December 2016. Management will continue to focus on improving the standard of internal controls and corporate governance.

Corporate Governance Report

(III) OTHER INFORMATION

In addition to the information disclosed above, set out below is other information required to be disclosed pursuant to the rules on Corporate Governance Report contained in Appendix 14 to the Listing Rules in force during the year ended 31 December 2016.

(A) Board of Directors

(1) The Board 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.

(2) The Board delegates management and administration functions to Management as it considers appropriate from time to time, with clear directions as to the Management's powers including circumstances where Management shall report back and obtain prior Board approval. There is a formal schedule of matters reserved for the Board's decision, including:

(a) Mergers and acquisitions;

(b) Investments and divestments;

(c) Acquisitions and disposals of assets;

(d) Major corporate policies on key area of operations;

(e) Acceptances of bank facilities;

(f) Annual budget;

(g) Release of Group's quarterly and full year results; and

(h) Those matters which are likely to have a material impact on the Group's operating units and/or financial position as well as matters other than in the ordinary course of business.

(3) The Board is collectively responsible for performing the corporate governance duties, including, inter alia, developing, reviewing and monitoring compliance with the Company's policies and practices on corporate governance to ensure that they accord with the appropriate standards for good corporate governance.

(4) The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules in force during the year ended 31 December 2016 as its code of conduct regarding securities transactions by its Directors. Each of the Directors has confirmed, following specific enquiry by the Company, that during the year from 1 January 2016 to 31 December 2016 (both dates inclusive), he has complied with the required standard set out in the Model Code as contained in Appendix 10 of the Listing Rules in force during the said year.

(5) Details of Directors' attendance at the Board, Board Committees and General meetings, held for FY2016 are set out in the table below:

Meetings of	**Board**	**AC**	**NC**	**RC**	**General Meeting**
Total held in 2016	4	4	1	1	1
			Attendance Record		
Gao Sishi	1	N/A	N/A	0	0
An Fengjun	3	N/A	N/A	N/A	1
Gao Yanxu	3	N/A	1	N/A	0
Zhang Qi	3	3	N/A	N/A	0
Naoki Yamada	4	4	N/A	1	1
Chong Soo Hoon, Sean	4	4	1	1	1
Lau Choon Hoong	3	3	1	1	1
Yu Chung Leung	4	4	1	1	1

(6) The principal corporate governance functions of the Board include the following:

(a) approve policy initiatives, strategies and financial objectives of the Group and monitor the performance of management of the Company (the "Management"), including the release of financial results and timely announcements of material transactions;

(b) approve annual budgets, major funding proposals, investment and divestment proposals, acquisitions and disposals of assets and convening of shareholders' meetings;

(c) oversee the processes for evaluating the adequacy of internal controls, risk management including financial, operational, information technology and compliance risk areas identified by the Audit Committee that are required to be strengthened for assessment and its recommendation on actions to be taken to address and monitor the areas of concern;

(d) recommend the declaration of dividends;

(e) approve all Board appointments and re-appointments/re-elections as well as appointments of key management personnel;

(f) oversee proper conduct of the Company's business and assume responsibility for corporate governance;

(g) ensure that the financial statements which give a true and fair view of the Company for each financial period are prepared in accordance with the International Financial Reporting Standards.; and

(7) During the year 2016, in accordance with the CG Code, the Board has, inter alia:

(a) considered and adopted the risk management framework and program, policy and manual and revised the terms of reference of the Audit Committee accordingly; and

(b) considered and reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report, taking into account the related reports and views of the Board Committees in their respective areas.

(8) All Directors are committed to participate in continuous professional development programmes to update and enhance their knowledge and skills for performing Directors' roles and responsibilities, and would update and confirm to the Company, on a regular basis, the related programmes attended and training received by them. The Company maintains and updates a record of training received by each Director accordingly.

(9) New Directors, on appointment, will be given a comprehensive formal induction covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. All Directors are also furnished with continuous updates and briefings on the latest changes or material developments in statutes, the Listing Rules, and corporate governance practices, etc.. The updates and briefings covered a broad range of topics including, inter alia, directors' duties, dealing in securities by directors, disclosure obligation of inside information, financial information and general information, and rules and regulations relating to notifiable transactions, connected transactions and corporate governance. During the year 2016, all Directors are provided with monthly updates giving a balanced and understandable assessment of the Group's performance, position, recent developments and prospects, where applicable, in sufficient details to keep the Directors abreast of the Group's affairs in order to perform their duties.

(10) Pursuant to the code provision A.6.5 of the Code for the financial year ended 31 December 2016, all Directors had participated in continuous professional development in the following manner:

	Type of trainings
Gao Sishi	A, C
An Fengjun	A, C
Gao Yanxu	A, C
Zhang Qi	A, C
Naoki Yamada	A, C
Chong Soo Hoon, Sean	A, B, C
Lau Choon Hoong	A, B, C
Yu Chung Leung	A, B, C

A: attending internal briefing session in relation to corporate governance
B: attending seminars/courses/conference to develop professional skills and knowledge
C: reading materials in relation to regulatory update

(B) Remuneration Committee

(1) The Remuneration Committee, regulated by a set of written terms of reference, comprises the following Non-executive Directors:

Independent Non-executive Directors
Yu Chung Leung *(Chairman)*
Lau Choon Hoong
Chong Soo Hoon, Sean

Non-executive Directors
Gao Sishi
Naoki Yamada

(2) The principal duties of the Remuneration Committee include the following:

(a) review and recommend to the Board a framework of remuneration for the Board and key management personnel;

(b) review and recommend the Directors' fees for Non-Executive Directors, which are subject to shareholders' approval at the AGM;

(c) assess, review and recommend the remuneration packages of the Executive Directors, key management personnel and those employees related to the Directors, CEO or Controlling Shareholders of the Company;

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

(d) review the service contract of the CEO and Executive Directors (if any), and letters of appointment of Non-Executive Directors;

(e) recommend to the Board on share option or long term incentive schemes which may be set up from time to time; and

(f) undertake such other functions and duties as may be delegated by the Board.

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

The Remuneration Committee had recommended to the Board an amount of RMB360,000 as Directors' fees for the Independent Non-executive Directors for FY2016, taking into account factors such as effort, time spent and responsibilities of the Directors. The Board will table this at the forthcoming AGM for shareholders approval. The Non-executive Directors namely Mr. Gao Sishi, Mr. Zhang Qi and Mr. Naoki Yamada are not entitled to Directors' Fees under their respective letters of appointment.

The annual review of the remuneration packages of all Directors and key management personnel was carried out by the Remuneration Committee to ensure that their remuneration commensurate with their duties and responsibilities, performance, qualifications and experience as well as the Company's performance. For FY2016, the Remuneration Committee is satisfied with the remuneration packages of the Executive Directors and key management personnel and recommended the same for Board's approval. The Board had approved the Remuneration Committee's recommendation accordingly.

The Remuneration Committee would also in consultation with Management determine the target profit ("the Target Profit") for each financial year for the Executive Directors to achieve. The Target Profit which refers to the consolidated profit after tax and non-controlling interests (excluding extraordinary and exceptional items), would determine the performance incentive of the Executive Directors. For FY2016, no performance incentive was recommended as the Target Profit of RMB40 million was not met.

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

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

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

(4) No Director or any of his associates is involved in deciding his own remuneration.

(5) The breakdown of each individual Director's remuneration, showing the level and mix for FY2016, is as follows:

Name of Director	Salary RMB'000	Bonus RMB'000	Director's fees RMB'000	Other benefits RMB'000	Total RMB'000
Gao Sishi	–	–	–	–	–
An Fengjun	400*	–	–	–	400
Gao Yanxu	72	–	–	–	72
Zhang Qi	–	–	–	–	–
Naoki Yamada	–	–	–	–	–
Chong Soo Hoon, Sean	–	–	120	–	120
Lau Choon Hoong	–	–	120	–	120
Yu Chung Leung	–	–	120	–	120

Only Mr. Gao Yanxu, who is a nephew of Mr. Gao Sishi, is the family member of a controlling shareholder.

* For FY2016, the Executive Director & CEO, Mr. An Fengjun, voluntarily agreed to waive his entitlement to certain remuneration of approximately RMB220,000.

Details of remuneration (expressed in percentage terms) paid to the top 5 key management personnel of the Group (who are not Directors) for FY2016 are set out below:

Name of key management personnel	Salary %	Bonus %	Other benefits %	Total %
Below RMB1,175,000				
Fong William – CFO	100	–	–	100
Gao Yumei – Production Manager	100	–	–	100
Xu Gui Yu – Vice Manager of the Production Department	100	–	–	100
Zhao Ruifen – Manager of the Administration Department	100	–	–	100
Pang Shumei – Quality Control Manager	100	–	–	100

The total remuneration paid to the top 5 key management personnel amounted to RMB962,000 during FY2016.

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

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

	2016 No. of individuals	2015 No. of individuals
Nil to HK$1,000,000 (equivalent to Nil to RMB837,780)	**5**	5

(C) Nomination Committee

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

The members of the Nomination Committee are as follows:

Independent Non-executive Directors
Chong Soo Hoon, Sean *(Chairman)(Lead Independent Director)*
Lau Choon Hoong
Yu Chung Leung

Executive Director
Gao Yanxu

(2) The principal duties of the Nomination Committee include the following:

(a) review and recommend to the Board the structure, size and composition of the Board and Board Committees;

(b) determine the process for selection and appointment of new Directors to the Board;

(c) review nominations for the appointment, including re-appointments/re-elections to the Board, having regard to the Directors' contribution and performance;

(d) ensure that all Directors submit themselves for re-election at regular intervals;

(e) evaluate the performance of the Board as a whole and its Board Committees;

(f) 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;

(g) review on an annual basis the independence of Directors bearing in mind the circumstances set forth in the CG Code and any other salient factors;

(h) review succession plans, in particular, the Chairman and CEO;

(i) oversee the induction, orientation and training for any new and existing Directors;

(j) undertake such other functions and duties as may be delegated by the Board.

(3) The Nomination Committee will review the performance of each of the Directors and will recommend to the Board if their term of office would be renewed for a further year. The Remuneration Committee will review and recommend to the Board if there were any changes to their existing remuneration packages.

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

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

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

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

Under Bye-law 86(1):

– Mr. Gao Sishi

– Mr. Gao Yanxu

– Mr An Fengjun

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

Each member of the Nomination Committee shall abstain from voting on any resolutions and/or participating in deliberation in respect of his re-election as Director. Accordingly, Mr. Chong Soo Hoon, Sean and Mr. Lau Choon Hoong had abstained from voting on any resolutions and making any recommendations/participating in respect of his nomination for re-election as Director.

An evaluation of the Board performance is conducted annually by the Nomination Committee 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 Nomination Committee had conducted a Board performance evaluation. The results of the Board performance evaluation were collated and presented to the Nomination Committee for discussion with comparatives from the previous year's results. The Nomination Committee was generally satisfied with the results of the Board performance evaluation for FY2016, which indicated areas of strengths and those that could be improved further. No significant issues were identified. The Nomination Committee had presented the results to Board members who agreed to work on those areas that could be improved further.

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

(D) Audit Committee

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

Independent Non-executive Directors
Lau Choon Hoong *(Chairman)*
Chong Soo Hoon, Sean
Yu Chung Leung

Non-executive Directors
Naoki Yamada
Zhang Qi

(2) The Board is of the view that the members of the Audit Committee are appropriately qualified, having the necessary accounting or related financial management expertise or experience as the Board interprets such qualification to discharge their responsibilities:

The principal functions of the Audit Committee are to:

(a) review the quarterly, interim and annual financial statements of the Company before submission to the Board for adoption focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with statutory and regulatory requirements;

(b) 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;

(c) approve the internal and external audit plans and review results of their audits and recommendations as well as Management's responses to the recommendations;

(d) review the assistance given by Management to the internal and external auditors to facilitate their audits and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of Management at least once a year and where necessary);

(e) review and approve the appointment or re-appointment of internal and external auditors and matters relating to resignation or dismissal of the auditors;

(f) ensure that arrangements are in place for staff of the Group and any other persons may, in confidence, raise concerns about possible improprieties in financial reporting or, other matters;

(g) review annually the scope and results of the audit and its cost effectiveness as well as the independence and objectivity of the external auditors, including the volume of non-audit services provided by the external auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors before confirming their nomination;

(h) manage potential conflicts of interests, if any;

(i) 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;

(j) ensure the adequacy and effectiveness of the Group's internal controls including financial, operational, compliance and information technology controls in order for the Board to provide an opinion on the adequacy of such controls; and

(k) undertake 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.

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

The Audit Committee 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 Audit Committee 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.

(3) Four Audit Committee meetings were held in FY2016 to:

(a) discuss and review the quarterly and annual financial statements of the Company before submission to the Board for adoption;

(b) discuss and review the audit plans and audit reports with the internal and external auditors;

(c) discuss and review the adequacy and effectiveness of the internal controls system and made recommendations to the Board for improvement of internal controls and risk management;

(d) discuss and review the nomination and appointment or re-appointment of internal and external auditors;

(e) meet with the internal and external auditors without the presence of Management to discuss the results of their audit findings and their evaluation of the Group's system of accounting and internal controls, set out in their respective reports;

(f) ascertained that both the internal and external auditors have had the full co-operation of Management in carrying out their work. No non-audit services were rendered by the external auditors in FY2016.

(g) the related party transactions, connected transactions and continuing connected transactions (as defined under the Hong Kong Listing Rules);

(h) keep abreast of accounting standards and discuss and review issues that could potentially impact financial reporting through quarterly updates and advice from the external auditors;

The Audit Committee has recommended to the Board the nomination of BDO Limited, Certified Public Accountants, Hong Kong as auditor at the forthcoming AGM.

The Board concurred with the Audit Committee's recommendation.

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

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

There was no incident of whistle-blowing reported for FY2016.

(E) Auditor's Remuneration

The Auditor, BDO Limited, have affirmed their independence in this respect. Audit services rendered by the external auditor amounted to RMB1,581,000.

(F) 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.

Procedures for shareholders to convene a special general meeting

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

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

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

Procedures for raising enquiries

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

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

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

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

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

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

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

(1) Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal requires approval in an annual general meeting;

(2) Notice of not less than 21 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of a special resolution in an extraordinary general meeting; and

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

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

(G) Risk Management and Internal Control

The Board is overall responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group established and maintained appropriate and effective risk management and internal control systems.

The Audit Committee reviews the risk management and internal controls that are significant to the Group on an on-going basis. The Audit Committee would consider the adequacy of resource, qualifications and experience and training of staff and external advisor of the Group's accounting, internal audit and financial reporting function.

The management of the Group is responsible for designing, maintaining, implementing and monitoring of the risk management and internal control system to ensure adequate control in place to safeguard the Group's assets and stakeholder's interest.

The Group has established risk management procedures to address and handle all the significant risks associate with the business of the Group. The Board would perform annual review on any significant change of the business environment and establish procedures to response the risks result from significant change of business environment. The risk management and internal control systems are designed to mitigate the potential losses of the business.

The management would identify the risks associate with the business of the Group by considering both internal and external factors and events which include political, economic, technology, environmental, social and staff. Each of risks has been assessed and prioritised based on their relevant impact and occurrence opportunity. The relevant risk management strategy would be applied to each type of risks according to the assessment results, type of risk management strategy has been listed as follow:

– Risk retention and reduction: accept the impact of risk or undertake actions by the Group to reduce the impact of the risks;

– Risk avoidance: change business process or objective so as to avoid the risk;

– Risk sharing and diversification: diversify the effect of the risk or allocate to different location or product or market;

– Risk transfer: transfer ownership and liability to a third party.

The internal control systems are designed and implemented to reduce the risks associated with the business accepted by the Group and minimise the adverse impact results from the risks. The risk management and internal control system are design 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.

During 2016, the Group has engaged an external advisory firm to undertake the internal audit function to ensure the effectiveness and efficiency of the risk management and internal control system of the Group. There is no significant deficiency and weakness on the internal control system has been identified by the external advisory firm for the year ended 31 December 2016.

The Board considered that, for the year ended 31 December 2016, the risk management and internal control system and procedures of the Group, covering all material controls including financial, operational and compliance controls and risk management functions were reasonably effective and adequate.

(H) Investor Relations

The Company has an internal investor relations function which focuses on facilitating communications with shareholders and analysts on a regular basis, attending to their queries or concerns and keeping them apprised of the Group's corporate developments and financial performance. During such interactions, the Company solicits and understands the views of shareholders and the investment community.

Environmental, Social and Governance Report

INTRODUCTION AND SCOPE OF THE ESG REPORT

The Group adheres to the core values of "Build together, share together" with the publication of this Environmental, Social, Governance Report 2017. This report is prepared in accordance with the Environmental, Social, Governance Reporting Guide set out in appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This report discloses the Group's performance and progress on environmental, social and governance issues in Qingdao City for the year ended 31 December 2016. The Environmental, Social, Governance ("ESG") Report of the Group deliberately explains the policies and compliance status of the relevant laws and regulations to the Group's business and its key stakeholders for the year ended 31 December 2016.

The key stakeholders for the Reporting Period are listed as follow:

– Equity shareholders

– Central and local governments of the PRC

– Local community

– Hong Kong supervision bodies related to listing compliance

– Employees

– Customers

– Suppliers

The ESG report would separate into two subject areas and each subject area included relevant aspects as follow:

Environmental

– Emission

– Use of resources

– Environmental and natural resources

Social

– Employment

– Health and safety

– Development and training

– Labour standards

– Supply chain management

– Product responsibility

– Anti-corruption

– Community investment

Environmental, Social and Governance Report

ABOUT THE COMPANY

The Group is one of the largest rabbit and chicken meat manufacturing group in the PRC. As the leader of such industry, the Group is always inherited its mission as "Creating balance of nutrition, green and healthy food".

To reduce our environmental impact and create value in our community, the Group seeks every opportunity to incorporate sustainability standards and practices into all aspects of its business.

Also, social responsibility is the fundamental duty of the Group to contribute the society in which it is brought up. The Group believes that this is much more so for a group and participate actively in activities that help the underprivileged.

ENVIRONMENTAL

The Group's rabbit and chicken meat manufacturing business is closely related to environmental protection and the usage of natural resources. The Group has established a set of management policies and measure on environmental protection and natural resources conservation to help ensure the sustainable operation of the Kangda.

By qualifying ISO 14001, the Group has a successful and systematic framework to manage the immediate and long term environmental impacts of an organisation's products, services and processes.

Emissions

The Group has taken strict control to discharge waste into air, water and land. It is the Group's policy to maintain the manufacture process in efficiency and effective manner to reduce the usage of energy and consequently the emissions.

For the Energy Indirect Emissions, the Greenhouse gases (GHG) emissions associated with the electricity purchase in the PRC are made by the relevant provider of electricity. The specific emission factor is available from the power companies' (China Light & Power ("CLP")) respective sustainability reports.

Industry's region	Emission factor	Quantity of purchased Electricity	CO2 equivalent emissions
Electricity supplied by China (PRC)	0.63 kg/unit(kWh)	83,000,000 kWh	52,290,000 kg/kWh

The Group has under governed by the Environmental Protection Law of the PRC and the guidelines for the environmental requirement of local government and violate these environmental regulations may result in temporary suspension of production. During the year ended 31 December 2016, the Group has been fully complied with these environmental regulations.

Use of Resources

The Group would use certain resources in all its activities including food development, sourcing and procurement, production and assembly, sales, marketing and after sale services.

The Group has implemented the policies as follow to reduce the use of resources:

- Use of best raw materials for productions and reduce waste of materials;
- Reuse materials and papers;
- Reduce errors to improve the production effectiveness to reduce chance of reproduction;
- Re-arrange production schedules to improve the production efficiency to reduce use of resources including energy, labour and raw materials.

Environmental, Social and Governance Report

During the manufacturing and processing operations, the use of water, electricity and coal are our primary direct impact to the environment.

For the rabbit and chicken and processed food products in 2016, the Group consumed over 58,000m^3 and 394,400m^3 respectively for the raw materials cleaning, production, sterilization and boiler cooking. The Group's electricity consumption for rabbit and chicken and processed food production was approximately 985,800 kWh and 4,234,000 kWh respectively by activating all machines of production such as lighting system, refrigeration, boiler equipment and etc. Each of the Group's coal consumption for rabbit and chicken and processed food production was approximately 1,018 tons and 10,196 tons respectively for generating steam engines.

During 2016, the production output (for rabbit and processed food products) of the Group was approximately 10,566 tons. Therefore, the amount of use of resources per each rabbit and processed food product was stated below:

Consumption of resources	Unit	Amount	Amounts used per rabbit and processed food products
Water usage	M^3	58,100	5.5 m^3/tons
Electricity	kWh	985,800	93.3 kWh/tons
Coal used	ton	1,018	0.1 ton

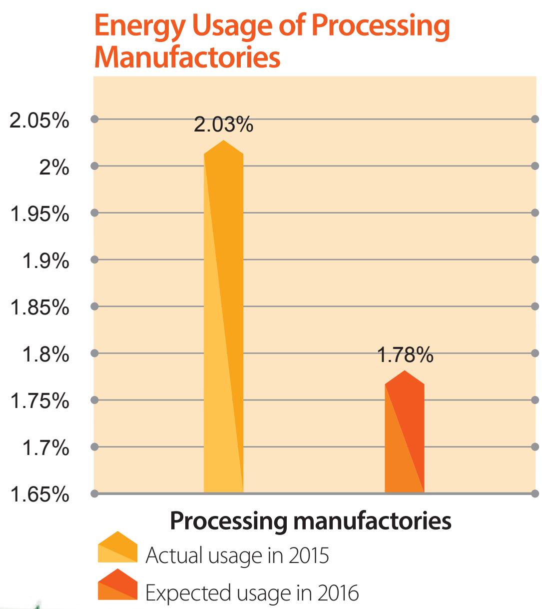
The Group has employed 15 foreign and local experts for the consultation about the production and processing of the rabbit products and also has engaged over 50 professional technicians to research and develop the most suitable method for retaining rabbit products' quality.

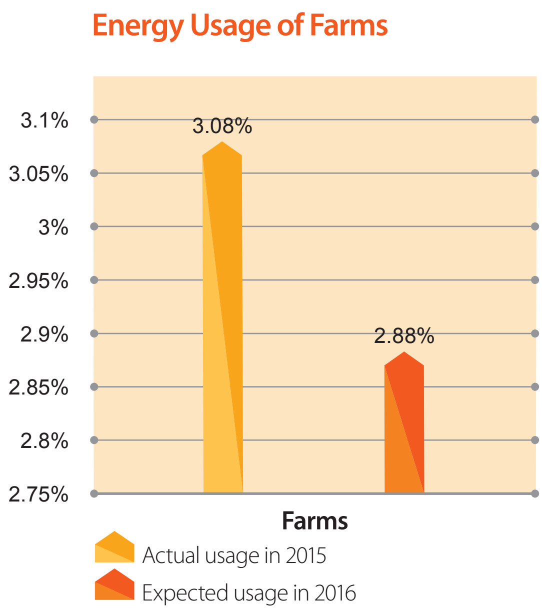
During 2016, the production output (only for chicken and processed food products) of the Group was approximately 61,000 tons. Therefore, the amount of use of resources per each chicken and processed food product was stated below:

Consumption of resources	Unit	Amount	Amounts used per chicken and processed food products
Water usage	M^3	394,400	6.47 m^3/tons
Electricity	kWh	4,234,000	69.41 kWh/tons
Coal used	ton	10,196	0.18 ton

In order to control usages of each energy resource and spend minimum amount of energy, the Group has implemented a set of targeted assessment for each resource by the KPI standards as to reduce the waste energy of resources.

Under the area of processing manufactory and cultivation, the expected energy used in 2016 and the actual usage of energy in 2015 are listed and compared as below:

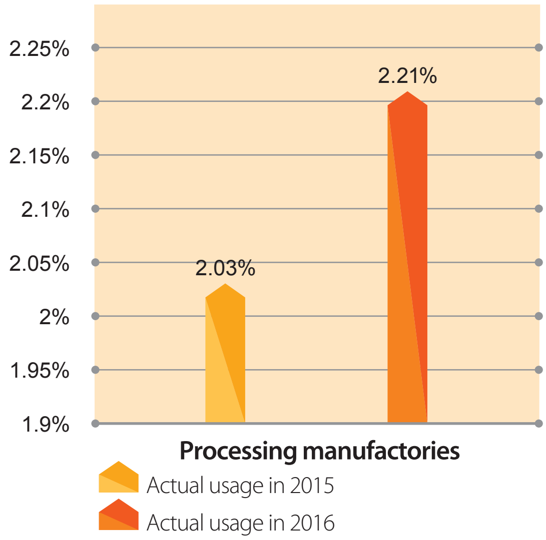




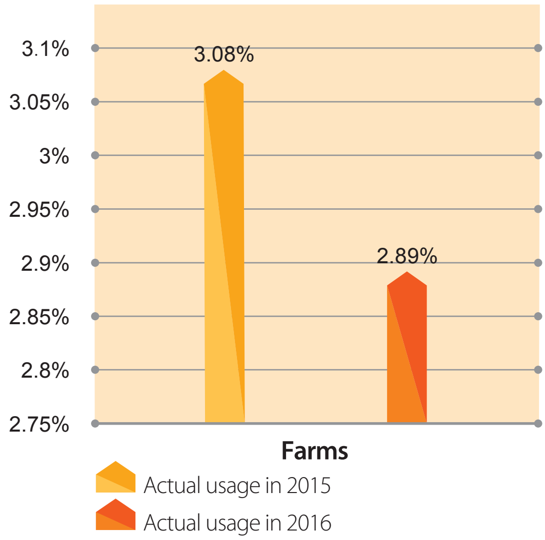
Environmental, Social and Governance Report

In 2016, the actual usage in 2016 compared with 2015 was stated below:

Energy Usage of Processing Manufactories



Energy Usage of Farms



During 2016, the Group planned that each division in processing manufactories and farms were expected to decrease the usage of energy gradually compared with the actual results from 2015. As a matter of fact, the actual energy usage of processing manufactories and farms in 2016 were 2.21% and 2.89% respectively, so the Group can see that the breed-and-feed division (farm) has reached the expected level. However, the energy usage of processing manufactories had a slight increase from 2.03% to 2.21% due to greater quantity supplied.

The environmental and natural resources

(Pic 1: Policies of the Group are placed all around the area of factories.)

To mitigate the impacts on the environment and natural resources, the management of the Group would evaluate and implement the policies to reduce the effect, such as controlling and reducing the energy usage of food processing.

(Pic 2: The Group implemented a sewage-water processing system to enhance equipment's efficiency)

In a bid to create sustainable environmental value, the Group has implemented a set of energy saving initiative. Also, the Group aims to implement a waste-water processing system in order to set up a comprehensive policy and keep up the efficiency of machines.

SOCIAL

As a social responsible enterprise in the PRC, the Group focus on all stakeholders including employees, customers, suppliers, etc. The Group would never forget to contribute to the society.

Employment

The Group is operated in a labour-intensive industry. The Group truly believes the idea of "employees are the most vital assets" for building social sustainable value. During the year ended 31 December 2016, the Group has complied with all relevant labour and employment law and regulations.

Recruitment

Every beginning of year, each department of the Group is required to set out a posting structure, recruitment budget, regarding to the operation goals for the coming year. The management would make regular recruitment (e.g. quarterly). The human resources department staffs would guide the new-comer employees including detail of posts, corporate structure, development strategies and management, motivation scheme, etc. Human resources department would strictly follow the Group's recruitment policy and keep proper records step by step.

Entry/In-the-job of the Group

In order to motivate the employees, the Group provided a series of beneficial package such as in-house training, severance payment, etc. The Group would mostly recruit its employees through on the open job market or local agents and the offer would be always higher than the lowest remunerations level set by the local governments. It is also the Group's policy to evaluate the performance of all employee annually so that to understand the actual condition as to recommend promotions or salary increment.

The Group would provide accommodation and canteen near to the manufacturing bases to its workers in the factor. Most of the employees of the Group would benefit from such option scheme of the Group.

(Pic 3: The Group's annual show participated by staffs and dancers – during stage performance)

(Pic 4: The Group's annual show – during stage performance)

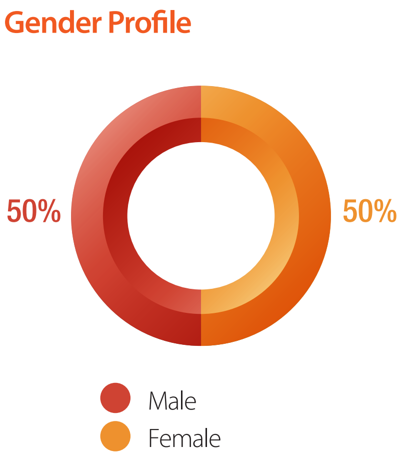
(Pic 5: The Group's annual show – during the speech of Master of Ceremony and Director)

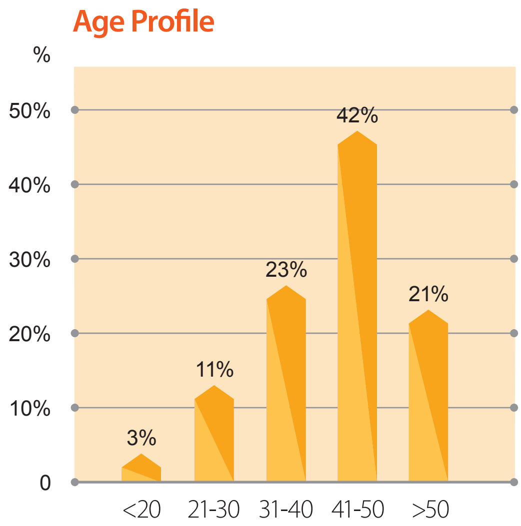
Labour Discipline Management Standard

This standard is made for all workers of the Group in accordance with the PRC labour contract laws and regulations. All workers are required to read the policy before work so they would understand the procedures of the job, segregation of duties, rewards and punishments, etc.

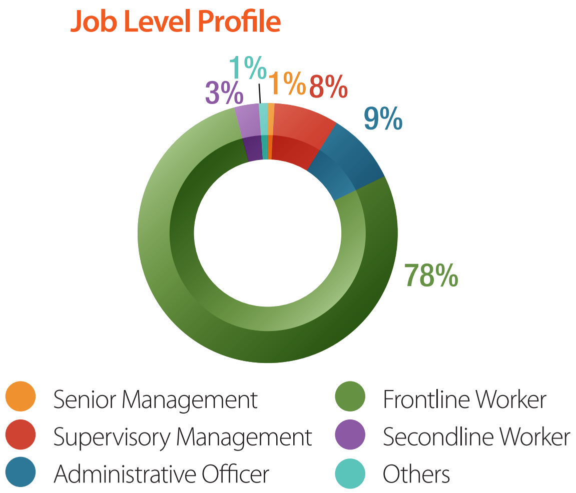
Workplace

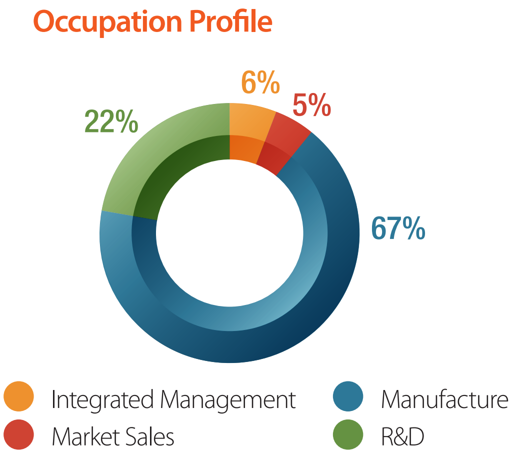
As at the end of 2016, the Group employed 4,406 colleagues. The Group are committed to pursue equal opportunities for all colleagues, irrespective of age, gender, education, etc. The Group had no reported incidents of non-compliance with regulations concerning employment during the year.



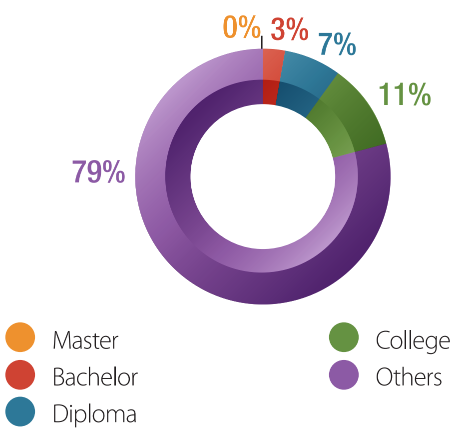


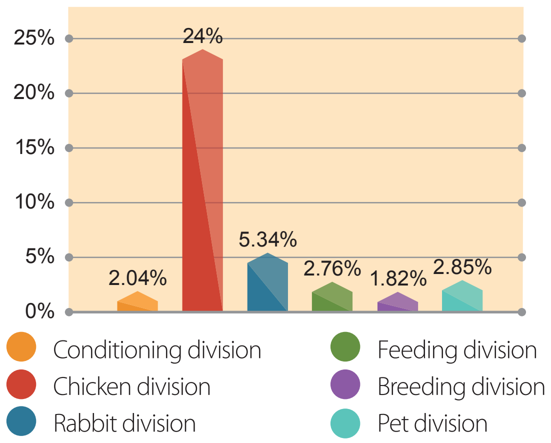
The Group's gender profile of workers is perfectly balanced and the Group welcome any age range of people to join our Group as long as they are keen to learn and participate.





Apparently, majority of the Group's employees are Frontline workers at our manufactories, therefore the Group is considered as a "labour intensive" business.





As the majority of the Group's employees is belonged to below-college level (Others), the Group has been providing internal and external training programmes for each staff to ensure that they can understand the job clearly.

For the diagram shown on the above, the turnover rate of chicken division is surprisingly greater than all the others. The phenomenon of this turnover rate would usually be based on the following reasons:

1. The work cycles and workplace of the chicken division (including breeding, production and sales) are intensive in order to breed and produce the best output for sales to customers; and seal-off for around 40 days per cycle. There would be 6 cycles each year so workers would have to stay inside for at least 300 days per year.

2. Half of frontline workers of the chicken division are far away from their hometown and they would always get Chinese New Year holiday in advance because they need much more time to go back home. The Group therefore made a particular policy to work with its employees which is a temporary resignation with those workers until they are ready to work again. The policy can uphold the interests of the Group and workers at the same time but also pull up the turnover rate of the division.

Health and Safety

The Group has put the health and safety of the employees as the priority of productions and every worker who operate factory plants are required to train for how to use the equipment safely. The Group's policy on occupational safety and hygiene management is to "provide a safe and healthy working environment for the employees and avoid occupational hazards".

Factory Sterilizing Policy

The Group concerns about the employees' health and work safety. The Factory Sterilizing Policy is to enhance the workers' hygiene, guarantee the quality of products, so every worker is obligated to follow the procedures whenever they need to enter the workshops or any restricted areas.

(Pic 6-7: A sample for a set of protective clothing during the sterilization process.)

The Group has provided a full set of protective clothing for the workers in different division. Also, every worker would pass through a sterilization process when going in/out the area.

(Pic 8: In the cleansing room, workers can always remind themselves about the procedures of sterilization.)

Each beginning of year, the Group would provide lecture/training programme for all workers to ensure everyone understands how the sterilization process is done.

Laws and regulations

With respect to occupational safety and hygiene management, the Group has complied with the corresponding local laws and regulations in the region where the relevant factory is located and brand customers' requirements. The Group has implemented management and hazards prevention measures.

The Group's production bases are subject to the Production Safety Law of the PRC and the Regulations on Safety Supervision of Special Equipment. During the year ended 31 December 2016, the Group has complied with the relevant regulations for health and safety.

Work-related injuries and procedures

The Group also requires all factories to regularly review the internal safety and hygiene management policy, and establish electronic surveillance system to monitor abnormal incidents and to help focus on major risks.

During the year 2016, there were two occupational injuries happened in the workplace. The Group had fully compensated injured staffs with the medical allowance/reimbursement to the sufferers. The workers have recovered and already got back to work without after-effects.

On the other hand, the Group treats workers' death due to workplace accidents as a serious matter, so the Group would strictly request to all staffs to equip the wear protection properly which are needed for any purpose or activity during work. In 2016, there were three fatalities and the Group provided a lump sum pension or disable pension for the injured party's families or the family members of the deceased. The amount of pension would be based on the labour insurance's conditions.

Development and training

The objectives of training and development are to continuously upgrade the quality of manpower and job skills, thereby creating greater corporate value and achieving operational goals and future development. In order to achieve the goals of the Group's training and development, it is essential to consider not only the Group's business vision and objectives, but also the assessment of employees' performance and capability deficiency.

Training programme

According to the Group's training and development policy, the Group would train the employees according to their job level and occupation. For the new employees, the Group would suggest the employees to understand the Group's culture, policies and standards as soon as possible and then help the employees to set up a personal planning for each of the employees.

Training Stages	Training Contents
1. Group Training Programme	1. Culture curriculum: Enterprise's culture system 2. Enterprise's detail: Policy courses (e.g. staffs' benefit, training, appraisal, reward and punishment, work attendance, etc.) 3. Management courses: behavioral and technical skills
2. Division Training Programme	1. Respective division structure, responsibilities, policies 2. Position's guideline, operation procedures 3. Specialty position 4. Introduction of related divisions and parties 5. Product safety procedures

(Pic 9: Our Group's chicken division's staff training camping.)

Meanwhile, the employees can identify their own personal objectives for development, allowing them to grow along with the Group and become long-term and stable partners of the Group. The Group also encourages the senior management and directors to attend external professional training and provide them leave allowance for training.

Environmental, Social and Governance Report

Labour Standards

The Group does not hire child labour below the relevant legal threshold of the respective markets. At the time of interview, the human resources department will request the job applicants to produce valid identity document for the verification of actual age of the applicants. If any discovery, the child will be suspended from work immediately.

The working hours of the employees strictly comply with the local laws and the employees' resting time is well respected. Overtime pays are in line with local laws and regulations. During the year ended 31 December 2016, no employees of the Group aged under 18 and there is no dispute between the Group and its staffs.

Supply chain management

The Group committed to establish a comprehensive vertical supply chain management system through supplier screening and management. The objectives are to strengthen the collaborative relationship with the strategic suppliers and to create competitive advantage in the value chain, with the positive impact on the society and the environment. The strategic screening mechanism of suppliers can ensure that their performances can meet the Group's requirement. This is important for the development of long-term strategic partnership and the formation of a supply chain management system.

In our frontline operations, the Group focus on environmentally friendly materials such as Forest Stewardship Council ("FSC") paper and recycled plastics. In the PRC, the Group has established proper procedures other than price evaluation. This will also take the provision of follow up services into consideration.

Product responsibility

The Group has put the product and services quality as its first priority as the performance of the products would directly affect the reputation and success of the business and the potential damage for consumers' claim. The Group continually improves its product quality and responds immediately to customers' needs in terms of quality and price so to strengthen the relationship with customers.

By introducing ISO 9001, the Group has been focusing on meeting customer expectations and delivering customer satisfaction.

The products of the Group are subject to the Product Quality Law of the PRC and Law on Protection of the Rights and Interests of Consumers of the PRC which make the Group has the responsibility to refund or compensate for damage caused by the products due to defects.

Anti-Corruption

The Group believes that integrity is the most vital principle in the operation of its business. A system with good anti-corruption mechanism is the cornerstone for the sustainable and healthy development of the Group.

Every member of the Group must sign the Confidentiality Agreement/Non-disclosure Agreement (NDA). All employees and directors are prohibited from accepting any items with money value over certain amount from co-workers, customers, suppliers, etc. in order to prevent any conflict of interest. Besides, the Group also requires the suppliers to follow the Group's principles on honest transactions.

Community Investment

Giving back to the society is the most important element of the Group's sustainable development strategy. The Group has made certain contribution to charity. In addition, our Chairman and General Manager of the Group is the founder of the Jiaonan City General Charity Committee.

The Group internally established a "Love Funds" charity which aim to support our employees with financial difficulties or poor families. Providing our employees free accommodation and allowance of staffs' canteen can definitely help them to build a better living environment.

Financial Contents

Directors' Report

The Directors of the Company herein present their report and audited financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 34 to the financial statements.

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

The business review of the Group for the year ended 31 December 2016 is set out in the "Financial Highlights", "Chairman's Statement" and "Management Discussion and Analysis" on pages 1 to 2, pages 3 to 4 and pages 9 to 15 respectively of this Annual Report.

PRINCIPAL RISKS AND UNCERTAINTIES

Many economic experts closely monitor whether the global and China economy growth will slow down in coming years. The Group's sales of traditional business such as the food products may be under uncertainties if the consumer market downturn exists. It is the reason that the Group started broadening the products range of the Group and upgrading the current facilities a few years ago, aiming to diversify the risk of over reliance on any single business segment.

In the past few years, labour cost in the PRC continuously increased and the production-oriented entities in the PRC were facing the increasing pressure of higher production cost. The Group will apply more resources in establishing production automation system in order to reduce manpower per production unit.

Please refer to note 36 to the consolidated financial statements for other risks and uncertainties.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group continues to update the requirements of the relevant environmental laws and regulations applicable to it to ensure compliance. The Group does not produce material waste nor emit material quantities of pollutants during its production process. During the year under review, the Group has complied with the relevant environmental laws and regulations applicable to it in all material respects, including permit requirements.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group continues to update the requirement of the relevant laws and regulations in various countries, particularly in the PRC, applicable to it to ensure compliance. All of the Group's assets are located in the PRC and the Group's revenue is mainly derived from operations in the PRC. The Company's shares are primary listed on the Main Board of the Stock Exchange of Hong Kong Limited and the listing status in the Main Board of the Singapore Exchange Securities Trading Limited was changed from primary listing to secondary listing with effect from 23 January 2017. During the year under review, the Group complied with the relevant laws and regulations in various countries applicable to it in all material respects.

ACCOUNT OF THE GROUP'S KEY RELATIONSHIPS

(i) Employees

The Group offers a comprehensive range of staff facilities and fringe benefits to attract, retain and motivate employees. Key personnel have been part of the management team since the inception of business. During the year under review, the Group considered the relationship with employees was well and the turnover rate is acceptable.

(ii) Suppliers

The Group's suppliers mainly include raw material suppliers. All key suppliers have a close and long term relationship with the Group. During the year under review, the Group considered the relationship with its suppliers was well and stable.

(iii) Customers

The Group sells products directly to customers. The Group maintains a very good relationship with all the customers.

RESULTS AND APPROPRIATION

The financial performance of the Group for the year ended 31 December 2016 and the financial position of the Group as at that date are set out in the financial statements on pages 75 to 135.

The Board of Directors (the "Board") did not recommend any dividend for the year ended 31 December 2016.

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	**2016**	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,262,785**	1,226,448	1,302,632	1,477,999	1,489,838
Profit/(Loss) before tax	**9,796**	(20,743)	5,191	15,906	1,483
Income tax expense	**(2,247)**	(5,262)	(12,292)	(14,797)	(879)
Profit/(Loss) for the year	**7,549**	(26,005)	(7,101)	1,109	604
Other comprehensive income	**–**	–	–	–	–
Total comprehensive income for the year	**7,549**	(26,005)	(7,101)	1,109	604
Profit/(Loss) for the year attributable to:					
Owners of the Company	**6,295**	(28,060)	(3,956)	6,378	4,917
Non-controlling interests	**1,254**	2,055	(3,145)	(5,269)	(4,313)
	7,549	(26,005)	(7,101)	1,109	604

	As at 31 December				
ASSETS AND LIABILITIES	**2016**	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**1,003,985**	1,023,473	829,805	853,934	859,312
Current assets	**725,145**	824,633	885,317	738,848	750,278
TOTAL ASSETS	**1,729,130**	1,848,106	1,715,122	1,592,782	1,609,590
Current liabilities	**992,806**	1,107,033	943,598	819,028	889,537
Non-current liabilities	**57,791**	70,089	74,535	69,664	14,601
TOTAL LIABILITIES	**1,050,597**	1,177,122	1,018,133	888,692	904,138
NET ASSETS	**678,533**	670,984	696,989	704,090	705,452

Directors' Report

PROPERTY, PLANT AND EQUIPMENT

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

BIOLOGICAL ASSETS

The production quantities of agricultural produce of rabbits, chicken, hatchable eggs and vegetables for the year ended 31 December 2016 are as follows:

	Group 2016
Rabbits	**4,325,523**
Chicken	**27,534,037**
Hatchable eggs	**28,953,380**
Vegetables (in tonnes)	**716**

Details of the movement in biological assets of the Group are set out in note 18 to the financial statements.

INTEREST-BEARING BANK BORROWINGS

Particulars of interest-bearing bank borrowings of the Group as at 31 December 2016 are set out in note 28 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 Consolidated Statement of Changes in Equity on page 78 of the Annual Report and note 32 to the financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves available for distribution, calculated in accordance with the provision of laws of Bermuda, amounted to approximately RMB263,216,000 (2015: approximately RMB263,216,000). The balance of approximately RMB257,073,000 (2015: 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 2015: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 25% of the Group's revenue and less than 30% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers, respectively.

As at 31 December 2016, Zensho Holdings Co., Ltd who is interested in more than 5% of the issued share capital of the Company had an interest in one of the five largest customers of the Group:

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

Notes: Zensho Holdings Co., Ltd is a substantial shareholder holding 12.08% of the Company's issued shares.

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

DIRECTORS

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

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

Non-executive Directors:
Mr. Gao Sishi *(Chairman)*
Mr. Zhang Qi
Mr. Naoki Yamada

Independent Non-executive Directors:
Mr. Chong Soo Hoon, Sean
Mr. Lau Choon Hoong
Mr. 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:

Under Bye-law 86(1):

– Mr. Gao Sishi

– Mr. Gao Yanxu

– Mr. An Fengjun

The Company has received annual confirmations of independence from each of its Independent Non-executive Directors and considers Mr. Lau Choon Hoong, Mr. Chong Soo Hoon, Sean and Mr. Yu Chung Leung to be independent under Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules").

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 has entered into service contracts (the "ED Service Contracts") with the Company, and the respective duration of appointment are as follows:

Mr. Gao Yanxu – 26 August 2016 to 25 August 2017
Mr. An Fengjun – 11 March 2017 to 10 March 2020

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

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

Independent Non-executive Directors

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

Under the INED Appointment Letters, Mr. Chong Soo Hoon, Sean and Mr. Lau Choon Hoong are each entitled to a remuneration of RMB10,000 per month 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 2017 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 RMB10,000 per month.

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 2017, 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 2016. His term will expire on 25 August 2017 unless otherwise terminated by either party giving not less than one month's notice in writing to the other or in accordance with the terms of the appointment letter. Mr. Gao Sishi, Mr. Zhang Qi and Mr. Naoki Yamada will not receive any directors' fee under the appointment letters.

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

CONTRACTS OF SIGNIFICANCE

Save as those disclosed in the sub-sections headed "Directors' Service Contracts" above and "Connected Transactions and Continuing Connected Transactions" below, and note 38 to the financial statements, none of the Directors of the Company, the controlling shareholders and/or their respective associates has a significant interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, any of its subsidiaries was a party during the year under review.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 2016, the interests of the Directors and Chief Executive in the share capital of the Company or Associated Corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

	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
An Fengjun	–	–	–	–	–	–
Gao Yanxu	14,310,000	–	–	–	14,310,000	3.3
Zhang Qi	8,910,000	–	–	–	8,910,000	2.1
Naoki Yamada	–	–	–	–	–	–
Chong Soo Hoon, Sean	–	–	–	–	–	–
Lau Choon Hoong	–	–	–	–	–	–
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	1/1/2016	31/12/2016	1/1/2016	31/12/2016
Gao Sishi	166,740,000	166,740,000	–	–
An Fengjun	–	–	–	–
Gao Yanxu	14,310,000	14,310,000	–	–
Zhang Qi	8,910,000	8,910,000	–	–
Naoki Yamada	–	–	–	–
Chong Soo Hoon, Sean	–	–	–	–
Lau Choon Hoong	–	–	–	–
Yu Chung Leung	–	–	–	–
	189,960,000	189,960,000	–	–

SUBSTANTIAL SHAREHOLDERS' INTERESTS UNDER THE SFO

As at 31 December 2016, insofar as is known to the Directors and Chief Executive of the Company, the following persons (not being a Director or Chief Executive of the Company), had an interest and short position in the shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as follows:

In respect of the Company

Name of Substantial Shareholder (Note 1)	**Capacity/nature of interests**	**Number of Shares held** (Note 1)	**Approximate percentage of issued share capital** (%)
Cheng Xiutai (Note 2)	Registered and beneficial owner	33,324,000	7.7
Zensho Holdings Co., Ltd. (Note 3)	Registered and beneficial owner	52,295,000	12.08

Notes:

1. Information was provided by substantial shareholder.
2. Mr. Cheng Xiutai is an independent third party.
3. 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 2016, which would fall to be disclosed under Division 2 and 3 of Part XV of the SFO and were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 17 to 48 of the Annual Report.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The Group has entered into the following continuing connected transactions and connected transactions as defined under the Hong Kong Listing Rules. These continuing connected transactions and 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 38 to the financial statements.

- The Group entered into 7 lease agreements dated between 1 January 2005 to 1 January 2010 either as tenant (collectively the "Lease Agreements") with a connected person (as defined under the Hong Kong Listing Rules), KD Trading Company, with annual rent ranging from RMB6,240 to RMB200,000. The terms of the Lease Agreements will expire between 15 December, 2015 and 31 December 2024. The total amount of rent paid by the Group for the year ended 31 December 2016 amounted to approximately RMB539,000 as disclosed in note 38.

- The total amount of sales to and purchase from KD Trading Company, of which Mr. Gao Sishi, Mr. Gao Yanxu, Mr. An Fengjun and Mr. Zhang Qi have beneficial interests, for the year ended 31 December 2016 amounted to approximately RMB2,436,000 and RMB519,000 respectively.

- On 27 January 2015, the Company entered into a framework agreement, pursuant to which the Company agreed that the Group will sell and supply to the Zensho Group, and Zensho agreed that the Zensho Group will purchase from the Group directly. This arrangement may provide the Group with greater flexibility relating to price negotiation with the Zensho Group and allow the Group to sell the products to the Zensho Group at prices higher than that to the sourcing company and therefore can improve the profit margins of the relevant products. The annual caps for the products sales by the Group to Zensho Group under the framework agreement for 2015, 2016 and 2017 are RMB110 million, RMB120 million and RMB130 million respectively.

- The guarantees given by KD Trading Company in connection with the bank loans granted to the Group for the year ended 31 December 2016 amounted to approximately RMB330,000,000.

- The interest income from KD Trading Company for the year ended 31 December 2016 amounted to approximately RMB4,913,000 which was made according to 5.53% per annum of the outstanding balance.

- The Group disposed certain property, plant and equipment with a carrying amount of RMB4,720,000 to KD Trading Company at a consideration of RMB5,664,000.

Regarding the continuing connected transactions with Zensho Group, the Company has applied for, and the SEHK has granted, a waiver with regard to the framework agreement and the continuing connected transactions ("Transactions") contemplated thereunder for the period commencing on 1 January 2015 to the year ending 31 December 2017 from strict compliance with the announcement (but not reporting) and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules, provided that the above-mentioned continuing connected transactions are conducted in compliance with the conditions (including the respective proposed cap amounts) imposed by the SEHK.

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

(i) have been entered into in the ordinary and usual course of the business of the Group;

(ii) have been entered into either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than those available to or from independent third parties;

(iii) have been entered into in accordance with the relevant agreements on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and

(iv) have not exceeded the annual cap for the year ended 31 December 2016 as disclosed in the framework agreement.

In accordance with paragraph 14A.56 of the Hong Kong Listing Rules, the Board engaged BDO Limited, the auditor of the Company, to perform certain factual finding procedures on the continuing connected transactions under the framework agreement on a sample basis in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported their factual findings for the selected samples based on the agreed procedures to the Board.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

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

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

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the financial year.

PERMITTED INDEMNITY

The Company's Bye-Laws provides that each Director of the Company shall be entitled to be indemnified out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he or she may incur or sustain in or about the execution of his/her duty. In addition, the Company has maintained directors' liability insurance throughout the financial year, which provides appropriate covers for the Director.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE, NOMINATION COMMITTEE AND REMUNERATION COMMITTEE

Details of the Company's Audit Committee, Nomination Committee and Remuneration Committee are set out in the Corporate Governance Report in pages 17 to 48 of the Annual Report.

AUDITORS

BDO Limited, Certified Public Accountants, ("BDO") was re-appointed on 30 April 2016 as auditor. Save as below, there is no change in the auditors of the Company in any of the preceding three years. Given that the Company is no longer required to comply with Rules 712(2) and 715(1) of the Listing Manual of SGX-ST, the Company did not re-appoint BDO LLP, Singapore as one of its joint auditors and BDO LLP, Singapore ceases to be one of its joint auditors.

BDO retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming Annual General Meeting of the Company to the appointment of BDO as auditors of the Company to satisfy the Hong Kong Listing Rules for the ensuing year until the next Annual General Meeting in 2017.

On behalf of the Board

An Fengjun
Executive Director and CEO

Gao Yanxu
Executive Director

28 March 2017

Statement by the Directors

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

(i) the accompanying Consolidated Statement of Financial Position, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows of the Group, together with the notes thereto, are drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group as at 31 December 2016 and of the financial performance of the business, changes in equity and cash flows of the Group for the year then ended; and

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

The financial statements for the year ended 31 December 2016 were authorised for issue by the Board of Directors on the date stated hereunder.

An Fengjun
Executive Director and CEO

Gao Yanxu
Executive Director

28 March 2017

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF CHINA KANGDA FOOD COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

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 75 to 135, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 3(b) in the consolidated financial statements, which the Group's current liabilities exceeded its current assets by approximately RMB268 million as at 31 December 2016. As stated in note 3(b), this event or condition, along with other matters as set forth in note 3(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment assessment of goodwill and other non-financial assets

(Refer to notes 14, 15 and 17 to the financial statements and the accounting policies as set out in notes 4(d), 4(e) and 4(l) to the financial statements)

As at 31 December 2016, the Group had goodwill of RMB56.8 million, property, plant and equipment of RMB791.7 million and prepaid premium for land leases of RMB116.6 million relating to various cash-generating units ("CGUs") within the Group. During the year ended 31 December 2016, impairment losses of RMB11.3 million had been recognised in the consolidated statement of comprehensive income for certain property, plant and equipment.

Accounting standards specified when management has to assess the recoverable amounts of these CGUs. Management has appointed an independent valuation firm to carry out the assessments. Management and the independent valuation firm are required to make judgements when estimating recoverable amounts, including (i) producing future cash flow forecasts with appropriate assumptions; and (ii) selecting and applying appropriate key inputs such as discount rates.

Our responses

Our procedures in relation to management's impairment assessments included:

– assessing the valuation methodologies used;

– evaluating the independent valuation firm's competence, capabilities and objectivity;

– reviewing and challenging the reasonableness of key assumptions and critical judgement areas which underpin the calculations; and

– checking the accuracy and the relevance of the input data used.

Valuation of biological assets

(Refer to note 18 to the financial statements and the accounting policies as set out in note 4(u) to the financial statements)

As at 31 December 2016, the Group had biological assets with a fair value of RMB79.3 million. Management appointed an independent valuation firm to estimate fair values of the biological assets (except vegetables) using a market approach with reference to the market-determined prices with similar size, species, age and weight.

Our responses

Our procedures in relation to management's fair value estimations of biological assets (except vegetables) included:

– assessing the valuation methodologies used by management and the independent valuation firm;

– evaluating the independent valuation firm's competence, capabilities and objectivity;

– reviewing and challenging the reasonableness of key assumptions and critical judgement areas which underpin the fair value estimations; and

– checking the accuracy and the relevance of the input data used.

Independent Auditor's Report

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee, with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Wong Kwok Wai
Practising Certificate Number P06047

Hong Kong, 28 March 2017

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	7	**1,262,785**	1,226,448
Cost of sales		**(1,161,209)**	(1,103,612)
Gross profit		**101,576**	122,836
Other income and other gains	7	**61,370**	27,752
Selling and distribution costs		**(34,648)**	(28,787)
Administrative expenses		**(49,097)**	(49,645)
Other operating expenses		**(18,870)**	(11,711)
Impairment loss on property, plant and equipment		**(11,332)**	(41,486)
Profit from operations	8	**48,999**	18,959
Finance costs	9	**(39,203)**	(38,918)
Share of loss of an associate		**–**	(784)
Profit/(Loss) before taxation		**9,796**	(20,743)
Income tax expense	10	**(2,247)**	(5,262)
Profit/(Loss) for the year		**7,549**	(26,005)
Other comprehensive income		**–**	–
Total comprehensive income for the year		**7,549**	(26,005)
Profit/(Loss) for the year and total comprehensive income attributable to:			
Owners of the Company		**6,295**	(28,060)
Non-controlling interests		**1,254**	2,055
		7,549	(26,005)
Profit/(Loss) per share for profit/(loss) attributable to the owners of the Company during the year	12		
Basic (RMB cents)		**1.45**	(6.48)
Diluted (RMB cents)		**1.45**	(6.48)

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**791,703**	819,364
Prepaid premium for land leases	15	**116,555**	120,878
Interest in an associate	16	**–**	–
Goodwill	17	**56,778**	56,778
Biological assets	18	**31,435**	24,774
Available-for-sale financial assets	19	**–**	–
Deferred tax assets	20	**1,373**	1,679
Deposits for property, plant and equipment		**6,141**	–
Total non-current assets		**1,003,985**	1,023,473
Current assets			
Biological assets	18	**47,867**	36,274
Inventories	21	**125,796**	176,906
Trade and bills receivables	22	**92,513**	64,933
Prepayments, other receivables and deposits	23	**71,779**	82,667
Amount due from a related party	29	**–**	5,924
Amount due from a former subsidiary	24	**686**	2,546
Pledged deposits	25	**102,345**	185,735
Cash and cash equivalents	25	**284,159**	269,648
Total current assets		**725,145**	824,633
Current liabilities			
Trade and bills payables	26	**308,571**	347,836
Accrued liabilities and other payables	27	**119,751**	104,264
Interest-bearing bank borrowings	28	**529,000**	649,000
Amount due to a related party	29	**32,166**	–
Deferred government grants	30	**2,777**	2,637
Tax payables		**541**	3,296
Total current liabilities		**992,806**	1,107,033
Net current liabilities		**(267,661)**	(282,400)
Total assets less current liabilities		**736,324**	741,073
Non-current liabilities			
Deferred government grants	30	**20,701**	22,120
Interest-bearing bank borrowings	28	**30,000**	40,000
Deferred tax liabilities	20	**7,090**	7,969
Total non-current liabilities		**57,791**	70,089
Net assets		**678,533**	670,984

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
EQUITY			
Equity attributable to the Company's owners			
Share capital	31	**112,176**	112,176
Reserves	32	**538,257**	531,962
		650,433	644,138
Non-controlling interests		**28,100**	26,846
Total equity		**678,533**	670,984

Gao Yanxu
Director

An Fengjun
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Equity attributable to the Company's owners								
	Share capital RMB'000	Share premium* RMB'000	Merger reserve* (note 32) RMB'000	Capital redemption reserve* (note 32) RMB'000	Other reserves* (note 32) RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015	112,176	257,073	(41,374)	2,374	43,812	298,137	672,198	24,791	696,989
Loss for the year	–	–	–	–	–	(28,060)	(28,060)	2,055	(26,005)
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	(28,060)	(28,060)	2,055	(26,005)
Transfer to other reserves	–	–	–	–	2,985	(2,985)	–	–	–
At 31 December 2015 and 1 January 2016	112,176	257,073	(41,374)	2,374	46,797	267,092	644,138	26,846	670,984
Profit for the year	–	–	–	–	–	6,295	6,295	1,254	7,549
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	6,295	6,295	1,254	7,549
Transfer to other reserves	–	–	–	–	1	(1)	–	–	–
At 31 December 2016	**112,176**	**257,073**	**(41,374)**	**2,374**	**46,798**	**273,386**	**650,433**	**28,100**	**678,533**

* The consolidated reserves of the Group as at 31 December 2016 of approximately RMB538,257,000 (2015: RMB531,962,000) as presented in the consolidated statement of financial position comprised these reserve accounts.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Profit/(Loss) before taxation		**9,796**	(20,743)
Adjustments for:			
Interest income	7	**(11,441)**	(8,084)
Interest expenses	9	**39,203**	38,918
Gains arising from changes in fair value less estimated costs to sell of biological assets, net	7	**(37,800)**	(7,102)
Depreciation of property, plant and equipment	8	**63,289**	55,402
Loss on disposal of property, plant and equipment	8	**8,182**	9,231
Amortisation of prepaid premium for land leases	8	**4,323**	4,324
Amortisation of deferred income on government grant	7	**(2,777)**	(2,637)
Write down of inventories	8	**3,323**	2,474
Provision for amount due from a former subsidiary	8	**1,860**	–
Provision for other receivables	8	**3,828**	–
Impairment loss on property, plant and equipment		**11,332**	41,486
Share of loss of an associate		**–**	784
Operating profit before working capital changes		**93,118**	114,053
Decrease/(Increase) in inventories		**47,787**	(15,407)
(Increase)/Decrease in trade and bills receivables		**(27,580)**	6,513
Decrease/(Increase) in prepayments, other receivables and deposits		**7,060**	(30,611)
Decrease in biological assets		**19,546**	19,297
(Decrease)/Increase in trade and bills payables		**(39,265)**	168,055
(Decrease)/Increase in accrued liabilities and other payables		**(9,260)**	7,001
Change in balance with related parties		**(1,377)**	(5,924)
Cash generated from operations		**90,029**	262,977
Interest paid		**(40,267)**	(42,798)
Income taxes paid		**(5,575)**	(5,039)
Net cash generated from operating activities		**44,187**	215,140
Cash flows from investing activities			
Purchases of property, plant and equipment		**(47,504)**	(294,370)
Deposits paid to acquire property, plant and equipment		**(6,141)**	(1,589)
Proceeds from disposal of property, plant and equipment		**1,566**	894
Receipt of deferred government grants	30	**1,498**	9,900
Decrease in amount due from a former subsidiary		**–**	2,501
Interest received		**11,441**	8,084
Decrease/(Increase) in pledged deposits		**83,390**	(115,735)
Net cash generated from/(used in) investing activities		**44,250**	(390,315)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Cash flows from financing activities			
Received from/(Repayment to) related parties		**56,074**	(23,955)
New bank borrowings		**729,000**	639,000
Repayment of bank borrowings		**(859,000)**	(651,667)
Net cash used in financing activities		**(73,926)**	(36,622)
Net increase/(decrease) in cash and cash equivalents		**14,511**	(211,797)
Cash and cash equivalents at 1 January		**269,648**	481,445
Cash and cash equivalents at 31 December		**284,159**	269,648
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**284,159**	269,648

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 are primary listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKEx") and the listing status in the Main Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST") was changed from primary listing to secondary listing with effect from 23 January 2017.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries (together with the Company referred as the "Group") are set out in note 34 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 2016 were approved for issue by the board of directors on 28 March 2017.

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

(a) Adoption of new/revised IFRSs – first effective on 1 January 2016

In the current year, the Group has applied for the first time the following new and revised standards issued by the International Accounting Standards Board ("IASB"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2016:

IFRSs (Amendments)	Annual Improvements 2012 – 2014 Cycle
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statements

Amendments to IAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of IAS 1 when considering the layout and content of their financial statements.

Included in the clarifications is that an entity's share of other comprehensive income from equity accounted interests in associates is split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

The adoption of the amendments has no impact on these financial statements.

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

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

The adoption of the amendments has no impact on these financial statements as the Group has not previously used revenue-based depreciation methods.

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

(a) Adoption of new/revised IFRSs – first effective on 1 January 2016 (Continued)

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

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

The adoption of the amendments has no impact on these financial statements as the Group has no bearer plants.

Amendments to IAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are applied retrospectively in accordance with IAS 8.

The adoption of the amendments has no impact on these financial statements as the Company has not elected to apply the equity method in its separate financial statements.

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

At the date of authorisation of these financial statements, the following new/revised IFRSs, potentially relevant to the Group's financial statements, have been issued but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to IAS 7	Disclosure Initiative[1]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
IFRS 9 (2014)	Financial Instruments[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
IFRS 15	Revenue from Contracts with Customers[2]
Amendments to IFRS 15	Clarification to IFRS 15 Revenue from Contracts with Customers[2]
IFRS 16	Leases [3]
IFRIC – Int 22	Foreign Currency Transactions and Advance Consideration[2]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but is available for early adoption

Amendments to IAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

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

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

IFRS 9 (2014) – Financial Instruments

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

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

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

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

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

IFRS 15 – Revenue from Contracts with Customers

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

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

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

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

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

IFRS 15 – Revenue from Contracts with Customers **(Continued)**

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

Amendments IFRS 15 – Revenue from Contracts with Customers (Clarifications to IFRS 15)

The amendments to IFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

IFRS 16 – Leases

IFRS 16, which upon the effective date will supersede IAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with IAS 17. Under IFRS 16, leases are recorded on the statement of financial position by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of the lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities.

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

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 ("HK Listing Rules").

3. BASIS OF PREPARATION (CONTINUED)

(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 less cost to sell 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 can continue as a going concern notwithstanding that:

1. As at 31 December 2016, the Group's current liabilities exceeded its current assets by approximately RMB268 million;

2. Amongst the total bank borrowings of approximately RMB559 million as at 31 December 2016, bank borrowings of approximately RMB529 million as at 31 December 2016 are due for repayment within one year from 31 December 2016; and

3. A bank borrowing of approximately RMB40 million are in breach of certain loan covenants as detailed in note 28 to the financial statements.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the financial statements were prepared based on the assumption that the Group can be operated as a going concern and the Directors are of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from 31 December 2016, after taking into consideration of the following:

1. The Group continues to improve the operating efficiency 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 the end of the reporting period, the Group successfully renewed bank borrowings of RMB190 million upon maturity of these bank borrowings including the renewal of bank borrowings of RMB40 million that were in breach of certain loan covenants as at the end of the reporting period. The said loan covenants were removed in the renewed bank loan agreement. In addition, subsequent to the end of the reporting period, the Group also obtained written confirmation from several Group's major bankers, which confirmed to renew certain bank borrowings, in aggregate of up to RMB275 million, to the Group for another year upon the maturity of the bank borrowings. All these renewed bank borrowings will mature in 2018;

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

4. Qingdao Kangda Foreign Trade Group Limited ("KD Trading Company"), which is substantially and 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.

3. BASIS OF PREPARATION (CONTINUED)

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

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

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

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

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

(b) Subsidiaries

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Associates

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

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

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

(d) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred, the amount recognised for non-controlling interests in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree over the fair value of identifiable assets and liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquire and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, 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 is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 4(l)) and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment at the end of that financial year or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less of disposal (if measurable) or its value in use (if determinable), whichever is higher. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (Continued)

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

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

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

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

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

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

(f) Financial Instruments

(i) Financial assets

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial Instruments (Continued)

(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.

For loans and receivables, 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.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

(iii) Financial liabilities

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

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

(iv) Effective interest method

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

(v) Derecognition

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) 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.

(h) Revenue recognition

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

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

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

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

(i) Income tax

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Income tax (Continued)

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

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.

(j) 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.

(k) Employee benefits

Retirement benefits scheme

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

Short-term employee benefits

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

– property, plant and equipment;

– investments in subsidiaries and associates; and

– prepaid premium for land leases

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.

(m) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

(vi) The entity is controlled or jointly controlled by a person identified in (1).

(vii) A person identified in (1)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, of any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Related parties (Continued)

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.

(n) Leases

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

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

Lease where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to 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.

(o) 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.

(p) Cash and cash equivalents

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Cash and cash equivalents (Continued)

For the purpose of the consolidated 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.

(q) 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.

(r) 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 consolidated 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.

(s) Segment reporting

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

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

– Processed food products

– Chilled and frozen rabbit meat

– Chilled and frozen chicken meat

– Other products comprising chicken and rabbit meat by products and pet food products

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

For the purposes of assessing segment performance and allocating resources between segments, the Directors assess segment profit or loss by gross profit/loss less selling expenses and certain other operating 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. Segment assets/liabilities have not been disclosed as such amounts are not regularly provided to the Directors for resources allocation.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) 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.

(u) Biological assets

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

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

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

The agricultural produce harvested from the biological assets are measured at their fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying IAS 2. A gain or loss arising from agricultural produce at the point of harvest at fair value less costs to sell is included in 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 may differ from these estimates.

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

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

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. Management reassesses the estimations at the reporting date. The carrying amount of the Group's inventories is disclosed in note 21 to the financial statements.

(ii) Impairment of trade receivables

The Group's management assesses the collectability of trade receivables. This estimate is based on the credit worthiness and repayment history of the Group's customers and the current market condition. Management reassesses if there is any indication of the impairment loss at the reporting date. The carrying amount of the Group's trade receivables is disclosed in note 22 to the financial statements.

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

(iii) Income taxes and value-added tax ("VAT")

The Group is subject to various taxes in the PRC including corporate income tax and VAT. The Group also enjoys various preferential tax treatments in the PRC, e.g. the Group is exempted from corporate income tax for its businesses relating to agricultural, poultry and primary food processing and is exempted from VAT for its income derived from sale of self-produced agricultural products. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised and deferred tax assets related to government grants. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

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. Also, the realisation of income tax assets and VAT assets is dependent on the Group's ability to generate sufficient sales and taxable income in future. Derivations of future profitability from estimates or in the income tax rate would result in adjustments to the value of tax assets and liabilities.

(iv) Fair value measurement of biological assets

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

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

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

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

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

Further information about the assumptions made in measuring fair values of the biological assets is included in note 18 to the financial statements.

(v) Depreciation

The Group depreciates the property, plant and equipment, using the straight-line method, over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amounts of the Group's property, plant and equipment at 31 December 2016 is disclosed in note 14 to the financial statements.

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

(vi) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of the Group's goodwill as at 31 December 2016 is RMB56,778,000 (2015: RMB56,778,000).

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

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of fair value less costs to sell and value in use. The carrying amounts of the property, plant and equipment and prepaid premium for land leases, as disclosed in notes 14 and 15 respectively, are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable in accordance with the accounting policy as disclosed in note 4(l). 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. The impairment loss on property, plant and equipment of RMB11,332,000 (2015: RMB41,486,000) was charged to profit or loss during the year ended 31 December 2016.

(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.

6. SEGMENT INFORMATION

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

	2016				
	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	730,786	139,802	232,259	159,938	1,262,785
Reportable segment revenue	730,786	139,802	232,259	159,938	1,262,785
Reportable segment profit/(loss)	60,106	(11,450)	(4,519)	9,751	53,888
Depreciation of property, plant and equipment	33,028	6,318	10,497	7,229	57,072
Amortisation of prepaid premium for land leases	2,502	479	795	547	4,323
Impairment loss on property, plant and equipment	–	4,200	7,132	–	11,332
Loss on disposal of property, plant and equipment	547	490	337	334	1,708
Write down of inventories	–	3,323	–	–	3,323

6. SEGMENT INFORMATION (CONTINUED)

2015	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	696,207	158,460	240,023	131,758	1,226,448
Reportable segment revenue	696,207	158,460	240,023	131,758	1,226,448
Reportable segment profit/(loss)	84,162	(51,096)	190	15,174	48,430
Depreciation of property, plant and equipment	27,166	6,183	9,366	5,142	47,857
Amortisation of prepaid premium for land leases	2,455	559	845	465	4,324
Impairment loss on property, plant and equipment	–	41,486	–	–	41,486
Loss on disposal of property, plant and equipment	–	4,133	–	–	4,133
Write down of inventories	–	2,474	–	–	2,474

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

	2016 RMB'000	2015 RMB'000
Reportable segment profit	**53,888**	48,430
Other income and other gains	**61,370**	27,752
Administrative expenses	**(49,097)**	(49,645)
Other operating expenses	**(17,162)**	(7,578)
Finance costs	**(39,203)**	(38,918)
Share of loss of associates	**–**	(784)
Profit/(Loss) before taxation	**9,796**	(20,743)

6. SEGMENT INFORMATION (CONTINUED)

A reconciliation between the reportable segment depreciation of property, plant and equipment and loss on disposal of property, plant and equipment and the Group's depreciation of property, plant and equipment and loss on disposal of property, plant and equipment, respectively is set out below:

	2016 RMB'000	2015 RMB'000
Reportable depreciation of property, plant and equipment	**57,072**	47,857
Depreciation of property, plant and equipment under administrative expenses	**6,217**	7,545
Consolidated depreciation of property, plant and equipment	**63,289**	55,402
Reportable loss on disposal of property, plant and equipment	**1,708**	4,133
Loss on disposal of property, plant and equipment under other operating expenses	**6,474**	5,098
Consolidated loss on disposal of property, plant and equipment	**8,182**	9,231

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.

	2016 RMB'000	2015 RMB'000
Local (Country of domicile)		
PRC	**681,817**	704,395
Export (Foreign countries)		
Japan	**289,092**	271,731
Europe#	**269,329**	222,594
Others	**22,547**	27,728
	1,262,785	1,226,448

Principally include Germany, France, Spain and Russia

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

7. REVENUE AND OTHER INCOME AND OTHER GAINS

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

	2016 RMB'000	2015 RMB'000
Revenue		
Sale of goods	**1,262,785**	1,226,448
Other income and other gains		
Interest income on financial assets stated at amortised cost	**11,441**	8,084
Amortisation of deferred income on government grants (note 30)	**2,777**	2,637
Government grants related to income*	**1,917**	3,921
Gains arising from changes in fair value less estimated costs to sell of biological assets, net (note 18)	**37,800**	7,102
Insurance claims	**3,125**	2,872
Others	**4,310**	3,136
	61,370	27,752

* Various government grants have been received mainly from the Bureau of Industrial and Information Technology of Nong'an County (農安縣工業和信息化局) (2015: Finance Bureau of Qingdao City (青島市財政局)) 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):

	2016 RMB'000	2015 RMB'000
Cost of inventories recognised as an expense	**939,373**	983,682
Depreciation of property, plant and equipment*	**63,289**	55,402
Amortisation of prepaid premium for land leases**	**4,323**	4,324
Write down of inventories#	**3,323**	2,474
Provision for amount due from a former subsidiary^	**1,860**	–
Provision for other receivables^	**3,828**	–
Minimum lease payments under operating leases for production facilities	**16,091**	13,398
Audit fee paid to auditors:		
Auditors of the Company	**1,581**	1,461
Other auditors	**399**	229
Employees costs (including Directors' remuneration)	**179,965**	192,726
Retirement scheme contributions	**11,042**	10,621
Total employees costs##	**191,007**	203,347
Loss on disposal of property, plant and equipment^	**8,182**	9,231
Exchange gain, net	**(1,503)**	(320)

* Depreciation of approximately RMB56,957,000 (2015: RMB47,765,000), approximately RMB115,000 (2015: RMB91,000) and approximately RMB6,217,000 (2015: RMB7,546,000) has been charged to cost of sales, selling and distribution costs and administrative expenses, respectively, for the year ended 31 December 2016.

** Amortisation of prepaid premium for land leases has been charged to cost of sales for the years ended 31 December 2015 and 2016.

8. PROFIT FROM OPERATIONS (CONTINUED)

Write down of inventories for the year was included in cost of sales for the years ended 31 December 2015 and 2016.

Total employees costs of approximately RMB164,879,000 (2015: RMB176,066,000), approximately RMB10,140,000 (2015: RMB10,338,000) and approximately RMB15,988,000 (2015: RMB16,943,000) has been changed to cost of sales, selling and distribution costs and administrative expenses, respectively, for the year ended 31 December 2016.

^ Provision for amount due from a former subsidiary, provision for other receivables and loss on disposal of property, plant and equipment for the year were included in other operating expenses for the years ended 31 December 2015 and 2016.

9. FINANCE COSTS

	2016 **RMB'000**	2015 RMB'000
Interest charges on bank borrowings	**40,267**	42,798
Less: Amount capitalised (note)	**(1,064)**	(3,880)
	39,203	38,918

Note: Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.29% (2015: 5.61%) to expenditure on qualifying assets.

10. INCOME TAX EXPENSE

	2016 **RMB'000**	2015 RMB'000
PRC corporate income tax		
Current year provision	**2,670**	5,622
Under-provision in prior years	**150**	213
	2,820	5,835
Deferred tax credit (note 20)	**(573)**	(573)
Total income tax expense	**2,247**	5,262

No Hong Kong profits tax has been provided for the year ended 31 December 2016 as the Group did not derive any assessable profit arising in Hong Kong during the year (2015: 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") and Shandong Kaijia Food Company Limited ("Kaijia Food") are 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 and Kaijia Food are exempted from PRC corporate income tax. The taxable profits of Kangda Foods and Kaijia Food arising from profit from business other than agricultural, poultry and primary food processing are subject to corporate income tax at 25% for the years ended 31 December 2016 and 2015.

10. INCOME TAX EXPENSE (CONTINUED)

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 of corporate income tax on profits derived from such business. Qingdao Kangda Animal Rearing Company Ltd., Qingdao Kangda Rabbit Company Ltd., Gaomi Kaijia Rearing Co., Ltd., Qingdao Kangda Modern Agricultural Technology Development Company Limited ("Modern Agricultural"), Jilin Kang'an Rabbit Co. Ltd and Jilin Kangmei Rabbit Co., Ltd engaged in qualifying agricultural business, which include breeding and sales of livestock, and are entitled to full exemption of corporate income tax during the years ended 31 December 2016 and 2015.

Tax has not been provided by the Company as the Company did not derive any assessable profits during the year (2015: Nil).

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

	2016 RMB'000	2015 RMB'000
Profit/(Loss) before taxation	**9,796**	(20,743)
Tax calculated at the rates applicable to respective subsidiaries	**2,602**	(7,754)
Tax effect of non-deductible expenses	**(6,785)**	10,553
Tax effect of non-taxable income	**63**	(5)
Tax holiday and other tax benefits of PRC subsidiaries	**(931)**	(2,498)
Tax effect on current year's unrecognised tax losses	**8,952**	6,775
Tax effect of utilisation of tax losses previously not recognised	**(1,231)**	(1,449)
De-recognition of deferred tax assets	**(573)**	(573)
Under-provision in prior years	**150**	213
Income tax expense	**2,247**	5,262

11. DIVIDENDS

The board of Directors did not recommend any payment of dividends during the year (2015: Nil).

12. PROFIT/(LOSS) PER SHARE

The calculation of basic profit/(loss) per share is based on the profit/(loss) attributable to owners of the Company of approximately RMB6,295,000 (2015: Loss of RMB28,060,000) and on the 432,948,000 (2015: 432,948,000) ordinary shares in issue during the year.

For the years ended 31 December 2016 and 2015, the Company did not have any dilute potential ordinary shares. Accordingly, diluted earnings per share are the same as basic earnings per share.

13. EMOLUMENTS FOR DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Directors' emoluments are disclosed as follows:

	Fees RMB'000	Salaries, allowances and benefits* RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2016				
Executive directors:				
An Fengjun	**–**	**400**	**–**	**400**
Gao Yanxu	**–**	**72**	**–**	**72**
Non-executive directors:				
Gao Sishi	**–**	**–**	**–**	**–**
Zhang Qi	**–**	**–**	**–**	**–**
Naoki Yamada	**–**	**–**	**–**	**–**
Independent non-executive directors:				
Chong Soo Hoon, Sean (note (i))	**120**	**–**	**–**	**120**
Lau Choon Hoong	**120**	**–**	**–**	**120**
Yu Chung Leung	**120**	**–**	**–**	**120**
Waiver of salary (note (ii))	**–**	**(220)**	**–**	**(220)**
	360	**252**	**–**	**612**
Year ended 31 December 2015				
Executive directors:				
An Fengjun	–	400	–	400
Gao Yanxu	–	72	–	72
Non-executive directors:				
Gao Sishi	–	–	–	–
Zhang Qi	–	–	–	–
Naoki Yamada	–	–	–	–
Independent non-executive directors:				
Chong Soo Hoon, Sean (note (i))	70	–	–	70
Lau Choon Hoong	120	–	–	120
He Dingding (note (i))	50	–	–	50
Yu Chung Leung	120	–	–	120
Waiver of salary (note (ii))	–	(220)	–	(220)
	360	252	–	612

Notes:

(i) He Dingding resigned as the independent non-executive director of the Company on 1 June 2015 and Chong Soo Hoon, Sean was appointed as an independent non-executive director of the Company on the same date.

(ii) For the years ended 31 December 2016 and 2015, due to the cost-saving policy, executive director Mr. An Fengjun voluntarily agreed to waive his entitlement to certain remuneration of approximately RMB220,000 and RMB220,000 respectively.

* In connection with management of the affairs of the Company and its subsidiaries

13. EMOLUMENTS FOR DIRECTORS AND HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included four (2015: four) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individual during the year are as follows:

	2016 **RMB'000**	2015 RMB'000
Salaries, allowances and other benefits	**721**	721

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

	2016	2015
Emolument band		
Nil to HK$1,000,000 (equivalent to Nil to RMB837,780)	**1**	1

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

14. PROPERTY, PLANT AND EQUIPMENT

	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 2015						
Cost	521,022	310,189	17,819	2,103	16,359	867,492
Accumulated depreciation	(108,910)	(131,523)	(11,318)	(989)	–	(252,740)
Net carrying amount	412,112	178,666	6,501	1,114	16,359	614,752
Year ended 31 December 2015						
Opening net carrying amount	412,112	178,666	6,501	1,114	16,359	614,752
Additions#	3,851	33,672	1,873	378	271,851	311,625
Transfer in/(out)	1,875	14,093	–	–	(15,968)	–
Disposal	(6,558)	(3,025)	(67)	(86)	(389)	(10,125)
Depreciation charge	(24,254)	(29,791)	(1,261)	(96)	–	(55,402)
Impairment loss	(31,329)	(9,824)	(329)	(4)	–	(41,486)
Closing net carrying amount	355,697	183,791	6,717	1,306	271,853	819,364
At 31 December 2015 and 1 January 2016						
Cost	518,755	350,306	19,061	1,989	271,853	1,161,964
Accumulated depreciation and impairment	(163,058)	(166,515)	(12,344)	(683)	–	(342,600)
Net carrying amount	355,697	183,791	6,717	1,306	271,853	819,364
Year ended 31 December 2016						
Opening net carrying amount	355,697	183,791	6,717	1,306	271,853	819,364
Additions#	6,811	32,374	314	–	22,873	62,372
Transfer in/(out)	282,139	12,105	–	–	(294,244)	–
Disposal	(6,452)	(8,666)	(237)	(57)	–	(15,412)
Depreciation charge	(29,638)	(32,096)	(1,517)	(38)	–	(63,289)
Impairment loss	(7,514)	(3,803)	(13)	(2)	–	(11,332)
Closing net carrying amount	601,043	183,705	5,264	1,209	482	791,703
At 31 December 2016						
Cost	789,135	358,247	18,534	1,756	482	1,168,154
Accumulated depreciation and impairment	(188,092)	(174,542)	(13,270)	(547)	–	(376,451)
Net carrying amount	601,043	183,705	5,264	1,209	482	791,703

Including borrowing costs of RMB1,064,000 (2015: RMB3,880,000) capitalised during the year (note 9) and payables for property, plant and equipment of RMB27,179,000 (2015: RMB13,375,000) (note 27)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group performed an impairment assessment on certain property, plant and equipment of a cash-generating unit in relation to its rabbit products business within chilled and frozen rabbit meat segment during the year because of deterioration in the economic performance of the business. Based on the assessment, an impairment loss of approximately RMB2,870,000 (2015: RMB41,486,000) was recognised in profit or loss in the consolidated statement of comprehensive income for the year ended 31 December 2016. The recoverable amounts of this cash-generating unit of approximately RMB19,780,000 (2015: RMB17,217,000) were determined using fair value less costs to sell, a level 3 fair value measurement (2015: value-in-use calculation by discounting cash flows generated from the said business based on management budget plan and a pre-tax discount rate of 12.70%). There is a change of valuation technique in estimating the recoverable amounts of this cash-generating unit because the recoverable amounts measured using fair value less costs to sell is larger than that measured using value-in-use calculation.

The estimation of fair value less costs to sell of the aforesaid cash-generating unit as at 31 December 2016 is carried out by Sino-Infinite Appraisal Limited, an independent valuer, with reference to the fair value of the CGU's major assets which comprised of land and buildings. The following table gives information about how the fair value less to sell of the land and buildings is determined.

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs
Land	Market approach	Comparable market transaction	RMB160 to RMB202 per square metres
Buildings	Income approach	Reversionary rental value Prevailing market rents	9% RMB3 to RMB5 per square metres per month

The Group also performed impairment assessments for certain property, plant and equipment of certain rabbit and chicken farms located at urban area due to the decline of their functionality and substantial costs involved in improving the environmental protection measures. Based on the assessments, an impairment losses of RMB8,462,000 were recognised in the consolidated statement of comprehensive income for the year ended 31 December 2016. Thereafter, the Group accepted the offer from KD Trading to dispose of those farms at a consideration of RMB5,664,000. As a result, a gain on disposal of these farms of RMB944,000 was recognised in the consolidated statement of comprehensive income. The said consideration was not settled as at 31 December 2016 and recognised under the balance with a related party in the consolidated statement of financial position (notes 29 and 38(a)(vii)). This transaction constituted a connected transaction of the Company under HK Listing Rules. More details were disclosed in the Company's announcement made on 14 December 2016.

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

Certain of the Group's property, plant and equipment with an aggregate carrying amount of approximately RMB118,591,000 (2015: RMB92,396,000) were pledged against certain of the Group's bank borrowings as at 31 December 2016 (note 28).

15. PREPAID PREMIUM FOR LAND LEASES

	Land use rights RMB'000	Prepaid land lease RMB'000	Long-term prepaid rentals RMB'000	Total RMB'000
At 1 January 2015				
Cost	75,593	12,138	59,795	147,526
Accumulated amortisation	(10,089)	(1,012)	(11,223)	(22,324)
Net carrying amount	65,504	11,126	48,572	125,202
Year ended 31 December 2015				
Opening net carrying amount	65,504	11,126	48,572	125,202
Amortisation for the year	(1,884)	(607)	(1,833)	(4,324)
Closing net carrying amount	63,620	10,519	46,739	120,878
At 31 December 2015 and 1 January 2016				
Cost	75,593	12,138	59,795	147,526
Accumulated amortisation	(11,973)	(1,619)	(13,056)	(26,648)
Net carrying amount	63,620	10,519	46,739	120,878
Year ended 31 December 2016				
Opening net carrying amount	63,620	10,519	46,739	120,878
Amortisation for the year	(1,883)	(607)	(1,833)	(4,323)
Closing net carrying amount	61,737	9,912	44,906	116,555
At 31 December 2016				
Cost	75,593	12,138	59,795	147,526
Accumulated amortisation	(13,856)	(2,226)	(14,889)	(30,971)
Net carrying amount	61,737	9,912	44,906	116,555

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

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

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

The carrying amount of land use rights of RMB61,737,000 (2015: RMB63,620,000) 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 RMB49,369,000 (2015: RMB47,794,000) were pledged against certain of the Group's bank borrowings as at 31 December 2016 (note 28).

16. INTEREST IN AN ASSOCIATE

	2016 RMB'000	2015 RMB'000
Share of net assets	–	–

Particulars of the associate as at 31 December 2016 and 2015 are as follows:

Name of associate	Form of business structure	Place of registration and principal place of business	Particulars of paid up capital 2016	2015	Percentage of ownership interest held 2016	2015	Principal activities
吉林康大兔業有限公司 Jilin Kangda Rabbit Co., Ltd	Co-operative joint venture	PRC	RMB10,000,000	RMB10,000,000	35	35	Breeding and sale of rabbits for medicinal uses and trading of rabbits

The associate has a reporting date of 31 December.

The financial information as extracted from the management account of the immaterial associate is as follows:

	2016 RMB'000	2015 RMB'000
As at 31 December		
Current assets	3,891	3,761
Non-current assets	8,980	8,912
Current liabilities	(16,199)	(14,144)
For the year ended 31 December		
Revenue	10,372	10,838
Loss for the year	(1,857)	(3,710)
Total comprehensive income	(1,857)	(3,710)

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

The amount of share of unrecognised loss during the year ended 31 December 2016 and as at 31 December 2016 are RMB650,000 (2015: RMB515,000) and RMB1,165,000 (2015: RMB515,000) respectively.

17. GOODWILL

	2016 RMB'000	2015 RMB'000
At the beginning and at the end of the year		
Gross carrying amount	**59,428**	59,428
Accumulated impairment loss	**(2,650)**	(2,650)
Net carrying amount	**56,778**	56,778

Goodwill acquired in business combinations of RMB56,355,000, RMB423,000 and RMB2,650,000 are allocated to Kaijia Food and Shangdong Kaijia International Trading Co., Ltd (collectively referred to as "Kaijia Group"), Modern Agricultural and Qingdao Pu De Food Company Limited ("Pu De") respectively, under cash-generating units of chicken products operation, processed food operation and vegetables operation of the Group respectively.

The recoverable amounts of these cash-generating units are determined from value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates, budgeted gross margin and revenue during the period. Cash flow beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2015: 3%), which does not exceed the long-term growth rate for the food production industry in the PRC. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating units. The growth rates, budgeted gross margin and revenue 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 and Modern Agricultural are 14.5% (2015: 15.4%) per annum.

In prior years, full impairment loss on goodwill of Pu De of RMB2,650,000 was recognised since Pu De ceased its business operation since 2014.

18. BIOLOGICAL ASSETS

(a) Reconciliation of the carrying amount of biological assets

	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 2015	16,230	19,281	11,551	25,527	654	73,243
Increase due to purchases/raising	87,771	186,741	50,427	385,603	4,312	714,854
Gains/(Losses) arising from changes in fair value less estimated costs to sell	2,511	4,157	449	(15)	–	7,102
Decrease due to consumption/sales	(91,858)	(196,756)	(52,307)	(389,711)	(3,519)	(734,151)
At 31 December 2015 and 1 January 2016	14,654	13,423	10,120	21,404	1,447	61,048
Increase due to purchases/raising	107,664	175,500	116,047	337,675	2,646	739,532
Gains arising from changes in fair value less estimated costs to sell	1,326	4,491	11	31,917	55	37,800
Decrease due to consumption/sales	(106,581)	(176,101)	(111,806)	(361,109)	(3,481)	(759,078)
At 31 December 2016	**17,063**	**17,313**	**14,372**	**29,887**	**667**	**79,302**

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.

18. BIOLOGICAL ASSETS (CONTINUED)

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

Biological assets as at 31 December 2016 and 2015 are stated at fair values less estimated costs to sell and are analysed as follows:

	2016 **RMB'000**	2015 RMB'000
Non-current portion	**31,435**	24,774
Current portion	**47,867**	36,274
	79,302	61,048

(b) Physical quantities

The physical quantity of rabbits, chickens, eggs and vegetables as at 31 December 2016 and 2015 are analysed as follows:

	2016 **Number of Rabbits/ Chickens/Eggs/ Vegetables**	2015 Number of Rabbits/ Chickens/Eggs/ Vegetables
Progeny rabbits	**741,993**	560,740
Breeder rabbits	**162,762**	137,220
	904,755	697,960
Progeny chickens	**2,249,125**	1,702,203
Breeder chickens	**233,302**	178,094
	2,482,427	1,880,297
Hatchable eggs	**3,605,558**	1,979,904
Vegetables (in tonnes)	**53**	200

18. BIOLOGICAL ASSETS (CONTINUED)

(c) Measurement of fair value

The fair values of the biological assets as at 31 December 2016 and 2015 except vegetables were independently valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a firm of independent professional valuers, who has appropriate qualifications and recent experiences in valuation of biological assets.

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

	2016					
	Breeder rabbits RMB'000	Progeny rabbits RMB'000	Breeder chickens RMB'000	Hatchable eggs and progeny chickens RMB'000	Vegetables RMB'000	Total RMB'000
Opening balance (level 3 recurring fair value)	14,654	13,423	10,120	21,404	1,447	61,048
Increase due to purchases/raising	107,664	175,500	116,047	337,675	2,646	739,532
Gains arising from changes in fair value less estimated costs to sell	1,326	4,491	11	31,917	55	37,800
Decrease due to consumption/sales	(106,581)	(176,101)	(111,806)	(361,109)	(3,481)	(759,078)
Closing balance (level 3 recurring fair value)	17,063	17,313	14,372	29,887	667	79,302
Change in unrealised gains or losses for the year included in profit or loss for assets held at 31 December	1,326	4,491	11	2,039	55	7,922

18. BIOLOGICAL ASSETS (CONTINUED)

(c) Measurement of fair value (Continued)

	2015					
	Breeder rabbits RMB'000	Progeny rabbits RMB'000	Breeder chickens RMB'000	Hatchable eggs and progeny chickens RMB'000	Vegetables RMB'000	Total RMB'000
Opening balance (level 3 recurring fair value)	16,230	19,281	11,551	25,527	654	73,243
Increase due to purchases/raising	87,771	186,741	50,427	385,603	4,312	714,854
Gains included in other income	2,511	4,157	449	(15)	–	7,102
Decrease due to consumption/sales	(91,858)	(196,756)	(52,307)	(389,711)	(3,519)	(734,151)
Closing balance (level 3 recurring fair value)	14,654	13,423	10,120	21,404	1,447	61,048
Change in unrealised gains or losses for the year included in profit or loss for assets held at 31 December	2,511	4,157	449	(15)	–	7,102

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

Significant unobservable inputs

	2016 Range	2015 Range
Weight	**10% – 25%**	10% – 28%

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

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

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

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

As at 31 December 2016 and 2015, the Group had 10% unlisted equity interest in Chongqing Juxin Rabbit Co., Ltd. ("Chongqing Kangda"). The aforesaid investment was accounted for an available-for-sale investment as the Group was only acted as a passive investor in Chongqing Kangda. In the opinion of the Directors, the fair value of the 10% unlisted equity interest in Chongqing Kangda was nil.

20. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred taxation is calculated in full on temporary differences under the liability method using the principal tax rate of 25% (2015: 25%).

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

	2016 **RMB'000**	2015 RMB'000
At 1 January	**(6,290)**	(6,863)
Deferred taxation charged to profit or loss (note 10)	**573**	573
At 31 December	**(5,717)**	(6,290)

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

	Fair value adjustment on property, plant and equipment and land use rights upon business combination RMB'000	**Deferred government grants** RMB'000	**Total** RMB'000
At 1 January 2015	(8,848)	1,985	(6,863)
Recognised in profit or loss	879	(306)	573
At 31 December 2015 and 1 January 2016	(7,969)	1,679	(6,290)
Recognised in profit or loss	879	(306)	573
At 31 December 2016	**(7,090)**	**1,373**	**(5,717)**

As at 31 December 2016, the Group's had unused tax losses of RMB81.9 million (2015: RMB56.7 million) available for offset against future profits. No deferred tax asset has been recognised in respect of these tax losses as it is not probable that future taxable profits will be available against which these tax losses can be utilised. Tax losses of RMB81.9 million (2015: RMB56.7 million) will expire at various dates up to and including 2021.

No deferred tax liabilities had been recorded on certain temporary differences of RMB29,755,000 (2015: RMB30,821,000) relating to the undistributed earnings of certain subsidiaries in the PRC of RMB297,550,000 (2015: RMB300,821,000) because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

21. INVENTORIES

	2016 RMB'000	2015 RMB'000
Raw materials	**58,084**	52,873
Finished goods	**67,712**	124,033
	125,796	176,906

22. TRADE AND BILLS RECEIVABLES

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

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

	2016 RMB'000	2015 RMB'000
Within 30 days	**67,985**	50,775
31 – 60 days	**15,286**	6,759
61 –90 days	**2,699**	3,232
91 – 120 days	**1,851**	1,525
Over 120 days	**4,692**	2,642
	92,513	64,933

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 36.

Impairment losses in respect of trade and bills 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 and bills receivables directly or the trade and bills receivables are written-off against the allowance account if impairment losses on that trade and bills receivables have been recorded in the allowance account previously. No allowance was made for the years ended 31 December 2016 and 2015.

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

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	**81,723**	57,852
Not more than 3 months past due	**6,265**	4,892
3 to 6 months past due	**706**	139
6 to 12 months past due	**3,819**	2,050
	92,513	64,933

22. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

Trade and bills 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 and bills receivables at the reporting date by geographic region is:

	2016 **RMB'000**	2015 RMB'000
PRC	**38,682**	29,215
Japan	**13,890**	1,198
Europe	**34,560**	8,151
Others	**5,381**	26,369
	92,513	64,933

23. PREPAYMENTS, OTHER RECEIVABLES AND DEPOSITS

	2016 **RMB'000**	2015 RMB'000
Prepayments	**31,468**	33,254
Other receivables and deposits#	**30,780**	38,712
Advance payment to an associate	**13,359**	10,701
Less: provision for impairment	**(3,828)**	–
	9,531	10,701
	71,779	82,667

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

The movement in the provision for other receivables is as follows:

	2016 **RMB'000**	2015 RMB'000
Balance at the beginning of the year	**–**	–
Impairment losses recognised	**3,828**	–
Balance at the end of the year	**3,828**	–

24. AMOUNT DUE FROM A FORMER SUBSIDIARY

	2016 RMB'000	2015 RMB'000
Amount due from a former subsidiary	**2,546**	2,546
Less: provision for impairment	**(1,860)**	–
	686	2,546

As at 31 December 2016 and 2015, the balance represented the amount due from Chongqing Kangda which is interest-free, unsecured and repayable on or before 31 December 2016. In view of the default in repayment, an impairment loss of RMB1,860,000 was recognised in the consolidated statement of comprehensive income. The carrying amount of the receivable that was not impaired was fully settled subsequent to year end date.

The movement in the provision for the amount due from a former subsidiary is as follows:

	2016 RMB'000	2015 RMB'000
Balance at the beginning of the year	**–**	–
Impairment losses recognised	**1,860**	–
Balance at the end of the year	**1,860**	–

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2016 RMB'000	2015 RMB'000
Short-term deposits	**139,345**	235,735
Cash and bank balances	**247,159**	219,648
	386,504	455,383
Deposits pledged for bills payables (note 26)	**(102,345)**	(185,735)
	284,159	269,648

The Group had cash and bank balances and pledged deposits denominated in RMB amounting to approximately RMB373,079,000 as at 31 December 2016 (2015: RMB441,651,000) which were deposited with banks in the PRC. RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

The bank balances earn interest at floating rates based on daily bank deposit rates. The short-term deposits are made for varying periods between one day to six months (2015: one day to six months) and earn interest ranged from 0.30% to 1.35% (2015: 0.35% to 1.35%) per annum as at 31 December 2016.

26. TRADE AND BILLS PAYABLES

Trade payables are non-interest bearing and are normally settled on terms of 60 days. Bills payables refer to payables due to third party supplies which were guaranteed by bank for settlement in accordance to banking facilities and are non-interest bearing, secured by the pledged deposits (note 25) and are normally settled on terms of 180 days.

	2016	2015
	RMB'000	RMB'000
Trade payables	**168,771**	156,436
Bills payables	**139,800**	191,400
	308,571	347,836

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

	2016	2015
	RMB'000	RMB'000
Within 60 days	**111,598**	167,550
61 – 90 days	**43,928**	84,145
91 – 120 days	**61,965**	35,073
Over 120 days	**91,080**	61,068
	308,571	347,836

27. ACCRUED LIABILITIES AND OTHER PAYABLES

	2016	2015
	RMB'000	RMB'000
Accrued liabilities	**43,763**	43,215
Other payables#	**48,809**	47,674
Payables for property, plant and equipment	**27,179**	13,375
	119,751	104,264

The balances mainly represent receipt in advance from customers.

28. INTEREST– BEARING BANK BORROWINGS

	2016 RMB'000	2015 RMB'000
Interest-bearing bank borrowings		
Classified as current liabilities	**529,000**	649,000
Classified as non-current liabilities	**30,000**	40,000

As at 31 December 2016, the Group's interest-bearing borrowings were repayable as follows:

	2016 RMB'000	2015 RMB'000
Portion of term loans from banks due for repayable within one year	**529,000**	649,000
Portion of term loans from banks repayable in the second year	**10,000**	10,000
Portion of term loans from banks repayable in the third to fifth years, inclusive	**20,000**	25,000
Portion of term loans from banks repayable beyond five years	**–**	5,000
	559,000	689,000

Total secured interest-bearing bank borrowings are approximately RMB345,000,000 (2015: RMB205,000,000) as at 31 December 2016.

As at 31 December 2016 and 2015, the Group's interest-bearing bank borrowings are guaranteed by certain related parties of the Group (note 38(a)(v)) and secured against pledge of certain of the Group's property, plant and equipment (note 14), land use rights (note 15) and certain properties of the related parties.

The Group's interest-bearing bank borrowings bear interests ranging from 4.57% to 6.88% (2015: 4.83% to 6.95%) per annum as at 31 December 2016.

As at 31 December 2016, certain covenants of a bank borrowing of RMB40 million were not met, which primarily related to a requirement to maintain certain financial covenants of a wholly-owned subsidiary of the Company. No waiver has been obtained by the Group from the bank on or before 31 December 2016. Subsequent to the end of the reporting period, the Group has renewed the said bank borrowing with the bank and the covenants, that had been breached, have been removed.

29. AMOUNT DUE (TO)/FROM A RELATED PARTY

The related party is a company in which Mr. Gao Sishi, Mr. Gao Yanxu, Mr. An Fengjun and Mr. Zhang Qi, Directors of the Company, have beneficial interest. Particulars of the amount due from a related party are disclosed as follows:

Name	Maximum amount outstanding during the year RMB'000	2016 RMB'000	2015 RMB'000
KD Trading Company	**114,077**	**(32,166)**	5,924

As at 31 December 2016, the amount due is mainly trade and financing in nature, unsecured, interest-free and repayable on demand.

As at 31 December 2015, the amount due was mainly trade in nature, unsecured, interest-free and repayable on demand.

30. DEFERRED GOVERNMENT GRANTS

	2016 RMB'000	2015 RMB'000
At the beginning of the year	**24,757**	17,494
Additions	**1,498**	9,900
Recognised as income during the year (note 7)	**(2,777)**	(2,637)
At the end of the year	**23,478**	24,757
Portion classified as current liabilities	**(2,777)**	(2,637)
Non-current portion	**20,701**	22,120

During the year, the Group received certain government subsidies with an aggregate amount of RMB1,498,000 (2015: RMB9,900,000). The additional grants were mainly received from Economic and Technological Development Zone Finance Bureau of Qingdao City（青島經濟技術開發區財政局）(2015: the Finance Bureau of Qingdao City（青島市財政局）) for the purpose of acquiring production facilities. Since the Group fulfilled the conditions attaching to the government grants, the Group recognised the government grants as deferred income over the expected useful lives of the relevant assets of 10 to 20 years.

31. SHARE CAPITAL

Ordinary shares of HK$0.25 each	Number of shares '000	Amount HK$'000
Authorised:		
At 31 December 2016 and 2015	**2,000,000**	**500,000**
Issued and fully paid:		
At 31 December 2016 and 2015	**432,948**	**108,237**

The issued and fully paid share capital is equivalent to approximately RMB112,176,000 as at 31 December 2016 and 2015. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company. All ordinary shares rank equally will regard to the Company's residual assets.

32. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Company

	Share premium RMB'000	Merger reserve RMB'000	Capital redemption reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2015	257,073	6,143	2,374	(59,091)	206,499
Loss for the year	–	–	–	(4,104)	(4,104)
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(4,104)	(4,104)
At 31 December 2015 and 1 January 2016	257,073	6,143	2,374	(63,195)	202,395
Loss for the year	–	–	–	(4,079)	(4,079)
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(4,079)	(4,079)
At 31 December 2016	257,073	6,143	2,374	(67,274)	198,316

Group and Company

(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.

32. RESERVES (CONTINUED)

(c) Other reserves (Continued)

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

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2016** **RMB'000**	2015 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	34	**84,144**	84,144
Total non-current assets		**84,144**	84,144
Current assets			
Prepayments, other receivables and deposits		**89**	89
Amounts due from subsidiaries		**226,254**	230,542
Cash and cash equivalents		**5**	46
Total current assets		**226,348**	230,677
Current liabilities			
Accrued liabilities and other payables		**–**	250
Net current assets		**226,348**	230,427
Total assets less current liabilities/Net assets		**310,492**	314,571
EQUITY			
Share capital	31	**112,176**	112,176
Reserves	32	**198,316**	202,395
Total equity		**310,492**	314,571

34. SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2016 and 2015 are as follows:

Name of subsidiaries	Place of incorporation/ registration and principal place of business	Nominal value of share/paid-up capital 2016	2015	Percentage of equity attributable to the Company 2016	2015	Principal activities
Directly held:						
美好集團有限公司 Perfect Good Group Ltd.	British Virgin Islands ("BVI"), limited liability company	**US$10,000**	US$10,000	**100**	100	Investment holding
Indirectly held:						
神域集團有限公司 Spiritzone Group Ltd.	BVI, limited liability company	**US$100**	US$100	**100**	100	Investment holding
青島康大食品有限公司 Kangda Foods	PRC, limited liability company	**US$20,000,000**	US$20,000,000	**100**	100	Production of food products
青島康大海青食品有限公司 Qingdao Kangda Haiqing Foods Co., Ltd.	PRC, limited liability company	**US$800,000**	US$800,000	**100**	100	Production of food products
青島康大綠寶食品有限公司 Qingdao Kangda Lubao Foods Co., Ltd.	PRC, limited liability company	**US$5,000,000**	US$5,000,000	**100**	100	Trading of food products
青島莫爾利食品有限公司 Qingdao Murle Foods Co., Ltd.	PRC, limited liability company	**US$11,000,000**	US$11,000,000	**100**	100	Inactive
青島康大養殖有限公司 Qingdao Kangda Animal Rearing Co., Ltd.	PRC, limited liability company	**RMB3,000,000**	RMB3,000,000	**100**	100	Breeding and sales of livestock and poultry
青島康大兔業發展有限公司 Qingdao Kangda Rabbit Co., Ltd.	PRC, limited liability company	**RMB5,000,000**	RMB5,000,000	**100**	100	Breeding and sales of rabbits
吉林康大食品有限公司 Jilin Kangda Foods Co., Ltd.	PRC, limited liability company	**RMB30,000,000**	RMB30,000,000	**100**	100	Production of food products
青島康大歐洲兔業育種有限公司 Qingdao Kangda-Eurolap Rabbit Selection Co., Ltd.	PRC, limited liability company	**RMB13,980,000**	RMB13,980,000	**70**	70	Breeding and sales of rabbits
青島康大現代農業科技發展有限公司 Modern Agricultural	PRC, limited liability company	**RMB10,000,000**	RMB10,000,000	**100**	100	Planting and selling of vegetables
青島百順食品有限公司 Qingdao Baishun Food Company Limited	PRC, limited liability company	**RMB1,000,000**	RMB1,000,000	**100**	100	Inactive
青島康大分析檢測有限公司 Qingdao Kangda Analysis and Testing Co., Ltd.	PRC, limited liability company	**RMB1,000,000**	RMB1,000,000	**100**	100	Testing and checking on the livestock
青島普德食品有限公司 Pu De	PRC, limited liability company	**US$4,000,000**	US$4,000,000	**55**	55	Inactive

34. SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation/ registration and principal place of business	Nominal value of share/paid-up capital 2016	2015	Percentage of equity attributable to the Company 2016	2015	Principal activities
吉林康安兔業有限公司 Jilin Kang'an Rabbit Co. Ltd.	PRC, limited liability company	**RMB1,000,000**	RMB1,000,000	**100**	100	Breeding and sales of rabbits
山東凱加食品有限公司 Kaijia Food	PRC, limited liability company	**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, limited liability company	**RMB4,667,000**	RMB4,667,000	**70**	70	Trading of food products
高密凱加養殖有限公司 Gaomi Kaijia Rearing Co., Ltd.	PRC, limited liability company	**RMB39,253,051**	RMB39,253,051	**100**	100	Breeding and sales of livestock and poultry
吉林康大擔保有限公司 Jilin Kangda Guarantee Co., Ltd	PRC, limited liability company	**RMB20,000,000**	RMB20,000,000	**90**	90	Inactive
青島康萊爾皮草有限公司 Qingdao Klair Fur Co., Ltd.	PRC, limited liability company	**-**	RMB1,000,000	**-**	100	Inactive
吉林康都飼料有限公司 Jilin Kangdu Feeds Co., Ltd.	PRC, limited liability company	**RMB2,000,000**	RMB2,000,000	**100**	100	Feed processing
萊蕪康大飼料有限公司 Laiwu Kangda Feeds Co., Ltd.	PRC, limited liability company	**RMB3,000,000**	RMB3,000,000	**100**	100	Sales of feed products
吉林康美兔業有限公司 Jilin Kangmei Rabbit Co., Ltd.	PRC, limited liability company	**RMB8,500,000**	RMB8,500,000	**51**	51	Breeding and sales of rabbits

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

34. SUBSIDIARIES (CONTINUED)

Non-controlling interests

Kaijia Trading, a 70% owned subsidiary of the Company, has material non-controlling interests of 30% which is material to the Group. The non-controlling interests of all other subsidiaries that are not 100% owned by the Group are considered to be immaterial.

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

	2016	2015
	RMB'000	RMB'000
For the year ended 31 December		
Revenue	**13,875**	23,142
Profit for the year	**5,612**	4,789
Total comprehensive income for the year	**5,612**	4,789
Profit allocated to non-controlling interests	**1,684**	1,437
For the year ended 31 December		
Cash flows generated from/(used in) operating activities	**283**	(1,302)
Cash flows used in investing activities	**(476)**	(1,631)
Net cash outflow	**(193)**	(2,933)
As at 31 December		
Current assets	**39,944**	31,223
Non-current assets	**29,201**	32,601
Current liabilities	**(25,886)**	(26,177)
Net assets	**43,259**	37,647
Accumulated non-controlling interests	**12,978**	11,294

35. COMMITMENTS

(a) Operating lease commitments

Except for the prepaid premium for land leases (note 15), the Group leases certain of its land and buildings and office premises under operating lease arrangements. Leases for land and buildings and office premises are for terms ranging from 10 to 30 years.

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

As lessee

	2016 **RMB'000**	2015 RMB'000
Within one year	**8,078**	9,558
In the second to fifth years	**41,689**	44,961
After the fifth year	**31,603**	35,627
	81,370	90,146

(b) Capital commitments

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

	2016 **RMB'000**	2015 RMB'000
Contracted but not provided for in respect of:		
Purchase of property, plant, equipment	**5,476**	21,353

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

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

36. 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 consolidated statement of financial position and the headings in which they are included are as follows:

	2016 RMB'000	2015 RMB'000
Financial assets		
Loans and receivables		
– Trade and bills receivables	**92,513**	64,933
– Other receivables and deposits	**40,311**	49,413
– Amount due from a related party	**–**	5,924
– Amount due from a former subsidiary	**686**	2,546
– Cash and bank balances (including pledged deposits)	**386,504**	455,383
	520,014	578,199
Financial liabilities		
At amortised cost		
– Trade and bills payables	**308,571**	347,836
– Accrued liabilities and other payables	**119,751**	104,264
– Interest-bearing bank borrowings	**559,000**	689,000
– Amount due to a related party	**32,166**	–
	1,019,488	1,141,100

(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.

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

(b) Interest rate risk (Continued)

(i) Interest rate profile

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

	Weighted average effective interest rate		Carrying amount	
	2016	2015	**2016**	2015
	%	%	**RMB'000**	RMB'000
Variable rate instruments				
Financial assets				
Bank balances	**0.29%**	0.37%	**247,159**	219,648
Financial liabilities				
Interest-bearing bank borrowings	**5.47%**	5.90%	**175,000**	220,000
Fixed rate instruments				
Financial assets				
Time deposits	**1.29%**	1.35%	**139,345**	235,735
Financial liabilities				
Interest-bearing bank borrowings	**5.11%**	5.70%	**384,000**	469,000

(ii) Interest rate sensitivity analysis

The following tables illustrate the sensitivity of the profit/(loss) for the year and equity to a reasonably possible change in interest rates of +0.5% and –0.5% (2015: +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, which are subject to variable rate, 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.

	2016 RMB'000		2015 RMB'000	
	+0.5%	**–0.5%**	+0.5%	–0.5%
Effect on profit/(loss) for the year and retained profits	**361**	**(361)**	(2)	2

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

(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 financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

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

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

(d) Foreign currency risk

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

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

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

(d) Foreign currency risk (Continued)

(i) Foreign currency risk exposure

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

	2016				
	USD RMB'000	**EURO RMB'000**	**JPY RMB'000**	**SGD RMB'000**	**HK$ RMB'000**
Financial assets					
Trade receivables	**44,527**	**7,470**	**5,227**	**–**	**–**
Cash and bank balances	**7,013**	**4,184**	**2,119**	**5**	**104**
	51,540	**11,654**	**7,346**	**5**	**104**
Financial liabilities					
Trade payables	**4,150**	**–**	**–**	**–**	**–**

	2015				
	USD RMB'000	EURO RMB'000	JPY RMB'000	SGD RMB'000	HK$ RMB'000
Financial assets					
Trade receivables	26,369	8,151	1,198	–	–
Cash and bank balances	10,010	3,614	–	5	104
	36,379	11,765	1,198	5	104
Financial liabilities					
Trade payables	17,030	–	–	–	–

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

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

(d) Foreign currency risk (Continued)

(ii) Foreign currency sensitivity analysis

The following table indicates the approximate change in the Group's profit/(loss) for the year and equity in response to a 5% appreciation in the respective foreign currencies against 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.

			2016		
	USD RMB'000	**EURO RMB'000**	**JPY RMB'000**	**SGD RMB'000**	**HK$ RMB'000**
Effect on profit for the year and retained profits	**2,369**	**583**	**367**	**–**	**5**

			2015		
	USD RMB'000	EURO RMB'000	JPY RMB'000	SGD RMB'000	HK$ RMB'000
Effect on loss for the year and retained profits	967	588	60	–	5

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) Business risk

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

(i) Regulatory and environmental risks

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

(ii) Supply and demand risk

The Group is exposed to financial risks arising from changes in prices of livestock and livestock environmental policies and procedures aimed at compliance with local environmental of which are determined by constantly changing market forces of supply and demand, and other factors. When possible, the Group manages these risks by aligning its production volume to market supply and demand and the Group also manages its exposure to fluctuation in the price of the key raw materials used in operations by maintaining a large number of suppliers so as to limit high concentration in a particular supplier.

(iii) Other risk

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

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

(f) 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 are exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management.

As disclosed in note 3(b) to the financial statements, the Group's current liabilities has exceeded its current assets by RMB268 million as at 31 December 2016. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its obligations as they fall due, and on its ability to obtain external financing. Further details are set out in note 3(b) to the financial statements. Subsequent to the end of the reporting period, the Group successfully renewed bank borrowings of RMB190 million upon maturity of these bank borrowings. In addition, subsequent to the end of the reporting period, the Group also obtained written confirmation from several Group's major bankers, which confirmed to renew certain bank borrowings, in aggregate of up to RMB275 million, to the Group for another year upon the maturity of the bank borrowings. The Directors of the Company have also carried out a detailed review of the cash flow projection of the Group for the next 12 months from the reporting date. The Directors are of the opinion that the assumptions which are included in the cash flow projection are reasonable. Based on above, the Directors have determined that adequate liquidity exists to finance its working capital and financing activities of the Group for that period.

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

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

	2016	2015
	RMB'000	RMB'000
Repayable within one year	**529,000**	649,000
Repayable in the second year	**10,000**	10,000
Repayable in the third to fifth years, inclusive	**20,000**	25,000
Repayable beyond five years	**–**	5,000
	559,000	689,000

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

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

(f) Liquidity risk (Continued)

As at 31 December 2016 and 2015, 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:

	2016			2015		
	Within 6 months or on demand RMB'000	6 to 12 months RMB'000	After 1 year RMB'000	Within 6 months or on demand RMB'000	6 to 12 months RMB'000	After 1 year RMB'000
Non-derivative financial assets:						
Trade and bills receivables	92,513	–	–	64,933	–	–
Other receivables and deposits	40,311	–	–	49,413	–	–
Amount due from a related party	–	–	–	5,924	–	–
Amount due from a former subsidiary	686	–	–	–	2,546	–
Cash and bank balances (including pledged deposits)	386,504	–	–	455,383	–	–
	520,014	–	–	575,653	2,546	–
Non-derivative financial liabilities:						
Trade and bills payables	308,571	–	–	347,836	–	–
Accrued liabilities and other payables	119,751	–	–	104,264	–	–
Amount due to a related party	32,166	–	–	–	–	–
Interest-bearing bank borrowings	308,662	233,608	33,410	365,968	301,961	65,475
	769,150	233,608	33,410	818,068	301,961	65,475

(g) Fair value

The Group's financial assets and liabilities carried at amortised costs are not materially different from their fair values as at 31 December 2016 and 2015.

37. CAPITAL MANAGEMENT

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

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

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

	2016 **RMB'000**	2015 RMB'000
Interest-bearing bank borrowings	**559,000**	689,000
Amount due to a related party	**32,166**	–
Total debts	**591,166**	689,000
Equity attributable to the Company's owners	**650,433**	644,138
Total debts to equity ratio	**91%**	107%

Subsidiaries of the Group established in the PRC are required to contribute and maintain a non-distributable statutory reserve fund whose utilisation is subject to certain restrictions as set out in the relevant regulations in the PRC. Certain of the Group's bank borrowings are subject to the fulfillment of covenants relating to certain of its subsidiaries' financial ratios. The Group regularly monitors its compliance with these covenants. These externally imposed capital requirements have been complied with by the Group for the years ended 31 December 2016 and 2015 except as disclosed in note 28 to the financial statements.

38. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Notes	**2016** **RMB'000**	2015 RMB'000
Sales to related parties	(i)	**2,436**	5,812
Purchases from related parties	(ii)	**519**	501
Rental expenses paid to a related party	(iii)	**539**	644
Interest income from a related party	(iv)	**4,913**	–
Guarantees given by the related parties in connection with bank loans granted to the Group	(v)	**330,000**	190,000
Sales to an associate	(vi)	**1,703**	1,876
Purchases from an associate	(vi)	**7,846**	10,621
Consideration paid to acquire property, plant and equipment	(vii)	**5,664**	–

(b) Key management personnel compensation

	2016	2015
Short term employee benefits of Directors and other members of key management	**1,333**	1,574

Notes:

(i) Sales to related parties were made to related parties of which Mr. Gao Sishi, Mr. Gao Yanxu, Mr. An Fengjun and Mr. Zhang Qi have beneficial interest. These sales were made in the ordinary course of business with reference to the terms negotiated between the Group and these related parties.

(ii) Purchases from related parties were mainly construction materials from related parties of which Mr. Gao Sishi, Mr. Gao Yanxu, Mr. An Fengjun and Mr. Zhang Qi have beneficial interest. These purchases were made in the ordinary course of business with reference to the terms negotiated between the Group and these related parties.

(iii) Rental expenses paid to a related party, of which Mr. Gao Sishi, Mr. Gao Yanxu, Mr. An Fengjun and Mr. Zhang Qi were shareholders and/or directors, were made according to the terms of the lease agreements.

(iv) Interest income from a related party, of which Mr. Gao Sishi, Mr. Gao Yanxu, Mr. An Fengjun and Mr. Zhang Qi, directors of the Company, have beneficial interest, was made according to 5.53% per annum of the outstanding balance from this related party during the year.

(v) The Group's bank borrowings (note 28) were guaranteed by the related parties, of which Mr. Gao Sishi, Mr. An Fengjun, Mr. Gao Yanxu and Mr. Zhang Qi were also shareholders and directors of the Company.

(vi) Sales to and purchase from an associate were made in the ordinary course of business with reference to the terms negotiated between the Group and the associate.

(vii) The Group disposed certain property, plant and equipment with a carrying amount of RMB4,720,000 to a related party of which Mr. Gao Sishi, Mr. An Fengjun, Mr. Gao Yanxu and Mr. Zhang Qi were also shareholders and/or directors at a consideration of RMB5,664,000 (note 14).

39. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the directors on 28 March 2017.

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 Kennedy Room, 7/F, Conrad Hong Kong, Pacific Place, 88 Queensway, Admiralty, Hong Kong on Monday, 19 June 2017 at 9:30 a.m.. Any Shareholder or depositor or proxy who wishes to take part in the AGM from Singapore, may attend via video conference which shall be held at Bondi Room, 38 Beach Road, #29-11, South Beach Tower, Singapore 189767. The persons attending the said video conference will be able to pose questions to the management and to comment on matters to be transacted at the AGM. Please be punctual to avoid disrupting the AGM which will commence at 9:30 a.m. sharp on Monday, 19 June 2017 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 2016 together with the Auditor's Report thereon.

(Resolution 1)

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

Gao Sishi	(Retiring under Bye-law 86(1))	**(Resolution 2)**
Gao Yanxu	(Retiring under Bye-law 86(1))	**(Resolution 3)**
An Fengjun	(Retiring under Bye-law 86(1))	**(Resolution 4)**

3. To approve the payment of Directors' fees of RMB360,000 for the year ended 31 December 2016 (2015: RMB360,000).

(Resolution 5)

4. To re-appoint BDO Limited, Certified Public Accountants, Hong Kong ("BDO") as auditor of the Company to satisfy the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited and to authorise the Directors to fix their remuneration.

(Resolution 6)

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

AS SPECIAL BUSINESS

6. To consider and, if thought fit, pass the following resolution as an Ordinary Resolution with or without modifications.

"THAT:

(a) subject to paragraph (c) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company ("Shares") and to make or grant offers, agreements and options (including warrants, bonds, notes, debentures and other securities which carry rights to subscribe for or are convertible into Shares) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of this Resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, notes, debentures and other securities which carry rights to subscribe for or are convertible into Shares) which would or might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to

(i) a Rights Issue (as hereinafter defined); or

(ii) the exercise of any rights of subscription or conversion under the terms of any existing warrants, options, bonds, notes, debentures any securities of the Company which carry rights to subscribe for or are convertible into shares of the Company; or

(iii) an issue of Shares upon the exercise of subscription rights under any option scheme or similar arrangement for the time being adopted for the grant or issue to the grantees as specified in such scheme or similar arrangement of Shares or rights to acquire the Shares; or

(iv) an issue of Shares pursuant to any scrip dividends or similar arrangement providing for allotment of Shares in lieu of the whole or part of the dividend on Shares in accordance with the Bye-laws of the Company from time to time,

shall not exceed 20% of the issued share capital of the Company as at the date of passing this Resolution, and the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company; or

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or the Companies Act 1987 of Bermuda or any other applicable law of Bermuda to be held; or

(iii) the date on which the authority given under this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means an offer of Shares or issue of option, warrants or other securities giving the right to subscribe for Shares, open for acceptance for a period fixed by the Directors of the Company to the holders of Shares, or any class of Shares, whose names appear on the register of members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their holdings of such Shares (or, where appropriate, such other securities) as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory or otherwise howsoever applicable to the Company)."

See Explanatory Notes (i)

(Resolution 7)

7. To consider and, if thought fit, pass the following resolution as an Ordinary Resolution with or without modifications.

"THAT:

(a) subject to paragraph (b) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to buy back shares in the capital of the Company (the "Shares") on The Stock Exchange of Hong Kong Limited (the "HKSE") or on any other exchange on which the Shares may be listed and recognized by the Securities and Futures Commission and the HKSE for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on the HKSE or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(b) the Shares which the Company is authorized to buy back pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall not exceed 10% of the share capital of the Company in issue at the date of passing this Resolution, and the said approval shall be limited accordingly; and

(c) for the purpose of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company; or

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or the Companies Act 1981 of Bermuda or any other applicable law of Bermuda to be held; or

(iii) the date on which the authority given under this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting."

See Explanatory Notes (ii)

(Resolution 8)

8. To consider and, if thought fit, pass the following resolution as an Ordinary Resolution with or without modifications.

"THAT subject to the passing of Ordinary Resolutions Nos. 7 and 8 set out in the notice convening this meeting, the general mandate granted to the Directors of the Company to exercise the powers of the Company to allot, issue and deal with additional shares in the capital of the Company ("**Shares**") pursuant to Ordinary Resolution No. 7 set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of Shares bought back by the Company under the authority granted pursuant to Ordinary Resolution No. 8 set out in the notice convening this meeting, provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company at the date of passing this Resolution."

See Explanatory Notes (iii)

(Resolution 9)

By Order of the Board

Fong William
Company Secretary

28 April 2017

Explanatory Notes to Resolutions to be passed –

(i) With respect to Resolution 7, approval is being sought from shareholders for a general mandate to issue shares to be given to the Directors.

(ii) With respect to Resolution 8, approval is being sought from shareholders for a general mandate to buy back shares to be given to the Directors.

(iii) With respect to Resolution 9, approval is being sought from shareholders for an extension of the general mandate to be granted to the Directors pursuant of Resolution 7 to allot shares by adding to it the number of shares bought back by the Company under the authority granted to the Directors pursuant to Resolution 8.

NOTES

1. A member entitled to attend and vote at the meeting who is a holder of two or more shares may appoint not more than two proxies to attend and vote on his/her behalf and where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (for Hong Kong Shareholders), or the Company's Singapore Share Transfer Agent, B.A.C.S. Private Limited, at 8 Robinson Road #03-00, ASO Building, Singapore 048544 (for Singapore Shareholders), not less than forty-eight (48) hours before the time appointed for the meeting.

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

4. A Depositor whose name appears in the Depository Register 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 8 Robinson Road #03-00, ASO Building, Singapore 048544 not later than 48 hours before the time appointed for the meeting.

PERSONAL DATA PRIVACY

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