

# Oriental Unicorn Agricultural Group Limited

東麟農業集團有限公司

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

Third Quarterly Report *Stock Code: 8120*

2014



## 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.

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*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 owners of the Company of approximately HK\$12,050,000 for the nine months ended 30 September 2014 (the “period”), representing an decrease in loss of approximately HK\$3,668,000 when compared to the same period of HK\$15,718,000 last year.
- The turnover of the Group was approximately HK\$16,079,000 for the period, representing a decrease of approximately HK\$6,031,000 when compared to the same period of HK\$22,110,000 last year.
- Gross profit for the period was approximately HK\$8,966,000.
- The board of Directors (the “Board”) does not recommend the payment of any interim dividend for the nine months ended 30 September 2014.

## UNAUDITED NINE-MONTHS RESULTS

The Board (the “Board”) of directors (the “Directors”) of Oriental Unicorn Agricultural Group Limited (the “Company”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and nine months ended 30 September 2014 together with the comparative unaudited figures for the corresponding periods in 2013. The nine-months results are unaudited, but have been reviewed by the audit committee of the Company.

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the three months and nine months ended 30 September 2014*

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Turnover	3	10,949	5,922	16,079	22,110
Cost of sales		(3,372)	(6,329)	(7,113)	(24,888)
Gross profit/(loss)		7,577	(407)	8,966	(2,778)
Other income and gains	4	883	49	24,577	101
Selling and distribution costs		(2,528)	(169)	(2,643)	(565)
General and administrative expenses		(11,164)	(6,725)	(19,560)	(11,897)
Change in fair value of financial assets through profit or loss	5	592	–	(23,258)	–
Finance costs	6	–	(69)	(101)	(471)
Loss before tax		(4,640)	(7,321)	(12,019)	(15,610)
Income tax expense	7	(122)	(55)	(122)	(108)
Loss for the period		(4,762)	(7,376)	(12,141)	(15,718)
Other comprehensive income (expense) for the period:					
Items that may be subsequently reclassified to profit or loss:					
– Exchange differences on translation of financial statements of foreign operations		38	280	(216)	1,471
Total comprehensive expense for the period		(4,724)	(7,096)	(12,357)	(14,247)

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

For the three months and nine months ended 30 September 2014

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Loss for the period attributable to:					
– Owners of the Company		(4,671)	(7,376)	(12,050)	(15,718)
– Non-controlling interests		(91)	–	(91)	–
		<u>(4,762)</u>	<u>(7,376)</u>	<u>(12,141)</u>	<u>(15,718)</u>
Total comprehensive expense for the period attributable to:					
– Owners of the Company		(4,614)	(7,096)	(12,247)	(14,247)
– Non-controlling interests		(110)	–	(110)	–
		<u>(4,724)</u>	<u>(7,096)</u>	<u>(12,357)</u>	<u>(14,247)</u>
		(Unaudited) HK Cents	(Unaudited) HK Cents (Restated)	(Unaudited) HK Cents	(Unaudited) HK Cents (Restated)
Loss per share	8				
Basic		<u>(0.36)</u>	<u>(5.97)</u>	<u>(1.75)</u>	<u>(14.47)</u>
Diluted		<u>(0.36)</u>	N/A	<u>(1.75)</u>	<u>(13.89)</u>

# NOTES

## 1. CORPORATE INFORMATION

During the period, the Group is principally engaged in (i) feedstock and related businesses, mainly involving in the manufacturing, development, distribution of feedstock products, animal husbandry and related activities; (ii) money lending business; (iii) securities investment business and (iv) provision of IT services.

The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The principal place of business is located at Unit A, 15/E, Nathan Tower, 518-520 Nathan Road, Yau Ma Tei, Kowloon, 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").

## 2. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements for the nine months ended 30 September 2014 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). These unaudited condensed consolidated quarterly financial statements should be read in conjunction with the financial statements of the Group for the year ended 31 December 2013. 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 year ended 31 December 2013. 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 2014, 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.

## NOTES (CONT'D)

### 3. TURNOVER

Turnover represents the aggregate of the net amounts received and receivable from third parties for the period.

	For the three months ended 30 September		For the nine months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Sales of feedstock products and animal husbandry products	3,051	5,922	4,903	22,110
Professional IT Contract and maintenance services	3,579	–	6,228	–
Loan interest income	4,319	–	4,948	–
	<u>10,949</u>	<u>5,922</u>	<u>16,079</u>	<u>22,110</u>

### 4. OTHER INCOME AND GAINS

	For the three months ended 30 September		For the nine months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Bank interest income	3	1	17	3
Gain on bargain purchase (Note 13)	–	–	497	–
Reversal of impairment losses of investing loan (Note i)	–	–	17,515	–
Reversal of impairment losses on trade receivables	455	–	6,010	–
Sundry income	425	48	538	98
	<u>883</u>	<u>49</u>	<u>24,577</u>	<u>101</u>

## NOTES (CONT'D)

### 4. OTHER INCOME AND GAINS (CONT'D)

Note:

- (i) During the period ended 30 September 2014, the full amount of the investing loan previously impaired and the interests accrued was repaid and recovered. Reversal of impairment losses of investing loan was made and the related interest income was recorded accordingly.

### 5. CHANGE IN FAIR VALUE OF FINANCIAL ASSETS THROUGH PROFIT OR LOSS

Change in fair value of financial assets through profit or loss represents the change in fair value of the equity securities based on closing price in an active market.

### 6. FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Interest on bank loan wholly repayable within five years	–	69	101	240
Imputed interest on convertible notes	–	–	–	231
	–	69	101	471



## NOTES (CONT'D)

### 7. INCOME TAX EXPENSE

	For the three months ended 30 September		For the nine months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Current tax:				
Hong Kong Profit Tax	34	–	34	–
PRC Enterprise Income Tax	88	55	88	108
	<u>122</u>	<u>55</u>	<u>122</u>	<u>108</u>

Hong Kong Profit Tax is calculated at 16.5% at estimated assessable profit for current period. 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 prior periods.

The provision for PRC Enterprise Income Tax is calculated for subsidiaries operating in the PRC at the prevailing rates of tax in accordance with the relevant income tax rules and regulations of the PRC for both period.

### 8. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following data:

#### Loss

	For the three months ended 30 September		For the nine months ended 30 September	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(4,671)	(7,376)	(12,050)	(15,718)
Effect of dilutive potential ordinary shares:				
Imputed interest on convertible notes	–	–	–	231
Loss for the period attributable to owners of the Company for the purpose of diluted loss per share	<u>(4,671)</u>	<u>(7,376)</u>	<u>(12,050)</u>	<u>(15,487)</u>

## NOTES (CONT'D)

### 8. LOSS PER SHARE (CONT'D)

#### Number of shares

	For the three months ended 30 September			For the nine months ended 30 September		
	2014 '000	2013 '000	2013 '000 (Previously stated)	2014 '000	2013 '000 (Restated)	2013 '000 (Previously stated)
Weighted average number of ordinary shares for the purpose of basic loss per share	1,300,894	123,453	493,810	689,045	108,639	434,557
Effect of dilutive potential ordinary shares:						
Convertible notes not yet converted	-	-	-	-	2,885	-
Options	933	-	-	314	-	-
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>1,301,827</u>	<u>123,453</u>	<u>493,810</u>	<u>689,359</u>	<u>111,524</u>	<u>434,557</u>

The weighted average number of ordinary shares for the three months and nine months ended 30 September 2013 and 2014 for the purpose of basic and diluted loss per share has been adjusted and restated respectively resulting mainly from the share consolidation completed on 14 January 2014.

### 9. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the nine months ended 30 September 2014 (30 September 2013: Nil).

# NOTES (CONT'D)

## 10. RESERVES

For the nine months ended 30 September 2014

	Attributable to owners of the Company											Non-controlling interests	Total
	Share capital	Share premium	Contributed surplus	Share option reserve	Capital reserve	Convertible notes equity reserve	PBC statutory reserve	Exchange fluctuation reserve	Accumulated loss	Sub-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
For the nine months ended 30 September 2013													
At 1 January 2013 (Audited)	14,264	91,968	-	-	61,545	4,885	873	1,123	(127,760)	46,898	-	-	46,898
Loss for the period	-	-	-	-	-	-	-	-	(15,718)	(15,718)	-	-	(15,718)
Other Comprehensive income/(expense) for the period	-	-	-	-	-	-	-	1,471	-	1,471	-	-	1,471
Total comprehensive income/(expense) for the period	-	-	-	-	-	-	-	1,471	(15,718)	(14,247)	-	-	(14,247)
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
At 30 September 2013	19,752	137,689	-	-	61,545	-	873	2,594	(145,478)	78,975	-	-	78,975
For the nine months ended 30 September 2014													
At 1 January 2014	27,752	161,862	-	-	61,545	-	873	2,892	(167,813)	87,111	-	-	87,111
Loss for the period	-	-	-	-	-	-	-	-	(12,050)	(12,050)	(91)	-	(12,141)
Other comprehensive expense for the period	-	-	-	-	-	-	-	(197)	-	(197)	(19)	-	(216)
Total comprehensive expense for the period	-	-	-	-	-	-	-	(197)	(12,050)	(12,247)	(110)	-	(12,357)
Additional non-controlling interests arising on partial disposal of subsidiary (Note 7)	-	-	-	-	-	-	-	-	(3,254)	(3,254)	9,254	-	6,000
Recognition of equity-settled share based payment (Note ii)	-	-	-	4,730	-	-	-	-	-	-	4,730	-	4,730
Reduction of paid-up capital (Note iii)	(195,134)	-	195,134	-	-	-	-	-	-	-	-	-	-
Share premiums transferred to contributed surplus account (Note iv)	-	(161,862)	161,862	-	-	-	-	-	-	-	-	-	-
Share issued upon right issue	180,391	-	-	-	-	-	-	-	-	180,391	-	-	180,391
Transaction cost attributable to change of domicile, capital reorganisation and right issue	-	-	(8,311)	-	-	-	-	-	-	(8,311)	-	-	(8,311)
At 30 September 2014	13,009	-	348,685	4,730	61,545	-	873	2,695	(183,117)	248,420	9,144	-	257,564

## NOTES (CONT'D)

### 10. RESERVES (CONT'D)

*Notes:*

- (i) During the period, the Group disposed of 49% of its interest in Tony China Limited, reducing its continuing interest to 51%. The proceeds on disposal of HK\$6,000,000 were received in cash. An amount of HK\$9,254,000 (being the proportionate share of the carrying amount of the net assets of Tony China Limited) has been transferred to non-controlling interests. The difference of HK\$3,254,000 between the increase in the non-controlling interests and the consideration received has been debited to accumulated losses.
- (ii) During the period ended 30 September 2014, options were granted on 12 August 2014. The estimated fair values of the options granted on that date is HK\$4,730,000. The Group recognised the total expense of HK\$4,730,000 for the period ended 30 September 2014 in relation to share options granted by the Company.
- (iii) Also, pursuant to the special resolution in relation to capital reorganization comprising the share reduction and the share subdivision passed in an EGM on 24 April 2014 and took effect on 5 June 2014, the credits arising in the books of the Company from the reduction of the paid-up capital of the Company were credited to the contributed surplus account of the Company within the meaning of the Companies Act.
- (iv) Pursuant to the special resolution passed in an extraordinary general meeting ("EGM") on 24 April 2014 and took effect on the same day, an entire amount standing to the credit of the share premium account of the Company was cancelled and transferred to the contributed surplus account of the Company.

## NOTES (CONT'D)

### 11. SHARE CAPITAL

	Par value HK\$	Number of ordinary shares	Amount HK\$
<b>Authorised:</b>			
At 1 January 2013 and 31 December 2013	0.04	5,000,000,000	200,000,000
At 1 January 2014	0.04	5,000,000,000	200,000,000
Share consolidation of every four issued shares of HK\$0.04 each into one consolidated share of HK\$0.16 each ( <i>Note i</i> )		(3,750,000,000)	–
Increase in authorised shares ( <i>Note ii</i> )	0.16	5,000,000,000	800,000,000
Share subdivision of each authorised share of HK\$0.16 into 16 share of HK\$0.01 each ( <i>Note iv</i> )		93,750,000,000	–
At 30 September 2014	0.01	100,000,000,000	1,000,000,000
<b>Issued and fully paid:</b>			
At 1 January 2013	0.04	356,610,000	14,264,400
Conversion Shares issued	0.04	59,200,000	2,368,000
Placing shares issued	0.04	278,000,000	11,120,000
At 31 December 2013	0.04	693,810,000	27,752,400
At 1 January 2014	0.04	693,810,000	27,752,400
Share consolidation of every four issued shares of HK\$0.04 each into one consolidated share of HK\$0.16 each ( <i>Note i</i> )		(520,357,500)	–
Shares issued upon rights issue ( <i>Note iii</i> )	0.16	1,127,441,250	180,390,600
Capital reduction ( <i>Note iv</i> )		–	(195,134,062)
At 30 September 2014	0.01	1,300,893,750	13,008,938

## NOTES (CONT'D)

### 11. SHARE CAPITAL (CONT'D)

*Notes:*

(i) **Share consolidation**

Pursuant to an EGM on 13 January 2014, every four ordinary shares of the Company of a nominal or par value of HK\$0.04 each in the issued and unissued share capital of the Company be consolidated into one consolidated share of a nominal or par value of HK\$0.16 such that the authorised share capital of the Company is HK\$200,000,000 divided into 1,250,000,000 ordinary shares of a par value of HK\$0.16 each, such consolidated shares shall rank pari passu in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of ordinary shares contained in the Article of Association of the Company. The share consolidation is in effect on 14 January 2014.

(ii) **Increase in authorised share**

Pursuant to an EGM on 24 April 2014, the ordinary resolution in relation to the increase in authorised share was duly passed by way of poll. Following the passing of the resolution, the authorised share capital of the Company increased from HK\$200,000,000 divided into 1,250,000,000 shares of a par value of HK\$0.16 each to HK\$1,000,000,000 divided into 6,250,000,000 Shares by the creation of an additional 5,000,000,000 Shares. The increase in authorized share capital took effect on the same date.

(iii) **Rights issue**

Besides, pursuant to an EGM on 24 April 2014, the special resolution in relation to the underwriting agreement and rights issue on the basis of 13 rights issue for every two existing shares held on the record date was duly passed by way of poll. Following the rights issue, 1,127,441,250 new shares of HK\$0.16 each were issued for HK\$180,390,600.

## NOTES (CONT'D)

### 11. SHARE CAPITAL (CONT'D)

*Notes: (Cont'd)*

#### (iv) Capital reorganization

Also, pursuant to an EGM on 24 April 2014, the special resolution in relation to the capital reorganization comprising the share reduction and the share subdivision was duly passed by way of poll and took effect on 5 June 2014. After the capital reorganization,

- (1) the issued share capital of the Company will be reduced through a cancellation of the paid-up capital of the Company to the extent of HK\$0.15 on each of the issued Existing Shares such that the nominal value of each issued Existing Share will be reduced from HK\$0.16 to HK\$0.01;
- (2) immediately following the Capital Reduction, each of the authorised but unissued Existing Share of HK\$0.16 will be sub-divided into 16 New Shares of HK\$0.01 each; and
- (3) the credits arising in the books of the Company from the reduction of the paid-up capital of the Company will be credited to the contributed surplus account of the Company within the meaning of the Companies Act.

### 12. 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 nine months ended 30 September 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 September 2013, all the convertible notes had been converted into conversion shares.

There were no outstanding convertible notes as at 30 September 2014.

## NOTES (CONT'D)

### 13. ACQUISITION OF A SUBSIDIARY

On 15 May 2014, the Group completed the acquisition of 100% of the issued shares of 易寶電腦系統(北京)有限公司, a limited company incorporated in the PRC and a wholly foreign-owned enterprise, at the total consideration of HK\$3,000,000. It is principally engaged in the provision of professional IT contract and maintenance services. The acquisition is expected to help explore and launch online sale and online marketing of the Group's agricultural products so as to diversify its sale and marketing channels. Such established online platform may also facilitate the Group's other future business development.

The fair value of identifiable assets and liabilities as at the date of acquisition is as follows:

	<i>HK\$'000</i> (Unaudited)
Property, plant and equipment	61
Inventories	2
Trade receivables, net	3,466
Deposits, prepayments and other receivables	3,447
Cash and bank balances	2,061
Trade payables	(1,362)
Other payables and accruals	(3,182)
Income tax payable	(996)
	<hr/>
Total net identifiable assets	3,497
Satisfied by:	
Cash	(3,000)
	<hr/>
Gain on bargain purchase	497
	<hr/>

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.

易寶電腦系統(北京)有限公司 contributed turnover of approximately HK\$6,228,000 and loss of approximately HK\$995,000 to the Group for the period between the date of acquisition and 30 September 2014.

### 14. EVENT AFTER THE REPORTING PERIOD

Subsequent to 30 September 2014 on 28 October 2014, the Company and China Culiangwang Beverages Holdings Limited (the "Subscriber") entered into the General Mandate Subscription Agreement and the Specific Mandate Subscription Agreement, pursuant to which, the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 260,000,000 new shares under the General Mandate and 83,000,000 new shares under the Specific Mandate respectively at the subscription price HK\$0.175 per share. The aggregate net proceeds, after deduction of related expenses, of the subscription shares under the General Mandate and Specific Mandate are estimated to be approximately HK\$45.3 million and HK\$14.0 million. For details, please refer to the announcement of the Company dated 28 October 2014.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial and Business Review

With the global economy overshadowed by uncertainties and market volatility, the Group recorded loss attributable to owners of the Company of HK\$12,050,000 for the nine months ended 30 September 2014 (the “Period”), representing a decrease in loss of approximately HK\$3,668,000 as compared with the corresponding period of HK\$15,718,000 in 2013.

The turnover of the Group for the period was approximately HK\$16,079,000, representing a decrease of approximately HK\$6,031,000 as compared to the same period of HK\$22,110,000 last year; while gross profit was approximately HK\$8,966,000. The reason was that the feed plant for production of feedstock products was suspended from operation since the end of 2013 until June 2014 to fine-tune the production line in order to improve the production process and quality of products. In addition, since the swine price remained at a low level, the sales of animal husbandry products were still weak. During the period, the new businesses of professional IT contract and maintenance services contributed turnover of HK\$6,228,000 while loan interest income contributed turnover of HK\$4,948,000 to the Group.

General and administrative expenses for the period were approximately HK\$19,560,000 an increase of 64% or approximately HK\$7,663,000 as compared with the same period of HK\$11,897,000 last year. The increase was mainly due to (i) recognition of equity-settled share based payment and (ii) the increase in expenses for business operation. The new business of professional IT contract and maintenance services also contributed to the new rise in general and administrative expenses.

### Agriculture

The turnover of the feeding and breeding business for the period was approximately HK\$4,903,000, representing a decrease of approximately HK\$17,207,000 as compared to HK\$22,110,000 of the same period last year. It was mainly due to the suspension of operation of the feedstock production line since the end of 2013 to June 2014 and the weak sales of animal husbandry products.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### Agriculture (Cont'd)

Disposal of 49% interest of Tony China Limited and introduction of 博大東方農業發展有限公司 (Bo Da Dong Fong Agricultural Development Co., Ltd.) as a strategic partner

On 20 June 2014, the Group entered into a sale and purchase agreement with 博大東方農業發展有限公司 (Bo Da Dong Fong Agricultural Development Co., Ltd.) to sell 49% of the issued share capital of Tony China Limited, a wholly owned subsidiary of the Group at a consideration of HK\$6,000,000. This represents an opportunity for the Group to realize its investment while allowing the Group to maintain a majority stake in Tony China Limited, and to introduce Bo Da Dong Fong Agricultural Development Co., Ltd. as a strategic partner in the Group's feedstock products and animal husbandry businesses. It is expected that the purchaser could bring resources and expertise in agricultural biotechnology to benefit the operations and business of the Group. The Disposal was completed on 27 August 2014.

### Money lending business

The Group has been exploring opportunities to broaden its income source. During the period, the Group used its surplus cash to fund a money lending business through its indirect wholly-owned subsidiary, Way Union Finance Limited. The money lending business is still at the development stage with great potential.

Meanwhile, most of the loan agreements were in short term as the Group sought to maintain tight control over its loans receivables in order to minimize credit risk by reviewing the borrowers' or guarantors' financial positions.

Furthermore, loan interest income under this business segment amounted to approximately HK\$4,948,000 during the period. Loan receivables were interest-bearing at rate mutually agreed with contracting parties, ranging from 7% to 24% per annum.

### IT Business

During the period, turnover from IT business amounted to approximately HK\$6,228,000 (2013: Nil). The IT business was mainly carried out via 易寶電腦系統(北京)有限公司 (in English, for identification purpose only, EPRO Computer Systems (Beijing) Company Limited) which principally engaged in the provision of IT contract and maintenance service in the PRC. EPRO Computer Systems (Beijing) Company Limited was acquired by the Group on 15 May 2014 at the aggregate consideration of HK\$3,000,000 and became an indirect wholly-owned subsidiary of the Group upon completion of acquisition.

The acquisition is expected to help explore and launch online sale and marketing of the Group's agricultural products so as to diversify its sale and marketing channels. The established online platform may also facilitate the Group's other future business development.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### IT Business (Cont'd)

EPRO Computer Systems (Beijing) Company Limited contributed turnover of approximately HK\$6,228,000 to the Group for the since the date of acquisition on 15 May 2014 to 30 September 2014.

### Investments in securities of listed and non-listed companies

The Group has investments in securities of listed and non-listed companies in order to diversify its investment portfolios and increase returns to shareholders.

#### Investment in listed securities

On 9 July 2014, the Group disposed of a total of 15,000,000 shares of New Ray Medicine International Holding Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on GEM, in the open market for an aggregate cash consideration of approximately HK\$8.4 million.

#### Investment in non-listed securities

##### *Acquisition of 19% stake of Blue Farm Limited*

On 4 June 2014, the Group entered into a sale and purchase agreement, pursuant to which the Group has agreed to acquire 19% stake in Blue Farm Limited from Cassia Investments Limited Partnership I at an aggregate consideration of US\$902,500 (equivalent to approximately HK\$7,007,000).

Blue Farm Limited is the holder of approximately 62.91% of the issued share capital of the Hong Kong subsidiary, a fast growing Hong Kong-style chain restaurant operator principally engaged in the business of operating restaurants, cafes and take-away outlets in Hong Kong. Since its establishment in 2009, the Hong Kong Subsidiary has developed a strong brand image and has a captive customer base. It is believed that opportunities in the Hong Kong-style restaurant industry segment in Hong Kong are promising in light of the established but fragmented market. In addition, the Hong Kong subsidiary has established the foothold in Hong Kong, and thus has huge potential to grow and increase its market share in the Hong Kong-style restaurant industry segment in Hong Kong.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### Proposed issue of new shares under the General Mandate and the Specific Mandate to China Culiangwang Beverages Holdings Limited (HKEX Stock Code: 904)

On 28 October 2014, the Company and China Culiangwang Beverages Holdings Limited (the “Subscriber”) (HKEx Stock Code: 904) entered into the General Mandate Subscription Agreement and the Specific Mandate Subscription Agreement, pursuant to which, the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 260,000,000 new shares under the General Mandate and 83,000,000 new shares under the Specific Mandate respectively at the subscription price HK\$0.175 per share. The aggregate net proceeds, after deduction of related expenses, of the subscription shares under the General Mandate and Specific Mandate are estimated to be approximately HK\$45.3 million and HK\$14.0 million. It is intended that the aggregate net proceeds from the General Mandate Subscription and the Specific Mandate Subscription will be used by the Company (i) as to approximately HK\$54.0 million for investment of certain new business projects including food and beverage business and/or processing and sales food products and (ii) as to approximately HK\$5.3 million for general working capital.

Given that the Company and the Subscriber are both involved in the agricultural industry, there is potential cooperation opportunity between the parties in the future. Considering that the Subscriber has successful experience in growing, processing and distributing the agricultural products other than feedstock related, the cooperation between the Company and the Subscriber will be beneficial to the improvement of the Company’s current production technology and distribution strategy, and its future expansion to other fields of the agricultural industry.

### Prospect

Looking ahead, the Group will continue to strengthen the feed business and breeding business. With the regulation and control effect of the program of cold pork storage launched by National Development and Reform Commission beginning to show and the nationwide price of live pigs and pig-grain ratio continuing to become stable, we hold a positive view on the future market conditions with prudent attitude. The Group will continue to uplift its service standards to farmers and increase its competitiveness in the market through optimizing product qualities, strengthening business operation and improving marketing management.

Meanwhile, the Group will remain dedicated to exploring new business opportunities and bring in new dynamics for the Group’s revenue growth. We will inject more resources into financial areas, including the money lending business and the investments in securities of listed and non-listed companies, which yield higher returns. The Group actively develops money lending business in Hong Kong as it firmly believes that the sector will have a bright future, yet the Group remains agile and vigilant when conducting the business. In addition, the Group diversifies the revenue stream into the IT industry of professional IT contract and maintenance services and the growing catering industry by acquiring 19% of interest of Blue Farm Limited. In the future, we will continue to look for various business opportunities so as to increase the sources of income.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### Prospect (Cont'd)

Besides, the proposed issue of new shares to China Culiangwang Beverages Holdings Limited (HKEx Stock Code: 904) will enhance the financial strength and create enormous opportunity for the future development of the Group. The Group plans to invest in certain new business projects including food and beverage business and/or processing and sales of food products.

Riding on the Group's solid foundation, we will entrench our predominance and market position to continually boost the sales performance and maximize the interests of the shareholders.

### Interim Dividend

The Directors of the Company do not recommend the payment of any interim dividend in respect of the nine months ended 30 September 2014 (2013: Nil).

## SHARE OPTION SCHEMES

The Company's New Share Option Scheme (the "New Share Option Scheme") was adopted pursuant to an ordinary resolution passed by the Company's shareholders at the extraordinary general meeting of the Company held on 30 September 2013. Under the New Share Option Scheme, the Company may grant options to eligible persons, including Directors and directors of the subsidiaries of the Company, to subscribe for the shares.

The total number of shares which may be issued upon exercise of all options which may be granted under the New Share Option Scheme and options which may be granted under any other share option schemes of the Company shall not exceed 10 % of the total number of shares in issue on 30 September 2013 unless the Company obtains a refresh approval from its shareholders. Options lapsed in accordance with the terms of the New Share Option Scheme or any other share option schemes of the Company under which such options are granted, as the case may be, shall not be counted for the purpose of calculating whether the limit has been exceeded. The 10% General Limit was refreshed after the passing of the ordinary resolution by the shareholders at the Annual General Meeting dated 30 June 2014 on the basis of 1,300,893,750 shares in issue on that date. After the refreshment, the maximum number of new shares which may be issued upon exercise of all share options that may be granted under the 10% General Limit so refreshed is 130,089,375.

## SHARE OPTION SCHEMES (CONT'D)

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and options which may be granted and yet to be exercised under any other share option schemes of the Company (or the subsidiary) shall not exceed 30% of the total number of shares in issue from time to time. No options may be granted under any share option schemes of the Company (or the Subsidiary) if this will result in the limit being exceeded.

The New Share Option Scheme will remain in force for a period of ten years commencing from 30 September 2013.

The subscription price in respect of any particular option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option but in any case the subscription price shall not be less than the higher of (i) the closing price of the shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; or (iii) the nominal value of a share.

The purpose of the New Share Option Scheme is to encourage the participants to perform their best in achieving the goals of the Group and at the same time allow the participants to enjoy the results of the Company attained through their efforts and contributions and to provide the participants with incentives and help the Company in retaining its existing employees and recruiting additional employees.

## SHARE OPTION SCHEMES (CONT'D)

Details of the share options granted by the company under the New Share Option Scheme and the movement of the options during the period were shown as follows:

Name of Grantee	Date of Grant	Exercisable Period	Subscription Price per Share	Outstanding as at 1 January 2014	Granted during the Period (Note 1)	Exercised or Lapsed during the Period	Outstanding as at 30 September 2014
<i>Directors:</i>							
Mr. Zhou Jing	12 August 2014	12 August 2014 to 11 August 2016	HK\$0.1104	-	13,000,000	-	13,000,000
Mr. Lam Chun Kei	12 August 2014	12 August 2014 to 11 August 2016	HK\$0.1104	-	13,000,000	-	13,000,000
Mr. Lin Chuen Chow Andy	12 August 2014	12 August 2014 to 11 August 2016	HK\$0.1104	-	1,300,000	-	1,300,000
Mr. Siu Kam Chau (Note 2)	12 August 2014	12 August 2014 to 11 August 2016	HK\$0.1104	-	1,300,000	-	1,300,000
Mr. Lee Kin Fai	12 August 2014	12 August 2014 to 11 August 2016	HK\$0.1104	-	1,300,000	-	1,300,000
Ms. Cheng Lo Yee	12 August 2014	12 August 2014 to 11 August 2016	HK\$0.1104	-	1,300,000	-	1,300,000
Sub-total				-	31,200,000	-	31,200,000
Employees	12 August 2014	12 August 2014 to 11 August 2016	HK\$0.1104	-	26,000,000	-	26,000,000
Sub-total				-	26,000,000	-	26,000,000
<i>Other eligible persons:</i>							
Consultants	12 August 2014	12 August 2014 to 11 August 2016	HK\$0.1104	-	39,000,000	-	39,000,000
Directors of a subsidiary	12 August 2014	12 August 2014 to 11 August 2016	HK\$0.1104	-	26,000,000	-	26,000,000
Sub-total				-	65,000,000	-	65,000,000
Grand Total				-	122,200,000	-	122,200,000

### Notes:

1. A total number of 122,200,000 share options were granted to directors, employees and other eligible persons on 12 August 2014. For details, please refer to the announcement of the Company dated 12 August 2014.
2. Mr. Siu Kam Chau resigned as independent non-executive Director of the Company with effect from 27 October 2014.

## **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's bye-law or the laws of Bermuda 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 30 September 2014, 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 30 September 2014.

## **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

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 30 September 2014, the Directors and chief executive of the Company had the following 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.

### Long positions in underlying shares of the Company

Name of Directors	Capacity	Nature of interests	Number of underlying ordinary shares of the Company held ( <i>Note 1</i> )	Approximate % of shareholding of the Company
Mr. Zhou Jing	Beneficial owner	Personal interest	13,000,000	1%
Mr. Lam Chun Kei	Beneficial owner	Personal interest	13,000,000	1%
Mr. Lin Chuen Chow Andy	Beneficial owner	Personal interest	1,300,000	0.1%
Mr. Siu Kam Chau ( <i>Note 2</i> )	Beneficial owner	Personal interest	1,300,000	0.1%
Mr. Lee Kin Fai	Beneficial owner	Personal interest	1,300,000	0.1%
Ms. Cheng Lo Yee	Beneficial owner	Personal interest	1,300,000	0.1%

#### Notes:

- These represented the interests in underlying shares in respect of the share options granted by the Company on 12 August 2014, the details of which are set out in the section titled "Share Option Schemes" of this report.
- Mr. Siu Kam Chau resigned as independent non-executive Director of the Company with effect from 27 October 2014.

As at 30 September 2014, 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" and "Share Option Schemes", 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

As at 30 September 2014, so far as is known to the Directors, the following persons, other than a director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of Shareholder	Nature of Interest	Number of shares and underlying shares	Approximate percentage of interest
Mr. Lin Cheuk Fung	Beneficial owner	260,178,750 (L)	20%

*Note:*

1. The letter (L) above denotes long position.
2. Mr. Lin Cheuk Fung is a cousin of Mr. Lin Chuen Chow Andy, a non-executive Director.

Save as disclosed above, as at 30 September 2014, so far as is known to the Directors, there was no other person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or, had a direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

## 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 during the period.

## **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 September 2014.

## **CORPORATE GOVERNANCE CODE**

During the period ended 30 September 2014, the Company has adopted and complied with the code provision (the “Code Provision”) as set out in the “Corporate Governance Code” contained in Appendix 15 (the “Code”) of the GEM Listing Rules except for Code Provision A.2.1 in respect of the role separation of chairman and chief executive officer.

The deviation from the Code Provisions will be explained below. The Company aims to comply with all the Code Provision and will review and update the current practices of the corporate governance regularly in order to achieve the aims.

The Code Provisions A.2.1 requires the position of the chairman and the chief 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.

Mr. Zhou Jing assumes the role of both the chairman of the Board and the chief executive officer of the Company. The Board believes that vesting both the roles of chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions.

## ADVANCE TO ENTITY

As at 30 September 2014, there was one discloseable announcement for advance to entity outstanding and the details are as follows:

### Loan Agreement Effective on 30 May 2014

On 30 May 2014, Way Union Finance Limited, a wholly-owned subsidiary of the Company (the “Lender”), entered into the Loan Agreement with Cassia Investments Limited Partnership I (the “Borrower”), pursuant to which the Lender agreed to grant to the Borrower, an Independent Third Party, a loan in the principal amount of US\$5,380,000 (equivalent to approximately HK\$41,748,800) (the “Loan”), bearing interest at a rate of 12% per annum for a period of six months.

The Borrower is, a limited partnership formed under the laws of the Cayman Islands principally engaged in equity investment. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, each of the Borrower and its ultimate beneficial owners is an Independent Third Party.

The principal terms of the Loan Agreements are set out below:

#### Loan amount:

US\$5,380,000 (equivalent to approximately HK\$41,748,800)

#### Interest:

12% per annum

#### Maturity date:

6 months from the drawdown date of Loan Agreement on 30 May 2014

#### Security:

The Loan is unsecured

#### Repayment:

Under the Loan Agreement, the Borrower shall repay and/or settle the full amount of the Loan and the interest accrued thereon in accordance with the following schedule:

- (a) on the same calendar date of the third month after the Drawdown Date, the interest accrued under the Loan accrued thereon up to such date; and
- (b) on the Maturity Date, the outstanding amount of the Loan in full, together with all accrued and unpaid interest accrued under the Loan.

## ADVANCE TO ENTITY (CONT'D)

### Credit risk:

The Loan was also made on the basis of the Company's credit assessments on the Borrower's financial strength and repayment ability.

The terms of the Loan Agreement (including the interest rate) were arrived at by the parties after arm's length negotiation, with reference to the commercial practice and the amount of the Loan. The Directors consider that the terms of the Loan Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

For details, please refer to the Company's announcement dated 30 May 2014.

## AUDIT COMMITTEE

The audit committee of the Company consists of three independent non-executive Directors, namely, Mr. Lee Kin Fai, Ms. Cheng Lo Yee and Mr. Hung Kenneth 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 third quarterly results for the nine months ended 30 September 2014.

On behalf of the Board  
**Oriental Unicorn Agricultural Group Limited**  
**Zhou Jing**  
*Chairman and Chief Executive Officer*

Hong Kong, 7 November 2014

*As at the date of this report, the Board comprises two executive Directors, namely, Mr. Zhou Jing and Mr. Lam Chun Kei; one non-executive Director, namely Mr. Lin Chuen Chow Andy; and three independent non-executive Directors, namely Mr. Lee Kin Fai, Ms. Cheng Lo Yee and Mr. Hung Kenneth.*

*This report will appear on the GEM website ([www.hkgem.com](http://www.hkgem.com)) for at least seven days after the date of publication and on the website of the Company at [www.irasia.com/listco/hk/orientalunicorn/index.htm](http://www.irasia.com/listco/hk/orientalunicorn/index.htm).*