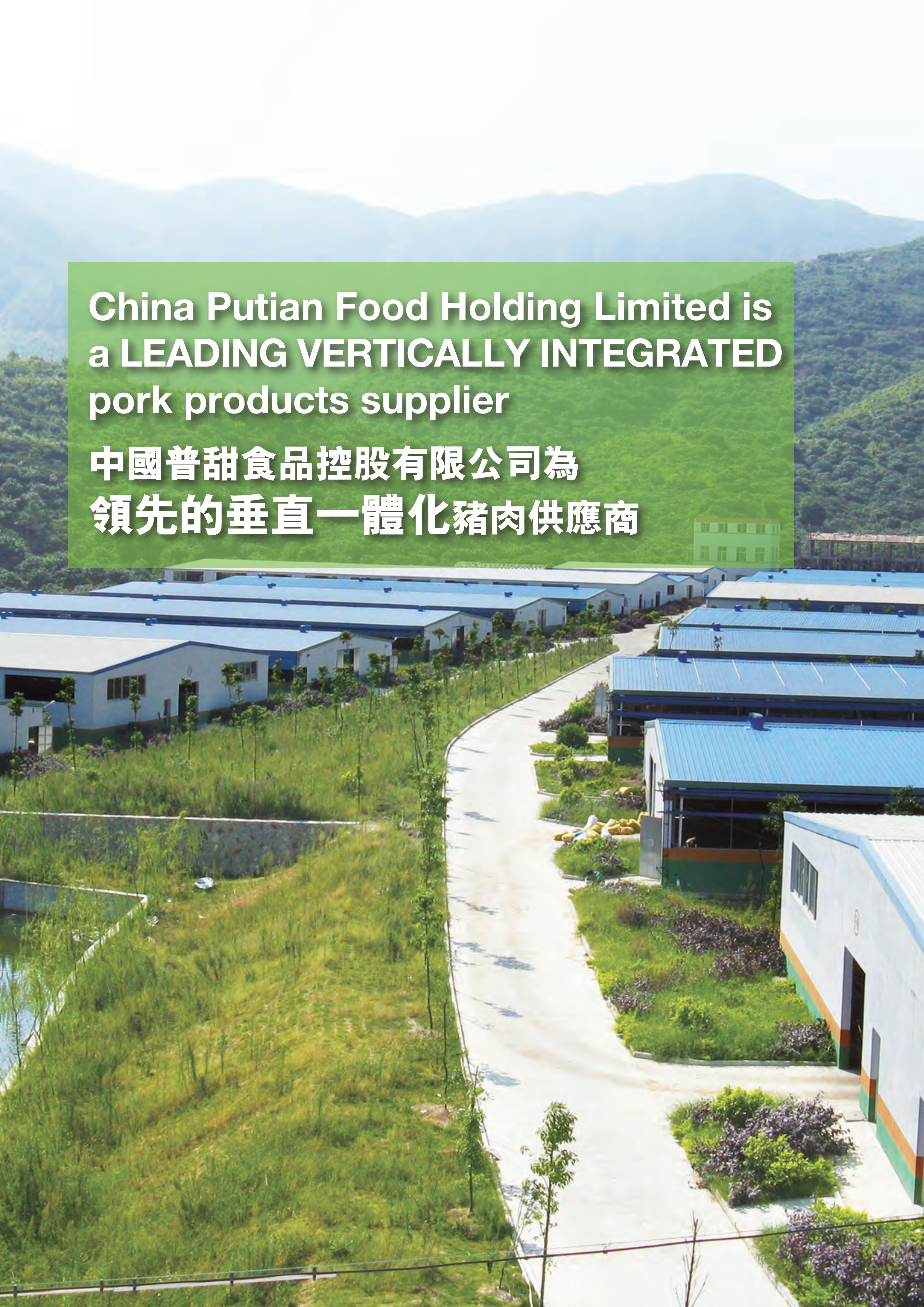
普甜
PUTIAN

CHINA PUTIAN FOOD HOLDING LIMITED
中國普甜食品控股有限公司

(Incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立之有限公司）

Stock Code 股份代號 : 1699

2013 年報
Annual Report



China Putian Food Holding Limited is a LEADING VERTICALLY INTEGRATED pork products supplier

中國普甜食品控股有限公司為
領先的垂直一體化豬肉供應商

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Corporate Information

Directors

Executive Directors

Mr. Cai Chenyang *(Chairman)*
Mr. Cai Haifang
Ms. Cai Shengyin

Independent Non- Executive Directors

Mr. Wu Shiming
Mr. Cai Zirong
Mr. Yu Wenquan

Audit Committee

Mr. Wu Shiming *(Committee Chairman)*
Mr. Cai Zirong
Mr. Yu Wenquan

Remuneration Committee

Mr. Cai Zirong *(Committee Chairman)*
Mr. Wu Shiming
Mr. Yu Wenquan

Nomination Committee

Mr. Yu Wenquan *(Committee Chairman)*
Mr. Wu Shiming
Mr. Cai Zirong

Company Secretary

Mr. Ku Kin Shing, Ignatius *HKICPA, CPA (Aust.)*

Legal Advisor

Cheung Tong & Rosa Solicitors

Compliance Advisor

Cinda International Capital Limited

Auditors

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Principal Bankers

Bank of China
No. 156, Dongda Road
Chengxiang District
Putian City
Fujian Province, the PRC

Registered Office

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

No. 3312, 33rd Floor, West Tower
Shun Tak Centre
No. 168–200 Connaught Road
Central, Hong Kong

Head Office and Principal Place of Business in the PRC

Hualin Road, Hualin Industrial Zone
Chengxiang District
Putian City, Fujian Province
the PRC

Cayman Islands Principal Share Registrar and Transfer Office

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Company Website

www.putian.com.hk

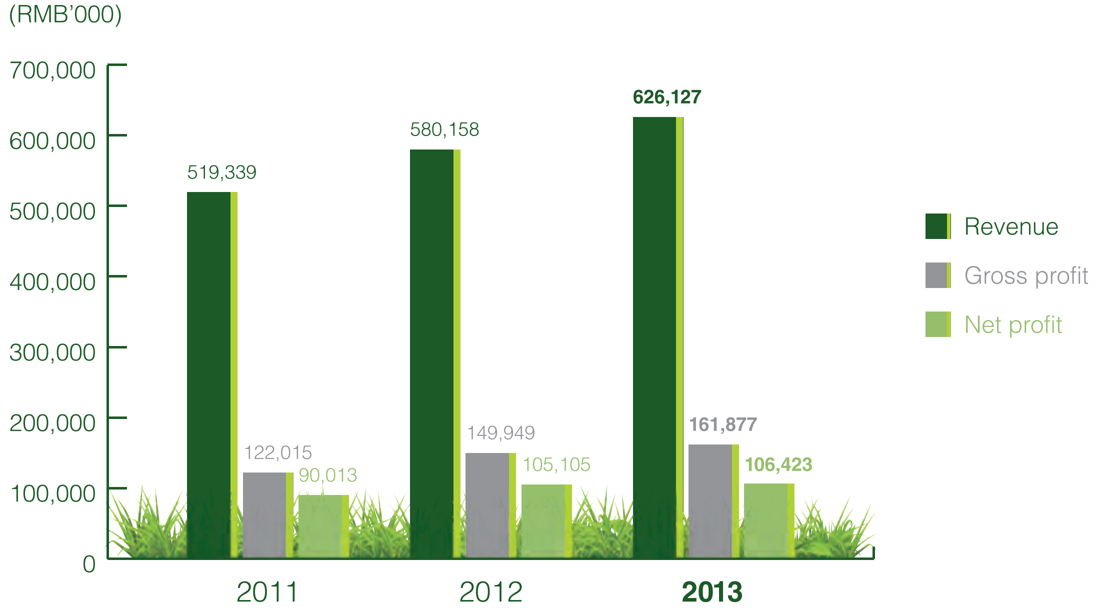
Stock Code

1699

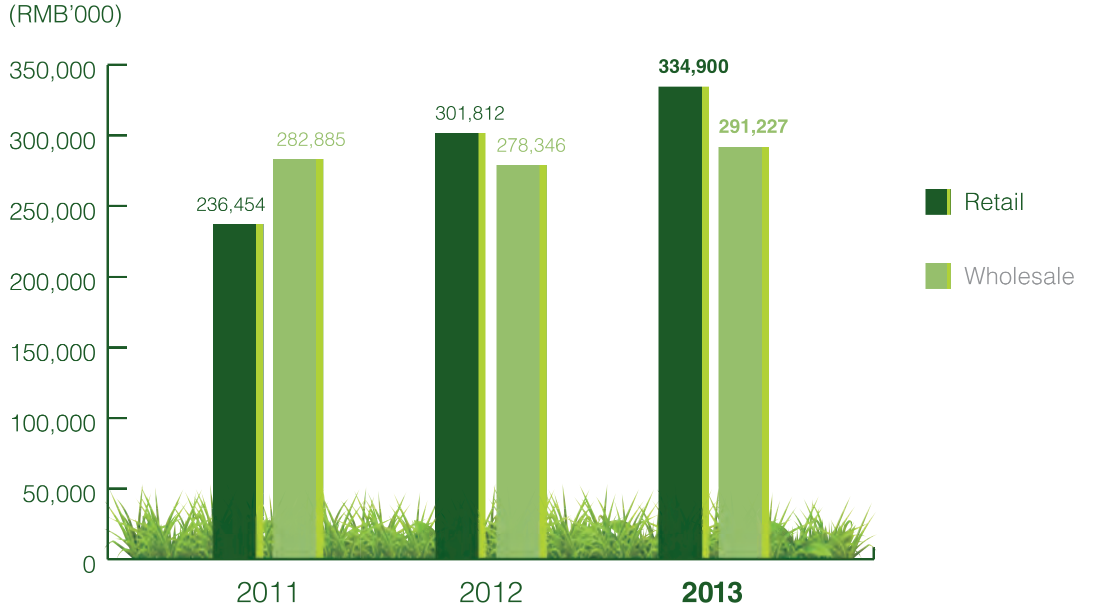
Financial Highlights

	Year 2011 RMB '000	Year 2012 RMB '000	**Year 2013 RMB '000**
Revenue	519,339	580,158	**626,127**
Gross profit	122,015	149,949	**161,877**
Net profit	90,013	105,105	**106,423**
Revenue by products			
— Retail	236,454	301,812	**334,900**
— Wholesale	282,885	278,346	**291,227**

Revenue, Gross profit and Net profit



Revenue by products



Chairman's Statements

Dear Shareholders,

On behalf of the board of directors (the "Board") of China Putian Food Holding Limited (the "Company"), I am pleased to present the annual results for the year ended 31 December 2013 (the "Reporting Period") of the Company and its subsidiaries (the "Group") to all shareholders.

Business Review

Upholding the Company's mission of "creating gratifying life for the general public", the Company has always attained to our highest standards for food safety and product quality. We have achieved perfection in farming, slaughtering to wholesaling and retailing by adopting our vertically integrated business model. During the Reporting Period, the Company proactively upgraded our production equipment in our headquarters in Putian, Fuijian and expanded our sales network in a steady pace. We intend to leverage on Beijing's dominant influence over the consumer trends across the whole country and will establish a subsidiary in Beijing dedicated in conducting researches and surveys on the local market, with a view to achieving our ultimate vision of becoming a brand of high-end pork in the PRC.

Chairman's Statements (Continued)

After the listing and fund-raising exercise on the main board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") in 2012, the Company duly applied the net proceeds to construct new hog farms to expand our own hog breeding and farming capacity. During the year, we fully upgraded the pork cutting production line in the Group's slaughterhouse, which formally commenced operation in November 2013. Such pork cutting production line substantially enhanced the processing production efficiency and product cutting standards in our slaughterhouse.

The Group achieved good results in general, in particular, we saw improvements in our revenue and profit. During the Reporting Period, as a result of our sales efforts, the Group's wholesale and retail network has been expanded to substantially all coastal regions within Fujian province. As of 31 December 2013, the number of sales outlets of the Group in the PRC increased by 14 from that of last year to 100, resulting in significant growth in the sales revenue of the Group. During the Reporting Period, the results of the Group continued to improve steadily, bringing an increase of approximately 7.9% in revenue as compared to that of 2012 to approximately RMB626,127,000 and an increase of 8.0% in gross profit as compared to that of 2012 to approximately RMB161,877,000.

During the Reporting Period, though the global economy gradually stabilized, the physical demands remained sluggish. However, the economic development of the PRC was stabilized and the GDP growth for the year managed to stand at the 7.7% level. Though the economic development standstill continued, the disposable income per capita of urban households in Fujian province increased to RMB30,816.4 during the Reporting Period, representing a year-on-year increase of 9.8%, which had created a stable business environment for the Group. The Group believes that an increase in household income will lead to an increase in market demands in quality pork food products. And therefore, the Group has capitalised on the domestic development opportunities to develop pork retailing business and increase the proportion of pork retailing sales to the total revenue.

As mentioned above, the Group expanded our sales network in a stable pace during the Reporting Period. As at 31 December 2013, the Group has 73 supermarket retail counters in total, including counters in supermarkets and department stores with regional influence, such as Fujian New Hua Du, Walmart, China Resources Vanguard, Century Lianhua, RT-Mart and Rainbow. Our outlets have also spanned across the coastal regions in eastern Fujian province, including Ningde, Fuzhou, Putian, Quanzhou and Zhangzhou. The Company also has 27 direct sales retail outlets of our own, which are mainly located in Putian and Fuzhou. The third sales channel of our Company was group buying customers, including (amongst others) famous meat products food processing factories, large scale and mid-high end hotels, canteens of various schools and enterprises. During the Reporting Period, the above sales network generated RMB334,900,000 of revenue for the Group, representing a year-on-year growth of 11.0%, which accounted for 53.5% of the Group's total revenue.

The pork wholesaling segment has continued to generate steady and considerable revenue for the Group. Since the slaughterhouse of the Group commenced operation in August 2009, most of the revenue of the Group has been generated from the wholesale of pork, which comprised primarily of whole hog carcasses, heads, intestines and internal organs. The Group's wholesale customers mainly comprised of local individual pork products traders. As of 31 December 2013, the Group has entered into contracts with 5 individual pork product traders, and we have proactively expanded our sales in group buying and diversified the Group's channels for pork wholesaling segment, thus generating a stable source of revenue for the Group. During the Reporting Period, the wholesales of pork generated RMB291,227,000 of revenue for our Group, representing a year-on-year growth of 4.6%, accounted for 46.5% of the total revenue of the Group.

Prospects

Pork, being food of necessity to Chinese, accounted for over 60% of meat consumption in PRC. The compound growth rate of pork production volume and pork consumption per capita for the last ten years were 4.19% and 3.49% respectively. In 2012, the country's pork products accounted for 64.89% of total meat production volume, while the annual production volume amounted to 53,350,000 tons with the consumption per capita of approximately 35.6kg. As the traditional consumption pattern is deep-rooted, other meats can hardly become an alternative to the pork. Furthermore, as urbanization fosters and households income increases, it is expected that the consumption of pork will maintain a certain degree of stable growth in the future.

As a listed company and an integrated supplier of pork products, the Company responses to the calls from the general secretary Xi of the CPC party of "Chinese food for Chinese consumption". Pursuant to the abovementioned good-intended policy of the government and the wills of the consumers, we intend to invest in and construct a "Protection and Development Base for the Local Hog Resources in China" in Beijing, which has obtained the approval from the relevant authorities under the Ministry of Agriculture and has commenced exploration, planning and designing works. Construction is going to commence in 2014 as planned. With the support from the agricultural authoritative science and technology research institutes such as the academic institutions, the Group expects to implement optimization in breeding and breeds of local famous, quality and precious breeds and will continue to expand our production capacity to offer genuinely high quality pork products to the consumers.

In tandem with the above, the Group fosters our expansion into the high-end market by conducting substantial market surveys. To begin with, we plan to select Beijing as our prioritized market, and will conduct product sales by means of diversified channels, such as high-end experience shops, on-line sales, group buying, supermarket sales and direct sales, by way of organic combination of the traditional channels with the emerging channels. We expect to achieve win-win benefits in terms of our brand building and economic return. Moreover, the Group is also studying the possibility to establish sales outlets in Hong Kong to sell the Group's products in the Hong Kong market.

Appreciation

On behalf of the Board, I would like to express my sincere gratitude to our shareholders and business partners for their unfailing support and trust to the Group. At the same time, I would also like to express my appreciation to the outstanding management team and staff members for their continuous contributions to the Group's business development with their ample experiences and diligence. The Group is fully confident about its prospects and we deeply believe that our business will continue to develop steadily, bringing sustainable returns to our shareholders.

By the order of the Board

Cai Chenyang
Chairman and Chief Executive Officer

Hong Kong, 28 March 2014

Management Discussion and Analysis

Industry Review

In 2013, despite the continued sluggish global economic recovery which had imposed pressure on the PRC economic progress, the PRC managed to maintain its GDP growth at the level of 7.7%. The continued steady growth in income per capita has become a driving force for the growth in the food consumption expenditure of urban and rural households. According to Fujian Provincial Bureau of Statistics, the disposable income per capita of urban households in Fujian province reached RMB30,816.4 in 2013, representing an increase of 9.8% as compared to 2012. The food consumption expenditure of urban households accounted for 52.4% of the total consumer expenditure in Fujian province. The consumer demand for quality food has been increasing as the disposal income per capita has increased. The Group achieved organic growth in the high-end pork products market in Fujian province, in which we have maintained a leading position. On the other hand, the total meat production volume of Fujian province amounted to 2,112,100 tons in 2013, representing an increase of 5.2% as compared to 2012. Among which, the production volume of pork amounted to 1,575,000 tons, representing an increase of 1.4% from that of 2012. The number of hogs on hand in Fujian province stood at a high level in 2013. As Article 7 in the No. 1 Central Document for 2009 requires an acceleration in the development of husbandry industry, both in terms of scale and standardization, by way of healthy farming, the production volume has been stabilised ever since such policy has come into effect. It is believed that Fujian province will maintain abundant supply of hogs, which will help to stabilize the pork price and benefit people's livelihood.

Under the *Outline of the Plan for the Development of the National Hog Slaughtering Industry (2010–2015) of the PRC* (《全國生豬屠宰行業發展規劃綱要(2010–2015年)》) promulgated by the central government, the central government will eliminate unqualified slaughterhouses and tighten the licensing system and strictly control the number of slaughterhouses. The said outline provides that the number of slaughterhouses for cities with population over 5,000,000 shall not exceed 4, and shall not exceed 2 for other cities at prefecture level or above. The Group's slaughterhouse is the only "five-star" slaughterhouse in Putian city, constructed according to national standards, and our slaughtering production capacity continues to maintain a leading position in the hog industry in Fujian Province. Moreover, the influence of the "Putian" brand also increases as the sales network of the Group has expanded gradually.

Business Review

The Group is one of the largest vertically integrated pork suppliers in Fujian Province, the PRC. With the core business of the Company being the sale of pork products under the "Putian" brand, the operation of the Group adopts a vertically integrated business model with a comprehensive coverage of the industry chain from hog farming, hog slaughtering, pork processing, and sales and distribution of pork. Currently, the Group's production facilities in Putian city, Fujian province, comprised of a hog farm in compliance with national standards, 5 large-scale contract farmer bases and a slaughterhouse with a maximum annual slaughtering capacity of 2 million hogs.

During the Reporting Period, the sales network of the Group continued to expand into substantially all regions in the coastal area of Fujian province, which contributed to our growth in business. The most significant increase was recorded in the retail segment, with an increase of 11.0% in revenue to approximately RMB334,900,000 (2012: approximately RMB301,812,000). The revenue from the wholesale segment also increased by 4.6% to approximately RMB291,227,000 (2012: approximately RMB278,346,000). During the Reporting Period, the Group recorded a total revenue of approximately RMB626,127,000 (2012: approximately RMB580,158,000), representing an increase of approximately 7.9% as compared to that of the corresponding period of last year. During the Reporting Period, the Group recorded a gross profit of approximately RMB161,877,000 (2012: approximately RMB149,949,000), an increase of 8.0% over last year. The Group adopts a vertically integrated business model, implements stringent quality control and monitoring measures in our farming, slaughtering and sales operations, which have effectively controlled our operation cost. The Group's gross profit margin remained stable at approximately 25.9% during the Reporting Period (2012: approximately 25.8%).

The Group conducts the business with a vision of "creating gratifying life for the general public" and a corporate mission of "offering high-quality pork products" in mind. Pork products marketed under the "Putian" brand have been increasingly well recognised by consumers, and thus, the sales performance of the Group has been substantially enhanced. The sales outlets of the Group's retail sales

network expanded from 86 as at 31 December 2012 to 100 as at 31 December 2013. By implementing a stringent epidemic prevention system in the hog farms and implementing safety control measures in every production stage, the Group continues to maintain health and safety in our farms to ensure the availability of nutritious and healthy pork products to consumers.

During the Reporting Period, the Group continued to apply all of the net proceeds from Hong Kong listing to construct 6 new hog farms as planned. The construction of the 6 new hog farms drove the Group's property, plant and equipment to increase significantly by 94.6% from approximately RMB166,672,000 to approximately RMB324,273,000.

Financial Review

1. Revenue

The following table sets out a breakdown of the revenue of the Group by sales segments and their relevant percentage to the total revenue during the Reporting Period:

	For the year ended 31 December			
	2013		2012	
	RMB'000	**% of total revenue**	RMB'000	% of total revenue
Revenue				
Retail of pork	**334,900**	**53.5**	301,812	52.0
Wholesale of pork	**291,227**	**46.5**	278,346	48.0

The total revenue of the Group increased from approximately RMB580,158,000 for the year ended 31 December 2012 to approximately RMB626,127,000 for the year ended 31 December 2013. The increase was mainly attributable to the increase in sales volume. The Group has actively strengthened and expanded our sales network, and the "Putian" brand, which puts pork safety as its first priority, has become increasingly well-received by consumers, and therefore, both the businesses of pork retail and wholesale had increased, bringing an increase of 7.9% in revenue in the Reporting Period as compared to the corresponding period of last year.

Revenue from Retail of Pork

The Group's revenue from retail of pork increased by nearly 11.0% from approximately RMB301,812,000 for the year ended 31 December 2012 to approximately RMB334,900,000 for the year ended 31 December 2013. The Group continued to expand our sales network as well as market share of pork retailing in Fujian province. The Group has 73 supermarket retail counters, including counters in supermarkets and department stores with regional influence, such as Fujian New Hua Du, Walmart, China Resources Vanguard, Century Lianhua, RT-Mart and Rainbow. Our outlets also span across the coastal regions in eastern Fujian province, including Ningde, Fuzhou, Putian, Quanzhou and Zhangzhou. The Company also has 27 direct sales retail outlets of our own, which are mainly located in Putian and Fuzhou. Through internet advertising campaigns and favourable recommendations from customers, products of "Putian" brand have gradually gained awareness and recognition on the back of our reliable and savory market positioning, particularly from those living standards concerned high spending consumers. The management expects that the turnover from retail of pork will continue to increase leveraging on further expansion in the distribution networks.

Revenue from Wholesale of Pork

The Group's revenue from wholesale of pork increased over 4.6% from approximately RMB278,346,000 for the year ended 31 December 2012 to approximately RMB291,227,000 for the year ended 31 December 2013, which was primarily due to an increase in the sales volume.

2. Gross Profit and Gross Profit Margin

The following table sets out the total gross profit and gross profit margin of the Group by sales segments during the Reporting Period:

	For the year ended 31 December			
	2013		2012	
	RMB'000	**Gross profit margin (%)**	RMB'000	Gross profit margin (%)
Gross profit and gross profit margin				
Retail of pork	**90,990**	**27.2%**	86,005	28.5%
Wholesale of pork	**70,887**	**24.3%**	63,944	23.0%

The overall gross profit of the Group increased from approximately RMB149,949,000 for the year ended 31 December 2012 to approximately RMB161,877,000 for the year ended 31 December 2013. The Group adopts a vertically integrated operation model which can achieve effective cost control. Leveraging on the Putian brand and its high-end market positioning, the pork products of the Group were able to stand against the slight volatility in hog market prices during the Reporting Period. With a view to gaining market share while achieving a balanced gross profit margin, the Group's pricing varies among different segments. During the Reporting Period, the pork wholesale prices of the Group increased and resulted in slight increase in the gross profit margin of this segment. However, during the period, the pork retail segment implemented a flexible sales policy for consumers, which resulted in a slight decrease in the gross profit margin of this segment. The increase in gross profit margin of the pork wholesale segment was offset by the decrease in gross profit margin of the pork retail segment. The overall gross profit margin of the Group remained stable from approximately 25.8% for the year ended 31 December 2012 to approximately 25.9% for the year ended 31 December 2013.

Gross Profit and Gross Profit Margin for the Retail of Pork

The gross profit from retail of pork of the Group increased from approximately RMB86,005,000 for the year ended 31 December 2012 to approximately RMB90,990,000 for the year ended 31 December 2013. During the Reporting Period, the Group implemented a flexible sales policy for consumers and therefore, the gross profit margin for the retail of pork of the Group decreased slightly from approximately 28.5% for the year ended 31 December 2012 to approximately 27.2% for the year ended 31 December 2013.

Gross Profit and Gross Profit Margin for the Wholesale of Pork

The gross profit from wholesale of pork of the Group increased from approximately RMB63,944,000 for the year ended 31 December 2012 to approximately RMB70,887,000 for the year ended 31 December 2013. During the Reporting Period, the Group's pork wholesale price slightly increased, and the gross profit margin for the wholesale of pork of the Group increased slightly from approximately 23.0% for the year ended 31 December 2012 to approximately 24.3% for the year ended 31 December 2013.

Liquidity and Financial Resources

Use of Proceeds from the Group's Initial Public Offering

The Company was successfully listed on the Main Board of the Stock Exchange on 13 July 2012 by way of placing and public offer of a total of 200,000,000 shares in the Company at an offer price of HK$0.70 per share.

After deducting the relevant listing expenses, the Group received net proceeds from our initial public offering of approximately RMB101.5 million as at 13 July 2012. As of 31 December 2013, the Group has applied the net proceeds partially in accordance with the proposed applications set out in the prospectus of the Company dated 28 June 2012 as follows:

	Actual net proceeds from initial public offering RMB' million	**Amount utilized up to 31 December 2013** RMB' million	**Balance as at 31 December 2013** RMB' million
Leasing the land for six new hog farms	24.7	24.7	—
Construction of the surface building portion for six new hog farms	43.2	43.2	—
Equipment acquisition and installation for six new hog farms	21.3	21.3	—
Acquiring breeder hogs	12.3	—	12.3
Total	101.5	89.2	12.3

The balance of RMB12.3 million has been planned for the acquisition of breeder hogs in the third quarter of 2014.

Financial Resources

The Group primarily finances the capital requirements for our operations by internally generated cashflow and bank facilities. As at 31 December 2013, cash and cash equivalents amounted to approximately RMB7,246,000 (31 December 2012: approximately RMB110,851,000). As of 31 December 2013, the net cash generated from operating activities amounted to approximately RMB130,606,000 (31 December 2012: approximately RMB74,769,000).

Borrowings and Pledged Assets

As at 31 December 2013, the total amount of interest-bearing bank borrowings was approximately RMB150,000,000, which was due within one year (31 December 2012: approximately RMB118,000,000) and all of which was denominated in RMB and bearing interest at both floating rate and fixed rate. As at 31 December 2013, the bank borrowings of RMB130,000,000 was pledged by the Group's property, plant and equipment and 2 parcels of land with total carrying value of approximately RMB142,552,000.

Gearing Ratio

As at 31 December 2013, the gearing ratio of the Group was 31.1% (31 December 2012: 30.8%). This was calculated by dividing interest-bearing bank borrowing by the total equity of the Group as at 31 December 2013. The increase in the gearing ratio was mainly due to the increase of bank loan.

Foreign Exchange Risk

The Group's main operations are located at Putian city, Fujian province, the PRC. Most of the assets, income, payments and cash balances are denominated in RMB. Additionally, the Group has not entered into any foreign exchange hedging arrangement. The directors consider that exchange rate fluctuation had no material impact on the Group's performance.

Material Acquisitions and Disposal of Subsidiaries

There was no material acquisition and disposal of subsidiaries and associates during the Reporting Period.

Operating Lease Commitments

As at 31 December 2013, the Group had operating lease commitments of approximately RMB2,438,000 (31 December 2012: approximately RMB1,554,000). Relevant expenses were mainly for the leases of direct sales outlets and the Beijing and Hong Kong offices. During the Reporting Period, relevant expenses increased due to additional direct sales outlets and the Beijing office established by the Group.

Contingent Liabilities

As at 31 December 2013, the Group had no material contingent liabilities (2012: Nil).

Capital Commitments

As at 31 December 2013, the Group had capital commitments of approximately RMB34,987,000 (2012: Nil). Relevant commitments were mainly for the construction of 6 new hog farms.

Human Resources

As at 31 December 2013, the Group had 586 (31 December 2012: 570) employees. Staff costs (including sales commission, staff salaries and welfare expenses, contributions to retirement benefit schemes and staff and workers' bonus and welfare fund) amounted to approximately RMB21,437,000 (31 December 2012: RMB19,076,000) during the Reporting Period. All of the Group's companies are equal opportunity employers, with the selection and promotion of individuals based on their suitability for the position offered. The Group operates a defined contribution mandatory provident fund retirement benefits for our employees in Hong Kong, and provides our PRC employees with welfare schemes as required by the applicable laws and regulations in the PRC.

Prospects

1. Expansion of sales network by "chilled pork products", with a view to entering into the eastern China market

   By restructuring our pork products and focusing on our new key development, "chilled pork products", the Group is going to extend our pork supply market coverage to the other regions in eastern PRC. The Company has embarked on our national sales efforts in late February 2014, and intends to introduce in the first place chilled whole hog carcasses products into Hangzhou market by the end of March 2014.

2. Preparation for the establishment of Beijing subsidiary underway, focusing on special high end farming and brand building for high quality pork

   Steering towards the target of creating the "Top brand in high quality pork product in China" to engage in the business of trading in local famous, quality pork brand, the Group has already obtained approval from the relevant authorities under the Ministry of Agriculture and is going to invest in and construct a "Protection and Development Base for the Local Hog Resources in China" of a national level in Beijing. It will leverage on the agricultural authoritative science and technology research institutes such as the academic institutions to implement optimization in breeding and breeds of local famous, quality and precious breeds and will continue to expand our production capacity to offer genuinely high quality pork products to the consumers.

3. Enhancing industry chain by commencing meat products deep processing project

   Oriented from the overall development planning of "scalability, diversity and effectiveness", the Group will focus on the development and operation of meat products deep processing in 2014 in order to further enhance our industry chain and increase added-value to our products. The deep processing project of the Group focuses on our key products of development, deep frozen high-end products, and the Group will launch meat products in different favours by technological innovation, so as to build up a high end, quality product chain to bring higher profit and return to the Group and our shareholders.

4. Establishment of e-commerce platform for sales of pork

   The Company strives to establish a number-one high quality pork e-commerce platform. The platform is designated to be an integrated e-commerce platform with coverage in on-line and physical businesses as well as retail and wholesale businesses. By kicking off on-line activities such as corporate brand building, food culture promotion, on-line product sales, virtual farming participation, the Group will display our "business operation model and processes" to promote the Chinese food culture and pork consumption culture, with a view to fostering the recognition and loyalty from mid-high end consumers to the "Putian" brand of pork, facilitate a thorough customer understanding to our hog farming and build up customer preference towards the "Putian" pork, to bring the sales of the Group to a brand new level.

Biographical Details of Directors and Senior Management

Executive Directors

Cai Chenyang (蔡晨陽), aged 44, is a cousin of Mr. Cai Haifang and the elder brother of Ms. Cai Shengyin. Mr. Cai Chenyang became a director of the Company ("Director(s)") on 27 May 2011 and was redesignated as an executive Director and appointed as the chairman and the chief executive officer of the Company on 7 February 2012. He is also the sole shareholder of Zhan Rui Investments Limited (展瑞投資有限公司) ("Zhan Rui") and a controlling shareholder of the Company.

Mr. Cai Chenyang has over 12 years of corporate managerial experience. He commenced his career as an entrepreneur in 2001 when he founded Anhui Tianyi Investments Limited (安徽天怡投資有限公司) ("Anhui Tianyi") in Anhui Province of the PRC, and was engaged in the business of real estate development. Mr. Cai Chenyang worked in the Sixth Engineering Architect Department of the Navy of the Liberation Army of the PRC (中國人民解放軍海軍第六工程建築處) as an engineer from around August 1998 to 2001.

Mr. Cai Chenyang established Tianyi (Fujian) Modern Agriculture Development Limited (天怡(福建)現代農業發展有限公司) ("Fujian Tianyi") in April 2005. Since Fujian Tianyi's establishment, Mr. Cai Chenyang has been responsible for formulating the overall business strategy, identifying business opportunities, and overseeing capital financing of the Group.

Mr. Cai Chenyang has received many honorable titles, including inter alia, Executive Member of the Council of World Fujian Youth Association (世界福建青年聯合會理事), China's Outstanding Private Enterprise Business Leader awarded in the 2009 China's Private Enterprise Business Leaders Annual Meeting (2009中國民營企業領袖年會"中國優秀民營企業家"), the Nominated Award of the 7th Fujian Province Ten Outstanding Youth (七屆福建省十大傑出青年提名獎), Outstanding Young Business Leader of the 9th Fujian Province Outstanding Young Business Leaders Associate (第九屆福建省優秀青年企業家) and the Executive Member of the 2nd Fujian Association for Promotion of Integrity (福建省誠信促進會第二屆理事會理事). Mr. Cai Chenyang is also the executive commissioner of the Political Consultation Committee of Putian City, Fujian Province (中國人民政治協商會議福建省莆田市委員).

Mr. Cai Chenyang obtained a diploma in economics and management study from the University of Science and Technology of China (中國科學技術大學) in 2004. Mr. Cai Chenyang finished the curriculum of an EMBA of Xiamen University (廈門大學) in June 2011.

Cai Haifang (蔡海芳), aged 35, is a cousin of Mr. Cai Chenyang and Ms. Cai Shengyin. Mr. Cai Haifang became an executive Director on 7 February 2012.

He worked for Anhui Tianyi as the deputy chief of the sourcing office responsible for materials sourcing and costs control from around 2001 to April 2005. He joined Fujian Tianyi as the deputy chief of the sourcing office in 2005 assisting the establishment of Fujian Tianyi. From 2006 to 2008, he was the manager of the sourcing centre, where he was primarily responsible for the procurement of major assets (including production facilities and breeder hogs) for Fujian Tianyi. He was appointed as the manager of the chief executive office and the head of the sourcing department in 2008, and was responsible for the management of the sourcing department and the administration of the external affairs of Fujian Tianyi. From 2010 to January 2011, he was the assistant to the chief executive officer. In January 2011, Mr. Cai Haifang was promoted to the post of deputy chief executive officer overseeing the administrative office and the sourcing of Fujian Tianyi. Mr. Cai Haifang graduated from a secondary school in Putian, the PRC in 1997.

Cai Shengyin (蔡盛蔭), aged 37, is the younger sister of Mr. Cai Chenyang and a cousin of Mr. Cai Haifang. Ms. Cai Shengyin became an executive Director on 7 February 2012.

She joined Fujian Tianyi as a finance manager in January 2009. She was promoted to the post of chief financial officer in March 2010, primarily responsible for establishing the Group's financial management system, reviewing financial reports and business performance reports, budgetary management and advising the Group on financing strategies and development plans.

She qualified as an International Certified Management Accountant in 2010. She is also a qualified advanced accountant and obtained such qualification from the Ministry of Human Resource and Social Security of the PRC (中國人力資源和社會保障部). Ms. Cai graduated from Curtin University of Technology in Australia with a Master's degree in Professional Accounting in 2006.

Biographical Details of Directors and Senior Management (Continued)

Independent Non-Executive Director

Cai Zirong (蔡子榮), aged 62, became an independent non-executive Director on 7 February 2012. Mr. Cai Zirong has over 34 years of experience in financial management. In the period from June 1978 to October 1988, he was the assistant battalion chief of the Finance Unit of the Logistic Department of the 93rd Division (93師後勤部財務科正營級助理員). He has been working in the People's Bank of China as senior management for almost 23 years. He was the Deputy Governor of the People's Bank of China of Putian County from January 1990 to November 1996 and was promoted to the position of Governor in December 1996. From February 2004 to October 2006, Mr. Cai Zirong worked as the Governor of the People's Bank of China of Xianyou County (仙游縣). He was elected as a representative of the 4th People's Congress of Putian City from year 2001 to 2005. Since September 2006, he has been of the rank of Section Chief of the publicity department of Putian City centre branch of the People's Bank of China. Mr. Cai Zirong graduated from People's Liberation Army Nanchang Army School (中國人民解放軍南昌陸軍學校) (now known as People's Liberation Army Nanchang Army College (中國人民解放軍南昌陸軍學院)) with a certificate in finance in 1985.

Wu Shiming (吳世明), aged 38, became an independent non-executive Director on 7 February 2012. He has been the supervisor of the Xiamen Bank Company Limited (廈門銀行股份有限公司) since December 2008. He is a qualified intermediate accountant and he was awarded such qualification in December 2001 by the Ministry of Finance after having passed the national examination jointly organised by the Ministry of Finance and the Ministry of Personnel of the PRC which covered four examination papers, of which two are related to accounting practice (intermediate level), one is in financial management and one is in Economic Law.

Mr. Wu has over 17 years of experience in accounting and financial management. Mr. Wu joined Xiamen Sumpo Group Company Limited (廈門森寶集團有限公司) ("Xiamen Sumpo") in July 1995 as a cashier. He became an accountant in Xiamen Sumpo in January 1996. From January 1998 to November 2001, he was the financial manager of Xiamen Sumpo. Mr. Wu became the general manager of the Guangzhou branch of Xiamen Sumpo in December 2001 and remained in office until January 2007. Mr. Wu became the deputy general manager of Xiamen Sumpo Electronic Technology Group Limited (廈門森寶電子科技集團有限公司) in January 2007 and held such position until November 2007. From January 2008 onwards, Mr. Wu was the chief financial officer of Xiamen Sumpo. Mr. Wu became the deputy chief executive officer of the major operating subsidiary of Sumpo Food Holdings Limited (森寶食品控股有限公司) ("Sumpo Food", together with its subsidiaries, "Sumpo Food Group"), a company listed on the Stock Exchange (Stock Code: 1089) in November 2010 overseeing its financial and operational performance (including internal control). He is currently an executive director of Sumpo Food in charge of the overall strategic management and the financial management of Sumpo Food Group.

Mr. Wu obtained a diploma in foreign economic enterprise financial accounting at Jimei University (集美大學) in the PRC in 1995 and a degree of finance at Xidian University (西安電子科技大學) in the PRC in March 2011, which is an online learning course.

Yu Wenquan (余文泉), aged 64, became an independent non-executive Director on 7 February 2012. From December 1977 to September 1980, Mr. Yu was the Secretary of the Committee of Youth League of Xitianwei Town of Putian County (莆田縣西天尾公社團委書記). Mr. Yu was the Deputy Chief of the Standing Committee of Changtai Community of Putian County (莆田縣常太公社管委會副主任) from September 1980 to May 1986. He was the Deputy Secretary and the Secretary of the Communist Party of Changtai Community of Putian County (莆田縣常太公社黨委副書記及書記) from June 1986 to October 1987 and from November 1987 to August 1991 respectively. From August 1991 to September 1998, he was in the position of Deputy Head of the Standing Committee of Putian County (莆田縣常委常務副縣長). He served as the Retirement Researcher of the Office of Agriculture (農辦退休調研員) of Putian City from October 1998 until July 2009.

Mr. Yu graduated from the School of Economic and Law (經濟法律學院) of Fujian Normal University (福建師範大學) with a diploma in political economy in 1999.

Senior Management

Chen Jinliang (陳金良), aged 46, has been the deputy general manager of Fujian Tianyi since October 2005. Mr. Chen joined the Group in April 2005 as the manager of the chief executive office. He was promoted to the post of deputy general manager in 2005 and has been responsible for human resources management and infrastructure investment of Fujian Tianyi.

Mr. Chen obtained a diploma in advertising from Xiamen University (廈門大學) in July 2000. From February 1990 to April 2005, he worked for Putian City Television Broadcasting Center (莆田市廣播電視中心), and was once promoted as manager of the news department.

Yang Zhihai (楊志海), aged 37, joined Fujian Tianyi as the deputy chief of the production department in October 2005 and was promoted as the chief of the production department in March 2011. Since July 2000, he worked in Fujian Agriculture University Food Experimental Factory (福建農業大學食品實驗廠) as a technician, production manager and deputy chief of the factory till 2003. In June 2003, Mr. Yang joined Yonghui Industrial Development Company (永輝工業發展有限公司) where he was responsible for its production management and quality control. Mr. Yang participated in the design, construction and establishment of the Group's hog farms and slaughterhouse. Mr. Yang is responsible for, amongst others, the advancement of the Group's production technology, product quality control and logistic flow. Mr. Yang obtained a diploma in food nutrition and quarantine from Fujian Agricultural University (福建農業大學) in July 2000 (now known as Fujian Agriculture and Forestry University (福建農林大學)).

Cai Qing (蔡青), aged 31, a cousin of Mr. Cai Chenyang, Ms. Cai Shengyin and Mr. Cai Haifang, joined Fujian Tianyi in April 2005 and assisted the establishment of Fujian Tianyi and the construction of the Group's hog farm. He became a senior staff of the sales department of Fujian Tianyi in March 2006 and was responsible for market research and development for Fujian Tianyi's products. During the period between July 2007 and December 2009, Mr. Cai Qing was the manager of the marketing department of Fujian Hanjiang Bee Products Developing Centre (福建省涵江蜂產品開發中心). In January 2010, he re-joined Fujian Tianyi and had been the manager of the sales department, responsible for market development in Fuzhou (福州) and Quanzhou (泉州), until he was promoted to be chief of sales department in May 2011. Mr. Cai Qing graduated from Fujian Normal University (福建師範大學) with a diploma in urban landscape gardening (城市園林花卉) in 2005 and obtained a diploma in project management from Xiamen University (廈門大學) in July 2012.

Company Secretary

Ku Kin Shing, Ignatius (谷建聖), aged 52, joined the Group in May 2011 as the financial controller. He is responsible for the financial reporting matters of the Group in Hong Kong, including preparation of financial reports and ensuring the Group's compliance with the Listing Rules and other statutory requirements. In addition, he is responsible for implementing internal control and corporate governance and practices, as well as liaising with external parties and regulatory bodies in respect of the Group's financial matters.

Mr. Ku has over 21 years of experience in finance and accounting and had worked in an international accounting firm prior to joining the Group. He previously held the position of financial controller in a listed company in Singapore. Mr. Ku holds a Bachelor of Commerce (Accounting) degree from the University of Canberra, Australia. He is a member of the Australian Society of Certified Practicing Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Corporate Governance Report

Introduction

The directors of the Company (the "Directors") are pleased to present the corporate governance report for the year ended 31 December 2013 as follows. The board of Directors (the "Board") is committed to enhancing the Group's corporate governance standards by improving corporate transparency through effective channels of information disclosure. The Board believes that good corporate governance is beneficial for maintaining close and trustful relationships with its employees, business partners, shareholders and investors.

Throughout the year of 2013, the Company has adopted the "Corporate Governance Code and Corporate Governance Report" as set forth in Appendix 14 (the "Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the guidelines for corporate governance of the Company, and has taken steps to comply with the Code wherever appropriate. In the Board Meeting held on 28 August 2013, the Company has adopted the code provisions (the "Code Provisions") of the latest Code as the guidelines for corporate governance of the Company.

Corporate Governance Practices

Throughout the year ended 31 December 2013, the Company has complied with the Code Provisions and, where applicable, the recommended best practices of the Code, with the following exception:

Under Code Provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Cai Chenyang is the chairman and the chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals who meet regularly to discuss issues affecting the operation of the Company. The Board believes that this structure, in the period of rapid business development of the Company, is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Cai Chenyang and believes that having Mr. Cai Chenyang performing the roles of chairman and chief executive officer is beneficial to the business prospect of the Group.

Directors

The Board

The Board, led by the chairman, steers the Company's business direction. It is responsible for formulating the Company's long-term strategies, setting business development goals, assessing results of management policies, monitoring the management's performance and ensuring effective implementation of risk management measures on a regular basis.

The Directors meet regularly to review the Group's financial and operational performance and to discuss and formulate future development plans. Regular Board meetings are attended by a majority of the Directors in person or through other electronic means of communication.

During the year of 2013, the Board held 4 regular meetings with no additional meetings.

The attendance records of each Director at the Board meetings and annual general meeting in 2013 are set out below:

Directors	Regular Board Meetings	Annual General Meeting
Executive Directors		
Mr. Cai Chenyang *(chairman)*	4/4	1/1
Mr. Cai Haifang	4/4	1/1
Ms. Cai Shengyin	4/4	1/1
Independent non-executive Directors		
Mr. Wu Shiming	4/4	1/1
Mr. Cai Zirong	4/4	1/1
Mr. Yu Wenquan	4/4	1/1

Notice of regular Board meetings are served to all Directors at least 14 days before the meeting while reasonable notice is generally given for other board meetings.

Agenda and Board papers together with all appropriate, complete and reliable information are sent to all Directors in a timely manner, and at least 3 days before the intended date of each Board or committee meeting, except agreed otherwise among the members, to ensure that they had sufficient time to review the board papers, be adequately prepared for the meeting, keep the Directors apprised of the latest developments and financial position of the Company and to enable them to include any matter in the agenda and to make informed decisions.

The Board and each Director, upon reasonable request, have access to independent professional advice to assist them in performing their duties to the Company, at the Company's expense. When needed and upon making request to the Board, Directors may obtain independent professional advice at the Company's expense in carrying out their duties.

Minutes of all Board meetings and Audit Committee and Remuneration Committee and Nomination Committee meetings are kept by the Company Secretary. All of the above minutes record in sufficient detail the matters considered and decisions reached, including any concern raised by Directors or dissenting views expressed. Any Director may inspect the minutes at any reasonable time on reasonable notice.

Draft minutes are normally circulated to Directors or members of the relevant committee for comment within a reasonable time after each meeting and the final version is sent to all Directors or committee members for their record.

According to the current Board practice, any material transaction, which involves a conflict of interests between a substantial shareholder or a Director and the Company, will be considered and dealt with by the Board at a duly convened Board meeting with the presence of the independent non-executive Directors. Directors are abstained from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

The Company has maintained appropriate insurance cover in respect of legal action against its Directors and officers arising out of corporate activities.

Chairman and Chief Executive

Code Provision A.2.1 stipulates that the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals who meet regularly to discuss issues affecting the operations of the Company.

As the Company's Chairman, Mr. Cai Chenyang is responsible for, among others:

- ensuring, with the assistance of the management, that the Directors receive adequate, accurate, clear, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings;
- providing leadership for the Board;
- ensuring that the Board works effectively, performs its responsibilities, discuss all key and appropriate issues in a timely manner, with good corporate governance practices and procedures;
- drawing up, approving and considering whether to include the matters proposed by other Directors into the agenda for each Board meeting (this responsibility may be delegated to Company Secretary or a designated Director);
- encouraging all Directors to fully and actively contribute to the Board's affairs and express different views and discuss issues in sufficient depth before reaching any consensus in board decisions;
- facilitating the effective contribution of Directors, in particular, non-executive Directors, and promote the constructive relations between executive and non-executive Directors;

- holding 1 meeting with the independent non-executive Directors without the executive Directors present during the year of 2013. The Board regarded such meeting as opinion exchange gathering whereby a broad range of strategic and performance matters were openly discussed;

- ensuring the effective communication between the Board and the shareholders as a whole through different channels, including (i) printed or electronic copies of corporate communications required by the Listing Rules; (ii) the annual general meeting which provides a forum for shareholders to raise comments and exchange views with the Board; (iii) the Company's website which allows the shareholders to acquire the updated and key information on the Group and to provide feedback for the Company.

Board Composition

The Board of the Company currently comprises the following Directors:

Executive Directors
Mr. Cai Chenyang *(chairman)*
Mr. Cai Haifang
Ms. Cai Shengyin

Independent Non-executive Directors
Mr. Wu Shiming
Mr. Cai Zirong
Mr. Yu Wenquan

An updated list of the Company's Directors by category identifying their role and function is at all times available on the websites of the Company and the Stock Exchange. The list specifies whether the Director is an independent non-executive Director and expresses the respective roles and functions of each Director.

The Company identifies the independent non-executive Directors in all corporate communications which disclose the names of Directors.

Details of the biographies of the Directors are given under the section "Biographical Details of Director and Senior Management" of this annual report on pages 14 to 16.

Save for Mr. Cai Haifang and Ms. Cai Shengyin being Mr. Cai Chenyang's cousin and younger sister respectively, there are no relationships (including financial, business, family or other material or relevant relationships) among members of the board.

Throughout the year of 2013, the Company's Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of them possessing appropriate professional qualifications on accounting or related financial management expertise. The number of independent non-executive Directors has represented at least one-third of the Board.

Appointments, re-election and removal

Pursuant to Rule 3.13 of the Listing Rules, the Company has received a written confirmation from each independent non-executive Director of his independence to the Company. The Company has assessed the independence and considers all of the independent non-executive Directors to be independent based on the independence criteria in accordance with the requirements in Listing Rules, their non-involvement in the daily operation and management of the Group and the absence of any relationships which will interfere with the exercise of their independent judgment.

The Company confirms that year of service of all INEDs is less than 9 years.

Under article 84(1) of the Company's Article of Association, at each annual general meeting, not less than one-third of the Directors for the time being shall retire from office by rotation and every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every 3 years while those retiring Directors shall be eligible for re-election. Any Director who has not been subject to retirement by rotation in the 3 years preceding the annual general meeting shall retire by rotation at such annual general meeting.

Under the Code Provision A.4.1, non-executive Directors should be appointed for a specific term, subject to re-election.

The terms of appointment for the independent non-executive Directors of the Company are as follows:

Name of non-executive Director	Terms of Appointment
Mr. Wui Shiming	Three years
Mr. Cai Zirong	Three years
Mr. Yu Wenquan	Three years

In accordance with the said provision of the Articles of Association and the Code Provision A.4.1, in the annual general meeting held on 30 May 2013, one-third of the Directors (namely Mr. Cai Chenyang and Mr. Wu Shiming) were subject to retirement by rotation and were re-elected. Mr. Wu Shiming was elected to hold office for a specific term until the AGM to be held in 2016.

Nomination of Directors

On 22 June 2012, the Board has established a nomination committee (the "Nomination Committee") pursuant to the requirements of the Revised Code, to provide a framework and set the standards for the appointment of high quality Directors who should have the capacity and ability to lead the Company towards achieving sustainable development. It considers matters regarding the nomination and/or appointment or re-appointment of Director(s).

Details of the Nomination Committee are set out in the sub-section headed "Nomination Committee" below.

Responsibilities of Directors

Mr. Cai Chenyang works closely with the newly appointed Directors both immediately before and after his/her appointment to acquaint the newly appointed Directors with the duties and responsibilities as a Director of the Company and the business operation of the Company.

A package compiled and reviewed by the Company's legal advisors setting out such duties and responsibilities under the Listing Rules, Companies Ordinance and other related law and relevant regulatory requirements of Hong Kong is provided to each newly appointed Director. The package also includes information relating to the operations and business of the Group. The Directors are updated with the latest developments in laws, rules and regulations relating to the duties and responsibilities of Directors from time to time. Guidelines for Directors issued by the Company Registry of Hong Kong and The Hong Kong Institute of Directors have been forwarded to each Director for his/her information and ready reference.

The Directors have disclosed to the Company at the time of their appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments. They have also informed the Company of the identity of other public companies or organisations they serve and the time involved in these public companies or organisations.

All Directors have devoted their time and attention to the affairs of the Company with their hands-on knowledge and expertise in the areas and operation in which he/she is charged with. The contribution made by the Directors to the affairs of the Company is measured in terms of time as well as quality of the attention and the ability of the Directors with reference to his/her necessary knowledge and expertise. The satisfactory attendance of Board meetings, general meetings and board committee meetings indicates the constant participation of all Directors, including executive and independent non-executive and ensures the better understanding of the views of shareholders by all Directors. The extent of participation and contribution should be viewed both quantitatively and qualitatively.

To fulfil their duties properly, where they consider it as necessary to obtain additional information other than that is provided by the management, the Directors made inquiries during the Board meetings and board committee meetings. The queries raised by Directors have received a prompt and full response.

Induction and Continuous Professional Development

The Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities through various Board meetings, resolutions, memos and Board papers. According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a Director of a listed company in compliance with the requirement of the Code on continuous professional development during the period from 1 January 2013 to 31 December 2013:

Directors	**Read materials**	**Attend seminars/ briefings/training sessions**
Executive Directors		
Mr. Cai Chenyang	✓	✓
Mr. Cai Haifang	✓	✓
Ms. Cai Shengyin	✓	✓
Independent Non-executive Directors		
Mr. Wu Shiming	✓	✓
Mr. Cai Zirong	✓	✓
Mr. Yu Wenquan	✓	✓

Securities Transactions Guidelines

The Board has adopted a code of conduct regarding Directors' securities transaction on the same terms as the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiries have been made with all Directors and they have confirmed that throughout the year ended 31 December 2013, they complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions.

The Directors' interests in shares of the Company as at 31 December 2013 are set out on page 33 of this annual report.

The Board has also established written guidelines on no less exacting terms than the Model Code for the relevant employee, including any employee or a Director or employee of a subsidiary or holding company who, because of his office or employment, is likely to be in possession of inside information in relation to the issuer or its securities, in respect of their dealings in the Company's securities.

Delegation by the Board

Management Functions

The Board delegates its powers and authorities from time to time to the Board Committees in order to ensure the operational efficiency and specific issues are being handled by relevant expertise. All Board Committees are provided with accurate and sufficient information in timely manner so as to enable the Board Committees to make informed decisions for the benefit of the Company and sufficient resources to discharge their duties.

The segregation of duties and responsibilities between the Board and the management has been clearly defined and provided as internal guidelines of the company.

The types of decisions which are to be taken by the Board include those relating to:

- corporate and capital structure;
- corporate strategy;
- significant policies affecting the Company as a whole;
- business plan, budgets and public announcements;
- delegation to the Chairman, and delegation to and by Board Committees;
- key financial matters;
- appointment, removal or reappointment of Board members, senior management and auditors;
- remuneration of Directors and senior management;
- communication with key stakeholders, including shareholders and regulatory bodies; and
- corporate governance duties.

The Board adheres to following principles when it delegates authority to the management:

- Delegation is on an "as needed" basis;
- Authority is delegated to positions rather than individuals;
- Delegated authority is in proportion with assigned responsibility;
- Delegated authority is related to the delegate's existing area of responsibility;
- No employee shall approve his own expenditure;
- An authority may only be changed, or an exception granted to it, by the original delegator;
- The extent of delegation by the Board to a Board committee, executive Directors, or management should not significantly hinder or reduce the ability of the Board as a whole to perform its functions;
- When the Board delegates aspects of its management and administrative functions to management, it must at the same time give clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company; and
- Delegating their functions does not absolve Directors from their responsibilities or from applying the required levels of skill, care and diligence.

The types of decisions that the Board has delegated to the management include:

- approving, assessing and monitoring the performance of all business units and ensuring that all necessary corrective actions have been taken;
- approving expenses up to a certain limit;
- approving the nomination and appointment of personnels other than the member of the Board, senior management and auditors;
- approving press release concerning matters decided by the Board;
- approving any matters related to routine matters or day-to-day operation of the Group (including the entering into of any transaction not requiring disclosure under the Listing Rules and cessation of non-material part of the Group's business); and

- carrying out any other duties as the Board may delegate from time to time.

For aspects of management and administration functions delegated to the management, the Board has given clear directions as to the management's power, particularly as to where management should report back and obtain prior board approval.

The functions reserved to the Board and those delegated to management have been formalised and are reviewed periodically to ensure that they remain appropriate.

Directors clearly understand the above delegation arrangements of the Company. The Company has formal letters of appointment/service agreements for Directors setting out the key terms and conditions of their appointment.

Board Committees

Nomination Committee

On 22 June 2012, the Board has established a nomination committee (the "Nomination Committee") pursuant to the requirements of the Revised Code, to provide a framework and set the standards for the appointment of high quality Directors who should have the capacity and ability to lead the Company towards achieving sustainable development. It considers matters regarding the nomination and/or appointment or re-appointment of Director(s). The Committee currently comprises 3 independent non-executive Directors, namely:

Independent Non-Executive Directors
Mr. Yu Wenquan *(chairman)*
Mr. Wu Shiming
Mr. Cai Zirong

The Nomination Committee is governed by its terms of reference, revised on 28 August 2013, which are closely aligned with the relevant Code Provisions requirements and are available at both the Company's website www.putian.com.hk and HKEx's website www.hkex.com.hk.

The main duties of the Nomination Committee include the following:

- review and supervise the structure, size and composition of the Board;
- identify qualified individuals to become members of the Board;
- assess the independence of the INEDs;
- make recommendations to the Board on the appointment, re-appointment and succession planning of Directors, and any proposed change to the Board to implement the Company's corporate strategy.

During 2013, 1 Nomination Committee meeting was held. The attendance records of each member of the Nomination Committee at the said Committee meetings are set out below:

Members of Nomination Committee	Attendance/ Number of Meeting(s) held during the tenure of membership
Independent Non-executive Directors	
Mr. Yu Wenquan	1/1
Mr. Wu Shiming	1/1
Mr. Cai Zirong	1/1

During the meeting, the Nomination Committee had performed the following tasks:

- reviewed the policy for nomination of Directors;
- reviewed and supervised the structure, size and composition of the Board and made recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identify qualified individuals to become members of the Board;

- assessed the independence of the INEDs;
- made recommendations to the Board on the appointment, re-appointment and succession planning of Directors, and any proposed change to the Board to implement the Company's corporate strategy; and
- reviewed the board diversity policy of the Company, adopted by the Board on 28 August 2013 (the "Board Diversity Policy").

Details of procedures for shareholders to propose a person for election as a Director of the Company are outlined in "Procedures for Shareholders to propose a person for election as a Director" which is available on the Company's website.

Board Diversity Policy

The Board has adopted the "Board Diversity Policy" on 28 August 2013 which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance, and sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and sustainable development.

The Board has set measurable objectives based on a range of diversity perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) to select candidates. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the Board Diversity Policy as appropriate to ensure the effectiveness of the same. It will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval. It will also monitor the implementation of the Board Diversity Policy.

The Company considers that the current composition of the Board is characterised by diversity, whether considered in terms of professional background and skills.

Remuneration Committee

Remuneration of Directors

The Remuneration Committee was established in 22 June 2012 pursuant to Rule 3.25 of the Listing Rules. It consults the Board chairman about their remuneration proposals for other executive Directors. It meets from time to time to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management, and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

The Remuneration Committee is governed by its terms of reference, which are revised by the Board on 22 June 2012 pursuant to the Revised Code. The terms of reference are made available on the Company's website www.putian.com.hk and HKEx's website www.hkex.com.hk.

The Remuneration Committee is chaired by the independent non-executive Directors. It now consists of 3 members, they are all INEDs, namely:

Independent Non-Executive Directors
Mr. Cai Zirong *(Chairman)*
Mr. Wu Shiming
Mr. Yu Wenquan

During 2013, 1 Remuneration Committee meeting was held.

The attendance records of each member of the Remuneration Committee at the said Committee meetings are set out below:

Members of Remuneration Committee	**Attendance/ Number of Meeting(s) held during the tenure of membership**
Independent Non-executive Directors	
Mr. Cai Zirong	1/1
Mr. Wu Shiming	1/1
Mr. Yu Wenquan	1/1

The work performed by the Remuneration during 2013 included the followings:

- review of the remuneration policy and the levels of remuneration paid to the Directors and senior management of the Group;
- review of the framework for determining the remuneration package;
- assessment of the performance of executive Directors;
- discussed and approved the final bonus plan for the year of 2012;
- discussed and approved the mechanism and recommendations of bonus to senior management for the year of 2012; and
- reviewed the compensation arrangements paid to Directors in case of their discharging from office or dismissals due to their misconduct.

Emolument Policy and Long-Term Incentive Plan

Long-term incentive plan primarily consists of shares options to subscribe for the shares of the Company. The emoluments payable to the Directors are determined with reference to their duties and responsibilities with the Company and the market rate for the positions.

Through job evaluation and job matching, the Group ensures the pay is internally equitable. Besides, the Group ensures external competitiveness of the pay through reference to market survey and data.

The independent non-executive Directors' compensation relates to the time commitment and responsibilities. They receive fees which comprise the following components:

- Directors' fees, which is usually paid annually; and
- Share options which are awarded subject to the discretion of the Board.

The fees and any other reimbursement or emolument payable to the Directors and senior management by band are set out in note 11 and note 12 to the consolidated financial statements.

Audit Committee

The Audit Committee is accountable to the Board and assists the Board in meeting its responsibilities in ensuring an effective and adequate system is in place for internal controls and for meeting its external financial reporting obligations and compliance with other legal and regulatory requirements. The Audit Committee also reviews and monitors the scope and effectiveness of the work of external auditors.

The Audit Committee currently comprises 3 members, namely Mr. Wu Shiming, Mr. Cai Zirong and Mr. Yu Wenquan, all of whom are independent non-executive Directors. Mr. Wu Shiming is the chairman of the Audit Committee. He is a qualified intermediate accountant and was awarded such qualification in December 2011 by the Ministry of Finance after having passed the national examination jointly organized by the Ministry of Finance and the Ministry of Personnel of the PRC and with profound financial expertise.

The Audit Committee meets at least 2 times a year to review the Company's interim and annual results.

The Audit Committee is governed by its terms of reference, which are revised by the Board on 22 June 2012 pursuant to the Revised Code. The terms of reference are made available on the Company's website www.putian.com.hk and HKEx's website www.hkex.com.hk.

During the year of 2013, the Audit Committee met 2 times and the attendance of each member at the Audit Committee meetings is as follows:

Members of Audit Committee	**Attendance/ Number of Meeting(s) held during the tenure of membership**
Mr. Wu Shiming *(chairman)*	2/2
Mr. Cai Zirong	2/2
Mr. Yu Wenquan	2/2

The Audit Committee meetings are normally attended by the Company's financial controller. The external auditors are often present on discussion of the audit of financial results and audit planning.

The work performed by the Audit Committee during 2013 included consideration of the following matters:

- the completeness and accuracy of the 2012 annual and 2013 interim financial statements;
- the Company's compliance with statutory and regulatory requirements;
- developments in accounting standards and the effect on the Company;
- the internal control reports submitted by the internal audit department of the Company;
- the management letter prepared by the external auditors;
- the audit fees payable to external auditors, the scope and timetable of the audit for year 2013; and
- recommendations to the Board, for the approval by shareholders, for the reappointment of Messrs. HLB Hodgson Impey Cheng Limited as the external auditors.

The Audit Committee has been advised that it may seek independent professional advice at the expense of the Company wherever necessary. The Committee is also supported by the staff of internal audit department and the external auditor.

The Audit Committee recommended to the Board that, subject to shareholders' approval at the forthcoming annual general meeting, Messrs. HLB Hodgson Impey Cheng Limited be re-appointed as the Company's external auditor for 2014.

Accountability and Audit

As at 31 December 2013, the Company had net assets of approximately RMB483 million, the Company recorded a profit attributable to equity holders of the parent of approximately RMB106 million for the year ended 31 December 2013.

Financial Reporting

The Board aims to present a balanced, clear and understandable assessment in annual and interim reports, inside information announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

The Directors have acknowledged their responsibility for the preparation of the accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period.

The statement by the auditor of the Company regarding its reporting responsibilities on the financial statements of the Group is set out in the "Independent Auditors' Report" on pages 36 to 37.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and hence decide that it is appropriate to prepare the financial statements set out on pages 38 to 95 on a going concern basis. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The basis on which the Company generates or preserves value over the longer term and the strategy for delivering its objectives are explained in the "Management Discussion and Analysis" set out in pages 8 to 13 in this report.

The Management provides the Board with sufficient explanation and information, such as the Group's major business activities and key financial information, to enable the Board to make an informed assessment of the financial information and position of the Company put before the Board for approval.

The Management also provides all Directors with monthly updates giving them a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of Listing Rules.

Internal Controls

The Board is responsible for ensuring that an effective internal control system is maintained within the Company. The Directors acknowledge their responsibility to establish, maintain and review from time to time the effectiveness of the Group's system of internal controls. During the year under review, the Directors, through the Audit Committee, have reviewed the effectiveness of all material aspects of the internal control system of the Group, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The Company has adopted a set of internal control policies and procedures to safeguard the Group's assets, to ensure proper maintenance of accounting records and reliability of financial reporting, and to ensure compliance with relevant legislation and regulations.

Certain executive Directors and senior management have been delegated with respective level of authorities and have specific responsibility for monitoring the performance of business operating units.

Each year, the Audit Committee of the Company reviews the findings made by the external auditors in respect of issues encountered by them in preparation of the audit report, which often cover issues relating to internal control. The Audit Committee also reviews the internal control report submitted by the Company's internal audit department. The Audit Committee will then review the actions performed or the plans to be carried out by the management in addressing the issues. The issues identified and the corresponding remedial plans and recommendations are then submitted to the Board for consideration.

The Company's internal audit department independently reviewed the effectiveness of the internal controls, including financial, operational and compliance, in the key activities of the Company's business. The head of the Company's internal audit department reports to the Audit Committee, and submits regular reports for its review in accordance with the approved review and audit mechanisms. The department submits a detailed report at least once a year to the Board for its review and monitors the effectiveness of the system of internal control of the Group.

External auditors will also report on the weakness in the Group's internal control and accounting procedure which have come to their attention during the course of audit.

For the year of 2013, no critical internal control issues have been identified.

Compliance Adviser

Pursuant to the compliance adviser agreement entered into between the Company and Cinda International Capital Limited ("CICL"), CICL has been appointed as the compliance adviser as required under the Listing Rules for the period from the Listing Date to the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the Company's financial results for the year ending 31 December 2013. CICL has received a fee for acting as the Company's compliance adviser during the Period.

Pursuant to Rule 3A.23 of the Listing Rules, CICL will advise the Company on the following matters:

- the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction is contemplated including share issues and share repurchase;
- where the Company proposes to use the net proceeds of the share offer in a manner different from that detailed in the prospectus or where the business activities, developments or results of the Company deviate from any forecast, estimate or other information in the prospectus; and
- where the Stock Exchange makes an inquiry of the Company regarding unusual movements in the price or trading volume of the securities of the Company.

Auditor's Remuneration

For the year under review, the remuneration paid for services provided by the auditors is roughly as follows:

Audit services	RMB$1,000,000
Non-audit services (which include taxation compliance and agreed upon procedures)	HK$7,300

Company Secretary

The position of Company Secretary is held by Mr. Ku Kin Shing, Ignatius, a member of the Hong Kong Institute of Certified Public Accountant who is an employee of the Company. The Company Secretary is responsible to the Board and reports to the Board Chairman/Chief Executive from time to time. All Directors have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable laws, rules and regulations are followed.

Since Ku Kin Shing, Ignatius was appointed in May 2011, he has taken no less than 15 hours of relevant professional training during the year 2013. He has fulfiled the requirement during the year under review.

Communications with Shareholders and Investors

The Company endeavours to uphold a high level of corporate transparency. Keeping shareholders, investors, analysts, bankers and other stakeholders informed of our corporate strategies and business operations has been one of the key objectives of our investor relations team.

Notice of 2013 annual general meeting had been sent to the shareholders at least 20 days before the annual general meeting.

The Chairman of the Board and chairman of the Remuneration Committee, Nomination Committee and the Audit Committee or, in their absence, other members of the respective committees and, where applicable, the independent Board committee, are available to answer questions at the shareholders' meetings.

The external auditor of the Company HLB Hodgson Impey Cheng Limited also attended the Annual General Meeting held on 30 May 2013 to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

Voting by Poll

The Company expresses in each relevant corporate communication that the shareholders shall vote by poll so as to allow the shareholders to have one vote for every share of the Company held. The chairman of the meeting would explain the voting procedure and answer any questions from the shareholders regarding voting in poll in the general meetings. The poll voting results of the general meetings were published on the websites of the Stock Exchange and the Company respectively on the same day after the annual general meeting.

Shareholders' Rights

Pursuant to article 58 of the Company's Articles of Association, any one or more shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, shareholders may hold the extraordinary general meeting, and all reasonable expenses incurred by the shareholders as a result of the failure of the Board shall be reimbursed to the shareholders by the Company.

Based on the requirement revised Corporate Governance Code, a Shareholders Communication Policy was formulated in 22 June 2012 in order to ensure the shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company. The Board has taken appropriate steps to provide effective communication with shareholders. The effectiveness of shareholders communication under the shareholders communication policy had been reviewed by the Board at the 28 March 2013 board meeting during the year.

The general meetings of the Company provide the best opportunity for communication between the Board and the shareholders. In addition to the general meetings, press conferences and analysts briefings are held subsequent to the interim and final results announcements in which the Directors and management are available to answer questions about the Group. Investors can also submit enquiries and proposals of the Board and management by call to Ms. Cai Shengyin at (852) 3582 4666, or via email to general@fjtianyicn.com, or directly through questions and answers session at shareholders' meetings.

During the Period, there are no changes to the Company's memorandum and Articles of Association. An up-to-date version of the Company's Memorandum and Articles of Association are available on the Company's website and the website of the Stock Exchange.

Conclusion

Going forward, the Company will continue to work diligently to maintain the highest level of corporate transparency. The timely disclosure of relevant corporate information includes annual and interim reports, statutory announcements, corporate presentation and press releases are available on the Company's website http://www.putian.com.hk. Enquiries and proposals to be put forward at shareholder meetings can also be sent to the board or senior management by contacting the Investor Relations Department, or directly through the questions and answers session at shareholder meetings.

Report of the Directors

The Directors are pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2013.

Corporate Information

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 27 May 2011.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company are hog farming, hog slaughtering and sales of pork. There were no significant changes in the nature of the Group's activities during the year.

Results and Final Dividend

The Group's profit for the year ended 31 December 2013 and the state of affairs of the Company and the Group as at the said date are set out in the consolidated financial statements on pages 38 to 95.

The Board does not recommend the payment of any dividend for the year ended 31 December 2013 (2012: HK1 cent per share).

Summary of Financial Information

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the published financial statements and the prospectus of the Company dated 28 June 2012 (the "Prospectus") and restated/reclassified as appropriate, is set out on page 96 of this report.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 26 May 2014 to Wednesday, 28 May 2014, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the eligibility of Shareholders who are entitled to attend and vote at the annual general meeting to be held on Wednesday, 28 May 2014, all transfer forms accompanied by the relevant share certificates must be lodged not later than 4:30 p.m. on Friday, 23 May 2014 with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in Note 16 to the consolidated financial statements.

Share Capital and Share Options

Details of movements in the Company's share capital during the year, together with the reasons thereof, are set out in Note 29 to the consolidated financial statements.

The purpose of the Share Option Scheme approved and adopted by the Company on 7 February 2012 (the "Share Option Scheme") is to recognise and motivate the contribution of employees and other person(s) who may make a contribution to the Group and to provide incentives and help the Company retain its existing employees and recruit additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

The Company, by resolution in general meetings, or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. Subject to the aforesaid, the Share Option Scheme shall be valid and effective for a period of ten (10) years commencing from the adoption of the Share Option Scheme, after which no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects.

The Share Option Scheme is conditional upon (1) the passing of the necessary resolutions by the shareholders in general meeting to approve the Share Option Scheme; (2) the Listing Committee granting approval of the listing of, and permission to deal in, the shares as mentioned in the Prospectus, and any shares to be issued pursuant to the exercise of options under the Share Option Scheme; (3) the commencement of dealings in shares on the Stock Exchange.

At the date of this annual report, no option has been granted or agreed to be granted.

Pre-Emptive Rights

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

Reserves

As at 31 December 2013, the Company's reserves available for distribution to equity holders comprising share premium account and retained profits, amounted to approximately RMB18.4 million.

Major Customers and Suppliers

For the year ended 31 December 2013, sales to the Group's largest and five largest customers accounted for approximately 9.3% and approximately 44.2% of the total sales respectively. For the year ended 31 December 2013, the largest and five largest suppliers of the Group accounted for approximately 13.7% and approximately 56.0% of the Group's total purchases respectively.

None of the Directors of the Company 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 the Group's five largest customers or five largest suppliers during the year ended 31 December 2013.

Directors and Re-Election of Directors

The Directors of the Company during the year of 2013 and up to the date of this report were :

Executive Directors:

Mr. Cai Chenyang *(Chairman and Chief Executive Officer)*
Mr. Cai Haifang
Ms. Cai Shengyin

Independent non-executive Directors:

Mr. Wu Shiming
Mr. Cai Zirong
Mr. Yu Wenquan

In accordance with Article 84 of the Company's Articles, Ms. Cai Shengyin and Mr. Yu Wenquen will retire by rotation at the conclusion of the forthcoming annual general meeting (AGM) of the Company. Ms. Cai Shengyin, being eligible, will offer herself for re-election at the forthcoming AGM, while Mr. Yu Wenquan will not offer himself for re-election at the forthcoming AGM.

In addition, the Board proposes to appoint Mr. Wang Aiguo as an independent non-executive Director at the forthcoming AGM. If elected, he will hold office from the forthcoming AGM date to the conclusion of the AGM of the Company of 2017.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

Directors' and Senior Management's Biographies

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 14 to 16 of this report.

Directors' Service Contracts

Each of the executive Directors of the Company namely, Mr. Cai Chenyang, Mr. Cai Haifang and Ms. Cai Shengyin, has entered into a service contract with the Company for a term of three years commencing from 7 February 2012 and is subject to termination by either party giving not less than three months' written notice.

The Company has issued an appointment letter to each of Mr. Wu Shiming, Mr. Cai Zirong and Mr. Yu Wenquan, being the independent non-executive Directors of the Company for an initial terms of three years commencing from 7 February 2012, subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company's Articles.

No director proposed for re-election at the forthcoming annual general meeting has a contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Interest in Contracts

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

Directors' Remuneration

The Directors' fees are subject to shareholders' approval at general meeting. Other emoluments are determined by the remuneration committee pursuant to the Company's Articles with reference to market conditions, directors' duties, responsibilities and performance and the results of the Group.

Directors' Interests and Short Positions in Shares

As at 31 December 2013, the interests and short positions of the Directors in shares of the Company or any associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in the Listing Rules were as follows :

Long positions in Shares

Name of Director	**Capacity/nature of interest**	**Number of ordinary shares held**	**Approximate percentage of issued capital**
Mr. Cai Chenyang *(Note 1)*	Interest of controlled corporation	408,000,000	51%

Save as disclosed above, none of the Directors had any interests and short positions in the shares of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Other Persons' Interest in Shares

As at 31 December 2013, the interest or short position of the persons (other than the Directors of the Company) in shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Division 2 and 3 of Part XV of the SFO were as follows:

Long position in Shares of the Company

Name of shareholders	Capacity/nature of interest	Number of ordinary shares held	Approximate percentage of issued capital
Zhan Rui Investments Limited *(Note 1)*	Beneficial owner	408,000,000	51.00%
Ms. Tsui Chun Mei *(Note 2)*	Beneficial owner	47,076,000	5.89%
Mr. Sze Ching Lau *(Note 3)*	Beneficial owner	40,340,000	5.04%
Charming Investment Holdings Limited	Beneficial owner	40,000,000	5.00%
Ms. Lee Ming Hin *(Note 4)*	Interest of controlled corporation	40,000,000	5.00%

Notes:

(1) Mr. Cai Chenyang is deemed to be interested in 408,000,000 shares, which are held by Zhan Rui Investments Limited, a corporation controlled by Mr. Cai Chenyang, representing 51.00% of the entired issued and paid-up share capital of the Company.

(2) Ms. Tsui Chun Mei is the spouse of Mr. Sze Ching Lau. Ms. Tsui Chun Mei is deemed to be interested in the 40,340,000 shares held by Mr. Sze Ching Lau representing 5.04% of the entired issued and paid-up share capital of the Company.

(3) Mr. Sze Ching Lau is the spouse of Ms. Tsui Chun Mei. Mr. Sze Ching Lau is deemed to be interested in the 47,076,000 shares held by Ms. Tsui Chun Mei representing 5.89% of the entired issued and paid-up share capital of the Company.

(4) Ms. Lee Ming Hin is deemed to be interested in 40,000,000 shares, which are held by Charming Investment Holdings Limited, a corporation controlled by Ms. Lee Ming Hin, representing 5.00% of the entired issued and paid-up share capital of the Company.

Save as disclosed above, as at the date of this report, no person, (other than the Directors of the Company) had any interests or short positions in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

Sufficiency of Public Float

Based on information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained sufficient public float as required under the Listing Rules throughout the year.

Connected Transaction

There were no connected transactions and continuing connected transactions between the Group and its connected persons (as defined under the Listing Rules) which are subject to the reporting, announcement and the independent shareholders' approval requirement under the Listing Rules for the Reporting Period.

The related party transactions in relation to the key management personnel remuneration as disclosed in Note 35 to the consolidated financial statements in this annual report are connected transactions exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.31(6) of the Listing Rules.

Directors' Interests in Competing Business

No Director of the Company is considered to have interests in any business which is likely to compete directly or indirectly with that of the Group.

Purchase, Sales or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2013.

Code on Corporate Governance Practices

The Company had adopted the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules during the year. The Company has complied with all the code provisions of the Code during the year, save for the exception explained in the Corporate Governance Report in this report.

Auditors

The financial statements for the year were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming AGM. A resolution for the appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming AGM.

On behalf of the Board

Cai Chenyang
Chairman and Chief Executive Officer

Hong Kong, 28 March 2014

Independent Auditors' Report

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF CHINA PUTIAN FOOD HOLDING LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Putian Food Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 95, which comprise the consolidated and the Company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company 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.

AUDITORS' 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 about whether the consolidated financial statements are free from material misstatement.

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 auditors' 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 auditors consider 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 2013 and of the Group's profit and cash flows for the year then ended 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.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Shek Lui
Practising Certificate Number: P05895

Hong Kong, 28 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Revenue	6	**626,127**	580,158
Cost of sales		**(464,250)**	(430,209)
Gross profit		**161,877**	149,949
Other revenue and gains	7	**4,107**	3,549
(Loss)/gain arising from change in fair value less costs to sell of biological assets	20	**(3,297)**	4,259
Selling and distribution expenses		**(20,077)**	(20,334)
Administrative expenses		**(27,455)**	(26,129)
Finance costs	8	**(8,320)**	(6,042)
Other operating expenses		**(412)**	(147)
Profit before taxation		**106,423**	105,105
Taxation	9	**—**	—
Profit for the year	10	**106,423**	105,105
Other comprehensive (loss)/income for the year, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(272)**	870
Other comprehensive (loss)/income for the year, net of income tax		**(272)**	870
Total comprehensive income		**106,151**	105,975
Profit for the year attributable to the owners of the Company		**106,423**	105,105
Total comprehensive income for the year attributable to the owners of the Company		**106,151**	105,975
Earnings per share			
Basic (RMB cents per share)	15	**13.30**	15.04
Diluted (RMB cents per share)	15	**13.30**	15.04

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	16	**324,273**	166,672
Prepaid lease payments	17	**86,838**	90,426
Biological assets	20	**4,562**	3,545
Deposits paid for property, plant and equipment	21	**67,693**	—
Deposits paid for prepaid lease payments	21	**15,067**	—
		498,433	260,643
Current assets			
Inventories	19	**7,273**	9,270
Biological assets	20	**47,170**	45,536
Trade receivables	22	**77,263**	77,927
Deposits paid, prepayments and other receivables	23	**14,552**	13,547
Prepaid lease payments	17	**3,588**	3,588
Pledged bank deposits	24	**2,293**	—
Cash and bank balances	24	**7,246**	110,851
		159,385	260,719
Current liabilities			
Trade and bills payables	25	**14,333**	7,978
Accruals, deposits received and other payables	26	**6,849**	8,203
Bank borrowings	27	**150,000**	118,000
Deferred revenue	28	**253**	253
		171,435	134,434
Net current (liabilities)/assets		**(12,050)**	126,285
Total assets less current liabilities		**486,383**	386,928

Consolidated Statement of Financial Position (Continued)

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Equity			
Share capital	29	**65,178**	65,178
Reserves	30	**417,511**	317,802
Total equity		**482,689**	382,980
Non-current liabilities			
Deferred revenue	28	**3,694**	3,948
		3,694	3,948
Total equity and non-current liabilities		**486,383**	386,928

Approved by the Board of Directors on 28 March 2014 and signed on its behalf by:

Cai Chenyang
Executive Director

Cai Shengyin
Executive Director

The accompanying notes form an integral part of these consolidated financial statements.

Statement of Financial Position

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Investment in subsidiaries	18	**81**	81
Current assets			
Amounts due from subsidiaries	18	**87,136**	82,968
Deposits paid and prepayments	23	**319**	330
Cash and bank balances	24	**55**	3,601
		87,510	86,899
Current liabilities			
Amount due to a subsidiary	18	**2,236**	631
Accruals and other payables	26	**1,826**	3,016
		4,062	3,647
Net current assets		**83,448**	83,252
Total assets less current liabilities		**83,529**	83,333
Equity			
Share capital	29	**65,178**	65,178
Reserves	30	**18,351**	18,155
Total equity		**83,529**	83,333

Approved by the Board of Directors on 28 March 2014 and signed on its behalf by:

Cai Chenyang
Executive Director

Cai Shengyin
Executive Director

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Share Capital RMB'000	Share Premium* RMB'000	Exchange reserve* RMB'000 *Note (a)*	Statutory reserve* RMB'000 *Note (b)*	Other reserve* RMB'000 *Note (c)*	Retained earnings* RMB'000	Proposed final dividend* RMB'000	Total RMB'000
As at 1 January 2012	7	–	673	20,490	53,089	112,621	–	186,880
Profit for the year	–	–	–	–	–	105,105	–	105,105
Other comprehensive income for the year	–	–	870	–	–	–	–	870
Total comprehensive income for the year	–	–	870	–	–	105,105	–	105,975
Issue of shares under corporate reorganisation (note 29(d))	81	–	–	–	–	–	–	81
Issue of shares under the capitalisation issue (note 29(e))	48,802	(48,802)	–	–	–	–	–	–
Issue of shares under the global offering (note 29(e))	16,295	97,768	–	–	–	–	–	114,063
Effect of reorganisation	(7)	–	–	–	(74)	–	–	(81)
Share issuing expenses	–	(23,938)	–	–	–	–	–	(23,938)
Transfer to statutory reserve	–	–	–	11,441	–	(11,441)	–	–
Proposed final dividends	–	(6,519)	–	–	–	–	6,519	–
As at 31 December 2012 and 1 January 2013	65,178	18,509	1,543	31,931	53,015	206,285	6,519	382,980
Profit for the year	–	–	–	–	–	106,423	–	106,423
Other comprehensive loss for the year	–	77	(272)	–	–	–	(77)	(272)
Total comprehensive income for the year	–	77	(272)	–	–	106,423	(77)	106,151
Transfer to statutory reserve	–	–	–	12,039	–	(12,039)	–	–
Dividends paid	–	–	–	–	–	–	(6,442)	(6,442)
As at 31 December 2013	**65,178**	**18,586**	**1,271**	**43,970**	**53,015**	**300,669**	**–**	**482,689**

* These reserve accounts comprise of the consolidated reserves of approximately RMB417,511,000 (2012: RMB317,802,000) in the consolidated statements of financial position as at 31 December 2013.

Notes:

(a) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC.

(b) Statutory reserve

Subsidiaries of the Company established in the PRC shall appropriate 10% of its annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve fund account in accordance with the PRC Company Law. When the balance of such reserve fund reaches 50% of the entity's share capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior year's losses or to increase capital after proper approval.

(c) Other reserve

Upon the completion of the reorganisation on 10 February 2012, the amount of approximately RMB53,015,000 represented the difference between the Company's share of nominal value of the paid-up capital of the subsidiaries acquired over the Company's cost of acquisition of the subsidiaries under common control upon the reorganisation as detailed in the prospectus of the Company dated 28 June 2012.

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
Operating activities		
Profit before taxation	106,423	105,105
Adjustments for:		
Interest income	(782)	(637)
Finance costs	8,320	6,042
Amortisation of prepaid lease payments	3,588	2,284
Net foreign exchange gains	(182)	—
Gain on disposal of property, plant and equipment	(20)	—
Depreciation of property, plant and equipment	10,493	9,054
Loss/(gain) arising from change in fair values less costs to sell of biological assets	3,297	(4,259)
Operating cash flows before movements in working capital	131,137	117,589
Decrease/(increase) in inventories	1,997	(5,241)
Increase in biological assets	(5,948)	(1,725)
Decrease/(increase) in trade receivables	664	(37,495)
Increase in deposits paid, prepayments and other receivables	(1,524)	(4,679)
Increase in trade and bills payables	6,355	1,709
(Decrease)/increase in accruals, deposits received and other payables	(1,354)	4,864
Decrease in deferred revenue	—	(253)
Net cash generated from operating activities	131,327	74,769
Investing activities		
Interest received	528	386
Purchase of prepaid lease payment	—	(75,060)
Deposits paid for prepaid lease payment	(15,067)	—
Deposits paid for property, plant and equipment	(67,693)	—
Proceeds from disposal of property, plant and equipment	35	—
Purchase of property, plant and equipment	(167,528)	(33,795)
Net cash used in investing activities	(249,725)	(108,469)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
Financing activities		
Interest paid	**(8,320)**	(5,791)
Dividends paid	**(6,442)**	—
Proceeds from bank borrowings	**150,000**	188,000
Repayments of bank borrowings	**(118,000)**	(141,780)
Increase in pledged bank deposits	**(2,293)**	—
Proceeds from issue of ordinary shares	**—**	114,063
Shares issuing expenses	**—**	(23,938)
Repayment of amount due to a shareholder	**—**	(307)
Net cash generated from financing activities	**14,945**	130,247
Net (decrease)/increase in cash and cash equivalents	**(103,453)**	96,547
Cash and cash equivalents at beginning of the year	**110,851**	13,430
Effect of foreign exchange rate changes	**(152)**	874
Cash and cash equivalents at end of the year	**7,246**	110,851
Cash and cash equivalents at end of the year		
Cash and bank balance	**7,246**	110,851

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The Company was incorporated as an exempted company with limited liability in the Cayman Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The principal activity of the Company is investment holdings. The activities of its principal subsidiaries are set out in Note 18 to the consolidated financial statements, and the Company's shares were listed on the Main Board of the Stock Exchange on 13 July 2012. The immediate and ultimate holding company is Zhan Rui Investments Limited, a company incorporated in British Virgin Islands.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (RMB'000) except otherwise indicated.

The consolidated financial statements have been prepared on the historical cost basis except for biological assets, which are measured at their fair values.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations ("new HKFRSs") issued by HKICPA that are relevant to its operations and effective for annual periods beginning on or after 1 January 2013.

HKFRS 1 (Amendments)	Government Loan
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKAS 19 (as revised in 2011)	Employee Benefits

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009–2011 Cycle
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except for the amendments to HKAS 1, the application of these new HKFRSs has no material impact on the results and the financial position of the Group.

The nature of the impending changes in accounting policy on adoption of the amendments to HKAS 1 is described below.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012.

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC) Int-12 Consolidation — Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for sharebased payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see notes 20 and 34 for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in these consolidated financial statements:

HKFRS 9	Financial Instruments[3]
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39[3]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[1]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets[1]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC)-Int 21	Levies[1]
HKAS 19 (Amendments)	Defined Benefits Plans: Employee Contributions[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010–2012 Cycle[5]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011–2013 Cycle[2]
HKFRS 14	Regulatory Deferral Accounts[4]

1 effective for annual periods beginning on or after 1 January 2014, with earlier application permitted
2 effective for annual periods beginning on or after 1 July 2014, with earlier application permitted
3 no mandatory effective date yet determined but is available for adoption
4 effective for annual periods beginning on or after 1 January 2016
5 effective for annual periods beginning on or after 1 July 2014, with limited exceptions

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The date when entities would be required to apply HKFRS 9 was previously stated at 1 January 2015. This mandatory effective date has been removed to provide sufficient time for preparers of financial statements to make the transition to the new requirements, which will now become effective from a later date yet to be announced.

The directors anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's biological assets may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKFRS 7 and HKAS 32 — Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Amendments to HKFRS 7 and HKAS 32 — Offsetting Financial Assets and Financial Liabilities and the related disclosures (Continued)

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Amendments to HKAS 36 — Impairment of Assets: Recoverable Amount Disclosure for Non-Financial Assets

The amendments to HKAS 36 are to remove certain unintended disclosure requirements which may be introduced by the consequential amendments to HKAS 36 when HKFRS 13 was issued. Furthermore, these amendments require the disclosure of additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted. However, an entity may not apply those amendments in periods (including comparative periods) in which it does not also apply HKFRS 13.

The directors anticipate that the application of these amendments to HKAS 36 will have no material impact on the Group's financial performance and positions.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — Investment Entities

The Investment Entities amendments apply to a particular class of business that qualify as investment entities. The term 'investment entity' refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

Under HKFRS 10, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value, provides the most useful and relevant information.

In response to this, the amendments provide an exception to the consolidation requirements in HKFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

The amendments are effective from 1 January 2014 with early adoption permitted in order to allow investment entities to apply the amendments at the same time they first apply the rest of HKFRS 10.

The directors anticipate that the application of these amendments to HKFRS 10, HKFRS 12 and HKFRS 27 (2011) will have no material impact on the Group's financial performance and positions.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Amendments to HKAS 39 — Novation of Derivatives and Continuation of Hedge Accounting

The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulations, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. These legislative changes were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way.

Similar relief will be included in HKFRS 9.

The amendments will be effective for annual periods beginning on or after 1 January 2014 and applied retrospectively. Earlier application is permitted.

The directors anticipate that the application of these amendments to HKAS 39 will have no material impact on the Group's financial performance and positions.

HK (IFRIC)-Int 21 Levies

HK (IFRIC)-Int 21 is an interpretation of HKAS 37 and addresses how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. The principal question raised was about when the entity should recognise a liability to pay a levy. It clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. HK(IFRIC)-Int 21 is effective for annual periods beginning on or after 1 January 2014 with earlier application permitted.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for biological assets, which are measured at fair values, as explained in the accounting policies set out below historical cost is generally based on the fair value of the consideration given in exchange for assets.

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, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose 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.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests have a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (Continued)

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment loss, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups or cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss recognised for goodwill is recognised directly in profits or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

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 the consolidated statement of profit or loss and other comprehensive income as follows:

(a) ***Sales 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.

(b) ***Interest income***

Interest income from a financial asset (other than a financial asset at fair value through profit or loss) is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Company's or the Group's research and development activities, no development costs satisfy the criteria for the recognition of such costs as an asset. Both research and development costs are therefore recognised as expenses in the period in which they are incurred.

Leasing

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the periods in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

The functional currency of the Company and its subsidiaries outside the PRC is Hong Kong dollars. The functional currency of the PRC subsidiary is RMB. The consolidated financial statements are presented in RMB which is the Group's presentation currency. This is also the currency of the primary economic environment in which the Group operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

In preparing the financial statements of each individual group entity, transactions in currencies other than that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the exchange rates prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the periods in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income in the consolidated financial statements and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gain and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are recognised directly in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposal of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in exchange reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants (Continued)

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the period necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest (received on or after 1 January 2009) is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on initial recognition.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from the subsidiary in an independent fund managed by the PRC government.

Taxation

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 year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with 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 assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of assets, other than construction in progress, less their residual values over their useful lives, using the straight-line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets commences when the assets are ready for their intended use and depreciates on the same basis as other property assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	20 years
Plant and machinery	10 years
Motor vehicles	5 years
Office equipment	5 years

Depreciation methods, useful lives and residual values are reassessed at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is computed using the weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Biological assets

Biological assets are stated at fair value less costs to sell, with any resultant gain or loss recognised in the consolidated statement of profit or loss and other comprehensive income. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes.

Prepaid lease payments

Prepaid lease payments represent the purchase costs of land use rights and are amortised on a straight-line basis over the period of land use rights. Land use rights are carried at cost less accumulated amortisation and impairment losses.

Provisions

Provisions are recognised when the Group has a present obligation (legal and constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of profit and loss and other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets

The Group's financial assets represent loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, deposits paid and other receivables, a pledged bank deposits and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

(a) significant financial difficulty of the issuer or counterparty; or

(b) default or delinquency in interest or principal payments; or

(c) it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

(d) the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of within 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

***Financial assets** (Continued)*

Impairment of financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Financial liabilities (including trade and bills payables, accruals, deposits received and other payables and bank borrowings) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest income over the reporting period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and subsequently all the risks and rewards of ownership of the asset to another entity. If the Group neither transfer nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Related parties transactions

A party is considered to be related to the Group if:

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

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

(ii) has significant influence over the Group; or

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

(2) 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. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties transactions (Continued)

(2) (Continued)

(vi) The entity is controlled or jointly controlled by a person identified in (1).

(vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Impairment of non-financial assets (other than goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the Group accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Impairment of property, plant and equipment

The Group reviews its property, plant and equipment for indications of impairment at each reporting period. In analysing potential impairments identified, the Group uses projections of future cash flows from the assets based on management's assignment of a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(b) Impairment of trade and other receivables

The Group estimates impairment losses for bad and doubtful debts resulting from inability of the customers to make the required payments. The estimate is based on the ageing of the trade receivable balance, customer credit-worthiness, and historical write-off experience. If the financial conditions of the customers were to deteriorate, actual write-offs would be higher than estimated.

(c) Depreciation and amortisation

Items of property, plant and equipment and prepaid lease payments are depreciated and amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense and amortisation to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense and amortisation for future periods are adjusted if there are significant changes from previous estimates.

(d) Fair values of biological assets

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 the reporting periods adjusted with reference to the species, age, growing condition and costs incurred to reflect differences in characteristic and/or stages of growth of biological assets. Any change in the estimates may affect the fair value of biological assets significantly.

The Valuer and management review the assumptions and estimates periodically to identify any significant change in the fair value of biological assets. Details of the assumptions used are disclosed in note 20.

5. SEGMENT INFORMATION

The Group currently operates in one operating segment which is the sales of pork. A single management team reports to the Group's Chief Executive Officer (being the chief operating decision-maker) who allocates resources and assesses performance based on the consolidated result for the year for the entire business comprehensively. Accordingly, the Group does not present separately segment information separately.

During each of the reporting periods, all revenue is derived from customers in the People's Republic of China (the "PRC"), (for the purpose of this report, exclude Hong Kong, Macau and Taiwan) and almost all the non-current assets of the Group are located in the PRC.

Segment revenue

For the year ended 31 December 2013, out of the revenue arising from the sales of pork of approximately RMB626,127,000 (2012: RMB580,158,000) revenue of approximately RMB58,085,000 (2012: RMB57,931,000) arose from sales to the Group's largest customer.

Information about the largest customers

For the year ended 31 December 2013 and 2012, no single customer contributed 10% or more to the Group's revenue.

6. REVENUE

Revenue represents the net invoiced value of goods sold, excludes value added tax or other sales tax and is after deduction of any trade discounts.

	2013 **RMB'000**	2012 RMB'000
Revenue from		
— Retail of pork	**334,900**	301,812
— Wholesale of pork	**291,227**	278,346
	626,127	580,158

7. OTHER REVENUE AND GAINS

	2013 RMB'000	2012 RMB'000
Interest income on:		
Bank deposits	**528**	386
Amortisation of deferred revenue	**254**	251
Total interest income	**782**	637
Gain on disposal of property, plant and equipment	**20**	—
Gain on disposal of hog droppings	**198**	203
Gain on disposal of biological assets	**1,222**	660
Net foreign exchange gain	**182**	45
Government grants (Note)	**1,609**	1,956
Sundry income	**94**	48
	4,107	3,549

Note:

Government grants include subsidies income received by a subsidiary of the Group which operates in the PRC in accordance with the subsidy policies of local government authorities and in relation to the construction of hog farms and slaughterhouse. Subsidies income received by a subsidiary of the Group is recognised in the consolidated statements of profit or loss and other comprehensive income when received and no specific conditions have been required to fulfill. Those government grants in relation to the construction of hogs farm and slaughterhouse are recognised as deferred revenue (Note 28). The government grants recognised during the year are non-recurring. There are no unfulfilled conditions or contingencies relating to these government grants.

8. FINANCE COSTS

	2013 RMB'000	2012 RMB'000
Interest on:		
— Bank borrowings wholly repayable within five years	**8,320**	5,791
— Interest-free government loan	**—**	251
	8,320	6,042

9. TAXATION

The taxation for the year represents income tax in the PRC which is calculated at the prevailing tax rate on the taxable income of the Group.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit before taxation, as follows:

	2013 RMB'000	2012 RMB'000
Profit before taxation	**106,423**	105,105
Tax at the applicable income tax rate	**27,254**	27,368
Tax exemption for subsidiary operating in the PRC	**(28,510)**	(29,487)
Tax effect of expenses not deductible for tax purpose	**80**	560
Tax effect of income not taxable for tax purpose	**(29)**	(8)
Tax effect of tax loss not recognised	**1,205**	1,567
Income tax expenses	**—**	—

As at 31 December 2013 and 2012, no unutilised tax loss was approved by Hong Kong Inland Revenue Department. No deferred tax asset has been recognised in respect of tax losses due to the unpredictability of future profit streams.

Notes:

(a) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI during the reporting period.

(b) No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits subject to Hong Kong profits tax at the rate of 16.5% (2012: 16.5%) during the reporting period.

(c) On 1 January 2008, *The Foreign Investment Enterprise and Foreign Enterprise Income Tax Law of the PRC* (中華人民共和國外商投資企業和外國企業所得稅法) was repealed, and the *Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法), promulgated on 16 March 2007, became effective. Pursuant to the *Enterprise Income Tax Law of the PRC*, the statutory tax rate of EIT for both domestic enterprises and foreign investment enterprises is 25%.

According to Article 16 (1) of the *Provisional Regulations of the People's Republic of China on Value-Added Tax* (中華人民共和國增值稅暫行條例), self-produced agricultural products sold by agricultural producers is exempted from the statutory value-added tax ("VAT") of 13% of sales.

According to Article 86 (1) of the *Implementation Regulations of the Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法實施條例), income derived by an enterprise from engaging in the raising of livestock and poultry shall be exempted from EIT.

(d) According to the Enterprise Income Tax Law (the "EIT Law") and its implementation regulations issued by the State Council, income tax at the rate of 5% is applicable to any dividends payable to investors that are "non-resident enterprises" (and that do not have an establishment or place of business in China, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business) to the extent such dividends have their source within the PRC. Fujian Tianyi is considered as "resident enterprise" by the Chinese government, and it is required to pay withholding tax on the dividend payable to the foreign shareholders and foreign shareholders also have to pay PRC income tax on gain on transfer of shares.

Since the Group can control the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

10. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2013 RMB'000	2012 RMB'000
Staff costs including directors' emoluments		
Salaries and other emoluments	**20,333**	18,016
Retirement scheme contributions	**1,104**	1,060
Total staff costs	**21,437**	19,076
Depreciation of property, plant and equipment (Note 16)	**10,493**	9,054
Amortisation of prepaid lease payments (Note 17)	**3,588**	2,284
Total depreciation and amortisation	**14,081**	11,338
Auditors' remuneration	**1,000**	1,000
Operating lease rental expenses	**5,597**	1,915

11. DIRECTORS' EMOLUMENTS

Pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, the aggregate amounts of emoluments paid by the companies now comprising the Group to the directors of the Company during the reporting period are as follows:

	2013 RMB'000	2012 RMB'000
Directors' fees	**1,021**	956
Salaries, allowances and benefits in kind	**360**	267
Discretionary bonus	**—**	—
Retirement schemes contributions	**50**	28
	1,431	1,251

11. DIRECTORS' EMOLUMENTS (CONTINUED)

Details for the emoluments of each director of the Company during the reporting period are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonus RMB'000	Retirment scheme contributions RMB'000	Total RMB'000
2013					
Executive directors:					
Mr. Cai Chenyang (Note (a) and (b))	**399**	**192**	**–**	**34**	**625**
Mr. Cai Haifang (Note (b))	**239**	**84**	**–**	**8**	**331**
Ms. Cai Shengyin (Note (b))	**239**	**84**	**–**	**8**	**331**
Independent non-executive directors:					
Mr. Cai Zirong (Note (b))	**48**	**–**	**–**	**–**	**48**
Mr. Wu Shiming (Note (b))	**48**	**–**	**–**	**–**	**48**
Mr. Yu Wenquan (Note (b))	**48**	**–**	**–**	**–**	**48**
	1,021	**360**	**–**	**50**	**1,431**
2012					
Executive directors:					
Mr. Cai Chenyang (Note (a) and (b))	373	139	–	17	529
Mr. Cai Haifang (Note (b))	224	65	–	5	294
Ms. Cai Shengyin (Note (b))	224	63	–	6	293
Independent non-executive directors:					
Mr. Cai Zirong (Note (b))	45	–	–	–	45
Mr. Wu Shiming (Note (b))	45	–	–	–	45
Mr. Yu Wenquan (Note (b))	45	–	–	–	45
	956	267	–	28	1,251

Notes:

(a) Mr. Cai Chenyang who is the Chief executive officer of the Company.

(b) The Company's executive directors and independent non-executive directors were all appointed on 7 February 2012.

12. EMPLOYEES EMOLUMENTS

(a) Five highest paid individual

The five highest paid individuals during the year included three directors (2012: three). The detail of the emoluments of the remaining two (2012: two) highest paid individuals are as follows:

	2013 RMB'000	2012 RMB'000
Salaries and other emoluments	708	784
Retirement scheme contribution	33	30
	741	814

The emoluments of the two (2012: two) individuals with the highest emoluments within the following band are as follows:

	2013 RMB'000	2012 RMB'000
Nil to RMB800,000 (equivalents to HK$1,000,000)	2	2

During the years ended 31 December 2013 and 2012, no emoluments were paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived or agreed to waive any emoluments during the reporting period (2012: Nil).

(b) Senior Management of the company

The emoluments of the senior management of the Company are within the following band.

	2013 RMB'000	2012 RMB'000
Nil to RMB800,000 (equivalents to HK$1,000,000)	4	3

During the years ended 31 December 2013 and 2012, no emoluments were paid by the Group to any of the senior management as an inducement to join or upon joining the Group or as compensation for loss of office. None of the senior management waived or to waive any emoluments during both years.

13. PROFIT/(LOSS) OF THE COMPANY

The profit for the year dealt with in the financial statements of the Company amounted to RMB 6,638,000 (2012: loss of RMB6,799,000)

14. DIVIDENDS

Dividends recognised as distributions during the year ended 31 December 2013 and 2012 are as follows:

	2013 RMB'000	2012 RMB'000
Final dividend of year ended 2012, HK1 cent per ordinary share paid	6,442	—

The directors of the company do not recommend the payment of any dividend for the year ended 31 December 2013.

15. EARNINGS PER SHARE

	2013 RMB'000	2012 RMB'000
Earnings		
Earnings attributable to owners of the Company for the purpose of basic earnings per share	106,423	105,105

	2013 '000	2012 '000
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	800,000	698,621

The calculation of basic earnings per share for the year is based on the profit attributable to the owners of the Company for the year ended 31 December 2013 of approximately RMB106,423,000 (2012: RMB105,105,000) and the weighted average of number of 800,000,000 (2012: 698,621,000) ordinary share in issue during the reporting period.

Diluted earnings per share is the same as the basic earnings per share as there were no potential diluted ordinary shares in existence for the year ended 31 December 2013 and 2012.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
As at 1 January 2012	129,300	9,422	5,690	1,753	17,364	163,529
Additions	1,303	2,400	2,881	516	26,695	33,795
Transfer	11,777	—	—	—	(11,777)	—
Exchange alignment	—	—	(4)	—	—	(4)
As at 31 December 2012 and 1 January 2013	142,380	11,822	8,567	2,269	32,282	197,320
Additions	390	2,777	49	578	164,435	168,229
Disposals	—	—	(291)	—	—	(291)
Exchange alignment	—	—	(18)	—	—	(18)
As at 31 December 2013	142,770	14,599	8,307	2,847	196,717	365,240
Accumulated depreciation						
As at 1 January 2012	17,027	1,442	2,400	725	—	21,594
Provided for the year	6,629	901	878	646	—	9,054
As at 31 December 2012 and 1 January 2013	23,656	2,343	3,278	1,371	—	30,648
Provided for the year	7,085	1,403	1,150	855	—	10,493
Written off on disposal	—	—	(276)	—	—	(276)
Exchange alignment	—	—	102	—	—	102
As at 31 December 2013	30,741	3,746	4,254	2,226	—	40,967
Net book values						
As at 31 December 2013	**112,029**	**10,853**	**4,053**	**621**	**196,717**	**324,273**
As at 31 December 2012	118,724	9,479	5,289	898	32,282	166,672

Note:

Certain buildings with net book amount of approximately RMB122,267,000 as at 31 December 2013 (2012: approximately RMB127,974,000), are pledged as collaterals for the Group's bank borrowings. Please refer to Note 38 for details.

17. PREPAID LEASE PAYMENTS

	2013 RMB'000	2012 RMB'000
Cost		
At the beginning of the year	98,867	23,807
Additions	—	75,060
At the end of the year	98,867	98,867
Accumulated depreciation		
At the beginning of the year	4,853	2,569
Charge for the year	3,588	2,284
At the end of the year	8,441	4,853
Net book values	90,426	94,014
Analysed for reporting purposes as:		
Current assets	3,588	3,588
Non-current assets	86,838	90,426
	90,426	94,014

Prepaid lease payments represent the cost of land use rights in respect of certain leasehold land located in the PRC, which is held under medium term leases.

The prepaid lease payments with net book amount of approximately RMB20,285,000 as at 31 December 2013 (2012: approximately RMB20,762,000), are pledged as collaterals for the Group's bank borrowings. Please refer to Note 38 for details.

18. INVESTMENTS IN SUBSIDIARIES AND AMOUNT DUE FROM/(TO) SUBSIDIARIES

	2013 RMB'000	2012 RMB'000
Unlisted shares, at cost	81	81
Amounts due from subsidiaries	87,136	82,968
Amount due to a subsidiary	(2,236)	(631)
	84,981	82,418

The amounts due from/(to) subsidiaries is unsecured, interest-free and recoverable/repayable on demand.

Details of the Company's subsidiaries as at 31 December 2013 are as follows:

Name of subsidiary	Place and date of incorporation/ registration and operation	Particulars of issued and fully paid ordinary share capital/ registered capital	Percentage of equity, effective interest and voting power held by the company		Principal activities
			Direct	Indirect	
		'000	%	%	
Wellname Investments Limited	The BVI, 13 January 2011	USD1,000	100	—	Investment holding
China Modern Agriculture Holding Limited	Hong Kong, 13 August 2008	HK$10,000	—	100	Investment holding
Tianyi (Fujian) Modern Agriculture Development Co., Ltd*	The PRC, 26 April 2005	USD20,000,000	—	100	Slaughtering and processing of livestock, production and sales of meat products
Victoria Top Limited	Hong Kong, 23 February 2011	HK$1	—	100	Dormant
China Putian Investments Limited	The BVI, 13 November 2013	USD1	100	—	Investment holding
China Putian Food Development Company Limited	Hong Kong, 3 December 2013	HK$1	—	100	Retail and wholesale of pork product

* Fujian Tianyi is registered as a wholly-foreign-owned enterprise under the PRC law.

19. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2013 RMB'000	2012 RMB'000
Hogs feeds	**2,343**	2,737
Raw materials (Note)	**4,930**	6,533
	7,273	9,270

Note:

Included in the raw materials were mainly corn, soya meat, wheat barn and feed premix ready for the mixture of animal feeds.

(b) The analysis of the amount of inventories recognised as an expense are as follows:

	2013 RMB'000	2012 RMB'000
Carrying amount of inventories sold	**436,463**	406,920

20. BIOLOGICAL ASSETS

Movements of the biological assets are as follows:

	Breeder hogs RMB'000	Commodity hogs RMB'000	Total RMB'000
As at 1 January 2012	3,070	40,028	43,098
Increase due to purchases	985	304,225	305,210
Increase due to raising (Feeding cost and others)	5,032	106,891	111,923
Transfer	(5,116)	5,116	—
Decrease due to retirement and deaths	—	(3,826)	(3,826)
Decrease due to sales	(559)	(411,024)	(411,583)
Change in fair value less costs to sell	133	4,126	4,259
As at 31 December 2012 and 1 January 2013	3,545	45,536	49,081
Increase due to purchases	734	338,110	338,844
Increase due to raising (Feeding cost and others)	4,889	121,955	126,844
Transfer	(4,773)	4,773	—
Decrease due to retirement and deaths	—	(2,147)	(2,147)
Decrease due to sales	(967)	(456,626)	(457,593)
Change in fair value less costs to sell	1,134	(4,431)	(3,297)
As at 31 December 2013	**4,562**	**47,170**	**51,732**

The numbers of biological assets are as follows:

	2013	2012
Breeder hogs	**1,402**	1,670
Commodity hogs	**37,237**	35,033
	38,639	36,703

20. BIOLOGICAL ASSETS (CONTINUED)

Analysed for reporting purposes as:

	2013 RMB'000	2012 RMB'000
Current assets	**47,170**	45,536
Non-current assets	**4,562**	3,545
At the end of the year	**51,732**	49,081

Note:

The commodity hogs are primarily held for further growth for the production of pork and are classified as current assets. The breeder hogs are prime hog of excellent qualities that is selected as breeding stock, including boars and gilts, are classified as non-current assets.

The Qualification of Valuer

The Group's biological assets were independently valued by Asset Appraisal Limited (the "Valuer"). The Valuer and its professional valuers in charge of this valuation have appropriate qualifications and relevant experiences in various appraisal assignments involving biological assets and agricultural produce. The professional valuers of the Valuer participated in this valuation include professional member of the Royal Institution of Chartered Surveyors (MRICS), professional member of the Hong Kong Institute of Surveyors (MHKIS), professional member of the China Institute of Real Estate Appraisal (CIREA), charterholder of the Chartered Financial Analyst Institute (CFA) and member of the Global Association of Risk Professional (FRM) and have appraisal experiences in different kinds of assets such as property assets, industrial assets, biological assets, mining rights and assets, technological assets and financial assets in the PRC, Hong Kong, Singapore and Thailand. They have previously participated in the valuation of biological assets and agricultural produce such as hogs, chickens, Sophora Alopecuroides crops, sunflower seeds and tapioca chips.

Among the professional institutions mentioned above, the Royal Institution of Chartered Surveyors, and the Hong Kong Institute of Surveyors are member organisations of the International Valuation Standards Council (IVSC) and encourage their respective members to adopt and use the International Valuation Standards (including relevant standards on Biological Asset Valuation) laid down by IVSC.

Based on the above qualification and various experiences of the Valuer and/or its members in providing biological asset valuation services to various companies listed on the Stock Exchange and other stock exchanges in the United States, which engage in the business of husbandry and agriculture industry, our Directors are of the view that the Valuer is competent to determine the fair value of our Group's biological assets.

Physical Count of Biological Assets

The Group currently has self-operating hog farm on which various curtain-barns are erected. Breeder hogs, commodity hogs and piglets of similar age or in the same stage of life cycle are moved into a curtain-barn. For administration purposes, the housekeeper of the hog farm would keep proper warehouse records on the number of hogs or piglets moved into or moved out the curtain-barns from time to time throughout the breeding period. To facilitate the breeding process, a group of hogs or piglets within a curtain-barn are sub-divided into certain number of sub-groups of more or less the same size and each of these sub-groups are separated with each other by mean of physical barriers. The deposition of hogs or piglets in this manner would also facilitate the physical counting on the number of hogs or piglets with the curtain-barn.

20. BIOLOGICAL ASSETS (CONTINUED)

Note: (Continued)

The Valuer has conducted inspection of the farms to understand, among others, the species of pure breed hogs, cross breeding program being undertaken, parameters in selection and culling of breeders hogs and finishers, caring and feeding programs for breeding and fattening hogs and facilities in the farms. To ascertain the quantity of hogs, the Valuer has spotted checked the inventory records compiled by our breeding department and finance department by physical count of all breeder hogs and selected sample groups of commodity hogs. Sample groups (with sample size not less than 25% of total) of commodity hogs in different stages of life cycle have been selected and the following steps have been taken for undertaking physical counting of the selected samples by the valuers:

- To obtain the warehouse records reflecting the quantities of hogs and piglets as at the reporting date;
- To perform physical counting of hogs and piglets within the curtain-barns;
- To obtain the warehouse records in relation to the reduction and addition on the number of hogs and piglets of the curtain-barns between the relevant reporting date and the date of counting;
- To work out the number of hogs and piglets as at the reporting date by rolling back the counted number from the counting date to the reporting date using the warehouse records as mentioned above; and
- To compare and reconcile the results with the stocktaking records prepared by the Company.

The fair value less cost to sell of breeder hogs and commodity hogs are determined using the direct comparison approach. The direct comparison approach assumes sales of breeder hogs and commodity hogs in their existing state and making reference to similar sales of comparable assets on the market.

In addition, the following principal assumptions have been adopted by an independent professional valuer:

(a) there will be no major change in the existing political, legal and economic conditions in the PRC;

(b) save for those proposed changes on taxation policies announced by the Tax Bureau of the PRC, there will be no major change in the current taxation law and tax rates as prevailing and that all applicable laws and regulations on taxation will be complied with by the Group;

(c) the interest rates and exchange rates will not differ materially from those presently prevailing;

(d) the biological assets are properly fed with balance diets such that they are gaining weight in accordance under normal growth rate and are receiving appropriate veterinary care;

(e) the biological assets are free from any animal diseases, including but not limiting to Sarcoptic mange, internal parasites, swine influenza such that they are all healthy and are capable to generate valuable outputs in line with normal expectations and subject to normal operating expenses;

(f) the availability of finance will not be a constraint on the breeding of the biological assets;

(g) the production facilities, systems and the technology utilised by the Group in carrying out its breeding operations do not infringe any relevant regulations and law;

(h) the Group has obtained or shall have no impediment to obtain all necessary governmental permits and approvals to carry out its breeding operations in the PRC;

(i) the biological assets are not subject to any liabilities, interest-bearing loans and encumbrances that would impair their fair value as at the relevant valuation date;

(j) the Group will secure and retain competent management, key personnel, marketing and technical staff to carry out and support its breeding operations; and

(k) the estimated fair value does not include consideration of any extraordinary financing or income guarantees, special tax considerations or any other atypical benefits which may influence the fair value of the biological assets.

21. DEPOSITS PAID FOR PREPAID LEASE PAYMENTS AND PROPERTY, PLANT AND EQUIPMENT

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Deposits paid for prepaid lease payments (Note (a))	**15,067**	—	**—**	—
Deposits paid for property, plant and equipment (Note (b))	**67,693**	—	**—**	—

Notes:

(a) During the year 2013, the Group's deposits paid for the acquisition of a piece of land use right in the PRC for expanding the Group's slaughterhouse.

(b) The deposit and prepayments for property, plant and equipment as at 31 December 2013 and 2012 was mainly for the purchase of equipment for upgrading of production facilities in the Group's slaughterhouse and breeding farms.

22. TRADE RECEIVABLES

	2013 RMB'000	2012 RMB'000
Trade receivables	**77,263**	77,927

The fair values of trade receivables approximate their carrying amount.

The Group normally allows a credit period ranging from cash upon delivery to 90 days depending on the customer's creditworthiness and the length of business relationship with the customers. The ageing analysis of trade receivables based on the invoice date at the end of the reporting period is as follows:

	2013 RMB'000	2012 RMB'000
Within 30 days	**55,552**	53,642
31 days to 90 days	**21,521**	24,160
91 days to 180 days	**190**	121
Over 180 days	**—**	4
Total	**77,263**	77,927

22. TRADE RECEIVABLES (CONTINUED)

Trade receivables that are past due are not considered impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2013 RMB'000	2012 RMB'000
91 days to 180 days	190	121
Over 180 days	—	4
	190	125

The trade receivables are denominated in RMB. The Group does not hold any collateral over these balances.

23. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Advances to staffs (Note (a))	237	373	—	—
Other deposits paid and prepayments (Note (b))	14,315	13,174	319	330
	14,552	13,547	319	330

Notes:

(a) The amount was mainly for the purchase of raw materials and commodity hogs on behalf of the Group.

(b) The amount was mainly for the acquisition of breeder hogs and parental breeder hogs of RMB10,000,000, and the deposits paid of approximately RMB 2,000,000 which mainly related to guarantees paid to, amongst others, hog suppliers to secure a stable supply of commodity hogs as requested by such supplier.

24. PLEDGED BANK DEPOSITS/CASH AND BANK BALANCES

Cash and Cash equivalents compose:

Cash and bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less and carry interest at the prevailing market rates which at 0.5% per annum during the reporting period (2012: 0.4%). The bank balances are deposited with creditworthy banks with no recent history of default.

Included in the cash and bank balances at the end of the reporting period were amounts in RMB of approximately RMB7,170,000 (2012: approximately RMB106,823,000) which are not freely convertible into other currencies.

Non-cash transactions:

During the year ended 31 December 2013, the Group entered into following non-cash investing activity which is not reflected in the consolidated statement of cash flows.

During the year ended 31 December 2013, the addition of property, plant and equipment of approximately RMB701,000 (2012: approximately RMB266,000) which has been paid in previous year and accounted in deposits paid for acquisition of fixed assets.

Pledged bank deposits

As at 31 December 2013, a bank deposits of approximately RMB2,293,000 (2012: Nil) were pledged as collateral for bills payables.

25. TRADE AND BILLS PAYABLES

	2013 RMB'000	2012 RMB'000
Trade payables	**9,044**	7,978
Bills payables	**5,289**	—
	14,333	7,978

The ageing analysis of trade payables is as follows:

	2013 RMB'000	2012 RMB'000
Within 30 days	**8,327**	6,477
31 to 90 days	**608**	494
91 to 180 days	**109**	516
Over 180 days	**—**	491
	9,044	7,978

The average credit period on purchases of certain goods is generally within 15 days to 90 days.

The Group normally obtains credit terms within 30 days from its suppliers. The bills payables are matured within six months from the ended of the reporting period.

26. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	The Group		The Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Deposits received	**578**	299	**—**	—
Other payables for property, plant and equipment	**777**	297	**—**	—
Accruals and other payables	**5,494**	7,607	**1,826**	3,016
	6,849	8,203	**1,826**	3,016

27. BANK BORROWINGS

	2013 RMB'000	2012 RMB'000
Bank borrowings — secured	**150,000**	118,000

	2013 RMB'000	2012 RMB'000
Carrying amount repayable:		
On demand or within one year	**150,000**	118,000

Bank borrowings at:

	2013 RMB'000	2012 RMB'000
— floating interest rate	**20,000**	118,000
— fixed interest rate	**130,000**	—
	150,000	118,000

The carrying amount of the Group's bank borrowings are all originally denominated in RMB, which is the functional currency of the Group.

The contractual floating and fixed interest rates per annum in respect of bank borrowings were within the following ranges:

	2013 %	2012 %
Floating rate	**6.600–7.260**	6.300–6.600
Fixed rate	**6.300**	—

27. BANK BORROWINGS (CONTINUED)

The collaterals for the Group's bank borrowings are as follows:

	2013 RMB'000	2012 RMB'000
Property, plant and equipment (Note 16)	**122,267**	127,974
Prepaid lease payments (Note 17)	**20,285**	20,762
	142,552	148,736

As at 31 December 2013 and 2012, the Group's bank borrowings of RMB20,000,000 was guaranteed by the Company's director, Mr. Cai Chenyang.

28. DEFERRED REVENUE

	2013 RMB'000	2012 RMB'000
Arising from government grant (Note)	**3,947**	4,201

Analysed for reporting purposes as:

	2013 RMB'000	2012 RMB'000
Current liabilities	**253**	253
Non-current liabilities	**3,694**	3,948
	3,947	4,201

Note:

As at 31 December 2013 and 2012, the Group has unused government grants in relation to the construction of qualifying assets. The deferred revenue will be recognised upon construction of qualifying assets. The government grant is not repayable.

29. SHARE CAPITAL

	Number of shares	Nominal value of ordinary shares	
		HK$'000	RMB'000
Authorised:			
At 1 January and 31December 2013			
Ordinary shares of HK$0.1 each (note (b))	40,000,000,000	4,000,000	3,240,009
Issued and fully paid:			
On the date of incorporation and 31 December 2011 (note (a))	1	—	—
Issue of shares under the corporate reorganisation (note (c))	99	—	—
Issue of shares under the corporate reorganisation (note (d))	999,900	100	81
Issue of shares under the capitalisation issue (note (e))	599,000,000	59,900	48,802
Issue of shares under the global offering (note (e))	200,000,000	20,000	16,295
At 31 December 2012, 1 January 2013 and 31 December 2013 ordinary shares of HK$0.1 each	800,000,000	80,000	65,178

Notes:

(a) As at the date of incorporation of the Company, its authroised share capital was HK$380,000 divided into 3,800,000 shares of HK$0.1 each. One share was issued to the initial subscriber nil paid on 27 May 2011 and such share was transferred to Zhan Rui Investments Limited ("Zhan Rui").

(b) Pursuant to the written resolutions of the sole shareholder of the Company passed on 7 February 2012, the authorised share capital of the Company was increased from HK$380,000 to HK$4,000,000,000 by the creation of an additional 39,996,200,000 shares, such new shares to rank pari passu with the then existing shares in all respects.

(c) On 8 February 2012, the Company allotted and issued 67, 10, 10, 2, 6 and 4 shares nil paid to Zhan Rui, Charming Investment Holdings Limited ("Charming Investment"), Long Excel Limited ("Long Excel"), Wide Sincere Investments Limited ("Wide Sincere"), Giant King Investments Limited ("Giant King") and Kai Rong Holdings Limited ("Kai Rong") respectively.

(d) On 10 February 2012, in exchange and as consideration for the acquisition of the entire issued share capital of 1,000 shares of US$1 each in the capital of Wellname Investments from the existing shareholders, the one nil-paid share held by Zhan Rui referred to in paragraph (a) above and the 99 shares referred to in paragraph (c) above which were issued to the existing shareholders nil-paid on 8 February 2012 were credited as paid up in full at par and 679,932, 99,990, 99,990, 19,998, 59,994 and 39,996 shares were allotted, issued and credited as fully paid to Zhan Rui, Charming Investment, Long Excel, Wide Sincere, Giant King and Kai Rong respectively.

(e) As detailed in the prospectus of the Company dated 28 June 2012, immediately following the Global Offering becoming unconditional and the issue of the Offer Shares, the authorised share capital of the Company was HK$4,000,000,000 divided into 40,000,000,000 shares and the issued share capital of the Company was increased to HK$80,000,000 divided into 8,000,000,000 shares, all of which are full paid up or credited as fully paid.

30. RESERVES

The reconciliation of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of changes in the Company's individuals components of equity are set out below:

The Company

	Share premium RMB'000	Accumulated loss RMB'000	Proposed final dividend RMB'000	Total RMB'000
As at 1 January 2012	—	(74)	—	(74)
Loss for the year	—	(6,799)	—	(6,799)
Total comprehensive loss for the year	—	(6,873)	—	(6,873)
Issue of shares under the capitalisation issue	(48,802)	—	—	(48,802)
Issue of shares under the global offering	97,768	—	—	97,768
Share issuing expenses	(23,938)	—	—	(23,938)
Proposed final dividends	(6,519)	—	6,519	—
As at 31 December 2012 and 1 January 2013	18,509	(6,873)	6,519	18,155
Profit for the year	—	6,638	—	6,638
Other comprehensive income for the year	77	—	(77)	—
Total comprehensive income for the year	77	6,638	(77)	6,638
Dividends paid	—	—	(6,442)	(6,442)
As at 31 December 2013	**18,586**	**(235)**	**—**	**18,351**

31. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, this contribution is matched by employees.

The employees of the Group's subsidiaries established in the PRC are members of state-managed retirement benefits schemes operated by the local government. The subsidiaries are required to contribute a certain percentage of their payroll costs to the retirement benefits schemes to fund the benefits. The only obligations of the Group with respect to the retirement benefits schemes are to make the specified contributions.

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the reporting period.

The capital structure of the Group consists of bank borrowings and equity (comprising issued share capital, share premium, reserves and retained earnings).

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost and the risks associates with each class of the capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as raising and repayment of bank borrowings.

The Group monitors capital on the basis of gearing ratio. This ratio is calculated by dividing the total borrowings with total equity. The Group's overall strategy remains unchanged during the reporting period. The gearing ratios at the end of each reporting period were as follows:

	The Group	
	2013 **RMB'000**	2012 RMB'000
Total borrowings (Note)	**150,000**	118,000
Total equity	**482,689**	382,980
Gearing ratio (%)	**31.1%**	30.8%

Note:

The borrowings comprise of bank borrowings (Note 27).

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group	
	2013 RMB'000	2012 RMB'000
Financial assets		
Loans and receivables (including cash and bank balances)		
— Trade receivables	77,263	77,927
— Deposits paid, prepayments and other receivables	5,762	373
— Pledge bank deposits	2,293	—
— Cash and bank balances	7,246	110,851
Financial liabilities		
Amortised cost		
— Trade and bills payables	14,333	7,978
— Accruals, deposits received and other payables	6,849	7,905
— Bank borrowings	150,000	118,000

	The Company	
	2013 RMB'000	2012 RMB'000
Financial assets		
Loans and receivables (including cash and bank balances)		
— Amounts due from subsidiaries	87,136	82,968
— Cash and bank balances	55	3,601
Financial liabilities		
Amortised cost		
— Amount due to a subsidiary	2,236	631
— Accruals and other payables	1,826	3,016

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies

The directors of the Group monitors and manages the financial risks relating to the operations of the Group through internal risks reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest risk), credit risk, business risk and liquidity risk.

The Group's major financial instruments include trade receivables, deposits paid, prepayments and other receivables, trade and bills payables, accruals, deposits received and other payables, pledged bank deposits, cash and bank balances and bank borrowings. Details of these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

It is the risk that a counterparty is unable to pay amount in full when due. It arises primarily from the Group's trade receivables. The Group limits its exposure to credit risk by rigorously selecting counterparties. The Group mitigates its exposure to risk relating to trade receivables by dealing with diversified customers with sound financial standing. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. In addition, all receivables balances are monitored on an ongoing basis and overdue balances are followed up by senior management. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables, if any, estimated by the management based on prior experience and the current economic environment. The Group reviews the recoverable amount of each individual debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors believe that the credit risk is significantly reduced.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties.

Interest rate risk

The Group's exposure to fair value interest rate risk to fixed rate borrowings is minimal because the Group has been keeping borrowings at variable rates.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (Note 27). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates arising from the Group's RMB denominated borrowings.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the floating rate bank borrowings. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease throughout the reporting period is used internally for assessment of possible change in interest rate.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year would decrease/increase by approximately RMB416,000 (2012: RMB290,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Currency risk

As most of the Group's monetary assets and liabilities are denominated in RMB and the Group conducts its business transactions principally in RMB, the currency risk of the Group is not significant and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

In the opinion of the directors of the Company, since the currency risk is minimal, no sensitivity analysis is presented.

Business risk

The Group is exposed to financial risks arising from changes in prices of hogs and the change in cost and supply of feed ingredients, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and animal diseases. The Group has little or no control over these conditions and factors.

The Group is subject to risks relating to its ability to maintain animal health status. Livestock health problems could adversely impact production and consumer confidence. The Group monitors the health of its livestock on a regular basis and has procedures in place to reduce potential exposure to infectious diseases. Although policies and procedures have been put into place, there is no guarantee that the Group will not be affected by epidemic diseases.

Save for the procurement of breeder hogs, the Group manages its exposure to fluctuation in the price of the key raw materials used in the operations by maintaining a large number of suppliers so as to limit high concentration in a particular supplier.

Liquidity risk

The Group is exposed to minimal liquid risk as a substantial portion of its financial assets and financial liabilities are due within one year and it can finance its operations from existing shareholders' funds and internally generated cash flows.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by management to finance the Group's operations and mitigate the effect of fluctuations in cash flows. Management monitors the utilisation of borrowings on a regular basis.

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

***Liquidity risk** (Continued)*

The following tables detail Group's contractual maturity for its financial liabilities. The tables has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which Group can be required to pay. The tables include both interest and principal cash flows.

The Group

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but less than two years RMB'000	More than five years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2013						
Non-derivative financial liabilities						
Trade and bills payables	–	14,333	–	–	14,333	14,333
Accruals, deposits received and other payables	–	6,849	–	–	6,849	6,849
Bank borrowings	6.34	150,000	–	–	150,000	150,000
		171,182	–	–	171,182	171,182

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2012						
Non-derivative financial liabilities						
Trade payables	–	7,978	–	–	7,978	7,978
Accruals, deposits received and other payables	–	7,905	–	–	7,905	7,905
Bank borrowings	6.35	118,000	–	–	118,000	118,000
		133,883	–	–	133,883	133,883

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The Company

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but less than two years RMB'000	More than five years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2013						
Non-derivative financial liabilities						
Amount due to a subsidiary	–	2,236	–	–	2,236	2,236
Accruals and other payables	–	1,826	–	–	1,826	1,826
		4,062	–	–	4,062	4,062

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but less than two years RMB'000	More than five years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2012						
Non-derivative financial liabilities						
Amount due to a subsidiary	–	631	–	–	631	631
Accruals and other payables	–	3,016	–	–	3,016	3,016
		3,647	–	–	3,647	3,647

34. FAIR VALUE MEASUREMENT

For financial reporting purpose, fair value measurement are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety.

The table below analyses the fair value of the Group's assets that are measured at fair value on a recurring basis. The different levels are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted price included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The Group

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2013				
Breeder hogs	—	4,562	—	4,562
Commodity hogs	—	47,170	—	47,170
Total biological assets	—	51,732	—	51,732

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2012				
Breeder hogs	—	3,545	—	3,545
Commodity hogs	—	45,536	—	45,536
Total biological assets	—	49,081	—	49,081

There were no transfers between Level 1 and Level 2 and no transfers into or out of Level 3 during the year.

34. FAIR VALUE MEASUREMENT (CONTINUED)

The reconciliation from the beginning balances to the ending balances for fair value measurements of the above assets are disclosed in note 20.

Prevailing market data

Type	Valuation approach	Key measurement inputs	Inter-relationship between key measurement input and fair value measurement
Biological assets			
Breeder hogs and commodity hogs	The fair value less costs to sell of breeder hogs and porkers are determined with reference to the market-determined prices of items with similar age, weight and breeds	• Prevailing market price of finishers (RMB15.35/kg) (2012: RMB16.80/kg) (Note a) • Prevailing market price of piglets/weaners (RMB29.52/kg) (2012: RMB30.00/kg) (Note b) • Prevailing market price of boar (RMB3,800/head) (2012: RMB3,800/head) (Note c) • Prevailing market price of Gilts (RMB1,900/head) (2012: RMB2,000/head) (Note d)	• The estimated fair value increases when the market price increase, and vice versa.

The directors of the Company consider that the carrying amounts of biological assets carried at fair values less costs to sell in the consolidated financial statements approximated their fair values.

If the above measurement inputs to the valuation model were 10% higher/lower while all the other variables were held constant, the carrying amount of the biological assets would increase/decrease by approximately RMB5,173,000 (31 December 2012: increase/decrease by approximately RMB4,908,000).

Notes:

(a) Market prices of finishers represent the prices of commodity hogs in Hunan Province of around 100 kg in weight. The market prices of finishers in Fujian Province were based on statistics released by the China Animal Agriculture Association (中國畜牧業協會).

(b) Market prices of piglet/weaners represent the prices of hogs that are less than 60 days old weighing about 20 kg in Fujian Province. The market prices of piglet/weaners in Hunan Province were based on statistics released by the China Animal Agriculture Association (中國畜牧業協會).

(c) Market prices of boars represent the market selling prices of male hogs around 6 months old in Fujian Province. The market prices of male hogs in Hunan Province were obtained from independent price inquiry by the Valuer.

(d) Market prices of gilts represent the market selling prices of female hogs around 6 months old in Fujian Province. The market prices of female hogs in Hunan Province were obtained from independent price inquiry by the Valuer.

35. SIGNIFICANT RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements of note 11, 12 and 18, the Group had entered into transactions with related parties which, in the opinion of directors, were carried out on normal commercial terms and in the ordinary course of the Group's business, as shown below:

(a) Key management personnel remuneration

	The Group	
	2013	2012
	RMB'000	RMB'000
Short term employee benefits	**2,089**	2,007
Retirement benefits schemes contributions	**83**	58
	2,172	2,065

(b) As at 31 December 2013 and 2012, the Group's bank borrowings of RMB20,000,000 were secured by personal guarantees provided by Mr. Cai Chenyang, the Chief Executive Officer, executive director and substantial shareholder of the Group.

36. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

At the end of each reporting date, the Group had commitments for future minimum lease payments under in respect of retail outlets and office premises non-cancellable operating leases which fall due as follows:

	The Group	
	2013	2012
	RMB'000	RMB'000
Within one year	**1,166**	1,321
In the second to fifth years, inclusive	**1,272**	233
	2,438	1,554

Operating lease payments represent rentals payable by the Group for certain of its office premises and retail outlets. Lease in respect of office premises are negotiated for a term of two years with fixed rentals. Lease in respect of direct sales outlets are negotiated for a term of one year with fixed rentals.

37. CAPITAL COMMITMENTS

	2013 RMB'000	2012 RMB'000
Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment	**34,987**	—

38. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group or borrowings of the Group (Note 27):

	The Group	
	2013 RMB'000	2012 RMB'000
Property, plant and equipment	**122,267**	127,974
Prepaid lease payments	**20,285**	20,762
	142,552	148,736

39. COMPARATIVE

Certain comparative amounts have been reclassified to conform with current year's presentation.

40. EVENTS AFTER THE END OF THE REPORTING PERIOD

There were no other significant events that have occurred subsequent to the end of the reporting period.

41. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 March 2014.

Five Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and the Prospectus, is set out below:

RESULTS

	For the year ended 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**626,127**	580,158	519,339	444,367	157,443
Cost of sales	**(464,250)**	(430,209)	(397,324)	(364,127)	(110,819)
Gross Profit	**161,877**	149,949	122,015	80,240	46,624
Other revenue and gain	**4,107**	3,549	2,459	605	585
(Loss)/gain arising from change in fair value less costs to sell of biological assets	**(3,297)**	4,259	(2,891)	11,173	(8,516)
Selling and distribution expenses	**(20,077)**	(20,334)	(11,480)	(9,441)	(3,114)
Administrative expenses	**(27,455)**	(26,129)	(15,628)	(7,000)	(4,933)
Finance costs	**(8,320)**	(6,042)	(4,281)	(3,773)	(3,535)
Other operating expenses	**(412)**	(147)	(181)	(60)	(66)
Profit before taxation	**106,423**	105,105	90,013	71,744	27,045
Taxation	**—**	—	—	—	—
Profit for the year and attributable to owners of the Company	**106,423**	105,105	90,013	71,744	27,045

ASSETS AND LIABILITIES

	As at 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**657,818**	521,362	273,030	256,414	250,348
Total liabilities	**(175,129)**	(138,382)	(86,150)	(95,643)	(161,322)
Equity attributable to owners of the Company	**482,689**	382,980	186,880	160,771	89,026

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