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中國康大食品有限公司

**CHINA KANGDA FOOD COMPANY LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Hong Kong Stock Code: 834)

(Singapore Stock Code: P74)

**ANNOUNCEMENT OF FINAL RESULTS**
**FOR THE YEAR ENDED 31 DECEMBER 2012**

The board of directors (the "Board") of China Kangda Food Company Limited (the "Company") is pleased to announce its consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2012 together with the comparative figures for the previous year as follows:

## Consolidated Statement of Comprehensive Income
*for the year ended 31 December 2012*

| | *Notes* | **2012** **RMB'000** **(Unaudited)** | 2011 *RMB'000* (Audited) |
|---|---|---|---|
| **Revenue** | *5* | **1,489,838** | 1,353,397 |
| Cost of sales | | **(1,378,830)** | (1,233,945) |
| **Gross profit** | | **111,008** | 119,452 |
| Other income | *5* | **31,229** | 31,543 |
| Selling and distribution costs | | **(39,454)** | (36,195) |
| Administrative expenses | | **(70,128)** | (69,073) |
| Other operating expenses | | **(1,149)** | (871) |
| **Profit from operations** | *6* | **31,506** | 44,856 |
| Finance costs | *7* | **(29,730)** | (33,097) |
| Share of loss of associates | | **(293)** | (443) |

| | Notes | 2012 RMB'000 (Unaudited) | 2011 RMB'000 (Audited) |
|---|---|---|---|
| **Profit before taxation** | | **1,483** | 11,316 |
| Income tax expense | *8* | **(879)** | (2,568) |
| **Profit for the year** | | **604** | 8,748 |
| Other comprehensive income | | **-** | - |
| **Total comprehensive income for the year** | | **604** | 8,748 |
| **Profit for the year attributable to:** | | | |
| Owners of the Company | | **4,917** | 12,240 |
| Non-controlling interests | | **(4,313)** | (3,492) |
| | | **604** | 8,748 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | **4,917** | 12,240 |
| Non-controlling interests | | **(4,313)** | (3,492) |
| | | **604** | 8,748 |
| **Earnings per share for profit attributable to the owners of the Company during the year** | *10* | | |
| **Basic** *(RMB cents)* | | **1.14** | 2.83 |
| **Diluted** *(RMB cents)* | | **1.14** | 2.83 |

**Consolidated Statement of Financial Position**
*as at 31 December 2012*

| | Notes | **2012** **RMB'000** **(Unaudited)** | 2011 RMB'000 (Audited) |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **618,233** | 595,347 |
| Prepaid premium for land leases | | **123,298** | 125,849 |
| Intangible assets | | **1,990** | 3,171 |
| Interest in associates | | **3,166** | 3,459 |
| Goodwill | | **59,428** | 59,428 |
| Biological assets | | **39,727** | 32,935 |
| Deferred tax assets | | **13,470** | 14,549 |
| | | **859,312** | 834,738 |
| **Current assets** | | | |
| Biological assets | | **29,538** | 31,384 |
| Inventories | | **153,169** | 191,552 |
| Trade receivables | *11* | **88,121** | 102,592 |
| Prepayments, other receivables and deposits | | **57,348** | 53,849 |
| Pledged deposits | | **51,403** | 4,171 |
| Cash and cash equivalents | | **370,699** | 310,934 |
| | | **750,278** | 694,482 |
| **Current liabilities** | | | |
| Trade and bills payables | *12* | **175,707** | 135,223 |
| Accrued liabilities and other payables | | **83,581** | 86,408 |
| Interest-bearing bank borrowings | | **589,000** | 500,430 |
| Amount due to a related party | | **38,891** | 86,527 |
| Deferred government grants | | **1,537** | 891 |
| Tax payables | | **821** | 1,869 |
| | | **889,537** | 811,348 |
| Net current liabilities | | **(139,259)** | (116,866) |
| **Total assets less current liabilities** | | **720,053** | 717,872 |

| | 2012 | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| **Non-current liabilities** | | |
| Deferred government grants | **14,601** | 13,024 |
| Total non-current liabilities | **14,601** | 13,024 |
| **Net assets** | **705,452** | 704,848 |
| **EQUITY** | | |
| **Equity attributable to Company's owners** | | |
| - Share capital | **112,176** | 112,176 |
| - Reserves | **557,946** | 553,029 |
| | **670,122** | 665,205 |
| **Non-controlling interests** | **35,330** | 39,643 |
| **Total equity** | **705,452** | 704,848 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
# for the year ended 31 December 2012

## 1. CORPORATE INFORMATION

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 HM 12, Bermuda. The principal place of business of the Company is located at No. 1, Hainan Road, Economic and Technology Development Zone, Jiaonan City, Qingdao, the People's Republic of China. The Company's shares have been listed on the Mainboard of the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the Mainboard of the Stock Exchange of Hong Kong Limited (the "HKEx") since 9 October 2006 and 22 December 2008 respectively.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries (together with the Company referred as the "Group") are production and trading of food products, breeding and sale of livestock, poultry and rabbits.

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

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

### (a) Adoption of amendments to IFRSs – first effective on 1 January 2012

In the current year, the Group has applied for the first time the following amendment to 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 2012:

| | |
|---|---|
| Amendments to IFRS 7 | Disclosures – Transfer of Financial Assets |

The adoption of this amendment has no material impact on the Group's financial statements.

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

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

| | |
|---|---|
| IFRSs (Amendments) | Annual Improvements 2009-2011 Cycle[2] |
| Amendments to IAS 1 (Revised) | Presentation of Items of Other Comprehensive Income[1] |
| Amendments to IAS 32 | Offsetting Financial Assets and Financial Liabilities[3] |
| Amendments to IFRS 7 | Offsetting Financial Assets and Financial Liabilities[2] |
| IFRS 9 | Financial Instruments [4] |
| IFRS 10 | Consolidated Financial Statements[2] |
| IFRS 12 | Disclosure of Interests in Other Entities [2] |
| IFRS 13 | Fair Value Measurement[2] |
| IAS 27 (2011) | Separate Financial Statements[2] |

IAS 28 (2011) Investments in Associates and Joint Ventures[2]

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

*IFRSs (Amendments) - Annual Improvements 2009-2011 Cycle*

The improvements made amendments to five standards.

*(i) Issue – borrowing costs*

The improvement clarifies that a first-time adopter is allowed to carry forward the amount previously capitalised under its previous GAAP in the opening statement of financial position at the date of transition. Borrowing costs incurred on or after the date of transition relating to qualifying assets are accounted for in accordance with IAS 23, even if the construction of qualifying asset commences before the transition date.

*(ii) IAS 1 Presentation of Financial Statements*

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by IAS 1.41-44 and IAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with IFRS. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

*(iii) IAS 16 Property, Plant and Equipment*

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

*(iv) IAS 32 Financial Instruments: Presentation*

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

*(v) IAS 34 Interim Financial Reporting*

The amendments clarifies that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

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

The amendments to IAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future and those that may not. Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

*Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities*

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

*Amendments to IFRS 7 - Offsetting Financial Assets and Financial Liabilities*

IFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under IAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under IAS 32.

*IFRS 9 – Financial Instruments*

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

*IFRS 10 – Consolidated Financial Statements*

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

*IFRS 12 – Disclosures of Interests in Other Entities*

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

*IFRS 13 – Fair Value Measurement*

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

## 3. BASIS OF PREPARATION

### (a)Statement of compliance

The financial statements have been prepared in accordance with IFRSs which collective term includes all applicable individual International Financial Reporting Standards and Interpretations approved by the IASB, and all applicable individual International Accounting Standards and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB. The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Listing Manual of the Singapore Securities Exchange Trading Limited.

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

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

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

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

1. The Group's current liabilities exceeded its current assets by approximately RMB139.3 million as at 31 December 2012;

2. The Group's profit decreased from approximately RMB8.7 million for the year ended 31 December 2011 to approximately RMB0.6 million for the year ended 31 December 2012 ("FY2012"); and

3. There was a significant increase in the bank borrowings of the Group from approximately RMB500.4 million as at 31 December 2011 to approximately RMB589.0 million as at 31 December 2012, all of which are due for repayment within one year from 31 December 2012.

These conditions indicate the existence of a material uncertainty which may cast significant doubts on the Group's ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the financial statements were prepared based on the assumption that the Group can be operated as a going concern and the directors are of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from 31 December 2012, after taking into consideration of the following:

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

2. The Group is actively negotiating with the banks to seek for renewal of the outstanding bank borrowings. Subsequent to year end date, the Group had successfully renewed bank borrowings of RMB50 million upon maturity of these bank borrowings. In addition, subsequent to year end date, the Group obtained written confirmation from one of the Group's major bankers to confirm to renew certain bank borrowings, in aggregate of up to RMB170,000,000, to the Group for another year upon the maturity of the bank borrowings.

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

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

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

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

Should the Group unable to continue its business as a going concern, adjustments would have to be made in its 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 effects of these adjustments have not yet been reflected in the financial statements.

## 4. SEGMENT INFORMATION

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

| | 2012 | | | | |
|---|---|---|---|---|---|
| | **Processed foods** | **Chilled and frozen rabbit meat** | **Chilled and frozen chicken meat** | **Other products** | **Total** |
| | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** |
| | **(Unaudited)** | **(Unaudited)** | **(Unaudited)** | **(Unaudited)** | **(Unaudited)** |
| Revenue from external customers | **669,377** | **274,305** | **361,495** | **184,661** | **1,489,838** |
| Reportable segment revenue | **669,377** | **274,305** | **361,495** | **184,661** | **1,489,838** |
| Reportable segment profit/(loss) | **51,759** | **17,243** | **(129)** | **2,681** | **71,554** |
| Depreciation of property, plant and equipment | **20,753** | **8,504** | **11,207** | **5,725** | **46,189** |
| Amortisation of prepaid premium land leases | **1,448** | **593** | **782** | **399** | **3,222** |
| Amortisation of intangible assets | **343** | **838** | **-** | **-** | **1,181** |

| | 2011 | | | | |
|---|---|---|---|---|---|
| | **Processed foods** | **Chilled and frozen rabbit meat** | **Chilled and frozen chicken meat** | **Other products** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | (Audited) | (Audited) | (Audited) | (Audited) | (Audited) |
| Revenue from external customers | 511,416 | 299,492 | 420,907 | 121,582 | 1,353,397 |
| Reportable segment revenue | 511,416 | 299,492 | 420,907 | 121,582 | 1,353,397 |
| Reportable segment profit | 45,580 | 32,948 | 2,953 | 1,776 | 83,257 |
| Depreciation of property, plant and equipment | 13,967 | 8,179 | 11,495 | 3,320 | 36,961 |
| Amortisation of prepaid premium land leases | 1,202 | 704 | 990 | 286 | 3,182 |
| Amortisation of intangible assets | 4,583 | 838 | - | - | 5,421 |

A reconciliation between the reportable segment profit and the Group's profit before taxation is set out below:

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Reportable segment profit | **71,554** | 83,257 |
| Other income | **31,229** | 31,543 |
| Administrative expenses | **(70,128)** | (69,073) |
| Other operating expenses | **(1,149)** | (871) |
| Finance costs | **(29,730)** | (33,097) |
| Share of loss of associates | **(293)** | (443) |
| Profit before taxation | **1,483** | 11,316 |

The following table set out information about the geographical locations 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.

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Local (Country of domicile) | | |
| PRC | **954,674** | 867,060 |
| Export (Foreign countries) | | |
| Japan | **309,292** | 271,350 |
| Europe | **122,224** | 145,575 |
| Others | **103,648** | 69,412 |
| | **1,489,838** | 1,353,397 |

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

## 5. REVENUE AND OTHER INCOME

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

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| **Revenue** | | |
| Sale of goods | **1,489,838** | 1,353,397 |

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| **Other income** | | |
| Interest income on financial assets stated at amortised cost | | |
| - Interest income on bank deposits | **3,064** | 3,093 |
| Amortisation of deferred income on government grants | **1,537** | 891 |
| Government grants related to income* | **12,082** | 19,850 |
| Gains arising from changes in fair value less estimated point-of-sale costs of biological assets, net | **8,609** | 5,223 |
| Others | **5,937** | 2,486 |
| | **31,229** | 31,543 |

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

## 6. PROFIT FROM OPERATIONS

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

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Cost of inventories recognised as an expense | **1,028,446** | 935,048 |
| Depreciation of property, plant and equipment* | **52,238** | 43,622 |
| Amortisation of prepaid premium for land leases** | **3,222** | 3,182 |
| Amortisation of an intangible assets*** | **1,181** | 5,421 |
| Minimum lease payments under operating leases for production facilities | **4,689** | 4,067 |
| Audit fee | **1,624** | 1,346 |
| Non-audit fee | **57** | 127 |
| Staff costs (including directors' remuneration) | **194,977** | 152,371 |
| Retirement scheme contribution | **9,674** | 8,492 |
| Total staff costs | **204,651** | 160,863 |
| Gain on disposal of property, plant and equipment | **(1,193)** | (213) |
| Exchange loss, net | **3,422** | 3,371 |

* *Depreciation of approximately RMB45,994,000 (2011: RMB36,853,000), approximately RMB195,000 (2011: RMB108,000) and approximately RMB6,049,000 (2011: RMB6,661,000) has been charged to cost of sales, selling and distribution costs and administrative expenses, respectively, for the year ended 31 December 2012.*

** *Amortisation of prepaid premium for land leases has been charged to cost of sales for the years ended 31 December 2011 and 2012.*

*** *Amortisation of intangible assets has been charged to cost of sales for the years ended 31 December 2011 and 2012.*

## 7. FINANCE COSTS

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Interest charges on: | | |
| Bank borrowings wholly repayable within five years | **32,378** | 33,097 |
| Less: Amount capitalised | **(2,648)** | - |
| | **29,730** | 33,097 |

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.04% (2011: Nil) to expenditure on qualifying assets.

## 8. INCOME TAX EXPENSE

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| PRC corporate income tax | | |
| Current year provision | **3,952** | 3,146 |
| Under-provision in prior years | **184** | - |
| | **4,136** | 3,146 |
| Hong Kong profits tax | | |
| Overprovision in prior years | **(4,336)** | - |
| Deferred tax charge/(credit) | **1,079** | (578) |
| Total income tax expense | **879** | 2,568 |

No Hong Kong profits tax has been provided for the year ended 31 December 2012 as the Group did not derive any assessable profit arising in Hong Kong during the year (2011: Nil).

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

Qingdao Kangda Foods Co., Ltd. ("Kangda Foods") is established and operating in the PRC and subject to PRC corporate income tax. According to the New PRC Corporate Income Tax Law, the profit arising from agricultural, poultry and primary food processing businesses of Kangda Foods are exempted from PRC corporate income tax. The taxable profits of Kangda Foods arising from profit from business other than agricultural, poultry and primary food processing are subject to corporate income tax at 25% for the year ended 31 December 2012 (2011: 25%).

Tax has not been provided by the Company as the Company did not derive any assessable profits during the year (2011: Nil).

## 9. DIVIDENDS

The board of directors did not recommend any payment of dividends during the year (2011: Nil).

## 10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately RMB4,917,000 (2011: RMB12,240,000) and on 432,948,000 (2011: 432,948,000) ordinary shares in issue during the year.

In relation to the years ended 31 December 2011 and 2012, no diluted earnings per share are presented as there was no potential ordinary share.

## 11. TRADE RECEIVABLES

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

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

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Within 30 days | **69,447** | 71,086 |
| 31 – 60 days | **12,683** | 17,025 |
| 61 – 90 days | **4,687** | 3,460 |
| 91 – 120 days | **258** | 1,062 |
| Over 120 days | **1,046** | 9,959 |
| | **88,121** | 102,592 |

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.

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly or the trade receivables are written-off against the allowance account if impairment losses on that trade receivables have been recorded in the allowance account previously. No allowance was made for the year ended 31 December 2011 and 2012.

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

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Neither past due nor impaired | **71,798** | 85,561 |
| Not more than 3 months past due | **15,278** | 7,662 |
| 3 to 6 months past due | **551** | 5,566 |
| 6 to 12 months past due | **494** | 3,803 |
| | **88,121** | 102,592 |

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

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

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

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| PRC | **47,956** | 59,730 |
| Japan | **14,581** | 13,219 |
| Europe | **24,694** | 29,329 |
| Others | **890** | 314 |
| | **88,121** | 102,592 |

## 12. TRADE AND BILLS PAYABLES

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

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Trade payables | **126,707** | 107,682 |
| Bills payables | **49,000** | 27,541 |
| | **175,707** | 135,223 |

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

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Within 60 days | **143,788** | 96,612 |
| 61 – 90 days | **9,595** | 20,297 |
| 91 – 120 days | **6,665** | 4,822 |
| Over 120 days | **15,659** | 13,492 |
| | **175,707** | 135,223 |

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

Due to the Eurozone debt crisis, the macro-economic growth across the globe has slowed down and consumption has shrinked. The global macro-environment has also affected the economic growth in PRC.

In 2012, the inflating cost of sales, appreciation of the RMB and the increasing competition in the Group's target markets have impacted and squeezed the Group's gross profit margin which declined from 8.8% to 7.5%. As a result, overall profitability was adversely affected and the total comprehensive profit attributable to owners of the Company decreased from RMB12.2 million to RMB4.9 million. Earnings per share for the year was RMB1.14 cents (2011: RMB2.83 cents).

Notwithstanding the above, the Group was still able to achieve an organic growth in revenue. With the stable expansion in its production capacity and focusing on its products quality, turnover for the Group surged by 10.1% to approximately RMB1,489.8 million in FY2012.

## SAFETY

The Group currently has its own production facilities in Jiaonan, Gaomi and Jilin. The Group's quality control centre has complied with both the PRC and international requirements and obtained the HACCP certification. Its quality management system has also achieved ISO9001 and ISO14001 certification. The Group views its ability to comply with PRC and international standards as its strength.

Given the fact that more and more problems about safety arise, food safety gradually becomes the most concerned issue for the public. Food safety has already become a basic and the most pertinent factor for the Group's development.

With the commitment to healthier, safer and quality meat products, the Group was firmly committed to food quality and safety and further 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. The Group has been continuously optimizing biological safety, hygienic and disease prevention system. Due to the strict compliance with epidemic prevention system and vaccination, there was no outbreak in the Group's breeding business.

By comprehensively implementing tracing system to monitor food safety and strictly controlling each procedure on the food supply chain, the Group ensures the consumers with the provision of safe food.

## PROSPECT

The Group will continue to optimize its sales channels in PRC by further enhancing its brand profile and launching diversified product mix. The Group will also continue to implement an extensive marketing strategy with emphasis on maintaining good relationships with customers and suppliers. Further, the Group will continue with its cost control measures, improve management tools and focus on widening its domestic and international customer base.

To mitigate the increasing prices of raw materials, the Group will increase its efforts in the research and development of new products. The Group will also look for opportunities that may bring steady long term growth and fit with its strategy, such as, continue to increase its existing production capacity and control its products quality to increase its market penetration.

Although the global economy being volatile and misty, the Board remains positive that the Group's financial position is stable and has sufficient cash resources to meet its present and future cash flow requirements. The Board believes that the above strategies and measures will bring the Group steady and sustainable long term growth.

## OPERATING AND FINANCIAL REVIEW

### REVENUE BY PRODUCTS

| | **FY2012** | FY2011 | % Change |
|---|---|---|---|
| | ***RMB'000*** | *RMB'000* | *+/(-)* |
| | **(Unaudited)** | (Audited) | |
| Processed foods | **669,377** | 511,416 | 30.9 |
| Chilled and frozen rabbit meat | **274,305** | 299,492 | (8.4) |
| Chilled and frozen chicken meat | **361,495** | 420,907 | (14.1) |
| Other products | **184,661** | 121,582 | 51.9 |
| **Total** | **1,489,838** | 1,353,397 | 10.1 |

**Processed Food Products**
Revenue derived from processed food products increased by 30.9% to approximately RMB669.4 million in FY2012.

Based on the Group's reputation and track record in the processed food products market, the Group's market share had increased further which was evident by its turnover and brand recognition by consumers as a result of more intensive advertising effort. In FY2012, the Group had successfully launched various new product ranges under its own brand, such as vegetables and roasted bowl.

**Chilled and Frozen Meat Products**
The rabbit and chicken meat segments contributed 42.7% and 53.2% to the Group's total revenue in FY2012 and FY2011 respectively. The revenue of the rabbit and chicken meat segments registered a 11.7% decrease to approximately RMB635.8 million in FY2012.

Given the uncertain economic situation in Europe, the Group faced a challenging business environment. Demand for rabbit meat declined generally. Revenue derived from the sale of rabbit meat decreased by 8.4% to approximately RMB274.3 million in FY2012.

Revenue of the chicken meat segment contributed 24.3% to the Group's total revenue and decreased by 14.1% to approximately RMB361.5 million in FY2012. The decrease was due mainly to the intense competition of frozen chicken meat products in PRC market.

**Other Products**
Revenue derived from the production and sale of other products increased by 51.9% to RMB184.7 million in FY2012 due mainly to the increased demand for the Group's pet food products from the PRC and Korea markets. Pet food sales contributed over 50% to this segment, with growth generated from the Beijing and Shanghai markets in the PRC and overseas markets in Japan and Korea.

**REVENUE BY GEOGRAPHICAL MARKETS**

| | **FY2012** | FY2011 | % Change |
|---|---|---|---|
| | ***RMB'000*** | *RMB'000* | *+/(-)* |
| | **(Unaudited)** | (Audited) | |
| Export | **535,164** | 486,337 | 10.0 |
| PRC | **954,674** | 867,060 | 10.1 |
| **Total** | **1,489,838** | 1,353,397 | 10.1 |

On a geographical basis, revenue from the export sales increased by 10.0% to approximately RMB535.2 million in FY2012. The increase in export sales was attributable mainly to the increase in demand for processed food products.

By continuously optimizing its sales channels and stepping up its brand promotion in PRC, the Group achieved a satisfactory result in the promotional and product development on its brand. PRC sales increased by 10.1% to approximately RMB954.7 million, reflecting that the Group's brand was well received in the PRC market.

**PROFITABILITY**

***Gross Profit and Margin***

| | **FY2012** | **FY2012** | FY2011 | FY2011 | Change | % Change |
|---|---|---|---|---|---|---|
| | ***RMB'000*** | ***Margin %*** | *RMB'000* | *Margin %* | *RMB'000* | *+/(-)* |
| | **(Unaudited)** | | (Audited) | | | |
| Processed foods | **69,486** | **10.4** | 59,257 | 11.6 | 10,229 | 17.3 |
| Rabbit meat | **24,507** | **8.9** | 40,958 | 13.7 | (16,451) | (40.2) |
| Chicken meat | **9,444** | **2.6** | 14,210 | 3.4 | (4,766) | (33.5) |
| Other products | **7,571** | **4.1** | 5,027 | 4.1 | 2,544 | 50.6 |
| **Total** | **111,008** | **7.5** | 119,452 | 8.8 | (8,444) | (7.1) |

Gross profit margin declined from 8.8% to 7.5% in FY2012 which was due mainly to the increase in raw materials prices, particularly the rise in corn price, increase in operational costs and the decreasing price of chicken meat products in the PRC market as a result of intense competition.

In FY2012, staff cost in the PRC had generally been rising at a growth rate of more than 10% in compliance with the revised requirements in minimum wages and social security regulations. The revision of the employees' salaries is also to ensure competitiveness and maintain their commitment and loyalty to the Group.

*Processed Food Products*
Processed food business was the major income source for the Group in FY2012. The processed food business segment continued its thriving and healthy development. The effect of the economy of scale resulting from the expansion of the Group's existing production capacity has increased the Group's gross profit by 17.3% to RMB69.5 million in FY2012.

*Chilled and Frozen Rabbit Meat*
The gross profit margin of chilled and frozen rabbit meat declined significantly from 13.7% to 8.9% in FY2012 due to the decrease in selling price resulting from the decrease of rabbit meat demand in Europe market.

*Chilled and Frozen Chicken Meat*
The decline in gross profit of chilled and frozen chicken meat segment was due mainly to the increase in raw material prices and the decreasing price of chicken meat products in the PRC market.

In addition, competition in the chicken meat market became more intense while industry peers offered steeper discounts to tap into the lower-price market. As a result of the oversupply of chicken meat products from smaller plants in the PRC, the bargaining power on discount for mass-purchase of raw materials had weakened.

With the average selling price of chicken meat decreased and coupled with the increased cost of raw materials, both gross profit and gross profit margin of the Group declined to RMB9.4 million and 2.6% respectively.

*Other Products*
Other products are mainly chicken and rabbit meat by-products and pet food products, which are not the core profit drivers of the Group. Due to the increase in demand of the chicken and rabbit meat by-products, gross profit margin remained stable as 4.1% in FY2012 and gross profit increased from RMB5.0 million to RMB7.6 million.

*Other Income*
Other income comprised mainly government grants, gain on change in fair value of biological assets and interest income from bank deposits amounting to RMB12.1 million, RMB8.6 million and RMB3.1 million respectively. The rest was mainly minor income generated from sale of raw materials, mainly vegetables and food ingredients, to factories in Qingdao. The decrease in other income was due to the decrease of government grants provided by the PRC government.

*Selling and Distribution Expenses*
Selling and distribution expenses comprised mainly transportation costs, promotion costs and salary and welfare. The increase in selling and distribution expenses by 9.0% to approximately RMB39.5 million was primarily due to the increase in transportation expenses related to the sales of the Group's products and marketing expenses in attempts to increase the Group's market share in the PRC.

*Administrative Expenses*
Administrative expenses comprised mainly staff costs, professional fees, travelling expenses and other miscellaneous expenses and increased slightly by 1.5% to approximately RMB70.1 million in FY2012.

*Other Operating Expenses*
Other operating expenses represented miscellaneous expenses relating to the disposal of damaged packaging materials, which had increased with the increase of sales during the year.

*Finance costs*
Finance costs decreased by 10.2% to approximately RMB29.7 million in FY2012 were due mainly to the capitalization of borrowing costs amounted to approximately RMB2.6 million (2011: Nil). The borrowing costs capitalized were calculated using applying a capitalisation rate of 7.04% to expenditure on qualifying assets.

*Taxation*
The income tax expense comprised both the accrued PRC corporate income tax and the charge of deferred tax liability arose from the fair value adjustment on property, plant and equipment, intangible assets and land use rights in the course of the business combination of Kaijia Food and its subsidiary, Shandong Kaijia International Trade Co., Ltd. ("Kaijia Trade") (collectively referred as the "Kaijia Group") in FY2012.

The income tax expense was offset by the Hong Kong profit tax refund from the Inland Revenue Department of Hong Kong in relation to an excess tax charged in prior years.

*Exchange loss, net*
Some of the Group's export sales transactions were originally invoiced in foreign currency, such as Japanese yen and US dollar, the appreciation of RMB against those currencies and the increase of sales in FY2012 had increased the exchange loss.

***Review of the Group's Financial Position as at 31 December 2012***

The Group's property, plant and equipment increased by 3.8% to approximately RMB618.2 million as at 31 December 2012 due mainly to an acquisition of equipment of approximately RMB78.2 million. This was offset by a depreciation charge of approximately RMB52.2 million.

The reduction in prepaid premium for land leases and intangible assets in FY2012 amounted to approximately RMB2.6 million and approximately RMB1.2 million respectively. This was due mainly to amortisation. The intangible assets refer to the export licenses and hygiene registration certificates awarded by the relevant authorities in Japan and EU. The said licenses and certificates allow the Group to export its products to these countries.

Goodwill arising from the acquisitions of subsidiaries in the past.

Biological assets refer to progeny rabbits and progeny chickens for sale and breeder rabbits and chickens for breeding purpose. These biological assets were valued by an independent professional valuer as at 31 December 2012 with reference to market-determined prices.

Inventories decreased by 20.0% to approximately RMB153.2 million due to the improvement of the Group's inventory management. The inventory turnover days for FY2012 were 43 days compared to 49 days for FY2011.

Trade receivables decreased by 14.1% to approximately RMB88.1 million as at 31 December 2012. The trade receivables turnover days decreased to 23 days in FY2012 compared with 26 days in FY2011 due to the stepping up of collection efforts.

Prepayments, other receivables and deposits increased slightly by approximately 6.5% to approximately RMB57.3 million as at 31 December 2012.

Cash and cash equivalents, including pledged deposits, increased by approximately RMB107.0 million to approximately RMB422.1 million was due mainly to the increase of bank borrowings acquired close to the year ended in 2012. Approximately RMB51.4 million of the bank deposit is for securing the interest-bearing borrowings by the Group.

Trade and bills payables increased by 29.9% to approximately RMB175.7 million as at 31 December 2012 due to the increase in purchase of raw materials to cater to the anticipated increase in demand in the first quarter of 2013.

Accrued liabilities and other payables received represented payables for construction and facilities, salary and welfare payables, accrued expenses and deposit received. The slight decrease by 3.3% was due to the repayment of deposits placed by customers.

The interest-bearing bank borrowings balance as at 31 December 2012 increased to approximately RMB589.0 million after taking into account the additional bank borrowings of approximately RMB784.0 million and the bank borrowings repayment of approximately RMB695.4 million during the year.

To provide for the Group's additional working capital, Qingdao Kangda Foreign Trade Group Limited ("KD Group") had advanced approximately RMB100.0 million in March 2011 to the Group which was unsecured and interest-free. Approximately RMB20.0 million had been repaid before 31 December 2011 and RMB80.0 million had been repaid to KD Group in January 2012. The outstanding balance of amount due to a related party was as a result of cash transfer.

Tax payables decreased from approximately RMB1.9 million as at 31 December 2011 to approximately RMB0.8 million as at 31 December 2012. This was due to income tax paid during 2012.

## CAPITAL STRUCTURE

During the year under review, the Group had net assets of approximately RMB705.5 million (31 December 2011: RMB704.8 million), comprising non-current assets of approximately RMB859.3 million (31 December 2011: RMB834.7 million), and current assets of approximately RMB750.3 million (31 December 2011: RMB694.5 million). The Group recorded a net current liability position of approximately RMB139.3 million (31 December 2011: RMB116.9 million) as at 31 December 2012, which primarily consist of cash and cash equivalents balances amounted to approximately RMB370.7 million (31 December 2011: RMB310.9 million). Moreover, inventories amounted to approximately RMB153.2 million (31 December 2011: RMB191.6 million) and trade receivables amounted to approximately RMB88.1 million (31 December 2011: RMB102.6 million) are also major current assets. Major current liabilities are trade and bills payables and interest-bearing bank borrowings amounted to approximately RMB175.7 million (31 December 2011: RMB135.2 million) and approximately RMB589.0 million (31 December 2011: RMB500.4 million) respectively.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, the Group has cash and cash equivalent of approximately RMB370.7 million (31 December 2011: RMB310.9 million) and had total interest-bearing bank borrowings of approximately RMB589.0 million (31 December 2011: RMB500.4 million). The Group's interest-bearing bank borrowings was debts with interest rate ranging from 6.00% to 7.87% (31 December 2011: 4.38% to 7.60%) per annum.

The gearing ratio for the Group was 87.9% (31 December 2011: 75.2%) as at 31 December 2012, based on net debt of approximately RMB589.0 million (31 December 2011: RMB500.4 million) and equity attributable to Company's owners of approximately RMB670.1 million (31 December 2011: RMB665.2 million). The Group would serve its debts primarily with cash flow generated from its operation, seeking renewal of the outstanding bank borrowings and new banking facilities and exploring the availability of alternative source of financing. The Board is confident that the Group has adequate financial resources to meet its future debt repayment and support its working capital requirement and future expansion.

## 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 | EURO | JPY | SGD | HK$ |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Financial assets | | | | | |
| Trade receivables | 29,337 | 8,087 | 1,812 | - | - |
| Cash and bank balances | 10,385 | 583 | - | 27 | 108 |
| | 39,722 | 8,670 | 1,812 | 27 | 108 |
| Financial liabilities | | | | | |
| Trade payables | 6,868 | - | 719 | - | - |

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

## CAPITAL COMMITMENTS

As at 31 December 2012, the capital commitment of the Group which had been contracted for but not provided in the financial statements was in the total amount of approximately RMB13.1 million (2011: RMB12.0 million).

## CHARGE ON ASSETS

Total secured interest-bearing bank borrowings are approximately RMB325,000,000 as at 31 December 2012 (2011: RMB205,000,000).

As at 31 December 2011 and 2012, the Group's interest-bearing bank borrowings are guaranteed by certain related parties of the Group and secured against pledge of certain of the Group's property, plant and equipment, land use rights, pledged deposits and trade receivables.

## CONTINGENT LIABILITIES

As at 31 December 2012, the Group did not have any material contingent liabilities (31 December 2011: Nil).

## EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2012, the Group employed a total of 5,529 employees (2011: 5,008 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 RMB204.7 million (2011: RMB160.9

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 under review.

## AUDIT COMMITTEE

The audit committee of the Company consists of the independent non-executive directors, namely Mr. He Dingding, Mr. Lau Choon Hoong and Mr. Yu Chung Leung and the non-executive director of the Company, Mr. Zhang Qi and Mr. Naoki Yamada. The audit committee has reviewed with management the accounting principles and standards adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the annual results for the year ended 31 December 2012.

## CODE ON CORPORATE GOVERNANCE PRACTICE

In the opinion of the Directors, the Company has adopted and complied with the code provisions of the Code on Corporate Governance Practice, as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2012.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of the directors of the Company, all the directors confirmed that they had complied with the required standards as set out in the Model Code for the year ended 31 December 2012.

## PUBLICATION OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012 ANNOUNCEMENT AND ANNUAL REPORT

This final results announcement is published on the websites of the Stock Exchange at www.hkex.com.hk and the Company at www.kangdafood.com. The Company's Annual Report 2012 will also be published on the aforesaid websites in due course.

## STATUTORY INFORMATION

An annual general meeting of the Company will be held on 30 April 2013. The register of members of the Company will be closed from 23 April 2013 to 30 April 2013, both days inclusive, during which no transfer of shares will be registered.

In order to qualify for attending the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:00 p.m. on 22 April 2013.

## SCOPE OF WORK OF THE AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2012 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements, and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

## APPRECIATION

On behalf of the Board, I would like to express my great gratitude and sincere appreciation to my colleagues and to our shareholders for their support and persistent concern. We will do all our best and we wish you all the best for the upcoming year.

On behalf of the Board
**China Kangda Food Company Limited**
**Gao Sishi**
*Chairman*

Hong Kong, 1 March 2013

As at the date of this announcement, the executive Directors of the Company are Mr. Gao Yanxu and Mr. Wang Baowang (the chief executive officer), the non-executive Directors are Mr. Gao Sishi (Chairman), Mr. Zhang Qi and Mr. Naoki Yamada, the independent non-executive Directors are Mr. He Dingding, Mr. Lau Choon Hoong and Mr. Yu Chung Leung.

*The following announcement is a reproduction of the announcement made by China Kangda Food Company Limited (the "Company") regarding the annual results of the Company and its subsidiaries for the year ended 31 December 2012 pursuant to the Listing Manual of the Singapore Exchange Securities Trading Limited. In compliance with Rule 13.09(2) of the Listing Rules (which requires a listed issuer to ensure that if securities of the listed issuer are also listed on other stock exchanges, the Stock Exchange of Hong Kong Limited is simultaneously informed of any information released to any of such other stock exchanges and that such information is released to the market in Hong Kong at the same time as it is released on the other markets), the following announcement is announced by the Company simultaneously in Hong Kong and in Singapore on 1 March 2013.*

# FULL YEAR FINANCIAL STATEMENT ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

## PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FULL YEAR RESULTS

**1(a) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

| | **FY2012** | FY2011 | % Change |
|---|---|---|---|
| | ***RMB'000*** | *RMB'000* | +/(-) |
| | **(Unaudited)** | (Audited) | |
| **Revenue** | **1,489,838** | 1,353,397 | 10.1 |
| Cost of sales | **(1,378,830)** | (1,233,945) | 11.7 |
| **Gross profit** | **111,008** | 119,452 | (7.1) |
| Other income | **31,229** | 31,543 | (1.0) |
| Selling and distribution costs | **(39,454)** | (36,195) | 9.0 |
| Administrative expenses | **(70,128)** | (69,073) | 1.5 |
| Other operating expenses | **(1,149)** | (871) | 31.9 |
| **Profit from operations** | **31,506** | 44,856 | (29.8) |
| Finance costs | **(29,730)** | (33,097) | (10.2) |
| Share of loss of associates | **(293)** | (443) | (33.9) |
| **Profit before taxation** | **1,483** | 11,316 | (86.9) |
| Income tax expense | **(879)** | (2,568) | (65.8) |

| | **FY2012** | FY2011 | % Change |
|---|---|---|---|
| | ***RMB'000*** | *RMB'000* | +/(-) |
| | **(Unaudited)** | (Audited) | |
| **Profit for the year** | **604** | 8,748 | (93.1) |
| Other comprehensive income | **-** | - | NA |
| **Total comprehensive income for the year** | **604** | 8,748 | (93.1) |
| **Profit for the year attributable to:** | | | |
| Owners of the Company | **4,917** | 12,240 | (59.8) |
| Non-controlling interests | **(4,313)** | (3,492) | (23.5) |
| | **604** | 8,748 | (93.1) |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | **4,917** | 12,240 | (59.8) |
| Non-controlling interests | **(4,313)** | (3,492) | (23.5) |
| | **604** | 8,748 | (93.1) |

| | **FY2012** | FY2011 | % Change |
|---|---|---|---|
| | ***RMB'000*** | *RMB'000* | +/(-) |
| | **(Unaudited)** | (Audited) | |
| The Group's profit before taxation is arrived at after charging/(crediting) : | | | |
| Depreciation of property, plant and equipment | **52,238** | 43,622 | 19.8 |
| Amortisation of intangible assets | **1,181** | 5,421 | (78.2) |
| Amortisation of prepaid premium for land leases | **3,222** | 3,182 | 1.3 |
| Government grants related to income | **(12,082)** | (19,850) | (39.1) |
| Gain on disposal of property, plant and equipment | **(1,193)** | (213) | 460.1 |
| Exchange loss, net | **3,422** | 3,371 | 1.5 |
| Interest expenses on interest-bearing bank borrowings | **29,730** | 33,097 | (10.2) |
| Interest income on bank deposits | **(3,064)** | (3,093) | (0.9) |

**1(b)(i)Statements of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) | **(Unaudited)** | (Audited) |
| **ASSETS AND LIABILITIES** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | **618,233** | 595,347 | **5** | 8 |
| Prepaid premium for land leases | **123,298** | 125,849 | **-** | - |
| Intangible assets | **1,990** | 3,171 | **-** | - |
| Investments in subsidiaries | **-** | - | **84,144** | 84,144 |
| Interest in associates | **3,166** | 3,459 | **-** | - |
| Goodwill | **59,428** | 59,428 | **-** | - |
| Biological assets | **39,727** | 32,935 | **-** | - |
| Deferred tax assets | **13,470** | 14,549 | **-** | - |
| | **859,312** | 834,738 | **84,149** | 84,152 |
| **Current assets** | | | | |
| Biological assets | **29,538** | 31,384 | **-** | - |
| Inventories | **153,169** | 191,552 | **-** | - |
| Trade receivables | **88,121** | 102,592 | **-** | - |
| Prepayments, other receivables and deposits | **57,348** | 53,849 | **95** | 95 |
| Amounts due from subsidiaries | **-** | - | **237,117** | 133,682 |
| Pledged deposits | **51,403** | 4,171 | **-** | - |
| Cash and cash equivalents | **370,699** | 310,934 | **5,419** | 113,521 |
| | **750,278** | 694,482 | **242,631** | 247,298 |
| **Current liabilities** | | | | |
| Trade and bills payables | **175,707** | 135,223 | **-** | - |
| Accrued liabilities and other payables | **83,581** | 86,408 | **468** | 586 |
| Interest-bearing bank borrowings | **589,000** | 500,430 | **-** | - |
| Amount due to a related party | **38,891** | 86,527 | **-** | - |
| Deferred government grants | **1,537** | 891 | **-** | - |
| Tax payables | **821** | 1,869 | **-** | - |
| | **889,537** | 811,348 | **468** | 586 |
| Net current (liabilities)/assets | **(139,259)** | (116,866) | **242,163** | 246,712 |
| **Total assets less current liabilities** | **720,053** | 717,872 | **326,312** | 330,864 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) | **(Unaudited)** | (Audited) |
| **Non-current liabilities** | | | | |
| Deferred government grants | **14,601** | 13,024 | **-** | - |
| Total non-current liabilities | **14,601** | 13,024 | **-** | - |
| **Net assets** | **705,452** | 704,848 | **326,312** | 330,864 |
| **EQUITY** | | | | |
| **Equity attributable to Company's owners** | | | | |
| - Share capital | **112,176** | 112,176 | **112,176** | 112,176 |
| - Reserves | **557,946** | 553,029 | **214,136** | 218,688 |
| | **670,122** | 665,205 | **326,312** | 330,864 |
| **Non-controlling interests** | **35,330** | 39,643 | **-** | - |
| **Total equity** | **705,452** | 704,848 | **326,312** | 330,864 |

**1(b)(ii)Aggregate amount of Group's borrowings and debt securities.**

***Amount repayable in one year or less, or on demand***

| **FY2012** | | FY2011 | |
|---|---|---|---|
| **Secured** | **Unsecured** | Secured | Unsecured |
| ***RMB'000*** | ***RMB'000*** | *RMB'000* | *RMB'000* |
| **(Unaudited)** | **(Unaudited)** | (Audited) | (Audited) |
| **325,000** | **264,000** | 205,000 | 295,430 |

***Amount repayable after one year***

| **FY2012** | | FY2011 | |
|---|---|---|---|
| **Secured** | **Unsecured** | Secured | Unsecured |
| ***RMB'000*** | ***RMB'000*** | *RMB'000* | *RMB'000* |
| **(Unaudited)** | **(Unaudited)** | (Audited) | (Audited) |
| **-** | **-** | - | - |

***Details of any collateral***

Total secured interest-bearing bank borrowings are approximately RMB325,000,000 as at 31 December 2012 (2011: RMB205,000,000).

As at 31 December 2011 and 2012, the Group's interest-bearing bank borrowings are guaranteed by certain related parties of the Group and secured against pledge of certain of the Group's property, plant and equipment, land use rights, pledged deposits and trade receivables.

**1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| **Cash flows from operating activities** | | |
| Profit before taxation | **1,483** | 11,316 |
| Adjustments for : | | |
| Interest income | **(3,064)** | (3,093) |
| Interest expenses | **29,730** | 33,097 |
| Gains arising from changes in fair value less estimated point-of-sale costs of biological assets, net | **(8,609)** | (5,223) |
| Depreciation of property, plant and equipment | **52,238** | 43,622 |
| Gain on disposal of property, plant and equipment | **(1,193)** | (213) |
| Amortisation of prepaid premium for land leases | **3,222** | 3,182 |
| Amortisation of deferred income on government grants | **(1,537)** | (891) |
| Amortisation of intangible assets | **1,181** | 5,421 |
| Share of loss of associates | **293** | 443 |
| Operating profit before working capital changes | **73,744** | 87,661 |
| Decrease/(increase) in inventories | **38,383** | (54,513) |
| Decrease/(increase) in trade receivables | **14,471** | (9,410) |
| Decrease in amounts due from related companies | **-** | 12,795 |
| Increase in prepayments, other receivables and deposits | **(3,499)** | (2,045) |
| Decrease/(increase) in biological assets | **3,663** | (9,845) |
| Increase in trade and bills payables | **40,484** | 62,023 |
| (Decrease)/increase in accrued liabilities and other payables | **(2,827)** | 13,569 |
| Increase in amount due to a related party | **32,364** | 6,527 |
| Cash generated from operations | **196,783** | 106,762 |
| Interest paid | **(32,378)** | (33,097) |
| Income taxes paid | **(848)** | (3,419) |
| *Net cash generated from operating activities* | **163,557** | 70,246 |

| | 2012 | 2011 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| **Cash flows from investing activities** | | |
| Purchases of property, plant and equipment | **(75,594)** | (80,347) |
| Increase in prepaid premium for land leases | **(671)** | - |
| Proceeds from disposal of property, plant and equipment | **4,311** | 777 |
| Receipt of deferred government grants | **3,760** | 3,000 |
| Interest received | **3,064** | 3,093 |
| Increase in pledged deposits | **(47,232)** | (4,171) |
| *Net cash used in investing activities* | **(112,362)** | (77,648) |
| **Cash flows from financing activities** | | |
| Capital contribution from non-controlling Shareholders | **-** | 6,165 |
| Advance from a related party | **-** | 100,000 |
| Repayment to a related party | **(80,000)** | (20,000) |
| New bank borrowings | **784,000** | 553,900 |
| Repayment of bank borrowings | **(695,430)** | (438,372) |
| *Net cash generated from financing activities* | **8,570** | 201,693 |
| **Net increase in cash and cash equivalents** | **59,765** | 194,291 |
| **Cash and cash equivalents at 1 January** | **310,934** | 116,643 |
| **Cash and cash equivalents at 31 December** | **370,699** | 310,934 |
| **Analysis of balances of cash and cash equivalents** | | |
| **Cash and cash equivalents** | **370,699** | 310,934 |

## 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

| Group | Equity attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital *RMB'000* | Share premium* *RMB'000* | Merger reserve* *RMB'000* | Capital edemption reserve* *RMB'000* | Other reserves* *RMB'000* | Retained profits* *RMB'000* | Total *RMB'000* | Non-controlling interests *RMB'000* | Total equity *RMB'000* |
| At 1 January 2011 (Audited) | 112,176 | 257,073 | (41,374) | 2,374 | 41,818 | 280,898 | 652,965 | 36,970 | 689,935 |
| Contribution from a non-controlling shareholder (Audited) | - | - | - | - | - | - | - | 6,165 | 6,165 |
| Transactions with owners (Audited) | - | - | - | - | - | - | - | 6,165 | 6,165 |
| Profit for the year (Audited) | - | - | - | - | - | 12,240 | 12,240 | (3,492) | 8,748 |
| Other comprehensive income (Audited) | - | - | - | - | - | - | - | - | - |
| Total comprehensive income for the year (Audited) | - | - | - | - | - | 12,240 | 12,240 | (3,492) | 8,748 |
| Transfer to other reserves (Audited) | - | - | - | - | 2,299 | (2,299) | - | - | - |
| At 31 December 2011 and 1 January 2012 (Audited) | 112,176 | 257,073 | (41,374) | 2,374 | 44,117 | 290,839 | 665,205 | 39,643 | 704,848 |
| Profit for the year (Unaudited) | - | - | - | - | - | 4,917 | 4,917 | (4,313) | 604 |
| Other comprehensive income (Unaudited) | - | - | - | - | - | - | - | - | - |
| Total comprehensive income for the year (Unaudited) | - | - | - | - | - | 4,917 | 4,917 | (4,313) | 604 |
| Transfer to other reserves (Unaudited) | - | - | - | - | 41 | (41) | - | - | - |
| **At 31 December 2012** (Unaudited) | **112,176** | **257,073** | **(41,374)** | **2,374** | **44,158** | **295,715** | **670,122** | **35,330** | **705,452** |

* *The consolidated reserves of the Group of approximately RMB557,946,000 as at 31 December 2012 (2011: approximately RMB553,029,000) as presented in the Group's statement of financial position comprised these reserve accounts.*

| **Company** | **Share Capital** *RMB'000* | **Share premium**** *RMB'000* | **Merger reserve**** *RMB'000* | **Capital redemption reserve**** *RMB'000* | **Accumulated losses**** *RMB'000* | **Total equity** *RMB'000* |
|---|---|---|---|---|---|---|
| At 1 January 2011 (Audited) | 112,176 | 257,073 | 6,143 | 2,374 | (40,790) | 336,976 |
| Transactions with owners (Audited) | - | - | - | - | - | - |
| Loss for the year (Audited) | - | - | - | - | (6,112) | (6,112) |
| Other comprehensive income (Audited) | - | - | - | - | - | - |
| Total comprehensive loss for the year (Audited) | - | - | - | - | (6,112) | (6,112) |
| At 31 December 2011 and 1 January 2012 (Audited) | 112,176 | 257,073 | 6,143 | 2,374 | (46,902) | 330,864 |
| Transaction with owners (Unaudited) | - | - | - | - | - | - |
| Loss for the year (Unaudited) | - | - | - | - | (4,552) | (4,552) |
| Other comprehensive income (Unaudited) | - | - | - | - | - | - |
| Total comprehensive loss for the year (Unaudited) | - | - | - | - | (4,552) | (4,552) |
| **At 31 December 2012 (Unaudited)** | **112,176** | **257,073** | **6,143** | **2,374** | **(51,454)** | **326,312** |

** *The reserves of the Company of approximately RMB214,136,000 as at 31 December 2012 (2011: approximately RMB218,688,000) as presented in the Company's statement of financial position comprised these reserve accounts.*

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

| | Number of shares | Amount |
|---|---|---|
| **Ordinary shares of HK$0.25 each** | *'000* | *HK$'000* |
| **Authorised:** | | |
| At 31 December 2011 and 2012 | 2,000,000 | 500,000 |
| **Issued and fully paid:** | | |
| At 31 December 2011 and 2012 | 432,948 | 108,237 |

*Note:*
The Company does not have any shares that may be issued on conversion of any outstanding convertibles as at 31 December 2011 and 2012.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

| | **FY2012** | FY2011 |
|---|---|---|
| | ***'000*** | *'000* |
| | **Unaudited** | Audited |
| Total number of ordinary shares excluding treasury shares | **432,948** | 432,948 |

**1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have neither been audited nor reviewed by the auditor.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has adopted the same accounting policies and methods of computations as stated in its most recently audited financial statements to this full year result announcement, except as mentioned in section 5 below.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

In the current year, the Group has applied for the first time the following amendment to 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 2012:

| | |
|---|---|
| Amendments to IFRS 7 | Disclosures – Transfer of Financial Assets |

The adoption of this amendment has no material impact on the Group's financial statements.

## 6. Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

| | **FY2012 Unaudited** | FY2011 Audited |
|---|---|---|
| Earnings per share | | |
| - Basic *(RMB cents)* | **1.14** | 2.83 |
| - Diluted *(RMB cents)* | **1.14** | 2.83 |

*Note:*
The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately RMB4,917,000 (2011: RMB12,240,000) and on 432,948,000 (2011: 432,948,000) ordinary shares in issue during the year. No diluted earnings per share are presented as there was no potential issuance of ordinary shares.

## 7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:

**(a) current financial period reported on; and**

**(b) immediately preceding financial year.**

| **In RMB cents** | **Group** | | **Company** | |
|---|---|---|---|---|
| | **FY2012 Unaudited** | FY2011 Audited | **FY2012 Unaudited** | FY2011 Audited |
| Net asset value per ordinary share based on issued share capital at the end of: | **162.94** | 162.80 | **75.37** | 76.42 |

*Note:*
The number of ordinary shares of the Company as at 31 December 2012 was 432,948,000 (2011: 432,948,000).

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:**

**(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**

**REVENUE BY PRODUCTS**

| | **FY2012** | FY2011 | **% Change** |
|---|---|---|---|
| | ***RMB'000*** | *RMB'000* | *+/(-)* |
| | **(Unaudited)** | (Audited) | |
| Processed foods | **669,377** | 511,416 | 30.9 |
| Chilled and frozen rabbit meat | **274,305** | 299,492 | (8.4) |
| Chilled and frozen chicken meat | **361,495** | 420,907 | (14.1) |
| Other products | **184,661** | 121,582 | 51.9 |
| **Total** | **1,489,838** | 1,353,397 | 10.1 |

**Processed Food Products**

Revenue derived from processed food products increased by 30.9% to approximately RMB669.4 million in for the year ended 31 December 2012 ("FY2012").

Based on the Group's reputation and track record in the processed food products market, the Group's market share had increased further which was evident by its turnover and brand recognition by consumers as a result of more intensive advertising effort. In FY2012, the Group had successfully launched various new product ranges under its own brand, such as vegetables and roasted bowl.

**Chilled and Frozen Meat Products**

The rabbit and chicken meat segments contributed 42.7% and 53.2% to the Group's total revenue in FY2012 and FY2011 respectively. The revenue of the rabbit and chicken meat segments registered an 11.7% decrease to approximately RMB635.8 million in FY2012.

Given the uncertain economic situation in Europe, the Group faced a challenging business environment. Demand for rabbit meat declined generally. Revenue derived from the sale of rabbit meat decreased by 8.4% to approximately RMB274.3 million in FY2012.

Revenue of the chicken meat segment contributed 24.3% to the Group's total revenue and decreased by 14.1% to approximately RMB361.5 million in FY2012. The decrease was due mainly to the intense competition of frozen chicken meat products in PRC market.

**Other Products**

Revenue derived from the production and sale of other products increased by 51.9% to RMB184.7 million in FY2012 due mainly to the increased demand for the Group's pet food products from the PRC and Korea markets. Pet food sales contributed over 50% to this segment, with growth generated from the Beijing and Shanghai markets in the PRC and overseas markets in Japan and Korea.

**REVENUE BY GEOGRAPHICAL MARKETS**

| | **FY2012** | FY2011 | **% Change** |
|---|---|---|---|
| | ***RMB'000*** | *RMB'000* | *+/(-)* |
| | **(Unaudited)** | (Audited) | |
| Export | **535,164** | 486,337 | 10.0 |
| PRC | **954,674** | 867,060 | 10.1 |
| **Total** | **1,489,838** | 1,353,397 | 10.1 |

On a geographical basis, revenue from the export sales increased by 10.0% to approximately RMB535.2 million in FY2012. The increase in export sales was attributable mainly to the increase in demand for processed food products.

By continuously optimizing its sales channels and stepping up its brand promotion in PRC, the Group achieved a satisfactory result in the promotional and product development on its brand. PRC sales increased by 10.1% to approximately RMB954.7 million, reflecting that the Group's brand was well received in the PRC market.

## PROFITABILITY

### *Gross Profit and Margin*

| | **FY2012** | **FY2012** | FY2011 | FY2011 | Change | %Change |
|---|---|---|---|---|---|---|
| | ***RMB'000*** | ***Margin%*** | *RMB'000* | *Margin %* | *RMB'000* | *+/(-)* |
| | **(Unaudited)** | | (Audited) | | | |
| Processed foods | **69,486** | **10.4** | 59,257 | 11.6 | 10,229 | 17.3 |
| Chilled and frozen rabbit meat | **24,507** | **8.9** | 40,958 | 13.7 | (16,451) | (40.2) |
| Chilled and frozen chicken meat | **9,444** | **2.6** | 14,210 | 3.4 | (4,766) | (33.5) |
| Other products | **7,571** | **4.1** | 5,027 | 4.1 | 2,544 | 50.6 |
| **Total** | **111,008** | **7.5** | 119,452 | 8.8 | (8,444) | (7.1) |

Gross profit margin declined from 8.8% to 7.5% in FY2012 which was due mainly to the increase in raw materials prices, particularly the rise in corn price, increase in operational costs and decreasing price of chicken meat products in the PRC market as a result of intense competition.

In FY2012, staff cost in the PRC had generally been rising at a growth rate of more than 10% in compliance with the revised requirements in minimum wages and social security regulations. The revision of the employees' salaries is also to ensure competitiveness and maintain their commitment and loyalty to the Group.

*Processed Food Products*

Processed food business was the major income source for the Group in FY2012. The processed food business segment continued its thriving and healthy development. The effect of economy of scale resulting from the expansion of the Group's existing production capacity has increased the Group's gross profit by 17.3% to RMB69.5 million in FY2012.

*Chilled and Frozen Rabbit Meat*

The gross profit margin of chilled and frozen rabbit meat declined significantly from 13.7% to 8.9% in FY2012 due to the decrease in selling price resulting from the decrease of rabbit meat demand in Europe market.

*Chilled and Frozen Chicken Meat*

The decline in gross profit of chilled and frozen chicken meat segment was due mainly to the increase in raw material prices and the decreasing price of chicken meat products in the PRC market.

In addition, competition in the chicken meat market became more intense while industry peers offered steeper discounts to tap into the lower-price market. As a result of the oversupply of chicken meat products from smaller plants in the PRC, the bargaining power on discount for mass-purchase of raw materials had weakened.

With the average selling price of chicken meat decreased and coupled with the increased cost of raw materials, both gross profit and gross profit margin of the Group declined to RMB9.4 million and 2.6% respectively.

*Other Products*

Other products are mainly chicken and rabbit meat by-products and pet food products, which are not the core profit drivers of the Group. Due to the increase in demand of the chicken and rabbit meat by-products, gross profit margin remained stable as 4.1% in FY2012 and gross profit increased from RMB5.0 million to RMB7.6 million.

*Other Income*

Other income comprised mainly government grants, gain on change in fair value of biological assets and interest income from bank deposits amounting to RMB12.1 million, RMB8.6 million and RMB3.1 million respectively. The rest was mainly minor income generated from sale of raw materials, mainly vegetables and food ingredients, to factories in Qingdao. The decrease in other income was due to the decrease of government grants provided by the PRC government.

*Selling and Distribution Expenses*

Selling and distribution expenses comprised mainly transportation costs, promotion costs and salary and welfare. The increase in selling and distribution expenses by 9.0% to approximately RMB39.5 million was primarily due to the increase in transportation expenses related to the sales of the Group's products and marketing expenses in attempts to increase the Group's market share in the PRC.

*Administrative Expenses*

Administrative expenses comprised mainly staff costs, professional fees, travelling expenses and other miscellaneous expenses and increased slightly by 1.5% to approximately RMB70.1 million in FY2012.

*Other Operating Expenses*

Other operating expenses represented miscellaneous expenses relating to the disposal of damaged packaging materials, which had increased with the increase of sales during the year.

*Finance costs*

Finance costs decreased by 10.2% to approximately RMB29.7 million in FY2012 were due mainly to the capitalization of borrowing costs amounted to approximately RMB2.6

million (2011: Nil). The borrowing costs capitalized were calculated using a capitalisation rate of 7.04% to expenditure on qualifying assets.

*Taxation*
The income tax expense comprised both the accrued PRC corporate income tax and the charge of deferred tax liability arose from the fair value adjustment on property, plant and equipment, intangible assets and land use rights in the course of the business combination Kaijia Food and its subsidiary, Shandong Kaijia International Trade Co., Ltd. ("Kaijia Trade") (collectively referred as the "Kaijia Group") in FY2012.

The income tax expense was offset by the Hong Kong profit tax refund from the Inland Revenue Department of Hong Kong in relation to an excess tax charged in prior years.

*Exchange loss, net*
Some of the Group's export sales transactions were originally invoiced in foreign currency, such as Japanese yen and US dollar, the appreciation of RMB against those currencies and the increase of sales in FY2012 had increased the exchange loss.

**(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

***Review of the Group's Financial Position as at 31 December 2012***

The Group's property, plant and equipment increased by 3.8% to approximately RMB618.2 million as at 31 December 2012 due mainly to an acquisition of equipment of approximately RMB78.2 million. This was offset by a depreciation charge of approximately RMB52.2million.

The reduction in prepaid premium for land leases and intangible assets in FY2012 amounted to approximately RMB2.6 million and approximately RMB1.2 million respectively. This was due mainly to amortisation. The intangible assets refer to the export licenses and hygiene registration certificates awarded by the relevant authorities in Japan and EU. The said licenses and certificates allow the Group to export its products to these countries.

Goodwill arising from the acquisitions of subsidiaries in the past.

Biological assets refer to progeny rabbits and progeny chickens for sale and breeder rabbits and chickens for breeding purpose. These biological assets were valued by an independent professional valuer as at 31 December 2012 with reference to market-determined prices.

Inventories decreased by 20.0% to approximately RMB153.2 million due to the improvement of the Group's inventory management. The inventory turnover days for FY2012 were 43 days compared to 49 days for FY2011.

Trade receivables decreased by 14.1% to approximately RMB88.1 million as at 31 December 2012. The trade receivables turnover days decreased to 23 days in FY2012 compared with 26 days in FY2011 due to the stepping up of collection efforts.

Prepayments, other receivables and deposits increased slightly by approximately 6.5% to approximately RMB57.3 million as at 31 December 2012.

Cash and cash equivalents, including pledged deposits, increased by approximately RMB107.0 million to approximately RMB422.1 million was due mainly to the increase of bank borrowings acquired close to the year ended in 2012. Approximately RMB51.4 million of the bank deposit is for securing the interest-bearing borrowings by the Group.

Trade and bills payables increased by 29.9% to approximately RMB175.7 million as at 31 December 2012 due to the increase in purchase of raw materials to cater to the anticipated increase in demand in the first quarter of 2013.

Accrued liabilities and other payables received represented payables for construction and facilities, salary and welfare payables, accrued expenses and deposit received. The slight decrease by 3.3% was due to the repayment of deposits placed by customers.

The interest-bearing bank borrowings balance as at 31 December 2012 increased to approximately RMB589.0 million after taking into account the additional bank borrowings of approximately RMB784.0 million and the bank borrowings repayment of approximately RMB695.4 million during the year.

To provide for the Group's additional working capital, Qingdao Kangda Foreign Trade Group Limited ("KD Group") had advanced approximately RMB100.0 million in March 2011 to the Group which was unsecured and interest-free. Approximately RMB20.0 million had been repaid before 31 December 2011 and RMB80.0 million had been repaid to KD Group in January 2012. The outstanding balance of amount due to a related party was as a result of cash transfer.

Tax payables decreased from approximately RMB1.9 million as at 31 December 2011 to approximately RMB0.8 million as at 31 December 2012. This was due to income tax paid during 2012.

***Statement of Cash Flows***

<u>Operating activities</u>
Cash generated from operating activities increased from approximately RMB70.2 million in FY2011 to approximately RMB163.6 million in FY2012. The operating activities cash flow for FY2012 has improved significantly with the increase in business activities.

<u>Investing activities</u>
Net cash used in investing activities amounted to approximately RMB112.4 million due mainly to the purchase of property, plant and equipment and the increase in pledged deposits amounted to approximately RMB75.6 million and approximately RMB47.2 million respectively.

<u>Financing activities</u>
Net cash generated mainly represented the additional bank borrowings of approximately RMB784.0 million, the bank borrowings repayment of approximately RMB695.4 million and the repayment to KD Group of approximately RMB80 million.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

The announcement is in line with the profit warning announcement released by the Company on 6 February 2013.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.**

**<u>Going concern</u>**
In preparing the financial statements, the Directors have considered the operations of the Group as a going concern notwithstanding that the following:

1. The Group's current liabilities had exceeded its current assets by approximately RMB139.3 million as at 31 December 2012;

2. The Group's profit decreased from approximately RMB8.7 million for the year ended 31 December 2011 to approximately RMB0.6 million for FY2012; and

3. There was a significant increase in the bank borrowings of the Group from approximately RMB500.4 million as at 31 December 2011 to approximately RMB589.0 million as at 31 December 2012, all of which are due for repayment within one year from 31 December 2012.

These conditions indicate the existence of a material uncertainty which may cast significant doubts on the Group's ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business.

The financial statements of the Group were prepared based on the assumption that the Group can be operated as a going concern. 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 2012, after taking into consideration of the following:

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

2. The Group is actively negotiating with the banks to seek renewal of the outstanding bank borrowings. Subsequent to year end date, the Group had successfully renewed bank borrowings of RMB50.0 million upon maturity of these bank borrowings. In addition, subsequent to year end date, the Group obtained written confirmation from one of the Group's major bankers to confirm to renew certain bank borrowings, in aggregate of up to RMB170,000,000, to the Group for another year upon the maturity of the bank borrowings.

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

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

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

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

Should the Group unable to continue its business as a going concern, adjustments would have to be made in its 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 effects of these adjustments have not yet been reflected in the financial statements.

**Significant trends and competitive conditions of the industry**

Due to the Eurozone debt crisis, the macro-economic growth across the globe has slowed down and consumption has shrinked. The global macro-environment has also affected the economic growth in PRC.

In 2012, the inflating cost of sales, appreciation of the RMB and the increasing competition in the Group's target markets have impacted and squeezed the Group's gross profit margin which declined from 8.8% to 7.5%. As a result, overall profitability was adversely affected and the total comprehensive profit attributable to owners of the Company decreased from RMB12.2 million to RMB4.9 million. Earnings per share for the year was RMB1.14 cents (2011: RMB2.83 cents).

Notwithstanding the above, the Group was still able to achieve an organic growth in revenue. With the stable expansion in its production capacity and focusing on its products quality, turnover for the Group surged by 10.1% to approximately RMB1,489.8 million in FY2012.

The Group will continue to optimize its sales channels in PRC by further enhancing its brand profile and launching diversified product mix. The Group will also continue to implement an extensive marketing strategy with emphasis on maintaining good relationships with customers and suppliers. Further, the Group will continue with its cost control measures, improve management tools and focus on widening its domestic and international customer base.

To mitigate the increasing prices of raw materials, the Group will increase its efforts in the research and development of new products. The Group will also look for opportunities that may bring steady long term growth and fit with its strategy, such as, continue to increase its existing production capacity and control its products quality to increase its market penetration.

Although the global economy being volatile and misty, the Board remains positive that the Group's financial position is stable and has sufficient cash resources to meet its present and future cash flow requirements. The Board believes that the above strategies and measures will bring the Group steady and sustainable long term growth.

## 11. Dividend

### *(a) Current Financial Period Reported On*

Any dividend declared for the current financial period reported on?

No dividend declared.

### *(b) Corresponding Period of the Immediately Preceding Financial Year*

Any dividend declared for the corresponding period of the immediately preceding financial year?

No dividend declared.

*(c)* ***Date payable***

Not applicable.

*(d)* ***Books closure date***

Not applicable.

**12. If no dividend has been declared/recommended, a statement to that effect.**

No dividend has been declared/recommended for FY2012.

## PART II - ADDITIONAL INFORMATION REQUIRD FOR FULL YEAR ANNOUNCEMENT (This part is not applicable for Q1, Q2, Q3 or Half Year Results)

**13. Segmented revenue and results for business or geographical segments (of the Group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

**SEGMENT INFORMATION**

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

| | 2012 | | | | |
|---|---|---|---|---|---|
| | **Processed foods** *RMB'000* **(Unaudited)** | **Chilled and frozen rabbit meat** *RMB'000* **(Unaudited)** | **Chilled and frozen chicken meat** *RMB'000* **(Unaudited)** | **Other products** *RMB'000* **(Unaudited)** | **Total** *RMB'000* **(Unaudited)** |
| Revenue | | | | | |
| - Revenue from external customers | **669,377** | **274,305** | **361,495** | **184,661** | **1,489,838** |
| Reportable segment revenue | **669,377** | **274,305** | **361,495** | **184,661** | **1,489,838** |
| Reportable segment profit/(loss) | **51,759** | **17,243** | **(129)** | **2,681** | **71,554** |
| Depreciation of property, plant and equipment | **20,753** | **8,504** | **11,207** | **5,725** | **46,189** |
| Amortisation of prepaid premium for land leases | **1,448** | **593** | **782** | **399** | **3,222** |
| Amortisation of intangible assets | **343** | **838** | **-** | **-** | **1,181** |

| | 2011 | | | | |
|---|---|---|---|---|---|
| | **Processed foods** | **Chilled and frozen rabbit meat** | **Chilled and frozen chicken meat** | **Other products** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | (Audited) | (Audited) | (Audited) | (Audited) | (Audited) |
| Revenue | | | | | |
| - Revenue from external customers | 511,416 | 299,492 | 420,907 | 121,582 | 1,353,397 |
| Reportable segment revenue | 511,416 | 299,492 | 420,907 | 121,582 | 1,353,397 |
| Reportable segment profit | 45,580 | 32,948 | 2,953 | 1,776 | 83,257 |
| Depreciation of property, plant and equipment | 13,967 | 8,179 | 11,495 | 3,320 | 36,961 |
| Amortisation of prepaid premium for land leases | 1,202 | 704 | 990 | 286 | 3,182 |
| Amortisation of intangible assets | 4,583 | 838 | - | - | 5,421 |

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

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Reportable segment profit | **71,554** | 83,257 |
| Other income | **31,229** | 31,543 |
| Administrative expenses | **(70,128)** | (69,073) |
| Other operating expenses | **(1,149)** | (871) |
| Finance costs | **(29,730)** | (33,097) |
| Share of loss of associates | **(293)** | (443) |
| Profit before taxation | **1,483** | 11,316 |

The following table set out information about the geographical locations 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.

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Local (Country of domicile) | | |
| PRC | **954,674** | 867,060 |
| Export (Foreign countries) | | |
| Japan | **309,292** | 271,350 |
| Europe | **122,224** | 145,575 |
| Others | **103,648** | 69,412 |
| | **1,489,838** | 1,353,397 |

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

**14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

On a geographical basis, revenue from the export sales increased by 10.0% to approximately RMB535.2 million in FY2012. The increase in export sales was attributable mainly to the increase in demand for processed food products.

By continuously optimizing its sales channels and stepping up its brand promotion in PRC, the Group achieved a satisfactory result in the promotional and product development on its brand. PRC sales increased by 10.1% to approximately RMB954.7 million, reflecting that the Group's brand was well received in the PRC market.

## 15. A breakdown of sales

| | **FY2012** | FY2011 | **% Change** |
|---|---|---|---|
| | ***RMB'000*** | *RMB'000* | *+/(-)* |
| | **(Unaudited)** | (Audited) | |
| (a) Sales reported for the 1st half year | **662,181** | 570,722 | 16.0 |
| (b) Operating profit after tax before deducting minority interests reported for the 1st half year | **2,220** | 4,642 | (52.2) |
| (c) Sales reported for the 2nd half year | **827,657** | 782,675 | 5.7 |
| (d) Operating profit after tax before deducting minority interests reported for the 2nd half year | **2,697** | 7,598 | (64.5) |

## 16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

| | **FY2012** | FY2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (Audited) |
| Ordinary share | **-** | - |
| Preference share | **-** | - |
| Total | **-** | - |

## 17. Interested Person Transactions

The Group is not required to have any IPT mandate.

**18. Disclosure of person occupying in a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13).**

| Name | Age | Family relationship with any director and/or substantial shareholder | Current Position and duties, and the year the position was held | Details of changes in duties and position held, if any, during the year |
|---|---|---|---|---|
| Gao Yanxu | 47 | Nephew of Gao Sishi, Chairman & Non-Executive Director/Substantial Shareholder | Executive Director since 2006 | Stepped down as Chief Executive Officer on 3 September 2012 |
| Gao Sishi | 55 | Uncle of Gao Yanxu, Chief Executive Officer & Executive Director | Chairman & Non-Executive Director since 2006 | NA |

BY ORDER OF THE BOARD
**Gao Sishi**
*Chairman*

1 March 2013