

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

INTERIM REPORT

2013

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.

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*This 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 Growth Enterprise Market of The Stock Exchange Hong Kong Limited (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 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 report misleading.

HIGHLIGHTS

- The Company reported a loss attributable to the equity shareholders of the Company of approximately HK\$8,342,000 for the six months ended 30 June 2013 (the “period”).
- The revenue of the Group was approximately HK\$16,188,000 for the period, a decrease of HK\$49,542,000 when compared to the same period of last year.
- Gross loss for the period was approximately HK\$2,371,000.
- The board of Directors (the “Board”) does not recommend the payment of any interim dividend for the six months ended 30 June 2013.

INTERIM RESULTS (UNAUDITED)

The board of Directors of the Company presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 30 June 2013 together with the comparative figures for the corresponding periods in 2012. The interim results are unaudited, but have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2013

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Audited)
Turnover	4	9,067	41,252	16,188	65,730
Cost of sales		(9,934)	(34,625)	(18,559)	(53,772)
Gross (loss)/profit		(867)	6,627	(2,371)	11,958
Other revenue	5	13	896	52	896
Selling and distribution costs		(192)	(257)	(396)	(544)
General and administrative expenses		(2,791)	(3,376)	(5,172)	(6,644)
Restructuring costs		–	(1,279)	–	(1,779)
(Loss)/profit from operating activities		(3,837)	2,611	(7,887)	3,887
Finance costs	6	(89)	(620)	(402)	(1,221)
(Loss)/profit before tax	7	(3,926)	1,991	(8,289)	2,666
Income tax	8	(53)	(564)	(53)	(1,682)
(Loss)/profit for the period		(3,979)	1,427	(8,342)	984
Other comprehensive income for the period:					
– Exchange differences arising on translation of financial statements of overseas subsidiaries		780	127	1,191	127
Total comprehensive (loss)/income for the period		<u>(3,199)</u>	<u>1,554</u>	<u>(7,151)</u>	<u>1,111</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (CONT'D)**

For the three months and six months ended 30 June 2013

		For the three months ended 30 June		For the six months ended 30 June	
	<i>Note</i>	2013	2012	2013	2012
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
(Loss)/profit for the period attributable to:					
– Equity shareholders of the Company		<u>(3,979)</u>	<u>1,427</u>	<u>(8,342)</u>	<u>984</u>
Total comprehensive (loss)/income for the period attributable to:					
– Equity shareholders of the Company		<u>(3,199)</u>	<u>1,554</u>	<u>(7,151)</u>	<u>1,111</u>
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/earnings per share	9	<i>HK Cents</i>	<i>HK Cents</i>	<i>HK Cents</i>	<i>HK Cents</i>
Basic		<u>(0.93)</u>	<u>0.47</u>	<u>(2.06)</u>	<u>0.32</u>
Diluted		<u>(0.93)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	<i>Note</i>	30 June <i>HK\$'000</i> (Unaudited)	31 December <i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		44,264	44,018
Prepaid lease payments		1,044	1,033
Goodwill		891	891
Biological assets		249	249
		46,448	46,191
CURRENT ASSETS			
Biological assets		312	312
Inventories		604	763
Trade receivables	<i>11</i>	12,800	16,395
Deposits, prepayments and other receivables		812	1,632
Cash and bank balances		42,902	1,598
		57,430	20,700
DEDUCT:			
CURRENT LIABILITIES			
Bank borrowings		3,760	3,682
Trade payables	<i>12</i>	7,413	2,574
Convertible notes		–	8,753
Other payables and accruals		494	1,598
Amount due to an investor		124	124
Amount due to a director		5,490	2,500
Income tax payable		17	253
Deferred tax liabilities		509	509
		17,807	19,993
NET CURRENT ASSETS		39,623	707

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONT'D)**

As at 30 June 2013

	<i>Note</i>	30 June <i>HK\$'000</i> (Unaudited)	31 December <i>HK\$'000</i> (Audited)
TOTAL ASSETS LESS			
CURRENT LIABILITIES		86,071	46,898
NON-CURRENT LIABILITIES		—	—
NET ASSETS		<u>86,071</u>	<u>46,898</u>
REPRESENTING:			
CAPITAL AND RESERVES:			
Share capital	<i>13</i>	19,752	14,264
Reserves		<u>66,319</u>	<u>32,634</u>
TOTAL EQUITY		<u>86,071</u>	<u>46,898</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2013

	Attributable to equity shareholders of the Company							Total	Non- controlling interests	Total
	Share capital <i>HKS'000</i>	Share premium <i>HKS'000</i>	Capital reserve <i>HKS'000</i>	Convertible notes equity reserve <i>HKS'000</i>	PRC statutory reserve <i>HKS'000</i>	Exchange fluctuation reserve <i>HKS'000</i>	Accumulated (loss)/profit <i>HKS'000</i>			
For the six months ended 30 June 2012										
At 1 January 2012	12,232	83,840	61,545	8,647	873	1,028	(123,642)	44,523	7,400	51,923
Total comprehensive income for the period	-	-	-	-	-	127	984	1,111	904	2,015
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(8,304)	(8,304)
At 30 June 2012	<u>12,232</u>	<u>83,840</u>	<u>61,545</u>	<u>8,647</u>	<u>873</u>	<u>1,155</u>	<u>(122,658)</u>	<u>45,634</u>	<u>-</u>	<u>45,634</u>
For the six months ended 30 June 2013										
At 1 January 2013	14,264	91,968	61,545	4,885	873	1,123	(127,760)	46,898	-	46,898
Conversion of convertible notes	2,368	11,501	-	(4,885)	-	-	-	8,984	-	8,984
Issuance of placing shares	3,120	34,220	-	-	-	-	-	37,340	-	37,340
Total comprehensive income for the period	-	-	-	-	-	1,191	(8,342)	(7,151)	-	(7,151)
At 30 June 2013	<u>19,752</u>	<u>137,689</u>	<u>61,545</u>	<u>-</u>	<u>873</u>	<u>2,314</u>	<u>(136,102)</u>	<u>86,071</u>	<u>-</u>	<u>86,071</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	For the six months ended 30 June	
	2013 <i>HK\$'000</i> (Unaudited)	2012 <i>HK\$'000</i> (Audited)
Net cash generated from operating activities	3,673	21,487
Net cash used in investing activities	(315)	(20,832)
Net cash generated from financing activities	37,340	3,682
	<hr/>	<hr/>
Net increase in cash and cash equivalents	40,698	4,337
Effect of foreign exchange rate changes	606	824
Cash and cash equivalents at the beginning of the period	1,598	15,326
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	42,902	20,487
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

1. Corporate information

During the period, the Group is principally engaged in feedstock and related businesses, mainly involving in the manufacturing, development, distribution of feedstock products, animal husbandry and related activities.

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

The Company's shares are listed on the GEM of the Stock Exchange.

2. Basis of preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM Listing Rules and the Hong Kong Companies Ordinance. These unaudited condensed consolidated interim financial statements should be read in conjunction with the financial statements of the Group for the period ended 31 December 2012. The accounting policies and method of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the financial statements of the Group for the period ended 31 December 2012. The financial statements are unaudited but have been reviewed by Audit Committee.

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"). For those which are effective for accounting periods beginning on 1 January 2013, the adoption has no material effect on the reported results and the financial position of the Group for the current or prior accounting periods. For those which are not yet effective and have not been early adopted, the Group is in the process of assessing their impact on the Group's results and financial position. So far, the Group considers that the adoption of those HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS (CONT'D)

3. Segment Information

Since the Group's revenue from external customers are derived from and located in the PRC, no geographical information is disclosed.

	Feedstock Products		Animal Husbandry		Others		Elimination of internal sales		Consolidated	
	For the six months		For the six months		For the six months		For the six months		For the six months	
	ended 30 June		ended 30 June		ended 30 June		ended 30 June		ended 30 June	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue and income:										
Sales	16,033	53,001	573	23,310	-	-	(418)	(10,581)	16,188	65,730
Other income	50	13	-	881	-	-	-	-	50	894
Total revenue	<u>16,083</u>	<u>53,014</u>	<u>573</u>	<u>24,191</u>	<u>-</u>	<u>-</u>	<u>(418)</u>	<u>(10,581)</u>	<u>16,238</u>	<u>66,624</u>
Segment results	<u>(3,702)</u>	<u>6,297</u>	<u>(174)</u>	<u>4,653</u>	<u>(4,013)</u>	<u>(5,286)</u>	<u>-</u>	<u>-</u>	<u>(7,889)</u>	<u>5,664</u>
Interest income									2	2
Restructuring costs									-	(1,779)
Finance costs									(402)	(1,221)
(Loss)/profit before tax									(8,289)	2,666
Income tax									(53)	(1,682)
(Loss)/profit for the period									<u>(8,342)</u>	<u>984</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS (CONT'D)

3. Segment Information (Cont'd)

Under HKFRS 8, segment is required to be disclosed on the basis that the Group's management regards and manages the Group, with amounts reported for each reportable segment being the measures reported to the Group's management for the purposes of assessing segment performance and making decisions about operating matters. Segment assets consists primarily of property, plants and equipment, trade receivables and inventories.

4. Turnover

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

5. Other Revenue

	For the three months ended 30 June		For the six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Interest income	1	2	2	2
Sundry income	12	894	50	894
	<u>13</u>	<u>896</u>	<u>52</u>	<u>896</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS (CONT'D)

6. Finance Costs

	For the three months ended 30 June		For the six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Interest on bank loan wholly repayable within five years	89	19	171	19
Imputed interest on convertible notes	–	601	231	1,202
	<u>89</u>	<u>620</u>	<u>402</u>	<u>1,221</u>

7. (Loss)/Profit Before Taxation

The Group's (loss)/profit before income tax is arrived at after charging:

	For the three months ended 30 June		For the six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Depreciation of property, plant and equipment	<u>360</u>	<u>330</u>	<u>718</u>	<u>640</u>

8. Income Tax

	For the three months ended 30 June		For the six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
PRC enterprise income tax Provision for the period	<u>53</u>	<u>564</u>	<u>53</u>	<u>1,682</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS (CONT'D)

8. Income Tax (Cont'd)

No provision for Hong Kong profits tax has been made as the Group does not have any estimated assessable profits arising in Hong Kong for both periods.

The provision for PRC enterprise income tax is calculated at 25% on the estimated assessable profits of the subsidiaries operating in the PRC in accordance with the relevant income tax rules and regulations of the PRC for both periods.

9. (Loss)/Earnings Per Share

(Loss)/profit

	For the three months ended 30 June		For the six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
(Loss)/profit for the period attributable to the equity holders of the Company for the purpose of basic (loss)/earnings per share	(3,979)	1,427	(8,342)	984
Effect of dilutive potential ordinary shares:				
Imputed interest on convertible notes	—	601	231	1,202
(Loss)/profit for the period attributable to the equity holders of the Company for the purpose of diluted earnings per share	<u>(3,979)</u>	<u>2,028</u>	<u>(8,111)</u>	<u>2,186</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS (CONT'D)

9. (Loss)/Earnings Per Share (Cont'd)

Number of shares

	For the three months ended 30 June		For the six months ended 30 June	
	2013	2012	2013	2012
	'000	'000	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	427,810	305,810	404,439	305,810
Effect of dilutive potential ordinary shares:				
Convertible notes not yet converted	–	110,000	–	110,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u> </u> 427,810	<u> </u> 415,810	<u> </u> 404,439	<u> </u> 415,810

No diluted (loss)/earnings per shares is presented for the three and six months ended 30 June 2012 and the six months ended 30 June 2013 as the conversion of outstanding convertible notes during the periods had an anti-dilutive effect on the basic (loss)/earnings per share.

10. Interim Dividend

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2013 (30 June 2012: Nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS (CONT'D)

11. Trade Receivables

	30 June 2013 <i>HK\$'000</i> (Unaudited)	31 December 2012 <i>HK\$'000</i> (Audited)
Trade receivables	<u>12,800</u>	<u>16,395</u>

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. The Group seeks to maintain strict control over its outstanding receivables and the management regularly reviews the overdue balances.

An aged analysis of the trade receivables as at the end of the interim financial reporting period, based on payment due date and net of provision, is as follows:

	30 June 2013 <i>HK\$'000</i> (Unaudited)	31 December 2012 <i>HK\$'000</i> (Audited)
0-90 days	8,902	13,706
91-180 days	<u>3,898</u>	<u>2,689</u>
	<u>12,800</u>	<u>16,395</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS (CONT'D)

11. Trade Receivables (Cont'd)

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

	30 June 2013 <i>HK\$'000</i> (Unaudited)	31 December 2012 <i>HK\$'000</i> (Audited)
0-90 days	–	–
91-180 days	3,898	2,689
	<u>3,898</u>	<u>2,689</u>
	<u><u>3,898</u></u>	<u><u>2,689</u></u>

These receivables relate to a number of independent customers that have a good track record with the Group. The Group does not hold any collateral over these balances.

12. Trade Payables

An aged analysis of the trade payables as at the end of interim financial reporting period, based on payment due date, is as follows:

	30 June 2013 <i>HK\$'000</i> (Unaudited)	31 December 2012 <i>HK\$'000</i> (Audited)
0-90 days	4,333	2,574
91-180 days	1,169	–
181-365 days	1,911	–
	<u>7,413</u>	<u>2,574</u>
	<u><u>7,413</u></u>	<u><u>2,574</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS (CONT'D)

13. Share capital

		(Audited)	
	Par value <i>HK\$</i>	Number of ordinary shares	Amount <i>HK\$</i>
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)
		<hr/>	<hr/>
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)	–
		<hr/>	<hr/>
After consolidation of shares	0.040	33,810,000	1,352,400
Increase in shares	0.040	4,966,190,000	198,647,600
		<hr/>	<hr/>
At 31 December 2012	0.040	<u>5,000,000,000</u>	<u>200,000,000</u>
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)
		<hr/>	<hr/>
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)	–
		<hr/>	<hr/>
After consolidation of shares	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
		<hr/>	<hr/>
At 31 December 2012	0.040	<u>356,610,000</u>	<u>14,264,400</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS (CONT'D)

13. Share capital (Cont'd)

		(Unaudited)	
	Par value	Number of	Amount
	<i>HK\$</i>	ordinary shares	<i>HK\$</i>
Authorised:			
At 1 January 2013 and 30 June 2013	0.040	5,000,000,000	200,000,000
		<u> </u>	<u> </u>
Issued and fully paid:			
At 1 January 2013	0.040	356,610,000	14,264,400
Conversion shares issued	0.040	59,200,000	2,368,000
Placing shares issued	0.040	78,000,000	3,120,000
		<u> </u>	<u> </u>
At 30 June 2013		493,810,000	19,752,400
		<u> </u>	<u> </u>

14. Convertible Notes

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.

During the six months ended 30 June 2013, a principal sum of HK\$11,840,000 of the convertible notes issued by the Company was converted into 59,200,000 shares of the Company. As at 30 June 2013, all the convertible notes had been converted into conversion shares.

15. Material Related Party Transactions

The directors are not aware of any material related party transactions during the six months ended 30 June 2012 and 30 June 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group recorded a loss attributable to the equity shareholders of the Company of approximately HK\$8,342,000 for the six months ended 30 June 2013 (the “period”), representing a difference of approximately HK\$9,326,000 as compared with the profit of approximately HK\$984,000 in the corresponding period in the previous year, mainly due to the decrease in turnover of the Group for the period as compared with that for the corresponding period in the previous year.

Operating expenses for the period were approximately HK\$5,568,000, a decrease of 22.5% or approximately HK\$1,620,000 as compared with the same period in the previous year. The decrease was mainly due to allocating less resources to meet the business needs in line with the decrease in revenue in the period.

The total revenue of the Group for the period was approximately HK\$16,188,000, representing a decrease of 75.4% or approximately HK\$49,542,000 as compared to the same period in the previous year; while gross loss was approximately HK\$2,371,000. The reasons were that as the swine price remained at a low level, together with the declined breeding area operated by farmers around the plants, farmers generally recorded loss with tight liquidity, which posed a great challenge to the operation of feed plants, reflected by decreases in sales volume, sales price and operation loss. Jian Jun breeding farm has ceased outsourcing breeding business, resulting in a decrease in breeding stock inventory and a significant drop in risk, which in turn avoided substantial loss.

In view of the higher gross profit margin and additional value of herbal crops, the risk of plantation is relatively lower than that of breeding. During the period, with the support of the national policies, the Group actively explored the medicinal food business and developed the herbal crops plantation and processing businesses. In the same period, the Group entered into a letter of intent with Guizhou Fei Long Yu Green Industrial Co., Limited (貴州飛龍雨綠色實業有限公司) in relation to the cooperation and development of certain agriculture and forestry projects in Qianxinanzhou, Guizhou Province (貴州省黔西南州) to produce various organic and pollution-free agricultural products such as *Lonicera japonica* (金銀花), Japanese Persimmon (日本柿) and Osmanthus.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Business Review (Cont'd)

Subsequent to the reporting period, the Group announced in July 2013 that it intended to invest RMB17,000,000 to acquire 40% of equity interest in Badong Shizhentang Pharmaceutical Company (時珍堂巴東藥業公司), which is engaged in the Chinese medicine products related businesses. Such acquisition will further accelerate the development progress of our medicinal food business. In addition, the Group was well positioned to seize the potential growth of good quality fish markets in Asia, thus it announced in July 2013 that an amount of HK\$16,740,000 was invested in a fish farm in Malaysia, which specialized in *Epinephelus lanceolatus* and *Epinephelus polyphkadion* breeding and would increase the source of income of the Group.

Prospect

Looking forward, with the gradual improvement of living standard in the PRC, the demand for health food products is growing strongly and the organic food market in China is progressing rapidly. It is estimated that the total production volume of organic products in China will be increased at a rate ranging from 30% to 50% in average annually for the coming decade, such that China will become the second largest country for organic products production and the fourth largest country in consuming organic agricultural products. In the second half of the year, the Group will expect to develop the herbal crops plantation and processing businesses as well as products such as health beverages and food.

For the breeding business, as the declining trend of breeding area has been turning flat and the government has been increasing the swine inventory and enhancing the price control, it is expected in the second half that swine price will rise and the feed business will recover. The Group will reinforce marketing management in order to enhance the service standard for farmers. On the other hand, the Group will again seek for opportunities to engage in outsourcing breeding business.

In the second half of the year, the Group will increase efforts to attract talented persons and look for agricultural and breeding related opportunities. The Group will also strive to achieve the adjustment of products structure and develop new markets in order to attain profits.

FINANCIAL RESOURCES, LIQUIDITY, CAPITAL STRUCTURE AND GEARING RATIO

As at 30 June 2013, the Group had net current assets of approximately HK\$39,623,000 (31 December 2012: approximately HK\$707,000).

As at 30 June 2013, the Group had bank borrowings of approximately HK\$3,760,000 (31 December 2012: approximately HK\$3,682,000).

The Group had no convertible notes as at 30 June 2013 (31 December 2012: convertible notes of approximately HK\$8,753,000). The Group's gearing ratio, which is calculated on the basis of the Group's total liabilities to the total assets, as at 30 June 2013 was 17% (31 December 2012: 30%). The Group's operations are financed principally by revenues generated from its principal businesses. As at 30 June 2013, the Group had cash and bank balances of approximately HK\$42,902,000 (31 December 2012 approximately: HK\$1,598,000).

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

For the period ended 30 June 2013, 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.

CHARGES ON GROUP ASSETS

As at 30 June 2013, the Group's bank borrowings were secured by charge on its land use right in the PRC with the carrying value of approximately HK\$1,066,000 (31 December 2012: approximately HK\$1,061,000) with fixed interest rate.

ADDITION OF PROPERTY, PLANT AND EQUIPMENT

During the period, there are additions of property, plant and equipment of approximately HK\$315,000. (31 December 2012: approximately HK\$32,618,000).

CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 30 June 2013 (as at 31 December 2012: Nil).

CAPITAL COMMITMENT

The Group did not have any capital or guarantee commitment as at 30 June 2013 (as at 31 December 2012: Nil).

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2013 (for the six months ended 30 June 2012: nil).

EMPLOYEE INFORMATION

As at 30 June 2013, the Group had approximately 81 employees (including Directors) (30 June 2012: 79) in Hong Kong and the PRC. Remuneration to employees and directors are based on performance, qualification, experience and the prevailing industry practice. The staff costs, including Directors' remuneration, amounts to approximately HK\$3,469,000 for the six months ended 30 June 2013. Other benefits to its employees in Hong Kong included contributions to statutory mandatory provident fund scheme and the benefits to its employees in the PRC were included in the statutory central pension schemes and additional requirement in the PRC.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2013.

AUDIT COMMITTEE

The audit committee of the Company consists of three independent non-executive Directors, namely, Ms. Liao Aimin, Mr. Siu Kam Chau and Mr. Lee Kin Fai 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 interim results for the six months ended 30 June 2013.

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

As at 30 June 2013, the interests or short positions of the directors and chief executives 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	44.42%	(1)

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 the Company.

Save as disclosed herein, as at 30 June 2013, 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.

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 30 June 2013, no person had any interest in option under any share option scheme to subscribe for shares of the Company.

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

As at 30 June 2013, 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	44.42%	(1)
Mr. Li Wing Chiu	Through controlled corporation	Ordinary shares	219,356,000 shares	44.42%	(1)

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 the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES OF THE COMPANY (CONT'D)

Save as disclosed above, as at 30 June 2013, 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.

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 30 June 2013.

CORPORATE GOVERNANCE CODE

During the period ended 30 June 2013, the Company complied with the principles of good governance (the "Principles") and code provisions on Corporate Governance Code (the "Code") as set out in the Appendix 15 of the GEM Listing Rules, except for the deviation from the code provision A.4.1 of the Code.

Code provision A.4.1 of the Code provides that non-executive directors should be appointed for specific term, subject to re-election.

Although an independent non-executive director of the Company is not appointed for specific term, they are subject to retirement by rotation at least once every three years at the annual general meeting and offer themselves for re-election in accordance with the Company's Articles of Association. 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.

DIRECTORS' INTERESTS IN 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 during the period.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of reporting period, the Group has the following events after the reporting period:

- (a) On 8 July 2013, the Company entered into a non-binding letter of intent with an independent third party, proposed to acquire a 40% equity interest in Badong Shizhentang Pharmaceutical Company with an investment amount of approximately RMB17,000,000. The definitive agreement is not yet concluded as at the date of this report. Details of the letter of intent are disclosed in announcement of the Company dated 8 July 2013.
- (b) On 18 July 2013, Keen Profit Development Limited ("Keen Profit"), an indirectly wholly-owned subsidiary of the Company, entered into the novation deed with the investor, pursuant to which Keen Profit agreed to assume all rights and obligations in an investment agreement from the investor at the consideration of HK\$16,740,000. The subject matter of the investment agreement related to the operation of a fish farm in Malaysia for a period of 20 calendar months from the date of the investment agreement with a return not less than HK\$1,550,000 at the end of the investment period. The transaction was completed and the consideration was paid to the investor in cash immediately after the completion. Details of this transaction are disclosed in the announcement of the Company dated 18 July 2013.

On behalf of the Board

Li Wing Chiu

Chairman

Hong Kong, 12 August 2013

As at the date of this report, the Board comprises four executive Directors, namely, Mr. Li Wing Chiu, Mr. Wang Zhiming, Mr. Zhang Xiaobin and Mr. Zhou Jing and three independent non-executive Directors, namely Ms. Liao Aimin, Mr. Siu Kam Chau and Mr. Lee Kin Fai.

This report will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for a minimum period of seven days from the date of publication and on the Company’s website at www.irasia.com/listcol/hk/orientalunicorn/index.htm.