Oriental Unicorn Agricultural Group Limited

東 麟 農 業 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8120

ANNUAL REPORT

2012

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This annual report, for which the directors (the "Directors") of Oriental Unicorn Agricultural Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this annual report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this annual report misleading.

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Corporate Information

EXECUTIVE DIRECTORS

Mr. Li Wing Chiu* *(Chairman)*
(appointed on 26 October 2011)
Mr. Wang Zhiming△
(Chief Executive Officer)
(appointed on 26 October 2011)
Mr. Zhang Xiaobin
(appointed on 26 October 2011)
Mr. Wong Sai Wa

NON-EXECUTIVE DIRECTORS

Mr. Qiao Long
(appointed on 26 October 2011 and resigned on 30 November 2012)
Ms. Wong Moon Ha
(re-designated from executive director on 26 October 2011)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Wong Yan Ki, Angel # △
(appointed on 26 October 2011)
Ms. Liao Aimin # △ *
(appointed on 26 October 2011)
Mr. Li Jingxing # *
(appointed on 26 October 2011)

member of Audit Committee
△ member of Remuneration Committee
* member of Nomination Committee

COMPANY SECRETARY

Mr. Leung Kin Lung

AUDITOR

Cheng & Cheng Limited
Certified Public Accountants
10/F., Allied Kajima Building
138 Gloucester Road, Wanchai
Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Ugland House
P.O. Box 309
George Town
Grand Cayman
Cayman Islands
British West Indies

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 4508, 45/F
The Center
99 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Royal Bank of Canada Trust Company (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26/F., Tesbury Centre
28 Queens' Road East
Wanchai
Hong Kong

STOCK CODE

8120

WEBSITE

www.irasia.com/listco/hk/orientalunicorn/index.htm

FINANCIAL REVIEW

The Group's turnover for the seventeen months period ended 31 December 2012 has increased by approximately 86% to approximately HK$160,715,000, as compared with the recorded turnover of approximately HK$86,304,000 recorded in the previous year. In addition, the Company's net profit after tax attributable to the equity shareholders of the Company for the seventeen months period ended 31 December 2012 is approximately HK$59,541,000, representing an increase of approximately 64% from its previous year's figure of approximately HK$36,339,000 as a result of the continuous expansion of the Group's feedstock and animal husbandry business in the People's Republic of China ("PRC"), the gain from scheme of arrangement and deconsolidation of subsidiaries.

For the period ended 31 December 2012, the earnings per share was approximately HK12.30 cents (31 July 2011 (restated): approximately HK107.48 cents).

MATERIAL ACQUISITIONS AND DISPOSALS

On 14 September 2011, by resolutions of the Company's direct wholly-owned subsidiary, namely, CBL passed, CBL was placed into a voluntary liquidation pursuant to section 116(d) of the Companies Law (2010 Revision) of the Cayman Islands, as amended and revised (the "Cayman Companies Law"), Messrs. Robin Lee McMahon and Roy Bailey, both of Ernst & Young Limited, were appointed as voluntary liquidators of CBL.

On 11 October 2011, Mr. Liu Yiu Keung Stephen of Ernst & Young Transactions Limited and Mr. William Tacon of Messrs. Zolfo Cooper were appointed as liquidators of the Company's indirect wholly-owned subsidiary, JBC Bio. JBC Bio has two subsidiaries, namely, JBC Bio Products China Limited and Zhongshan JBC Bio-Technology Co. Ltd. (中山吉本生物科技有限公司).

The management considered the Group's control over the aforementioned subsidiaries has been lost. Accordingly, the results, assets and liabilities and cash flows of the Excluded Subsidiaries have been deconsolidated from the consolidated financial statements of the Group since the date of loss of control of these subsidiaries.

The Group acquired 37% of the equity interest of Longyan Dongyu Bio–feedstock Company Limited (龍岩市東岳生物飼料有限公司) (the "JV Company"), for a total consideration of RMB7,560,000. Please refer to the announcement of the Company dated 20 December 2011 for further details. The acquisition was completed on 31 January 2012 and the JV Company has become an indirectly wholly-owned subsidiary of the Company.

The Group also acquired 100% of the equity interest of Wu Ping Jian Jun Ecology Breeding Company Limited (武平建軍生態養殖有限公司), for a total consideration of RMB6,580,000. Please refer to the announcement of the Company dated 18 January 2012 for further details. The acquisition was on 31 January 2012 and Jian Jun has become an indirectly wholly-owned subsidiary of the Company.

Save as disclosed from the above, the Group had no material acquisition or disposal during the period ended 31 December 2012.

SECURITIES INVESTMENT

The Group had no securities investment during the period ended 31 December 2012 (31 July 2011: Nil).

FINANCIAL RESOURCES, LIQUIDITY, CAPITAL STRUCTURE AND GEARING RATIO

As at 31 December 2012, the Group had net current assets of approximately HK$707,000 (31 July 2011: net current liabilities HK$129,748,000), which the improvement mainly arose from the Scheme of arrangement with the Company's creditors.

As at 31 December 2012, the Group had bank borrowings of approximately HK$3,682,000 were secured by charge on its land use right dominate in Renminbi with fixed interest rate of 8.856% per annum (31 July 2011: Nil).

The Group had convertible notes of approximately HK$8,753,000 as at 31 December 2012 (31 July 2011: convertible bonds of approximately HK$106,600,000). The Group's gearing ratio, which is calculated on the basis of the Group's total liabilities less cash and cash equivalents to the total assets, as at 31 December 2012 is 27% (31 July 2011: 364%). The Group's operations are financed principally by revenues generated from its principal businesses. As at 31 December 2012, the Group had cash and bank balances of approximately HK$1,598,000 (31 July 2011 approximately: HK$10,843,000).

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

For the period ended 31 December 2012, the Group had a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the functional currencies used by the Group's entities. The Group currently does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider using hedging instruments in respect of significant foreign currency exposure should the need arise.

When appropriate and at times of interest rate or exchange rate uncertainties or volatility, hedging instruments including swaps and forwards will be used by the Group in the management of exposure affecting interest rates and foreign exchange rate fluctuations.

EMPLOYEE INFORMATION

As at 31 December 2012, the Group had approximately 72 employees excluding directors (31 July 2011: 59) in Hong Kong and the PRC. Remuneration to employees and directors are based on performance, qualification, experience and the prevailing industry practice. Other benefits to its employees in Hong Kong include contributions to statutory mandatory provident fund scheme and the employees in the PRC are included in the statutory central pension schemes and additional requirement in the PRC.

BUSINESS REVIEW

As to the operation of the feed plant: the Company completed marketing optimization during the period upon the commencement of the feed plant, through which we established partnership with nearly 100 farmers and our sales coverage was extended to Fujian, Guangdong and Jiangxi. The stable quality, environmental friendly formula and safe contents of our products was widely praised by the farmers. It was through this we genuinely achieved our operating mission of "helping the farmers to make money". For the seventeen months ended 31 December 2012, cumulative sales income amounted to approximately HK$113.70 million.

As to acquisition, we completed the acquisition of breeding company Wu Ping Jian Jun Ecology Breeding Company Limited (武平建軍生態養殖有限公司) during the period. The handover was successful and operation carried on as normal after the integration. The acquisition of 37% non-controlling interests in Longyan Dongyu Bio-feedstock Company Limited (龍岩市東岳生物飼料有限公司) was also completed, which contributing to increasing growth of the Group. Meanwhile, the Group established a fully-owned integrated agricultural development company, which is currently under the stage of preliminary planning, facility selection and test planting of selected agricultural products.

Enriching and extending the industrial chain: despite the extreme downturns in domestic and external economies during the period, the Company managed to expand beyond our existing singular business to diversify into the breeding industry and plantation industry respectively. In the breeding industry, we effectively bolstered our production and operation efforts to build up a demonstration site for environmental friendly and safe feeding; meanwhile, through enhancing technological research on feeding techniques, we achieved better and lower swine mortality rate and disease rate, while improved and satisfactory results were also obtained on feed conversion ratio and meat quality. In the meantime, by consigning the breeding work to farmers, we magnified the advantages of the Company's quality feeds and breeding techniques to enhance sales scale and increase profitability and income, as well as to provide funding and feeding products to improve farmers' yields.

MAJOR CUSTOMERS

At present, the customers of the Group are mainly farms or farmers located at the areas around Xiamen of the Fujian Province in the PRC. As at 31 December 2012, the Group has developed and maintained business relationship with around 100 swine farms/farmers. During the seventeen months period ended 31 December 2012, sales to the Group's five largest customers accounted for approximately 37% of the total sales of the Group, whilst the largest customer of the Group accounted for approximately 29% of the total sales of the Group.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers.

MAJOR SUPPLIERS

During the seventeen months period ended 31 December 2012, purchases from the Group's five largest suppliers accounted for approximately 74% of the total purchases of the Group, whilst the largest supplier of the Group accounted for approximately 29% of the total purchases of the Group.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest suppliers.

OUTLOOK

The investment and construction of two new feed plants near our plant had impaired our existing exclusive advantage. Difficulties in market expansion led to additional advertising input and higher marketing expenses. The drop in swine price in the second half year adversely affected the breeding industry and profitability entered a falling trend. In the coming year, the Company will continue to enforce stricter quality control on products and explore new processes in an effort to lower costs. Meanwhile, we will strengthen performance appraisals on marketing efforts and recruit additional marketing personnel, while a refined management system for marketing will be adopted. By researching on new marketing ideas and adopting innovative business models, we will focus on gaining efficiency through marketing. In the coming year, we will excel to launch two to three new products which provide functional and environmental benefits, in order to reduce market competition and enhance the profit margins of our products.

Breeding technique management will be enhanced our breeding companies to ensure zero epidemic risks. While, at the same time, we will continue breeding by our breeding companies and through farmers in parallel, and various management measures will be perfected to improve consigned breeding in order to help to achieve the goal of breeding 6,000 swine.

The Company will seek opportunities that are suitable and appropriate to our industrial chain to pursue joint operation or acquisition. We aim to introduce quality products, innovative talents and low-cost funding to expand the scale of the Group's operations and increase our sources of income, which will ultimately transform into profitable returns for the shareholders.

EXECUTIVE DIRECTORS

Mr. Li Wing Chiu, aged 47, is the chairman of the Board, the compliance officer, chairman of the nomination committee and an authorized representative of the Company. Mr. Li holds a master degree and a doctor etc degree in world economics from Xiamen University. He has substantial experience in corporate development and investment. Mr. Li is currently the director of City Stylish (Hong Kong) Creative Industry Group Limited which is mainly engaged in media and modern agriculture industries investment. He was a director of Xiamen Heguan Company Limited and Longyan Longteng Mining Company Limited, companies which engaged in investment in mining and agriculture related businesses. Mr. Li was the Chairman of Xiamen Association of International Business Exchanges and an officer of Shenzhen Economic Exchange Centre. Mr. Li was an independent non-executive director of China Renji Medical Group Limited from 1 October 2008 to 17 December 2010.

Mr. Wang Zhiming, aged 42, is the chief executive officer of the Company, a member of the remuneration committee and the general manager of Dongyu. Mr. Wang is an accountant in the PRC and graduated in 2007 from the chief financial officer course of Xiamen University. From 1995 to 2001, Mr. Wang worked for a state-owned food supply enterprise in Quanzhou, Fujiang Province. From 2002 to 2003, Mr. Wang was working for Zhonglu (Fujian) Agriculture Development Company Limited* (中綠(福建)農業綜合開發有限公司) as a deputy finance manager. Mr. Wang established Huixin Accounting Firm* (惠信代理記帳事務所) in 2003, which mainly is engaged in tax consultancy, financial consultancy and provision accounting education services.

Mr. Zhang Xiaobin, aged 35, is an executive Director and the deputy general manager of Dongyu. Mr. Zhang graduated from Hua Qiao University with a bachelor degree in electric technology and has years' experience in corporate management. From September 2007 to July 2009, Mr. Zhang had worked for Xiamen Liuwei Bio-technology Company Limited* (廈門六維生物科技有限公司) as a deputy general manager. Xiamen Liuwei Bio-technology Company Limited is mainly engaged in research and development, production and sales of feedstock and additive premix.

Mr. Wong Sai Wa, aged 69, is one of the founders of the Group. Mr. Wong holds a degree in Mechanical Engineering from the Scientific and Engineering University in PRC. He also completed the Stanford Executive Program in 1993.

NON-EXECUTIVE DIRECTOR

Ms. Wong Moon Ha, aged 59, is currently the manager of personnel and administrative department of Tempo Electronic Industrial Co. Ltd. Ms. Wong is the younger sister of Mr.Wong Sai Wa.

* *For identification purpose only*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Wong Yan Ki, Angel, aged 41, is an independent non-executive Director, the chairlady of the audit committee and the remuneration committee of the Company. Ms. Wong holds a master degree of business administration from Cheung Kong Graduate School of Business, a post-graduated certificate in professional accounting from the City University of Hong Kong and a bachelor degree of arts in international accounting from Xiamen University. Ms. Wong is a fellow member of the Institute of Financial Accountants, a full member of the Society of Registered Planners and a full member of Singapore Institute of Directors. Ms. Wong has extensive experience in the accounting, consultancy and investment industry. Ms. Wong worked for many years in an international big four CPA firm in Hong Kong, acted as the group financial controller of a Hong Kong group, worked as chief financial officer of a conditional eligibly-to-list company in the Singapore Stock Exchange.

Ms. Liao Aimin, aged 45, is an independent non-executive Director, a member of the audit committee, a member of the remuneration committee and a member of the nomination committee. Ms. Liao holds a bachelor degree in laws from Xinjiang University and completed a postgraduate studies in economic laws from Renmin University of China. She is currently a partner of Beijing Jing Wei Law Firm (Shenzhen Office). Ms. Liao has been a lawyer in the PRC for over 20 years focusing on mergers and acquisitions, corporate restructuring, intellectual property rights and various contentious matters. Ms. Liao was a member of the supervisory board and council of the Shenzhen Lawyers Association, Ms. Liao is a fellow member of the Shenzhen Arbitration Commission.

Mr. Li Jingxing, aged 72, is an independent non-executive Director, a member of the audit committee and a member of the nomination committee. Mr. J.X. Li graduated from Tsinghua University. He is currently a council member of the Economic Technology Cooperation Committee of the Trans-Pacific Cooperation Committee. Mr. J.X. Li has 30 years' experience in management.

The Company is committed to maintaining good corporate governance and to instituting procedures to ensure integrity, transparency and quality of information disclosed thereby enhancing the value of the Company for its shareholders.

CORPORATE GOVERNANCE CODE

During the period ended 31 December 2012, with the exception of the matter listed below, the Company complied with the principles of good governance (the "Principles") and code provision (the "Code Provision") as set out in the "Corporate Governance Code" contained in Appendix 15 of the GEM Listing Rules.

Code Provision A.4.1 provides that non-executive directors should be appointed for specific term, subject to re-election. The non-executive directors of the Company are not appointed for specific term but they are subject to retirement by rotation and re-election at the annual general meetings of the Company. Pursuant to clause 116 of the Company's Articles of Association, each director shall be subject to retirement by rotation at least once every three years at the annual general meeting. This means that the term of appointment of the directors, including non-executive directors, cannot exceed three years. As such, the Company considers that sufficient measure have been taken to ensure that the Company's corporate governance are no less exacting than those in the Code.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors.

The Company has made specific enquiry to all Directors and the Directors have confirmed that they have complied with all the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules during the period ended 31 December 2012.

BOARD OF DIRECTORS (THE "BOARD")

The Board is responsible for the leadership and control of the Company and for overseeing the business of the Group. The Board has delegated authority and responsibility to the senior management for the day-to-day operations of the Group. Key matters will remain as the responsibility of the Board whose approval will be required. In addition, the Board has also delegated responsibilities to various management committees. Details of those committees are set out in this corporate governance report.

The Directors during the period ended 31 December 2012 were:

Executive Directors:

Mr. Li Wing Chiu (appointed on 26 October 2011)
Mr. Wang Zhiming (appointed on 26 October 2011)
Mr. Zhang Xiaobin (appointed on 26 October 2011)
Mr. Wong Sai Wa

Non-executive Directors:

Mr. Qiao Long (appointed on 26 October 2011 and resigned on 30 November 2012)
Ms. Wong Moon Ha (re-designated from executive director on 26 October 2011)

Independent non-executive Directors:

Ms. Wong Yan Ki, Angel (appointed on 26 October 2011)
Ms. Liao Aimin (appointed on 26 October 2011)
Mr. Li Jingxing (appointed on 26 October 2011)

Details of the members of the Board are provided under the "Profiles of Directors and Senior Management" on page 7 of this annual report.

THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

The Code Provisions A.2.1 requires the position of the chairman and the executive officer be held separately by two individuals to ensure their independence, separate accountability and responsibilities. The chairman of the Company is responsible for the overall leadership of the Company and for strategies and planning of the Group. The chief executive officer is responsible for the day-to-day management of the Group's business and operations. During the period ended 31 December 2012, Mr. Li Wing Chiu acted as chairman while the role of chief executive officer was performed by Mr. Wang Zhiming.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Code Provision A.4.1 requires that non-executive directors be appointed for a specific term, subject to re-election. According to the articles of association of the Company (the "Articles"), at each annual general meeting, one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation.

INDEPENDENCE

Independent non-executive Directors are required to give an annual confirmation of their independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules. This practice is being observed and the Company considers the independent non-executive directors to be independent.

BOARD MEETINGS AND BOARD COMMITTEES MEETINGS

15 board meetings were held during the period ended 31 December 2012. The Directors use their best endeavour to ensure that for all board meetings to be held, board minutes are kept by the secretary of the Company (the "Secretary"), and be open for inspection by the Directors. Every Director is entitled to have access to the board papers and related materials and have unrestricted access to the advice and services of the Secretary, and have the liberty to seek external professional advice if so required.

The Board has established three Board Committees, namely Audit Committee, Remuneration Committee and Nomination Committee.

The attendance of the Directors at the board meetings and the meetings of full Board Committees are as follows:

Name of Directors	No. of board meetings attended/ No. of board meetings held	Audit Committee meetings no. attended/ No. held	Remuneration Committee meetings no. attended/ No. held	Nomination Committee meetings no. attended/ No. held
Executive Directors:				
Mr. Li Wing Chiu, chairman of Nomination Committee (appointed on 26 October 2011)	12/15	–	–	1/1
Mr. Wang Zhiming, member of Remuneration Committee (appointed on 26 October 2011)	12/15	–	1/1	–
Mr. Zhang Xiaobin (appointed on 26 October 2011)	12/15	–	–	–
Mr. Wong Sai Wa	15/15	–	–	–
Non-executive Directors:				
Mr. Qiao Long (appointed on 26 October 2011 and resigned on 30 November 2012)	9/15	–	–	–
Ms. Wong Moon Ha (re-designated from executive director on 26 October 2011)	15/15	–	–	–
Independent non-executive Directors:				
Ms. Wong Yan Ki, Angel, chairlady of Audit Committee and Remuneration Committee (appointed on 26 October 2011)	12/15	5/5	1/1	–
Ms. Liao Aimin, member of Audit Committee, Remuneration Committee and Nomination Committee (appointed on 26 October 2011)	12/15	5/5	1/1	1/1
Mr. Li Jingxing, member of Audit Committee and Nomination Committee (appointed on 26 October 2011)	11/15	4/5	–	1/1

AUDIT COMMITTEE

Audit Committee of the board of Directors was established on 26 October 2011, written terms of reference were adopted in compliance with the GEM Listing Rules. The main functions of the Audit Committee of the Company is to recommend to the Board on the appointment, reappointment and removal of the external auditors; to approve the remuneration and terms of engagement of the external auditors as well as any questions of resignation or dismissal of such auditors; to review the quarterly, interim and annual reports and accounts of the Group; and to oversee the Company's financial reporting and internal control procedures.

The Audit Committee of the Company consists of three independent non–executive Directors, namely, Ms. Wong Yan Ki Angel (chairlady of the Committee), Ms. Liao Aimin and Mr. Li Jingxing with written terms of reference in compliance with the Rule 5.28 to 5.33 to the GEM Listing Rules. The Audit Committee has reviewed the final results for the seventeen months ended 31 December 2012 and also the quarterly and interim results during the period ended 31 December 2012.

REMUNERATION COMMITTEE

Remuneration Committee of the board of Directors was established on 26 October 2011. Written terms of reference were adopted in compliance with the GEM Listing Rules. The Remuneration Committee of the Company, with the majority of its members being independent non-executive Directors, is mainly responsible for making recommendations to the Board on the remuneration system of the Company. The Remuneration Committee has to consult the chairman and/or the chief executive officer of the Company on their proposals relating to the remuneration of other executive Directors. The Remuneration Committee may seek independent professional advice as it considers necessary in respect of its function.

The Remuneration Committee of the Company consists of two independent non-executive directors, namely Ms. Wong Yan Ki, Angel (chairlady of the Committee) and Ms. Liao Aimin and an executive director, Mr. Wang Zhiming. During the period ended 31 December 2012, the Remuneration Committee reviewed the remuneration package of the Directors and the senior management of the Group and proposed bonus policy to Executive Directors to reflect their contributions to the Group and to link their remuneration to the Group's performance.

NOMINATION COMMITTEE

Nomination Committee of the board of Directors was established on 26 October 2011. Written terms of reference were adopted in compliance with the GEM Listing Rules. The Nomination Committee of the Company is responsible for reviewing the structure, size and composition of the Board, identifying suitable candidates for directorship, assessing the independence of independent non-executive Directors, and making recommendations to the Board regarding any proposed appointment and re-appointment.

The nomination committee consists of two independent non-executive directors, namely Mr. Li Jingxing and Ms. Liao Aimin and an executive director, Mr. Li Wing Chiu (chairman of the Committee).

During the period ended 31 December 2012, the Nomination Committee of the Company has reviewed the nomination procedures of directors.

INTERNAL CONTROL

The Directors have the overall responsibility for devising the Company's system for internal control and for conducting an annual review of the effectiveness of its operations. This will ensure that the Directors will oversee and monitor the Group's overall financial position so that the interests of the shareholders are well protected and covered. The internal control system covers the financial, operational, compliance and risk management areas of the Group's business. During the period ended 31 December 2012, the Board has carried out evaluation and assessment of the effectiveness of the Group's internal control system.

COMMUNICATIONS WITH SHAREHOLDERS

The shareholders' meeting provides a useful channel for shareholders to communicate directly with the Board which the directors are available to answer questions related to the Company's affairs.

The procedures to elect directors was uploaded to the Company's website (www.irasia.com/listco/hk/orientalunicorn/index.html).

The Company will continue to improve the communication with investors and to provide them more opportunities to understand the business of the Company.

AUDITOR'S REMUNERATION

During the period ended 31 December 2012, the remuneration in respect of audit services and non-audit services provided by the Company's auditor, Cheng & Cheng Limited, Certified Public Accountants, and resigned auditors, PKF Hong Kong, Certified Public Accountants, is set out below:

	1.8.2011 to 31.12.2012 HK$'000	1.8.2010 to 31.7.2011 HK$'000
Services rendered		
– Audit services		
Cheng & Cheng Limited	**300**	–
PKF Hong Kong	**10**	350
– Non audit services		
PKF Hong Kong	**81**	–

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities in the preparation of the Company's financial statements for each financial year which give a true and fair view of the state of affairs of the Company and in presenting the quarterly, interim and annual financial statements, and announcements to shareholders, the Directors aim at presenting a balanced, cleared and comprehensive assessment of the Company's performance, its current position and future prospects. The respective responsibilities of the Directors and auditors of the Company in respect of the preparation of the financial statements are set out in the independent auditor's report on pages 24 to 25 of this annual report.

The Directors present the annual report together with the audited financial statements of the Group for the seventeen months period ended 31 December 2012 (the "period ended").

PRINCIPAL ACTIVITIES

The Group is principally engaged in the manufacturing, development and distribution of feedstock products, animal hushandry and related activities.

RESULTS

The results of the Group for the period ended 31 December 2012 and the state of affairs of the Group as at that date are set out in the financial statements on pages 26 to 84.

DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the period ended 31 December 2012 (31 July 2011: Nil).

CONVERTIBLE NOTES

3-year zero coupon convertible notes in aggregate principal amount of HK$22,000,000 at a conversion price of HK$0.2 were issued on 26 October 2011. During the period ended 31 December 2012, principal sum of HK$10,160,000 of the convertible notes were converted into 50,800,000 shares of the Company.

FINANCIAL SUMMARY

A summary of the results, assets, liabilities and non-controlling interests of the Group for the five financial period ended 31 December 2012 and for the four financial years ended 31 July 2011 is set out below:

RESULTS

	1.8.2011 to 31.12.2012 HK$'000	1.8.2010 to 31.7.2011 HK$'000	1.8.2009 to 31.7.2010 HK$'000	1.8.2008 to 31.7.2009 HK$'000	1.8.2007 to 31.7.2008 HK$'000
Turnover	**160,715**	86,304	35,285	1,965	5,981
(Loss)/profit from operating activities	**(3,688)**	3,064	(179)	(49,341)	(120,296)
Finance costs	**(2,661)**	(341)	(1,347)	(32,985)	(11,106)
Gain on the scheme	**67,494**	–	–	–	–
Gain on deconsolidation of subsidiaries	**401**	36,191	3,187	9,497	–
Assets impairment	**–**	–	–	(24,814)	(23,576)
Profit/(loss) before tax	**61,546**	38,914	1,661	(97,643)	(154,978)
Income tax	**(2,005)**	(2,557)	(1,461)	–	–
Profit/(loss) for the period/year	**59,541**	36,357	200	(97,643)	(154,978)
Profit/(loss) attributable to					
Equity shareholders of the Company	**59,541**	36,339	200	(97,643)	(154,978)
Non-controlling interests	**–**	18	–	–	–
	59,541	36,357	200	(97,643)	(154,978)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31.12.2012 HK$'000	As at 31.7.2011 HK$'000	As at 31.7.2010 HK$'000	As at 31.7.2009 HK$'000	As at 31.7.2008 HK$'000
Total assets	**66,891**	39,735	11,626	13,052	113,620
Total liabilities	**(19,993)**	(155,430)	(172,871)	(173,644)	(175,647)
Non-controlling interests	**–**	(5,878)	–	–	–
	46,898	(121,573)	(161,245)	(160,592)	(62,027)

PROPERTY, PLANT AND EQUIPMENT

Details of the movement in property, plant and equipment of the Group are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of the Company's share capital during the period are set out in note 30 to the financial statements.

SHARE OPTION SCHEMES

The Company had no share option scheme in effect during the period.

No new share option was granted under any option scheme of the Company to any person during the period.

At 31 December 2012, no person had any interest in option under any share option scheme to subscribe for shares of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's by law or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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

During the period ended 31 December 2012, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities or the securities of the Company's subsidiaries.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the period ended 31 December 2012.

RESERVES

Details of movements in the reserves of the Group during the period/year are set out in the consolidated statement of changes in equity on page 31.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the period and up to the date of this report were:

Executive Directors:

Mr. Li Wing Chiu (appointed on 26 October 2011)
Mr. Wang Zhiming (appointed on 26 October 2011)
Mr. Zhang Xiaobin (appointed on 26 October 2011)
Mr. Wong Sai Wa

Non-executive Directors:

Mr. Qiao Long (appointed on 26 October 2011 and resigned on 30 November 2012)
Ms. Wong Moon Ha (re-designated from executive director on 26 October 2011)

Independent non-executive Directors:

Ms. Wong Yan Ki, Angel (appointed on 26 October 2011)
Ms. Liao Aimin (appointed on 26 October 2011)
Mr. Li Jingxing (appointed on 26 October 2011)

In accordance with article 116 of the Articles, one third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Mr. Wong Sai Wa has entered into a service contract with the Company. The service contract provides for an initial term of two years commencing on 10 April 2001 and shall be continuing, until termination by either party in accordance with the provisions of the service contract.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Non-executive directors (including independent non-executive directors) are not appointed for specific terms and are subject to retirement by rotation in accordance with the Articles.

CONFIRMATION OF INDEPENDENCE

The Company has received from independent non-executive Directors, an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers them to be independent.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Profiles details of the Directors and the senior management of the Group are set out on page 7 of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or its subsidiaries was a party and in which a Director had a material interest subsisted at the end of the period or at any time during the period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES OF THE COMPANY

As at 31 December 2012, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares and underlying shares of the Company

Name of director	Capacity and nature of interest	Share/equity derivatives	Number of shares/ equity derivatives held	Percentage of the Company's issued share capital	*Note*
Mr. Li Wing Chiu	Through controlled corporation	Ordinary shares	219,356,000 shares	61.51%	*(1)*
Ms. Wong Moon Ha	Through controlled corporations and personal interests	Ordinary shares	14,000,000 shares	3.93%	*(2)*
Mr. Wong Sai Wa	Personal interests	Ordinary shares	96,185 shares	0.03%	

Note:

(1) The shares were held by Thousand Jade International Limited, the entire issued capital of which is owned by Mr. Li Wing Chiu, an executive director and Chairman of the board of Directors of the Company.

(2) 10,000,000 shares were held by Concord Pharmaceutical Technology (Holdings) Limited, which is a wholly-owned subsidiary of Concord Management Limited, the entire issued capital of which is owned by Ms. Wong Moon Ha, an non-executive director of the Company. 4,000,000 shares were directly held Ms. Wong Moon Ha.

Save as disclosed herein, as at 31 December 2012, none of the Directors had short positions in the shares or underlying shares of equity derivatives of the Company and no other person was individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at general meeting of the Company and was able, as a practical matter, to direct or influence the management of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARE OR DEBENTURES

Save as disclosed under the section headed "Directors' and Chief Executives' Interests in Securities of the Company" above, at no time during the period was the Company or any of its holding companies or subsidiaries a party to any arrangements which enabled the Company's Directors, their respective spouse or minor children to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES OF THE COMPANY

As at 31 December 2012, in so far as known to the directors or chief executives of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, the following persons (not being directors and chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Substantial Shareholders

Name	Capacity and nature of interest	Share/equity derivatives	Number of shares/ equity derivatives held (long position)	Percentage of the Company's issued share capital	*Note*
Thousand Jade International Limited	Corporation	Ordinary shares	219,356,000 shares	61.51%	*(1)*
Mr. Li Wing Chiu	Through controlled corporation	Ordinary shares	219,356,000 shares	61.51%	*(1)*
Mr. Peng Guomin	Personal interests	Ordinary shares	25,000,000 ordinary shares	7.01%	
Will Summit Limited	Corporation	Convertible note	22,750,000 ordinary shares	6.38%	*(2)*
Ms. Chen Shu Huan	Through controlled corporation	Convertible note	22,750,000 ordinary shares	6.38%	*(2)*
Power Soar Limited	Corporation	Convertible note	20,000,000 ordinary shares	5.61%	*(3)*
Mr. Hung Cho Chiu	Through controlled corporation	Convertible note	20,000,000 ordinary shares	5.61%	*(3)*

Note:

(1) The shares were held by Thousand Jade International Limited for which its entire share capital is wholly-owned by Mr. Li Wing Chiu, an executive director and Chairman of the board of Directors of the Company.

(2) The underlying shares were held by Will Summit Limited for which its entire share capital is wholly-owned by Ms. Chen Shu Huan, a holder of the CN issued by the Company on 26 October 2011. Of which, the holder is entitled to the right attaching to the CN to subscribe for 22,750,000 shares of the Company.

(3) The underlying shares were held by Power Soar Limited for which its share capital is wholly-owned by Mr. Hung Cho Chiu, a holder of the CN issued by the Company on 26 October 2011. Of which, the holder is entitled to the right attaching to the CN to subscribe for 20,000,000 shares of the Company.

Save as disclosed above, as at 31 December 2012, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or 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 recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS

The Board is not aware of any material connected transactions during the period ended 31 December 2012.

CHARGES OF GROUP ASSETS

As at 31 December 2012, the Group's bank borrowings of approximately HK$3,682,000 were secured by charge on its land use right dominate in Renminbi with fixed interest rate of 8.856% per annum.

CAPITAL COMMITMENT

The Group did not have any material capital commitment as at 31 December 2012.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2012.

CHANGE OF FINANCIAL YEAR END DATE OF THE COMPANY

The Company has changed its financial year end date from 31 July to 31 December. Therefore, the financial period covers the period of seventeen months from 1 August 2011 to 31 December 2012.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the Directors or their respective associates had any interest in any business, which competes with or may compete with the business of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained a public float as prescribed under the GEM Listing Rules.

SIGNIFICANT SUBSEQUENT EVENTS

On 21 February 2013 and 25 February 2013, principal sum of HK$11,840,000 of the Convertible Notes issued by the Company on 26 October 2011 were converted into 59,200,000 ordinary shares of the Company at a conversion price of HK$0.2.

AUDITOR

PKF Hong Kong, who acted as auditor for last financial year resigned as auditor of the Company on 18 January 2013. Cheng & Cheng Limited was appointed on 21 January 2013 to fill the causal vacancy.

The consolidated financial statements for the period were audited by Cheng & Cheng Limited who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

LI WING CHIU
Chairman

Hong Kong, 22 March 2013

CHENG & CHENG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
鄭 鄭 會 計 師 事 務 所 有 限 公 司

10/F., Allied Kajima Building,
138 Gloucester Road, Wanchai, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ORIENTAL UNICORN AGRICULTURAL GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Oriental Unicorn Agricultural Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 84, which comprise the consolidated and Company's statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 1 August 2011 to 31 December 2012, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY *(continued)*

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's profit and cash flows for the period from 1 August 2011 to 31 December 2012 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 July 2011, which were approved on 21 October 2011, were audited by another auditor who expressed a disclaimer of opinion based on the material uncertainty relating to the completion of the implementation of the restructuring proposal. The restructuring was subsequently completed and as at 28 October 2011, all the resumption conditions have been fully satisfied and complied with. Trading of the shares of the Company on the GEM board has been resumed with effect from 1 November 2011.

Cheng & Cheng Limited
Certified Public Accountants (Practising)
Y.Y. Li, Alice
Practising Certificate Number P03373

22 March 2013

Consolidated Statement of Comprehensive Income

For the period ended 31 December 2012

	Note	**1.8.2011 to 31.12.2012 HK$'000**	1.8.2010 to 31.7.2011 HK$'000
Turnover	8	**160,715**	86,304
Cost of sales		**(142,177)**	(71,276)
Gross profit		**18,538**	15,028
Other income	8	**6,142**	34
Gain on bargain purchase	32	**1,853**	–
Selling and distribution costs		**(3,079)**	(3,022)
General and administrative expenses		**(17,254)**	(6,102)
Restructuring costs		**(9,867)**	(2,874)
Change in fair value of biological assets less cost to sell		**(21)**	–
(Loss)/profit from operating activities	9	**(3,688)**	3,064
Finance costs	10	**(2,661)**	(341)
Gain on the scheme	33	**67,494**	–
Gain on deconsolidation of subsidiaries	31	**401**	36,191
Profit before tax		**61,546**	38,914
Income tax	13(a)	**(2,005)**	(2,557)
Profit for the period/year	14	**59,541**	36,357
Other comprehensive (loss)/income for the period/year			
– Release of exchange fluctuation reserve upon deconsolidation of subsidiaries		**(20)**	2,368
– Exchange differences arising on translation of financial statements of overseas subsidiaries		**89**	1,093
Total comprehensive income for the period/year		**59,610**	39,818
Profit for the period/year attributable to:			
– Equity shareholders of the Company		**59,541**	36,339
– Non-controlling interests		**–**	18
		59,541	36,357
Total comprehensive income for the period/year attributable to:			
– Equity shareholders of the Company		**59,610**	39,672
– Non-controlling interests		**–**	146
		59,610	39,818
Earnings per share	15	**HK Cents**	HK Cents (Restated)
Basic		**12.30**	107.48
Diluted		**11.59**	107.48

Consolidated Statement of Financial Position

As at 31 December 2012

	Note	As at 31.12.2012 HK$'000	As at 31.7.2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**44,018**	12,989
Prepaid lease payments	17	**1,033**	1,064
Goodwill	18	**891**	–
Biological assets	19	**249**	–
		46,191	14,053
CURRENT ASSETS			
Biological assets	19	**312**	–
Inventories	20	**763**	1,458
Trade receivables	21	**16,395**	10,845
Deposits, prepayments and other receivables	22	**1,632**	2,536
Cash, bank balances and time deposit		**1,598**	10,843
		20,700	25,682
DEDUCT:			
CURRENT LIABILITIES			
Bank borrowings	23	**3,682**	–
Trade payables	24	**2,574**	464
Convertible bonds	25	**–**	106,600
Amounts due to deconsolidated subsidiaries	27	**–**	1,239
Convertible notes	26	**8,753**	–
Other payables and accruals		**1,598**	21,252
Amount due to a former investor	28	**–**	16,538
Amount due to an investor	29	**124**	8,399
Amount due to a director	27	**2,500**	–
Income tax payable		**253**	938
Deferred tax liabilities	13(b)	**509**	–
		19,993	155,430
NET CURRENT ASSETS/(LIABILITIES)		**707**	(129,748)
TOTAL ASSETS LESS CURRENT LIABILITIES		**46,898**	(115,695)
NON-CURRENT LIABILITIES		**–**	–
NET ASSETS/(LIABILITIES)		**46,898**	(115,695)

Consolidated Statement of Financial Position *(continued)*

As at 31 December 2012

	Note	**As at 31.12.2012 HK$'000**	As at 31.7.2011 HK$'000
REPRESENTING:			
CAPITAL AND RESERVES			
Share capital	30(a)	**14,264**	67,620
Reserves		**32,634**	(189,193)
Equity/(capital deficiencies) attributable to equity shareholders of the Company		**46,898**	(121,573)
Non-controlling interests		**–**	5,878
EQUITY/(CAPITAL DEFICIENCIES)		**46,898**	(115,695)

APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 22 MARCH 2013

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DIRECTOR *DIRECTOR*

Mr. Li Wing Chiu **Mr. Wang Zhiming**

Consolidated Statement of Cash Flows

For the period ended 31 December 2012

	Note	1.8.2011 to 31.12.2012 HK$'000	1.8.2010 to 31.7.2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**61,546**	38,914
Adjustments for:			
Interest expenses		**353**	341
Imported interest		**2,308**	–
Interest income		**(13)**	(14)
Depreciation		**1,762**	104
Gain on bargain purchase		**(1,853)**	–
Amortisation of prepaid lease payments		**31**	17
Change in fair value of biological assets less costs to sell	19	**21**	–
Gain on deconsolidation of subsidiaries		**(401)**	(36,191)
Gain on the scheme		**(67,494)**	–
Reversal of accrued expenses		**(2,040)**	–
Operating (loss)/profit before working capital changes		**(5,780)**	3,171
Decrease in biological assets		**1,578**	–
Decrease/(increase) in inventories		**1,266**	(1,414)
Increase in trade receivables		**(5,550)**	(3,094)
Decrease/(increase) in deposits, prepayments and other receivables		**1,331**	(2,255)
Increase/(decrease) in trade payables		**2,299**	(75)
Increase in other payables and accruals		**13,766**	6,013
Cash from operations		**8,910**	2,346
Interest received		**13**	14
Interest paid		**(182)**	–
Tax paid		**(2,690)**	(2,796)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		**6,051**	(436)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(25,333)**	(12,653)
Prepaid lease payments		**–**	(1,070)
Deconsolidation of subsidiaries		**–**	(71)
Acquisition of a subsidiary	32	**(7,875)**	–
Acquisition of 37% equity interest in a subsidiary	32	**(9,229)**	–
NET CASH USED IN INVESTING ACTIVITIES		**(42,437)**	(13,794)

For the period ended 31 December 2012

	1.8.2011 to 31.12.2012 HK$'000	1.8.2010 to 31.7.2011 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from a former investor	**–**	6,529
Advances from an investor	**–**	8,380
Capital contribution by non-controlling shareholders of a subsidiary	**1,522**	5,732
Proceeds from issue of convertible notes	**22,000**	–
Net proceeds from bank loan	**3,682**	–
NET CASH FROM FINANCING ACTIVITIES	**27,204**	20,641
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(9,182)**	6,411
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(63)**	214
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR	**10,843**	4,218
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR	**1,598**	10,843
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash, bank balances and time deposits	**1,598**	10,843

Consolidated Statement of Changes in Equity

For the period ended 31 December 2012

	Attributable to equity shareholders of the Company												
	Share Capital	Share premium	Capital reserve	Share option reserve	Convertible notes equity reserve	Convertible bonds equity reserve	Warrant reserve	PRC statutory reserve	Exchange fluctuation reserve	Accumulated Loss	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 August 2010	67,620	101,086	27,104	14,364	–	29,634	4,807	–	(2,279)	(403,581)	(161,245)	–	(161,245)
Capital contribution by non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	5,732	5,732
Transfer upon expiry of conversion option of convertible bonds	–	–	29,634	–	–	(29,634)	–	–	–	–	–	–	–
Transfer upon expiry of warrant	–	–	4,807	–	–	–	(4,807)	–	–	–	–	–	–
Transfer upon lapse of share options	–	–	–	(14,364)	–	–	–	–	–	14,364	–	–	–
Total comprehensive income for the year	–	–	–	–	–	–	–	–	3,333	36,339	39,672	146	39,818
Transfer to PRC statutory reserve	–	–	–	–	–	–	–	873	–	(873)	–	–	–
At 31 July 2011 and 1 August 2011	67,620	101,086	61,545	–	–	–	–	873	1,054	(353,751)	(121,573)	5,878	(115,695)
Capital restructuring	(66,268)	(101,086)	–	–	–	–	–	–	–	167,354	–	–	–
Issuance of subscription shares	9,600	38,400	–	–	–	–	–	–	–	–	48,000	–	48,000
Issuance of creditors shares	1,280	45,440	–	–	–	–	–	–	–	–	46,720	–	46,720
Issuance of convertible notes	–	–	–	–	8,647	–	–	–	–	–	8,647	–	8,647
Conversion of convertible notes	2,032	8,128	–	–	(2,335)	–	–	–	–	–	7,825	–	7,825
Deferred tax arising from conversion of convertible notes	–	–	–	–	(1,427)	–	–	–	–	–	(1,427)	–	(1,427)
Total comprehensive income for the period	–	–	–	–	–	–	–	–	69	58,637	58,706	904	59,610
Capital contribution by non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	1,522	1,522
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(8,304)	(8,304)
At 31 December 2012	14,264	91,968	61,545	–	4,885	–	–	873	1,123	(127,760)	46,898	–	46,898

The capital reserve arises from (i) capitalisation of a loan and represents the difference between the amount due to a former beneficial shareholder capitalised and the nominal value of shares; and (ii) the expiry of conversion option of convertible bonds and warranty.

The credit balance arising from the Capital reduction of HK$66,268,000 was applied, as permitted by the Cayman Companies Law to set off part of the accumulated losses of the Company. With effect from the completion of the Restructuring Agreement, the entire amount standing to the credit of the share premium account of the Company amounting to HK$101,086,000 was reduced and set off against the accumulated losses of the Company.

1. CORPORATE AND GENERAL INFORMATION

Oriental Unicorn Agricultural Group Limited (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in the manufacturing, development and distribution of feedstock products, animal husbandry and related activities. Animal husbandry business was commenced in 2012.

The registered office of the Company is located at Ugland House, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies.

The principal place of business of the Company is Unit 4508, 45/F., The Center, 99 Queen's Road Central, Hong Kong.

The Company's shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company announced on 9 August 2012 that the financial year end date of the Company was changed from 31 July to 31 December commencing from the financial year 2012. Accordingly, the financial statements for the current period cover the seventeen-month period from 1 August 2011 to 31 December 2012. The corresponding comparative amounts shown for the consolidated statement of comprehensive income, the consolidated statement of changes in equity and related notes cover the twelve-month period from 1 August 2010 to 31 July 2011 and therefore may not be comparable with the amounts shown for the current period.

2. BASIS OF PREPARATION

(a) Winding-up petition and appointment of the provisional liquidators. On 28 October 2011, the Hong Kong Court granted an order to dismiss the petition and discharge the provisional liquidators with immediate effect.

On 13 May 2008, a winding-up petition was presented and filed in the High Court of the Hong Kong Special Administrative Region (the "High Court") by Shantou Xinyuan Trading Company Limited, the petitioner of the Company. On 2 December 2008, an ex-parte application was filed and served onto the Company by Keywise Greater China Opportunities Master Fund, a supporting creditor of the Company, for the appointment of provisional liquidators of the Company. On 3 December 2008, the High Court appointed Messrs. Stephen Liu Yiu Keung and David Yen Ching Wai, both of Ernst & Young Transactions Limited, as the joint and several provisional liquidators (the "Provisional Liquidators") of the Company.

Pursuant to an order of the High Court, the Provisional Liquidators would, inter alia, take into their custody and protect all the assets of the Group and manage the Group until such times as further order is made. The Provisional Liquidators are independent third parties not connected with the Company or any of the directors, chief executive and substantial shareholders of the Company or its subsidiaries or their respective associates as defined in the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules").

2. BASIS OF PREPARATION *(continued)*

(a) Winding-up petition and appointment of the provisional liquidators. On 28 October 2011, the Hong Kong Court granted an order to dismiss the petition and discharge the provisional liquidators with immediate effect. *(continued)*

By an order of the High Court of Hong Kong dated 18 August 2011, the hearing for the petition which was initially fixed on 12 November 2008 was further adjourned to 9 January 2012.

(b) Restructuring of the Group

On 5 December 2008, the Provisional Liquidators have appointed Asian Capital (Corporate Finance) Limited as financial adviser to the Company (the "Financial Adviser"). Since then, the Provisional Liquidators and the Financial Adviser have been in discussion and negotiation with various potential investors with a view of restructuring the Company and submitting a viable resumption proposal to the Stock Exchange.

On 28 July 2009, an exclusivity agreement (the "Exclusivity Agreement") was entered into amongst NEUF Capital Limited (the "Former Investor"), the Company and the Provisional Liquidators to grant the Former Investor exclusivity for the preparation of a resumption proposal (the "Resumption Proposal") and negotiation in good faith of legally binding agreements for the implementation of the proposed restructuring and the Resumption Proposal. The restructuring proposal so submitted by the Former Investor was also accepted by the Provisional Liquidators, and in principle, supported by the major creditors of the Company as it was considered to be for the best interest of the Company and its stakeholders.

Pursuant to the Exclusivity Agreement, on 24 September 2009, the Former Investor, as lender and Tony China Limited ("Tony China"), a wholly-owned subsidiary of the Company and as borrower, entered into a working capital facility agreement in relation to the provision of the working capital facility of up to HK$9,000,000 with an interest rate of 5% per annum by the Former Investor to meet the trading and operation expenses required to maintain a viable and continuing business of the Company during the course of the proposed restructuring and after the date of the Exclusivity Agreement. On the same day, Tony China and the Former Investor executed a debenture in favour of the Former Investor on, inter alia, a charge over all assets and receivables whether present and future of Tony China in relation to the said working capital facility provided by the Former Investor.

The Financial Adviser submitted the Resumption Proposal on behalf of the Company to the Stock Exchange on 30 November 2009. An updated Resumption Proposal was further submitted to the Stock Exchange on 19 May 2010.

2. BASIS OF PREPARATION *(continued)*

(b) Restructuring of the Group *(continued)*

The restructuring, resulted in:

(i) a restructuring of the share capital of the Company through capital reduction, shares consolidation and the increase in share capital, and the issuance of new shares of the Company;

(ii) all the creditors of the Company discharging and waiving their claims against the Company by way of schemes of arrangement in Hong Kong and the Cayman Islands (the "Schemes"), as appropriate; and

(iii) resumption of trading in the shares of the Company upon completion of the proposed restructuring subject to the restoration of sufficient public float.

Having received and considered the operations and affairs of the Group and the magnitude of the claims against the Company, the Company concluded that the proposed restructuring represents the best means available for the Company to be returned to solvency and to continue with the development and enhancement of its business.

On 26 July 2010, the Stock Exchange had granted a conditional approval to the Company to resume the trading in the shares of the Company (the "Resumption") subject to the Company fulfills the stipulated conditions by 30 April 2011.

On 27 January 2011, the Exclusivity Agreement lapsed pursuant to the terms of the Exclusivity Agreement. Upon the lapse of the Exclusivity Agreement, the working capital facility under the working capital facility agreement dated 24 September 2009 became due and payable.

Subsequently, Thousand Jade International Limited (the "Investor") has indicated and confirmed its interest in taking up the role of an investor in the proposed restructuring of the Company after the lapse of the Exclusivity Agreement. After various discussions involving representatives of the Provisional Liquidators, the Investor and their respective advisors, the terms of the Formal Restructuring Agreement were formulated ("Restructuring Proposal").

2. BASIS OF PREPARATION *(continued)*

(b) Restructuring of the Group *(continued)*

On 29 April 2011, the Formal Restructuring Agreement was entered into among the Investor as investor, Mr. Li Wing Chiu, the sole and beneficial owner and a director of the Investor, as guarantor, the Company and the Provisional Liquidators, pursuant to which the parties agreed to the terms and conditions for the purpose of facilitating the Restructuring Proposal.

As at the date of the Formal Restructuring Agreement, the amount due and payable to the Former Investor under the working capital facility agreement entered into between Tony China and the Former Investor on 24 September 2009 was approximately HK$8,239,000. In order to settle the said working capital loan due and payable to the Former Investor, Tony China entered into a working capital facility agreement with the Investor on 5 July 2011 pursuant to which Tony China shall apply such escrow amount as is equivalent to the principal and accrued interest due under the working capital facility agreement entered into between Tony China and the Former Investor on 24 September 2009 (the "Escrow Amount") to settle the outstanding amount due thereunder and to obtain a release of the debenture executed by Tony China in favour of the Former Investor on 24 September 2009.

Upon the signing of the Formal Restructuring Agreement, the Investor deposited an amount of HK$15,000,000 in escrow with the escrow agent who shall have custody of such amount and place the same in an interest-bearing account in the name of the escrow agent (the "Initial Escrow Arrangement").

On 24 May 2011, the Stock Exchange granted extension of time for completing the resumption conditions to 31 October 2011.

On 1 June 2011, the parties to the Formal Restructuring Agreement entered into a supplemental restructuring agreement to amend certain terms of the Formal Restructuring Agreement.

On 5 July 2011, a working capital facility agreement was entered into between Tony China and the Investor and a debenture was given by Tony China in favour of the Investor on the same date creating a floating charge over the assets of Tony China and which is subordinated to the floating charge created by Tony China in favour of the Former Investor.

On 29 August 2011, a second supplemental restructuring agreement was entered into between the parties to the Formal Restructuring Agreement to amend certain terms of the Formal Restructuring Agreement and which include, inter alia, the termination of the Initial Escrow Arrangement, the setting up of the escrow account for the repayment of the outstanding principal and accrued interest due under the working capital facility agreement entered into between Tony China and the Former Investor.

2. BASIS OF PREPARATION *(continued)*

(b) Restructuring of the Group *(continued)*

On 2 September 2011, the Company dispatched the circular in relation to the proposed restructuring of the Company. On 13 October 2011, the Company published an announcement setting out the progress of the proposed restructuring and the revised expected timetable for the Resumption.

On 28 October 2011, the Hong Kong Court granted an order to dismiss the Petition and discharge the Provisional Liquidators with immediate effect.

Trading of the shares of the Company on the GEM board has been resumed with effect from 9:00 a.m. on Tuesday, 1 November 2011.

(c) Compliance with Hong Kong Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which also includes Hong Kong Accounting Standards ("HKAS") and Interpretations approved by the HKICPA, and are prepared under the historical cost convention except where stated otherwise in the accounting policies set out below. These consolidated financial statements also comply with the applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2. BASIS OF PREPARATION *(continued)*

(d) Deconsolidation of subsidiaries

(i) On 21 December 2010, Messrs. Stephen Liu Yiu Keung and David Yen Ching Wai, both of Ernst & Young Transactions Limited, were appointed as the joint and several liquidators to the Company's three indirect wholly-owned subsidiaries, namely Asia Gain Investments Limited, Hong Kong Yang Yang Bio Products Company Limited and Hong Kong Bio Products Manufacturing Limited. The directors of the Company (the "Directors") considered that the Group's control over these subsidiaries has been lost since the date the respective liquidators were appointed.

(ii) On 9 February 2011, Mr. Andrew Koo Chi Ho of Ernst & Young (China) Advisory Limited and Mr. William Tacon of Zolfo Cooper were appointed as joint liquidators to the Company's indirect wholly-owned subsidiary, Glazier Limited ("Glazier"). The Directors considered the Group has lost control over Glazier and its subsidiaries, namely Seechain Investments Limited, Chengdu Concord Yuen Heng Industrial Company Limited, Chengdu Viking Yuen Heng Pharmaceutical Company Limited and Sichuan Liheng Bio-pharmaceutical Company Limited since the date the respective liquidators were appointed.

(iii) On 17 November 2009, the liquidation of Guangdong Yang Yang Bio Products Company Limited ("Guangdong Yang Yang"), an indirect wholly-owned subsidiary of the Company, was approved by the Bureau of Foreign Trade and Economic Cooperation of Guangzhou Municipality of the People's Republic of China (the "PRC"). Since then, the Group lost control on Guangdong Yang Yang and its two subsidiaries, Qingyuan Yang Yang Biotechnology Chumu Company Limited and Jilin Yang Yang Bio Products Company Limited.

(iv) On 14 September 2011, by resolutions of the Company's direct wholly-owned subsidiary, namely, China Biotechnology Limited ("CBL") passed, CBL was placed into a voluntary liquidation pursuant to section 116(d) of the Companies Law (2010 Revision) of the Cayman Islands, as amended and revised (the "Cayman Companies Law"), Messrs. Robin Lee McMahon and Roy Bailey, both of Ernst & Young Limited, were appointed as voluntary liquidators of CBL.

(v) On 11 October 2011, Mr. Liu Yiu Keung Stephen of Ernst & Young Transactions Limited and Mr. William Tacon of Messrs. Zolfo Cooper were appointed as liquidators of the Company's indirect wholly-owned subsidiary, JBC Bio Products Company Limited ("JBC Bio"). JBC Bio has two subsidiaries, namely, JBC Bio Products China Limited and Zhongshan JBC Bio-Technology Co. Ltd. (中山吉本生物科技有限公司).

The Directors considered the Group's control over the aforementioned subsidiaries (the "Excluded Subsidiaries") has been lost. Accordingly. The results, assets and liabilities and cash flows of the Excluded Subsidiaries have been deconsolidated from the consolidated financial statements of the Group since the respective dates of loss of control of these subsidiaries.

2. BASIS OF PREPARATION *(continued)*

(d) Deconsolidation of subsidiaries *(continued)*

In the opinion of the Directors, the consolidated financial statements for the period ended 31 December 2012 and the comparative figures for the year ended 31 July 2011 prepared on the aforementioned basis present more fairly the results and state of affairs of the Group as a whole in light of the aforesaid liquidation against the subsidiaries.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Initial application of HKFRSs

In the current period, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 August 2011:

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Financial instruments: Disclosures – Transfers of financial assets
HKAS 24 (Revised)	Related Party Disclosures
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
HKFRS (Amendments)	Improvements to HKFRSs 2010

The adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

(b) HKFRSs in issue but not yet effective

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

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

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(b) HKFRSs in issue but not yet effective *(continued)*

	Effective for accounting periods beginning on or after
Amendments to HKAS 12, *Income taxes* *– Deferred tax: Recovery of underlying assets*	1 January 2012
Amendments to HKAS 1, *Presentation of financial statements* *– Presentation of items of other comprehensive income*	1 July 2012
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 11, *Joint arrangements*	1 January 2013
HKFRS 12, *Disclosure of interests in other entities*	1 January 2013
HKFRS 13, *Fair value measurement*	1 January 2013
HKAS 27, *Separate financial statements* (2011)	1 January 2013
HKAS 28, *Investments in associates and joint ventures*	1 January 2013
Revised HKAS 19, *Employee benefits*	1 January 2013
Annual Improvements to HKFRSs 2009-2011 Cycle	1 January 2013
Amendments to HKFRS 7, *Financial instruments: Disclosures* *– Disclosures-Offsetting financial assets and financial Liabilities*	1 January 2013
HK (IFRIC) Int 20, *Stripping costs in the production phase of a surface mine*	1 January 2013
Amendments to HKAS 32, *Financial instruments: Presentation* *– Offsetting financial assets and financial liabilities*	1 January 2014
HKFRS 9, *Financial instruments*	1 January 2015

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period/year are included in the consolidated financial statements from the date that control commenced or up to the date that control ceased. When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at that date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of an investment in an associate or jointly controlled entity or other investments.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of consolidation *(continued)*

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

Non-controlling interests represent the equity or deficiency in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period/year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

All significant intra-company transactions and balances within the Group are eliminated on consolidation.

(b) Property, plant and equipment

Property, plant and equipment, other than construction-in-progress, are stated at cost less aggregate depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period/year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of that asset.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Property, plant and equipment *(continued)*

Other than construction-in-progress, depreciation is calculated to write off the cost of other items of property, plant and equipment over their estimated useful lives on a straight-line basis at the following annual rates:–

Buildings	Over the term of lease or 5%
Plant and machinery	10%
Furniture, fixtures and office equipment	20-33.33%
Motor vehicles	10-20%
Leasehold improvements	20%

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period/year.

Construction in progress is carried at cost less any impairment loss. Cost comprises direct costs of construction and exchange differences capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to appropriate category 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.

The gain or loss on disposal of property, plant and equipment, representing the difference between the net sales proceeds and the carrying amounts of the relevant assets, is recognised in profit or loss.

(c) Prepaid lease payments

Up-front payments for land use right are amortised over the term of the leases on a straight-line basis.

(d) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment.

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Biological assets

Biological assets are stated at fair value less cost to sell, with any resultant gain or loss recognized in the statements of comprehensive income. Costs to sell are the incremental cost directly attributable to the disposal of excluding financial costs and income taxes.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis and, in the case of work in progress and finished goods, cost comprises direct materials, direct labour and an attributable proportion of projection overheads. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss.

(h) Impairment of non-financial assets

(i) Impairment of investment in debt and equity securities and other receivables

Investments in investment in debt and equity securities (other than investments in subsidiaries) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available for-sale securities are reviewed at the end of the reporting period/year to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Impairment of non-financial assets *(continued)*

(i) Impairment of investment in debt and equity securities and other receivables *(continued)*

- it becoming probable that the debtor will enter bankruptcy or other financial re-organisation;

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective Group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Impairment of non-financial assets *(continued)*

(i) Impairment of investment in debt and equity securities and other receivables *(continued)*

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– pre-paid interests in leasehold land classified as being held under an operating lease;

– investment in subsidiaries (except for those classified as held for sale or included in a disposal group that is classified as held for sale); and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Impairment of non-financial assets *(continued)*

(ii) Impairment of other assets *(continued)*

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss in reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the period/year in which the reversals are recognised.

(i) Payables

Payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method.

(k) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

(l) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions during the period/year are translated into the functional currency at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the market exchange rates ruling at the end of the reporting period. Differences on foreign currency translation are dealt with in profit or loss.

The consolidated financial statements are prepared by using the net investment method such that the statement of financial position of the Company's overseas subsidiaries are translated into Hong Kong dollars at the market exchange rate ruling at the end of the reporting period, while their profit or loss are translated at the average exchange rate for the period/year. Any exchange differences arising on such translation are dealt with in the exchange fluctuation reserve. Such translation differences are recognised in profit or loss for the period/year in which the foreign operation is disposed of.

4. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which are taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership.

Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Other income not stated above is recognised whenever received or receivable.

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to prepare for their intended use, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use. The capitalisation rate is based on the actual cost of the related borrowings.

All other borrowing costs are charged to profit or loss in the period/year in which they are incurred.

4. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(o) 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.

Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the accounting period in which they are incurred.

(p) Employee benefits

Salaries, annual bonuses, annual leave entitlements and the cost to the Group of non-monetary benefits are accrued in the period/year in which the associated services are rendered by employees of the Group.

Obligations for contributions to retirement plans, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the People's Republic of China ("PRC") central pension scheme, are recognised as an expense in profit or loss as incurred.

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Employee benefits *(continued)*

The fair value of share options granted to employees measured at the grant date and adjusted for the estimated number of shares that will eventually be vested is recognised as an employee cost on a straight-line basis over the vesting period, with a corresponding increase in a capital reserve.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the period/year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to net achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits/accumulated losses).

(q) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period/year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes items that are never taxable and deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted at the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

4. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(q) Income tax *(continued)*

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited directly to equity or other comprehensive income, in which case the deferred tax is also dealt with in equity or other comprehensive income respectively.

(r) Related parties

A related party is a person or entity that is related to the Group in these financial statements, as follows:

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

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

(ii) has significant influence over the Group; or

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

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

(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 employees of either the Group or an entity related to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Related parties *(continued)*

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

(vi) The entity is controlled or jointly controlled by a person identified in note 2(r)(a).

(vii) A person identified in note 2(r)(a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A person identified in note 2(r)(a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(s) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Convertible bonds/notes

Convertible bonds/notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds/notes and fair value assigned to the liability component, representing the conversion option for the holder to convert the loan bonds/notes into equity, is included in equity (convertible bonds/notes reserve).

In subsequent periods, the liability component of the convertible bonds/notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds/notes reserve until the embedded option is exercised, in which case the balance stated in convertible bonds/notes reserve will be transferred to share premium. Where the options remains unexercised at the expiry date, the balance stated in convertible bonds/notes reserve will be released to the retained profits. No gain or loss is recognized in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds/notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds/notes using the effective interest method.

(u) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

5. CRITICAL JUDGEMENT AND KEY ESTIMATES

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The key assumptions concerning the future and the accounting estimates that have a significant effect on the carrying value of assets and liabilities in the statement of financial position and profit or loss items are discussed below:

(a) Equity settled share-based transactions, convertible bonds/notes and warrants

The binomial option-pricing model was applied to estimate the fair value of share options granted by the Company and the warrants detachable from the convertible bonds issued by the Company respectively. The fair value of the liability component of the Company's convertible notes/bonds is estimated using an equivalent market interest rate for a similar note/bond without a conversion option.

The binomial option-pricing model requires the input of highly subjective assumptions, including the volatility of share price. The determination of the fair value of the liability component of the convertible bonds requires management's estimation. The changes in input assumptions and management's estimation can materially affect the fair value estimate.

(b) Fair value of biological asset

The biological assets are valued at fair value less costs to sell. The fair value is determined based on either the market-determined prices as at the end of reporting period adjusted with reference to the species, age, growing condition, costs incurred to reflect differences in characteristic and/or stages of growth of biological asset; or the present value of expected net cash flows from the dairy cows discounted at a current market determined rate, when market-determined prices are unavailable. Any change in the estimates may affect the fair value of the swine significantly.

The independent qualified professional valuer and management review the assumptions and estimates periodically to identify any significant change in the fair value of swine. Details of assumptions used are disclosed in note 19.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below:–

(a) Credit risk

The Group's credit risk is primarily attributable to its receivables and deposits. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Regular review and follow up actions are carried out on overdue amounts to minimise the Group's exposure to credit risk. An aging analysis of the debtors is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these debtors. The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial assets in the consolidated statement of financial position after deducting any impairment allowance. The Group does not provide any guarantee which would expose the Group to credit risk. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables, deposits and other receivables are set out in notes 21 and 22 to the financial statements respectively.

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

The following table details the contractual maturities as at 31 December 2012 of the Group's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:–

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Liquidity risk *(continued)*

	As at 31.12.2012			As at 31.7.2011		
	Carrying amount HK$'000	**Total contractual undiscounted cash flows HK$'000**	**Due within 1 year or on demand HK$'000**	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Due within 1 year or on demand HK$'000
Bank borrowings	**3,682**	**3,682**	**3,682**	–	–	–
Trade payables	**2,574**	**2,574**	**2,574**	464	464	464
Convertible bonds	**–**	**–**	**–**	106,600	106,600	106,600
Convertible notes	**8,753**	**11,840**	**11,840**	–	–	–
Amounts due to deconsolidated subsidiaries	**–**	**–**	**–**	1,239	1,239	1,239
Other payables and accruals	**1,598**	**1,598**	**1,598**	21,252	21,252	21,252
Amount due to a former investor	**–**	**–**	**–**	16,538	16,935	16,935
Amount due to an investor	**124**	**124**	**124**	8,399	8,683	8,683
Amount due to a director	**2,500**	**2,500**	**2,500**	–	–	–
	19,231	**22,318**	**22,318**	154,492	155,173	155,173

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market interest rates. The Group manages interest rate risk, when it is considered significant, by entering into appropriate swap contracts.

The Group's interest rate risk arises primarily from cash at banks, bank borrowings and amounts due to an investor and a director.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(c) Interest rate risk *(continued)*

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest-bearing financial instruments as at 31 December 2012:–

	As at 31.12.2012		As at 31.7.2011	
	Effective interest rate p.a.		Effective interest rate p.a.	
	%	**HK$'000**	%	HK$'000
Fixed rate liabilities:–				
Bank loans	**8.856**	**3,682**	–	–
Amount due to a former investor	**5**	**–**	5	(7,943)
Amount due to an investor	**5**	**–**	5	(5,680)
Variable rate assets:–				
Cash at banks	**–**	**–**	0.5	1,920
Time deposits	**–**	**–**	0.95	5,697

(ii) Sensitivity analysis

As at 31 December 2012, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have no effect on the Group's profit for the period and accumulated losses (31 July 2011: Decrease/Increase by approximately HK$60,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting period. The analysis is performed on the same basis for 2011.

6. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** *(continued)*

(d) Currency risk

Currency risk is 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 will consider hedging significant currency risk should the need arise.

The Group has minimal exposure to foreign currency risk as most of its business transactions, and recognised assets and liabilities are denominated in the functional currency of the group entities to which they relate. The currency giving rise to this risk is primarily United States dollars ("US$"). As Hong Kong dollars ("HK$") is pegged to US$, the Group considers the risk of movements in exchange rates between HK$ and US$ to be insignificant for transactions denominated in US$.

(e) Fair value

All significant financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2012 and 31 July 2011.

7. **SEGMENTS AND ENTITY-WIDE INFORMATION**

Reportable segments

During the year ended 31 July 2011, only one business segment was qualified as a reportable operating segment for disclosure. With the acquisition of Wu Ping Jian Jun Ecology Breeding Company Limited in 2012, animal husbandry business qualifies as a reportable operating segment for the period from 1 August 2011 to 31 December 2012.

For management purposes, the Group is organised into three divisions which are the basis on which the Group reports its segment information.

Segment information is presented by the following segments:

– the feedstock products segment comprises the feedstock business;

– the animal husbandry segment comprises animal husbandry business; and

– the other segment comprises corporate activities.

7. SEGMENTS AND ENTITY-WIDE INFORMATION *(continued)*

Reportable segments *(continued)*

For the purposes of assessing segment performance and allocating resources between segments, the Group's management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

(1) Segment assets consist primarily of property, plant and equipment and trade receivables. Segment liabilities comprise operating liabilities and mainly exclude items such as borrowings and income tax payable.

(2) Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before inter-segment transactions and balances and after transactions and balances between group entities within a single segment.

(3) Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

(4) Unallocated items comprise of bank borrowings, convertible bonds, convertible notes, amounts due to a former investor, an investor and a director, income tax payable and deferred tax liabilities.

Segment information about the aforementioned businesses is set out as follows:

	Feedstock products		Animal husbandry		Other		Elimination of internal sales		Consolidated	
	1.8.2011 to 31.12.2012 HK$'000	1.8.2010 to 31.7.2011 HK$'000	**1.8.2011 to 31.12.2012 HK$'000**	1.8.2010 to 31.7.2011 HK$'000	**1.8.2011 to 31.12.2012 HK$'000**	1.8.2010 to 31.7.2011 HK$'000	**1.8.2011 to 31.12.2012 HK$'000**	1.8.2010 to 31.7.2011 HK$'000	**1.8.2011 to 31.12.2012 HK$'000**	1.8.2010 to 31.7.2011 HK$'000
Segment revenue and income:										
Sales	**175,390**	91,475	**47,013**	–	**–**	–	**(61,688)**	(5,171)	**160,715**	86,304
Other income	**–**	–	**1,087**	–	**5,042**	20	**–**	–	**6,129**	20
Total revenue	**175,390**	91,475	**48,100**	–	**5,042**	20	**(61,688)**	(5,171)	**166,844**	86,324
Segment results	**7,491**	10,120	**3,758**	–	**(4,682)**	31,995	**–**	–	**6,567**	42,115
Interest income									**13**	14
Restructuring costs									**(9,867)**	(2,874)
Finance costs									**(2,661)**	(341)
Gain on the Scheme									**67,494**	–
Profit before tax									**61,546**	38,914
Income tax									**(2,005)**	(2,557)
Profit for the period/year									**59,541**	36,357

7. SEGMENTS AND ENTITY-WIDE INFORMATION *(continued)*

Reportable segments *(continued)*

Segment information about the aforementioned businesses is set out as follows: *(continued)*

	Feedstock products		Animal husbandry		Other		Consolidated	
	As at 31.12.2012 HK$'000	As at 31.7.2011 HK$'000	**As at 31.12.2012 HK$'000**	As at 31.7.2011 HK$'000	**As at 31.12.2012 HK$'000**	As at 31.7.2011 HK$'000	**As at 31.12.2012 HK$'000**	As at 31.7.2011 HK$'000
ASSETS								
Segment assets	**61,240**	36,710	**28,042**	–	**47,981**	4,127	**137,263**	40,837
Elimination of inter-segment receivable							**(70,372)**	(1,102)
Consolidated total assets							**66,891**	39,735
LIABILITIES								
Segment liabilities	**17,803**	5,447	**10,493**	–	**46,248**	18,610	**74,544**	24,057
Elimination of inter-segment payable							**(70,372)**	(1,102)
							4,172	22,955
Unallocated liabilities								
– Bank borrowings							**3,682**	–
– Convertible bonds							**–**	106,600
– Convertible notes							**8,753**	–
– Amount due to a former investor							**–**	16,538
– Amount due to an investor							**124**	8,399
– Amount due to a director							**2,500**	
– Income tax payable							**253**	938
– Deferred tax liabilities							**509**	–
Consolidated total liabilities							**19,993**	155,430

	1.8.2011 to 31.12.2012 HK$'000	1.8.2010 to 31.7.2011 HK$'000	**1.8.2011 to 31.7.2012 HK$'000**	1.8.2010 to 31.7.2011 HK$'000	**1.8.2011 to 31.7.2012 HK$'000**	1.8.2010 to 31.7.2011 HK$'000	**1.8.2011 to 31.7.2012 HK$'000**	1.8.2010 to 31.7.2011 HK$'000
OTHER INFORMATION								
Capital expenditure	**860**	13,723	**27,659**	–	**4,099**	–	**32,618**	13,723
Depreciation	**1,433**	104	**281**	–	**48**	–	**1,762**	104
Amortisation	**31**	17	**–**	–	**–**	–	**31**	17

Since the Group's revenue from external customers and non-current assets are derived from and located in the PRC, no geographical segment information is presented.

7. SEGMENTS AND ENTITY-WIDE INFORMATION *(continued)*

Entity-wide information

For the period ended 31 December 2012, revenues from one customer of the animal husbandry business had contributed to more than 10% of the Group's revenue amounting to approximately HK$47,013,000 (31 July 2011: one customer from feedstock business: HK$8,631,000).

8. TURNOVER AND OTHER INCOME

Turnover represents the net invoiced value of goods sold after allowances for returns and discounts, and net of value-added tax.

An analysis of the Group's turnover and other income is as follows:

	1.8.2011 to 31.12.2012 HK$'000	1.8.2010 to 31.7.2011 HK$'000
Turnover		
Sale of feedstock products	**113,702**	86,304
Sale of animal husbandry products	**47,013**	–
	160,715	86,304
Other income		
Non-refundable fee contributions from former investor	**3,000**	–
Interest income	**13**	14
Gain on disposal of property, plant and equipment	**–**	20
Sundry income	**1,089**	–
Reversal of accrued expenses	**2,040**	–
	6,142	34
	166,857	86,338

9. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

(Loss)/profit from operating activities is arrived at after charging:

	1.8.2011 to 31.12.2012 HK$'000	1.8.2010 to 31.7.2011 HK$'000
Amortisation of prepaid lease payments	**31**	17
Auditors' remuneration	**310**	350
Cost of inventories sold	**120,410**	71,276
Depreciation	**1,762**	104
Minimum operating lease payments for land and buildings	**1,004**	288
Staff costs		
Salaries, wages and other allowances	**10,347**	3,791
Pension scheme contributions	**317**	76
	10,664	3,867

10. FINANCE COSTS

	1.8.2011 to 31.12.2012 HK$'000	1.8.2010 to 31.7.2011 HK$'000
Interest on bank loans wholly repayable within five years	**182**	–
Interest on advances from a former investor	**66**	322
Interest on advances from an investor	**105**	19
Imputed interest on convertible notes	**2,308**	–
	2,661	341

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	Fees		Salaries, allowances and benefit-in-kinds		Total	
	1.8.2011 to 31.12.2012 HK$'000	1.8.2010 to 31.7.2011 HK$'000	**1.8.2011 to 31.12.2012 HK$'000**	1.8.2010 to 31.7.2011 HK$'000	**1.8.2011 to 31.12.2012 HK$'000**	1.8.2010 to 31.7.2011 HK$'000
Executive directors						
Mr. Li Wing Chiu (appointed on 26 October 2011)	**544**	–	**501**	–	**1,045**	–
Mr. Wang Zhiming (appointed on 26 October 2011)	**478**	–	**44**	–	**522**	–
Mr. Zhang Xiaobin (appointed on 26 October 2011)	**283**	–	**34**	–	**317**	–
Mr. Wong Sai Wa	**826**	1,800	**–**	–	**826**	1,800
	2,131	1,800	**579**	–	**2,710**	1,800
Non-Executive directors						
Ms. Wong Moon Ha (re-designated from executive director on 26 October 2011)	**448**	240	**–**	–	**448**	240
Mr. Qiao Long (appointed on 26 October 2011 and resigned on 30 November 2012)	**141**	–	**–**	–	**141**	–
	589	240	**–**	–	**589**	240
Independent non-executive director						
Ms. Wong Yan Ki Angel (appointed on 26 October 2011)	**152**	–	**–**	–	**152**	–
Ms. Liao Aimin (appointed on 26 October 2011)	**152**	–	**–**	–	**152**	–
Mr. Li Jingxing (appointed on 26 October 2011)	**152**	–	**–**	–	**152**	–
	456	–	**–**	–	**456**	–
	3,176	2,040	**579**	–	**3,755**	2,040

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

(a) Directors' emoluments *(continued)*

Notes:–

At 31 December 2012, the remuneration payable to the directors was approximately HK$642,000 (31 July 2011: HK$2,040,000) which was included in other payables and accruals.

No emoluments were paid by the Group to the directors, either as an inducement upon joining or to join the Group, or as compensation for loss of office.

During the period, there were no share options granted to the directors in respect of their services to the Group.

(b) Five highest paid individuals

During the period, the five (31 July 2011: five) highest paid individuals included four directors (31 July 2011: two), details of which are set out in note 11(a) to the consolidated financial statements. The emoluments of the remaining (31 July 2011: three) highest paid individual are as follows:–

	1.8.2011 to 31.12.2012 HK$'000	1.8.2010 to 31.7.2011 HK$'000
Salaries and allowances	**647**	614
Pension scheme contributions	**14**	18
	661	632

The emoluments of the remaining (31 July 2011: three) highest paid individual were below HK$1,000,000.

12. PENSION SCHEME

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all its eligible employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Company's PRC subsidiaries are required to participate in a central pension scheme operated by the local municipal government. The PRC subsidiaries are required to contribute a percentage of its payroll costs to the central pension scheme. The central pension scheme is responsible for the entire pension obligations payable to all retired employees and the Group has no further obligations for the pension payments on post-retirement benefits beyond the monthly contributions.

During the period, the Group made pension contributions of approximately HK$317,000 (31 July 2011: HK$76,000).

13. INCOME TAX

	1.8.2011 to 31.12.2012 HK$'000	1.8.2010 to 31.7.2011 HK$'000
(a) Income tax expense represents:–		
PRC income tax		
Provision for the period/year	**2,005**	2,534
Under-provision in respect of prior year	**–**	23
	2,005	2,557

No provision for Hong Kong profits tax has been made as the Group did not have any estimated assessable profits arising in Hong Kong for the period/year.

The provision for PRC income tax is calculated at 25% on the estimated assessable profit of the subsidiaries operating in the PRC in accordance with the relevant income tax rules and regulations of the PRC for the period/year.

13. INCOME TAX *(continued)*

(a) Income tax expense represents:– *(continued)*

The taxation for the period/year can be reconciled to the profit before tax per consolidated statement of comprehensive income as follows:–

	1.8.2011 to 31.12.2012 HK$'000	1.8.2010 to 31.7.2011 HK$'000
Profit before tax	**61,546**	38,914
Tax at respective applicable tax rate	**11,073**	9,728
Tax effect of non-deductible expenses	**28,798**	1,899
Tax effect of tax-exempt revenue	**(24,117)**	(9,052)
Tax effect on non-assessable income	**(13,749)**	–
Under-provision in prior year	**–**	23
Others	**–**	(41)
Tax expense	**2,005**	2,557

(b) The deferred tax liabilities recognised by the Group and movement thereon during the period are as follows:

	HK$
At 1 August 2011	–
Recognised upon issuance of convertible notes	(1,427)
Credited to reserve	918
At 31 December 2012	(509)

As at 31 December 2012, deferred tax liabilities of HK$509,000 (31 July 2011: Nil) has been recognised for temporary difference between accounting base and tax base of convertible notes which arise from initial recognition of convertible notes and future reversal of imputed interest.

14. PROFIT/(LOSS) FOR THE PERIOD/YEAR

Profit for the period includes a profit of HK$54,220,000 (31 July 2011: Loss HK$7,073,000) which has been dealt with in the financial statements of the Company.

15. EARNINGS PER SHARE

Profit

	1.8.2011 to 31.12.2012 HK$'000	1.8.2010 to 31.7.2011 HK$'000
Profit for the period/year attributable to the equity holders of the Company for the purpose of basic earning per share	**59,541**	36,339
Effect of dilutive potential ordinary shares:		
Imputed interest on convertible notes	**2,308**	–
Profit for the period/year attributable to the equity holders of the Company for the purpose of diluted earning per share	**61,849**	36,339

Number of shares

	1.8.2011 to 31.12.2012	1.8.2010 to 31.7.2011 (Restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**484,234,278**	33,810,000
Effect of dilutive potential ordinary shares:		
Convertible notes not yet converted	**49,390,366**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**533,624,644**	33,810,000

The weighted average number of ordinary shares for the period ended 31 December 2012 and year ended 31 July 2011 for the purpose of basic and diluted earning per share has been adjusted and restated respectively resulting from the capital reorganisation completed on 20 October 2011.

16. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Building	Leasehold improve-ments	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:–							
At 31 July 2011	1,994	4,133	–	6,484	186	306	13,103
Additions	26,918	3,075	310	1,673	291	351	32,618
Transfer	(2,017)	2,017	–	–	–	–	–
Exchange adjustments	67	45	–	60	2	3	177
At 31 December 2012	**26,962**	**9,270**	**310**	**8,217**	**479**	**660**	**45,898**
Aggregate depreciation:–							
At 31 July 2011	–	16	–	51	20	27	114
Charge for the period	–	486	26	1,013	108	129	1,762
Exchange adjustments	–	1	–	2	–	1	4
At 31 December 2012	–	503	26	1,066	128	157	1,880
Net book values:–							
At 31 December 2012	**26,962**	**8,767**	**284**	**7,151**	**351**	**503**	**44,018**
At 31 July 2011	1,994	4,117	–	6,433	166	279	12,989

17. PREPAID LEASE PAYMENTS

	As at 31.12.2012	As at 31.7.2011
	HK$'000	HK$'000
As at the beginning of the period/year	**1,086**	–
Additions	**–**	1,070
Exchange adjustments	**9**	33
Amortisation for the period/year	**(31)**	(17)
Net book value at end of the period/year	**1,064**	1,086
Current portion (included in deposits, prepayment and other receivables (Note 22))	**(31)**	(22)
	1,033	1,064

The prepaid lease payments are in connection with the land use right situated in the PRC under a lease term of fifty years.

18. GOODWILL

	HK$'000
Cost:–	
At 1 August 2010	26,701
Deconsolidation of subsidiaries	(3,593)
At 31 July 2011 and 1 August 2011	23,108
Additions	891
Deconsolidation of subsidiaries	(23,108)
At 31 December 2012	**891**
Impairment:–	
At 1 August 2010	26,701
Deconsolidation of subsidiaries	(3,593)
At 31 July 2011 and 1 August 2011	23,108
Deconsolidation of subsidiaries	(23,108)
At 31 December 2012	–
Net carrying amounts	
At 31 December 2012	**891**
At 31 July 2011	–

Goodwill arises from the acquisition of the 37% of interest of a wholly owned subsidiary on 20 December 2011. The goodwill is allocated to the cash generating unit of the PRC feedstock business, the business of which has commenced during the year ended 31 July 2011.

The goodwill was not shown in the quarterly reports and interim reports during the seventeen months ended 31 December 2012 since the valuation of assets of the subsidiary was not completed at the time of preparation of those reports. Upon the completion of the valuation, the amount of goodwill is reflected in this consolidated financial statement.

19. BIOLOGICAL ASSETS

Biological assets represent swines breeding in Wuping County, Longyan Shi, Fujian Province, PRC. The movement of biological assets are summarized as follows:

	Breeder HK$'000	Slaughter pigs HK$'000	Total HK$'000
Increase due to acquisition of a subsidiary	488	1,673	2,161
Increase due to purchases	300	229	529
Increase due to raising (Feeding cost and others)	186	5,141	5,327
Decrease due to sales	(349)	(6,952)	(7,301)
Decrease due to death	–	(124)	(124)
Exchange adjustments	(2)	(8)	(10)
Gain/(loss) arising from changes in fair value less cost to sell	(374)	353	(21)
As at 31 December 2012	249	312	561

The number of biological assets are summarised as follows:

	As at 31.12.2012 Heads
Breeder	44
Slaughter pigs	330
Total swines	374

Analysed for reporting purposes as:

	As at 31.12.2012 HK$'000
Non-current assets	249
Current assets	312
	561

19. BIOLOGICAL ASSETS *(continued)*

The slaughter pigs are primarily held for further growth for trading and are classified as current asset. The breeders are prime swines of excellent quality that is selected as breeding stock, including boars and gilts, and are classified as non-current asset.

The fair value of biological assets of the Group as at 31 December 2012 has been arrived at on the basis of a valuation carried out at the date by LCH (Asia – Pacific) Surveyors Limited (the "Valuer") who has appropriate qualification and experiences in providing biological asset valuation services to various companies listed on the Stock Exchange and stock exchange in Singapore, which engage in the business of husbandry and agriculture industry.

The fair value less cost to sell of breeders and slaughter pigs are determined using the direct assumption approach. The direct assumption approach assumes sales of breeders and slaughter pigs in their existing state and making reference to similar sales or offerings or listings of comparable assets on the market.

In addition, the following principal assumptions have been adopted by the Valuer:

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

– Quantities, ages and weights of breeders and slaughter pigs as of each of the relevant valuation dates provided to us for the purpose of this valuation are accurate;

– Production facilities and systems and the technology utilised by the Group in carrying out its operation do not infringe any relevant laws and regulations;

– Facilities and systems of the Group will be operated efficiently and implement timely replacement of male and female purebred parents to maintain sufficient supply of crossbreed gilts for production of slaughter pigs;

– Management will implement efficient selection of breeding pigs to maintain or improve their quality and productivity including the quality of slaughter pigs;

– Management will continue to implement efficient feeding, veterinary and farm management programs to maintain or improve the quality of breeding and slaughter pigs;

– Group will secure and retain competent management, key personnel, marketing and technical staff to carry out and support its breeding and growing operations;

– Prices of breeding and slaughter pigs were based directly on quoted prices as of each of the relevant valuation dates by suppliers in Fujian Province without any adjustments for age of the different pigs included in the valuation; and

19. BIOLOGICAL ASSETS *(continued)*

– There will be no major business disruptions through international crisis, diseases, industrial disputes, industrial accidents or severe weather conditions that will affect the existing businesses.

As at 31 December 2012, no biological assets had been pledged as security (31 July 2011: N/A).

The Group is exposed to a number of risks related to its swines plantations:

1. Regulatory and environmental risks

The Group is subject to laws and regulations in the jurisdiction in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

2. Supply and demand risks

The Group is exposed to risks arising from fluctuations in the price and sales volume of swines. Where possible the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analysis to ensure that the Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

20. INVENTORIES

	As at 31.12.2012 HK$'000	As at 31.7.2011 HK$'000
Raw materials	**607**	735
Finished goods	**156**	723
	763	1,458

21. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 30 to 90 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and the management regularly reviews the overdue balances.

a) Aging analysis of trade receivables of the Group is as follows:

	As at 31.12.2012 HK$'000	As at 31.7.2011 HK$'000
0-90 days	**13,706**	10,845
91-180 days	**2,689**	–
	16,395	10,845

Aging analysis of trade receivables past due but not impaired is as follows:

	As at 31.12.2012 HK$'000	As at 31.7.2011 HK$'000
0-90 days	**–**	–
91-180 days	**2,689**	–
	2,689	–

Trade receivables included HK$2,689,000 (31 July 2011: Nil) which were past due at 31 December 2012. Receivables that were past due but not impaired relate to a number of independent 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.

b) Trade receivables denominated in other currency

Included in the trade receivables are the following amounts denominated in a currency other than the functional currency, which is Hong Kong dollar:

As at 31.12.2012		As at 31.7.2011	
RMB'000	**HK'000**	RMB'000	HK$'000
13,360	**16,395**	8,913	10,485

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31.12.2012 HK$'000	As at 31.7.2011 HK$'000
Prepayments to suppliers	**837**	2,400
Deposits and other receivables	**764**	114
	1,601	2,514
Current portion of prepaid lease payments (Note 17)	**31**	22
	1,632	2,536

23. BANK BORROWINGS

	As at 31.12.2012 HK$'000	As at 31.7.2011 HK$'000
Secured bank loans	**3,682**	–

The Group's borrowing as at 31 December 2012 was denominated in the functional currency of the group entity to which it related. It carried fixed interest rate of 8.856% per annum.

24. TRADE PAYABLES

An aged analysis of the trade payables as at 31 December 2012 and 31 July 2011, based on payment due date, is as follows:–

	As at 31.12.2012 HK$'000	As at 31.7.2011 HK$'000
0-90 days	**2,574**	275
Over one year	**–**	189
	2,574	464

25. CONVERTIBLE BONDS

On 2 November 2007, the Company issued zero coupon convertible bonds with a nominal value of HK$100,000,000 (the "Convertible Bonds") and nil-paid warrant (the "Nil-paid warrant") to Keywise Greater China Opportunities Master Fund ("Keywise"). The Convertible Bonds are convertible at the option of the bondholder into ordinary shares of the Company at a conversion price of HK$0.66 per share (the "Conversion Price"), subject to adjustment, on or before 2 November 2010 (the "Maturity Date").

Unless previously converted, redeemed or cancelled in accordance with the terms of the Convertible Bonds, the Company is required to redeem each Convertible Bond at 106.6% of its principal amount on the Maturity Date.

The Nil-paid warrant, which was granted for no consideration and detachable from the Convertible Bonds, carried the right to subscribe for up to 70,588,235 shares of the Company at an exercise price of HK$0.85 per share on or before the Maturity Date.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The fair value of the Nil-paid warrant was calculated using the binomial option-pricing model, which is assigned as equity component and is included in shareholders' equity. The residual amount is assigned as the Convertible Bonds' equity component and is included in shareholders' equity.

The Convertible Bonds and the Nil-paid warrant have been split as to the liability and equity components and their movements during the current year are as follows:-

	Liability component HK$'000	**Equity component** HK$'000	**Equity component of warrant** HK$'000	**Total** HK$'000
At 1 August 2009 and 31 July 2010	106,600	29,634	4,807	141,041
Transfer upon expiry of conversion option of convertible bonds	–	(29,634)	–	(29,634)
Transfer upon expiry of warrant	–	–	(4,807)	(4,807)
At 31 July 2011 and 1 August 2011	106,600	–	–	106,600
Liabilities waived due to the Scheme	**(106,600)**	**–**	**–**	**(106,600)**
At 31 December 2012	**–**	**–**	**–**	**–**

25. CONVERTIBLE BONDS *(continued)*

On 31 March 2011, Keywise informed the Company that they have disposed of their Convertible Bonds with a nominal value of HK$100,000,000 issued by the Company to Victory Unicorn Limited, an unrelated third party (the "Disposal"). The Disposal was completed on 1 June 2011 and the Convertible Bonds were transferred and registered in favour of Victory Unicorn Limited.

None of the Convertible Bonds and the Nil-paid warrant were converted, exercised, redeemed or cancelled during the years ended 31 July 2010 and 2011.

The entire amount of the liabilities component has been waived due to the scheme of arrangement as stated in note 33 to the consolidated financial statements.

26. CONVERTIBLE NOTES

By the ordinary resolution, the creation and issue by the Company of the convertible notes due on the date falling three years from the date of issue of the convertible notes, convertible into 110,000,000 new shares (the "Conversion Shares") at the conversion price of HK$0.20 per conversion share and the issue and allotment of the conversion shares on and subject to the terms and conditions contained in the restructuring agreement were approved.

The convertible notes shall not bear any interest and shall mature on the date falling three years from the date of issue of the convertible notes (the "Maturity Date"). All outstanding convertible notes will be redeemed on the Maturity Date at their outstanding principal amount. Subject to mutual agreement by the Company and the holders of the convertible notes, the convertible notes may be early redeemed at 100% of the outstanding principal amount of the convertible notes (in whole or in part) at any time and from time to time at the option of either party prior to the Maturity Date of the convertible notes with written notice.

The convertible notes were issued on 26 October 2011.

The convertible notes contain a liability component and an equity component. The equity component is credited to the Company's capital reserve. The annual effective interest rate of the liability component is 18.103% per annum. The movement for the period is as follows:

	Liability component HK$'000	Equity component HK$'000	Total HK$'000
At the date of issue, net of issue expense	**13,353**	**8,647**	**22,000**
Imputed interest charged	**2,308**	**–**	**2,308**
Issue of new shares upon conversion of convertible notes	**(6,908)**	**(2,335)**	**(9,243)**
Deferred tax arising from convertible notes	**–**	**(1,427)**	**(1,427)**
At 31 December 2012	**8,753**	**4,885**	**13,638**

26. CONVERTIBLE NOTES *(continued)*

During the period ended 31 December 2012, a principal sum of HK$10,160,000 of the convertible notes issued by the Company was converted into 50,800,000 shares of the Company.

27. AMOUNTS DUE TO DECONSOLIDATED SUBSIDIARIES/A DIRECTOR

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

28. AMOUNT DUE TO A FORMER INVESTOR

The amount is due to NEUF Capital Limited, the former investor. On 24 September 2009, the former investor as lender and Tony China as borrower entered into a working capital facility agreement in relation to the provision of the working capital facility of up to HK$9,000,000 with an interest rate of 5% per annum by the former investor. On the same day, Tony China and the former investor executed a debenture in favour of the former investor on, inter alia, a charge over all assets and receivables whether present and future of Tony China in relation to the said working capital facility provided by the Former Investor.

On 27 January 2011, the exclusivity agreement lapsed pursuant to the terms of the exclusivity agreement. Upon the lapse of the exclusivity agreement, the working capital facility under the working capital facility agreement dated 24 September 2009 became due and payable. The whole amount due to the former investor was settled during the period.

29. AMOUNT DUE TO AN INVESTOR

On 5 July 2011, a working capital facility agreement was entered into between Tony China and the investor and a debenture was given by Tony China in favour of the investor on the same date creating a floating charge over the assets of Tony China and which is subordinated to the floating charge created by Tony China in favour of the former investor.

An amount of approximately HK$124,000 (31 July 2011: HK$2,700,000) is interest-free and unsecured. If the legally binding agreement for the implementation of the Group's restructuring proposal and resumption proposal (the "Formal Restructuring Agreement") proceeds with completion, the amount shall not be transferred or dealt with under any arrangement used to implement the restructuring proposal or any restructuring and will remain as a debt owed by the Group to the investor, and upon the completion of the Formal Restructuring Agreement, the Group shall apply the same towards the payment of the subscription money payable by the investor for subscription of the shares of the Group under the Formal Restructuring Agreement. As at 31 July 2011, the remaining amount of approximately HK$5,680,000 carries interest at 5% per annum, is secured by way of floating charge on all properties and assets of Tony China and is subordinated to the floating charge created by Tony China in favour of the former investor, and repayable on the maturity date as defined below or within 5 business days after a demand is made by the investor. No amount is subject to interest as at 31 December 2012.

29. AMOUNT DUE TO AN INVESTOR *(continued)*

Maturity date represents the date on which the Formal Restructuring Agreement is terminated in accordance with the terms therein or completion of the Formal Restructuring Agreement has failed to take place in accordance with the terms of the Formal Restructuring Agreement.

30. SHARE CAPITAL

(a) Shares

	Par value	Number of ordinary shares	Amount
	HK$		HK$
Authorised			
At 1 August 2011	0.050	3,000,000,000	150,000,000
Reduction of par value and cancellation of shares		(1,647,600,000)	(148,647,600)
After reduction of par value and cancellation of shares	0.001	1,352,400,000	1,352,400
Consolidation of 40 shares into 1 share	0.001	(1,318,590,000)	–
After consolidation of shares	0.040	33,810,000	1,352,400
Increase of shares	0.040	4,966,190,000	198,647,600
At 31 December 2012	**0.040**	**5,000,000,000**	**200,000,000**
Issued and fully paid			
At 1 August 2011	0.050	1,352,400,000	67,620,000
Reduction of par value	(0.049)	–	(66,267,600)
After reduction of par value	0.001	1,352,400,000	1,352,400
Consolidation of 40 shares into 1 share	0.001	(1,318,590,000)	–
After consolidation of share	0.040	33,810,000	1,352,400
Subscription shares issued	0.040	240,000,000	9,600,000
Creditors shares issued	0.040	32,000,000	1,280,000
Conversion shares issued	0.040	50,800,000	2,032,000
At 31 December 2012	**0.040**	**356,610,000**	**14,264,400**

30. SHARE CAPITAL *(continued)*

(a) Shares *(continued)*

With the sanction of the Grand Court of the Cayman Islands (the "Cayman Court") on 18 October 2011 and by a special resolution of the shareholders passed at an extraordinary general meeting of the Company held on 26 September 2011 (the "EGM"), the par value of every issued share of the Company was reduced from HK$0.05 to HK$0.001 by the reduction of HK$0.049 par value for each issued share (the "Capital Reduction"). Immediately following the Capital Reduction, the authorised but unissued share capital of the Company of HK$148,647,600 was cancelled in its entirety resulting in the authorised and issued share capital of the Company remained at an amount of HK$1,352,400; and every forty authorised and issued shares of HK$0.001 each was consolidated into one new share of HK$0.04 each ("New Shares"). As a result, 1,352,400,000 authorised and issued shares of the Company of HK$0.001 each were consolidated into 33,810,000 authorised and issued New Shares of HK$0.04 each (the "Share Consolidation"). Immediately following the Share Consolidation, the authorised share capital of the Company was increased from HK$1,352,400 to HK$200,000,000 by the creation of 4,966,190,000 New Shares.

By an ordinary resolution of the shareholders passed at the EGM (the "Ordinary Resolution"), the restructuring agreement dated 29 April 2011 as amended and supplemented by a supplemental restructuring agreement dated 1 June 2011 and a second supplemental restructuring agreement dated 29 August 2011 (collectively, the "Restructuring Agreement") entered into among the Company, the then Provisional Liquidators, Thousand Jade International Limited as investor (the "Investor") and Mr. LI Wing Chiu as guarantor in relation to the restructuring of the Company and the transactions contemplated thereunder, the issuance and allotment of 240,000,000 New Shares (the "Subscription Shares") at a subscription price of HK$0.20 each for a total consideration of HK$48,000,000, the creation and issue of the convertible notes (the "Convertible Notes") with the principal amount of HK$22,000,000 and the scheme of arrangement to be made between the Company and its creditors pursuant to section 166 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and section 86 of the Cayman Companies Law (the "Scheme") and the performance thereof by the Company were approved, ratified and confirmed.

The shareholders also approved as follows:

(i) the allotment and issue of the Subscription Shares to the Investor at a subscription price of HK$0.20 per Subscription Share pursuant to the Restructuring Agreement;

(ii) the allotment and issue of 32,000,000 New Shares to partially settle claims against and liabilities of the Company with its creditors under the Scheme (the "Creditors Shares") on and subject to the terms and conditions of the Scheme.

Subsequently, the Subscription Shares and Creditors Shares were issued on 26 October 2011.

30. SHARE CAPITAL *(continued)*

(b) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

31. DECONSOLIDATION OF SUBSIDIARIES

As disclosed in note 2(d) to this financial statements, the Directors considered that the control over the excluded subsidiaries has been lost with effect from the dates the respective liquidators were appointed or the liquidation was approved.

For the purpose of appropriate presentation and in order to allow the public to evaluate the performance of the Group, the aforementioned subsidiaries were excluded from the Group's consolidation with effect from the respective dates of the approval of liquidation or appointment of the liquidators.

The details of gain on deconsolidation of subsidiaries are as follows:

	1.8.2011 to 31.12.2012 HK$'000	1.8.2010 to 31.7.2011 HK$'000
Deposit, prepayments and other receivables	**(47)**	(45)
Cash and bank balances	**(7)**	(71)
Bank and other borrowings	**–**	5,629
Trade payables	**189**	1,096
Amount due to deconsolidated subsidiaries	**–**	1,905
Other payables and accruals	**246**	28,940
Income tax payable	**–**	1,105
Net liabilities	**381**	38,559
Release of exchange fluctuation reserve	**20**	(2,368)
Gain on deconsolidation of subsidiaries	**401**	36,191

32. ACQUISITION OF SUBSIDIARIES

a) On 20 December 2011, an indirectly wholly-owned subsidiary of the Company and its joint venture ("JV") partners entered into the Equity Interest Transfer Agreements, pursuant to which the subsidiary agreed to acquire Equity Interest, representing an aggregate of 37% of the equity interest of the JV Company, Longyan Dongyu Bio-feedstock Company Limited, for a total consideration of RMB7,560,000 (approximately HK$9,229,000). Upon completion, the JV Company became an indirectly wholly-owned subsidiary of the Company. As at 31 July 2011, the subsidiary had 63% interest on the JV Company.

The fair value of the net assets acquired in the transaction, and goodwill, are as follow:

	HK$'000
Total consideration	**9,229**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalent	**1,535**
Trade and other receivables	**1,521**
Inventories	**1,575**
Property, plant and equipment	**4,782**
Prepaid lease payment	**400**
Trade and other payables	**(1,198)**
Tax payable	**(277)**
Total identifiable net assets	**8,338**
Goodwill	**891**

Goodwill arose in the business combination because the cost of combination included amount in relation to the benefits of revenue growth and future market development. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured. None of the goodwill recognised is expected to be deductible for income tax purposes.

b) On 18 January 2012, an indirectly wholly-owned subsidiary of the Company entered into the Equity Interest Transfer Agreement, pursuant to which the subsidiary agreed to acquire the Equity Interest, representing 100% of the equity interest of Wu Ping Jian Jun Ecology Breeding Company Limited ("Jian Jun"), for a total consideration of RMB6,580,000 (approximately HK$8,059,000). Upon completion, Jian Jun became an indirectly wholly-owned subsidiary of the Company.

32. ACQUISITION OF SUBSIDIARIES *(continued)*

The fair value of the net assets acquired in the transaction, and gain on bargain purchase, are as follow:

	HK$'000
Cash paid	7,875
Outstanding balance payable	184
Total consideration	8,059
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	7,285
Biological assets	2,161
Inventories	1,038
Accrued charges and other payables	(572)
Total identifiable net assets	9,912
Gain on bargain purchase	(1,853)

The gain on a bargain purchase represented the excess of the fair value net assets as at the acquisition date over the fair value of the consideration. It is mainly attributable to the increase in fair value of the net assets acquired caused by the increase in fair value of biological assets.

The gain on bargain purchase was not shown in the quarterly reports and the interim reports during the seventeen month ended 31 December 2012 since the valuation of assets of the subsidiary was not completed at the time of preparation of those reports. Upon the completion of the valuation, the amount of goodwill is reflected in this consolidated financial statement.

33. SCHEME OF ARRANGEMENT

By orders of the High Court of the Hong Kong Special Administrative Region (the "Hong Kong Court") and the Cayman Court made on 9 August 2011 and 26 August 2011 respectively, the Hong Kong Court and Cayman Court have respectively directed that a meeting (the "Scheme Meeting") to be convened for the creditors of the Company for the purpose of considering and approving the Scheme.

On 26 September 2011, the Scheme including the following terms was approved by a resolution of the creditors of the Company:

(i) the Company shall pay a sum of up to HK$13,160,000 out of the proceeds from the issuance of the Subscription Shares as a cash settlement (including the settlement of the petition costs, the preferential claims, the issuance costs and the cost of the Scheme); and

(ii) the Company shall issue a total of 32,000,000 New Shares as Creditors Shares to settle all claims against and liabilities of the Company in accordance with the terms of the Scheme.

The Scheme has become effective since 26 October 2011.

34. COMMITMENTS

(a) Capital commitments

On 16 March 2010, the Group entered into the joint venture agreement (the "JV Agreement") (as supplemented by supplemental joint venture agreements dated 30 June 2010, 3 November 2010 and 13 December 2010) with the joint venture partners (the "JV Partners"), 台科加丹生物科技（廈門）有限公司 (Taike Jiadan Biotechnology Company Limited) ("Taike Jiadan"), a company established in the PRC, 廈門市弘海生物技術有限公司 (Xiamen Honghai Biotechnology Company Limited) ("Honghai"), a company established in the PRC and Mega Timber Enterprise ("Mega Timber"), a company incorporated in Malaysia to set up the joint venture company (the "JV") in the PRC. The establishment of the JV was completed in August 2010. The JV will be principally engaged in the development and manufacturing of feedstock products.

Pursuant to the JV Agreement, the Group, Jiadan, Honghai and Mega Timber shall contribute RMB11.34 million, RMB4.32 million, RMB1.62 million and RMB0.72 million (equivalent to approximately HK$13.80 million, HK$5.26 million, HK$1.97 million and HK$0.88 million) in cash respectively, representing 63%, 24%, 9% and 4% equity interest of the JV respectively. The JV parties will complete their contribution to JV's registered capital of RMB 18 million (equivalent to HK$21.91 million) within two years after the JV obtaining its business license.

As at 31 July 2011, the Group, Jiadan and Mega Timber were committed to contribute RMB3.72 million, RMB1.23 million and RMB0.61 million (equivalent to approximately HK$4.53 million, HK$1.50 million and HK$0.75 million) in cash respectively.

As at 31 December 2012, the Group had no material capital commitments or investment commitments.

(b) Operating lease commitments

At the end of the reporting period, the Company as a lessee had total future minimum lease payments payable under non-cancellable operating leases as set out below:-

	1.8.2011 to 31.12.2012 HK$'000	1.8.2010 to 31.7.2011 HK'$000
Land and buildings		
– within 1 year	**907**	763
– in the 2nd to 5th years inclusive	**818**	–
	1,725	763

35. DETAILS OF SUBSIDIARIES

(a) Particulars of the subsidiaries as at 31 December 2012 are as follows:-

Name	Place of incorporation/ establishment and operations	Nominal value of issued ordinary shares/ registered share capital	Percentage of equity attributable to the Company: Directly	Percentage of equity attributable to the Company: Indirectly	Principal activities
Global Kingdom Development Limited	British Virgin Island	US$1	100.00	–	Dormant
Asia Force Development Limited	British Virgin Island	US$1	100.00	–	Dormant
Tony China Limited	Hong Kong	HK$10,000	100.00	–	Investment holding
East Shine Group Limited	British Virgin Island	US$1	100.00	–	Investment holding
Xiamen Dongyu Trading Company Limited	PRC	US$6,000,000	–	100.00	Investment holding
China Medical And Biotechnolgy (Hong Kong) Limited	Hong Kong	HK$1	100.00	–	Dormant
Longyan Dongyu Bio-feedstock Company Limited*	PRC	RMB18,000,000	–	100.00	Trading, development and manufacturing of feedstock products
Wu Ping Jian Jun Ecology Breeding Company Limited	PRC	RMB600,000	–	100.00	Breeding and sales of live swines
福建龍岩市東華農業綜合開發有限公司	PRC	RMB1,000,000	–	100.00	Dormant

* Sino-foreign owned enterprise

(b) The Group has increased the registered share capital of Xiamen Dongyu Trading Company Limited from US$4,000,000 to US$6,000,000 on 25 November 2011. As at that date, 20% of the capital increment has been paid and the remaining contributions will be due for payment before 25 November 2013.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31.12.2012 HK$'000	As at 31.7.2011 HK$'000
NON-CURRENT ASSETS		
Interests in subsidiaries	**10**	10
CURRENT ASSETS		
Cash and cash equivalents	**–**	2,948
CURRENT LIABILITIES		
Other payables and accruals	**1,058**	17,063
Amount due to a director	**–**	38
Amount due to a former investor	**–**	8,198
Amount due to an investor	**124**	3,703
Convertible bonds	**–**	106,600
Convertible notes	**8,753**	–
Deferred tax liabilities	**509**	–
	10,444	135,602
NET CURRENT LIABILITIES	**(10,444)**	(132,654)
TOTAL ASSETS LESS CURRENT LIABILITIES	**(10,434)**	(132,644)
NON-CURRENT LIABILITIES		
Amounts due to subsidiaries	**40,419**	1,356
NET ASSETS/(LIABILITIES)	**29,985**	(134,000)
REPRESENTING:		
CAPTIAL AND RESERVES		
Share capital	**14,264**	67,620
Reserves	**15,721**	(201,620)
EQUITY/(CAPITAL DEFICIENCIES)	**29,985**	(134,000)