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

年報
ANNUAL REPORT
2014

China Putian Food Holding Limited

LEADING VERTICALLY INTEGRATED PORK PRODUCTS SUPPLIER

中國普甜食品控股有限公司

領先的垂直一體化豬肉供應商

CONTENTS

Corporate Information

DIRECTORS

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. Wang Aiguo

AUDIT COMMITTEE

Mr. Wu Shiming *(Committee Chairman)*
Mr. Cai Zirong
Mr. Wang Aiguo

REMUNERATION COMMITTEE

Mr. Cai Zirong *(Committee Chairman)*
Mr. Wu Shiming
Mr. Wang Aiguo

NOMINATION COMMITTEE

Mr. Wang Aiguo *(Committee Chairman)*
Mr. Wu Shiming
Mr. Cai Zirong

COMPANY SECRETARY

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

LEGAL ADVISOR

Cheung Tong & Rosa Solicitors

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

PRINCIPAL BANKER

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

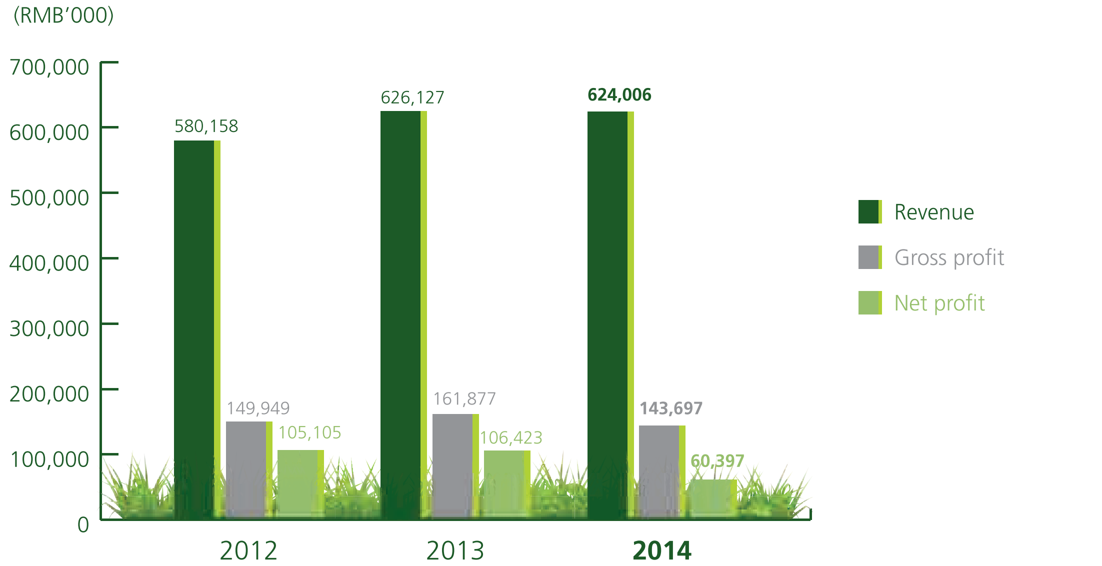
STOCK CODE

1699

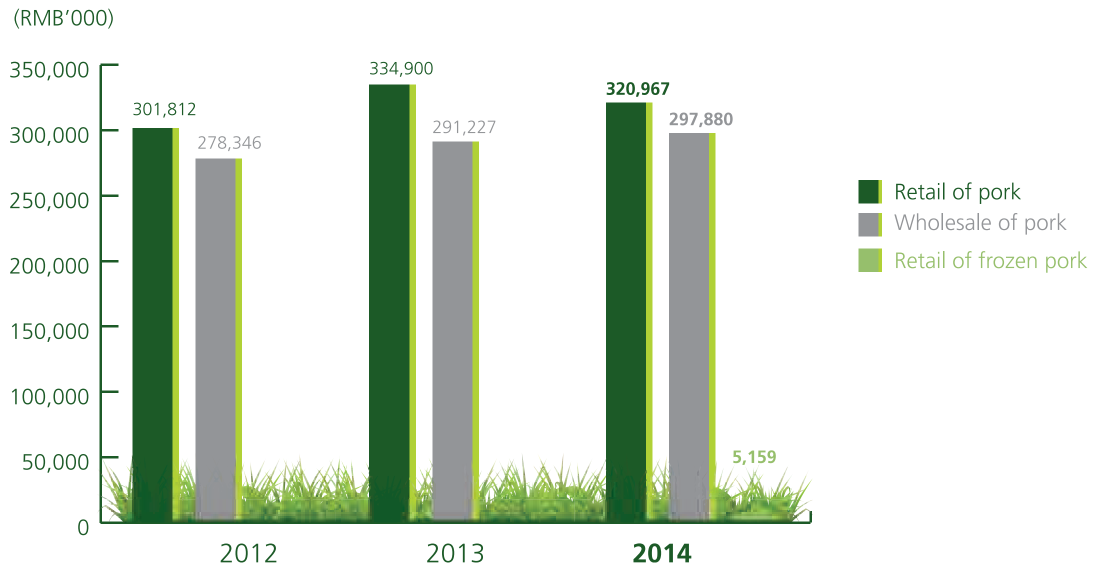
Financial Highlights

	Year 2012 RMB '000	Year 2013 RMB '000	**Year 2014** **RMB '000**
Revenue	580,158	626,127	**624,006**
Gross profit	149,949	161,877	**143,697**
Net profit	105,105	106,423	**60,397**
Revenue by products			
— Retail of pork	301,812	334,900	**320,967**
— Wholesale of pork	278,346	291,227	**297,880**
— Retail of frozen pork	—	—	**5,159**

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 2014 (the "Reporting Period") of the Company and its subsidiaries (the "Group") to all shareholders.

BUSINESS REVIEW

In 2014, we witnessed various milestones of the Group that highlighted the expansion of the business layout of Putian by adhering to our definite strategies.

In recent years, the urbanization of China has contributed to the gradual increase of its per capita income. Meanwhile, the government has taken measures to promote food safety and Chinese consumers have been increasingly more concerned about the product quality in pork consumption, resulting in a favorable operating environment for Putian which focuses on the supply of quality pork.

According to certain news coverages made during 2014, imported pork from the United States was found to contain Ractopamine, an additive commonly known as Beta-adrenergic agonist which is banned in China. This resulted in a loss of domestic consumer confidence in imported pork. According to the statistics updated from www.feedtrade.com.cn, the information provider on feed industry, during the period from January to October, 2014, the imported hog products amounted to 1.139 million tons, representing a year-on-year decrease of 1.9%. Consumers have changed to prefer domestic quality products rather than imported pork, which can further promote the growth of the target market of the Group.

During the Reporting Period, the construction of the black pig farming base in Xuanhua, Hebei has turned a new page for the Group's high-end pork product business. In August, 2014, the Group entered into an investment agreement with the People's Government in Xuanhua County, Hebei Province, and then immediately embarked on the construction of the black hog farming house with site area of approximately 2,000 mu. The Group intended to invest RMB 1 billion in 5 years to create an integrated base of China local black pig production chain for protection, breeding, development and utilization of local pigs. The maximum annual production capacity of the integrated base is expected to be 500,000 black pigs, securing the adequate supply for the onset of high-end pork sales business catering to the markets of Beijing and peripheral areas.

In addition, in October, 2014, the Group's high-end black pork products were officially launched in New World supermarket in Beijing and the high customer affinity brand of "Putian Black Pearl" was available to consumers, paving the way for the brand of "Putian Black Pearl" evolving as a popular household brand. In general, the black pig products are at least at threefold price of ordinary pork products. As such, the operation of this business segment will be a driver to the gross profit margin of the Group.

Apart from entering the nationwide high-end pork markets with kick-off from Beijing, regarding the existing businesses, the Group expanded our sales network in a stable pace. For an instance, the wholesale of pork of the Group has successfully extended coverage beyond Fujian Province into the Hangzhou market.

Regarding the retail business, the Group continued the intensive collaboration with the globally largest supermarket and those with chain stores throughout China. As at 31 December, 2014, the Group has a total of 79 supermarket retail counters in various locations including the newly-added Beijing New World supermarket and Beijing C.P. Lotus Corporation and the existing 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. Meanwhile, the Group also has 27 direct sales retail outlets of our own, which are mainly located in Putian and Fuzhou. During the Reporting Period, the retail of pork generated approximately RMB320,967,000 of revenue for our Group, representing a year-on-year decrease of approximately 4.2%, accounted for approximately 51.4% of the total revenue of the Group.

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, the wholesale of pork, which comprised primarily of whole hog carcasses, heads, intestines and internal organs has been generating considerable revenue for the Company. The Group's wholesale customers mainly comprised individual pork product traders within the province and in the Yangtze River Delta Region. As of 31 December 2014, the Group has entered into contracts with 4 individual pork product traders, thus generating a stable source of revenue for the Group. During the Reporting Period, the wholesale of pork generated approximately RMB297,880,000 of revenue for our Group, representing a year-on-year growth of approximately 2.3%, accounted for 47.7% of the total revenue of the Group.

During the Reporting Period, the Group made adjustments and new attempts in sales strategies and constantly expanded comprehensive and diverse sales channels in order to further enhance the Group's popularity within the industry. Regarding frozen pork as the innovative sales product, the Group has entered into memorandum of understanding in partnership with the renowned meat and food processing company in Fujian during the Reporting Period. Also, the Group vigorously developed black pig products with higher gross profit margin so as to counteract the cyclical volatility of pork price. During the Reporting Period, the general trend of significant decline in pork product price throughout China has made an impact to the business of the Group to a certain extent: a decline in gross profit resulted from the decrease in sales prices of retail and wholesale products. It is expected that, following the success of the upstream integration policies put forward by the Central Government and the optimization of product mix of the Group, the impact of pork price volatility on the Group will become less.

Being one of the leading pork suppliers in Fujian Province, the Group has been upholding the Company's mission of "creating gratifying life for the general public" since its incorporation. 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 continued to upgrade our production equipment in our headquarters in Putian, Fuijian. The first phase construction of the new hog farm project in Putian (360,000 hogs moving out of the curtain-barns) will be completed in early July of 2015. The number of gilts on hand is projected to be 2,400 during the first phase of the hog farm. They will be introduced in late July and are expected to be moved out of the curtain-barns for sale in the fourth quarter of 2016, targeting for an annual capacity of 45,000 hogs, which would be served as complementing the number of the Group's self-bred and self-raised hogs to be moved out of the curtain-barns.

PROSPECTS

China is the world's largest pork consumption market. Nearly 700 million hogs are slaughtered in China every year, representing a market size of more than RMB1 trillion. However, China's pork industry is still in the preliminary stage of development as compared to the development in Europe and the United States. The industry in China is highly fragmented, with more than 70% of market hogs being raised by small farms, resulting in cyclical volatility in pork price and difficulty in quality control. To tackle this, in recent years, the Chinese government vigorously promoted upstream integration and encourage the capable enterprises to build modern large-scale hog farming bases.

As a listed hog farming and pork sale company, the Group is actively expanding its sales domain and striving to enter the high-end pork market. The Group shoulders the dual responsibility of both bringing a greater return of investment to investors and promoting the development of China's swine industry and conservation of hog breeds. Looking forward, a main goal of the Company is to leverage the geographical advantages of the new black pig farming base under construction, develop and mature the special local hog breed product of China black pork in the Beijing market, enabling the "Putian Black Pearl" to become a highly popular brand of high-end pork. Further, the Company will aim to extend the market coverage to other economically advanced cities such as Shanghai and Shenzhen, and, by establishing local hog breed resource protection and utilization bases covering rare and precious hog breeds nationwide, to secure advantages in both policy and industry and to collect those rare and precious breeds. This strategy has a number of benefits. First, it will lay a foundation for the Group to secure breeding sources for stabilizing and refining the black hog breed. Secondly, it will help expand the Group's black hog project at a quicker pace and in a larger scale and provide more premium sows, thus ensuring the supply of sows needed by its special-breed hog farms. And thirdly, on the basis of its hog breed resources, the Group can create a resource platform and forum inviting industry experts and breeding talents, which will contribute to the survival and development of rare and precious hog breeds in China and the rapid development and growth of the Company.

Subject to the overall completion of the base in Xuanhua, Hebei, in the future, the Group will be able to provide healthy and delicious black pork products and operate the related business more comprehensively, thus enabling Putian to sooner increase its brand awareness and value nationwide. We 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.

The Board and the management believe that with their best efforts, the competitive advantages of the Group gathered over years in various aspects such as business layout, production, management and network, together with the preferential policies and the tremendous industry support by the Chinese government, the influence and economy of scale of the Group will increasingly grow.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers and business partners for their unfailing support and trust to the Group. The concept of safe, healthy and quality pork is of great importance in every production stage. Similarly, feeds, feeding, epidemic prevention, production and other stages are crucial to the delicious pork served on the consumers' dining tables. Indeed, all these could not be done without the efforts of the management team and all staff members with their ample industry experiences and diligence. I believe that we will make continuous contributions to the Group's business development despite the challenging market environment and make "Putian" brand "the No. 1 brand of high-end safe pork in China".

By the order of the Board

Cai Chenyang
Chairman and Chief Executive Officer

Hong Kong, 30 March 2015

Management Discussion and Analysis

The Group's slaughterhouse is the only recognized "5-star" slaughterhouse in Putian city, 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 gradually expands.

INDUSTRY REVIEW

In 2014, despite the sophisticated and volatile global environment and tough and difficult domestic conditions, the Chinese economy still remained stable. During the year, the GDP of the PRC was RMB636,463 billion, representing an increase of 7.4% compared with the previous year, indicating a positive momentum for steady growth, structural optimization, enhanced quality of products and improved livelihood of people. The per capita income continued to rise steadily, leading to the corresponding increase in both food consumption and expenses of urban and rural households in China. According to the information of Fujian Provincial Bureau of Statistic, in 2014 the disposable income per capita of urban households in Fujian province reached RMB30,722 representing an increase of 9.0% as compared to 2013. The food consumption expenditure of urban households accounted for 33.2% of the total consumer expenditure in Fujian province. The consumer demand for high quality food has been increasing as the disposable income per capita constantly increased. The Group achieved organic growth in its leading high-end pork products market in coastal regions of Fujian province. On the other hand, the total meat production volume of Fujian province amounted to 2.1371 million tons during 2014, amongst which, the production volume of pork accounted for 1.5112 million tons, representing a decrease of 4.2% as compared to 2013. As at the end of year 2014, the number of hogs on hand in Fujian province stood at 11.4935 million, representing a decrease of 11.3% as compared to 2013.

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. It 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 recognized "5-star" slaughterhouse in Putian city, and our slaughtering production capacity continues to maintain a leading position in the hog industry in Putian city. Moreover, the influence of the "Putian" brand also increases as the sales network of the Group gradually expands to regions beyond Fujian province.

BUSINESS REVIEW

The Group is the leading and largest vertically integrated pork supplier in Fujian Province, the PRC. The Group adopts a vertically integrated business model with a comprehensive coverage of the industry chain from hog farming, hog slaughtering, pork processing and pork products sales. The main pork products of the Group include chilled whole hog carcasses, separated pork and by-product of internal organs etc. Currently, the Group's production facilities in Putian city, Fujian province, comprised 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.

During the Reporting Period, the overall business performance of the Group remained stable. The Group actively improved the production facilities of the headquarters of the Group in Putian city, Fujian province, and steadily expanded the sales network to regions beyond Fujian province. The pork wholesale segment successfully entered the Hangzhou market and achieved good sales performances. The revenue from the retail segment recorded a slight decrease of approximately 4.2% compared to the corresponding period of last year to approximately RMB320,967,000 (2013: approximately RMB334,900,000). The revenue from the wholesale segment increased by approximately 2.3% compared to the corresponding period of last year to approximately RMB297,880,000 (2013: approximately RMB291,227,000). In addition, the revenue from newly launched frozen pork products reached approximately RMB5,159,000. During the Reporting Period, the Group recorded a total revenue of approximately RMB624,006,000 (2013: approximately RMB626,127,000), representing a decrease of approximately 0.3% as compared to the corresponding period of last year despite a slight increase of total pork product sold. The Group recorded a gross profit of approximately RMB143,697,000 (2013: approximately RMB161,877,000), representing a decrease of 11.2% compared to last year. During the year, the gross profit margin of the Group slightly declined to approximately 23.0% (2013: approximately 25.9%). The change was mainly attributable to the decrease in the pork price throughout China during the year.

The number of sales outlets of the Group's retail sales network expanded from 100 as at 31 December 2013 to 106 as at 31 December 2014. The slight increase highlighted the prudent business operation of the Group. 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. Also, pursuing the guideline and basic concept of high benchmark, high standard and high technology, the Group is committed to building a green and safe production chain by the model of integrating modern industry and commerce, which enables the popularity of our "Putian" brand pork products among consumers. As such, the pork business of the Group has successfully entered the Hangzhou market and has been granted authorized entry into the markets of Shanghai and Ningbo respectively. Meanwhile, the Group has been implementing a stringent epidemic prevention system in the hog farms and safety control measures in every production stage, so as to ensure the availability of nutritious and healthy pork products to consumers. Adhering to the positive vision of offering healthy and safe pork of savory Chinese palate, the Group has been striving to make "Putian" brand "the No. 1 brand of high end safe pork in China".

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 period under review:

	For the year ended 31 December			
	2014		2013	
	RMB'000	**% of total revenue**	RMB'000	% of total revenue
Retail of pork	**320,967**	**51.4**	334,900	53.5
Wholesale of pork	**297,880**	**47.7**	291,227	46.5
Retail of frozen pork	**5,159**	**0.9**	—	—
	624,006	**100**	626,127	100

The total revenue of the Group decreased from approximately RMB626,127,000 for the year ended 31 December 2013 to approximately RMB624,006,000 for the year ended 31 December 2014. On the one hand, the price of pork products decreased throughout China during the year, thus the retail sales prices of pork products of the Group was affected and dropped. On the other hand, in order to promote the brand of the Group throughout China and to gain market entry to cities in China such as Hangzhou, the Group purposively reduced sales prices for the purpose of attracting new consumers in the market of Eastern China. The Group has been actively enhancing and expanding its sales network and pursuing food safety as its supreme principle, and the "Putian" brand is increasingly recognized by consumers. Together with the steady development of our retail and wholesale businesses, we believe that the current stagnation of revenue is only temporary.

Revenue from Retail of Pork

The Group's revenue from retail of pork decreased by nearly 4.2% from approximately RMB334,900,000 for the year ended 31 December 2013 to approximately RMB320,967,000 for the year ended 31 December 2014. Despite a slight decrease in retail revenue, the Group continued to expand its sales network as well as market share of pork retailing in Fujian province and will expand its market to Beijing region. The Group has 79 supermarket retail counters, including counters in supermarkets and department stores with regional influence such as New Hua Du, Walmart, China Resources Vanguard, Century Lianhua, RT-Mart, Rainbow etc in five cities of Fujian region, namely Ningde, Fuzhou, Putian, Quanzhou and Zhangzhou. In Beijing, the Group launched the retail sales through certain influential counters in supermarkets and department stores such as New World and C.P. Lotus Corporation. The Company also has 27 direct sales retail outlets of its own, which are located in Putian and Fuzhou. Through internet advertising campaigns and favorable recommendations among customers, products of "Putian" brand have gradually gained recognition of being reliable and savory, particularly from those high spending consumers, who concern their living standards. The management expects that the revenue from retail of pork will increase leverage in further expansion of the distribution networks of "Putian".

Revenue from Wholesale of Pork

The Group's revenue from wholesale of pork increased over 2.3% from approximately RMB291,227,000 for the year ended 31 December 2013 to approximately RMB297,880,000 for the year ended 31 December 2014, which was primarily due to the promising sales performance since the entry of its wholesale pork into the Hangzhou market during the year.

Revenue from Retail of Frozen Pork

As at 31 December 2014, the revenue from the newly marketed frozen pork products was approximately RMB5,159,000. The frozen pork products are mainly sold to renowned meat processing plants in Fujian province.

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 period under review:

	For the year ended 31 December			
	2014		2013	
	RMB'000	**Gross Profit Margin (%)**	RMB'000	Gross Profit Margin (%)
Retail of pork	**77,541**	**24.2%**	90,990	27.2%
Wholesale of pork	**65,763**	**22.1%**	70,887	24.3%
Retail of frozen pork	**393**	**7.6%**	—	—
	143,697	**23.0%**	161,877	25.9%

The overall gross profit of the Group decreased from approximately RMB161,877,000 for the year ended 31 December 2013 to approximately RMB143,697,000 for the year ended 31 December 2014. The Group adopts a vertically integrated operation model and effective measures for cost control. As a result of the "Putian" brand and its high-end market positioning, the pork products of the Group were able to stand against the slight volatility in pork market prices during the Reporting Period. With a view to gain market share while achieving a balanced gross profit margin over different segments, the Group's pricing varies among different segments. Under the impact of the constantly sluggished pork consumption market in China, the pork retail and wholesale prices of the Group decreased and resulted in slight decrease in the gross profit margin of this segment during the Reporting Period. Accordingly, the overall gross profit margin of the Group decreased from approximately 25.9% for the year ended 31 December 2013 to approximately 23.0% for the year ended 31 December 2014.

Gross Profit and Gross Profit Margin for the Retail of Pork

The gross profit from retail of pork of the Group decreased from approximately RMB90,990,000 for the year ended 31 December 2013 to approximately RMB77,541,000 for the year ended 31 December 2014. During the Reporting Period, the gross profit margin for the retail of pork of the Group decreased from approximately 27.2% for the year ended 31 December 2013 to approximately 24.2% for the year ended 31 December 2014. The decrease was attributed to the fact that the Group purposively reduced selling prices according to the market situation in order to attract consumers.

Gross Profit and Gross Profit Margin for the Wholesale of Pork

The gross profit from wholesale of pork of the Group decreased from approximately RMB70,887,000 for the year ended 31 December 2013 to approximately RMB65,763,000 for the year ended 31 December 2014. During the Reporting Period, the Group's pork wholesale price slightly decreased in order to implement the sales strategy adopted for new market entries (the Hangzhou market in Eastern China). As such, the gross profit margin for the wholesale of pork of the Group decreased slightly from approximately 24.3% for the year ended 31 December 2013 to approximately 22.1% for the year ended 31 December 2014.

Gross Profit and Gross Profit Margin for the Retail of Frozen Pork

The frozen pork business is innovative product for the Group. For the year ended 31 December 2014, the gross profit from frozen pork was approximately RMB393,000 and the gross profit margin was approximately 7.6%.

3. Profit for the year

The profit of the year decreased by approximately 43.2% from approximately RMB106,423,000 for the year ended 31 December 2013, to approximately RMB60,397,000 for the year ended 31 December 2014. The decrease was mainly due to (i) the decline of gross profit following the decrease in the sales price of retail and wholesale products; (ii) the increase of administrative expenses from approximately RMB27,455,000 for the year ended 31 December 2013 to approximately RMB35,247,000 for the year ended 31 December 2014, which was mainly due to the increase in management expenses (such as office expenses, reception and travel expenses, salary and welfare of staff, expenses for the inauguration ceremony of Xuanhua office and related gifts) respectively incurred in the founding of new companies in Beijing and Xuanhua, together with certain expenses in relation to establishing functional management centers of the Group in China since 2014 such as financial management centers, operating management centers and administration and management centers, and the respective additional human resources introduced for an enhanced "collective management"; (iii) the increase of selling expenses from approximately RMB20,077,000 for the year ended 31 December 2013 to approximately RMB25,122,000 for the year ended 31 December 2014, which was mainly attributable to the commencement of the sales of black pork products in various outlets in Beijing (e.g. expenses of recruiting sales staff and promotion); (iv) the increase of finance costs from approximately RMB8,320,000 for the year ended 31 December 2013, to approximately RMB25,564,000 for the year ended 31 December 2014, which was mainly attributable to the interest expenses of convertible bonds and bank borrowings.

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 of Hong Kong Limited ("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 RMB101.5 million as at 13 July 2012. As at the end December 2014, the Group had utilised the net proceeds.

The Issue of Convertible Bonds

On 18 June 2014, the Company and Vandi Investments Limited ("the Investor") entered into the subscription agreement in respect of the issue of convertible bonds in the principal amount of HK$200,000,000 equivalent to approximately RMB146,860,000 due 2017 with an annual interest rate of 9.5% payable semi-annually, details of which have been disclosed in Note 29 to the consolidated financial statements.

Financial Resources

The Group primarily finances the capital requirements for our operations by internally generated cashflow and bank facilities. As at 31 December 2014, cash and cash equivalents amounted to approximately RMB79,882,000 (31 December 2013: approximately RMB7,246,000). As of 31 December 2014, the net cash generated from operating activities amounted to approximately RMB21,247,000 (31 December 2013: approximately RMB131,327,000).

Borrowings and Pledged Assets

As at 31 December 2014, the total amount of interest-bearing bank borrowings was approximately RMB140,000,000, which was due within one year (31 December 2013: approximately RMB150,000,000) and all of which was denominated in RMB bearing interest at floating rate. As at 31 December 2014, the bank borrowings of approximately RMB140,000,000 was pledged by the Group's property, plant and equipment and land with total carrying value of approximately RMB135,488,000.

Gearing Ratio

As at 31 December 2014, the gearing ratio of the Group was 46.6% (31 December 2013: 31.1%). This was calculated by dividing interest-bearing bank borrowings and convertible bonds by the total equity of the Group as at 31 December 2014. The increase in the gearing ratio was mainly due to the increase of bank loans and convertible bonds.

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 of the Company ("Director") 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 associated companies during the Reporting Period.

Operating Lease Commitments

As at 31 December 2014, the Group had operating lease commitments of approximately RMB42,737,000 (31 December 2013: approximately RMB2,438,000). 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 establishment the Beijing office by the Group.

Contingent Liabilities

As at 31 December 2014, the Group had no material contingent liabilities (2013: Nil).

Capital Commitments

As at 31 December 2014, the Group had capital commitments of approximately RMB31,082,000 (2013: approximately RMB34,987,000). Relevant commitments were mainly for the 6 new hog farms.

Human Resources

As at 31 December 2014, the Group had 717 (31 December 2013: 586) 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 RMB27,652,000 (31 December 2013: approximately RMB21,437,000) 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 scheme 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. Termination of the Issue of Warrants

Reference is made to two subscription agreements dated 31 October 2014 entered into by the Company with two investors in respect of the issue of in total up to 120,000,000 warrants (at an issue price of HK$0.01 per warrant) with right to subscribe for an aggregate of up to 120,000,000 ordinary shares of HK$0.10 each of the Company ("Share") at a subscription price of HK$1.80 per Share. Details of which were disclosed in the announcement of the Company dated 31 October 2014. On 3 March 2015, the Company entered into two termination agreements with the said two investors to terminate the said subscription agreements, as a result of which the Company did not proceed with the issue of the said warrants. Details of the termination are disclosed in the announcement of the Company dated 3 March 2015.

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

Following the entry of chilled whole hog carcasses into the Hangzhou market in 2014 with good sales performance, the Group is going to vigorously extend our pork supply market coverage to the other regions in eastern PRC, put more efforts to build a regional brand recognized by consumers and further, to expand the market throughout China.

3. Key development in special high-end farming and brand building for high quality pork

Following the construction of the black pig farming house with site area of more than 1,080 mu in Xuanhua, Hebei in 2014, and the launch of black pork for Beijing market, the Group will strive to satisfy the market demand for high quality pork with an aim to building "Top brand in high quality pork product in China" and deepening our mature products of "Putian Black Pearl" into Beijing market and further extending the coverage our products to those most well-off cities in China such as Tianjin, Guangzhou and Shenzhen. In addition, the Company will leverage the authoritative agricultural science and technology research institutes 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 and achieve high value optimization of the brand.

4. Enhancement of industry chain and deep processing project of meat products

Oriented from the overall development planning of "scalability, diversity, effectiveness", the Group will continue to explore the enhancing of the industry chain and added-values of products. In 2015, we will make breakthroughs in the development and operation of deep processing of high-end pork products, and create a high-end, quality and mature industry chain with low temperature and innovative technologies as the core strengths to foster more profits and returns to the Group and its shareholders.

5. Optimization of e-commerce platform for sales of pork

The Group will constantly build and optimize the e-commerce platform system of the Group into an integrated e-commerce platform, so as to cover on-line and physical businesses as well as retail and wholesale businesses. Meanwhile, the Group will continue to use the e-commerce platform to deepen the corporate brand building, on-line product sales, virtual farming participation and other activities for building the corporate culture to display our excellent "business operation model and processes" to promote the Chinese food culture and pork consumption culture, with a view to foster the recognition and loyalty from mid-high end consumers to the "Putian" brand of pork and facilitate a thorough customer understanding to our hog farming and build customer preference towards the "Putian" pork, so as to achieve a new record of the sales performance of the Group.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Cai Chenyang (蔡晨陽), aged 45, 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 has been redesignated as an executive Director and appointed as the chairman and the chief executive officer of the Company since 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 13 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 which 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") which is the major business operating entity of the Group and is indirectly wholly owned by the Company 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 36, is a cousin of Mr. Cai Chenyang and Ms. Cai Shengyin. Mr. Cai Haifang has been an executive Director since 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 38, is the younger sister of Mr. Cai Chenyang and a cousin of Mr. Cai Haifang. Ms. Cai Shengyin has been an executive Director since 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cai Zirong (蔡子榮), aged 63, has been an independent non-executive Director since 7 February 2012. Mr. Cai Zirong has over 35 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 24 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 39, has been an independent non-executive Director since 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 18 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 Leyou Technologies Holdings Limited (樂遊科技控股有限公司) (formely known as Sumpo Food Holdings Limited (森寶食品控股有限公司)) ("Leyou", together with its subsidiaries, "Leyou 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 Leyou in charge of the overall strategic management and the financial management of Leyou Group. Since 2014, Mr. Wu has been an independent director of Yueshou Environmental Holdings Limited the shares of which are listed on the Stock Exchange (Stock Code: 1191) and Pak Tak International Limited the share of which are listed on the Stock Exchange (Stock Code: 2668).

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.

Mr. Wang Aiguo (王愛國), aged 57, has been an independent non-executive Director since 28 May 2014. He was a lecturer of the Faculty of Animal Husbandry of Shanxi Agricultural University and devoted himself in the teaching and scientific research in animal heredity breeding. Mr. Wang has worked in the China Agricultural University since 1993 and is now the college professor and instructor for doctorate students in the College of Animal Science and Technology of China Agricultural University, mainly engaging in the teaching and scientific research in animal heredity and rearing of pigs.

Mr. Wang has established extensive connection in the industry both in the mainland and overseas and dedicated himself in the establishment of modern pig rearing and breeding system applicable to the PRC, the development and application of relevant new technologies. He was in charge of many core national plans and research projects in this regard. He has also published many thesis and teaching materials and has obtained a national patent as well as being in charge of the formulation of 2 national standards. He has obtained many awards as an agricultural expert in this field. He is the committee member of many relevant organisations in the industry of animal heredity, pig rearing and breeding and related works, including the National Commission for the Livestock and Poultry Genetic Resources.

Mr. Wang obtained his bachelor's degree in Animal Husbandry in Shanxi Agricultural University in 1982. He obtained his doctorate degree in Technical University of Munich in Germany in 1990.

SENIOR MANAGEMENT

Chen Jinliang (陳金良), aged 47, joined the Group in April 2005 as the manager of the chief executive office and was promoted to the deputy general manager in October 2005. In February 2015, he was promoted to the post of Vice-president and has been responsible for the Group Administration Department.

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 38, 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. In September 2014, he was promoted to the post of Deputy General Manager of the Group Cultivation Department. Since July 2000, he has 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 32, 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 53, 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 22 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 2014 as follows.

The board of Directors of the Company ("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 relations with its employees, business partners, shareholders and investors.

On 28 August 2013, the Company has adopted a corporate governance code prepared based on the code provisions (the "Code Provisions") of the latest revised code on corporate governance (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the guidelines for corporate governance of the Company, and has taken steps to comply with the Code wherever appropriate.

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2014, the Company has complied with the Code Provisions with the following exceptions:

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.

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders.

Due to other pre-arranged business commitments which must be attended to by him, Mr. Wu Shiming, being an independent non-executive Director, was not present at the annual general meeting of the Company held on 28 May 2014.

COMPLIANCE WITH DEED OF NON-COMPETITION (IF APPLICABLE)

The Company has received a confirmation (the "Confirmation") from Zhan Rui Investments Limited and Mr. Cai Chenyang (the "Covenantors") signed by them on 30 March 2015 respectively confirming that for the period from 1 January 2014 to 31 December 2014 and up to the date of signing the Confirmation by the relevant Covenantors, they have fully complied with the deed of non-competition executed by the Covenantors in favour of the Group on 22 June 2012 (the "Deed of Non-Competition") and, in particular, they and their respective Associates have not, directly or indirectly, carry on or be engaged or interested in (i) production and sale of pork products; (ii) sale of hogs; (iii) sale of side products produced during the production process of pork products; (iv) slaughtering and processing of hogs; and (v) any other business which, directly or indirectly, compete or may compete with the business previously carried on by or other business that may be carried on by the Group.

The independent non-executive Directors have reviewed the Confirmation and all of them are satisfied that the Deed of Non-Competition has been complied with during the period under review.

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.

Board Composition

There are currently 6 Directors, responsible to the shareholders for formulating the overall business development targets and long-term company strategies, assessing results of management policies and monitoring performance of the management. The Board comprised the following Directors during the year ended 31 December 2014 and up to the date of this report:

Executive Directors
Mr. Cai Chenyang *(chairman and chief executive officer)*
Mr. Cai Haifang
Ms. Cai Shengyin

Independent Non-executive Directors
Mr. Cai Zirong
Mr. Wang Aiguo (appointed on 28 May 2014)
Mr. Wu Shiming
Mr. Yu Wenquan (ceased to act on 28 May 2014)

An updated list of the 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 Directors and Senior Management" of this annual report on pages 17.

Save as disclosed in the section "Biographical Details of Directors and Senior Management" of this annual report, there are no relationships (including financial, business, family or other material or relevant relationships) among members of the Board.

The independent non-executive Directors play an important role on the Board. Accounting for 3 of the Board members, they are experienced professionals in their respective fields. They are responsible for ensuring that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interest of shareholders of the Company and the Group as a whole. Throughout the year of 2014, the 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.

Number of meetings attended in 2014

During the year of 2014, the Board held 4 regular meetings at about quarterly intervals and 3 additional meetings (2 of which were held regarding special matters which required the Board's decisions whereas the other 1 meeting was held regarding operational matters involving mid to long term strategy).

As regards general meetings, the Company held the annual general meeting on 28 May 2014. A table summary in regard to the Directors' participation at the various Board meetings and the Company's general meetings is set out below:

Meetings Held in 2014

	Regular Board Meetings	**Additional Board Meetings concerning Special Matters requiring the Board's Decisions**	**Additional Board Meetings concerning operational matters only**	**General Meetings**
Executive Directors				
Cai Chenyang *(chairman and chief executive officer)*	4/4	2/2	1/1	1/1
Cai Haifang	4/4	2/2	1/1	1/1
Cai Shengyin	4/4	2/2	1/1	1/1
Independent non-executive Directors				
Cai Zirong	4/4	2/2	1/1	1/1
Wang Aiguo *(Note 1)*	3/3	2/2	1/1	0/1
Wu Shiming *(Note 2)*	4/4	2/2	1/1	0/1
Yu Wenquan *(Note 3)*	1/1	0/0	0/0	1/1

Notes:

1. Mr. Wang Aiguo was appointed as an independent non-executive Director on 28 May 2014. The attendance record of Mr. Wang Aiguo for the Board meetings and Company's general meeting does not take into account such meetings held before his appointment.

2. Mr. Wu Shiming, being an independent non-executive Director, was not present at the annual general meeting of the Company held on 28 May 2014, due to other pre-arranged business commitments which must be attended to by him.

3. Mr. Yu Wenquan ceased to act as an independent non-executive Director on 28 May 2014. The attendance record of Mr. Yu Wenquan for the Board meetings and Company's general meeting does not take into account such meetings held after he ceased to act as a Director.

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 the meetings of the audit committee of the Company ("Audit Committee") and remuneration committee of the Company ("Remuneration Committee") and nomination committee of the Company ("Nomination Committee") (collectively, the "Board Committees") are kept by the Company Secretary. All of the above minutes record the discussions and decisions reached by the relevant members 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 transaction, which involves a conflict of interests between a substantial shareholder of the Company 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 who have no material interest in the said transaction. Directors are abstained from voting and not 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. While 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 operations of the Company.

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

- overseeing the development of the long-term strategies, objectives and policies for the Company;
- 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, and discusses all key and appropriate issues in a timely manner, with good corporate governance practices and procedures;
- taking primary responsibility for ensuring that good corporate practices and procedures are in place;
- ensuring, with (where appropriate) delegation to Company Secretary or a designated Director, that the agenda for each Board meeting are drawn up and approving the same, taking into account matters proposed by other Directors;
- encouraging all Directors to fully and actively contribute to the Board's affairs and taking the lead to ensure that it acts in the best interests of the Company;
- encouraging all Directors to express different views and discuss issues in sufficient depth before reaching any consensus in board decisions;
- promoting a culture of openness and debate by facilitating the effective contribution of Directors, in particular, non-executive Directors, and promoting the constructive relations between executive and non-executive Directors;
- holding meeting(s) at least annually with the independent non-executive Directors without the executive Directors present. 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 (as elected by shareholders) 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 of the Company to acquire the updated and key information on the Group and to provide feedback for the Company;

- attending the annual general meeting of the Company and arranging for the chairman of the Audit, Remuneration and Nomination Committees (as appropriate) or in the absence of the chairman of such committees, another member of same committee or failing this his duly appointed delegate, to be available to answer questions at the the annual general meeting of the Company; and

- deciding whether a resolution at a general meeting of the Company relating purely to a procedural or administrative matter should be excluded from the requirement for voting by poll.

Appointments, re-election and removal of members of the Board

Under Article 84 of the Company's Article of Association, at each annual general meeting, 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 ("AGM").

At the last AGM held on 28 May 2014, Ms. Cai Shengyin and Mr. Yu Wenquan retired from office by rotation pursuant to Articles 84. Ms. Cai Shengyin was re-elected as Directors thereat, while Mr. Yu Wenquan did not offer himself for re-election thereat.

Independent Non-executive Directors

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 independent non-executive Directors is less than 9 years.

Before proposing to elect Mr. Wang Aiguo him as an independent non-executive Director at the general meeting held on 28 May 2014, the Board had considered Mr. Wang Aiguo's independence as regards of each of the factors referred to in Rule 3.13 of the Listing Rule and believed Mr. Wang Aiguo to be independent as he had none of those factors nor any other factors which may cast doubt on his independence.

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 are as follows:

Name of independent non-executive Director	**Terms of Appointment**
Cai Zirong	a term of 3 years
Wang Aiguo (appointed on 28 May 2014)	a term of 3 years
Wu Shiming	a term of 3 years
Yu Wenquan	a term of 3 years (ceased to act on 28 May 2014)

In accordance with the said provision of the Articles of Association and the Code Provision A.4.1, in the last AGM held on 28 May 2014, one-third of the directors (namely Ms. Cai Shengyin and Mr. Yu Wenquan) were subject to retirement by rotation. In that AGM, Mr. Yu Wenquan retried by rotation and did not offer himself for re-election and Mr. Wang Aiguo was elected to hold office for a specific term until the conclusion of the AGM to be held in 2017.

Nomination of Directors

The Board has established the Nomination Committee 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 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. Readings regarding corporate governance for Directors have been forwarded to each Director for his/her information and ready reference.

The Board views that the independent non-executive Directors are well-aware of their functions and have been actively performing their functions including but not limited to exercising their independent judgment at the Board Meetings, taking the lead where potential conflicts of interest arise, scrutinizing the Company's performance and providing constructive and informed advice on the business strategy, policy, performance and management of the Company. They regularly review the financial information, monitor the operational performance of the Company and serve on the Audit Committee, Remuneration Committee and Nomination Committee.

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 of the Company and Board Committees meetings indicates the constant participation of all Directors, including executive and independent non-executive Directors 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 Committees 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 2014 to 31 December 2014:

Directors	**Read materials**	**Attend seminars/ briefings**
Executive Directors		
Cai Chenyang	√	√
Cai Haifang	√	√
Cai Shengyin	√	√
Independent Non-executive Directors		
Cai Zirong	√	√
Wang Aiguo (appointed on 28 May 2014)	√	√
Wu Shiming	√	√
Yu Wenquan (ceased to act on 28 May 2014)	√	√

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 2014, 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 2014 are set out on pages 41 to 43 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 of the Company who, because of his office or employment, is likely to be in possession of inside information in relation to the Company 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 that 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 functions reserved to the Board and those delegated to management have been formalised. On 22 June 2012, the Board has adopted a set of consolidated memorandum of duties setting out its delegation policy. The Board has reviewed the said memorandum on periodically basis to ensure that it remain appropriate. The segregation of duties and responsibilities between the Board and the management has been clearly defined and provided in the said memorandum 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.

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

Board Committees

In 2014, the Board had 3 Board Committees, which are the Remuneration Committee, the Audit Committee and the Nomination Committee, all with specific terms of reference, to oversee particular aspects of the Group's affairs.

Attendance of the relevant members of the Board Committees at the meetings of the Board Committees in 2014 is as follows:

Independent non-executive Directors	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
Cai Zirong	2/2	1/1	1/1
Wang Aiguo *(Note 1)*	1/1	0/0	0/0
Wu Shiming	2/2	1/1	1/1
Yu Wenquan *(Note 2)*	1/1	1/1	1/1

Notes:

1. Mr. Wang Aiguo was appointed as a member of the Audit Committee and Remuneration Committee and the chairman of the Nomination Committee on 28 May 2014. The attendance record of Mr. Wang Aiguo for the Board Committees' meetings does not take into account the Board Committees' meetings held before his appointment as a member or the chairman of it (as the case may be).

2. Mr. Yu Wenquan ceased to act as a member of the Audit Committee and Remuneration Committee and the chairman of the Nomination Committee on 28 May 2014. The attendance record of Mr. Yu Wenquan for the Board Committees' meetings does not take into account the Board Committees' meetings held after he had ceased to act as a member or the chairman of it (as the case may be).

Nomination Committee

The Nomination Committee was established on 22 June 2012. All of the members are Independent non-executive Directors. This Committee is chaired by Mr. Wang Aiguo with Mr. Cai Zirong and Mr. Wu Shiming as members. The Committee held 1 meeting during 2014.

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:

- to review and supervise the structure, size and diversity (including but not limited to gender, age, cultural and educational background, professional experience, the skills, knowledge, experience and length of service) of the Board at least annually and to make recommendation to the Board regarding any proposed changes to implement the Company's' corporate strategy;

- with due regard for the benefits of diversity on the Board, to identify qualified individuals to become members of the Board;

- to assess the independence of the independent non-executive Directors;

- to make recommendations to the Board on the appointment, re-appointment and succession planning of Directors, in particular the chairman of the Board and the chief executive, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future, together with the Board, as appropriate;

- to review the Board Diversity Policy (as summarised hereinafter), as appropriate; and review the measurable objectives that the Board has set for implementing the Board Diversity Policy, and the progress on achieving the objectives; and to make disclosure of its review results in the Corporate Governance Report annually;

- to review the time required from a Director to perform his responsibilities;

- to do any such things to enable the Nomination Committee to discharge its powers and functions conferred on it by the Board; and

- to conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the Company's constitution or imposed by legislation.

The work performed by the Committee during 2014 included:

- reviewing policy for nomination of Directors;

- reviewing the current Board structure, diversity and composition;

- considering the nomination of Mr. Wang Aiguo as independent non-executive Director with effect from 28 May 2014;

- assessing the independence of all independent non-executive Directors;

- reviewing the contribution required from a Director to perform his/her responsibilities and whether he/she has spent sufficient time performing them; and

- reviewing the training and continuous professional development of Directors.

The Nomination Committee adopted the following procedure and criteria for nomination of directors:

In relation to the nomination procedure:

1. When there is a vacancy in the Board, the Board evaluates the balance of skills, knowledge and experience of the Board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an independent non-executive Director).

2. Prepare a description of the role and capabilities required for the particular vacancy.

3. Identify a list of candidates through personal contacts/ recommendations by Board members, senior management, business partners or investors.

4. Arrange interview(s) with each candidate for the Board to evaluate whether he/she meets the established written criteria for nomination of Directors. One or more members of the Board will attend the interview.

5. Conduct verification on information provided by the candidate.

6. Make recommendations to the Board on the appointment or re-appointment of Directors.

In relation to the nomination criteria:

1. Common Criteria for All Directors:

   (a) Character and integrity

   (b) The willingness to assume broad fiduciary responsibility

   (c) Present needs of the Board for particular experience or expertise and whether the candidate would satisfy those needs

   (d) Relevant experience, including experience at the strategy/policy setting level, high level managerial experience in a complex organization, industry experience and familiarity with the products and processes used by the company

   (e) Significant business or public experience relevant and beneficial to the Board and the company

   (f) Breadth of knowledge about issues affecting the company

   (g) Ability to objectively analyse complex business problems and exercise sound business judgment

   (h) Ability and willingness to contribute special competencies to Board activities

   (i) Fit with the company's culture

2. Criteria Applicable to non-executive Directors/ independent non-executive Directors:

   (a) Willingness and ability to make a sufficient time commitment to the affairs of the company in order to effectively perform the duties of a Director, including attendance at and active participation in Board and committee meetings

   (b) Accomplishments of the candidate in his/her field

   (c) Outstanding professional and personal reputation

   (d) The candidate's ability to meet the independence criteria for Directors established in the Listing Rules

Board Diversity Policy

The Company has adopted a board diversity policy ("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. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

The Board has set measurable objectives (including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) to implement the Board Diversity Policy and review such objects from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

The Nomination Committee considers that the current composition of the Board is characterised by diversity after taking into account its own business model and specific needs, whether considered in terms of professional background and skills.

Remuneration Committee

The Remuneration Committee is chaired by Mr. Cai Zirong (independent non-executive Director). It now consists of 3 members, including Mr. Wang Aiguo and Mr. Wu Shiming, all of whom are independent non-executive Directors.

The Remuneration Committee is governed by its terms of reference, which are revised by the Board on 22 June 2012. 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 was established on 22 June 2012 pursuant to Rule 3.25 of the Listing Rules. 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 also reviews and approves the performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time, and determines, with delegated responsibility, the remuneration packages of individual executive Directors and senior management.

During 2014, the Remuneration Committee accomplished the following:

- reviewing the emolument policy and structure and the levels of remuneration paid to the Directors and senior management of the Group;

- assessing the performance of executive Directors;

- approving the terms of executive Directors' service contracts;

- determining the remuneration packages of all the executive Directors and senior management (including salaries, bonuses, benefits in kind, the terms on which they participate in any share or other incentive scheme and any provident fund or other retirement benefit scheme and compensation payments (including any compensation payable for loss or termination of their office or appointment)) taking into consideration salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;

- making recommendation to the Board on the remuneration of Mr. Wang Aiguo, being a then proposed independent non-executive Directors;

- reviewing the compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with relevant contractual terms and is otherwise fair and not excessive; and

- reviewing new framework for determining the remuneration package in the coming year

The Human Resource Department provides administrative support and implements the approved remuneration packages and other human resources related decisions approved by the Remuneration Committee.

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.

The remuneration package of executive Directors is designed so that a proportion is structured to link rewards to corporate and individual performance, and gives incentives to executives to perform at the highest levels. 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' fee, which is usually paid annually; and

- share options which may be awarded at 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 financial statements.

Audit Committee

The Audit Committee currently comprises 3 members, namely Mr. Wu Shiming, Mr. Cai Zirong, and Mr. Wang Aiguo, all of whom are independent non-executive Directors. Mr. Wu Shiming is the chairman of the Audit Committee. Mr. Wu Shiming 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 usually meets 2 times a year to review the Company's interim and annual results and the integrity of the Group's financial statements. The Audit Committee is accountable to the Board and assists the Board in meeting its responsibilities in ensuring that 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 is governed by its terms of reference adopted by the Company on 22 June 2012. 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 Audit Committee meetings are normally attended by the Company's financial controller. When meetings concern the routine finance control, the head of the internal control department of the Company also attends the meeting to report on the problems identified during the internal control audits and recommendation of methods to alleviate and solve the problems identified. 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 2014 included consideration of the following matters:

- the completeness and accuracy of the 2014 annual and 2014 interim financial statements;
- the Company's compliance with statutory and regulatory requirements; developments in accounting standards and the effect on the Company;
- review of the effectiveness of the system of internal control of the Group;
- 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 2014; and
- recommendations to the Board, for the approval by shareholders, for the reappointment of Messrs. HLB Hodgson Impey Cheng Limited as the external auditors, which the Board agreed and accepted

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 of the Company, Messrs. HLB Hodgson Impey Cheng Limited be re-appointed as the Company's external auditor for 2015.

ACCOUNTABILITY AND AUDIT

As at 31 December 2014, the Company had net assets of approximately HK$121.5 million, the Company recorded a loss attributable to equity holders of the parent of approximately HK$28.3 million for the year ended 31 December 2014.

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 external 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 45 to 46.

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 47 to 117 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 16 in this annual 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 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 (if any) which have come to their attention during the course of audit.

For the year of 2014, no critical internal control issues have been identified.

The Company is committed to ensuring compliance with regulatory requirements under the Listing Rules, applicable laws and regulations in handling connected transactions. Accordingly, the Company implemented various internal control mechanisms to capture and monitor connected transactions to ensure that connected transactions are conducted under normal commercial terms or on terms that are fair and reasonable and properly disclosed and (if necessary) approved by the independent shareholders in accordance with Listing Rules.

Auditor's Remuneration

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

Audit services	RMB1 million
Non-audit services (which include taxation compliance and agreed upon procedures)	HK$7,800

COMPANY SECRETARY

The position of Company Secretary is held by Mr. Ku Kin Shing, Ignatitus, a member of the Hong Kong Institute of Certified Public Accountants, 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 Mr. Ku Kin Shing, Ignatitus was appointed on May 2011, he has to take no less than 15 hours of relevant professional training during the year 2014. 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.

Key Investor Events in 2014

Date	Events
31 March 2014	Final result announcement
15 September 2014	Meeting with analysts
16 September 2014	Meeting with fund managers

The general meetings of the Company provide the best opportunity for communication between the Board and the shareholders. The Company complied with the required notice periods for general meetings under the applicable laws, rules and regulations.

Also, at the AGM held on 28 May 2014, separate resolutions for each substantially separate issue were proposed (if there is any).

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 committees, are available to answer questions at the shareholders' meetings.

Due to other pre-arranged business commitments which must be attended to by him, Mr Wu Shiming, being an independent non-executive Director, was not present at the annual general meeting of the Company held on 28 May 2014.

The external auditor of the Company, Messrs. HLB Hodgson Impey Cheng Limited also attended the AGM held on 28 May 2014 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 general meeting of the Company 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 of the Company were published on the websites of the Stock Exchange and the Company respectively on the same day after the general meetings were held.

Shareholders' Rights to Convene an Extraordinary General Meeting

Under Article 58 of the Articles of Association of the Company, 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 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; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Communication with Shareholders and Procedures for Putting Forward Proposals at General Meetings

Based on the requirement of the Code, the Shareholders Communication Policy was formulated and adopted on 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 2014 Board meeting during the year 2014.

All published information, including all the statutory announcements, press releases and event calendars, is promptly posted on the Group's website at www.putian.com.hk.

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 final results announcements in which the Directors and management are available to answer questions about the Group. Investors can also submit enquiries and proposal of the Board and the management to be put forward at shareholders' meetings by call to Ms. Cai Shengyin at (852) 3582 4666, or via email to general@fjtianyicn.com, or directly by raising questions at the general meeting of the Company. The Company's dedicated investor relations team takes a proactive approach to communicate with existing and potential investors in a timely manner by making regular face-to-face meetings and conference calls with investors.

Constitutional Documents

During the Reporting 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 possible. 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 the methods set out in the section headed "Communication with Shareholders and Procedures for Putting Forward Proposals at General Meetings" above.

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 2014.

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, sales of pork and sales of frozen 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 2014 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 47 to 117.

The Board does not recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, part of which are 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 118 of this report.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company approving, among others, the audited consolidated financial statements of the Group for the year ended 31 December 2014, will be held by the end of June 2015. Further announcement will be made for closure of register of members when the date of the annual general meeting is determined.

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 30 to the consolidated financial statements.

The purpose of the share option scheme approved and adopted by the Company on 22 June 2012 and becoming effective on 13 July 2012 (the "Share Option Scheme") is to recognise and motivate the contribution of its participant (including any employees, directors, or proposed director of any member of the Group, consultant, adviser, agent, contractor, client and supplier who in the sole discretion of the Board has contributed or is expected to contribute 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 in respect of any option granted but not exercised 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 effective date of the Share Option Scheme, after which no further options will be granted but in respect of any option granted but not exercised the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any such options.

The total number of shares ("**Shares**") in the share capital of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company shall not exceed 10% of the total number of Shares in issue as at the effective date of the Share Option Scheme (i.e. 80,000,000 Shares which represent 10% of the issued share capital as at the date of this annual report). The Company may seek approval of its shareholders in general meeting to refresh the said 10% limit provided that the limit so refreshed shall not exceed 10% of the Shares in issue as at the date of approval of the refreshment. Notwithstanding the foregoing, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the Shares in issue from time to time (i.e. 240,000,000 Shares which represent 30% of the issued share capital as at the date of this annual report).

No participant of the Share Option Scheme may be granted option(s) which would result in the total number of Share issued and to be issued upon exercise of all options granted to him (including exercised, cancelled and outstanding options) in any 12 months period up to and including the date of such grant exceed 1% of the Shares in issue for the time being unless such grant has been approved by shareholders of the Company in general meeting with such grantee and his associate abstaining from voting.

Under the Share Option Scheme, where any grant of options to a substantial shareholder of the Company or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the relevant class of Shares in issue and having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million, such further grant of options must be approved by shareholders, and the grantee, his associates and all connected persons of the Company must abstain from voting in favour at the relevant general meeting.

To accept an option, the grantee of the option shall remit in favour of the Company of HK$1.00 as consideration for the grant and return to the Company the duplicate of the letter granting the option comprising the acceptance of the option duly signed by the grantee before 5:00 p.m. on the 20th business day following the date of the said grant letter.

Unless otherwise determined by the Board and stated in the letter granting the option, there is no minimum period required under the Share Option Scheme for which an option must be held before it can be exercised. Subject to such period as may be determined by the Board and other restrictions under the Share Option Scheme, options granted under the Share Option Scheme must be exercised within 10 years from the date on which the options shall be offered to the grantee.

The exercise price for an option shall no less than the highest of (i) the closing price of the Shares at the date of the grant of such option; (ii) the average closing price of the Shares for 5 business days immediately preceding the date of the grant of such option; or (iii) the nominal value of the Share.

No option had been granted as at 31 December 2014.

The Company planned to grant options pursuant to the Share Option Scheme to subscribe for a total of 80,000,000 Shares to 82 employees on 31 March 2015 (after the date of publication of the annual results announcement), including but not limited to (a) the conditional granting of options to subscribe for 36,220,000 Shares to Mr. Cai Chenyang, the chairman, an executive Director, the chief executive officer and a substantial shareholder of the Company; (b) the conditional granting of options to subscribe for 2,310,000 Shares to Ms. Cai Shengyin, an executive Director and the younger sister (and therefore an associate) of Mr. Cai Chenyang and (c) the granting of options to subscribe for 2,210,000 Shares to Mr. Cai Haifang, an executive Director. The grant of options to Mr. Cai Chenyang and Ms. Cai Shenyin will be subject to and conditional upon, among others, the passing of a resolution by the shareholders of the Company at a general meeting, at which both Mr. Cai Chenyang and Ms. Cai Shengyin, their respective associates, and all connected person of the Company must abstain from voting in favour. The relevant resolutions will be proposed at the forthcoming AGM.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association 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 2014, the Company's reserves available for distribution to equity holders comprising share premium account and retained profits, amounted to approximately RMB30.8 million.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2014, sales to the Group's largest and five largest customers accounted for approximately 9.4% and approximately 44% of the total sales respectively. For the year ended 31 December 2014, the largest and five largest suppliers of the Group accounted for approximately 15.6% and approximately 48.5% 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 2014.

DIRECTORS AND RE-ELECTION OF DIRECTORS

The Directors of the Company during the year of 2014 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. Wang Aiguo (appointed on 28 May 2014)
Mr. Yu Wenquan (ceased to act on 28 May 2014)

In accordance with Article 84 of the Articles of Association of the Company, Mr. Cai Haifang and Mr. Cai Zirong shall retire from office by rotation at the conclusion of the forthcoming annual general meeting of the Company and they, being eligible, will offer themselves for re-election thereat. Further, the terms of Mr. Cai Chenyang, Ms. Cai Shengyin and Mr. Wu Shiming have been extended/renewed and all of them, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company. If re-elected, Mr. Cai Zirong and Mr. Wu Shiming will hold office until the conclusion of the annual general meeting of the Company of 2018, whereas there will be no specific term for Mr. Cai Chenyang, Mr. Cai Haifang, and Ms. Cai Shengyin.

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 17 to 20 of this report.

DIRECTORS' SERVICE CONTRACTS

Each of service contracts or appointment letters (as the case may be) of the executive directors of the Company namely, Mr. Cai Chenyang, Mr. Cai Haifang and Ms. Cai Shenyang is subject to termination by either the executive director or the Company giving not less than three months' written notice. Also, each of the service contracts or appointment letters (as the case may be) of the independent non-executive directors of the Company namely, Mr. Cai Zirong, Mr. Wang Aiguo and Mr. Wu Shiming is subject to termination by either the independent non-executive director or the Company giving not less than three months' written notice.

No director proposed for re-election at the forthcoming annual general meeting of the Company has a service contract or appointment letter with the Company which is not determined 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

For the year ended 31 December 2014, the shareholders of the Company authorise the Board to fix the Directors' remuneration. Pursuant to the terms of reference of remuneration committee, emoluments of executive Directors and senior management are determined by the remuneration committee with reference to market conditions, time commitment, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2014, the interests and short positions of the directors and chief executive of the Company in shares, underlying shares and debentures 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 of interest 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 for Securities Transactions by Directors of Listed Issuer as set out in Appendix 10 to the Listing Rules ("Model Code") were as follows:

Long position in the shares and underlying shares of the Company

Name	Nature of interest	Number of ordinary shares of the Company held	Approximate percentage of the issued share capital of the Company
Mr. Cai Chenyang *(Note 1)*	Interest of controlled corporation	408,000,000	51%

Note:

(1) Mr. Cai Chenyang is deemed to be interested in 408,000,000 shares of the Company, which are held by Zhan Rui Investments Limited ("Zhan Rui"), a corporation controlled by Mr. Cai Chenyang.

Short position in the shares and underlying shares of the Company

Name	Nature of interest	Number of shares/ underlying shares of the Company held	Approximate percentage of the issued share capital of the Company
Mr. Cai Chenyang *(Note 1)*	Interest of controlled corporation	408,000,000	51%

Note:

(1) Mr. Cai Chenyang, through Zhan Rui, a corporation controlled by him, is deemed to have a short position of 408,000,000 shares of the Company.

Save as disclosed above, as at 31 December 2014, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be recorded in the register of interests required to be kept by the Company pursuant to Section 352 of the SFO or which would otherwise be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholder's and Other Personal Interest in Shares

As at 31 December 2014, the interest and short position of the persons (other than the directors or chief executive of the Company) in shares and underlying shares of the Company as recorded in the register of interests 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 the shares and underlying shares of the Company

Name	Nature of interests	Number of ordinary shares/underlying shares of the Company held	Approximate percentage of the issued share capital of the Company
Zhan Rui *(Note 1)*	Beneficial owner	408,000,000	51%
Ng Leung Ho	Beneficial owner	46,120,000	5.77%
China Construction Bank Corporation *(Note 2)*	Interest of controlled corporation/ security interest in shares	561,846,153	70.23%
Central Huijin Investment Ltd. *(Note 3)*	Interest of controlled corporation/ security interest in shares	561,846,153	70.23%

Notes:

(1) Mr. Cai Chenyang is deemed to be interested in 408,000,000 shares of the Company, which are held by Zhan Rui, a corporation controlled by Mr. Cai Chenyang.

(2) Such long position includes (a) security interests in 408,000,000 shares of the Company and (b) derivative interests in 153,846,153 underlying shares of the Company held by Vandi Investments Limited, a corporation 100% indirectly controlled by China Construction Bank Corporation.

(3) Such long position includes (a) security interests in 408,000,000 shares of the Company and (b) derivative interests in 153,846,153 underlying shares of the Company held by Vandi Investments Limited, a corporation 100% indirectly controlled by China Construction Bank Corporation, of which Central Huijin Investment Ltd. has 57.26% control.

Short position in the shares and underlying shares of the Company

Name	Nature of interests	Number of ordinary shares/underlying shares of the Company held	Approximate percentage of the issued share capital of the Company
Zhan Rui *(Note 1)*	Beneficial owner	408,000,000	51%

Note:

(1) Mr. Cai Chenyang, through Zhan Rui, a corporation controlled by him, is deemed to have a short position of 408,000,000 shares of the Company.

Save as disclosed above, as at 31 December 2014, no person (other than the directors or chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company which would be required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 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 annual reporting 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 11 and Note 12 to the consolidated financial statements in this annual report are connected transactions exempt from annual reporting, announcement and independent shareholders' approval requirements pursuant to 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 2014.

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, 30 March 2015

Independent Auditors' Report

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 47 to 117, which comprise the consolidated and the Company statements of financial position as at 31 December 2014, 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 2014 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, 30 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Revenue	6	**624,006**	626,127
Cost of sales		**(480,309)**	(464,250)
Gross profit		**143,697**	161,877
Other revenue and gains	7	**3,296**	4,107
Loss arising from change in fair value less costs to sell of biological assets	20	**(663)**	(3,297)
Selling and distribution expenses		**(25,122)**	(20,077)
Administrative expenses		**(35,247)**	(27,455)
Finance costs	8	**(25,564)**	(8,320)
Other operating expenses		**—**	(412)
Profit before taxation		**60,397**	106,423
Taxation	9	**—**	—
Profit for the year	10	**60,397**	106,423
Other comprehensive income/(loss) for the year, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**4,074**	(272)
Other comprehensive income/(loss) for the year, net of income tax		**4,074**	(272)
Total comprehensive income for the year		**64,471**	106,151
Profit for the year attributable to the owners of the Company		**60,397**	106,423
Total comprehensive income for the year attributable to the owners of the Company		**64,471**	106,151
Earnings per share			
Basic and diluted (RMB cents per share)	15	**7.55**	13.30

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

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	16	**359,167**	324,273
Prepaid lease payments	17	**93,683**	86,838
Biological assets	20	**5,150**	4,562
Deposits paid for property, plant and equipment	21	**91,577**	67,693
Deposits paid for prepaid lease payments	21	**15,067**	15,067
		564,644	498,433
Current assets			
Inventories	19	**38,457**	7,273
Biological assets	20	**54,612**	47,170
Trade receivables	22	**86,393**	77,263
Deposits paid, prepayments and other receivables	23	**45,998**	14,552
Prepaid lease payments	17	**4,363**	3,588
Pledged bank deposits	24	**3,000**	2,293
Cash and bank balances	24	**79,882**	7,246
		312,705	159,385
Current liabilities			
Trade and bills payables	25	**16,178**	14,333
Accruals, deposits received and other payables	26	**8,156**	6,849
Bank borrowings	27	**140,000**	150,000
Deferred revenue	28	**253**	253
		164,587	171,435
Net current assets/(liabilities)		**148,118**	(12,050)
Total assets less current liabilities		**712,762**	486,383

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Equity			
Share capital	30	**65,178**	65,178
Reserves	31	**514,194**	417,511
Total equity		**579,372**	482,689
Non-current liabilities			
Convertible bonds	29	**129,950**	—
Deferred revenue	28	**3,440**	3,694
		133,390	3,694
Total equity and non-current liabilities		**712,762**	486,383

Approved by the Board of Directors on 30 March 2015 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 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Investment in subsidiaries	18	**81**	81
Current assets			
Amounts due from subsidiaries	18	**223,446**	87,136
Deposits paid and prepayments	23	**472**	319
Cash and bank balances	24	**7,877**	55
		231,795	87,510
Current liabilities			
Amount due to a subsidiary	18	**3,657**	2,236
Accruals and other payables	26	**2,297**	1,826
		5,954	4,062
Net current assets		**225,841**	83,448
Total assets less current liabilities		**225,922**	83,529
Equity			
Share capital	30	**65,178**	65,178
Reserves	31	**30,794**	18,351
Total equity		**95,972**	83,529
Non-current liabilities			
Convertible bonds	29	**129,950**	—
Total equity and non-current liabilities		**225,922**	83,529

Approved by the Board of Directors on 30 March 2015 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 2014

	Share capital RMB'000	Share premium* RMB'000	Exchange reserve* RMB'000 Note (a)	Statutory reserve* RMB'000 Note (b)	Convertible bonds reserve* RMB'000 Note (d)	Other reserve* RMB'000 Note (c)	Retained earnings* RMB'000	Proposed final dividend* RMB'000	Total RMB'000
As at 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 income/(loss) for the year	—	77	(272)	—	—	—	—	(77)	(272)
Total comprehensive income/(loss) 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 and 1 January 2014	65,178	18,586	1,271	43,970	—	53,015	300,669	—	482,689
Profit for the year	—	—	—	—	—	—	60,397	—	60,397
Other comprehensive income for the year	—	—	4,074	—	—	—	—	—	4,074
Total comprehensive income for the year	—	—	4,074	—	—	—	60,397	—	64,471
Transfer to statutory reserve	—	—	—	9,183	—	—	(9,183)	—	—
Recognition of the equity components of convertible bonds	—	—	—	—	32,212	—	—	—	32,212
As at 31 December 2014	**65,178**	**18,586**	**5,345**	**53,153**	**32,212**	**53,015**	**351,883**	**—**	**579,372**

* These reserve accounts comprise of the consolidated reserves of approximately RMB514,194,000 (2013: approximately RMB417,511,000) in the consolidated statements of financial position as at 31 December 2014.

Notes:

(a) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the People's Republic of China (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.

(d) Convertible bonds equity reserve

The convertible bonds equity reserve represents the equity component (conversion rights) of the HK$44 million (equivalent to approximately RMB32 million) and 25.12% convertible bonds issued during the year (Note 29). Items included in convertible bonds equity reserve will not be reclassified subsequently to profit or loss.

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
Operating activities		
Profit before taxation	**60,397**	106,423
Adjustments for:		
Interest income	**(1,516)**	(782)
Finance costs	**25,564**	8,320
Amortisation of prepaid lease payments	**3,727**	3,588
Net foreign exchange gains	**—**	(182)
Gain on disposal of property, plant and equipment	**(3)**	(20)
Depreciation of property, plant and equipment	**11,476**	10,493
Loss arising from change in fair value less costs to sell of biological assets	**663**	3,297
Operating cash flows before movements in working capital	**100,308**	131,137
(Increase)/decrease in inventories	**(31,184)**	1,997
Increase in biological assets	**(8,693)**	(5,948)
(Increase)/decrease in trade receivables	**(9,130)**	664
Increase in deposits paid, prepayments and other receivables	**(32,955)**	(1,524)
Increase in trade and bills payables	**1,846**	6,355
Increase/(decrease) in accruals, deposits received and other payables	**1,055**	(1,354)
Net cash generated from operating activities	**21,247**	131,327
Investing activities		
Interest received	**1,263**	528
Payments for prepaid lease payments	**(11,347)**	—
Deposits paid for prepaid lease payments	**—**	(15,067)
Deposits paid for property, plant and equipment	**(23,884)**	(67,693)
Proceeds from disposal of property, plant and equipment	**18**	35
Payments for property, plant and equipment	**(44,875)**	(167,528)
Net cash used in investing activities	**(78,825)**	(249,725)

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
Financing activities		
Interest paid	**(17,979)**	(8,320)
Dividends paid	**—**	(6,442)
Proceeds from bank borrowings	**140,000**	150,000
Repayments of bank borrowings	**(150,000)**	(118,000)
Increase in pledged bank deposits	**(707)**	(2,293)
Proceeds from issue of convertible bonds	**154,819**	—
Net cash generated from financing activities	**126,133**	14,945
Net increase/(decrease) in cash and cash equivalents	**68,555**	(103,453)
Cash and cash equivalents at beginning of the year	**7,246**	110,851
Effect of foreign exchange rate changes	**4,081**	(152)
Cash and cash equivalents at end of the year	**79,882**	7,246
Cash and cash equivalents at end of the year		
Cash and bank balance	**79,882**	7,246

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 (the "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 and revised HKFRSs") issued by the HKICPA that are relevant to its operations and effective for annual periods beginning on or after 1 January 2014. A summary of the new and revised HKFRSs are set out as below:

HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKAS 32 (Amendments)	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Impairment of Assets: Recoverable Amount Disclosure for Non-Financial Assets
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC)-Int 21	Levies

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 — *Investment Entities*

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities* for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 32 — *Offsetting Financial Assets and Financial Liabilities*

The Group has applied the amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

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

Amendments to HKAS 36 — *Recoverable Amount Disclosures for Non-Financial Assets*

The Group has applied the amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

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

The Group has applied the amendments to HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* for the first time in the current year. The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

HK (IFRIC)-Int 21 *Levies*

The Group has applied HK(IFRIC)-Int 21 *Levies* for the first time in the current year. HK(IFRIC)-Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

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

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

HKFRS 9	Financial Instruments[6]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[5]
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations[4]
HKAS 1 (Amendments)	Disclosuure Initiative[4]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[4]
HKAS 19 (Amendments)	Defined Benefits Plans: Employee Contribution[1]
HKAS 27 (Amendments)	Equity method in Separate Financial Statements[4]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities — Apply the Consolidation Exception[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[4]

1 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

3 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

5 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

6 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

HKFRS 9 — *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

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

HKFRS 9 — *Financial Instruments* (Continued)

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 are 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 accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value 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. 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.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 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)

HKFRS 15 — *Revenue from Contracts with Customers*

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

The directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Amendments to HKFRS 11 — *Accounting for Acquisitions of Interests in Joint Operations*

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 *Impairment of Assets* regarding impairment testing of a CGU to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 are effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.

The directors do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements.

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

Amendments to HKAS 16 and HKAS 38 — *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments to HKAS 16 and HKAS 38 are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly.

The directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 41 — *Agriculture: Bearer Plants*

The amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The amendments to HKAS 16 and HKAS 41 are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

The directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 41 will have a material impact on the Group's consolidated financial statements as the Group is not engaged in the abovementioned agricultural activities.

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

Amendments to HKAS 19 — *Defined Benefit Plans: Employee Contributions*

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

The directors do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements.

Amendments to HKAS 27 — *Equity Method in Separate Financial Statements*

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements.

- At cost;
- In accordance with HKFRS 9 *Financial Instruments* (or HKAS 39 *Financial Instruments: Recognition and Measurement* for entities that have not yet adopted HKFRS 9); or
- Using the equity method as described in HKAS 28 *Investments in Associates and Joint Ventures*.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 *Consolidated Financial Statements* and to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards*.

The amendments to HKAS 27 are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

The directors do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

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

Amendments to HKFRS 10 and HKAS 28 — *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as single transaction.

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.
- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments to HKAS 28 and HKFRS 10 are effective for annual periods on or after 1 January 2016 with earlier application permitted.

The directors do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2010–2012 Cycle

The Annual Improvements to *HKFRSs 2010–2012 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition".

The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

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

Annual Improvements to HKFRSs 2010–2012 Cycle (Continued)

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss.

The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics"; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The amendments to HKFRSs are effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

The directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

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

Annual Improvements to HKFRSs 2011–2013 Cycle

The Annual Improvements to *HKFRSs 2011–2013 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The amendments to HKFRSs are effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

The directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2012–2014 Cycle

The *Annual Improvements to HKFRSs 2012–2014 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 *Disclosure — Offsetting Financial Assets and Financial Liabilities* issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 *Interim Financial Reporting*.

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

Annual Improvements to HKFRSs 2012–2014 Cycle (Continued)

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The amendments to HKFRSs are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

The directors do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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 predecessor the Hong Kong Companies Ordinance.

Basis of preparation

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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

In addition, for financial reporting purposes, fair value measurements 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 measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the reporting period are included in the consolidated statement of profit or loss and other comprehensive income from the date of the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributable to the owners of the Company and to the non-controlling interests. 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 having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group 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, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specific/permitted 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, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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. SUMMARY OF 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.

When 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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.

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, or 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 CGU (or groups of CGU) that is expected to benefit from the synergies of the combination.

A CGU 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 CGU 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. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 reporting period in which they arise, except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation 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 to 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.

An unconditional government grant related to the processing of ill hogs shall be recognised in profit or loss when, and only when, the government grant becomes receivable.

Other government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognised the related costs for which the grants are intended to compensate as expenses. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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 is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Current 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 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

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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax (Continued)

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.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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. SUMMARY OF 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 profit and loss.

3. SUMMARY OF 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, 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) breach of contract, such as a 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. SUMMARY OF 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.

Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium and share capital. When the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Other financial liabilities

Financial liabilities (including trade and bills payables, accruals, deposits received and other payables, convertible bonds 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.

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:

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties transactions (Continued)

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

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

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

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

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 CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU 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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) 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 CGU) 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 CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contingent liabilities and contingent assets

Contingent liabilities are possible obligation that arise 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. These liabilities can also be present obligation arising from past events that are not recognised because it is not probable that outflows of economic resources will be required or the amount of obligation cannot be measured reliably.

Contingent liabilities are not recognised but are disclosed in the notes to the consolidated financial statements. When changes in the probability of outflows occur so that outflows are probable, they will then be recognised as a provision.

Contingent assets are possible assets that arise 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 inflows of economic benefits are probable. When inflows are virtually certain, assets are 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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(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 Notes 20 and 35.

5. SEGMENT INFORMATION

The Group currently operates in one operating segment which is the sales of pork operation. 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 segment information separately.

During each of the reporting period, all revenue is derived from customers in 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 2014, revenue from the sales of pork decreased to approximately RMB624,006,000 (2013: approximately RMB626,127,000).

Furthermore, revenue of approximately RMB58,427,000 (2013: approximately RMB58,085,000) arose from sales to the Group's largest customer.

Information about the largest customers

For the year ended 31 December 2013 and 2014, no single customer contributed 10% or more to the Group's revenue.

Geographical Information

During the years ended 31 December 2013 and 2014, the Group mainly operated in the PRC and all of the Group's revenue are derived from the PRC and most of non-current assets of the Group are located in the PRC as at 31 December 2013 and 2014. No analysis of the Group's result and assets by geographical area is disclosed.

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.

	2014 RMB'000	2013 RMB'000
Revenue from		
– Retail of pork	**320,967**	334,900
– Wholesale of pork	**297,880**	291,227
– Retail of frozen pork	**5,159**	—
	624,006	626,127

7. OTHER REVENUE AND GAINS

	2014 RMB'000	2013 RMB'000
Interest income on:		
Bank deposits	**1,263**	528
Amortisation of deferred revenue	**253**	254
Total interest income	**1,516**	782
Gain on disposal of property, plant and equipment	**3**	20
Gain on disposal of hog droppings	**105**	198
Gain on disposal of biological assets	**1,065**	1,222
Net foreign exchange gain	**—**	182
Government grants (Note)	**607**	1,609
Sundry income	**—**	94
	3,296	4,107

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

	2014 RMB'000	2013 RMB'000
Interest on:		
– Bank borrowings wholly repayable within five years	**9,638**	8,320
– Imputed interest charged on convertible bonds (Note 29)	**15,926**	—
	25,564	8,320

9. TAXATION

	2014 RMB'000	2013 RMB'000
Income tax expenses	**—**	—

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:

	2014 RMB'000	2013 RMB'000
Profit before taxation	**60,397**	106,423
Tax at the applicable income tax rate	**17,172**	27,254
Tax exemption for subsidiary operating in the PRC	**(21,195)**	(28,510)
Tax effect of expenses not deductible for tax purpose	**2,627**	80
Tax effect of income not taxable for tax purpose	**(3)**	(29)
Tax effect of tax loss not recognised	**1,399**	1,205
Income tax expenses	**—**	—

As at 31 December 2013 and 2014, 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.

9. TAXATION (Continued)

Notes:

(a) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the 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% (2013: 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) ("EIT Law"), promulgated on 16 March 2007, became effective. Pursuant to the EIT Law of the PRC, the statutory tax rate of Enterprise Income Tax (the "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 EIT and implementation of the 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:

	2014 **RMB'000**	2013 RMB'000
Staff costs including directors' emoluments		
Salaries and other emoluments	**26,298**	20,333
Retirement scheme contributions	**1,354**	1,104
Total staff costs	**27,652**	21,437
Depreciation of property, plant and equipment (Note 16)	**11,476**	10,493
Amortisation of prepaid lease payments (Note 17)	**3,727**	3,588
Total depreciation and amortisation	**15,203**	14,081
Auditors' remuneration	**1,000**	1,000
Operating lease rental expenses	**6,420**	5,597

11. DIRECTORS' EMOLUMENTS

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:

	2014 **RMB'000**	2013 RMB'000
Directors' fees	**1,014**	1,021
Salaries, allowances and benefits in kind	**375**	360
Discretionary bonus	**—**	—
Retirement schemes contributions	**57**	50
	1,446	1,431

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**	**Retirement scheme contributions RMB'000**	**Total RMB'000**
2014					
Executive directors:					
Mr. Cai Chenyang (Note (a))	**396**	**203**	**—**	**37**	**636**
Mr. Cai Haifang	**237**	**88**	**—**	**8**	**333**
Ms. Cai Shengyin	**237**	**84**	**—**	**12**	**333**
Independent non-executive directors:					
Mr. Cai Zirong	**48**	**—**	**—**	**—**	**48**
Mr. Wu Shiming	**48**	**—**	**—**	**—**	**48**
Mr. Yu Wenquan (Note (c))	**20**	**—**	**—**	**—**	**20**
Mr. Wang Aiguo (Note (b))	**28**	**—**	**—**	**—**	**28**
	1,014	**375**	**—**	**57**	**1,446**

11. DIRECTORS' EMOLUMENTS (Continued)

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
2013					
Executive directors:					
Mr. Cai Chenyang (Note (a))	399	192	—	34	625
Mr. Cai Haifang	239	84	—	8	331
Ms. Cai Shengyin	239	84	—	8	331
Independent non-executive directors:					
Mr. Cai Zirong	48	—	—	—	48
Mr. Wu Shiming	48	—	—	—	48
Mr. Yu Wenquan (Note (c))	48	—	—	—	48
	1,021	360	—	50	1,431

Notes:

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

(b) Mr. Wang Aiguo was appointed as the Company's independent non-executive director on 28 May 2014.

(c) Mr. Yu Wenquan was resigned as the Company's independent non-executive director on 28 May 2014.

12. EMPLOYEES EMOLUMENTS

(a) Five highest paid individual

The five highest paid individuals during the year included three directors (2013: three) with their emoluments disclosed in note 11. The detail of the emoluments of the remaining two (2013: two) highest paid individuals are as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other emoluments	**955**	708
Retirement scheme contribution	**58**	33
	1,013	741

12. EMPLOYEES EMOLUMENTS (Continued)

(a) Five highest paid individual (Continued)

The emoluments of the two (2013: two) individuals with the highest emoluments are within the following band are as follows:

	2014	2013
Nil to RMB793,000 (equivalents to HK$1,000,000)	2	2

During the years ended 31 December 2014, 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 chief executive and directors waived or agreed to waive any emoluments during the reporting period (2013: Nil).

(b) Senior Management of the company

The emoluments of the senior management other than five highest paid individuals of the Group are within the following band.

	2014	2013
Nil to RMB793,000 (equivalents to HK$1,000,000)	5	4

13. PROFIT/(LOSS) OF THE COMPANY

The loss for the year dealt with in the financial statements of the Company amounted to approximately RMB19,769,000 (2013: profit of approximately RMB6,638,000).

14. DIVIDENDS

Dividends recognised as distributions during the year ended 31 December 2013 and 2014 are as follows:

	2014 RMB'000	2013 RMB'000
Dividends recognised as distributions during the year:		
2013 Final (2013: 2012 Final, paid HK$1 cent per ordinary share)	—	6,442

The directors of the company do not recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

15. EARNINGS PER SHARE

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

	2014 RMB'000	2013 RMB'000
Earnings		
Earnings attributable to owners of the Company for the purpose of calculating basic earnings per share	**60,397**	106,423

	2014 '000	2013 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**800,000**	800,000

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 2014 of approximately RMB60,397,000 (2013: approximately RMB106,423,000) and the weighted average of number of 800,000,000 (2013: 800,000,000) ordinary shares in issue during the reporting period.

Basic and diluted earnings per share for the year ended 31 December 2013 were the same as there were no potential diluted ordinary shares in existence during the year.

Basic and diluted earnings per share for the year ended 31 December 2014 were the same as the conversion of convertible bonds would increase the earnings per share, therefore, anti-dilutive.

For the year ended 31 December 2014

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 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 and1 January 2014	142,770	14,599	8,307	2,847	196,717	365,240
Additions	52	1,783	2,701	1,371	40,477	46,384
Disposals	—	—	(300)	—	—	(300)
Exchange alignment	—	—	2	—	—	2
As at 31 December 2014	**142,822**	**16,382**	**10,710**	**4,218**	**237,194**	**411,326**
Accumulated depreciation						
As at 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 and 1 January 2014	30,741	3,746	4,254	2,226	—	40,967
Provided for the year	7,104	1,751	1,517	1,104	—	11,476
Written off on disposal	—	—	(285)	—	—	(285)
Exchange alignment	—	—	1	—	—	1
As at 31 December 2014	**37,845**	**5,497**	**5,487**	**3,330**	**—**	**52,159**
Net book values						
As at 31 December 2014	**104,977**	**10,885**	**5,223**	**888**	**237,194**	**359,167**
As at 31 December 2013	112,029	10,853	4,053	621	196,717	324,273

Note:

Certain buildings with net book amount of approximately RMB 115,679,000 as at 31 December 2014 (2013: approximately RMB122,267,000), are pledged as collaterals for the Group's bank borrowings. Please refer to Note 39 for details.

17. PREPAID LEASE PAYMENTS

	2014 RMB'000	2013 RMB'000
Cost		
As at the beginning of the year	**98,867**	98,867
Additions	**11,347**	—
As at the end of the year	**110,214**	98,867
Accumulated depreciation		
As at the beginning of the year	**8,441**	4,853
Charge for the year	**3,727**	3,588
As at the end of the year	**12,168**	8,441
Net book values	**98,046**	90,426
Analysed for reporting purposes as:		
Current assets	**4,363**	3,588
Non-current assets	**93,683**	86,838
	98,046	90,426

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 RMB19,809,000 as at 31 December 2014 (2013: approximately RMB20,285,000), are pledged as collaterals for the Group's bank borrowings. Please refer to Note 39 for details.

18. INVESTMENT IN SUBSIDIARIES AND AMOUNT/(S) DUE FROM/(TO) A SUBSIDIARY/IES

	2014 RMB'000	2013 RMB'000
Unlisted shares, at cost	**81**	81
Amounts due from subsidiaries	**223,446**	87,136
Amount due to a subsidiary	**(3,657)**	(2,236)
	219,870	84,981

18. INVESTMENT IN SUBSIDIARIES AND AMOUNT/(S) DUE FROM/(TO) A SUBSIDIARY/IES (Continued)

The amounts due from subsidiaries are unsecured, interest free and recoverable on demand.

The amount due to a subsidiary is unsecured, interest-free and repayable on demand.

Details of the Company's subsidiaries as at 31 December 2014 are as follows:

Name of subsidiary	Place and date of incorporation	Paid up capital or registered capital	Percentage of equity interest and voting power attributable to the company		Principal activities
			Direct %	Indirect %	
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	USD42,000,000	—	100	Slaughtering and of processing 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
Putian (Beijing) Food Limited* (普甜(北京)食品有限公司)	The PRC, 14 April 2014	RMB100,000,000	—	100	Wholesale pre-packaged food, organization of exhibition events, technology development, and consultancy services
Fujian Putian Food Co. Limited* (福建普甜食品有限公司)	The PRC, 9 October 2014	RMB20,000,000	—	100	Production, processing and sale of frozen product; research and development on food production technology
Putian Hebei Farming Development Co. Limited* (普甜河北牧業發展有限公司)	The PRC, 9 September 2014	RMB60,000,000	—	100	Farming of cereals and vegetables, breeding of hogs management of and sales of Production and sales of agricultural products

* For identification purpose only.

19. INVENTORIES

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

	2014 **RMB'000**	2013 RMB'000
Hogs feeds	**6,026**	2,343
Raw materials (Note)	**6,393**	4,930
Frozen pork products	**26,038**	—
	38,457	7,273

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:

	2014 **RMB'000**	2013 RMB'000
Carrying amount of inventories sold	**445,012**	436,463

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 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 and 1 January 2014	4,562	47,170	51,732
Increase due to purchases	2,219	395,003	397,222
Increase due to raising (Feeding cost and others)	4,167	157,177	161,344
Transfer	(4,749)	4,749	—
Decrease due to retirement and deaths	—	(3,745)	(3,745)
Decrease due to sales	(851)	(545,277)	(546,128)
Change in fair value less costs to sell	(198)	(465)	(663)
As at 31 December 2014	**5,150**	**54,612**	**59,762**

The numbers of biological assets are as follows:

	2014	2013
Breeder hogs	**1,556**	1,402
Commodity hogs	**42,165**	37,237
	43,721	38,639

20. BIOLOGICAL ASSETS (Continued)

Analysed for reporting purposes as:

	2014 RMB'000	2013 RMB'000
Current assets	**54,612**	47,170
Non-current assets	**5,150**	4,562
At the end of the year	**59,762**	51,732

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.

20. BIOLOGICAL ASSETS (Continued)

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.

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 by the market approach based on the market-determined prices as at 31 December 2014 adjusted with such attribute as pig breed and stage of growth in the life cycle.

20. BIOLOGICAL ASSETS (Continued)

Physical Count of Biological Assets (Continued)

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 PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deposits paid for prepaid lease payments (Note (a))	**15,067**	15,067	**—**	—
Deposits paid for property, plant and equipment (Note (b))	**91,577**	67,693	**—**	—

Notes:

(a) During the year ended 31 December 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 deposits and prepayments for property, plant and equipment as at 31 December 2013 and 2014 were mainly used for the purchase of equipment for upgrading of production facilities in relation to the Group's slaughterhouse and breeding farm.

22. TRADE RECEIVABLES

	2014	2013
	RMB'000	RMB'000
Trade receivables	**86,393**	77,263

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:

	2014	2013
	RMB'000	RMB'000
Within 30 days	**35,807**	55,552
31 days to 90 days	**50,521**	21,521
91 days to 180 days	**65**	190
Total	**86,393**	77,263

22. TRADE RECEIVABLES (Continued)

Trade receivables that are past due but not 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:

	2014	2013
	RMB'000	RMB'000
91 days to 180 days	**65**	190

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**	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advances to staff (Note (a))	**1,626**	237	**—**	—
Other deposits paid and prepayments (Note (b))	**44,372**	14,315	**472**	319
	45,998	14,552	**472**	319

Notes:

(a) The amounts were mainly used for the purchase of raw materials and commodity hogs on behalf of the Group.

(b) During the year ended 31 December 2014, the amounts were mainly used for the acquisition of breeder hogs and parental breeder hogs of approximately RMB28,295,000 (2013: approximately RMB10,000,000), and the deposits paid of approximately RMB8,500,000 (2013: approximately RMB2,000,000) were mainly related to guarantees paid to, amongst others, hog suppliers to secure a stable supply of commodity hogs as requested by such suppliers.

24. PLEDGED BANK DEPOSITS/CASH AND BANK BALANCES

Cash and Cash equivalents compose:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**79,882**	7,246	**7,877**	55
Pledged bank deposits	**3,000**	2,293	**—**	—
	82,882	9,539	**7,877**	55

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 (2013: 0.5%). The bank balances are deposited with creditworthy banks with no recent history of default.

Included in the Group's cash and bank balances at the end of the reporting period were amounts in RMB of approximately RMB71,177,000 (2013: approximately RMB7,170,000) which are not freely convertible into other currencies.

Non-cash transactions:

During the year ended 31 December 2013 and 2014, 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 2014, the addition of property, plant and equipment of approximately RMB1,509,000 (2013: approximately RMB701,000) which has been paid in previous year and accounted in deposits paid for acquisition of fixed assets.

Pledged bank deposits:

As at 31 December 2014, a bank deposits of approximately RMB3,000,000 (2013: approximately RMB2,293,000) were pledged as collateral for bills payables.

25. TRADE AND BILLS PAYABLES

	2014 RMB'000	2013 RMB'000
Trade payables	**6,178**	9,044
Bills payables	**10,000**	5,289
	16,178	14,333

The ageing analysis of trade payables is as follows:

	2014 RMB'000	2013 RMB'000
Within 30 days	**5,254**	8,327
31 to 90 days	**337**	608
91 to 180 days	**587**	109
	6,178	9,044

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 four months (2013: six months) from the end of the reporting period.

26. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Deposits received	**1,030**	578	**—**	—
Other payables for property, plant and equipment	**496**	777	**—**	—
Accruals and other payables	**6,630**	5,494	**2,297**	1,826
	8,156	6,849	**2,297**	1,826

27. BANK BORROWINGS

	2014 **RMB'000**	2013 RMB'000
Bank borrowings — secured	**140,000**	150,000

	2014 **RMB'000**	2013 RMB'000
Carrying amount repayable:		
On demand or within one year	**140,000**	150,000

Bank borrowings at:

	2014 **RMB'000**	2013 RMB'000
— floating interest rate	**140,000**	20,000
— fixed interest rate	**—**	130,000
	140,000	150,000

The carrying amount of the Group's bank borrowings are all originally denominated in RMB, which is the functional currency of the Group and the carrying amount are approximately to their fair value.

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

	2014 **%**	2013 %
Floating rate	**6.60–7.80**	6.60–7.26
Fixed rate	**—**	6.30

27. BANK BORROWINGS (Continued)

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

	2014 RMB'000	2013 RMB'000
Property, plant and equipment (Note 16)	**115,679**	122,267
Prepaid lease payments (Note 17)	**19,809**	20,285
	135,488	142,552

As at 31 December 2013 and 2014, the Group's bank borrowings of RMB20,000,000 was guaranteed by the Company's director, Mr. Cai Chenyang.

28. DEFERRED REVENUE

	2014 RMB'000	2013 RMB'000
Arising from government grant (Note)	**3,693**	3,947

Analysed for reporting purposes as:

	2014 RMB'000	2013 RMB'000
Current liabilities	**253**	253
Non-current liabilities	**3,440**	3,694
	3,693	3,947

Note:

As at 31 December 2013 and 2014, 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. CONVERTIBLE BONDS

On 18 June 2014, the Company and Vandi Investments Limited ("the Investor"), a limited liability company incorporated in the BVI indirectly and wholly-owned by CCB International (Holdings) Limited, entered into the subscription agreement in respect of the issue of the convertible bonds ("Convertible Bonds") in the principal amount of HK$ 200,000,000 equivalent to approximately RMB146,860,000 due 2017 with an annual interest rate of 9.5% payable semi-annually and bear an administrative fee of 1.0% per annum payable semi-annually in arrears. The net proceeds from the Convertible Bonds, after deducting expenses, are approximately HK$198,834,000 equivalent to approximately RMB146,004,000. Such net proceeds are primarily used for business development of the Group as well as general working capital.

Upon full conversion of the Convertible Bonds at the initial conversion price of HK$1.30 per share, a total of 153,846,153 conversion shares will be issued.

Unless, outstanding Convertible Bonds shall be previously redeemed, repurchased and cancelled or converted, the Company will redeem all the outstanding Convertible Bonds held by the bondholder on the third anniversary of the issue date of such outstanding Convertible Bonds (the "Maturity Date"), at an amount equal to the aggregate of:

(a) the aggregate principal amount of such outstanding Convertible Bonds held by such bondholder;

(b) an amount which would give such bondholder an internal rate of return of 15% in respect of the aggregate principal amount of such outstanding Convertible Bonds calculated from the issue date of such outstanding bonds up to and including the Maturity Date; and

(c) any accrued but unpaid interest and administrative fee on such outstanding Convertible Bonds.

The net proceeds received from the issue of the Convertible Bonds have been split between a liability component and an equity component in its initial recognition as follows:

(a) liability component is initially measured at fair value amounted to approximately HK$155,857,000 equivalent to approximately RMB114,459,000, and it is subsequently measured at amortised cost by applying an effective interest rate of 25.12% per annum; and

(b) equity component, which is equal to the difference between the net proceeds received and the fair value of the liability component, amounted to approximately RMB32,212,000 which is presented in equity as Convertible Bonds equity reserve.

29. CONVERTIBLE BONDS (Continued)

The movements of the liability component and equity component of the Convertible Bonds for the reporting period are set out below:

	Liability component RMB'000	Equity component RMB'000	Total RMB'000
As at 1 January 2014	—	—	—
Convertible Bonds issued on 26 June 2014	113,792	32,212	146,004
Imputed interest charged	15,926	—	15,926
Interest expense charged for the year	(7,766)	—	(7,766)
Administrative fee payable	(817)	—	(817)
Exchange alignment	8,815	—	8,815
As at 31 December 2014	129,950	32,212	162,162

30. SHARE CAPITAL

	Number of shares	Nominal value of ordinary shares HK$'000	RMB'000
Authorised:			
At 1 January 2013, 31 December 2013 and 31 December 2014 ordinary shares of HK$0.1 each	40,000,000,000	4,000,000	3,240,009
Issued and fully paid:			
At 1 January 2013, 31 December 2013 and 31 December 2014 ordinary shares of HK$0.1 each	800,000,000	80,000	65,178

For the year ended 31 December 2014

31. 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 individual components of equity are set out below:

The Company

	Share premium RMB'000	Accumulated loss RMB'000	Convertible bonds equity reserve RMB'000	Proposed final dividend RMB'000	Total RMB'000
As at 1 January 2013	18,509	(6,873)	—	6,519	18,155
Profit for the year	—	6,638	—	—	6,638
Other comprehensive income/ (loss) for the year	77	—	—	(77)	—
Total comprehensive income/ (loss) for the year	77	6,638	—	(77)	6,638
Dividend paid	—	—	—	(6,442)	(6,442)
As at 31 December 2013 and 1 January 2014	18,586	(235)	—	—	18,351
Loss for the year	—	(19,769)	—	—	(19,769)
Total comprehensive loss for the year	—	(19,769)	—	—	(19,769)
Recognition of the entity component of convertible bonds (Note 29)	—	—	32,212	—	32,212
As at 31 December 2014	18,586	(20,004)	32,212	—	30,794

32. 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.

33. 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, convertible bonds and equity (comprising issued share capital, share premium, reserves and accumulated losses).

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 debts 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	
	2014	2013
	RMB'000	RMB'000
Total debts (Note)	**269,950**	150,000
Total equity	**579,372**	482,689
Gearing ratio (%)	**46.6%**	31.1%

Note:

Total debts comprise bank borrowings and convertible bonds are detailed in Notes 27 and 29 respectively.

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group	
	2014	2013
	RMB'000	RMB'000
Financial assets		
Loans and receivables (including cash and bank balances)		
— Trade receivables	**86,393**	77,263
— Deposits paid, prepayments and other receivables	**36,393**	5,762
— Pledged bank deposits	**3,000**	2,293
— Cash and bank balances	**79,882**	7,246
Financial liabilities		
Amortised cost		
— Trade and bills payables	**16,178**	14,333
— Accruals, deposits received and other payables	**8,156**	6,849
— Bank borrowings	**140,000**	150,000
— Convertible bonds	**129,950**	—

	The Company	
	2014	2013
	RMB'000	RMB'000
Financial assets		
Loans and receivables (including cash and bank balances)		
— Amounts due from subsidiaries	**223,446**	87,136
— Cash and bank balances	**7,877**	55
Financial liabilities		
Amortised cost		
— Amount due to a subsidiary	**3,657**	2,236
— Accruals and other payables	**2,297**	1,826
— Convertible bonds	**129,950**	—

34. 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, bank borrowings and convertible bonds. 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 the risk of changes in market interest rate relates primarily to its bank deposits and interest bearing bank loans. Interest-bearing bank loans at floating rates expose the Group to interest rate risk.

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 RMB1,278,000 (2013: approximately RMB416,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

34. 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.

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.

34. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

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 two years but less than five years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2014						
Non-derivative financial liabilities						
Trade and bills payables	—	16,178	—	—	16,178	16,178
Accruals, deposits received and other payables	—	8,156	—	—	8,156	8,156
Bank borrowings	6.36	140,000	—	—	140,000	140,000
Convertible bonds	25.12	—	—	146,006	146,006	129,950
		164,334	—	146,006	310,340	294,284

	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 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

For the year ended 31 December 2014

34. 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 two years but less than five years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2014						
Non-derivative financial liabilities						
Amount due to a subsidiary	—	3,657	—	—	3,657	3,657
Accruals and other payables	—	2,297	—	—	2,297	2,297
Convertible bonds	25.12	—	—	146,006	146,006	129,950
		5,954	—	146,006	151,960	135,904

	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 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

35. FAIR VALUE MEASUREMENT

	As at 31 December 2014		As at 31 December 2013	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Convertible bonds	**129,950**	**130,585**	—	—

Fair value measurements recognised in the consolidated statement of financial position

For financial reporting purpose, fair value measurements are categorized 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 entity.

- 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).

35. FAIR VALUE MEASUREMENT (Continued)

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

The Group

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
As at 31 December 2014				
Breeder hogs	**—**	**5,150**	**—**	**5,150**
Commodity hogs	**—**	**54,612**	**—**	**54,612**
Total biological assets	**—**	**59,762**	**—**	**59,762**

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

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

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

The highest and best use of the above Group's assets are its current use.

35. FAIR VALUE MEASUREMENT (Continued)

Prevailing market data

Type	Valuation approach	Key unobservable inputs	Inter-relationship between key unobservable 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 using market approach with reference to the market-determined prices of items with similar age, weight and breeds	• Prevailing market price of pigs (RMB15.48/kg) (2013: RMB15.35/kg) (Note (a)) • Prevailing market price of piglets/weaners (RMB31.01/kg) (2013: RMB29.52/kg) (Note (b)) • Prevailing market price of boars (RMB3,800/head) (2013: RMB3,800/head) (Note (c)) • Prevailing market price of sow (RMB1,800/head) (2013: RMB1,900/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 financial assets and financial liabilities carried at amortised cost in the consolidated financial statements approximated their fair values.

If the above unobservable 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 decrease/increase by approximately RMB5,500,000 (31 December 2013: decrease/increase by approximately RMB5,173,000).

Notes:

(a) Market prices of pigs represent the prices of commodity hogs in Fujian Province of around 100 kg in weight. The market prices of pigs 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 Fujian 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 Fujian Province were obtained from independent price inquiry by the Valuer.

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

36. SIGNIFICANT RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements of notes 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	
	2014	2013
	RMB'000	RMB'000
Short term employee benefits	**2,344**	2,089
Retirement benefits schemes contributions	**115**	83
	2,459	2,172

(b) As at 31 December 2013 and 2014, 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.

37. 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	
	2014	2013
	RMB'000	RMB'000
Within one year	**1,164**	1,166
In the second to fifth years, inclusive	**97**	1,272
After five years	**41,476**	—
	42,737	2,438

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.

38. CAPITAL COMMITMENTS

	The Group	
	2014	2013
	RMB'000	RMB'000
Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment	**31,082**	34,987

39. 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	
	2014	2013
	RMB'000	RMB'000
Property, plant and equipment	**115,679**	122,267
Prepaid lease payments	**19,809**	20,285
	135,488	142,552

40. EVENTS AFTER THE END OF THE REPORTING PERIOD

The following significant events took place to 31 December 2014.

(a) Establishment of integrated base for rearing, slaughtering and processing of 500,000 black pigs in Xuanhua country

On 18 August 2014, the Company entered into an investment agreement with People's Government of Xuanhua, Habei Province, the PRC (the "Xuanhua Government") in relation to investment in Xuanhua country.

Pursuant to the investment agreement, the Group expected that Xuanhua Government will practice at least 2,000 m^2 breeding land for the Company through leases and transfers and guarantees that the transfer and leasing of 1,500 m^2 breeding is Shenjing for the Company will be completed during the year.

Also in the investment agreement, the Group intends to invest RMB 1 billion within 5 years, thereby establishing an integrated base in Xuanhua for the recurring, slaughtering and processing of 500,000 black pigs annually which are stated — protected famous indigenous breeds and are to be sold under the "Putian Black Pearl (普甜•黑真珠)", particulars are as follows:

40. EVENTS AFTER THE END OF THE REPORTING PERIOD (Continued)

(a) Establishment of integrated base for rearing, slaughtering and processing of 500,000 black pigs in Xuanhua country (Continued)

(i) From 2014 to the end of 2015, it is proposed to invest RMB 700 million for the establishment of a bore for producing 500,000 commercial black pigs per annum;

(ii) From 2016 to 2017, it is proposal to invest RMB 300 million for the establishment of a storage and transport base in northern China for slaughtering, processing and freezing and a large feeds factory with annual production capacity of 150,000 to 180,000 tonnes; and

(iii) A national protection and utilisation center for client indigenous pigs breeds is to be established in Xuanhua country.

At the date of this report, the investment agreement has not yet been completed.

For further details, please refer to the Company's announcement dated on 19 August 2014.

(b) Termination of the issue of warrants

Reference is made to two subscription agreements dated 31 October 2014 entered into by the Company with two investors in respect of the issue of in total up to 120,000,000 warrants (at an issue price of HK$0.01 per warrant) with right to subscribe for an aggregate of up to 120,000,000 shares of the Company ("Share") at a subscription price of HK$1.80 per Share.

Details of which are disclosed in the announcement of the Company dated 31 October 2014.

On 3 March 2015, the Company entered into two termination agreements with the said two investors to terminate the said subscription agreements, as a result of which the Company did not proceed with the issue of the said warrants.

Details of the termination are disclosed in the announcement of the Company dated 3 March 2015.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2015.

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				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**624,006**	626,127	580,158	519,339	444,367
Cost of sales	**(480,309)**	(464,250)	(430,209)	(397,324)	(364,127)
Gross profit	**143,697**	161,877	149,949	122,015	80,240
Other revenue and gain	**3,296**	4,107	3,549	2,459	605
(Loss)/gain arising from change in fair value less costs to sell of biological assets	**(663)**	(3,297)	4,259	(2,891)	11,173
Selling and distribution expenses	**(25,122)**	(20,077)	(20,334)	(11,480)	(9,441)
Administrative expenses	**(35,247)**	(27,455)	(26,129)	(15,628)	(7,000)
Finance costs	**(25,564)**	(8,320)	(6,042)	(4,281)	(3,773)
Other operating expenses	**—**	(412)	(147)	(181)	(60)
Profit before taxation	**60,397**	106,423	105,105	90,013	71,744
Taxation	**—**	—	—	—	—
Profit for the year and attributable to owners of the Company	**60,397**	106,423	105,105	90,013	71,744

ASSETS AND LIABILITIES

	As at 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**877,349**	657,818	521,362	273,030	256,414
Total liabilities	**(297,977)**	(175,129)	(138,382)	(86,150)	(95,643)
Equity attributable to owners of the Company	**579,372**	482,689	382,980	186,880	160,771

Design And Produced By: EDICO Financial Press Services Limited
設計及製作：鉅京財經印刷服務有限公司

普甜
PUTIAN

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

Room 3312, 33/F., West Tower, Shun Tak Centre,
168–200 Connaught Road Central, Hong Kong.

香港干諾道中168至200號信德中心西座33樓3312室

Tel 電話：(852) 3582-4666
Fax 傳真：(852) 3582-4567