
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, this Composite Document or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, stockbroker, bank manager, solicitor, professional accountant, or other professional adviser.

If you are a Hong Kong Shareholder and you have sold or otherwise transferred all of your securities in the Company, you should at once hand this Composite Document and the accompanying Form of Acceptance and Transfer ("FAT HK") to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, registered institution in securities, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

If you are a Singapore Shareholder and you have sold or otherwise transferred all of your securities in the Company held through The Central Depository (Pte) Limited ("CDP"), you need not forward this Composite Document and the accompanying Form of Acceptance and Authorisation ("FAA SG") to the purchaser(s) or transferee(s), as CDP will arrange for a separate Composite Document and FAA SG to be sent to the purchaser(s) or transferee(s).

If you are a Singapore Shareholder and you have sold or transferred all of your securities in the Company, not held through CDP, you should immediately hand this Composite Document and the accompanying Form of Acceptance and Transfer ("FAT SG") to the purchaser(s) or transferee(s) or to the bank, stockbroker or agent through whom you effected the sale or transfer for onward transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Acceptance Form(s), the contents of which form part of the terms of the Offer contained herein.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited, Hong Kong Securities Clearing Company Limited and Singapore Exchange Securities Trading Limited take no responsibility for the contents of this Composite Document and the accompanying Acceptance Form(s), make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Acceptance Form(s).

**CHINA TIAN YUAN
MANGANESE LIMITED**
(Incorporated in the Cayman Islands
with limited liability)

KONDE 康大
**CHINA KANGDA FOOD
COMPANY LIMITED**
中國康大食品有限公司
(Incorporated in Bermuda with limited liability)
(Hong Kong Stock Code: 834)
(Singapore Stock Code: P74)

COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO MANDATORY UNCONDITIONAL CASH OFFER BY



**FOR AND ON BEHALF OF CHINA TIAN YUAN MANGANESE LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF
CHINA KANGDA FOOD COMPANY LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE
ACQUIRED BY CHINA TIAN YUAN MANGANESE LIMITED AND/OR
PARTIES ACTING IN CONCERT WITH IT)**

Joint financial advisers to China Tian Yuan Manganese Limited

VEDA | CAPITAL
智 略 資 本



Independent Financial Adviser to the Independent Board Committee



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Prudential Brokerage Limited containing, among other things, details of the terms of the Offer is set out on pages 8 to 24 of this Composite Document.

A letter from the Board is set out on pages 25 to 30 of this Composite Document.

A letter from the Independent Board Committee, containing its advice on the Offer to the Independent Shareholders, is set out on pages 31 to 32 of this Composite Document.

A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee, is set out on pages 33 to 52 of this Composite Document.

The procedures for acceptance and settlement of the Offer and other related information are set out on pages 53 to 69 in Appendix I to this Composite Document and in the accompanying Acceptance Form(s). Acceptance of the Offer should be received by the Registrar HK, Registrar SG and/or CDP (as the case may be) by no later than 4:00 p.m. on Friday, 16 June 2017 or such later time and/or date as the Offeror may decide and announce in accordance with the requirements under the Takeovers Code.

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Acceptance Form(s) to any jurisdiction outside Hong Kong and Singapore should read the details in this regard which are contained in the paragraph headed "9. Overseas Shareholders" of Appendix I to this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents or any registration or filing which may be required and the compliance with other necessary formalities, regulatory and/or legal requirements and payment of any transfer or other taxes or other required payments due by such Overseas Shareholder in respect of such jurisdiction. Overseas Shareholders are advised to seek professional advice on deciding whether or not to accept the Offer.

The Composite Document will remain on the websites of the Stock Exchange at <http://www.hkexnews.hk>, the Singapore Stock Exchange at www.sgx.com and the Company at www.kangdafood.com as long as the Offer remains open.

26 May 2017

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IMPORTANT NOTICES

The expected timetable set out below is indicative only and may be subject to changes. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate.

Event	Time & Date
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Despatch date of this Composite Document and the accompanying Acceptance Form(s) and the commencement of the Offer (<i>Notes 1 and 4</i>)	Friday, 26 May 2017
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Latest time and date for acceptance of the Offer (<i>Notes 2 and 5</i>)	4:00 p.m. on Friday, 16 June 2017
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Closing Date of the Offer (<i>Notes 2 and 5</i>)	Friday, 16 June 2017
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Announcement of the results of the Offer (or its extension or revision, if any), to be posted on the websites of the Stock Exchange and the Singapore Stock Exchange (<i>Notes 2 and 5</i>)	not later than 7:00 p.m. on Friday, 16 June 2017
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Latest date for posting of remittances in respect of valid acceptances received under the Offer (<i>Notes 3 and 5</i>)	Tuesday, 27 June 2017
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Note 1: The Offer, which is unconditional, is made on the date of posting of this Composite Document, and is capable of being accepted on and from that date until 4:00 p.m. on the Closing Date.

Note 2: The latest time for acceptance of the Offer is 4:00 p.m. on Friday, 16 June 2017 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror and the Company will jointly issue an announcement through the website of the Stock Exchange (with a copy made available on the website of the Singapore Stock Exchange) no later than 7:00 p.m. on Friday, 16 June 2017 stating whether the Offer has been revised, extended or has closed for acceptance. In the event that the Offeror decides to revise or extend the Offer, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.

Note 3: Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares tendered under the Offer will be despatched to the Independent Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event within 7 business days (as defined in the Takeovers Code) after the Date of Receipt.

Note 4: Acceptance of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. Please refer to the paragraph headed "8. Right of withdrawal" in Appendix I to this Composite Document for further information on the circumstances where acceptances may be withdrawn.

IMPORTANT NOTICES

Note 5: If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:

- (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer, or the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer and the posting of remittances will remain at 4:00 p.m. on the same Business Day; or
- (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer, or the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer and the posting of remittances will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

Save as mentioned above, if the latest time for the acceptance of the Offer and posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

All references to date and time contained in this Composite Document and the accompanying Acceptance Form(s) refer to Hong Kong and Singapore date and time.

NOTICE TO SHAREHOLDERS OUTSIDE HONG KONG AND SINGAPORE

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong and Singapore may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong and Singapore should inform themselves about and observe any applicable regulatory and legal requirements. It is the responsibility of any such person who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents or any registration or filing which may be required and the compliance with other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes or other required payments due by such Overseas Shareholder in respect of such jurisdiction. The Offeror and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please see the paragraph headed “Overseas Shareholders” in the “Letter from Prudential Brokerage”.

DEFINITIONS

In this Composite Document, unless otherwise defined or the context otherwise requires, the following expressions shall have the following meanings. Also, where terms are defined and used in only one section of this Composite Document, those defined terms are not included in the table below:

“Acceptance Form(s)”	the FAT HK, FAT SG and/or FAA SG (as the case may be)
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday, public holidays and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed commercial banks in Hong Kong are open for business
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“CDP”	The Central Depository (Pte) Limited of Singapore
“Closing Date”	Friday, 16 June 2017, the closing date of the Offer, or if the Offer is extended, any subsequent closing date as may be determined and announced jointly by the Offeror and the Company, with consent of the Executive, in accordance with the Takeovers Code
“Company”	China Kangda Food Company Limited, a company incorporated in Bermuda with limited liability, the Shares of which are primarily listed on the Main Board of the Stock Exchange (Stock Code: 834) and secondarily listed on the main board of the Singapore Stock Exchange (Stock Code: P74)
“Completion”	completion of the sale and purchase of the Sale Shares pursuant to the Share Purchase Agreement

DEFINITIONS

“Composite Document”	this composite offer and response document jointly issued by or on behalf of the Offeror and the Company to the Shareholders in accordance with the Takeovers Code in respect of the Offer containing, amongst other things, the details of the Offer (accompanied by the relevant Acceptance Form(s)), and the respective letters of advice from the Independent Financial Adviser and the Independent Board Committee
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Crescendo Capital”	Crescendo Capital Limited, a licensed corporation permitted to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO, which is a joint financial adviser to the Offeror in respect of the Offer
“Date of Receipt”	the date of receipt by Registrar HK, Registrar SG or CDP, on behalf of the Offeror, of the relevant duly completed Acceptance Form(s) and all related documents, as the case may be
“Depositor”	has the same meaning ascribed to it under the Securities and Futures Act, Chapter 289 of Singapore
“Depository Agent”	has the same meaning ascribed to it under the Securities and Futures Act, Chapter 289 of Singapore
“Depository Register”	has the same meaning ascribed to it under the Securities and Futures Act, Chapter 289 of Singapore
“Director(s)”	the director(s) of the Company
“Electronic Acceptance”	the SGX-SSH Service provided by CDP as listed in Schedule 3 of the Terms and Conditions for User Services for Depository Agents

DEFINITIONS

“Encumbrances”	any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), hypothecation or other encumbrance, priority or security interest or other third party right, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback or trust arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
“Executive”	Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“FAA SG”	the Form of Acceptance and Authorisation in respect of the Offer accompanying this Composite Document, as applicable to Singapore Shareholders whose Shares are deposited with CDP
“FAT HK”	the Form of Acceptance and Transfer of the Shares in respect of the Offer accompanying this Composite Document, as applicable to Hong Kong Shareholders
“FAT SG”	the Form of Acceptance and Transfer in respect of the Offer accompanying this Composite Document, as applicable to Singapore Shareholders whose Shares are registered in their own names in the register of members of the Company maintained by Registrar SG
“Group”	the Company and its subsidiaries
“Group A Sale Shares”	an aggregate of 247,220,000 Shares, legally and beneficially owned by the Group A Vendors immediately before Completion, representing approximately 57.10% of the entire issued share capital of the Company as at the Latest Practicable Date
“Group A Vendors”	collectively, Mr. Gao Sishi, Mr. Cheng Xiutai, Mr. Hu Wenbo, Mr. Gao Yanxu, Mr. Kang Peiqiang and Mr. Zhang Qi

DEFINITIONS

“Group B Sale Shares”	being 52,295,000 Shares, legally and beneficially owned by the Group B Vendor immediately before Completion, representing approximately 12.08% of the entire issued share capital of the Company as at the Latest Practicable Date
“Group B Vendor”	Zensho Holdings Co., Ltd., a limited company incorporated under the laws of Japan whose shares are listed and traded on the Tokyo Stock Exchange (stock code: 7550)
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Shareholder(s)”	Shareholder(s) whose Offer Shares are registered on the branch register of members of the Company maintained in Hong Kong
“Independent Board Committee”	an independent committee of the Board, comprising all independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Offer
“Independent Financial Adviser” or “TC Capital”	TC Capital International Limited, a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, who has been appointed as the independent financial adviser with the approval by the Independent Board Committee to advise the Independent Board Committee in respect of the Offer
“Independent Shareholder(s)”	Shareholder(s) other than the Offeror and parties acting in concert with it
“Joint Announcement(s)”	the joint announcement(s) issued by the Offeror and the Company dated 2 May 2017 and/or 4 May 2017 in relation to, among other things, the Share Purchase Agreement and the Offer and/or the Completion
“Last Trading Day”	21 April 2017, being the last trading day of the Shares immediately prior to the suspension of trading in the Shares on the Stock Exchange and the Singapore Stock Exchange pending the publication of the Joint Announcement on 2 May 2017

DEFINITIONS

“Latest Practicable Date”	23 May 2017, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained in this Composite Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	Main Board of the Stock Exchange (excludes the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Mr. Jia”	Mr. Jia Tianjiang (賈天將), who is a 99.62% shareholder of the Offeror as the Latest Practicable Date
“Offer”	the mandatory unconditional cash offer made by Prudential Brokerage for and on behalf of the Offeror for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code
“Offer Facility”	a loan facility of up to HK\$178,800,220 granted by Prudential Brokerage to the Offeror to finance the amount payable upon acceptance of the Offer
“Offer Period”	has the meaning ascribed to it under the Takeovers Code and has commenced from 30 December 2016, being the date of the first Rule 3.7 Announcement
“Offer Price”	the price at which the Offer will be made, being HK\$1.34 per Offer Share
“Offer Share(s)”	any and all of the Share(s), other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it
“Offeror”	China Tian Yuan Manganese Limited, a company incorporated in the Cayman Islands with limited liability on 5 January 2015

DEFINITIONS

“Overseas Shareholder(s)”	Independent Shareholder(s) whose addresses, as shown on the register of members of the Company (including the register of members of the Company maintained by Registrar SG or, as the case may be, in the records of CDP), are outside Hong Kong or Singapore (as the case may be)
“PRC”	the People’s Republic of China which, for the purpose of this Composite Document, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prudential Brokerage”	Prudential Brokerage Limited, a licensed corporation permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
“Registrar HK”	Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, located at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Registrar SG”	B.A.C.S. Private Limited, the share transfer agent of the Company in Singapore, being the agent to receive the FAT SG
“Relevant Period”	the period from 30 June 2016, being the date falling six months prior to the date of the commencement of the Offer Period and up to and including the Latest Practicable Date
“Rule 3.7 Announcement(s)”	the announcement(s) issued by the Company dated 30 December 2016, 27 January 2017, 27 February 2017, 27 March 2017 and/or 18 April 2017 in relation to, among other things, the possible sale by the Vendors of their shareholding interests in the Company
“Sale Shares”	the aggregate of the Group A Sale Shares and Group B Sale Shares
“Securities Account”	a securities account maintained by a Depositor with CDP but does not include a securities sub-account
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.25 each in the share capital of the Company
“Share Purchase Agreement”	the share purchase agreement dated 21 April 2017 entered into among the Vendors and the Offeror in respect of the Sale Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Singapore Shareholder(s)”	Shareholders whose Offer Shares are registered (i) on the register of members of the Company maintained by Registrar SG or (ii) on the Depository Register maintained by CDP, as the case may be
“Singapore Stock Exchange”	The Singapore Exchange Securities Trading Limited
“SPA Facility”	a loan facility of up to HK\$401,350,100 granted by Prudential Brokerage to the Offeror to finance the consideration payable under the Share Purchase Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers as in force and as amended from time to time
“trading day”	a day when the Stock Exchange is open for trading in Hong Kong
“Veda Capital”	Veda Capital Limited, a licensed corporation permitted to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO, which is a joint financial adviser to the Offeror in respect of the Offer
“Vendors”	collectively, Group A Vendors and Group B Vendor
“%”	per cent



26 May 2017

To the Independent Shareholders,

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
PRUDENTIAL BROKERAGE LIMITED
FOR AND ON BEHALF OF CHINA TIAN YUAN MANGANESE LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF
CHINA KANGDA FOOD COMPANY LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE
ACQUIRED BY CHINA TIAN YUAN MANGANESE LIMITED AND/OR
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

On 21 April 2017 (after trading hours), the Vendors and the Offeror entered into the Share Purchase Agreement, pursuant to which, among other things:

- (i) the Group A Vendors have conditionally agreed to sell, and the Offeror has conditionally agreed to purchase the Group A Sale Shares, being 247,220,000 Shares, representing approximately 57.10% of the entire issued share capital of the Company as at the Latest Practicable Date, for a total consideration of HK\$331,274,800, equivalent to HK\$1.34 per Sale Share; and
- (ii) the Group B Vendor has conditionally agreed to sell, and the Offeror has conditionally agreed to purchase the Group B Sale Shares, being 52,295,000 Shares, representing approximately 12.08% of the entire issued share capital of the Company as at the Latest Practicable Date, for a total consideration of HK\$70,075,300, equivalent to HK\$1.34 per Sale Share.

The Share Purchase Agreement was agreed among the Offeror, the Group A Vendors and the Group B Vendor after arm's length negotiations. Completion took place on 4 May 2017.

LETTER FROM PRUDENTIAL BROKERAGE

Immediately following the Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in 299,515,000 Shares, representing approximately 69.18% of the entire issued share capital of the Company as at the Latest Practicable Date.

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those Shares already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it).

This letter sets out, among other things, the principal terms of the Offer, together with the information on the Offeror and the Offeror's intentions regarding the Group. Further details of the terms of the Offer and procedures for acceptance of the Offer are set out in Appendix I to this Composite Document and the accompanying Acceptance Form(s).

MANDATORY UNCONDITIONAL CASH OFFER

As at the Latest Practicable Date, there were a total of 432,948,000 Shares in issue. The Company did not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and had not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares as at the Latest Practicable Date.

Principal terms of the Offer

Prudential Brokerage, on behalf of the Offeror and in compliance with the Takeovers Code, hereby makes the Offer on the terms set out in this Composite Document in accordance with the Takeovers Code on the following basis:

For each Offer Share

HK\$1.34 in cash

The Offer Price of HK\$1.34 per Offer Share is equal to the purchase price per Sale Share paid by the Offeror under the Share Purchase Agreement. The purchase price per Sale Share was arrived at after arm's length negotiations between the Vendors and the Offeror with reference to the recent prices of the Shares traded on the Stock Exchange, the financial conditions of the Group and the current market conditions, and was paid in cash by the Offeror upon Completion.

The Offer Shares to be acquired under the Offer shall be fully paid, free from all Encumbrances and shall be acquired together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of this Composite Document. The Offer is extended to all Shareholders other than the Offeror and parties acting in concert with it in accordance with the Takeovers Code.

LETTER FROM PRUDENTIAL BROKERAGE

The Offer will also be open for acceptance by Independent Shareholders whose Shares are traded on the Singapore Stock Exchange. As the Company's primary listing is not on the Singapore Stock Exchange and the Company is not a Singapore incorporated public company, the Singapore Code on Takeovers and Mergers will not apply to the Offer.

The Offer is unconditional in all respects.

Comparisons of value

The Offer Price of HK\$1.34 per Offer Share represents:

- (a) a discount of approximately 23.43% over the closing price of HK\$1.75 per Share as quoted on the Stock Exchange on the last trading day immediately prior to the commencement of the Offer Period;
- (b) a discount of approximately 44.40% to the closing price of HK\$2.41 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (c) a discount of approximately 44.63% to the closing price of HK\$2.42 per Share as quoted on the Stock Exchange on 21 April 2017, being the Last Trading Day;
- (d) a discount of approximately 43.70% to the average closing price of approximately HK\$2.38 per Share as quoted on the Stock Exchange for the 5 consecutive trading days immediately prior to and including the Last Trading Day;
- (e) a discount of approximately 43.93% to the average closing price of approximately HK\$2.39 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (f) a discount of approximately 38.81% to the average closing price of approximately HK\$2.19 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day; and
- (g) a discount of approximately 21.18% to the audited consolidated net asset value attributable to Shareholders as at 31 December 2016 of approximately HK\$1.70 (which was calculated by dividing the sum of the audited consolidated net asset value attributable to Shareholders as at 31 December 2016 (being the date to which the latest audited financial statements of the Company were made up) of approximately RMB650.43 million (equivalent to approximately HK\$734.99 million) by 432,948,000 Shares in issue as at the Latest Practicable Date).

LETTER FROM PRUDENTIAL BROKERAGE

Highest and lowest Share prices

During the six-month period preceding the date of the first Rule 3.7 Announcement and the period up to and including the Latest Practicable Date:

- (i) the highest closing price of the Shares as quoted on the Stock Exchange was HK\$2.45 per Share on 6 April 2017; and
- (ii) the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.84 per Share on 5 July 2016, respectively.

Value of the Offer

As at the Latest Practicable Date, there are 432,948,000 Shares in issue. Based on the Offer Price of HK\$1.34 per Offer Share, the entire issued share capital of the Company is valued at HK\$580,150,320 and the Offer Shares are valued at HK\$178,800,220. Assuming the Offer is accepted in full by the Independent Shareholders and based on 133,433,000 Offer Shares, the total amount of cash required to effect the Offer in full will be HK\$178,800,220.

Confirmation of financial resources

The Offeror financed and satisfied the consideration payable under the Share Purchase Agreement with the SPA Facility. The Offeror intends to finance and satisfy the consideration payable under the Offer in full with the Offer Facility.

Veda Capital and Crescendo Capital, the joint financial advisers to the Offeror in respect of the Offer, are satisfied that sufficient financial resources are available to the Offeror to satisfy the amount of funds required for the full acceptance of the Offer.

Effect of accepting the Offer

By accepting the Offer, the accepting Shareholders will sell their Shares to the Offeror free from all Encumbrances together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of this Composite Document.

LETTER FROM PRUDENTIAL BROKERAGE

Acceptance of the Offer by any Shareholder will be deemed to constitute a warranty by such person that all Shares sold by such person under the Offer are free from Encumbrances together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and distributions recommended, declared, made or paid, if any, on or after the date of despatch of this Composite Document. Acceptances of the Offer shall be irrevocable and are not capable of being withdrawn, except as permitted under the Takeovers Code.

Stamp duty

Hong Kong

The seller's Hong Kong ad valorem stamp duty on acceptances of the Offer at a rate of 0.1% of the consideration payable in respect of the relevant acceptances by the Independent Shareholders or if higher, the value of the Offer Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), will be deducted from the amount payable to the Independent Shareholders who accept the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Independent Shareholder who accepts the Offer. The Offeror will bear buyer's ad valorem stamp duty.

Singapore

Stamp duty and transfer fees (if any) resulting from acceptances of the Offer by Independent Shareholders whose Shares are traded on the Singapore Stock Exchange will be paid by the Offeror.

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within 7 business days (as defined in the Takeovers Code) of the date on which the duly completed acceptance of the Offer and the relevant documents of title in respect of such acceptance are received by the Offeror (or the Registrar HK, the share transfer agent of the Company in Singapore, or the CDP) (as the case may be) to render each such acceptance complete and valid.

LETTER FROM PRUDENTIAL BROKERAGE

Taxation advice

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with it, the Company, Veda Capital, Crescendo Capital, Prudential Brokerage, the Independent Financial Adviser and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

Overseas Shareholders

The Offer will be in respect of securities of a company incorporated in Bermuda and will be subject to the procedural and disclosure requirements of Hong Kong and Singapore, which may be different from other jurisdictions.

The availability of the Offer to any Overseas Shareholders may be affected by the applicable laws, regulations and rules of their relevant jurisdictions of residence. Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers in the relevant jurisdictions. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws, regulations and rules of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions).

Any acceptance by any Overseas Shareholders will be deemed to constitute a representation and warranty from such Overseas Shareholders to the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers in the relevant jurisdictions if in doubt.

LETTER FROM PRUDENTIAL BROKERAGE

Other arrangements

The Offeror confirms that, save as disclosed in this Composite Document, as at the Latest Practicable Date:

- (i) the Offeror, its ultimate beneficial owners, and/or parties acting in concert with any of them have not received any irrevocable commitment to accept the Offer;
- (ii) there is no outstanding derivative in respect of securities in the Company which has been entered into by the Offeror, its ultimate beneficial owners and/or any person acting in concert with any of them;
- (iii) save for the SPA Facility and the Offer Facility, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Company and which may be material to the Offer (as referred to in Note 8 to Rule 22 of the Takeovers Code);
- (iv) save for the sale and purchase of the Sale Shares pursuant to the Share Purchase Agreement, none of the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them owns or has control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;
- (v) other than the Share Purchase Agreement, the SPA Facility and the Offer Facility, there is no agreement or arrangement to which the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer; and
- (vi) there is no relevant security (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror, its ultimate beneficial owners, and/or any person acting in concert with any of them has borrowed or lent.

LETTER FROM PRUDENTIAL BROKERAGE

Pursuant to the arrangements under the SPA Facility and the Offer Facility, the Offeror shall charge all the Sale Shares and other securities unrelated to the Company (the “**Charged Shares**”) in favour of Prudential Brokerage if the SPA Facility and the Offer Facility are drawn by the Offeror to satisfy the consideration payable under the Share Purchase Agreement and under the Offer in full. Such arrangements will not result in a change of the voting rights of the Company before the enforcement of the relevant charges. As at the Latest Practicable Date, the possibility of the enforcement of any relevant charges is low. The Charged Shares shall be released to the Offeror immediately upon full repayment of all the outstanding amounts of the SPA Facility and the Offer Facility and the interests thereon.

The Vendors, the Offeror and Mr. Jia confirmed that:

- (i) other than the consideration payable to the Vendors under the Share Purchase Agreement, there is no other consideration, compensation or benefits in whatever form provided by the Offeror or its concert parties to each of the Vendors or their respective concert parties; and
- (ii) there is no special deal under Rule 25 of the Takeovers Code between the Offeror and its concert parties on one hand and the Vendors and their respective concert parties on the other hand.

Dealing and interests in the Company’s securities

Save for the sale and purchase of the Sale Shares pursuant to the Share Purchase Agreement, none of the Offeror, its ultimate beneficial owners, nor parties acting in concert with any of them had dealt in any Shares, options, derivatives, warrants or other securities convertible into Shares during the six-month period prior to 30 December 2016, being the date of the first Rule 3.7 Announcement and the period thereafter up to and including the Latest Practicable Date.

As at the Latest Practicable Date, the Offeror and parties acting in concert with it had not entered into any arrangements or contracts in relation to the derivatives in respect of securities in the Company nor had any of them borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

As at the Latest Practicable Date, save for the sale and purchase of the Sale Shares pursuant to the Share Purchase Agreement, the Offeror and parties acting in concert with it did not hold, own or control any Shares, options, derivatives, warrants or other securities which may confer rights on the Offeror and parties acting in concert with it to subscribe for, convert or exchange into Shares.

LETTER FROM PRUDENTIAL BROKERAGE

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) immediately before Completion; and (ii) immediately following Completion and as at the Latest Practicable Date:

	Immediately before Completion		Immediately following Completion and as at the Latest Practicable Date	
	Number of Shares	Approximate %	Number of Shares	Approximate %
The Vendors				
– Group A Vendors				
Mr. Gao Sishi and parties acting in concert with him	166,740,000	38.51	–	–
Mr. Cheng Xiutai and parties acting in concert with him	33,324,000	7.70	–	–
Mr. Hu Wenbo and parties acting in concert with him	15,026,000	3.47	–	–
Mr. Gao Yanxu and parties acting in concert with him	14,310,000	3.31	–	–
Mr. Kang Peiqiang and parties acting in concert with him	8,910,000	2.06	–	–
Mr. Zhang Qi and parties acting in concert with him	8,910,000	2.06	–	–
– Group B Vendor				
Zensho Holdings Co., Ltd. and parties acting in concert with it	<u>52,295,000</u>	<u>12.08</u>	<u>–</u>	<u>–</u>
Sub-total	299,515,000	69.18	–	–
The Offeror and parties acting in concert with it	–	–	299,515,000	69.18
Independent Shareholders	<u>133,433,000</u>	<u>30.82</u>	<u>133,433,000</u>	<u>30.82</u>
Total	<u><u>432,948,000</u></u>	<u><u>100</u></u>	<u><u>432,948,000</u></u>	<u><u>100</u></u>

Note: Certain percentage figures included in this table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

LETTER FROM PRUDENTIAL BROKERAGE

INFORMATION ON THE GROUP

Your attention is drawn to the details of the information of the Group as set out under the section headed “Information on the Group” in the “Letter from the Board” and in Appendices II and IV to this Composite Document.

INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the Cayman Islands with limited liability on 5 January 2015. As at the Latest Practicable Date, the Offeror is wholly owned by 寧夏天元錳業有限公司 (transliterated as Ningxia Tianyuan Manganese Industry Co., Ltd) (“**Ningxia Tianyuan**”), a company established in the PRC with limited liability, which is beneficially and ultimately owned as to approximately 99.62%, 0.19% and 0.19% by Mr. Jia, Ms. Dong Jufeng (東菊鳳)(“**Ms. Dong**”) and Ms. Zhu Fenglian (朱鳳蓮)(“**Ms. Zhu**”), respectively. The sole director of the Offeror is Ms. Jia Yan (賈彥), who is a niece of Mr. Jia. Ms. Dong, spouse of Mr. Jia, is the assistant to the chairman of the board of directors and the supervisor of Ningxia Tianyuan. Ms. Zhu is a business partner of Mr. Jia. Save as disclosed above, none of Ms. Dong and Ms. Zhu holds any other positions in Ningxia Tianyuan nor has any relationship with Mr. Jia.

Ningxia Tianyuan is principally engaged in the processing of manganese minerals and other metal minerals and sale of electrolytic manganese and other processed metal minerals. Ningxia Tianyuan is a trans-regional, multi-industry private enterprise and the largest electrolytic manganese metal manufacturer in the world. Over the years, with the support from local government of district, city and province and related departments in the PRC, Ningxia Tianyuan wishes to build its brand and strive to achieve the strategic target of being a manganese manufacturer with international competitiveness.

Ningxia Tianyuan has an annual production capacity in electrolytic manganese metal of 500,000 tons, chromite metal of 300,000 tons, sulphuric acid of 200,000 tons, cement of 2,000,000 tons, restored manganese dioxide of 800,000 tons, treated harmless manganese metal residue of 2,000,000 tons. Ningxia Tianyuan ranked 375th in the list of Top 500 Enterprises of China in 2015 issued by China Enterprise Confederation with a total revenue of RMB32.6 billion for the year ended 31 December 2015.

Prior to Completion, none of the Offeror and parties acting in concert with it owns any Shares, convertible securities, options, warrants or derivatives in the Company or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) and all of them are third parties independent of the Group and its connected persons.

LETTER FROM PRUDENTIAL BROKERAGE

FUTURE INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Following the close of the Offer, it is the intention of the Offeror that the Group will continue with its existing principal businesses after the close of the Offer and will maintain the listing status of the Company on the Stock Exchange and the Singapore Stock Exchange. The Company acts as an investment holding company and the existing principal business of the Group includes the production and trading of food products, breeding and sale of livestock, poultry and rabbits. The Offeror will conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the Offeror may look into business opportunities and consider whether any asset disposals, asset acquisitions, business rationalization, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company. As at the Latest Practicable Date, the Offeror had not identified any new business opportunities. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules as and when appropriate.

Save for the Offeror's intention regarding the Group as set out above, the Offeror has no intention to (i) discontinue the employment of any employees of the Group (save for changes in the composition of the board of directors of the Group); or (ii) re-deploy the fixed assets of the Company other than those in its ordinary and usual course of business.

PROPOSED CHANGE OF BOARD COMPOSITION

As at the Latest Practicable Date, the Board comprised Mr. An Fengjun and Mr. Gao Yanxu as executive Directors, Mr. Gao Sishi, Mr. Zhang Qi and Mr. Naoki Yamada as non-executive Directors, and Mr. Chong Soo Hoon, Sean, Mr. Lau Choon Hoong and Mr. Yu Chung Leung as independent non-executive Directors.

Save for the executive Directors, Mr. An Fengjun and Mr. Gao Yanxu, and the independent non-executive Director, Mr. Lau Choon Hoong, letters of resignation of Mr. Gao Sishi, Mr. Zhang Qi and Mr. Naoki Yamada as non-executive Directors, and Mr. Chong Soo Hoon, Sean and Mr. Yu Chung Leung as independent non-executive Directors, to be effective from a date no earlier than the earliest date as permitted under the Takeovers Code and the Listing Rules, have been delivered to the Offeror upon Completion.

LETTER FROM PRUDENTIAL BROKERAGE

The Offeror proposes to nominate new Directors to the Board subject to compliance with all the applicable regulatory requirements, including the Takeovers Code and the Listing Rules. Following the despatch of this Composite Document, it is proposed that Mr. Luo Zhenwu, Ms. Dong Yutong and Mr. Wang Yuan will be appointed as executive Directors and Mr. Song Xuejun and Mr. Lu Zhiwen as independent non-executive Directors.

Set out below are the biographic details of the above-mentioned nominees for appointment as executive Directors and independent non-executive Directors. Further details required by Rule 13.51(2) of the Listing Rules will be announced after the appointments take effect:

Mr. Luo Zhenwu (羅貞伍先生)

Mr. Luo Zhenwu, aged 39, graduated from the Central University of Finance and Economics (中央財經大學) in 2000 with a bachelor's degree in finance. He has been studying a master's degree in accounting at Peking University (北京大學) from 2014. He was accredited the intermediate accountant qualification by the Ministry of Finance of the PRC in 2015.

Mr. Luo has served as expatriate finance manager and regional finance director of Guangzhou Automobile Group Business Co., Ltd. (廣州汽車集團商貿有限公司), finance director of Beijing Jintai Yuande Asset Management Co., Ltd. (北京錦泰遠德資產管理有限公司), and finance director of Hangzhou Changjiang Automobile Holdings Co., Ltd. (杭州長江汽車控股有限公司).

Save as disclosed above, Mr. Luo (i) has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) does not hold any other positions in the Company or any of its subsidiaries; and (iii) does not have any relationship with any director, senior management, substantial shareholder or controlling shareholder of the Company.

As at the Latest Practicable Date, Mr. Luo did not hold any Share interests within the meaning of Part XV of the SFO.

LETTER FROM PRUDENTIAL BROKERAGE

Ms. Dong Yutong (董雨桐女士)

Ms. Dong Yutong, aged 25, graduated from Beijing City University (北京城市學院) in 2014 with a bachelor's degree in economics specialized in international economics and trade. She then obtained a Master of Commerce (Finance) at The University of Sydney in 2016. Ms. Dong passed the licensing examinations for securities (on securities market fundamental knowledge and on issuance and underwriting of securities) organized by the Securities Association of China (中國證券業協會) in 2015. Ms. Dong also passed the licensing examinations for funds (on private equity investment funds and on law and regulations of funds, professional ethics and industrial standard and practices) organized by the Asset Management Association of China (中國證券投資基金業協會) in 2017. Ms. Dong currently serves as the general manager of Tianyuan Hongsheng Consultancy Co., Ltd. (天元弘盛資訊諮詢有限公司).

Save as disclosed above, Ms. Dong (i) has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) does not hold any other positions in the Company or any of its subsidiaries; and (iii) does not have any relationship with any director, senior management, substantial shareholder or controlling shareholder of the Company.

As at the Latest Practicable Date, Ms. Dong did not hold any Share interests within the meaning of Part XV of the SFO.

Mr. Wang Yuan (王沅先生)

Mr. Wang Yuan, aged 54, graduated from University of International Business and Economics (對外經濟貿易大學) in 2006 with a master's degree in business administration and management. He obtained the Certificate of Accounting Professional issued by National Government Offices Administration in 1997 and the senior accountant qualification accredited by Sinosteel Corporation (中國中鋼集團公司) in 2005.

Mr. Wang served as an accountant in the finance department of Chemistry Unit Heavy Machinery Corporation (化工部重型機械公司), principal staff member of China Metallurgical Import and Export Corporation (中國冶金進出口公司) and general manager of the finance department of Sinosteel Corporation. He has served as the assistant to the chairman of the board of directors of Ningxia Tianyuan since 2015 and is responsible for overseeing the management of regional offices of the group in Beijing, Tianjin, Shanghai, Shenzhen and other cities.

LETTER FROM PRUDENTIAL BROKERAGE

Save as disclosed above, Mr. Wang (i) has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) does not hold any other positions in the Company or any of its subsidiaries; and (iii) does not have any relationship with any director, senior management, substantial shareholder or controlling shareholder of the Company.

As at the Latest Practicable Date, Mr. Wang did not hold any Share interests within the meaning of Part XV of the SFO.

Mr. Song Xuejun (宋學軍先生)

Mr. Song Xuejun, aged 54, graduated from Xuzhou Medical University (徐州醫科大學) in 1986 with a bachelor's degree in medicine and obtained his master's degree in medicine specialized in anaesthesiology from the same university in 1992. He further obtained his doctorate's degree in science specialized in neurobiology in 1995 from Institute of Neuroscience, Chinese Academy of Sciences (中國科學院神經科學研究所).

Mr. Song served as the senior scientist/assistant professor and head of Laboratory Neurobiology in from 1999 to 2000, senior scientist/associate professor, director of Section of Basic Science Research and associate director of Parker Research Institute from 2000 to 2003 and professor, director of Section of Basic Science Research and associate director of Parker Research Institute from 2013 to 2016 at Parker University. He currently serves as professor, PhD tutor, organizing committee member of the Faculty of Medicine and head of the Center for Pain Medicine at Southern University of Science and Technology (南方科技大學), and as professor and PhD tutor at Peking University (北京大學).

Save as disclosed above, Mr. Song (i) has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) does not hold any other positions in the Company or any of its subsidiaries; and (iii) does not have any relationship with any director, senior management, substantial shareholder or controlling shareholder of the Company.

As at the Latest Practicable Date, Mr. Song did not hold any Share interests within the meaning of Part XV of the SFO.

LETTER FROM PRUDENTIAL BROKERAGE

Mr. Lu Zhiwen (盧志文先生)

Mr. Lu Zhiwen, aged 53, graduated from Huaiyin Normal University (淮陰師範學院)(formerly known as “Huaiyin Higher Normal School (淮陰師範專科學校)”) specialized in chemistry study in 1983. He then participated and graduated from National Secondary and Primary School Thousand Core School Principals Study Class (全國中小學千名骨幹校長研修班) organized by National Training Center for Secondary School Principals under the Ministry of Education of the PRC in 2000. He later obtained the degree of Executive Master of Business Administration from The University of Texas at Arlington in 2006.

Mr. Lu served as a member of the sixth session council of the education administration branch of The Chinese Society of Education (中國教育學會教育管理分會第六屆理事會), honorary supervisor of Beichuan High School Curriculum Reform Research Centre (北川中學課改研發中心), the chairman of Jiangsu Charming Education Foundation (江蘇昌明教育基金會) and the principal of Baoying High School of Jiangsu Province (江蘇省寶應中學). He currently serves as the headmaster of Xiangyu Education Group (翔宇教育集團) and the principal of Wenzhou Xiangyu Middle School (溫州翔宇中學). He also serves as the standing committee member of Chinese Society for Taoxingzhi Studies (中國陶行知研究會), vice-president of Chinese Lantern Riddle Academic Committee (中華燈謎學術委員會), dean of Zhejiang Wenzhou Institute of Private Education (浙江省溫州民辦教育研究院) and the vice-chairman of the first session council of China Education Development Strategy Association's Private Education Professional Committee (中國教育發展戰略學會民辦教育專業委員會第一屆理事會).

Save as disclosed above, Mr. Lu (i) has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) does not hold any other positions in the Company or any of its subsidiaries; and (iii) does not have any relationship with any director, senior management, substantial shareholder or controlling shareholder of the Company.

As at the Latest Practicable Date, Mr. Lu did not hold any Share interests within the meaning of Part XV of the SFO.

Under the Share Purchase Agreement, the Vendors have agreed to procure that Board resolutions be passed to approve the appointment of such persons as may be nominated by the Offeror as new Directors, such appointment to take effect from a date which is no earlier than such date as permitted under Rule 26.4 of the Takeovers Code. It is proposed that other new Directors will be nominated to the Board. However, the proposed changes have not yet been finalised as at the Latest Practicable Date and a further announcement will be made in respect of changes to the composition to the Board.

LETTER FROM PRUDENTIAL BROKERAGE

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Main Board of the Stock Exchange and on the Singapore Stock Exchange after the close of the Offer. The director of the Offeror and the new directors (who have been nominated by the Offeror) to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that a sufficient public float exists in the Shares.

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored. In such event, trading in the Shares on the Singapore Stock Exchange may also be suspended.

PROCEDURES FOR ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and the acceptance period as set out in Appendix I to this Composite Document and the accompanying Acceptance Form(s).

COMPULSORY ACQUISITION

The Offeror does not intend to avail itself of any power of compulsory acquisition.

GENERAL

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

All documents and remittances to the Independent Shareholders will be sent by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders (other than the Overseas Shareholders) at their respective addresses as they appear in the register of members or in the records of CDP (as the case may be) or, in the case of joint Independent Shareholders, to the Independent Shareholder (i) whose name appears first in the register of members or (ii) whose address appears in the records of CDP, as the case may be. None of the Offeror and parties acting in concert with it, the Company, Veda Capital, Crescendo Capital, Prudential Brokerage, the Independent Financial Adviser, Registrar HK, Registrar SG, CDP or any of their respective directors or associates or professional advisers or any other party involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

LETTER FROM PRUDENTIAL BROKERAGE

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this Composite Document which form part of this Composite Document. You are reminded to read carefully the “Letter from the Board”, the “Letter from the Independent Board Committee”, the “Letter from the Independent Financial Adviser” and other information about the Group which are set out in this Composite Document before deciding whether or not to accept the Offer.

Yours faithfully,
For and on behalf of
Prudential Brokerage Limited
Lau Shing Ngon
Managing Director

LETTER FROM THE BOARD



CHINA KANGDA FOOD COMPANY LIMITED

中國康大食品有限公司

(Incorporated in Bermuda with limited liability)

(Hong Kong Stock Code: 834)

(Singapore Stock Code: P74)

Executive Directors:

Mr. An Fengjun (*Chief Executive Officer*)

Mr. Gao Yanxu

Registered Office:

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

Non-executive Directors:

Mr. Gao Sishi (*Non-executive Chairman*)

Mr. Zhang Qi

Mr. Naoki Yamada

Principal place of business in Hong Kong:

45/F, The Lee Gardens

33 Hysan Avenue

Causeway Bay

Hong Kong

Independent non-executive Directors:

Mr. Chong Soo Hoon, Sean

Mr. Lau Choon Hoong

Mr. Yu Chung Leung

26 May 2017

To the Independent Shareholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
PRUDENTIAL BROKERAGE LIMITED
FOR AND ON BEHALF OF CHINA TIAN YUAN MANGANESE LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF
CHINA KANGDA FOOD COMPANY LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE
ACQUIRED BY CHINA TIAN YUAN MANGANESE LIMITED AND
THE PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

References are made to the Joint Announcements made jointly by the Company and the Offeror.

LETTER FROM THE BOARD

On 21 April 2017 (after trading hours), the Vendors and the Offeror entered into the Share Purchase Agreement, pursuant to which, among other things:

- (i) the Group A Vendors have conditionally agreed to sell, and the Offeror has conditionally agreed to purchase the Group A Sale Shares, being 247,220,000 Shares, representing approximately 57.10% of the entire issued share capital of the Company as at the Latest Practicable Date, for a total consideration of HK\$331,274,800, equivalent to HK\$1.34 per Sale Share; and
- (ii) the Group B Vendor has conditionally agreed to sell, and the Offeror has conditionally agreed to purchase the Group B Sale Shares, being 52,295,000 Shares, representing approximately 12.08% of the entire issued share capital of the Company as at the Latest Practicable Date, for a total consideration of HK\$70,075,300, equivalent to HK\$1.34 per Sale Share.

Completion took place on 4 May 2017.

Immediately following the Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in 299,515,000 Shares, representing approximately 69.18% of the entire issued share capital of the Company as at the Latest Practicable Date.

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those Shares already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it).

Details of the Offer and the Offeror are set out in the “Letter from Prudential Brokerage” and Appendices I and III to the Composite Document and the Acceptance Form(s). The primary purpose of this letter is to provide you with information relating to, among other matters, information relating to the Group and the Offer.

MANDATORY UNCONDITIONAL CASH OFFER

As at the Latest Practicable Date, there were a total of 432,948,000 Shares in issue. Save as disclosed above, there were no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date.

Principal terms of the Offer

As mentioned in the “Letter from Prudential Brokerage” on pages 8 to 24 of the Composite Document, Prudential Brokerage, on behalf of the Offeror, is making the Offer on the following basis:

For each Offer Share HK\$1.34 in cash

LETTER FROM THE BOARD

The Offer Price of HK\$1.34 per Offer Share is equal to the purchase price per Sale Share paid by the Offeror under the Share Purchase Agreement. The purchase price per Sale Share was arrived at after arm's length negotiations between the Vendors and the Offeror with reference to the recent prices of the Shares traded on the Stock Exchange, the financial conditions of the Group and the current market conditions, and was paid in cash by the Offeror upon Completion.

The Offer Shares to be acquired under the Offer shall be fully paid, free from all Encumbrances and shall be acquired together with all rights attaching to them, including all rights to any dividend and other distribution declared, made or paid on or after the date on which the Offer is made, being the date of this Composite Document. The Offer is extended to all Shareholders other than the Offeror and parties acting in concert with it in accordance with the Takeovers Code.

The Offer will also be open for acceptance by Independent Shareholders whose Shares are traded on the Singapore Stock Exchange. As the Company's primary listing is not on the Singapore Stock Exchange, and as it is not a Singapore incorporated public company, the Singapore Code on Takeovers and Mergers will not apply to the Offer.

The Offer is unconditional in all respects.

Further details of the Offer

Further details of the Offer including, among other things, the value of the Offer, its extension to the Overseas Shareholders, effect of accepting the Offer, information on stamp duty, taxation, the terms and conditions and the procedures for acceptance and settlement and acceptance period are set out in the "Letter from Prudential Brokerage" on pages 8 to 24 of the Composite Document, and Appendix I to the Composite Document and the Acceptance Form(s).

GENERAL

Information on the Offeror and its intentions in relation to the Group

Your attention is drawn to the sections headed "Information on the Offeror" and "Future Intentions of the Offeror regarding the Group" in the "Letter from Prudential Brokerage" set out in the Composite Document. The Board is aware of the intentions of the Offeror in respect of the Group and its employees and is willing to co-operate with the Offeror further which is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Information on the Group

The Company was incorporated in Bermuda with limited liability and its Shares are primarily listed on the Main Board of the Stock Exchange and secondarily listed on the main board of Singapore Stock Exchange. The Company acts as an investment holding company and the Group is principally engaged in production and trading of food products, breeding and sale of livestock, poultry and rabbits.

The following table sets out the shareholding structure of the Company (based on the information received by the Company and notified pursuant to Part XV of the SFO as at the Latest Practicable Date) (i) immediately before the Completion and (ii) immediately after Completion and as at the Latest Practicable Date, assuming there is no change in the issued share capital of the Company:

Shareholder	Immediately before Completion		Immediately after Completion and as at Latest Practicable Date	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Group A Vendors				
Gao Sishi and parties acting in concert with him	166,740,000	38.51	–	–
Cheng Xiutai and parties acting in concert with him	33,324,000	7.70	–	–
Hu Wenbo and parties acting in concert with him	15,026,000	3.47	–	–
Gao Yanxu and parties acting in concert with him	14,310,000	3.31	–	–
Kang Peiqiang and parties acting in concert with him	8,910,000	2.06	–	–
Zhang Qi and parties acting in concert with him	8,910,000	2.06	–	–
Group B Vendor and parties acting in concert with it	<u>52,295,000</u>	<u>12.08</u>	<u>–</u>	<u>–</u>
Sub-total	299,515,000	69.18	–	–
Offeror and parties acting in concert with it	–	–	299,515,000	69.18
Independent Shareholders	<u>133,433,000</u>	<u>30.82</u>	<u>133,433,000</u>	<u>30.82</u>
Total	<u>432,948,000</u>	<u>100</u>	<u>432,948,000</u>	<u>100</u>

Note: Certain percentage figures included in this table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

Your attention is drawn to the financial information of the Group and the general information of the Company as set out in Appendices II and IV to the Composite Document respectively.

LETTER FROM THE BOARD

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Board noted the Offeror's intention to maintain the listing of the Shares on the Main Board of the Stock Exchange and on the Singapore Stock Exchange after the close of the Offer. The Board also noted that the director of the Offeror and the new directors who have been appointed by the Offeror to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored. In such event, trading in the Shares on the Singapore Stock Exchange may also be suspended.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Rules 2.1 and 2.8 of the Takeovers Code require the Company to establish an independent committee of the Board to give a recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer and that such independent committee should comprise all the non-executive Directors who have no direct or indirect interest in the Offer other than as a Shareholder. The Independent Board Committee, comprising of all independent non-executive Directors, namely Mr. Chong Soo Hoon, Sean, Mr. Lau Choon Hoong and Mr. Yu Chung Leung, has been formed to advise the Independent Shareholders in respect of the Offer. Among the non-executive Directors, Mr. Gao Sishi and Mr. Zhang Qi are the Group A Vendors and Mr. Naoki Yamada is the chairman and general manager of a subsidiary of the Group B Vendor and therefore related to the Group B Vendor. Accordingly, they are not considered independent for the purpose of advising the Independent Shareholders in respect of the Offer.

The Independent Financial Adviser (TC Capital) has been approved by the Independent Board Committee to act as the independent financial adviser to advise the Independent Board Committee as to whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and as to the acceptance in respect of the Offer. The full text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee is set out on pages 33 to 52 of the Composite Document.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to the “Letter from the Independent Board Committee” which sets out its recommendations to the Independent Shareholders in respect of the Offer, as set out on pages 31 to 32 of the Composite Document. Your attention is also drawn to the “Letter from the Independent Financial Adviser” which contains, among other things, their advice to the Independent Board Committee in respect of the Offer, which is set out on pages 33 to 52 of the Composite Document.

ADDITIONAL INFORMATION

Your attention is drawn to the “Letter from Prudential Brokerage” as set out on pages 8 to 24 of the Composite Document which contains further details of the Offer and the Offeror and the information set out in the appendices to the Composite Document.

In considering what action to take in connection with the Offer, you should consider your own tax positions, if any, and, in case of any doubt, consult your professional advisers.

Yours faithfully,
By order of the Board
China Kangda Food Company Limited
Gao Yanxu
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Set out below is the text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in this Composite Document.



CHINA KANGDA FOOD COMPANY LIMITED

中國康大食品有限公司

(Incorporated in Bermuda with limited liability)

(Hong Kong Stock Code: 834)

(Singapore Stock Code: P74)

26 May 2017

To the Independent Shareholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
PRUDENTIAL BROKERAGE LIMITED
FOR AND ON BEHALF OF CHINA TIAN YUAN MANGANESE LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF
CHINA KANGDA FOOD COMPANY LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE
ACQUIRED BY CHINA TIAN YUAN MANGANESE LIMITED AND
THE PARTIES ACTING IN CONCERT WITH IT)**

We refer to the Composite Document jointly issued by the Company and the Offeror dated 26 May 2017 of which this letter forms part. Unless the context otherwise requires, terms defined in the Composite Document shall have the same meanings when used in this letter.

We have been appointed by the Board as members of the Independent Board Committee to consider and to advise the Independent Shareholders as to whether or not the terms of the Offer are fair and reasonable and to make a recommendation as to acceptance of the Offer. TC Capital has been appointed as the Independent Financial Adviser to advise us in respect of the above. Details of its advice and principal factors taken into consideration in arriving at its recommendation are set out in the “Letter from the Independent Financial Adviser” on pages 33 to 52 of the Composite Document and you are recommended to read the full text of the letter.

We also wish to draw your attention to the sections headed “Letter from the Board”, “Letter from Prudential Brokerage” and the additional information set out in the appendices to the Composite Document.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Offer, taking into account the information contained in the Composite Document and the advice from the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in its letter in the Composite Document, we are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer.

However, Independent Shareholders who wish to realise their investments in the Company are reminded to monitor the trading price and liquidity of the Shares during the Offer Period and should, having regard to their own circumstances, consider selling their Shares in the open market instead of accepting the Offer if the net proceeds obtained from such disposal of the Shares (after deducting all transaction costs) would be higher than the net proceeds from accepting the Offer. Notwithstanding our recommendation, the Independent Shareholders are strongly advised that the decision to realise or to hold their investments in the Company is subject to individual circumstances and investment objectives and they should consider carefully the terms of the Offer. If in doubt, the Independent Shareholders should consult their own professional advisers for professional advice. Furthermore, the Independent Shareholders who wish to accept the Offer are recommended to read carefully the procedures for accepting the Offer as detailed in the Composite Document and the Acceptance Form(s).

Yours faithfully,
The Independent Board Committee

Mr. Chong Soo Hoon, Sean
Independent
Non-executive Director

Mr. Lau Choon Hoong
Independent
Non-executive Director

Mr. Yu Chung Leung
Independent
Non-executive Director



26 May 2017

The Independent Board Committee
China Kangda Food Company Limited (the “Company”)

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
PRUDENTIAL BROKERAGE LIMITED
FOR AND ON BEHALF OF CHINA TIAN YUAN MANGANESE LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF
CHINA KANGDA FOOD COMPANY LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE
ACQUIRED BY CHINA TIAN YUAN MANGANESE LIMITED AND/OR
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer, details of which are set out in this composite document dated 26 May 2017 to the Independent Shareholders (the “**Composite Document**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document, unless otherwise specified.

THE SHARE PURCHASE AGREEMENT

The Company was informed by the Vendors that, the Vendors and the Offeror entered into the Share Purchase Agreement on 21 April 2017 (after trading hours), pursuant to which, among other things:

- (1) the Group A Vendors have conditionally agreed to sell, and the Offeror has conditionally agreed to purchase the Group A Sale Shares, being 247,220,000 Shares, representing approximately 57.10% of the entire issued share capital of the Company as at the Latest Practicable Date, for a total consideration of HK\$331,274,800, equivalent to HK\$1.34 per Sale Share; and
- (2) the Group B Vendor has conditionally agreed to sell, and the Offeror has conditionally agreed to purchase the Group B Sale Shares, being 52,295,000 Shares, representing approximately 12.08% of the entire issued share capital of the Company as at the Latest Practicable Date, for a total consideration of HK\$70,075,300, equivalent to HK\$1.34 per Sale Share.

Completion took place on 4 May 2017.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

MANDATORY UNCONDITIONAL CASH OFFER

On 2 May 2017, being the date of the Joint Announcement, the Offeror and parties acting in concert with it did not hold, own, control or have direction over any Shares in the share capital or voting rights of the Company or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code). Immediately after Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it owned a total of 299,515,000 Shares, representing approximately 69.18% of the entire issued share capital of the Company.

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it).

As at the Latest Practicable Date, the Company had a total of 432,948,000 Shares in issue. The Company did not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and had not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares as at the Latest Practicable Date.

Prudential Brokerage, on behalf of the Offeror and in compliance with the Takeovers Code, makes the Offer on the terms set out in the Composite Document in accordance with the Takeovers Code on the following basis:

For each Offer Share HK\$1.34 in cash

The Offer Price of HK\$1.34 per Offer Share is equal to the purchase price per Sale Share payable by the Offeror under the Share Purchase Agreement.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chong Soo Hoon, Sean, Mr. Lau Choon Hoong and Mr. Yu Chung Leung, has been formed to make a recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

We have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer. Our appointment has been approved by the Independent Board Committee. Our role as the independent financial adviser is to give our recommendation to the Independent Board Committee as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Group or any other parties involved in the Share Purchase Agreement that could reasonably be regarded as relevant to the independence of us. Save as our appointment as the independent financial adviser by the Company to issue a comfort letter in relation to the disclosure of material change of the financial and trading position of the Group in the Composite Document as required under Rule 10.11 of the Takeovers Code, we have not acted as an independent financial adviser or financial adviser for other transactions of the Group or any other parties involved in the Share Purchase Agreement in the last two years from the date of the Composite Document. Apart from normal professional fees payable to us in connection with this appointment, no other arrangement exists whereby we had received or will receive any fees or benefits from the aforementioned parties.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have considered, among other things, (i) the Composite Document; (ii) the annual reports of the Company for the four years ended 31 December 2016 (respectively the “**2013 Annual Report**”, the “**2014 Annual Report**”, the “**2015 Annual Report**” and the “**2016 Annual Report**” or together the “**Annual Reports**”); and (iii) the relevant market data and information available from the website of the Stock Exchange.

We have also relied on all relevant information, opinions and facts supplied and represented by the Company, the Directors and the management of the Company and those contained or referred to in the Composite Document, which we have assumed to be true, accurate and complete in all respects at the time when they were provided and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date and up to the end of the Offer Period, Independent Shareholders would be notified as soon as reasonably practicable in accordance with Rule 9.1 of the Takeovers Code. The Company has also confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Composite Document. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Composite Document so as to provide a reasonable basis for our recommendation. We have not, however, carried out independent verification of the information provided by the Directors and the management of the Company, nor have we conducted any form of in-depth independent investigation into the businesses, affairs, operations, financial position or future prospects of the Company, Offeror and any of their respective subsidiaries and associates.

We have not considered the tax consequences on the Independent Shareholders in respect of their acceptance or rejection of the Offer since they vary depending on respective individual circumstances. Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee in respect of the Offer, we have taken into consideration the following principal factors and reasons:

I. Background information of the Group

1. Principal business

The Company is incorporated in Bermuda with limited liability and its Shares are primarily listed on the Main Board of the Stock Exchange and secondarily listed on the main board of Singapore Stock Exchange. The Company acts as an investment holding company and the Group is principally engaged in 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").

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Historical financial performance

Set out below are the highlights of the financial results of the Group and other related information for the five years ended 31 December 2016 (“FY2012”, “FY2013”, “FY2014”, “FY2015” and “FY2016”, respectively):

	For the year ended 31 December				
	2016	2015	2014	2013	2012
	(audited)	(audited)	(audited)	(audited)	(audited)
Revenue	1,263	1,226	1,303	1,478	1,490
Cost of sales	(1,161)	(1,104)	(1,193)	(1,367)	(1,379)
Gross profit	102	123	110	111	111
Other income and other gains	61	28	29	31	31
Selling and distribution costs	(35)	(29)	(28)	(28)	(39)
Administrative expenses	(49)	(50)	(58)	(62)	(70)
Other operating expenses	(19)	(12)	(8)	(1)	(1)
Impairment loss of property, plant and equipment	(11)	(41)	–	–	–
Profit from operation	49	19	45	51	32
Finance costs	(39)	(39)	(39)	(34)	(30)
Share of loss of associates	–	(1)	(1)	(1)	–
Income tax expense	(2)	(5)	(12)	(15)	(1)
Profit/(loss) for the year	8	(26)	(7)	1	1
Profit/(loss) for the year attributable to owners of the Company	6	(28)	(4)	6	5
Revenue breakdown by product type	%	%	%	%	%
Processed food	731 58	696 57	707 54	663 45	669 45
Chilled and frozen rabbit meat	140 11	158 13	195 15	269 18	274 18
Chilled and frozen chicken meat	232 18	240 19	237 18	315 21	361 24
Others	160 13	132 11	163 13	231 16	185 13
Total	1,263 100	1,226 100	1,303 100	1,478 100	1,490 100
Other information					
Sum of selling and distribution costs, administrative expenses and other operating expenses	(103)	(90)	(94)	(91)	(111)
Adjusted profit from operation (excluding impairment loss of property, plant and equipment)	60	60	45	51	32
% of finance costs to adjusted profit from operation	65%	64%	86%	67%	94%
Net profit margin	0.6%	(2.1%)	(0.5%)	0.1%	0.1%
Return to equity (profit for the year attributable to equity holders divided by total shareholders' equity at the end of the year)	1%	(4%)	(1%)	1%	1%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the above table, we are of the view that the recent financial performances of the Group are far from satisfactory to the Shareholders and that the Offer provides a good opportunity to the Independent Shareholders who wish to redeploy their investment in the Company. Set out below are our key observations:

Decreasing total revenue raises concern on business sustainability

The total revenue of the Group had been decreasing each and every year from FY2012 to FY2015. Though there was a slight rebound of the Group's total revenue of approximately 3% in FY2016, the total revenue of the Group still recorded negative compound annual growth rate ("CAGR") of approximately 4% from FY2012 to FY2016. In light of the historical thin net profit margin of the Group, decreasing trend of total revenue of the Group might put the Group into a loss position and reduce the return to the Shareholders. In addition, if the Group is not able to cover its expenses over a period of time, cutbacks like redundancies or closure of plants may have to be made. Furthermore, given the finance costs represented a significant portion to the Group's adjusted profit from operation (excluding impairment loss of property, plant and equipment), decreasing in revenue of the Group might refrain the Company from repaying its debts and might even lead to bankruptcy, which would leave the Shareholders with nothing at the worst case.

Possible decreasing revenue in chilled and frozen rabbit meat segment in long term

In terms of product segment, the CAGRs of the processed food segment, the chilled and frozen rabbit meat segment and the chilled and frozen chicken meat segment from FY2012 to FY2016 were approximately 2%, -15% and -10% respectively. The decrease in the Group's revenue from chilled and frozen chicken meat segment from FY2012 to FY2016 was resulted from the falling consumers' confidence in chicken consumption due to H7N9 bird flu in FY2013 (which was an one-off incident) and the diversion of some of the chilled and frozen chicken meat products for further processing and therefore such sales were classified in processed food segment since FY2014 (which did not have material impact on the overall revenue of the Group) and therefore do not impose long term effect to the Group's chilled and frozen chicken meat segment in the future. However, we noted from the 2014 Annual Report, the 2015 Annual Report and the 2016 Annual Report that the decrease in the Group's revenue from the chilled and frozen rabbit meat segment from FY2014 to FY2016 was principally due to the sprouting of numerous smaller plants and hence oversupply of rabbit meat in the PRC market. The oversupply of rabbit meat decreased the price of chilled and frozen rabbit meat in the PRC market and hence reduced our revenue from the chilled and frozen rabbit meat segment. We considered such structural change in the rabbit meat market might impose a relatively long term adverse effect on the Group's sales from this segment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Performance improvement in FY2016 was not indicative

The turnaround from the Group's net loss position in FY2015 to net profit position in FY2016 was principally due to (i) the increase in other income due to the gains arising from the sale of biological assets and (ii) the decrease in impairment loss of property, plant and equipment in the same period, of which we considered such changes were non-recurring in nature and therefore do not reflect a fundamental improvement of the Group's operating performance in the same period.

Historical low return to the Shareholders

Overall speaking, the return brought by the Group to the Shareholders was not fruitful, if any, in the past five years. There was an aggregate net loss of approximately RMB15 million attributable to owners of the Company from FY2012 to FY2016. The return on shareholders' equity were approximately 1%, -4%, -1%, 1% and 1% respectively in each year of the same period, indicating poor management's ability to generate income from the Shareholders' capital available to it.

3. Historical financial positions

Set out below is a summary of the financial position of the Group as at 31 December 2016, which represented the latest state of the Group's finances:

	As at 31 December 2016 <i>RMB million (audited)</i>
Non-current assets	1,004
Current assets	725
Current liabilities	993
Non-current liabilities	58
Net current liabilities	268
Net assets	679
Interest-bearing bank borrowings (current portion)	529
Interest-bearing bank borrowings (non-current portion)	30

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the above table, we noted that as at 31 December 2016, the Group's current assets was only approximately RMB725 million. The Group's bank borrowings of approximately RMB529 million that are due for repayment within one year from 31 December 2016 therefore represented approximately 73% of the Group's current assets. In case that the non-cash items of the Group's current assets such as biological assets and inventories cannot be readily converted into cash or the Group's receivables cannot be received in a timely manner or any unforeseeable market event happens that affects the operation of the Group, the Group might not be able to repay the debt that fall due and the Company might even face the risk of bankruptcy, which would leave the Shareholders with nothing at the worst case.

The Group also recorded net current liabilities position of approximately RMB268 million as at 31 December 2016 which indicated the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and hence, its ability to realise its assets and discharge its liabilities in the normal course of business. According to the 2016 Annual Report, the Directors are of the view that the Group will have sufficient working capital to finance its operations in the next twelve months from 31 December 2016, after taking into consideration of, among others, the continuing financial support by Qingdao Kangda Foreign Trade Group Company Limited (青島康大外貿集團有限公司), which is substantially and beneficially owned by Mr. Gao Sishi, a substantial shareholder of the Company. Nevertheless, given Mr. Gao Sishi will no longer be the substantial shareholder of the Company upon Completion, we doubt whether such financial support will be provided in the future.

Based on the foregoing, we are therefore of the view that the recent financial position of the Group is not very solid and might raise going concern and that the Offer provides a good exit opportunity to the Independent Shareholders who wish to realize their investment in the Company.

4. Prospects and outlook

As stated in the 2016 Annual Report, the Company disclosed that given that there is a growing preference for "free rearing" rabbits from its customers and the management expects the demand for and the selling price of "free rearing" rabbits will be higher than that of the current "cage rearing" rabbits, especially in the overseas market, the Group participated in the rearing of "free rearing" rabbits and expected this strategy able to improve the overseas sales and restore the market demand for rabbit meat to normal level. We give little weigh on and are cautious to the expected benefit brought by this strategy given that there is no relevant concrete development plan disclosed by the Company in the 2016 Annual Report and we cannot exclude the possibility that the "free rearing" rabbits market might even face oversupply situation if the existing smaller plants also pursue the same strategy as the Group does.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Furthermore, as stated in the 2016 Annual Report, the oversupply livestock by the numerous smaller chicken breeder farms caused the long-term oversupply of chicken meats in the past. Although the market price of day-old chick and feather chicken has rebounded, the Group holds the view that there is a greater price fluctuation in this industry. We are therefore of the view that the outlook for frozen meat products and processed food products industry may still be uncertain.

5. Conclusion

Having considered the above observations, we consider that (i) the Group's operating performance in terms of revenue, profitability and return to Shareholders were unsatisfactory; (ii) the liquidity and financial stability positions of the Group are not solid; and (iii) the prospect of the Group is still uncertain in a large extent, we are therefore of the view that the Offer provides a good opportunity to those Independent Shareholders who wish to redeploy their investment in the Company.

II. Principal terms of the Offer

The Offer Price is HK\$1.34 per Offer Share and equals to the purchase price paid by the Offeror to the Vendors for each Sale Share under the Share Purchase Agreement, and represents:

- (a) a discount of approximately 44.63% to the closing price of HK\$2.42 per Share as quoted on the Stock Exchange on 21 April 2017, being the Last Trading Day;
- (b) a discount of approximately 43.70% to the average closing price of approximately HK\$2.38 per Share as quoted on the Stock Exchange for the 5 consecutive trading days immediately prior to and including the Last Trading Day;
- (c) a discount of approximately 43.93% to the average closing price of approximately HK\$2.39 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a discount of approximately 38.81% to the average closing price of approximately HK\$2.19 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (e) a discount of approximately 21.18% to the audited consolidated net asset value attributable to Shareholders as at 31 December 2016 of approximately HK\$1.70 per Share which was calculated by dividing the sum of the audited consolidated net asset value attributable to Shareholder as at 31 December 2016 (being the date to which the latest audited financial results of the Group were made up) of approximately RMB650.43 million (equivalent to approximately HK\$734.99 million) by 432,948,000 Shares in issue as at the Latest Practicable Date);

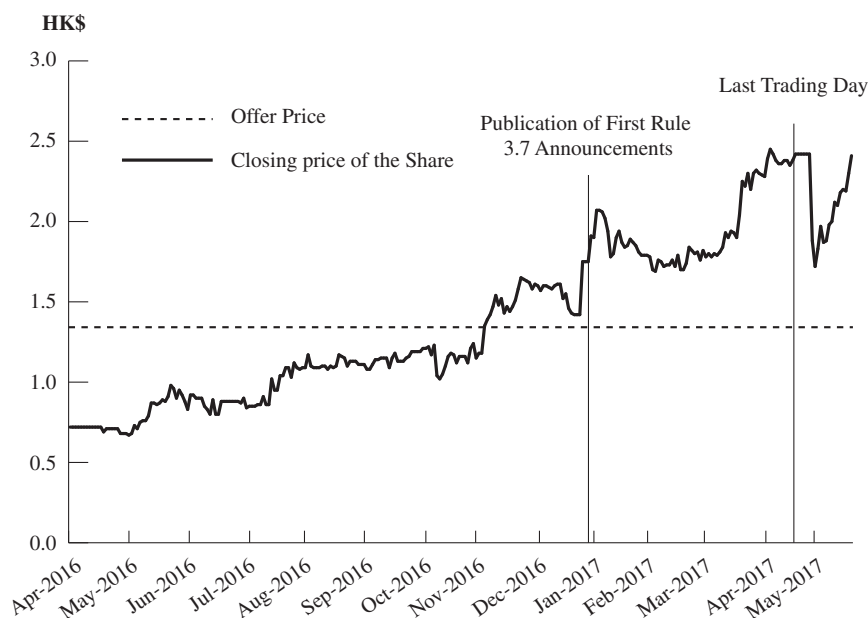
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (f) a discount of approximately 23.43% to the closing price of HK\$1.75 per Share as quoted on the Stock Exchange on the last trading day immediately prior to the commencement of the Offer Period;
- (g) a discount of approximately 44.40% to the closing price of HK\$2.41 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

Further terms and conditions of the Offer, including the procedures for acceptance, are set out in the “Letter from Prudential Brokerage” and the Appendix I to the Composite Document.

Historical price performance of the Shares

The chart below illustrates the movement of the daily closing prices of the Shares during the period from 1 April 2016 up to and including 30 December 2016, the date when the first announcement issued by the Company in relation to the possible sale by the Vendors of their respective shareholdings in the Company to the Offeror (the “**First Rule 3.7 Announcement**”) (the “**Pre-Rule 3.7 Announcement Period**”), further up to and including the Last Trading Day (the “**Post-Rule 3.7 Announcement & Pre-Joint Announcement Period**”) and further up to and including the Latest Practicable Date (the “**Post-Joint Announcement Period**”), being at least 12 complete calendar months before the Last Trading Day (the Pre-Rule 3.7 Announcement Period, the Post-Rule 3.7 Announcement & Pre-Joint Announcement Period and the Post-Joint Announcement Period altogether, the “**Review Period**”).



Source: The Stock Exchange's website (www.hkex.com.hk)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pre-Rule 3.7 Announcement Period

During the Pre-Rule 3.7 Announcement Period, the lowest closing price of the Shares was HK\$0.67 per Share on 4 May 2016, while the highest closing price of the Shares was HK\$1.75 per Share on 28 December 2016. We also noted a substantial increase in the price and liquidity (to be discussed below) of the Share since November 2016 to the end of the Pre-Rule 3.7 Announcement Period. We have discussed with the management of the Company on such substantial increase in the price and liquidity of the Share and we are given to understand that such increases might be due to the publication of the third quarter financial statements announcement of the Group on 11 November 2016 of which disclosed the net profit of the Group for the nine months ended 30 September 2016 was significantly increased by 121.9% from the same period in 2015. Nevertheless, the Offer Price is within the range of the lowest closing price and the highest closing price during the Pre-Rule 3.7 Announcement Period. In addition, we also noted that among a total of 184 trading days during the Pre-Rule 3.7 Announcement Period, the closing prices of the Shares in a total of 148 trading days, or approximately 80% of which, were below the Offer Price.

Post-Rule 3.7 Announcement & Pre-Joint Announcement Period

After the publication of the First Rule 3.7 Announcement, the Share price had first slightly dropped to HK\$1.69 per Share on 7 February 2017 and then experienced a sharp increase and reached the highest closing price at HK\$2.45 per Share on 6 April 2017.

Post-Joint Announcement Period

After the publication of the Joint Announcement, the Share price experienced a sharp decrease and reached the lowest closing price at HK\$1.72 per Share on 4 May 2017.

Conclusion

Based on the foregoing, we are of the view that the determination of the Offer Price is justifiable and is fair and in the interest of the Independent Shareholders as a whole, in particular:

- the closing prices of the Share in approximately 80% of the total trading days during the Pre-Rule 3.7 Announcement Period were below the Offer Price;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- as discussed with the management of the Company and as far as we are aware from the publicly available information, save for (i) the third quarter financial statements announcement published on 11 November 2016 and (ii) the First Rule 3.7 Announcement and its ancillary subsequent announcements in the similar nature made by the Company, we are not aware of any other public announcements made by the Company that were price sensitive in nature during the Review Period. As such, we believe that the surge in the Share price upon the publication of the First Rule 3.7 Announcement and up to the publication of the Joint Announcement, to a large extent, may likely be due to the market speculation on the unannounced Offer Price and therefore we consider that the Share price level during the Post-Rule 3.7 Announcement & Pre-Joint Announcement Period may not be a closely reliable and meaningful benchmark for the purpose of analysing the fairness and reasonableness of the Offer Price. We further noted that the Share price sustained at a higher level than the Offer Price during the Post-Joint Announcement Period. As discussed with the Company, the Directors are not aware of any specific reasons for such price movements and hence we consider that the Share prices during the Post-Joint Announcement Period, which do not have any reasoning behind, may also not be a closely reliable and meaningful benchmark for the purpose of analysing the fairness and reasonableness of the Offer Price;
- though the recent closing price of the Shares has been considerably above the Offer Price during the Post-Joint Announcement Period with closing prices of the Shares ranging from HK\$1.72 per Share to HK\$2.41 per Share, we would like to remind the Independent Shareholders that there is no guarantee that the trading price of the Shares will sustain and be higher than the Offer Price during and after the Offer Period, in particular concerning (i) the unsatisfactory operating performance of the Group and return to Shareholders, (ii) the liquidity and financial stability positions of the Group are not very solid and (iii) the uncertainty of the Group's prospect as discussed above, the Independent Shareholders, in particular those who may wish to realise their investments in the Shares, are thus reminded to closely monitor the market price of the Shares during the Offer Period for acceptance.

Nevertheless, in light of the fact that the Offer Price was considerably below the closing price of the Shares as at the Latest Practicable Date, Independent Shareholders who wish to dispose of their Shares may consider selling their Shares in the stock market rather than accepting the Offer if the net proceeds from a sale of their Shares in the stock market would, after deducting all transaction costs, yield a higher consideration than the net amount to be received under the Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Historical trading liquidity of the Shares

For the purpose of assessing the trading liquidity of the Shares, we set out below the total monthly trading volume, the average daily trading volume per month and the respective percentage of average daily trading volume to total number of Shares in issue at month end during the Review Period.

Month	Total monthly trading volume (Number of Shares)	Average daily trading volume during the month (Number of Shares) (Note 1)	Percentage of average daily trading volume to total number of Shares in issue at month end (%) (Note 2)	Percentage of average daily trading volume to total number of Shares held by public shareholders at month end (%) (Note 3)	Number of trading days of in the relevant month (days)
2016					
April	412,110	20,605	0.005%	0.015%	20
May	2,476,000	117,904	0.027%	0.088%	21
June	542,000	25,809	0.006%	0.019%	21
July	3,048,000	152,400	0.035%	0.114%	20
August	2,044,100	92,913	0.021%	0.070%	22
September	1,702,000	81,047	0.019%	0.061%	21
October	14,660,000	771,578	0.178%	0.578%	19
November	25,236,000	1,147,090	0.265%	0.860%	22
December	27,980,000	1,554,444	0.359%	1.165%	18
2017					
January	26,124,000	1,374,947	0.318%	1.030%	19
February	6,704,000	335,200	0.077%	0.251%	20
March	17,002,000	739,217	0.171%	0.554%	23
April	5,551,000	462,583	0.107%	0.347%	12
May (Up to the Latest Practicable Date)	329,419,055	21,961,270	5.072%	16.459%	15

Source: The Stock Exchange's website (www.hkex.com.hk)

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume of the Shares for the month by the number of trading days during the month.
2. Based on 432,948,000 Shares throughout the Review Period.
3. Based on 133,433,000 Shares throughout the Review Period, after excluding the aggregate of 299,515,000 Shares held by the Vendors and the Directors and chief executive officer of the Company.

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As illustrated in the table above, save and except for the period from November 2016 to January 2017 when the Company published its third quarter financial statements announcement and May 2017 when the Company resumed trading after the publication of the Joint Announcement, the average daily trading volume of the Shares as a percentage of the total number of the Shares in issue ranged from approximately 0.005% to 0.178% and the average daily trading volume of the Shares as a percentage of the total number of Shares held by the public shareholders of the Company ranged from approximately 0.015% to 0.578%.

After the publication of the third quarter financial statements announcement of the Group and during November 2016 to January 2017, we noted that both the average daily trading volume of the Share as a percentage of the total number of the Shares in issue and that held by the public shareholders of the Company had increased and ranged from 0.265% to 0.359% and from 0.860% to 1.165% respectively. The increase in the average daily trading volume was in line with the increase in the Share price in the same period probably due to the disclosed significant increase in the net profit of the Group for the nine months ended 30 September 2016 from the corresponding period in 2015.

After the publication of the Joint Announcement, the average daily trading volume of the Shares as a percentage of the total number of the Shares in issue and the average daily trading volume of the Shares as a percentage of the total number of Shares held by the public shareholders of the Company experienced a sharp increase to approximately 5.072% and 16.459%, respectively, with a sharp decrease in the Share price. Given that (i) the Shares were generally illiquid during the Review Period and (ii) the surge in the liquidity after the publications of the Joint Announcement, to a large extent, may be due to short term market interest in the Shares and hence may not be persistent in the future, we consider that the Independent Shareholders, especially those with significant shareholdings in the Company, should note that if they wish to realise their investments in the Shares in future, they might not be able to dispose of the Shares in the market without exerting a downward pressure on the market price of the Shares which may be lower than the Offer Price of HK\$1.34 per Offer Share. Therefore, we consider that the Offer provides an alternative for the Independent Shareholders who would like to realise their investments in the Shares.

Comparable analysis

In further assessing the fairness and reasonableness of the Offer Price, we have considered comparisons on price-to-earnings ratio (“**P/E ratio**”) and price-to-book ratio (“**P/B ratio**”), which are the general practice to apply commonly used benchmarks for evaluating the value of companies. We have not considered applying the dividend approach as the Company had not declared and distributed any cash dividends in FY2016.

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Based on the Offer Price of HK\$1.34 per Offer Share and the total number of issued Shares of 432,948,000 as at the Latest Practicable Date, the Company is valued at approximately HK\$580.15 million. The P/E ratio and the P/B ratio of the Company implied by the Offer Price of the Shares are respectively approximately 81.5 times (the “**Company P/E Ratio**”) and approximately 0.79 times (the “**Company P/B Ratio**”), based on the profit attribute to owner of the Company of approximately RMB6.30 million (equivalent to approximately HK\$7.12 million) for the year ended 31 December 2016 and the net asset value attributable to owners of the Company of approximately RMB650.43 million (equivalent to approximately HK\$734.99 million) as at 31 December 2016.

We have identified the comparable companies that are being assigned in the same subsector of the Group, i.e. “Consumer Goods – Agricultural Products – Poultry & Meat” according to the Hang Seng Industry Classification System, a comprehensive industry classification system for the listed companies on the Stock Exchange covering 11 industries, 30 sectors and 86 subsectors issued by Hang Seng Indexes Company Limited. Based on the above selection criteria, 4 comparable companies (the “**Company Comparables**”) are identified, which are exhaustive under the selection criteria, details of which are listed below:

Company (Stock code)	Principal business activities	Market capitalisation as at the Latest Practicable Date (Note 1) (HK\$' million)	Profit attributable to owners (Note 2)	Net asset value attributable to owners (Note 3) (HK\$' million)	P/E Ratio (Note 4)	P/B Ratio (Note 5)	
WH Group Ltd. (288)	Packaged meats, fresh pork and hog production.	102,557	8,060.08	49,138	12.72	2.09	
China Yurun Food Group Ltd. (1068)	Slaughtering, production and sales of chilled and frozen meat and processed meat products.	1,969	(2,341.87)	9,393	N/A	0.21	
Pacific Andes International Holdings Ltd. (1174)	Processing of fishing and fishmeal, operation of fishing vessels, global sourcing, processing of onshore and international distribution of a variety of frozen seafood products, trading of marine fuel and provision of shipping and agency services.	1,034	485.75	8,779	2.13	0.12	
Huisheng International Holdings Ltd. (1340)	Hog breeding, hog slaughtering and sale of pork products in the PRC.	417	79.89	1,167	5.22	0.36	
					Maximum	12.72	2.09
					Minimum	2.13	0.12
					Mean	6.69	0.69
					Median	5.22	0.28
The Company						81.5	0.79

Source: The Stock Exchange's website (www.hkex.com.hk)

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Note:

1. The market capitalisation of the Company Comparables is calculated on the basis of their respective closing prices of the shares and the total number of issued shares as at the Latest Practicable Date.
2. The respective profit attributable to owners as disclosed in the latest public annual reports and/or annual results announcements on or before the Latest Practicable Date.
3. The respective net asset values attributable to owners as disclosed in the latest published annual/interim reports and/or annual/interim results announcements on or before the Latest Practicable Date.
4. The respective P/E Ratios of the Company Comparables are calculated on the basis of their respective market capitalisation and profit attributable to owners as disclosed in the latest public annual reports and/or annual results announcements on or before the Latest Practicable Date.
5. The respective P/B Ratios of the Company Comparables are calculated on the basis of their respective market capitalisations and net asset values attributable to shareholders as disclosed in the latest published annual/interim reports and/or annual/interim results announcements on or before the Latest Practicable Date.
6. For the purpose of this table, the translation into HK\$ is based on the average exchange rate of RMB1.00 to HK\$1.13 and USD1.00 to HK\$7.78 for the purpose of illustration only.

As shown in the table above, the Company P/E Ratio is substantially greater than the P/E Ratio of the Company Comparables. Nevertheless, we noted that the Group has just turnaround from a net loss of approximately RMB28 million from FY2015 to a small net profit of approximately RMB6 million in FY2016, and the small net profit might exaggerate the Company P/E Ratio, and hence is not indicative. The P/B Ratio of the Company Comparables ranges from approximately 0.12 to approximately 2.09 with an average of 0.69. We noted that the Company P/B Ratio lies within the range and above the mean and median of P/B Ratio of the Company Comparables. Based on the above and taken into account of (i) the unsatisfactory operating performance of the Group and return to Shareholders, (ii) the liquidity and financial stability positions of the Group are not very solid and (iii) the uncertainty of the Group's prospect as discussed above, we consider the Offer Price is justifiable and is fair and in the interest of the Independent Shareholders as a whole.

III. Information on the Offeror

As stated in the Composite Document, the Offeror is an investment holding company incorporated in the Cayman Islands with limited liability on 5 January 2015. As at the Latest Practicable Date, the Offeror is wholly owned by 寧夏天元錳業有限公司 (transliterated as Ningxia Tianyuan Manganese Industry Co., Ltd) ("**Ningxia Tianyuan**"), a company incorporated in the PRC with limited liability, which is beneficially and ultimately owned as to approximately 99.62%, 0.19% and 0.19% by Mr. Jia, Ms. Dong Jufeng (東菊鳳) ("**Ms. Dong**") and Ms. Zhu Fenglian (朱鳳蓮) ("**Ms. Zhu**"), respectively. The sole director of the Offeror is Ms. Jia Yan (賈彥), who is a niece of Mr. Jia. Ms. Dong, spouse of Mr. Jia, is the assistant to the chairman of the board of directors and the supervisor of Ningxia Tianyuan. Ms. Zhu is a business partner of Mr. Jia. Save as disclosed above, none of Ms. Dong and Ms. Zhu holds any other positions in Ningxia Tianyuan nor has any relationship with Mr. Jia.

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Ningxia Tianyuan is principally engaged in the processing of manganese minerals and other metal minerals and sale of electrolytic manganese and other processed metal minerals. Ningxia Tianyuan is a trans-regional, multi-industry private enterprise and the largest electrolytic manganese metal manufacturer in the world. Over the years, with the support from local government of district, city and province and related departments in the PRC, Ningxia Tianyuan wishes to build its brand and strive to achieve the strategic target of being a manganese manufacturer with international competitiveness.

Ningxia Tianyuan has an annual production capacity in electrolytic manganese metal of 500,000 tons, chromite metal of 300,000 tons, sulphuric acid of 200,000 tons, cement of 2,000,000 tons, restored manganese dioxide of 800,000 tons, treated harmless manganese metal residue of 2,000,000 tons. Ningxia Tianyuan was ranked 375th in the list of Top 500 Enterprises of China in 2015 issued by China Enterprise Confederation with a total revenue of RMB32.6 billion for the year ended 31 December 2015.

IV. Future intentions of the Offeror regarding the Group

As stated in the Composite Document, it is the intention of the Offeror that the Group will continue with its existing principal businesses after the close of the Offer and will maintain the listing status of the Company on the Stock Exchange and the Singapore Stock Exchange. The existing principal business of the Group includes production and trading of food products, breeding and sale of livestock, poultry and rabbits. The Offeror will conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the Offeror may look into business opportunities and consider whether any asset disposals, asset acquisitions, business rationalization, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company. As at the Latest Practicable Date, the Offeror had not identified any new business opportunities. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules as and when appropriate.

Save for the Offeror's intention regarding the Group as set out above, the Offeror has no intention to (i) discontinue the employment of any employees of the Group (save for changes in the composition of the board of directors of the Group); or (ii) re-deploy the fixed assets of the Group other than those in its ordinary and usual course of business.

The existing executive Directors, namely Mr. An Fengjun, the chief executive officer of the Group, and Mr. Gao Yanxu, who both have extensive experience and expertise in food production industry, will remain in the Board and oversee the business operation of the Group after close of the Offer. In addition, as advised by the Company, other than the current non-executive Directors, Mr. Gao Sishi, Mr. Zhang Qi and Mr. Naoki Yamada, and the current independent non-executive Directors, Mr. Chong Soo Hoon, Sean, and Mr. Yu Chung Leung, the existing senior management of the Group will stay in the Group after close of the Offer.

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V. Proposed change of Board composition

As at the Latest Practicable Date, the Board comprised Mr. An Fengjun and Mr. Gao Yanxu as executive Directors, Mr. Gao Sishi, Mr. Zhang Qi and Mr. Naoki Yamada as non-executive Directors, and Mr. Chong Soo Hoon, Sean, Mr. Lau Choon Hoong and Mr. Yu Chung Leung as independent non-executive Directors.

Save for the executive Directors, Mr. An Fengjun and Mr. Gao Yanxu, and the independent non-executive Director, Mr. Lau Choon Hoong, letters of resignation of Mr. Gao Sishi, Mr. Zhang Qi and Mr. Naoki Yamada as non-executive Directors and Mr. Chong Soo Hoon, Sean, and Mr. Yu Chung Leung as the independent non-executive Directors, to be effective from a date no earlier than the earliest date as permitted under the Takeovers Code and the Listing Rules, had been delivered to the Offeror upon Completion.

The Offeror proposes to nominate new Directors to the Board subject to compliance with all the applicable regulatory requirements, including the Takeovers Code and the Listing Rules. As at the Latest Practicable Date, it is proposed that Mr. Luo Zhenwu, Ms. Dong Yutong and Mr. Wang Yuan will be appointed as executive Directors and Mr. Song Xuejun and Mr. Lu Zhiwen as independent non-executive Directors.

For biographic details of the above-mentioned nominees for appointment as executive Directors and independent non-executive Directors, as the case maybe, please refer to the “Letter from Prudential Brokerage” of the Composite Document.

Under the Share Purchase Agreement, the Vendors have agreed to procure that Board resolutions be passed to approve the appointment of such persons as may be nominated by the Offeror as new Directors, such appointment to take effect from a date which is no earlier than such date as permitted under Rule 26.4 of the Takeovers Code. It is proposed that other new Directors will be nominated to the Board. However, the proposed changes have not yet been finalised as at the Latest Practicable Date and a further announcement will be made in respect of changes to the composition to the Board.

In light of the above, among other things, the Offeror will explore and consider any other investment and business opportunities which may arise in the market from time to time thereafter and intends to significantly change the Board composition, we are therefore of the view that the future prospects of the Group are not certain as at the Latest Practicable Date.

VI. Public float and maintaining the listing status of the Company

The Offeror intends to maintain the listing of the Shares on the Main Board of the Stock Exchange and on the Singapore Stock Exchange after the close of the Offer.

In the event that the public float of the Company falls below 25% following the close of the Offer, the director of the Offeror and the new directors (who have been nominated by the Offeror) to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that a sufficient public float exists in the Shares following the close of the Offer.

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The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, the Stock Exchange may exercise its discretion to suspend trading in the Shares until the prescribed level of public float is restored.

RECOMMENDATION

Having taken into account the following principal factors and reasons:

- (i) the Offer Price of HK\$1.34 per Offer Share is the same as the price paid for each Sale Share under the Share Purchase Agreement;
- (ii) the total revenue of the Group had been decreasing in the past five fiscal years raises concern on the Group's business sustainability, in particular the decreasing revenue in chilled and frozen rabbit meat segment might be a long term effect;
- (iii) even though the Group turnaround from net loss position in FY2015 to net profit position in FY2016, such performance improvement was not indicative;
- (iv) return to the Shareholders was unsatisfactory in the past five fiscal years;
- (v) the liquidity and financial stability positions of the Group are not solid;
- (vi) the prospects and outlook of the Group would remain uncertain in the near future in particular (a) the principal business of the holding company of the Offeror is different from that of the Group, (b) the Offeror may look into business opportunities and consider whether any asset disposals, asset acquisitions, business rationalization, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in the future, (c) the Offeror intends to significantly change the Board composition as set out in details in sections III, IV, V above respectively;
- (vii) the closing prices of the Shares in approximately 80% of the total trading days during the Pre-Rule 3.7 Announcement Period were below the Offer Price;
- (viii) the trading volume of the Shares is generally thin during the Review Period; and
- (ix) although the Company P/E Ratio is not indicative as the Group has just turnaround from a net loss to a small net profit position, the Company P/B Ratio lies within the range and above the mean and median of P/B Ratio of the Company Comparables,

we are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and the Offer provides a good opportunity to those Independent Shareholders who wish to redeploy their investment in the Company. Although the Offer Price represents a discount of 44.40% to the closing price of HK\$2.41 per Share as quoted on the Stock Exchange as at the Latest Practicable Date, given that (i) the Directors are not aware of any specific reasons for such price movements during the Post-Joint Announcement Period,

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and therefore we consider the Share prices during such period may also not be a closely reliable and meaningful benchmark for the purpose of analysing the fairness and reasonableness of the Offer Price, and (ii) the current market price of the Share may not be indicative for the future movement of Share price taken into account of the factors in forming our recommendation above, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

However, Independent Shareholders should note that the Shares have been trading above the Offer Price. Therefore, opportunities may exist for Independent Shareholders to sell their Shares in the open market above the Offer Price and thus the Independent Shareholders are reminded that they should monitor carefully and closely the market price and the liquidity of the Shares before the end of the Offer Period and consider selling their Shares in the open market rather than accepting the Offer if the net proceeds from the market sale of their Shares after deducting all transaction costs are more than the net amount to be received under the Offer. Those Independent Shareholders who wish to retain some or all of their investments in the Shares and/or are confident in the future prospects of the Group or otherwise are reminded to closely monitor the development of the Group and the publication of the Company (including the Composite Document and the interim report for the six months ending 30 June 2017) in this regard.

The Independent Shareholders are strongly advised that the decision to accept the Offer or to hold their investments in the Shares is subject to individual circumstances and investment objectives. As different Independent Shareholders would have different investment criteria, objectives, risk preferences and tolerance levels and/or circumstances, we would recommend any Independent Shareholder who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser before making the decision to, whether or not, accept the Offer. The Independent Shareholders are also reminded to read carefully the procedures for accepting the Offer as detailed in the Composite Document, the appendices to the Composite Document and the relevant Acceptance Form(s), if they wish to accept the Offer.

Yours faithfully,

For and on behalf of

TC Capital International Limited

Edward Wu

Chairman

Stanley Chung

Managing Director

Note: Mr. Edward Wu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2005. Mr. Stanley Chung has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2006. Both Mr. Wu and Mr. Chung have participated in and completed various advisory transactions in respect of connected transactions and transactions under the Takeovers Code of listed companies in Hong Kong.

**1. PROCEDURES FOR ACCEPTANCE OF THE OFFER FOR HONG KONG
SHAREHOLDERS**

To accept the Offer, you should complete and sign the accompanying FAT HK in accordance with the instructions printed thereon, which forms part of the terms of the Offer.

- (a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed FAT HK together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Share(s) in respect of which you intend to accept the Offer, by post or by hand, to the Registrar HK, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in any event no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your holding of Share(s) (whether in full or in part), you must either:
 - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the duly completed FAT HK together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar HK; or
 - (ii) arrange for the Share(s) to be registered in your name by the Company through the Registrar HK, and deliver the duly completed and signed FAT HK together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar HK; or

- (iii) if your Share(s) has/have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (iv) if your Share(s) has/have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.
- (c) If the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Share(s), the FAT HK should nevertheless be completed and delivered to the Registrar HK together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar HK as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar HK for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar HK.
- (d) If you have lodged transfer(s) of any of your Share(s) for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your Share(s), you should nevertheless complete and sign the FAT HK and deliver it to the Registrar HK together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror and/or Prudential Brokerage or their respective agent(s) to collect from the Company or the Registrar HK on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar HK on your behalf and to authorise and instruct the Registrar HK to hold such Share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar HK with the FAT HK.

- (e) Acceptance of the Offer will be treated as valid only if the completed FAT HK is received by the Registrar HK by no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive in accordance with the Takeovers Code) and in compliance with Note 1 to Rule 30.2 of the Takeovers Code, and the Registrar HK has recorded the acceptance and any relevant documents required by the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those Share certificate(s) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Share(s); or
 - (ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Share(s) which is/are not taken into account under another sub-paragraph of this paragraph (e)); or
 - (iii) inserted in the FAT HK, the total number of Shares equal to that represented by the certificates for Shares tendered for acceptance of the Offer. If no number is inserted or a number inserted in excess or smaller than that represented by the certificates for Shares tendered for acceptance of the Offer, the FAT HK will be returned to you for correction and resubmission. Any corrected FAT HK must be resubmitted and received by the Registrar HK on or before the latest time of acceptance of the Offer; or
 - (iv) certified by the Registrar HK or the Stock Exchange. If the FAT HK is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar HK must be produced.
- (f) No acknowledgement of receipt of any FAT HK, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

**2. PROCEDURES FOR ACCEPTANCE OF THE OFFER FOR SINGAPORE
SHAREHOLDERS****(a) Depositors**

- (i) **Depositors whose Securities Accounts are credited with Offer Shares.** If you have Offer Shares standing to the credit of the “Free Balance” of your Securities Account, you should receive this Composite Document together with the FAA SG. If you do not receive the FAA SG, you may obtain a copy of such FAA SG, upon production of satisfactory evidence that you are a Shareholder, from CDP at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588.

Acceptance. If you wish to accept the Offer in respect of all or any of your Offer Shares, you should:

- (1) complete the FAA SG in accordance with the provisions and instructions in this Composite Document and the FAA SG (which provisions and instructions shall be deemed to form part of the terms of the Offer). In particular, you must state in Part A of the FAA SG, the number of Offer Shares in respect of which you wish to accept the Offer. If you:

(I) do not specify such number; or

- (II) specify a number which exceeds the number of Offer Shares standing to the credit of the “Free Balance” of your Securities Account as at 5:00 p.m. on the Date of Receipt or, in the case where the Date of Receipt is on the Closing Date, as at 4:00 p.m. on the Closing Date (provided always that the Date of Receipt must fall on or before the Closing Date),

you shall be deemed to have accepted the Offer in respect of all the Offer Shares already standing to the credit of the “Free Balance” of your Securities Account as at 5:00 p.m. on the Date of Receipt or 4:00 p.m. on the Closing Date (if the FAA SG is received by CDP on the Closing Date);

- (2) sign the FAA SG in accordance with this Composite Document and the instructions printed on the FAA SG; and

(3) deliver the completed and signed FAA SG in its entirety (no part may be detached or otherwise mutilated):

- (I) **by hand**, to China Tian Yuan Manganese Limited c/o The Central Depository (Pte) Limited, 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588; or
- (II) **by post**, in the enclosed pre-addressed envelope at your own risk, to China Tian Yuan Manganese Limited c/o The Central Depository (Pte) Limited, Robinson Road Post Office, P.O. Box 1984, Singapore 903934,

in either case so as to arrive not later than 4:00 p.m. on the Closing Date. If the completed and signed FAA SG is delivered by post to the Offeror, please use the enclosed pre-addressed envelope. It is your responsibility to affix adequate postage on the said envelope.

If you have sold or transferred all your Offer Shares held through CDP, you need not forward this Composite Document and the accompanying FAA SG to the purchaser or transferee, as CDP will arrange for a separate Composite Document and FAA SG to be sent to the purchaser or transferee. Purchasers of the Offer Shares should note that CDP will, for and on behalf of the Offeror, send a copy of this Composite Document and the FAA SG by ordinary post at the purchasers' own risk to their respective addresses as they appear in the records of CDP.

If you are a Depository Agent, you may accept the Offer via Electronic Acceptance. Such Electronic Acceptance must be submitted **not later than 4:00 p.m. on the Closing Date**. CDP has been authorised by the Offeror to receive Electronic Acceptances on its behalf. Electronic Acceptances submitted will be deemed irrevocable and subject to each of the terms and conditions contained in the FAA SG and this Composite Document as if the FAA SG had been completed and delivered to CDP.

- (ii) **Depositors whose Securities Accounts will be credited with Offer Shares.** If you have purchased Offer Shares on the Singapore Stock Exchange after the date of despatch of this Composite Document and such Offer Shares are in the process of being credited to the "Free Balance" of your Securities Account, you should also receive this Composite Document together with the FAA SG. If you do not receive the FAA SG, you may obtain a copy of such FAA SG, upon production of satisfactory evidence that you have purchased the Offer Shares on the Singapore Stock Exchange, from CDP at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588.

Acceptance. If you wish to accept the Offer in respect of such Offer Shares, you should, **AFTER** the “Free Balance” of your Securities Account has been credited with such number of Offer Shares purchased:

- (1) complete and sign the FAA SG in accordance with the instructions in this Composite Document and the FAA SG; and
- (2) deliver the completed and signed FAA SG in its entirety (no part may be detached or otherwise mutilated):
 - (I) **by hand**, to China Tian Yuan Manganese Limited c/o The Central Depository (Pte) Limited, 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588; or
 - (II) **by post**, in the enclosed pre-addressed envelope at your own risk, to China Tian Yuan Manganese Limited c/o The Central Depository (Pte) Limited, Robinson Road Post Office, P.O. Box 1984, Singapore 903934,

in either case so as to arrive not later than 4:00 p.m. on the Closing Date. If the completed and signed FAA SG is delivered by post to the Offeror, please use the enclosed pre-addressed envelope. It is your responsibility to affix adequate postage on the said envelope.

- (iii) **Depositors whose Securities Accounts are and will be credited with Offer Shares.** If you have Offer Shares credited to the “Free Balance” of your Securities Account, and have purchased additional Offer Shares on the Singapore Stock Exchange which are in the process of being credited to the “Free Balance” of your Securities Account, you may accept the Offer in respect of the Offer Shares standing to the credit of the “Free Balance” of your Securities Account and may accept the Offer in respect of the additional Offer Shares purchased which are in the process of being credited to your Securities Account only **AFTER** the “Free Balance” of your Securities Account has been credited with such number of additional Offer Shares purchased. The provisions set out above shall apply *mutatis mutandis* to your acceptance of the Offer.

- (iv) **Rejection.** If upon receipt by CDP, on behalf of the Offeror, of the FAA SG, it is established that the Offer Shares specified in the FAA SG have not been or will not be credited to the “Free Balance” of your Securities Account (as, for example, where you are selling or have sold such Offer Shares), then your acceptance is liable to be rejected and none of CDP, Prudential Brokerage and the Offeror (and, for the avoidance of doubt, any of the Offeror’s related corporations) accepts any responsibility or liability for such a rejection, including the consequences of such a rejection.

If you purchase Offer Shares on the Singapore Stock Exchange during the Offer Period and on a date close to the Closing Date, your acceptance of the Offer in respect of such Offer Shares is liable to be rejected if the “Free Balance” of your Securities Account is not credited with such Offer Shares by 5:00 p.m. on the Date of Receipt or 4:00 p.m. on the Closing Date (if the FAA SG is received by CDP on the Closing Date). None of CDP, Prudential Brokerage and the Offeror (and, for the avoidance of doubt, any of the Offeror’s related corporations) accepts any responsibility or liability for such a rejection, including the consequences of such a rejection.

- (v) **FAAs SG received on Saturday, Sunday and public holidays.** For the avoidance of doubt, FAAs SG received by CDP, for and on behalf of the Offeror, on a Saturday, Sunday or public holiday in Singapore will only be processed and validated on the next business day.
- (vi) **General.** No acknowledgement will be given by CDP for submissions of the FAA SG made by hand or by post to CDP or deposited into boxes located at CDP’s premises. All communications, notices, documents and payments to be delivered or sent to you will be sent by ordinary post at your own risk to your mailing address as it appears in the records of CDP. For reasons of confidentiality, CDP will not entertain telephone enquiries relating to the number of Offer Shares credited to your Securities Account. You can verify such number in your Securities Account: (i) through CDP Online if you have registered for the CDP Internet Access Service, or (ii) through the CDP Phone Service if you have a T-PIN.

- (vii) **Suspense Account.** Upon receipt by CDP, for and on behalf of the Offeror, of the duly completed and signed original of the FAA SG, CDP will take such measures as it may consider necessary and expedient to prevent any trading of the Offer Shares in respect of which you have accepted the Offer during the period commencing on the Date of Receipt and ending on the date of settlement of the Offer Price (including, without limitation, earmarking, blocking and/or transferring the relevant number of Offer Shares in respect of which you have accepted the Offer from the “Free Balance” of your Securities Account to a “Suspense Account”). Such Offer Shares will be held in the “Suspense Account” until the consideration for the Offer Shares has been despatched to you.
- (viii) **Notification.** If you have accepted the Offer in accordance with the terms of this Composite Document and the FAA SG, upon the Offeror’s despatch of the consideration for the Offer Shares, CDP will send you a notification letter stating the number of Offer Shares debited from your Securities Account together with payment of the Offer Price by way of a demand draft denominated in HK\$ drawn on a bank in Hong Kong for the appropriate amount at your own risk, as soon as possible but in any event within 7 business days (as defined in the Takeovers Code) following the Date of Receipt.
- (ix) **No Securities Account.** If you do not have any existing Securities Account in your own name at the time of acceptance of the Offer, your acceptance as contained in the FAA SG will be rejected.

(b) Scripholders

- (i) **Shareholders whose Offer Shares are not deposited with CDP.** If you hold Offer Shares which are not deposited with CDP (“in scrip form”), you should receive this Composite Document together with a FAT SG. If you do not receive the FAT SG, you may obtain a copy of such FAT SG, upon production of satisfactory evidence that you are a Shareholder, from B.A.C.S. Private Limited at 8 Robinson Road, #03-00 ASO Building, Singapore 048544.

(ii) **Acceptance.** If you wish to accept the Offer in respect of all or any of your Offer Shares, you should:

(1) complete the FAT SG in accordance with the provisions and instructions in this Composite Document and the FAT SG (which provisions and instructions shall be deemed to form part of the terms of the Offer). In particular, you must state in Part A of the FAT SG the number of Offer Shares in respect of which you wish to accept the Offer and state in Part B of the FAT SG the share certificate number(s) of the relevant share certificate(s). If you:

(I) do not specify a number in Part A of the FAT SG; or

(II) specify a number in Part A of the FAT SG which exceeds the number of Offer Shares represented by the attached share certificate(s) accompanying the FAT SG,

you shall be deemed to have accepted the Offer in respect of all the Offer Shares represented by the share certificate(s) accompanying the FAT SG;

(2) sign the FAT SG in accordance with this Composite Document and the instructions printed on the FAT SG; and

(3) deliver:

(I) the completed and signed FAT SG in its entirety (no part may be detached or otherwise mutilated);

(II) the share certificate(s), other document(s) of title and/or other relevant document(s) required by the Offeror and/or Registrar SG relating to the Offer Shares in respect of which you wish to accept the Offer. If you are recorded in the register of members of the Company maintained by Registrar SG as holding Offer Shares but do not have the relevant share certificate(s) relating to such Offer Shares, you, at your own risk, are required to procure the Company to issue such share certificate(s) in accordance with the constitutive document of the Company and then deliver such share certificate(s) in accordance with the procedures set out in this Composite Document and the FAT SG;

(III) where such Offer Shares are not registered in your name, a transfer form, duly completed and executed by the person in whose name such Offer Shares is/are registered and stamped, with the particulars of the transferee left blank (to be completed by the Offeror or transferee or a person authorised by either one of them); and

(IV) any other relevant document(s),

either **by hand** to China Tian Yuan Manganese Limited c/o B.A.C.S. Private Limited, 8 Robinson Road, #03-00 ASO Building, Singapore 048544; or **by post**, in the enclosed pre-addressed envelope at your own risk, to China Tian Yuan Manganese Limited c/o B.A.C.S. Private Limited, 8 Robinson Road, #03-00 ASO Building, Singapore 048544, **in either case so as to arrive not later than 4:00 p.m. on the Closing Date**. If the completed and signed FAT SG is delivered by post to the Offeror, please use the enclosed pre-addressed envelope. It is your responsibility to affix adequate postage on the said envelope.

(iii) **Unavailable/lost Share certificate(s)**. If you are recorded in the register of members of the Company maintained by Registrar SG as holding Offer Shares but do not have the relevant share certificate(s) relating to such Offer Shares, you, at your own risk, are required to procure the Company to issue such share certificate(s) in accordance with the constitutive document of the Company and then deliver such share certificate(s) in accordance with the procedures set out in this Composite Document and the FAT SG. If your share certificate(s) or transfer form(s) and/or other relevant document(s) required by the Offeror, is/are not readily available or is/are lost, please contact B.A.C.S. Private Limited at 8 Robinson Road, #03-00 ASO Building, Singapore 048544. The FAT SG should nevertheless be completed and delivered as above if you wish to accept the Offer. The unavailable/missing share certificate(s) and/or transfer forms(s) and/or any other document(s) of title (and/or satisfactory indemnities or appropriate statutory declarations required in respect thereof) should be forwarded as soon as possible thereafter but in any event before 4:00 p.m. on the Closing Date.

(iv) **Receipt**. No acknowledgement of receipt of any FAT SG, share certificate(s), other document(s) of title, transfer form(s) and/or any other accompanying document(s) will be given by the Offeror, Prudential Brokerage or Registrar SG.

(v) **FATs SG received on Saturday, Sunday and public holidays**. For the avoidance of doubt, FATs SG received by Registrar SG, for or on behalf of the Offeror, on a Saturday, Sunday or public holiday in Singapore will only be processed and validated on the next business day.

3. SETTLEMENT OF THE OFFER FOR HONG KONG SHAREHOLDERS

Provided that a valid FAT HK and the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Shares as required by Note 1 to Rule 30.2 of the Takeovers Code are complete and in good order and in all respects and have been received by the Registrar HK before the close of the Offer, a cheque for the amount due to each of the Shareholders who accepts the Offer less seller's ad valorem stamp duty in respect of the Offer Shares tendered by him/her/it under the Offer will be despatched to such Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within 7 business days (as defined in the Takeovers Code) of the date on which the duly completed acceptances of the Offer and the relevant documents of title in respect of such acceptances are received by the Registrar HK to render each such acceptance complete and valid.

Settlement of the consideration to which any accepting Independent Shareholders is entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect to the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholders.

4. SETTLEMENT OF THE OFFER FOR SINGAPORE SHAREHOLDERS

Subject to the receipt by the Offeror from accepting Singapore Shareholders of valid acceptances and all relevant documents required by the Offeror (c/o CDP or Registrar SG, as the case may be) which are complete in all respects and in accordance with the instructions given in this Composite Document and in the FAA SG or the FAT SG (as the case may be) and in the case of Depositors, the receipt by the Offeror of a confirmation satisfactory to it that the relevant number of Offer Shares tendered by the accepting Singapore Shareholders in acceptance of the Offer stand to the credit of the "Free Balance" of their respective Securities Account at the relevant time(s), payments in the form of demand drafts denominated in HK\$ drawn on a bank in Hong Kong will be despatched to the accepting Singapore Shareholders (or in the case of Singapore Shareholders holding share certificate(s) which are not deposited with CDP, their designated agents, as they may direct) by ordinary post, at the risk of the accepting Singapore Shareholders, as soon as practicable, but in any case within 7 business days (as defined in the Takeovers Code) following the Date of Receipt.

No stamp duty is payable in Singapore on the transfer of scripless shares through the book entry securities system maintained by CDP.

5. ACCEPTANCE PERIOD AND REVISIONS

- (a) Unless the Offer has previously been revised or extended with the consent of the Executive in accordance with the Takeovers Code, the relevant Acceptance Form(s) must be received in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date.
- (b) The Offeror and the Company will jointly issue an announcement through the website of the Stock Exchange (with a copy made available on the website of the Singapore Stock Exchange) no later than 7:00 p.m. on the Closing Date stating whether the Offer has been revised or extended.
- (c) If the Offeror revises the terms of the Offer (in accordance with the relevant requirements under the Takeovers Code), all the Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms.
- (d) If the Offer is extended or revised, the announcement of such extension or revision will state the next closing date or, if the Offer has become unconditional as to acceptances, include a statement that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the Offer is closed to the Independent Shareholders who have not accepted the Offer, and an announcement will be released. The revised Offer will be kept open for at least 14 days thereafter.
- (e) If the Closing Date of the Offer is extended, any reference in this Composite Document and the relevant Acceptance Form(s) to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offer so extended.
- (f) Any acceptance of the relevant revised Offer shall be irrevocable unless and until the Independent Shareholder who accepted the Offer becomes entitled to withdraw their acceptance under the paragraph headed "8. Right of Withdrawal" below duly do so.

6. NOMINEE REGISTRATION

To ensure equality of treatment of all Shareholders, those Shareholders who hold Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

7. ANNOUNCEMENTS

(a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of their decision in relation to the revision or extension of the Offer. The Offeror must post an announcement on the Stock Exchange's website (with a copy made available on the website of the Singapore Stock Exchange) by 7:00 p.m. on the Closing Date stating, amongst other information required under Rule 19.1 of the Takeovers Code, whether the Offer has been revised or extended. The announcement will state the total number of Shares:

- (i) for which acceptances of the Offer has been received;
- (ii) held, controlled or directed by the Offeror or persons acting in concert with any of them before the Offer Period; and
- (iii) acquired or agreed to be acquired during the Offer Period by the Offeror and persons acting in concert with it.

The announcement must include details of any relevant securities (as defined in the Takeovers Code) in the Company which the Offeror or any person acting in concert with it has borrowed or lent, save for any borrowed shares which have been either on-lent or sold. The announcement must also specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers of Shares.

- (b) In computing the total number of Shares represented by acceptances, only valid acceptances that are complete and in good order and satisfy the acceptance conditions and which have been received by the Registrar HK, Registrar SG and CDP or the Company (as the case may be) no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.
- (c) As required under the Takeovers Code, all announcements in respect of listed companies must be made in accordance with the requirement of the Listing Rules and will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.kangdafood.com.
- (d) As required under the Listing Manual of the Singapore Stock Exchange, any information and documents released on the Stock Exchange must be released at the same time on the Singapore Stock Exchange in English.

8. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed “7. Announcements” above, the Executive may require that the Independent Shareholders who have tendered acceptances of the Offer to be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

In such case, when the Independent Shareholder(s) withdraw(s) the acceptances, the Offeror, Registrar HK and Registrar SG shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title lodged with the relevant Acceptance Form(s) to the relevant Independent Shareholders by ordinary post or deposit the relevant Shares to the Securities Account of the Shareholder (in the case of acceptance made with FAA SG) at the relevant Shareholder’s own risks.

9. OVERSEAS SHAREHOLDERS

This Composite Document will not be filed under the applicable securities or equivalent legislation or rules of any jurisdiction other than Hong Kong and Singapore.

The Offer is in respect of a company incorporated in Bermuda and listed in Hong Kong and Singapore and is therefore subject to the procedural and disclosure requirements of laws, regulations and rules in Hong Kong and Singapore which may be different to those in other jurisdictions.

The Independent Shareholders who are also Overseas Shareholders who wish to participate in the Offer are subject to, and may be limited by, the laws, regulations and rules of their respective jurisdictions in connection with their participation in the Offer. Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers in the relevant jurisdictions.

It is the responsibility of each Overseas Shareholder who wishes to accept the Offer to satisfy themselves as to the full observance of the laws, regulations and rules of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental, exchange control or other consent and any registrations or filings which may be required, the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholder in respect of such jurisdictions).

Each Overseas Shareholder who wishes to accept the Offer is also fully responsible for other taxes and duties by whomsoever payable in respect of all relevant jurisdictions. The Offeror, the Company, Prudential Brokerage, Veda Capital, Crescendo Capital, the Independent Financial Adviser, Registrar HK, Registrar SG, CDP and any person involved in the Offer shall be entitled to be fully indemnified and held harmless by you for any taxes, imposts, duties or requisite payment as you may be required to pay.

Acceptances of the Offer by any such person will be deemed to constitute a representation and warranty by such person to the Offeror that the local laws and requirements have been complied with and such person is permitted under all applicable laws to accept the Offer and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws.

The Offeror reserves the right to notify any matter, including the making of the Offer, to Overseas Shareholders by announcement or by advertisement in a newspaper which may not be circulated in the jurisdiction in which the Overseas Shareholders are resident. The notice will be deemed to have been sufficiently given, despite any failure by an Overseas Shareholder to receive or see that notice.

For the avoidance of doubt, the Offer is made to all Shareholders including those to whom this Composite Document and/or the relevant Acceptance Form(s) have not been, or will not be, sent. If any Overseas Shareholder is in any doubt about his position, he should consult his professional adviser in the relevant jurisdiction.

10. STAMP DUTY AND OTHER FEES

The seller's Hong Kong ad valorem stamp duty on acceptances of the Offer (or part thereof) at a rate of 0.1% of the consideration payable in respect of the relevant acceptances by the Shareholders, or if higher, the market value of the Offer Shares subject to such acceptance, will be deducted from the amount payable to those relevant Shareholders who accept the Offer.

The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Shareholders who accept the Offer and the Offeror will bear its own portion of the buyer's Hong Kong ad valorem stamp duty in connection with the acceptances of the Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Stamp duty and transfer fees (if any) resulting from acceptances of the Offer by Independent Shareholders whose Shares are traded on the Singapore Stock Exchange will be paid by the Offeror.

11. TAX IMPLICATIONS

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, Veda Capital, Crescendo Capital, Prudential Brokerage, the Independent Financial Adviser and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

12. GENERAL

- (a) All communications, notices, Acceptance Form(s), Share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Offeror, parties acting in concert with the Offeror, the Company, Veda Capital, Crescendo Capital, Prudential Brokerage, the Independent Financial Adviser and any of their respective directors nor the Registrar HK, Registrar SG, CDP or other parties involved in the Offer or any of their respective agents accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Acceptance Form(s) form part of the terms and conditions of the Offer.
- (c) The accidental omission to despatch this Composite Document and/or the Acceptance Form(s) or any of them to any person to whom the Offer are made will not invalidate the Offer in any way.
- (d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Acceptance Form(s) will constitute an authority to the Offeror, Veda Capital, Crescendo Capital, Prudential Brokerage or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares in respect of which such person or persons has/have accepted the Offer.

- (f) By accepting the Offer, the Independent Shareholders will sell their Shares to the Offeror free from all Encumbrances and together with all rights attaching or accruing thereto, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of this Composite Document. The making of the Offer to a person with a registered address in a jurisdiction outside Hong Kong and Singapore may be affected by the applicable laws of the relevant jurisdiction. Overseas Shareholders with registered addresses in jurisdictions outside Hong Kong and Singapore should inform themselves about and observe any applicable legal requirements in their own jurisdictions.
- (g) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which it is indicated in the relevant Acceptance Form(s) is the aggregate number of Shares held by such nominee for such beneficial owner who is accepting the Offer.
- (h) Reference to the Offer in this Composite Document and in the Acceptance Form(s) shall include any extension or revision thereof.
- (i) All acceptances, instructions, authorities and undertakings given by the Independent Shareholders in the relevant Acceptance Form(s) shall be irrevocable except as permitted under the Takeovers Code.
- (j) In making their decision, the Independent Shareholders, in addition to considering the information contained in the “Letter from Prudential Brokerage”, “Letter from the Board”, “Letter from the Independent Board Committee” and “Letter from the Independent Financial Adviser” as set out in this Composite Document, must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Acceptance Form(s), shall not be construed as any legal or business advice on the part of the Offeror, its ultimate beneficial owners, the Company, Veda Capital, Crescendo Capital, Prudential Brokerage and the Independent Financial Adviser. The Independent Shareholders should consult their own professional advisers for professional advice.
- (k) The English text of this Composite Document and the Acceptance Form(s) shall prevail over their respective Chinese text for the purpose of interpretation.

1. THREE-YEAR FINANCIAL SUMMARY

The following is a summary of the financial information of the Group for each of the past three financial years ended 31 December 2016 as extracted from the published annual reports for the respective financial years.

	2016	2015	2014
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Revenue	<u>1,262.8</u>	<u>1,226.4</u>	<u>1,302.6</u>
Profit/(Loss) before tax	9.8	(20.7)	5.2
Income tax expenses	<u>(2.2)</u>	<u>(5.3)</u>	<u>(12.3)</u>
Profit/(Loss) for the year	<u>7.5</u>	<u>(26.0)</u>	<u>(7.1)</u>
Attributable to:			
Equity shareholders of the Company	6.3	(28.1)	(4.0)
Non-controlling interests	<u>1.3</u>	<u>2.1</u>	<u>(3.1)</u>
	<u>7.6</u>	<u>(26.0)</u>	<u>(7.1)</u>
	<i>RMB cents</i>	<i>RMB cents</i>	<i>RMB cents</i>
Earnings per share:			
Basic earnings/(losses) per share			
(Note(3))	<u>1.45</u>	<u>(6.48)</u>	<u>(0.91)</u>

Notes:

- (1) The reports of BDO Limited, the auditors of the Company, on the audited financial statements of the Group for the three financial years ended 31 December 2016 did not have any qualification.
- (2) No dividends were declared or paid in respect of any of the three financial years ended 31 December 2016.
- (3) Diluted losses per share is not applicable as there are no dilutive potential ordinary shares during any of the three financial years ended 31 December 2016.
- (4) There were neither extraordinary nor exceptional items because of size, nature or incidence in any of the three financial years ended 31 December 2016.

2. AUDITED RESULTS FOR THE LAST FINANCIAL YEAR ENDED 31 DECEMBER 2016

The following is the summary of the consolidated financial statements of the Group for the year ended 31 December 2016 as extracted from the published annual report of the Company for 2016.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

		2016	2015
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	7	1,262,785	1,226,448
Cost of sales		<u>(1,161,209)</u>	<u>(1,103,612)</u>
Gross profit		101,576	122,836
Other income and other gains	7	61,370	27,752
Selling and distribution costs		(34,648)	(28,787)
Administrative expenses		(49,097)	(49,645)
Other operating expenses		(18,870)	(11,711)
Impairment loss on property, plant and equipment		<u>(11,332)</u>	<u>(41,486)</u>
Profit from operations	8	48,999	18,959
Finance costs	9	(39,203)	(38,918)
Share of loss of an associate		<u>—</u>	<u>(784)</u>
Profit/(Loss) before taxation		9,796	(20,743)
Income tax expense	10	<u>(2,247)</u>	<u>(5,262)</u>
Profit/(Loss) for the year		7,549	(26,005)
Other comprehensive income		<u>—</u>	<u>—</u>
Total comprehensive income for the year		<u><u>7,549</u></u>	<u><u>(26,005)</u></u>

		2016	2015
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(Loss) for the year and total			
comprehensive income attributable to:			
Owners of the Company		6,295	(28,060)
Non-controlling interests		<u>1,254</u>	<u>2,055</u>
		<u>7,549</u>	<u>(26,005)</u>
Profit/(Loss) per share for profit/(loss)			
attributable to the owners of the Company			
during the year	<i>12</i>		
Basic (RMB cents)		1.45	(6.48)
Diluted (RMB cents)		<u>1.45</u>	<u>(6.48)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

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

		2016	2015
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net current liabilities		<u>(267,661)</u>	<u>(282,400)</u>
Total assets less current liabilities		<u>736,324</u>	<u>741,073</u>
Non-current liabilities			
Deferred government grants	30	20,701	22,120
Interest-bearing bank borrowings	28	30,000	40,000
Deferred tax liabilities	20	<u>7,090</u>	<u>7,969</u>
Total non-current liabilities		<u>57,791</u>	<u>70,089</u>
Net assets		<u><u>678,533</u></u>	<u><u>670,984</u></u>
EQUITY			
Equity attributable to the Company's owners			
Share capital	31	112,176	112,176
Reserves	32	<u>538,257</u>	<u>531,962</u>
		650,433	644,138
Non-controlling interests		<u>28,100</u>	<u>26,846</u>
Total equity		<u><u>678,533</u></u>	<u><u>670,984</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS*For the year ended 31 December 2016*

		2016	2015
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities			
Profit/(Loss) before taxation		9,796	(20,743)
Adjustments for:			
Interest income	7	(11,441)	(8,084)
Interest expenses	9	39,203	38,918
Gains arising from changes in fair value			
less estimated costs to sell of biological assets, net	7	(37,800)	(7,102)
Depreciation of property, plant and equipment	8	63,289	55,402
Loss on disposal of property, plant and equipment	8	8,182	9,231
Amortisation of prepaid premium for land leases	8	4,323	4,324
Amortisation of deferred income on government grant	7	(2,777)	(2,637)
Write down of inventories	8	3,323	2,474
Provision for amount due from a former subsidiary	8	1,860	–
Provision for other receivables	8	3,828	–
Impairment loss on property, plant and equipment		11,332	41,486
Share of loss of an associate		–	784
Operating profit before working capital changes		93,118	114,053
Decrease/(Increase) in inventories		47,787	(15,407)
(Increase)/Decrease in trade and bills receivables		(27,580)	6,513
Decrease/(Increase) in prepayments, other receivables and deposits		7,060	(30,611)
Decrease in biological assets		19,546	19,297
(Decrease)/Increase in trade and bills payables		(39,265)	168,055
(Decrease)/Increase in accrued liabilities and other payables		(9,260)	7,001
Change in balance with related parties		(1,377)	(5,924)

		2016	2015
	Notes	RMB'000	RMB'000
Cash generated from operations		90,029	262,977
Interest paid		(40,267)	(42,798)
Income taxes paid		<u>(5,575)</u>	<u>(5,039)</u>
<i>Net cash generated from operating activities</i>		<u>44,187</u>	<u>215,140</u>
Cash flows from investing activities			
Purchases of property, plant and equipment		(47,504)	(294,370)
Deposits paid to acquire property, plant and equipment		(6,141)	(1,589)
Proceeds from disposal of property, plant and equipment		1,566	894
Receipt of deferred government grants	30	1,498	9,900
Decrease in amount due from a former subsidiary		–	2,501
Interest received		11,441	8,084
Decrease/(Increase) in pledged deposits		<u>83,390</u>	<u>(115,735)</u>
<i>Net cash generated from/(used in) investing activities</i>		<u>44,250</u>	<u>(390,315)</u>
Cash flows from financing activities			
Received from/(Repayment to) related parties		56,074	(23,955)
New bank borrowings		729,000	639,000
Repayment of bank borrowings		<u>(859,000)</u>	<u>(651,667)</u>
<i>Net cash used in financing activities</i>		<u>(73,926)</u>	<u>(36,622)</u>
Net increase/(decrease) in cash and cash equivalents		14,511	(211,797)
Cash and cash equivalents at 1 January		<u>269,648</u>	<u>481,445</u>
Cash and cash equivalents at 31 December		<u><u>284,159</u></u>	<u><u>269,648</u></u>
Analysis of balances of cash and cash equivalents			
Cash and bank balances		<u><u>284,159</u></u>	<u><u>269,648</u></u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

1. Corporate information

China Kangda Food Company Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda on 28 April 2006. The registered office of the Company is located at Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda. The principal place of business of the Company is located at No. 1, Hainan Road, Economic and Technology Development Zone, Jiaonan City, Qingdao, the People’s Republic of China. The Company’s shares are primary listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “HKEx”) and the listing status in the Main Board of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) was changed from primary listing to secondary listing with effect from 23 January 2017.

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries (together with the Company referred as the “Group”) are set out in note 34 to the financial statements.

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

The financial statements for the year ended 31 December 2016 were approved for issue by the board of directors on 28 March 2017.

2. Applications of International Financial Reporting Standards (“IFRSs”)**(a) Adoption of new/revised IFRSs – first effective on 1 January 2016**

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

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

Amendments to IAS 1 – Disclosure Initiative

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

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

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

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

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

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

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

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

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

Amendments to IAS 27 – Equity Method in Separate Financial Statements

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

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

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

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

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

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

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ No mandatory effective date yet determined but is available for early adoption

Amendments to IAS 7 – Disclosure Initiative

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

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

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

IFRS 9 (2014) – Financial Instruments

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

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

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

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

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

IFRS 15 – Revenue from Contracts with Customers

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

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

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

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

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

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

IFRS 16 – Leases

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

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

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

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

3. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement and going concern assumption

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

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

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

1. As at 31 December 2016, the Group's current liabilities exceeded its current assets by approximately RMB268 million;
2. Amongst the total bank borrowings of approximately RMB559 million as at 31 December 2016, bank borrowings of approximately RMB529 million as at 31 December 2016 are due for repayment within one year from 31 December 2016; and
3. A bank borrowing of approximately RMB40 million are in breach of certain loan covenants as detailed in note 28 to the financial statements.

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

1. The Group continues to improve the operating efficiency by improving the utilisation rate of its facilities and implement measures to tighten cost controls over various operating expenses in order to improve its profitability and to generate positive cash inflow from its operations in the future;
2. The Group is actively negotiating with the banks to seek for renewal of the outstanding bank borrowings. Subsequent to the end of the reporting period, the Group successfully renewed bank borrowings of RMB190 million upon maturity of these bank borrowings including the renewal of bank borrowings of RMB40 million that were in breach of certain loan covenants as at the end of the reporting period. The said loan covenants were removed in the renewed bank loan agreement. In addition, subsequent to the end of the reporting period, the Group also obtained written confirmation from several Group's major bankers, which confirmed to renew certain bank borrowings, in aggregate of up to RMB275 million, to the Group for another year upon the maturity of the bank borrowings. All these renewed bank borrowings will mature in 2018;
3. The Group is actively exploring the availability of alternative source of financing; and
4. Qingdao Kangda Foreign Trade Group Limited ("KD Trading Company"), which is substantially and beneficially owned by a substantial shareholder of the Company, has agreed to provide continuing financial support to the Group so as to enable the Group to continue its day-to-day operations as a going concern notwithstanding any present or future financial difficulties experienced by the Group.

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

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

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

(c) Functional and presentation currency

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

4. Significant accounting policies

(a) Basis of consolidation

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

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

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

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

(b) Subsidiaries

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

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

(c) Associates

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

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

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

(d) Goodwill

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

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquire and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (*see note 4(1)*) and whenever there is an indication that the unit may be impaired.

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

(e) Property, plant and equipment

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

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

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

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

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

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

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

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

(f) Financial Instruments

(i) Financial assets

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

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

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

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

(ii) Impairment loss on financial assets

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

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

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

(iii) Financial liabilities

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

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

(iv) Effective interest method

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

(v) Derecognition

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

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

(g) Inventories

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

(h) Revenue recognition

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

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

(i) Income tax

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

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

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

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

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

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

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

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

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

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

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

(j) Foreign currencies

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

(k) Employee benefits*Retirement benefits scheme*

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

Short-term employee benefits

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

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

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

- property, plant and equipment;
- investments in subsidiaries and associates; and
- prepaid premium for land leases

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

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

(m) Related parties

- (1) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.

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

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

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

(n) Leases

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

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

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

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

(o) Capitalisation of borrowing costs

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

(p) Cash and cash equivalents

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

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

(q) Share capital

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

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

(r) Government grants

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

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

(s) Segment reporting

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

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

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

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

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

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

(t) Dividends

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

(u) Biological assets

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

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

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

The agricultural produce harvested from the biological assets are measured at their fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying IAS 2. A gain or loss arising from agricultural produce at the point of harvest at fair value less costs to sell is included in profit or loss for the period in which it arises.

5. Critical accounting judgments and key sources of estimation uncertainty

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

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

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

(i) Net realisable value of inventories

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

(ii) Impairment of trade receivables

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

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

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

Significant judgement is required in determining the amount of the provision for taxes and the timing of related taxes. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the period in which such determination is made. Also, the realisation of income tax assets and VAT assets is dependent on the Group's ability to generate sufficient sales and taxable income in future. Derivations of future profitability from estimates or in the income tax rate would result in adjustments to the value of tax assets and liabilities.

(iv) Fair value measurement of biological assets

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

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

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

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

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

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

(v) Depreciation

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

(vi) Impairment of goodwill

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

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

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of fair value less costs to sell and value in use. The carrying amounts of the property, plant and equipment and prepaid premium for land leases, as disclosed in notes 14 and 15 respectively, are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable in accordance with the accounting policy as disclosed in note 4(1). Estimating the value in use requires the Group to estimate future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows. The impairment loss on property, plant and equipment of RMB11,332,000 (2015: RMB41,486,000) was charged to profit or loss during the year ended 31 December 2016.

(viii) Going concern basis

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

6. Segment information

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

	Processed foods RMB'000	Chilled and frozen rabbit meat RMB'000	2016 Chilled and frozen chicken meat RMB'000	Other products RMB'000	Total RMB'000
Revenue from external customers	730,786	139,802	232,259	159,938	1,262,785
Reportable segment revenue	730,786	139,802	232,259	159,938	1,262,785
Reportable segment profit/(loss)	60,106	(11,450)	(4,519)	9,751	53,888
Depreciation of property, plant and equipment	33,028	6,318	10,497	7,229	57,072
Amortisation of prepaid premium for land leases	2,502	479	795	547	4,323
Impairment loss on property, plant and equipment	–	4,200	7,132	–	11,332
Loss on disposal of property, plant and equipment	547	490	337	334	1,708
Write down of inventories	–	3,323	–	–	3,323

			2015		
	Processed	Chilled and	Chilled and	Other	Total
	Foods	frozen	frozen	products	
	RMB'000	rabbit meat	chicken meat	RMB'000	RMB'000
Revenue from external customers	696,207	158,460	240,023	131,758	1,226,448
Reportable segment revenue	696,207	158,460	240,023	131,758	1,226,448
Reportable segment profit/(loss)	84,162	(51,096)	190	15,174	48,430
Depreciation of property, plant and equipment	27,166	6,183	9,366	5,142	47,857
Amortisation of prepaid premium for land leases	2,455	559	845	465	4,324
Impairment loss on property, plant and equipment	–	41,486	–	–	41,486
Loss on disposal of property, plant and equipment	–	4,133	–	–	4,133
Write down of inventories	–	2,474	–	–	2,474

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

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

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

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

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

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

[#] Principally include Germany, France, Spain and Russia

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

7. Revenue and other income and other gains

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

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

* Various government grants have been received mainly from the Bureau of Industrial and Information Technology of Nong'an County (農安縣工業和信息化局)(2015: Finance Bureau of Qingdao City (青島市財政局)) for the Group's business conducted in those areas. There are no unfulfilled conditions or contingencies related to these grants.

8. Profit from operations

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

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

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

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

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

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

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

9. Finance costs

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

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

10. Income tax expense

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

No Hong Kong profits tax has been provided for the year ended 31 December 2016 as the Group did not derive any assessable profit arising in Hong Kong during the year (2015: Nil). PRC corporate income tax is provided at the rates applicable to the subsidiaries in the PRC on the income for statutory reporting purpose, adjusted for income and expense items which are not assessable or deductible for income tax purposes based on existing PRC income tax regulations, practices and interpretations thereof.

Qingdao Kangda Foods Co., Ltd. (“Kangda Foods”) and Shandong Kaijia Food Company Limited (“Kaijia Food”) are established and operating in the PRC and subject to PRC corporate income tax. According to the New PRC Corporate Income Tax Law, the profit arising from agricultural, poultry and primary food processing businesses of Kangda Foods and Kaijia Food are exempted from PRC corporate income tax. The taxable profits of Kangda Foods and Kaijia Food arising from profit from business other than agricultural, poultry and primary food processing are subject to corporate income tax at 25% for the years ended 31 December 2016 and 2015.

Under the New PRC Corporate Income Tax Law and Implementation Rules, enterprises that engage in qualifying agricultural business are eligible for certain tax benefits, including full corporate income tax exemption of corporate income tax on profits derived from such business. Qingdao Kangda Animal Rearing Company Ltd., Qingdao Kangda Rabbit Company Ltd., Gaomi Kaijia Rearing Co., Ltd., Qingdao Kangda Modern Agricultural Technology Development Company Limited (“Modern Agricultural”), Jilin Kang’an Rabbit Co. Ltd and Jilin Kangmei Rabbit Co., Ltd engaged in qualifying agricultural business, which include breeding and sales of livestock, and are entitled to full exemption of corporate income tax during the years ended 31 December 2016 and 2015.

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

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

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

11. Dividends

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

12. Profit/(loss) per share

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

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

13. Emoluments for directors and highest paid individuals**(a) Directors' emoluments**

Directors' emoluments are disclosed as follows:

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

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

Notes:

- (i) He Dingding resigned as the independent non-executive director of the Company on 1 June 2015 and Chong Soo Hoon, Sean was appointed as an independent non-executive director of the Company on the same date.
- (ii) For the years ended 31 December 2016 and 2015, due to the cost-saving policy, executive director Mr. An Fengjun voluntarily agreed to waive his entitlement to certain remuneration of approximately RMB220,000 and RMB220,000 respectively.

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

(b) Five highest paid individuals

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

	2016 RMB'000	2015 RMB'000
Salaries, allowances and other benefits	<u>721</u>	<u>721</u>

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

	2016	2015
Emolument band		
Nil to HK\$1,000,000		
(equivalent to Nil to RMB837,780)	<u>1</u>	<u>1</u>

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

14. Property, plant and equipment

	Leasehold buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2015						
Cost	521,022	310,189	17,819	2,103	16,359	867,492
Accumulated depreciation	<u>(108,910)</u>	<u>(131,523)</u>	<u>(11,318)</u>	<u>(989)</u>	<u>-</u>	<u>(252,740)</u>
Net carrying amount	<u>412,112</u>	<u>178,666</u>	<u>6,501</u>	<u>1,114</u>	<u>16,359</u>	<u>614,752</u>
Year ended 31 December 2015						
Opening net carrying amount	412,112	178,666	6,501	1,114	16,359	614,752
Additions [#]	3,851	33,672	1,873	378	271,851	311,625
Transfer in/(out)	1,875	14,093	-	-	(15,968)	-
Disposal	(6,558)	(3,025)	(67)	(86)	(389)	(10,125)
Depreciation charge	(24,254)	(29,791)	(1,261)	(96)	-	(55,402)
Impairment loss	<u>(31,329)</u>	<u>(9,824)</u>	<u>(329)</u>	<u>(4)</u>	<u>-</u>	<u>(41,486)</u>
Closing net carrying amount	<u>355,697</u>	<u>183,791</u>	<u>6,717</u>	<u>1,306</u>	<u>271,853</u>	<u>819,364</u>

	Leasehold buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2015 and 1 January 2016						
Cost	518,755	350,306	19,061	1,989	271,853	1,161,964
Accumulated depreciation and impairment	(163,058)	(166,515)	(12,344)	(683)	–	(342,600)
Net carrying amount	<u>355,697</u>	<u>183,791</u>	<u>6,717</u>	<u>1,306</u>	<u>271,853</u>	<u>819,364</u>
Year ended 31 December 2016						
Opening net carrying amount	355,697	183,791	6,717	1,306	271,853	819,364
Additions [#]	6,811	32,374	314	–	22,873	62,372
Transfer in/(out)	282,139	12,105	–	–	(294,244)	–
Disposal	(6,452)	(8,666)	(237)	(57)	–	(15,412)
Depreciation charge	(29,638)	(32,096)	(1,517)	(38)	–	(63,289)
Impairment loss	(7,514)	(3,803)	(13)	(2)	–	(11,332)
Closing net carrying amount	<u>601,043</u>	<u>183,705</u>	<u>5,264</u>	<u>1,209</u>	<u>482</u>	<u>791,703</u>
At 31 December 2016						
Cost	789,135	358,247	18,534	1,756	482	1,168,154
Accumulated depreciation and impairment	(188,092)	(174,542)	(13,270)	(547)	–	(376,451)
Net carrying amount	<u>601,043</u>	<u>183,705</u>	<u>5,264</u>	<u>1,209</u>	<u>482</u>	<u>791,703</u>

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

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

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

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

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

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

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

15. Prepaid premium for land leases

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

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

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

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

The carrying amount of land use rights of RMB61,737,000 (2015: RMB63,620,000) are located in the PRC and the terms for land leases are from 30 to 50 years.

Certain of the Group's land use rights with an aggregate carrying amount approximately RMB49,369,000 (2015: RMB47,794,000) were pledged against certain of the Group's bank borrowings as at 31 December 2016 (*note 28*).

16. Interest in an associate

				2016		2015	
				RMB'000		RMB'000	
Share of net assets				—		—	
Particulars of the associate as at 31 December 2016 and 2015 are as follows:							
Name of associate	Form of business structure	Place of registration and principal place of business	Particulars of paid up capital		Percentage of ownership interest held		Principal activities
			2016	2015	2016	2015	
吉林康大兔業有限公司 Jilin Kangda Rabbit Co., Ltd	Co-operative joint venture	PRC	RMB10,000,000	RMB10,000,000	35	35	Breeding and sale of rabbits for medicinal uses and trading of rabbits

The associate has a reporting date of 31 December.

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

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

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

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

17. Goodwill

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

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

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

The rate used to discount the forecast cash flows from Kaijia Group and Modern Agricultural are 14.5% (2015: 15.4%) per annum.

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

18. Biological assets

(a) Reconciliation of the carrying amount of biological assets

	Breeder rabbits RMB'000	Progeny rabbits RMB'000	Breeder chickens RMB'000	Hatchable eggs and progeny chickens RMB'000	Vegetables RMB'000	Total RMB'000
At 1 January 2015	16,230	19,281	11,551	25,527	654	73,243
Increase due to purchases/raising	87,771	186,741	50,427	385,603	4,312	714,854
Gains/(Losses) arising from changes in fair value less estimated costs to sell	2,511	4,157	449	(15)	–	7,102
Decrease due to consumption/sales	(91,858)	(196,756)	(52,307)	(389,711)	(3,519)	(734,151)
At 31 December 2015 and 1 January 2016	14,654	13,423	10,120	21,404	1,447	61,048
Increase due to purchases/raising	107,664	175,500	116,047	337,675	2,646	739,532
Gains arising from changes in fair value less estimated costs to sell	1,326	4,491	11	31,917	55	37,800
Decrease due to consumption/sales	(106,581)	(176,101)	(111,806)	(361,109)	(3,481)	(759,078)
At 31 December 2016	17,063	17,313	14,372	29,887	667	79,302

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

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

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current portion	31,435	24,774
Current portion	<u>47,867</u>	<u>36,274</u>
	<u><u>79,302</u></u>	<u><u>61,048</u></u>

(b) Physical quantities

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

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

(c) Measurement of fair value

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

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

	2016					Total RMB'000
	Breeder rabbits RMB'000	Progeny rabbits RMB'000	Breeder chickens RMB'000	Hatchable eggs and progeny chickens RMB'000	Vegetables RMB'000	
Opening balance (level 3 recurring fair value)	14,654	13,423	10,120	21,404	1,447	61,048
Increase due to purchases/ raising	107,664	175,500	116,047	337,675	2,646	739,532
Gains arising from changes in fair value less estimated costs to sell	1,326	4,491	11	31,917	55	37,800
Decrease due to consumption/ sales	(106,581)	(176,101)	(111,806)	(361,109)	(3,481)	(759,078)
Closing balance (level 3 recurring fair value)	<u>17,063</u>	<u>17,313</u>	<u>14,372</u>	<u>29,887</u>	<u>667</u>	<u>79,302</u>
Change in unrealised gains or losses for the year included in profit or loss for assets held at 31 December	<u>1,326</u>	<u>4,491</u>	<u>11</u>	<u>2,039</u>	<u>55</u>	<u>7,922</u>
	2015					Total RMB'000
	Breeder rabbits RMB'000	Progeny rabbits RMB'000	Breeder chickens RMB'000	Hatchable eggs and progeny chickens RMB'000	Vegetables RMB'000	
Opening balance (level 3 recurring fair value)	16,230	19,281	11,551	25,527	654	73,243
Increase due to purchases/ raising	87,771	186,741	50,427	385,603	4,312	714,854
Gains included in other income	2,511	4,157	449	(15)	–	7,102
Decrease due to consumption/ sales	(91,858)	(196,756)	(52,307)	(389,711)	(3,519)	(734,151)
Closing balance (level 3 recurring fair value)	<u>14,654</u>	<u>13,423</u>	<u>10,120</u>	<u>21,404</u>	<u>1,447</u>	<u>61,048</u>
Change in unrealised gains or losses for the year included in profit or loss for assets held at 31 December	<u>2,511</u>	<u>4,157</u>	<u>449</u>	<u>(15)</u>	<u>–</u>	<u>7,102</u>

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

Significant unobservable inputs

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

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

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

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

19. Available-for-sale financial assets

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

20. Deferred tax assets/(liabilities)

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

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

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

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

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

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

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

21. Inventories

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Raw materials	58,084	52,873
Finished goods	<u>67,712</u>	<u>124,033</u>
	<u><u>125,796</u></u>	<u><u>176,906</u></u>

22. Trade and bills receivables

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

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

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

Before accepting any new customer, the Group will assess the potential customer's credit quality and set credit limits for that customer. Limits attributed to customers are reviewed once a year. Further details on the Group's credit policy are set out in note 36.

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly or the trade and bills receivables are written-off against the allowance account if impairment losses on that trade and bills receivables have been recorded in the allowance account previously. No allowance was made for the years ended 31 December 2016 and 2015.

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

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

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

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

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

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

23. Prepayments, other receivables and deposits

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

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

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

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Balance at the beginning of the year	—	—
Impairment losses recognised	<u>3,828</u>	<u>—</u>
Balance at the end of the year	<u>3,828</u>	<u>—</u>

24. Amount due from a former subsidiary

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Amount due from a former subsidiary	2,546	2,546
Less: provision for impairment	<u>(1,860)</u>	<u>—</u>
	<u>686</u>	<u>2,546</u>

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

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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Balance at the beginning of the year	–	–
Impairment losses recognised	<u>1,860</u>	<u>–</u>
Balance at the end of the year	<u><u>1,860</u></u>	<u><u>–</u></u>

25. Cash and cash equivalents and pledged deposits

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

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

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

26. Trade and bills payables

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

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	168,771	156,436
Bills payables	<u>139,800</u>	<u>191,400</u>
	<u><u>308,571</u></u>	<u><u>347,836</u></u>

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

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

27. Accrued liabilities and other payables

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

[#] The balances mainly represent receipt in advance from customers.

28. Interest-bearing bank borrowings

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing bank borrowings		
Classified as current liabilities	<u>529,000</u>	<u>649,000</u>
Classified as non-current liabilities	<u>30,000</u>	<u>40,000</u>

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

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

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

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

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

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

29. Amount due (to)/from a related party

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

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

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

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

30. Deferred government grants

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

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

31. Share capital

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

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

32. Reserves***Group***

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

Company

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

Group and Company***(a) Merger reserve***

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

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

(b) Capital redemption reserve

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

(c) *Other reserves*

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

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

33. Statement of financial position of the company

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

34. Subsidiaries

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

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

Name of subsidiaries	Place of incorporation/ registration and principal place of business	Nominal value of share/paid-up capital		Percentage of equity attributable to the Company		Principal activities
		2016	2015	2016	2015	
青島普德食品有限公司 Pu De	PRC, limited liability company	US\$4,000,000	US\$4,000,000	55	55	Inactive
吉林康安兔業有限公司 Jilin Kang'an Rabbit Co. Ltd.	PRC, limited liability company	RMB1,000,000	RMB1,000,000	100	100	Breeding and sales of rabbits
山東凱加食品有限公司 Kaijia Food	PRC, limited liability company	RMB100,000,000	RMB100,000,000	100	100	Production of food products
山東凱加國貿有限公司 Shandong Kaijia International Trading Co., Ltd. ("Kaijia Trading")	PRC, limited liability company	RMB4,667,000	RMB4,667,000	70	70	Trading of food products
高密凱加養殖有限公司 Gaomi Kaijia Rearing Co., Ltd.	PRC, limited liability company	RMB39,253,051	RMB39,253,051	100	100	Breeding and sales of livestock and poultry
吉林康大擔保有限公司 Jilin Kangda Guarantee Co., Ltd	PRC, limited liability company	RMB20,000,000	RMB20,000,000	90	90	Inactive
青島康萊爾皮草有限公司 Qingdao Klair Fur Co., Ltd.	PRC, limited liability company	–	RMB1,000,000	–	100	Inactive
吉林康都飼料有限公司 Jilin Kangdu Feeds Co., Ltd.	PRC, limited liability company	RMB2,000,000	RMB2,000,000	100	100	Feed processing
萊蕪康大飼料有限公司 Laiwu Kangda Feeds Co., Ltd.	PRC, limited liability company	RMB3,000,000	RMB3,000,000	100	100	Sales of feed products
吉林康美兔業有限公司 Jilin Kangmei Rabbit Co., Ltd.	PRC, limited liability company	RMB8,500,000	RMB8,500,000	51	51	Breeding and sales of rabbits

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

Non-controlling interests

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

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

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

35. Commitments**(a) Operating lease commitments**

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

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

As lessee

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

(b) Capital commitments

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

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for in respect of:		
Purchase of property, plant, equipment	<u>5,476</u>	<u>21,353</u>

36. Financial risk management and fair value measurements

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

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

(a) Categories of financial assets and liabilities

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

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

(b) Interest rate risk

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

(i) Interest rate profile

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

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

(ii) Interest rate sensitivity analysis

The following tables illustrate the sensitivity of the profit/(loss) for the year and equity to a reasonably possible change in interest rates of +0.5% and –0.5% (2015: +0.5% and –0.5%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's financial instruments, which are subject to variable rate, held at each reporting date. All other variables are held constant. There is no impact on other components of consolidated equity in response to the possible change in interest rates.

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

(c) Credit risk

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

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

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

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

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

(d) Foreign currency risk

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

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

(i) Foreign currency risk exposure

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

	2016				
	USD	EURO	JPY	SGD	HK\$
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Financial assets</i>					
Trade receivables	44,527	7,470	5,227	–	–
Cash and bank balances	7,013	4,184	2,119	5	104
	<u>51,540</u>	<u>11,654</u>	<u>7,346</u>	<u>5</u>	<u>104</u>
<i>Financial liabilities</i>					
Trade payables	<u>4,150</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	2015				
	USD	EURO	JPY	SGD	HK\$
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Financial assets</i>					
Trade receivables	26,369	8,151	1,198	–	–
Cash and bank balances	10,010	3,614	–	5	104
	<u>36,379</u>	<u>11,765</u>	<u>1,198</u>	<u>5</u>	<u>104</u>
<i>Financial liabilities</i>					
Trade payables	<u>17,030</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

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

(ii) Foreign currency sensitivity analysis

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

	2016				
	USD	EURO	JPY	SGD	HK\$
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Effect on profit for the year and retained profits	<u>2,369</u>	<u>583</u>	<u>367</u>	<u>-</u>	<u>5</u>

	2015				
	USD	EURO	JPY	SGD	HK\$
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Effect on loss for the year and retained profits	<u>967</u>	<u>588</u>	<u>60</u>	<u>-</u>	<u>5</u>

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

(e) Business risk

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

(i) Regulatory and environmental risks

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

(ii) Supply and demand risk

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

(iii) Other risk

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

(f) Liquidity risk

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

As disclosed in note 3(b) to the financial statements, the Group's current liabilities has exceeded its current assets by RMB268 million as at 31 December 2016. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its obligations as they fall due, and on its ability to obtain external financing. Further details are set out in note 3(b) to the financial statements. Subsequent to the end of the reporting period, the Group successfully renewed bank borrowings of RMB190 million upon maturity of these bank borrowings. In addition, subsequent to the end of the reporting period, the Group also obtained written confirmation from several Group's major bankers, which confirmed to renew certain bank borrowings, in aggregate of up to RMB275 million, to the Group for another year upon the maturity of the bank borrowings. The Directors of the Company have also carried out a detailed review of the cash flow projection of the Group for the next 12 months from the reporting date. The Directors are of the opinion that the assumptions which are included in the cash flow projection are reasonable. Based on above, the Directors have determined that adequate liquidity exists to finance its working capital and financing activities of the Group for that period.

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

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

	2016	2015
	RMB'000	RMB'000
Repayable within one year	529,000	649,000
Repayable in the second year	10,000	10,000
Repayable in the third to fifth years, inclusive	20,000	25,000
Repayable beyond five years	<u>—</u>	<u>5,000</u>
	<u>559,000</u>	<u>689,000</u>

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

As at 31 December 2016 and 2015, the maturity analysis of the Group's financial assets, based on the contracted undiscounted maturity, and the maturity profile of the Group's financial liabilities, based on the contracted undiscounted payments, are summarised below:

	2016			2015		
	Within 6 months or on demand RMB'000	6 to 12 months RMB'000	After 1 year RMB'000	Within 6 months or on demand RMB'000	6 to 12 months RMB'000	After 1 year RMB'000
Non-derivative financial assets:						
Trade and bills receivables	92,513	—	—	64,933	—	—
Other receivables and deposits	40,311	—	—	49,413	—	—
Amount due from a related party	—	—	—	5,924	—	—
Amount due from a former subsidiary	686	—	—	—	2,546	—
Cash and bank balances (including pledged deposits)	<u>386,504</u>	<u>—</u>	<u>—</u>	<u>455,383</u>	<u>—</u>	<u>—</u>
	<u>520,014</u>	<u>—</u>	<u>—</u>	<u>575,653</u>	<u>2,546</u>	<u>—</u>
Non-derivative financial liabilities:						
Trade and bills payables	308,571	—	—	347,836	—	—
Accrued liabilities and other payables	119,751	—	—	104,264	—	—
Amount due to a related party	32,166	—	—	—	—	—
Interest-bearing bank borrowings	<u>308,662</u>	<u>233,608</u>	<u>33,410</u>	<u>365,968</u>	<u>301,961</u>	<u>65,475</u>
	<u>769,150</u>	<u>233,608</u>	<u>33,410</u>	<u>818,068</u>	<u>301,961</u>	<u>65,475</u>

(g) Fair value

The Group's financial assets and liabilities carried at amortised costs are not materially different from their fair values as at 31 December 2016 and 2015.

37. Capital management

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

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

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

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing bank borrowings	559,000	689,000
Amount due to a related party	<u>32,166</u>	<u>–</u>
Total debts	<u>591,166</u>	<u>689,000</u>
Equity attributable to the Company's owners	<u>650,433</u>	<u>644,138</u>
Total debts to equity ratio	<u>91%</u>	<u>107%</u>

Subsidiaries of the Group established in the PRC are required to contribute and maintain a non-distributable statutory reserve fund whose utilisation is subject to certain restrictions as set out in the relevant regulations in the PRC. Certain of the Group's bank borrowings are subject to the fulfillment of covenants relating to certain of its subsidiaries' financial ratios. The Group regularly monitors its compliance with these covenants. These externally imposed capital requirements have been complied with by the Group for the years ended 31 December 2016 and 2015 except as disclosed in note 28 to the financial statements.

38. Significant related party transactions

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

		2016	2015
	Notes	RMB'000	RMB'000
Sales to related parties	(i)	2,436	5,812
Purchases from related parties	(ii)	519	501
Rental expenses paid to a related party	(iii)	539	644
Interest income from a related party	(iv)	4,913	–
Guarantees given by the related parties in connection with bank loans granted to the Group	(v)	330,000	190,000
Sales to an associate	(vi)	1,703	1,876
Purchases from an associate	(vi)	7,846	10,621
Consideration paid to acquire property, plant and equipment	(vii)	<u>5,664</u>	<u>–</u>

(b) Key management personnel compensation

Short term employee benefits of

Directors and other members of key
management1,3331,574*Notes:*

- (i) Sales to related parties were made to related parties of which Mr. Gao Sishi, Mr. Gao Yanxu, Mr. An Fengjun and Mr. Zhang Qi have beneficial interest. These sales were made in the ordinary course of business with reference to the terms negotiated between the Group and these related parties.
- (ii) Purchases from related parties were mainly construction materials from related parties of which Mr. Gao Sishi, Mr. Gao Yanxu, Mr. An Fengjun and Mr. Zhang Qi have beneficial interest. These purchases were made in the ordinary course of business with reference to the terms negotiated between the Group and these related parties.
- (iii) Rental expenses paid to a related party, of which Mr. Gao Sishi, Mr. Gao Yanxu, Mr. An Fengjun and Mr. Zhang Qi were shareholders and/or directors, were made according to the terms of the lease agreements.
- (iv) Interest income from a related party, of which Mr. Gao Sishi, Mr. Gao Yanxu, Mr. An Fengjun and Mr. Zhang Qi, directors of the Company, have beneficial interest, was made according to 5.53% per annum of the outstanding balance from this related party during the year.
- (v) The Group's bank borrowings (*note 28*) were guaranteed by the related parties, of which Mr. Gao Sishi, Mr. An Fengjun, Mr. Gao Yanxu and Mr. Zhang Qi were also shareholders and directors of the Company.
- (vi) Sales to and purchase from an associate were made in the ordinary course of business with reference to the terms negotiated between the Group and the associate.
- (vii) The Group disposed certain property, plant and equipment with a carrying amount of RMB4,720,000 to a related party of which Mr. Gao Sishi, Mr. An Fengjun, Mr. Gao Yanxu and Mr. Zhang Qi were also shareholders and/or directors at a consideration of RMB5,664,000 (*note 14*).

39. Approval of financial statements

The financial statements were approved and authorised for issue by the directors on 28 March 2017.

3. INDEBTEDNESS

As at the close of business on 28 February 2017, total borrowings of the Group was approximately RMB536,254,000, which comprised of:

- (i) Interest-bearing bank borrowings of approximately RMB320,074,000 being secured by certain of the Group's properties, plants and equipments and land use rights, certain of the Group's related parties' properties, plants and equipments and land use rights and guaranteed by certain subsidiaries and related parties of the Group;
- (ii) Interest-bearing bank borrowings of approximately RMB214,000,000 being guaranteed by certain subsidiaries and related parties of the Group; and
- (iii) Interest-bearing bank borrowings of approximately RMB2,180,000 being secured by certain of the Group's bank balances, properties, plants and equipments and land use rights.

Save as disclosed above and apart from normal trade payables in the ordinary course of business, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts and liabilities under acceptances, acceptance credits or other similar indebtedness, debentures, mortgages, charges or loans or hire purchase commitments, guarantees or other material contingent liabilities as at the close of business on 28 February 2017.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Renminbi at the applicable rates of exchange prevailing at the close of business on 28 February 2017.

4. MATERIAL CHANGE

The Directors confirmed that there was no material change in the financial and trading position or outlook of the Group since 31 December 2016 (being the date to which the latest published audited financial statements of the Group have been made up) and up to the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purposes of providing information to the Shareholders with regard to the Offeror and the Offer.

The sole director of the Offeror, Mr. Jia, Ms. Dong and Ms. Zhu jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than any information relating to the Group, its associates, and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Group, its associates and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

2. DEALING IN SECURITIES

As at the Latest Practicable Date,

- (a) save for sale and purchase of the Sale Shares pursuant to the Share Purchase Agreement, none of the Offeror, its ultimate beneficial owners or parties acting in concert with any of them had dealt in the Shares, outstanding options, derivatives, warrants or other securities convertible into Shares during the Relevant Period;
- (b) there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code between the Offeror, or parties acting in concert with it or the Offeror's associates, and any other person;
- (c) no person owning or controlling any shareholding in the Company with whom the Offeror or any person acting in concert with the Offeror had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code, and no such person had dealt in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;
- (d) none of the Offeror, its ultimate beneficial owners or parties acting in concert with any of them had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (e) the Offeror, its ultimate beneficial owners or parties acting in concert with any of them had not received any irrevocable commitment to accept or not to accept the Offer;

- (f) save for the SPA Facility and the Offer Facility, there was no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Company and which may be material to the Offer (as referred to in Note 8 to Rule 22 of the Takeovers Code);
- (g) other than the Share Purchase Agreement, the SPA Facility and the Offer Facility, there was no agreement or arrangement to which the Offeror, its ultimate beneficial owners or parties acting in concert with any of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;
- (h) none of the Offeror, its ultimate beneficial owners or parties acting in concert with any of them had entered into any arrangements or contracts in relation to the outstanding derivatives in respect of securities in the Company;
- (i) save for the Charged Shares, the Offeror and parties acting in concert with it have no agreement or understanding to transfer, charge or pledge any of the Shares acquired pursuant to the Offer to any other persons;
- (j) no benefit (other than statutory compensation required under the applicable laws) had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer; and
- (k) no agreement, arrangement or understanding (including any compensation arrangement) existed between the Offeror or any person acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or was dependent upon the Offer.

3. CONSENTS AND QUALIFICATIONS

The following are the names and the qualifications of the experts who have been named in this Composite Document or whose letters, opinions or advice are contained or referred to in this Composite Document:

Name	Qualification
Prudential Brokerage	a licensed corporation permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Veda Capital	a licensed corporation permitted to carry on Type 6 (advising on corporate finance) regulated activities under the SFO
Crescendo Capital	a licensed corporation permitted to carry on Type 6 (advising on corporate finance) regulated activities under the SFO

Each of Prudential Brokerage, Veda Capital and Crescendo Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its opinions, advices, letters and references to its name in the form and context in which they appear.

4. GENERAL

As at the Latest Practicable Date,

- (a) the Offeror is China Tian Yuan Manganese Limited. The registered office of the Offeror is situated at the office of Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. As at the Latest Practicable Date, there is one director of the Offeror, namely Ms. Jia Yan, who is a niece of Mr. Jia;
- (b) the Offeror is wholly owned by Ningxia Tianyuan, a company established in the PRC with limited liability, which is beneficially and ultimately owned as to approximately 99.62%, 0.19% and 0.19% by Mr. Jia, Ms. Dong and Ms. Zhu, respectively. The registered address of Ningxia Tianyuan is located at Shikong Town, Zhongning County, Ningxia Province, PRC;
- (c) the registered office of Prudential Brokerage is located at 9/F., Worldwide House, 19 Des Voeux Road Central, Hong Kong;
- (d) the registered office of Veda Capital is located at Room 1106, 11/F., Wing On Centre, 111 Connaught Road Central, Hong Kong;
- (e) the registered office of Crescendo Capital is located at Unit 1506, 15/F, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong; and
- (f) the English text of this Composite Document and the Acceptance Form(s) shall prevail over the Chinese text, in case of any inconsistency.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection, during the period from 26 May 2017, being the date of this Composite Document for so long as the Offer remains open for acceptance, (i) on the website of the SFC (www.sfc.hk); (ii) during normal business hours from 9:30 a.m. to 5:30 p.m., from Monday to Friday, other than Hong Kong public holidays, at the office of King & Wood Mallesons, legal adviser to the Offeror in respect of the Offer, at 13/F Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong:

- (a) the memorandum and articles of association of the Offeror;
- (b) the "Letter from Prudential Brokerage", the text of which is set out in this Composite Document;
- (c) the written consents referred to in the paragraph headed "3. Consents and qualifications" in this Appendix; and
- (d) the Offer Facility.

1. RESPONSIBILITY STATEMENTS

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Independent Shareholders with regard to the Offeror, the Group and the Offer.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Offeror, its associates and parties acting in concert with any of them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror, its associates and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and the issued and paid-up share capital of the Company were as follows:-

<i>Authorised share capital</i>		<i>HK\$</i>
<u>2,000,000,000</u>	Shares	<u>500,000,000.00</u>
<i>Issued and paid-up Shares</i>		<i>HK\$</i>
<u>432,948,000</u>	Shares	<u>108,237,000</u>

All the Shares in issue rank *pari passu* in all respects with each other, including as to rights in respect of capital and dividends and voting.

No Shares were issued by the Company since 31 December 2016, the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date.

Other than the Shares in issue, as at the Latest Practicable Date, the Company had no other outstanding shares, options, warrants, derivative or other securities that are convertible or exchangeable into Shares or other types of equity interest in issue.

3. MARKET PRICES

The table below shows the closing prices of the Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the trading day immediately prior to the commencement of the Offer Period; (iii) the Last Trading Day; and (iv) the Latest Practicable Date:

Date	Closing price per Share (HK\$)
30 June 2016	0.87
29 July 2016	1.09
31 August 2016	1.11
30 September 2016	1.19
31 October 2016	1.21
30 November 2016	1.58
28 December 2016	1.75
27 January 2017	1.79
28 February 2017	1.81
31 March 2017	2.29
21 April 2017 (Last Trading Day)	2.42
28 April 2017 (<i>Note</i>)	N/A
23 May 2017 (Latest Practicable Date)	2.41

Note: Trading of the Shares on the Stock Exchange was suspended from 24 April 2017 to 28 April 2017.

During the Relevant Period, the highest closing price of the Shares quoted on the Stock Exchange was HK\$2.45 on 6 April 2017 and the lowest closing price of the Shares quoted on the Stock Exchange was HK\$0.84 on 5 July 2016.

4. DISCLOSURE OF INTERESTS

(a) Directors and the chief executive's interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, none of the Directors and the chief executives of the Company including their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under the provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

(b) Substantial shareholders, the Offeror and parties acting in concert with it and other persons' interests and short positions in shares, underlying shares and securities of the Company

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and, so far as was known to the Directors, the persons or entities who had an interest or a short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group, or in any options in respect of such share capital were as follows:

Name	Type of interest	Capacity	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company
China Tian Yuan Manganese Limited (Note 1)	Long position	beneficial owner	299,515,000	69.18
Ningxia Tianyuan Manganese Industry Co., Ltd (寧夏天元錳業有限公司)(Note 1)	Long position	interest of controlled corporation	299,515,000	69.18
Jia Tianjiang (Note 2)	Long position	interest of controlled corporation	299,515,000	69.18
Dong Jufeng (Note 3)	Long position	interest of spouse	299,515,000	69.18

Notes:

1. China Tian Yuan Manganese Limited (“**China Tian Yuan**”) is the Offeror, which is wholly-owned by Ningxia Tianyuan Manganese Industry Co., Ltd (“**Ningxia Tianyuan**”). By virtue of Part XV of the SFO, Ningxia Tianyuan is deemed to be interested in the Shares held by China Tian Yuan.
2. Ningxia Tianyuan is owned as to 99.62% by Jia Tianjiang. By virtue of Part XV of the SFO, both Ningxia Tianyuan and China Tian Yuan are controlled corporations of Jia Tianjiang and Jia Tianjiang is deemed to be interested in the Shares held by China Tian Yuan.
3. Dong Jufeng is the spouse of Jia Tianjiang. By virtue of Part XV of the SFO, Dong Jufeng is deemed to be interested in the Shares deemed to be interested by Jia Tianjiang.

Save as disclosed above, so far as was known to the Directors, as at the Latest Practicable Date, no person had an interest or a short position in the Shares or the underlying Shares of the Company recorded in the register required to be kept by the Company under section 336 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group, or any options in respect of such share capital.

5. INTERESTS IN THE COMPANY AND ARRANGEMENTS IN CONNECTION WITH THE OFFER

As at the Latest Practicable Date,

- (i) none of the Directors was interested in or owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (ii) none of the subsidiaries of the Company, any pension fund of the Group and any adviser to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code (other than exempt principal traders) owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (iii) no persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (iv) no Shares or any convertible securities, warrants, options or derivatives in respect of any Shares were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;

- (v) neither the Company nor any of the Directors was interested in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror;
- (vi) there were no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which the Company or the Directors had borrowed or lent;
- (vii) no arrangement was in place for any benefit to be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (viii) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer;
- (ix) save for the Share Purchase Agreement, no material contracts have been entered into by the Offeror in which any Director has a material personal interest.

6. DEALING IN SECURITIES AND OTHER ARRANGEMENTS

During the Relevant Period:

- (i) save for the Share Purchase Agreement, none of the Directors had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (ii) neither the Company nor any of the Directors had dealt for value in any shares or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror;
- (iii) none of the subsidiaries of the Company or any pension funds of the Group or any adviser to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders) had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (iv) no persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and

- (v) no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, the service agreements between the Company and the Directors are as follows:

Executive Directors

Each of Mr. Gao Yanxu and Mr. An Fengjun has entered into service contracts (the “ED Service Contracts”) with the Company, and the respective duration of appointment are as follows:

Mr. Gao Yanxu – 26 August 2016 to 25 August 2017

Mr. An Fengjun – 11 March 2017 to 10 March 2020

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

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

Non-executive Directors

Both Mr. Gao Sishi, and Mr. Zhang Qi have each signed appointment letters with the Company, which had been renewed up to 25 August 2017, unless otherwise terminated by either party giving not less than one month's notice in writing to the other or in accordance with the terms of the appointment letter. Mr. Naoki Yamada has signed a letter of appointment with the Company on 29 April 2016. His term will expire on 25 August 2017 unless otherwise terminated by either party giving not less than one month's notice in writing to the other or in accordance with the terms of the appointment letter. Mr. Gao Sishi, Mr. Zhang Qi and Mr. Naoki Yamada will not receive any directors' fee under the appointment letters.

Independent Non-executive Directors

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

Under the INED Appointment Letters, Mr. Chong Soo Hoon, Sean and Mr. Lau Choon Hoong are each entitled to a remuneration of RMB10,000 per month respectively (subject to the approval of the Shareholders).

Mr. Yu Chung Leung has signed an appointment letter with the Company which had been renewed for a year up to 26 August 2017 unless otherwise terminated by either party giving not less than one month’s notice in writing to the other or in accordance with the terms of the appointment letter. Under the appointment letter, Mr. Yu Chung Leung is entitled to a remuneration of RMB10,000 per month.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered into a service contract with any member of the Group or the associated companies of the Company which:

- (i) (including both continuous and fixed term contracts) has been entered into or amended within six months prior to the commencement of the Offer Period on 30 December 2016;
- (ii) is a continuous contract with a notice period of twelve months or more; or
- (iii) is a fixed term contract with more than twelve months to run irrespective of the notice period.

None of the Directors would be or had been given any benefits (save for any statutory compensation required under appropriate laws) as compensation for loss of office or otherwise in connection with the Offer.

8. EXPERT AND CONSENT

In addition to the Offeror's experts listed in paragraph 3 of Appendix III to this Composite Document, the following is the qualification of the expert who has given opinions or advice which is contained or referred to in this Composite Document:

Name	Qualification
TC Capital	a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

TC Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter, report, recommendation, opinion, and/or references to its name in the form and context in which it appears.

9. LITIGATION

As at the Latest Practicable Date, none of the Company and its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance known to the Directors was pending or threatened by or against the Company or any other member of the Group.

10. MATERIAL CONTRACTS

Save as disclosed below, no material contracts (being contracts not entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by any member of the Group after the date falling two years before the commencement of the Offer Period up to and including the Latest Practicable Date.

- (i) On 14 December 2016, Qingdao Kangda Animal Rearing Co., Ltd. (青島康大養殖有限公司) (“**Kangda Animal**”), an indirect wholly-owned subsidiary of the Company, entered into an asset transfer agreement with Qingdao Kangda Foreign Trade Group Co., Ltd. (青島康大外貿集團有限公司) (“**Qingdao Foreign Trade**”), pursuant to which Kangda Animal agreed to sell and Qingdao Foreign Trade agreed to purchase certain chicken farm assets at a consideration of RMB888,000.
- (ii) On 14 December 2016, Qingdao Kangda Rabbit Co., Ltd. (青島康大兔業發展有限公司) (“**Kangda Rabbit**”), an indirect wholly-owned subsidiary of the Company, entered into an asset transfer agreement with Qingdao Foreign Trade, pursuant to which Kangda Rabbit agreed to sell and Qingdao Foreign Trade agreed to purchase certain rabbit farm assets at a consideration of RMB4,776,000.

As at the Latest Practicable Date, Qingdao Foreign Trade was owned as to 40% by Mr. Gao Sishi, 5.3% by Mr. Gao Yanxu, 3.3% by Mr. Zhang Qi and 1.3% by Mr. An Fengjun, who are all Directors.

11. GENERAL

- (i) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.
- (ii) The Company's principal place of business in Hong Kong is at 45/F, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong.
- (iii) The joint company secretaries of the Company are Mr. Fong William and Ms. Chiang Wai Ming Angeline. Mr. Fong is a member of The Hong Kong Institute of Certified Public Accountants and Taxation Institute of Hong Kong. Ms. Chiang is an associate member of the Singapore Institute of Chartered Secretaries & Administrators.
- (iv) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (v) The registered office of TC Capital is at Suite 1903 & 1904, 19/F, Tower 6, The Gateway Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.
- (vi) The English texts of this Composite Document and the Acceptance Form(s) shall prevail over the Chinese texts, in case of any inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

In addition to the documents set forth in paragraph 5 of Appendix III to this Composite Document, copies of the following documents will be available for inspection on (a) the website of the SFC (<http://www.sfc.hk>); and (b) the website of the Company at www.kangdafood.com during the period from the date of this Composite Document up to and including the Closing Date:

- (i) the Bye-laws of the Company;
- (ii) the annual reports of the Company for the two financial years ended 31 December 2015 and 2016;
- (iii) the letter from the Board, the text of which is set out in this Composite Document;

- (iv) the letter from the Independent Board Committee, the text of which is set out in this Composite Document;
- (v) the letter from the Independent Financial Adviser, the text of which is set out in this Composite Document;
- (vi) the service contracts referred to in the paragraph headed “7. Directors’ Service Contracts” in this Appendix;
- (vii) the written consent referred to in the paragraph headed “8. Expert and Consent” in this Appendix; and
- (viii) the material contracts referred to in the paragraph headed “10. Material Contracts” in this Appendix.