Annual Report 2014

LEYOU TECHNOLOGIES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1089


ABC
Game
Sms
2+3=?
chat
friends
Books

CONTENTS

Corporate Information

Directors

Executive Directors
Mr. Lin Qinglin *(Chairman and Chief Executive Officer)*
Mr. Yeung Chun Wai, Anthony *(Vice Chairman)*
Ms. Wai Ching Sum *(Finance Director)*
Mr. Wu Shiming
Mr. Yin Shouhong

Independent Non-Executive Directors
Mr. Hu Chung Ming
Mr. Chau On Ta Yuen
Mr. Chan Fong Kong, Francis

Audit Committee

Mr. Hu Chung Ming *(Committee Chairman)*
Mr. Chau On Ta Yuen
Mr. Chan Fong Kong, Francis

Remuneration Committee

Mr. Hu Chung Ming *(Committee Chairman)*
Mr. Chan Fong Kong, Francis
Mr. Lin Qinglin

Nomination committee

Mr. Lin Qinglin *(Committee Chairman)*
Mr. Hu Chung Min
Mr. Chau On Ta Yuen

Company Secretary

Ms. Huen Lai Chun

Legal Advisors as to Hong Kong law

Orrick, Herrington & Sutcliffe

Auditors

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Stock Code

1089

Principal Bankers

China Construction Bank Corporation
Industrial and Commercial Bank of China Limited
Agricultural Bank of China Limited
Agricultural Development Bank of China
China Merchants Bank Co., Ltd.
Bank of Communications Co., Ltd.

Registered Office in Cayman Islands

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

Principal Place of Business in Hong Kong

Suite 1020-22, 10th Floor, Two Pacific Place,
88 Queensway, Hong Kong

Head Office and Principal Place of Business in the PRC

No.688, Denggao East Road, Xinluo District, Longyan,
Fujian, PRC

Cayman Islands Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House,
24 Shedden Road, George Town,
Grand Cayman KY1-1110,
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.le-you.hk

Chairman's Statement

Dear Shareholders,

It has been a prolific year for Leyou Technologies Holdings Limited (the "Company" or "Leyou Technologies") and its subsidiaries (collectively referred as the "Group") as we have begun our journey on expanding our Group's current poultry business to become a globally recognized icon. On 28 January 2015, we have changed our company name from Sumpo Food Holdings Limited to Leyou Technologies Holdings Limited to better align our Group's strategy and vision going forward. The Group has plans to start diversifying into other income streams to help boost the Group's business. Going forward, we shall strive to become a cross-border multinational company with different earnings bases in order to increase the value to our shareholders.

We have successfully signed a sales and purchase agreement with Digital Extremes Ltd. ("Digital Extremes"), a company incorporated under the laws of Ontario, Canada, which develops ground-breaking Free-to-Play, AAA- quality multiplatform video games, setting forth the terms of an acquisition for cash of 58% of issued ordinary share capital of Digital Extremes. The acquisition was approved by the Company's shareholders on 27 January 2015. Completion of the acquisition will be conditional upon the satisfaction of certain conditions and is currently expected to take place by the end of the second quarter of 2015. Whilst we continue to vigorously promote the diversification of our business segments for future growth, the acquisition of a video game developer is an important first step for Leyou Technologies to become a globally diversified group, expanding beyond the poultry business into the video gaming industry. In particular, the Board sees the significant and growing demand in Asia in the video game industry, especially in China. We are confident that the addition of a strong video game developer to the Group's existing businesses will help diversify our earnings base, strengthen our foundation for future growth, and reinforce our vision as an internationally recognized enterprise.

Meanwhile, we are pleased to present the annual results of the Company for the year ended 31 December 2014 for the shareholders' consideration.

TURNOVER AND PROFIT

During the year, our subsidiary "Sumpo International Holdings Limited" continued to focus on the development of chicken meat products and recorded steady growth for the Group with turnover amounted to approximately RMB1,226.1 million (2013: approximately RMB1,041.8 million), representing a year-on-year increase of approximately 17.7%. Our loss attributed to the owners of the Company was approximately RMB10.3 million (2013: loss attributable to the owners of the Company was approximately RMB12.8 million).

BUSINESS REVIEW

Due to the downturn of China's macro economy, the consumers market of catering and chicken meat food products experienced slower growth and the chicken meat industry faced severe ordeals. Faced with the present challenges, the Group was united in overcoming these obstacles. We pushed ahead with technological advancements and innovation, built and raised the core competitiveness of the enterprise, boosted earnings of the production chain, and improved the image and appeal of the enterprise. Compared to the corresponding period in 2013, the annual production value, total sales revenue and average sales price of frozen chicken products all recorded increases. The above results were achieved through technological innovation of combining current breeding conditions with feeds adjustment that successfully reduced the feeds-meat ratio, lowered the risk in the later-stage breeding of big chickens prior to their leaving the chicken farms, and effectively increased the Group's revenue. In addition, improvements in feeds factory, processing factory and related equipment and facilities, implementation of energy saving and wastage reduction effectively controlled production costs. This has allowed margin recovery and in the wake of shortage of staff in the processing factory, and employees' efficiency was greatly improved. We also actively explored procurement channels to effectively reduce charges and controlled costs.

PROSPECTS

We shall work together with a united goal of improving our technological innovation and co-operation. Our code of conducts is strictly followed and we have launched various projects centering on human resources development. We shall keep improving the breeding environment, standardizing building construction, regulating breeding grounds, monitoring the production and food safety, and pursuing new opportunities for expansion of production capacity. Our aim is to achieve rapid and healthy growth of the enterprise through value building enabling us to use profit oriented goals and innovation as our driving force.

ACKNOWLEDGMENT

I would like to take this opportunity to express my heartfelt gratitude to our shareholders, members of the Board of Directors, senior management and all our staff for their dedication and contribution during the year. On behalf of the Board of Directors of the Company, I would like to thank our clients, suppliers, and business partners for their relentless support and trust. Going forward, we shall strive to explore further opportunities and overcome challenges, as we remain steadfast and committed to attaining better results for the Group.

LIN QINGLIN
Chairman

30 March 2015

Financial Highlights

	For the year ended 31 December		
	2014	2013	Change
	RMB'000	RMB'000	%
Results Highlights			
Revenue	**1,226,077**	1,041,847	17.7
Gross Profit	**110,471**	59,673	85.1
Gross Profit Margin (%)	**9.0%**	5.7%	3.3 ppt**
Loss for the year attributable to the owners of the Company	**10,250**	12,762	(19.7)
Basic loss per share (RMB cents)	**0.51**	0.77	(33.8)
Diluted loss per share (RMB cents)	**0.51**	0.77	(33.8)
Dividend per share (RMB)	**Nil**	Nil	N/A

	As at 31 December		
	2014	2013	Change
	RMB'000	RMB'000	%
Balance Sheet Highlights			
Total assets	**905,447**	758,611	19.4
Total borrowings***	**263,395**	187,000	40.9
Net assets	**507,867**	467,610	8.6
Net assets per share (RMB)	**0.25**	0.28	(10.7)
Current ratio	**1.34**	1.20	11.7
Gearing ratio *	**28.5%**	24.7%	3.8 ppt**

* Gearing ratio = Interest-bearing bank borrowings/Total assets

** ppt = percentage points

*** Total borrowings = Obligation under finance lease + debenture + bank borrowings

Management Discussion and Analysis

Overview:

The Group is dedicated to upholding the highest standards of corporate governance and aims to become a multinational corporation with diverse holdings in multimedia and high-tech industries within three years.

BUSINESS REVIEW

Last year had been a difficult year for the white feathered broiler industry development in China, and an uneasy period for the poultry business overall. Our staff was not discouraged under the circumstances and tackled the difficulties and unfavorable external conditions bravely, overcame all sorts of challenges and achieved our targets for 2014. The following summary takes an account of the production and operation of the Group in 2014.

- **Upgrading current software and hardware in operations**

  The operation committee vigorously promoted innovation in the software and hardware of management; completed the upgrade and transformation of the feathered chicken clearing system; carried out the design and implementation of the orders module; and established the online approval of administrative material and orders module. Concurrently, we have launched various systems of the processing factory and improved related techniques. This allowed us to achieve higher productivity through the use of new scientific technology and raised our economic efficiency.

- **Promoting accountability and efficiency of staff**

  We have actively promoted a culture of accountability and fostered all staff to be positive, while we maintained the efficiency of the production methodology and team spirit. We were keen on cultivating individual staff members so that they could generate innovative ideas and encouraged them to practice innovativeness, make suggestions in planning the enterprise's development and to create a positive atmosphere filled with innovation in the workplace. Our operation committee also encouraged the innovative team with fiscal rewards.

- **Results of innovation**

  Water coolers were installed in the pre-mixed feeds workshop, which improved the warehouse storage condition of raw materials for the pre-mixed feeds and ensured the warehouse storage quality. A higher proportion of imported raw materials was used and effectively lowered the cost of feeds. The Company introduced infra-red tester, which raised the efficiency of the testing of raw materials for feeds and manufactures, and ensured the quality of feeds products. Technical upgrade of boilers helped to reduce the consumption of coal and effectively controlled production costs. The introduction of oil drums lowered the labour intensity of labourers, improved the condition of the oil-spraying workshop and reduced wear and tear. Raw material cost was reduced by the expansion of procurement channels, participation in auction of imported corn, application for import quota and introduction of the tender system.

- **Improvements in basic management, to ensure the smooth production operation**

  With a view to building a safe environment with sustainable development, equipment and safety management were closely monitored; awareness in food safety and product quality were strengthened; and various precautions were taken for hidden risks. We have made strategic initiatives that are market-oriented and sales performance were centered on target-incentive mechanisms. In addition, we have also improved our operations by adopting scientific development strategies, and built a harmonious working environment as our foundation.

FINANCIAL REVIEW

Revenue

The following table sets out a breakdown of our revenue by product categories and their relative percentages of our total revenue during the reporting period:

	For the year ended 31 December				
	2014 RMB'000	**% of total revenue**	2013 RMB'000	% of total revenue	% change in revenue
Chicken meat products	**754,996**	**61.6**	646,824	62.1	16.7
Animal feeds	**377,800**	**30.8**	323,964	31.1	16.6
Chicken breeds	**93,281**	**7.6**	71,059	6.8	31.3
Total	**1,226,077**	**100.0**	1,041,847	100.0	17.7

Our total revenue increased by approximately 17.7% from approximately RMB1,041.8 million for the year ended 31 December 2013 to approximately RMB1,226.1 million for the year ended 31 December 2014, primarily due to the increase in the sales volume of chicken meat products and chicken breeds.

Chicken meat products

Revenue from sales of our chicken meat products business increased by approximately 16.7%, from approximately RMB646.8 million for the year ended 31 December 2013 to approximately RMB755.0 million for the year ended 31 December 2014, primarily as a result of the increase in the sales volume of our chicken meat products.

Animal feeds

Revenue from sales of our animal feeds business increased by approximately 16.6% from approximately RMB324.0 million for the year ended 31 December 2013 to approximately RMB377.8 million for the year ended 31 December 2014, primarily as a result of the increase in the average selling price and the sales volume of animal feeds.

Chicken breeds

Revenue from sales of our chicken breeds business increased by approximately 31.3% from approximately RMB71.1 million for the year ended 31 December 2013 to approximately RMB93.3 million for the year ended 31 December 2014, primarily due to the increase in the sales volume of chicken breeds.

Gross Profit and Gross Profit Margin

The following table sets out our total gross profit and gross profit margin by major product categories during the reporting period:

	For the year ended 31 December				
	2014 RMB'000	**% of total gross profit**	2013 RMB'000	% of total gross profit	% change in gross profit
Gross Profit					
Chicken meat products	**40,526**	**36.7**	10,239	17.1	295.8
Animal feeds	**22,746**	**20.6**	14,661	24.6	55.1
Chicken breeds	**47,199**	**42.7**	34,773	58.3	35.7
Total	**110,471**	**100.0**	59,673	100.0	85.1

	For the year ended 31 December	
	2014 %	2013 %
Gross Profit Margin		
Chicken meat products	**5.4**	1.6
Animal feeds	**6.0**	4.5
Chicken breeds	**50.6**	48.9
Overall	**9.0**	5.7

Gross profit increased by approximately 85.1% from approximately RMB59.7 million for the year ended 31 December 2013 to approximately RMB110.5 million for the year ended 31 December 2014. Our overall gross profit margin increased from approximately 5.7% for the year ended 31 December 2013 to approximately 9.0% for the year ended 31 December 2014, primarily due to the increase of average selling price and sales volume of chicken meat products, combined with the increase of sales volume of animal feeds and chicken breeds.

Chicken meat products

Gross profit from our chicken meat products business increased by approximately 295.8% from approximately RMB10.2 million for the year ended 31 December 2013 to approximately RMB40.5 million for the year ended 31 December 2014. The gross profit margin for our chicken meat products business expanded from approximately 1.6% for the year ended 31 December 2013 to approximately 5.4% for the year ended 31 December 2014. This was primarily due to the increase of average selling price and increase of volume sold for chicken meat products during the reporting period.

Animal feeds

Gross profit from our animal feeds business increased by approximately 55.1% from approximately RMB14.7 million for the year ended 31 December 2013 to approximately RMB22.8 million for the year ended 31 December 2014. The gross profit margin for our animal feeds business increased by approximately 1.5 percentage points for the year ended 31 December 2014 to 6.0% from 4.5% for the year ended 31 December 2013. This was primarily due to the increase in the average selling price of animal feeds during the reporting period.

Chicken breeds

Gross profit from our chicken breeds business increased by approximately 35.7% from approximately RMB34.8 million for the year ended 31 December 2013 to approximately RMB47.2 million for the year ended 31 December 2014. The gross profit margin for our chicken breeds business increased from approximately 48.9% for the year ended 31 December 2013 to approximately 50.6% for the year ended 31 December 2014. This was primarily due to the increase of chicken breeds sold, combined with a slight increase in average selling price during the reporting period.

Other Revenue and Gains

Other revenue and gains decreased by approximately 34.9%, from approximately RMB25.5 million for the year ended 31 December 2013 to approximately RMB16.6 million for the year ended 31 December 2014, primarily as a result of the decrease in sales of side products and related products.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately 61.8%, from RMB19.9 million for the year ended 31 December 2013 to approximately RMB32.2 million for the year ended 31 December 2014, primarily as a result of the increase in sales volume and related transportation costs.

Administrative Expenses

Administrative expenses increased by approximately 64.3%, from RMB38.4 million for the year ended 31 December 2013 to approximately RMB63.1 million for the year ended 31 December 2014, primarily as a result of property tax and land tax for the year ended 31 December 2014 and the legal and professional fees for potential acquisitions.

Other Operating Expenses

Other operating expenses decreased by approximately 20.0%, from RMB34.0 million for the year ended 31 December 2013 to approximately RMB27.2 million for the year ended 31 December 2014, mainly due to the increase in the feeding cost of chicken breeds during the year.

Finance Costs

Finance costs increased by approximately 20.9%, from RMB11.0 million for the year ended 31 December 2013 to approximately RMB13.3 million for the year ended 31 December 2014, primarily as a result of increased bank borrowings.

Taxation

Taxation decreased by approximately 28.6%, from a tax expense of approximately RMB0.7 million for the year ended 31 December 2013 to a tax expense of approximately RMB0.5 million for the year ended 31 December 2014, primarily as a result of effective internal tax restructuring which better allocated tax burden within the group companies.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Resources

The Group generally finances its operations with internally generated cash flow and bank facilities for its capital requirements.

On 17 April 2014, the Company agreed to place 332,000,000 Shares at the placing price of HK$0.2 per Shares to no less than six independent placees. The placing was completed on 29 April 2014. The net proceeds, after the deduction of the placing commission and other related expenses, of approximately HK$66.4 million was applied as general working capital of the Group.

As at 31 December 2014, cash and cash equivalents and pledged bank deposits amounted to approximately RMB136.3 million (31 December 2013: approximately RMB108.7 million), most of which were denominated in Renminbi. The increase in cash and cash equivalents is attributable to the net proceeds received from the placing of shares.

Borrowings and Pledged Assets

As at 31 December 2014, the total amount of interest-bearing bank borrowings was approximately RMB257.8 million (31 December 2013: approximately RMB187.0 million). The increase in bank borrowings was mainly due to the increase of working capital to cope with the increase in production volume. All the Group's bank borrowings were short-term and denominated in Renminbi with interest rates ranged from 5.0% to 6.6% per annum.

As at 31 December 2014, the bank borrowings were secured by the Group's bank deposits, properties, plant and equipment, prepaid lease payments and unlisted equity securities in the PRC with total carrying value of approximately RMB112.1 million (31 December 2013: approximately RMB101.5 million).

Gearing Ratio

As at 31 December 2014, the gearing ratio of the Group was approximately 28.5% (31 December 2013: approximately 24.7%). This was calculated by dividing interest-bearing bank borrowings with the total assets of the Group as at 31 December 2014. The increase in the gearing ratio was mainly due to the increase of bank borrowings and issue of debenture during the reporting period.

OUTLOOK

BUSINESS EXPANSION:

Technological advancements and the growing use of smartphones and other mobile devices have led to the multi-media and gaming industry's continued growth at high speed. We must focus on investing in these high growth industries and at the same time diversify our Group's risks by cooperating with multiple established entities. Our innovation and exceptional operational ability will drive our shareholders' value and allow us to become an internationally recognized brand.

The Group will continue to look into opportunities abroad in the multi-media and gaming industry to further enhance its income base to increase shareholders' value. We will consider cooperation and acquisition opportunities with companies that have distinguished products and can exemplify the technological innovation needed to bring our brand to another level. By actively exploring these opportunities, we are confident about the Group's future development.

POULTRY BUSINESS:

Enhancement of technological innovation

With technological advancements from innovations, our operations will be enhanced in respect of feeds processing, breeding management disease control, and the development of new products. At the same time, more resources will be put into upgrading technologies, constructing a central laboratory and more funding will be sought for policy driven projects.

Stricter control over costs

The production chain is divided into three profit centers: feeds, breeding and sales. There are five control points for these profit centers: the headquarters, breeding farms, processing factory, feeds factory and sales department. Targets will be set for each independent center to help the group achieve its goals. We will strengthen our budget management and performance appraisal will be used for target-achieving situations in the various centers. Strict control of costs will be implemented and this will help us avoid over spending or from incurring heavy burden of capital cost. To further improve the management system, spot-checks and supervision will be organized regularly to prevent wastage in producing process.

Strengthening team-building

The Group believes that manpower is a valuable asset for the Company. We will strengthen the relationship between employers and employees and groom our people's skill sets to build core competitiveness. Employees' talents will be showcased by integrating them to key operational processes that require their specific skill sets. Furthermore, both service management and skills will be improved and enriched by linking the breeding performances and the income of technical staffs. More incentives will help to provide higher quality of services and products.

Improvement of standardized system building

Standardization and transformation of large-scale, small-unit breeders and farms will be conducted to improve our system's efficiency. Production capacity of incubation workshop and processing factories will also be enhanced to meet the above expansion. To raise the quality of our chicken produce, feeds formula will be improved, and at the same time cost of feeds will be lowered. Feed production techniques will also be enhanced to exert stricter control over the product quality of various ingredients; and nutrition requirements of the chicken will be monitored. The Group will improve the breeding technology, breeding nutrition of chickens as well as formula and feeds production tests in order to achieve higher production efficiency and testing. The whole breeding process will be monitored to avoid any factors affecting the chickens, ensure the overall chickens are at stable quality.

OTHER INFORMATION

1. **Human Resources**

   As at 31 December 2014, the Group had 1,722 employees. Employee costs, including directors' emoluments, amounted to approximately RMB15.6 million for year ended 31 December 2014 (31 December 2013: RMB16.8 million). All of the Group companies are equal opportunity employers, with the selection and promotion of individuals based on their suitability for the position offered. The Group contributes to a defined contribution mandatory provident fund retirement benefits scheme for its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulations in the PRC.

   The Company also adopted a share option scheme on 11 January 2011. For the year ended 31 December 2014 and as at the date of this report, no share option was granted.

2. **Foreign Exchange Risk**

   The Group's main operations are in the PRC. Most of the assets, income, payments and cash balances are denominated in Renminbi. The Company has not entered into any foreign exchange hedging arrangement. The Directors consider that exchange rate fluctuation has no significant impact on the Company's performance.

3. **Material Acquisitions and Disposals of Subsidiaries and Associated Companies**

   We have successfully signed a sales and purchase agreement to acquire Digital Extremes on 14 October 2014. The completion of the acquisition is conditional upon the satisfaction of certain conditions and is currently expected to take place by the end of the second quarter of 2015.

   Save as disclosed above, there was no major acquisition and disposal of subsidiaries and associated companies during the period under review.

4. **Contractual and Capital Commitments**

   As at 31 December 2014, the Group had operating lease commitments of approximately RMB5.1 million (31 December 2013: approximately RMB5.9 million).

   As at 31 December 2014, the Group had capital commitments of approximately RMB50.5 million (31 December 2013: Nil). Relevant commitments were mainly for construction of building facilities of breeder farms, boiler farms, hatching facilities and feed production plant.

5. Contingent Liabilities

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

6. Use of Proceeds from the Company's Initial Public Offering

The net proceeds from the Company's issue of new shares at the time of its listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 January 2011 and after the exercise of the over-allotment options on 28 January 2011 amounted to approximately HK$283.9 million (approximately RMB231.7 million). As at 31 December 2014, the net proceeds were applied in accordance with the proposed applications set out in the Prospectus and the announcements of the Company dated 28 November 2011 and 2 December 2014, as follow:

– Approximately RMB50 million was used to finance the costs of establishing our new breeders farms;
– Approximately RMB25 million was used to finance the costs of establishing our new hatching facilities;
– Approximately RMB28.2 million was used to finance the costs of establishing our broiler breeding farms;
– Approximately RMB99.0 million was used to finance the costs of establishing our new slaughtering and processing plant; and
– Approximately RMB29.5 million was used to finance the Group's general working capital and general corporate services.

INTRODUCTION

The Company believes that good corporate governance will not only improve management accountability and investor confidence, but will also lay a good foundation for the long-term development of the Company. Therefore the Company will strive to develop and implement effective corporate governance practices and procedures.

The Company has adopted a corporate governance code based on the revised Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the guidelines for corporate governance of the Company, and has taken steps to comply with the Code wherever appropriate.

CORPORATE GOVERNANCE PRACTICES

Throughout the year, the Company has complied with the Code provisions with the following exceptions:

Under Code provision A.2.1, the roles of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual.

For the year ended 31 December 2014, Mr. Lin Qinglin held the positions of both the Chairman of the Board and the Chief Executive Officer of the Company. The Board believes that vesting the role of both positions in Mr. Lin provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. The Board will continue to review the efficiency of this structure from time to time.

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.

Certain independent non-executive Directors were unable to attend the annual general meeting of the Company held on 6 June 2014 due to their other business engagements.

Non-Competition Undertakings

In order to avoid any possible future competition between our Group on the one hand, and Mr. Lin Qinglin and Mr. Lin Genghua (the son of Mr. Lin Qinglin) (the "Controlling Shareholders") on the other hand, the Controlling Shareholders executed a deed of non-competition ("Deed of Non-Competition") on 17 December 2010 in favour of our Company (for itself and for the benefit of each member of our Group). Pursuant to the Deed of Non-Competition, the Controlling Shareholders have jointly and severally, irrevocably and unconditionally undertaken with our Company (for itself and for the benefit of each member of our Group) that with effect from the Listing Date (i.e. 11 January 2011) and for as long as the Shares remain listed on the Stock Exchange and the Controlling Shareholders are, either individually or collectively with their respective associates, directly or indirectly interested in not less than 30% of the issued share capital of our Company, the Controlling Shareholders and their respective associates (other than members of our Group) shall not directly or indirectly be engaged, invest, be interested or otherwise be involved in any chicken-related business and any other business which is carried out by our Group (the "Restricted Activity") in the PRC save for the holding of not more than 5% shareholding interests (individually or with other executive Directors and/or their respective associates) in any company which is engaged or interested in the Restricted Activity, provided that (a) that company is listed on a recognized stock exchange; or (b) the Controlling Shareholders do not have any right to appoint any person to the board of directors of that company and there is at least one other shareholder having shareholding in that company which is larger than the aggregate shareholding of the Controlling Shareholders in that company; or (c) the obtaining of our Company's approval.

Mr. Lin Genghua disposed his Shares and ceased to be a Shareholder in April 2014. As disclosed in the Company's announcement dated 19 May 2014, Mr. Lin Qinglin ceased to be the Controlling Shareholder. As a result, the Deed of Non-Competition ceased to be applicable to both Mr. Lin Qinglin and Mr. Lin Genghua.

The Company has received a written declaration from each of the Controlling Shareholders of their compliance with the terms of the Deed of Non-Competition during the period which the Deed of Non-competition was applicable to the Controlling Shareholders within the year ended 31 December 2014.

The independent non-executive Directors have reviewed the above-mentioned written declarations of the Controlling Shareholders and considered that, for the year ended 31 December 2014, the Controlling Shareholders have complied with the terms of the Deed of Non-competition during the period when the Deed of Non-competition was applicable to them.

DIRECTORS

The Board

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

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

During the year of 2014, the Board held ten meetings and the Company held its annual general meeting on 6 June 2014. The attendance records of each Director at the Board meetings and general meetings in 2014 are set out below:

Directors	Board Meetings	General Meetings
Executive Directors		
Mr. Lin Qinglin *(Chairman and Chief Executive Officer)*	8/10	0/1
Mr. Yeung Chun Wai, Anthony *(Vice Chairman)* *(appointed on 11 June 2014)*	2/2	N/A
Ms. Wai Ching Sum *(Finance Director) (appointed on 17 October 2014)*	0/1	N/A
Mr. Wu Shiming	8/10	1/1
Mr. Yin Shouhong	5/10	0/1
Independent non-executive Directors		
Mr. Hu Chung Ming	5/10	1/1
Mr. Chau On Ta Yuen	5/10	0/1
Mr. Wei Jin Min *(resigned on 1 January 2015)*	5/10	0/1
Mr. Chan Fong Kong, Francis *(appointed on 1 January 2015)*	N/A	N/A

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, to adequately prepare for the meeting, to keep abreast of the latest developments and financial position of the Company, to enable the Directors to include any matter in the agenda and to make informed decisions.

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 Board committee meetings are kept by the Company Secretary. All of the above minutes record in sufficient detail the matters considered and decisions reached by the relevant members, 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 Board committees for comment within a reasonable time after each meeting.

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

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

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual. Mr. Lin Qinglin currently serves as the Chairman and Chief Executive Officer of the Company. As mentioned above, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group. The balance of power and authority is also ensured by the operations of the Board, which comprises of experienced and high calibre individuals who meet regularly to discuss issues affecting the operations of the Company.

As the Chairman of the Board, Mr. Lin Qinglin is responsible for (among other things), the following:

- ensuring, with the assistance of the management of the Group, 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, discusses all key and appropriate issues in a timely manner, with good corporate governance practices and procedures;

- drawing up, approving and considering whether to include the matters proposed by other Directors into the agenda for each Board meeting. This responsibility have been delegated to the Company Secretary and a designated Director;

- encouraging all Directors to fully and actively contribute to the Board's affairs and express different views and discuss issues in sufficient depth before reaching any consensus in Board's decisions;

- facilitating the effective contribution of Directors, in particular, non-executive Directors, and promote the constructive relations between executive and non-executive Directors; and

- ensuring the effective communication between the Board and 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 Shareholders to acquire the updated and key information on the Group and to provide feedback for the Company; and (iv) handling of the enquiries from Shareholders and investors generally.

Board Composition

The Directors during the year and up to the date of this annual report are:

Executive Directors

Mr. Lin Qinglin *(Chairman and Chief Executive Officer)*

Mr. Yeung Chun Wai, Anthony *(Vice Chairman) (appointed on 11 June 2014)*

Ms. Wai Ching Sum *(Finance Director) (appointed on 17 October 2014)*

Mr. Wu Shiming

Mr. Yin Shouhong

Independent Non-executive Directors

Mr. Hu Chung Ming

Mr. Chau On Ta Yuen

Mr. Wei Ji Min *(resigned on 1 January 2015)*

Mr. Chan Fong Kong, Francis *(appointed on 1 January 2015)*

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 a 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 "Directors and Senior Management Profile" of this annual report on pages 32 to 35.

None of the Directors is related to each other.

The independent non-executive Directors play an important role on the Board. 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 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.

Appointments, re-election and removal

Pursuant to Rule 3.13 of the Listing Rules, the Company has received a written confirmation from each independent non-executive Director confirming their independence. The Company has assessed the independence of the independent non-executive Directors and considers that for the year ended 31 December 2014, all of them to be independent based on the independence criteria in accordance with the requirements in the 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 judgments.

The Company confirms that year of service of all independent non-executive Directors is less than 9 years.

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

Under Code provision A.4.1, independent 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
Mr. Hu Chung Ming	Re-elected on 23 May 2013 and hold office until the conclusion of the annual general meeting to be held in 2016
Mr. Chau On Ta Yuen	Re-elected on 6 June 2014 and hold office until the conclusion of the annual general meeting to be held in 2017
Mr. Chan Fong Kong, Francis	Appointed on 1 January 2015 for an initial term of three years

In accordance with the said provision of the Company's Articles of Association and Code provision A.4.1, in the annual general meeting held on 6 June 2014, one-third of the Directors (namely Mr. Lin Qinglin and Mr. Chau On Ta Yuen) were subject to retirement by rotation and were re-elected.

Nomination of Directors

On 28 March 2012, the Board has established a nomination committee (the "Nomination Committee") pursuant to the requirements of the Code, to provide a framework and set the standards for the appointment of high quality Directors who should have the capacity and ability to lead the Company towards achieving sustainable development. The Nomination Committee considers matters regarding the nomination and/or appointment or re-appointment of Directors.

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

Responsibilities of Directors

The Company Secretary 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 Directors are updated with the latest developments in laws, rules and regulations relating to the duties and responsibilities of directors from time to time.

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 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 as required.

The Directors will disclose 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 will also inform 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 attendance of Board meetings, general meetings and Board committee meetings indicates the constant participation of all Directors, including executive and non-executive Directors, and ensures the better understanding of the views of Shareholders by Directors. The extent of participation and contribution should be viewed both quantitatively and qualitatively.

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

Induction and Continuous Professional Development

The Directors are continually updated with business and market changes, and legal and regulatory developments to facilitate the discharge of their responsibilities through various Board meetings, resolutions, memorandums, Board papers, and updates on corporate governance practices and director's responsibilities under the Listing Rules, applicable laws and other relevant statutory requirements. 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 year under review:

Directors	Corporate Governance/ Updates on Laws, Rules and Regulation	Accounting/ Finance/ Management/ Other professional skills	Updates on business and market changes
Executive Directors			
Mr. Lin Qinglin	√		√
Mr. Yeung Chun Wai, Anthony	√	√	√
Ms. Wai Ching Sum	√	√	√
Mr. Wu Shiming	√		√
Mr. Yin Shouhong	√		√
Independent Non-executive Directors			
Mr. Hu Chung Ming	√	√	√
Mr. Chau On Ta Yuen	√		√
Mr. Wei Ji Min (resigned on 1 January 2015)	√		√

Securities Transactions Guidelines

The Board has adopted a code of conduct regarding directors' securities transaction on the same terms/on terms no less exacting than 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 page 40 of this annual report.

The Board has also established written guidelines on no less exacting terms than the Model Code for the relevant employee, including any employee or a director or employee of a subsidiary or holding company who, because of his office or employment, is likely to be in possession of inside information in relation to the 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 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 Board has adopted a set of consolidated memorandum of duties setting out its delegation policy. The segregation of duties and responsibilities between the Board and the management has been clearly defined and provided as internal guidelines of the Company.

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

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

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

- approving the extension of the Group's activities not in a material manner into a new geographic location or a new business;
- approving the assessment and monitoring of 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 entering into of any connected transactions not requiring disclosure under the Listing Rules;
- 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.

Board Committees

Nomination Committee

The Nomination Committee is governed by its terms of reference, which are closely aligned with the relevant Code Provisions requirements and are available on the websites of the Company and the Stock Exchange.

The main duties of the Nomination Committee include the following:

- review and supervise the structure, size and composition of the Board;
- identify qualified individuals to become members of the Board;
- assess the independence of the independent non-executive Directors;
- make recommendations to the Board on the appointment, re-appointment and succession planning of Directors, and any proposed change to the Board to implement the Company's corporate strategy; and
- monitoring the annual checks and assessment on the members of the Board, including the suitability and the sufficiency of time commitment of Directors.

During 2014, two Nomination Committee meetings were held. The attendance records of each member of the Nomination Committee at the said committee meetings are set out below:

Members of Nomination Committee	**Attendance/Number of Meeting(s) held during the tenure of membership**
Executive Director	
Mr. Lin Qinglin *(Chairman)*	2/2
Independent Non-executive Directors	
Mr. Hu Chung Ming	2/2
Mr. Chau On Ta Yuen	2/2

During the year, the Nomination Committee reviewed and/or approved the followings:

- the structure, size and composition of the Board;
- the independence of independent non-executive Directors;
- the appointment of executive Directors; and
- the sufficiency of time commitment of Directors.

The Nomination Committee adopted a "Procedure and Criteria for Nomination of Directors" in 2011, the details of which are set out below:

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 as Directors. One or more members of the Board will attend the interview.
5. Conduct verification on information provided by the candidate.
6. Convene a Board meeting to discuss and vote on which candidate to nominate or appoint to the Board.

Criteria for Nomination of Directors

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 and 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

The Company provides the Nomination Committee with sufficient resources to perform its duties. The Nomination Committee may seek independent professional advice wherever necessary and at the Company's expense, in order to perform its responsibilities.

The Company has adopted a board diversity policy ("Board Diversity Policy") in 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 the benefits of board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. The Company seeks to achieve board diversity through the consideration of a number of factors, including professional qualifications and experience, cultural and educational background, gender, age and length of service. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Board will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

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

Remuneration Committee

Remuneration of Directors

The remuneration committee of the Company (the "Remuneration Committee") was established in December 2010 pursuant to Rule 3.25 of the Listing Rules. The Remuneration Committee consults the Chairman and/or Chief Executive Officer about the remuneration proposals for other executive Directors. It meets when required to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management, and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

The Remuneration Committee is governed by its terms of reference, which were revised by the Board on 28 March 2012 pursuant to the Code. The terms of reference are made available on the websites of the Company and the Stock Exchange.

The Remuneration Committee comprises two independent non-executive Directors and one executive Director, with Mr. Hu Chung Ming as the chairman, other members are Mr. Chan Fong Kong, Francis and Mr. Lin Qinglin.

During 2014, two Remuneration Committee meetings were held. The attendance records of each member of the Remuneration Committee at the said committee meetings are set out below:

Members of Remuneration Committee	Attendance/Number of Meeting(s) held during the tenure of membership
Executive Director	
Mr. Hu Chung Ming *(Chairman)*	2/2
Independent Non-executive Directors	
Mr. Wei Jin Min (resigned on 1 January 2015)	2/2
Mr. Lin Qinglin	2/2
Mr. Chan Fong Kong, Francis (appointed on 1 January 2015)	N/A

The work performed by the Remuneration Committee during 2014 included the followings:

- review of the Company's emolument policy and structure for all Directors and senior management of the Group;
- approval of the terms of executive Directors' service contracts; and
- recommendation to the Board on the remuneration packages of all Directors and senior management.

The human resource department of the Company provides administrative support and implements the approved remuneration packages and other human resources related decisions approved by the Remuneration Committee.

Audit Committee

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

The Audit Committee currently comprises three members, namely Mr. Hu Chung Ming, Mr. Chau On Ta Yuen and Mr. Chan Fong Kong, Francis. Mr. Hu Chung Ming is the chairman of the Audit Committee. The chairman of the Audit Committee has considerable experience in accounting and financial management. The Audit Committee meets at least two times a year to review the Company's interim and annual results.

The Audit Committee is governed by its terms of reference, which were revised by the Board on 28 March 2012 pursuant to the Code. The terms of reference are made available on the websites of the Company and the Stock Exchange.

During 2014, three Audit Committee meetings were held and the attendance of each member at the Audit Committee meetings is as follows:

Members of Audit Committee	Attendance/Number of Meeting(s) held during the tenure of membership
Mr. Hu Chung Ming *(Chairman)*	3/3
Mr. Chau On Ta Yuen	3/3
Mr. Wei Jin Min (resigned on 1 January 2015)	2/3
Mr. Chan Fong Kong, Francis (appointed on 1 January 2015)	N/A

The work performed by the Audit Committee during 2014 included consideration of the following matters:

- the completeness and accuracy of the 2013 annual financial statements and 2014 interim financial statements;
- the Company's compliance with statutory and regulatory requirements; developments in accounting standards and the effect on the Company;
- the internal control report for year 2013;
- the connected transactions for year 2013;
- the terms of engagement of the external auditors;
- the nature and scope of work of the external auditors;
- the management letter prepared by the external auditors; and
- recommendations to the Board, for the approval by Shareholders, for the reappointment of HLB Hodgson Impey Cheng Limited as the external auditors.

The Audit Committee has been advised that it may seek independent professional advice at the expense of the Company wherever necessary. The Audit Committee has been also provided with sufficient resources to perform its duties.

The Audit Committee recommended to the Board that, subject to Shareholders' approval at the forthcoming annual general meeting, HLB Hodgson Impey Cheng Limited be re-appointed as the Company's external auditor for year 2015.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Company had net assets of approximately RMB245.5 million as at 31 December 2014, and the Company recorded a loss attributable to equity holders of the Company of approximately RMB22.1 million for the year ended 31 December 2014.

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

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

The statement by the auditor of the Company regarding its reporting responsibilities on the financial statements of the Group is set out in the "Independent Auditors' Report" on page 44 of this annual report.

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 46 to 134 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 on pages 6 to 14 in this annual report.

The management of the Group 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 of the Group 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 the Listing Rules.

Internal Controls

The Board is responsible for ensuring that an effective internal control system is maintained within the Group. The Directors acknowledge their responsibilities 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. Annual budgets of the Group and quarterly financial reports have been provided to the executive committee of the Board.

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 external internal audit firm. 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 external internal audit firm independently reviewed the effectiveness of the internal controls, including financial, operational and compliance, in the key activities of the Company's business. The external internal audit firm submits a detailed report at least once a year to the Board for its review and monitors the effectiveness of the system of internal control of the Group.

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

For the year of 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 has 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. The connected persons will be required to abstain from voting in general meetings. Details of the connected transactions of the Company during the year are set out in the Report of the Directors.

Auditors' Remuneration

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

Audit services	RMB793,000
Non-audit services (which included taxation compliance and agreed upon procedures)	RMB91,195

COMPANY SECRETARY

The Company engaged an external service provider as its Company Secretary since 6 June 2014. The Financial Controller of the Company is the contact person of the external service provider. Detail of the biography of the Company Secretary is set out in the "Directors and Senior Management Profile" of this annual report. During the year under review, the Company Secretary undertook over 15 hours of professional training to update her skills and knowledge.

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.

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

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

The external auditor of the Company, HLB Hodgson Impey Cheng Limited, also attended the Company's annual general meeting held on 6 June 2014 to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditors' independence.

Voting by Poll

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

Shareholders' Rights

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

In compliance with the Code, a shareholders communication policy was formulated on 28 March 2012 in order to ensure 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 will be reviewed by the Board from time to time.

Constitutional Document

During the year ended 31 December 2014, there had not been any change in the Company's Memorandum and Articles of Association.

Conclusion

Going forward, the Company will continue to work diligently to maintain the highest level of corporate transparency. The timely disclosure of relevant corporate information includes annual and interim reports, statutory announcements, corporate presentation and press releases are available on the Company's website www.le-you.hk. Enquiries and proposals to be put forward at Shareholders' meetings can also be sent to the Board or senior management of the Group by sending e-mail to enquiry@leyoutechnologies.com, or directly through the questions and answers session at Shareholders' meetings of the Company.

Directors and Senior Management Profile

Executive Directors

Mr. Lin Qinglin, aged 60, was appointed as an executive Director, the Chairman and the Chief Executive Officer of our Company on 17 December 2010. He is responsible for formulation of the overall development and business strategies of our Group at a strategic level and overseeing major management decisions of our Group.

Mr. Lin has received many honourable titles, including, inter alia, "Most Influential Entrepreneur in China" awarded by the China Economic Development Research Centre（中國經濟發展研究中心）, China Reform Forum Magazine（中國改革論壇雜誌社）and the Organising Committee of the Summit of China's most Influential Entrepreneurs"（中國最具影響力企業家峰會組委會）and "Top 10 Outstanding Management Individuals of China in 2006-2007"（2006-2007年度中國十大傑出管理人物）awarded by the China Institute of Management Science（中國管理科學研究院）, the China Future Research Institution（中國未來研究會）and the Future and Development Magazine Press（未來與發展雜誌社）. Mr. Lin is also a representative of the Fujian Province People's Congress.

Mr. Yeung Chun Wai, Anthony, aged 38, was appointed as an executive Director and the Vice Chairman of our Company on 11 June 2014. He is the Managing Partner and Chief Executive Officer of Quantum China Asset Management Limited. In addition, he is a director of a substantial shareholder of the Company, Taiping Quantum Strategic Fund, which holds 13.10% of the issued share capital of the Company (within the meaning of Part XV of the Securities and Futures Ordinance). Mr. Yeung also holds directorship in certain subsidiaries of the Group, namely Dream Beyond Holdings Limited, Dreamscape Horizon Limited, Leyou International Limited, Leyou World Limited, Leyou Multi-Media Limited and Multi Dynamic Games Group Inc..

Prior to that, Mr. Yeung has been served as Managing Director and senior executive of JP Morgan Chase Bank, N.A., Bank of America Merrill Lynch and UBS AG, mainly responsible for initiation and execution of financial products, debt & risk management, asset management and securities sales, and other related transactions in the Greater China region. Before that, he had been working with China COSCO Holdings Company Limited (stock code: 1919), a company listed on the Main Board of the Stock Exchange, as a member of senior management as well as Deputy Chief Financial Officer and Company Secretary. He has proven track records and extensive experience in corporate restructuring and rescuing, consulting, corporate finance and business negotiation with well-versed business and people network in the region. Mr. Yeung graduated from The University of Hong Kong with a Bachelor Degree in Business Administration (Accounting and Finance). He is a fellow member of Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Directors. Also, Mr. Yeung is currently an executive director, the Chairman and Chief Executive Officer of South East Group Limited (stock code: 726) and an independent non-executive director of Global Energy Resources International Group Limited (stock code: 8192), which are listed on the Main Board and the Growth Enterprise Market of the Stock Exchange respectively.

Ms. Wai Ching Sum, aged 47, was appointed as an executive Director and the Finance Director of our Company on 17 October 2014. She has been Chief Operating Officer of Quantum China Asset Management Limited. Ms. Wai also holds directorship in a subsidiary of the Group, namely Leyou International Limited.

Prior to that, Ms. Wai served as General Manager (Hong Kong region) and Company Secretary of Agile Property Holdings Limited (stock code: 3383), a company listed on the Main Board of the Stock Exchange. Before that, she served as Company Secretary of COSCO International Holdings Limited (stock code: 0517), a company listed on the Main Board of the Stock Exchange. She has proven track records and extensive experience in corporate finance, legal and compliance, investor relations and public affairs. Ms. Wai obtained a Master of Science degree in Financial Economics from The University of London, England in 1997 and a Master of Laws degree in Chinese Laws and Comparative Laws from City University of Hong Kong in 2002. She is a fellow member of The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries and possesses the Practitioner's Endorsement issued by The Hong Kong Institute of Chartered Secretaries.

Mr. Wu Shiming, aged 39, is an executive Director and deputy chief executive officer of our Company. Mr. Wu joined our Group as deputy chief executive officer in November 2010 and was appointed as an executive Director of our Company on 17 December 2010. He is responsible for overseeing the financial and operational performance of the Group.

He is a qualified intermediate accountant and he obtained such qualification after he has passed the national examination jointly organized by the Ministry of Finance and the Ministry of Personnel of the PRC. Mr. Wu has over 15 years of experiences in accounting and financial management. Mr. Wu graduated from a course in foreign economic enterprise financial accounting at Jimei University（集美大學）in 1995. Mr. Wu was appointed as an independent non-executive director of (i) China Putian Food Holding Limited (Stock Code: 1699) on 7 February 2012; (ii) Yueshou Environmental Holdings Limited (Stock Code: 1191) on 17 July 2014; and (iii) Pak Tak International Limited (Stock Code: 2668) on 24 September 2014.

Mr. Yin Shouhong, aged 47, was appointed as an executive Director of our Company on 17 December 2010. Mr. Yin has had over 20 years of experience in the food industry. Mr. Yin has been the assistant to chief executive officer and deputy chief executive officer, responsible for managing the broilers business department and production unit. He commenced his career in the food industry in Anhui Hua Feng Meat and Poultry Joint Venture Company（安徽華豐肉禽聯營公司）as the head of quality control and director of the processing plant from July 1988 to October 2001. Mr. Yin joined Fujian Sumpo in November 2001 as factory manager of the broilers processing plant. Mr. Yin also holds directorship in certain subsidiaries of the Group, namely Fujian Sumpo Food Holdings Co., Ltd., Longyan Baotai Agriculture Company Limited, Fujian Hetal Poultry Company Limited and Fujian Longzeji Feed Company Limited.

Mr. Yin graduated from a course in animal husbandry and veterinary hygiene inspection organised by Anhui Agricultural Technical Education Institute（安徽農業技術師範學院）in 1988 and obtained a manager qualification from the Occupational Skills Appraisal Centre of the Ministry of Labour and Social Security（勞動和社會保障部職業技能監定中心）in 2005.

Independent Non-executive Directors

Mr. Hu Chung Ming, aged 42, was appointed as an independent non-executive Director on 17 December 2010. Mr. Hu has been a certified practicing accountant of the Australian Society of Certified Practising Accountants since 10 March 2000 and a fellow of the Hong Kong Institute of Certified Public Accountants since January 2010. Mr. Hu worked in Ernst & Young Certified Public Accountants as an accountant from January 1997 to September 1999, and as a senior accountant from October 1999 to March 2000. Mr. Hu has been the chief financial officer of certain other companies, namely Lankom Electronics Limited from 2000 to 2003, China Flexible Packaging Holdings (中國軟包裝控股有限公司) Limited from 2003 to 2007, Yunnan Junfa Real Estate Company Limited (雲南俊發房地產有限責任公司) from 2007 to 2008 and Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (Stock Code: 1938) from 2009 to 2011 respectively. Mr. Hu is currently the chief financial officer and the company secretary of China Packaging Holdings Development Limited (Stock Code: 1439).

Mr. Hu graduated from the University of Queensland with a bachelor's degree in commerce in December 1996.

Mr. Chau On Ta Yuen, aged 67, was appointed as an independent non-executive Director on 17 December 2010. Mr. Chau is currently the chairman and an executive director of (i) China Ocean Shipbuilding Industry Group Limited (中海船舶重工集團有限公司) (Stock Code: 0651) where his directorship commenced in September 2007; and (ii) ELL Environmental Holdings Limited (強泰環保控股有限公司) (Stock Code: 1395) where his directorship commenced in March 2014. Mr. Chau is currently also an independent non-executive director of (i) Good Fellow Resources Limited (金威資源控股有限公司) (Stock Code: 0109) since July 2007; (ii) Come Sure Group (Holdings) Limited (錦勝集團(控股)有限公司) (Stock Code: 0794) since February 2009; and (iii) Redco Properties Group Limited (力高地產集團有限公司) (Stock Code: 1622) since January 2014, all of which are companies listed on the Main Board of the Stock Exchange. Mr. Chau was (i) an executive director of Everbest Energy Holdings Limited (恒發世紀控股有限公司) (Stock Code: 0578, now known as Rosan Resources Holdings Limited (融信資源控股有限公司)), a company listed on the Main Board of the Stock Exchange, from March 2000 to November 2006; (ii) an independent non-executive director of Everpride Biopharmaceutical Company Limited (中遠威生物製藥有限公司) (Stock Code: 8019, now known as Hao Wen Holdings Limited (皓文控股有限公司)), a company listed on the Growth Enterprise Market of the Stock Exchange, from June 2003 to August 2009; and (iii) an independent non-executive director of Buildmore International Limited (建懋國際有限公司) (Stock Code: 0108, now known as GR Properties Limited (國銳地產有限公司)), a company listed on the Main Board of the Stock Exchange, from December 2008 to September 2010.

Mr. Chau completed a course in Chinese literature at Xiamen University (廈門大學) in August 1968. Mr. Chau is currently a member of the 12th National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十二屆全國委員會) and a deputy officer of the Social and Legal Affairs Committee of the Chinese People's Political Consultative Conference (全國政協社會和法制委員會). He is also the vice chairman of the 9th board of directors of the Hong Kong Fujian Association (香港福建社團聯會董事會).

Mr. Chan Fong Kong, Francis, aged 38, was appointed as an independent non-executive Director on 1 January 2015. Mr. Chan has over 14 years of experience in capital investment, assurance and consultancy services industry. Mr. Chan obtained a Bachelor's Degree in Commerce, majoring in Accounting and Finance from Deakin University (Melbourne, Australia). He attained Certified Practicing Accountant status with CPA Australia. Mr. Chan is currently an independent non-executive director of China Best Group Holding Limited (Stock code: 370), a company listed on the Main Board of the Stock Exchange, and a director of New Territories General Chamber of Commerce.

Senior Management

Mr. Zhang Xiangyang, aged 43, is the deputy general manager and executive director of Fujian Sumpo. Mr. Zhang is responsible for the Group's operation and business development. Mr. Zhang has over 14 years of managerial experiences. He joined the Group in November 2009. Prior to joining the Group, he was the deputy general manager of Xiamen Sumpo Electronic Technology Group Limited from 2008 to 2009. Before that, he held various positions in Xiamen Sumpo Group Limited ("Xiamen Sumpo"). Mr. Zhang graduated from Wuhan University (武漢大學) with a bachelor's degree in electrical automation.

Mr. Chen Xi, aged 43, is assistant vice president of Fujian Sumpo Group and general manager of Xiamen Sumpo Food Trading Limited, responsible for sale and business development of the Group. Mr. Chen joined the Group in December 2009. He has over 10 years of experience in operational management. Prior to joining the Group, Mr. Chen was the general manager of Xiamen Meiweijia Catering Management Company Limited (廈門美唯佳餐飲管理有限公司), he also hold several positions in Sumpo Group before. Mr. Chen graduated from Fuzhou University major in business management.

Mr. Lin Jianqun, aged 45, is the vice chief financial officer and the secretary of the board of directors of Fujian Sumpo. Mr. Lin graduated from Xiamen University with a bachelor degree in accountancy and is also a member of The Chinese Institute of Certified Public Accountants in the PRC. He has over 20 years of experience in finance and accounting. Mr. Lin joined the Group in 2005 and is responsible for all finance and accounting matters of the Group's Mainland China subsidiaries.

Company Secretary

Ms. Huen Lai Chun, aged 49, was appointed as the company secretary and authorised representative of the Company on 9 June 2014. Ms. Huen is a fellow of The Association of Chartered Certified Accountants, and an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Ms. Huen has over 7 years of experience in handling the secretarial and compliance related matters of listed corporations.

Report of the Directors

The directors of the Company (the "Directors") are pleased to present this annual report together with the audited consolidated financial statements of the Company for the year ended 31 December 2014.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company are trading and manufacturing of chicken meat products, animal feeds and chicken breeds. There were no significant changes in the nature of the Group's principal activities during the year.

Results and Final Dividend

The Group's loss for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 46 to 134.

The board of Directors of the Company (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2014.

Summary of Financial Information

A summary of the published results, and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements and the Prospectus and restated/reclassified as appropriate, is set out on pages 135 to 136 of this annual report.

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 17 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 therefore, are set out in Note 33 to the consolidated financial statements.

A share option scheme (the "Share Option Scheme") was conditionally approved by a written resolution of the shareholders of the Company passed on 17 December 2010. The Share Option Scheme shall be valid and effective for a period of ten years commencing from 11 January 2011. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules, where appropriate.

The purpose of the Share Option Scheme is to recognise and motivate the contribution of any participant (the "Participant") which includes any full-time or part-time employee (including any executive and non-executive Director or proposed executive and non-executive Director), advisor, consultant, 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 in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Company.

An offer for grant of options must be accepted within 20 business days from the offer date. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK$1.00. The subscription price for the share under the Share Option Scheme will be a price determined by the Board at its absolute discretion at the time of the grant of the relevant option and notified to each grantee but in any case will not be less than the highest of: (i) the closing price of the Shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the Shares as stated in the daily quotation sheet issued by the Stock Exchange for the 5 trading days immediately preceding the date of the grant; or (iii) the nominal value of a share.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 30% of the Shares of the Company in issue at any time. The maximum number of Shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period, is limited to 1% of the Shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the Shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's Shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

As at the date of this annual report, the Company has not granted any option under the Share Option Scheme.

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 its existing shareholders.

Reserves

As at 31 December 2014, the Company's reserves available for distribution to equity holders comprising share premium account less accumulated losses amounted to approximately RMB78.1 million.

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 50 and Note 34 to the consolidated financial statements respectively.

Major Customers and Suppliers

For the year ended 31 December 2014, sales to the Group's largest and five largest customers accounted for approximately 12.73% and approximately 23.95% of the Group's total sales respectively. For the year ended 31 December 2014, purchases from the largest and five largest suppliers of the Group accounted for approximately 7.86% and approximately 19.65% of the Group's total purchases respectively.

None of the Directors or any of their associates or any shareholders of the Company (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 Directors' Service Contracts

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

Executive Directors:
Mr. Lin Qinglin *(Chairman and Chief Executive Officer)*
Mr. Yeung Chun Wai, Anthony *(Vice Chairman) (appointed on 11 June 2014)*
Ms. Wai Ching Sum *(Finance Director) (appointed on 17 October 2014)*
Mr. Wu Shiming
Mr. Yin Shouhong

Independent non-executive Directors:
Mr. Hu Chung Ming
Mr. Chau On Ta Yuen
Mr. Wei Ji Min *(resigned on 1 January 2015)*
Mr. Chan Fong Kong, Francis *(appointed on 1 January 2015)*

In accordance with Article 84 of the Company's Articles of Association, Messrs. Wu Shiming, Yin Shouhong and Hu Chung Ming will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Article 83(3) of the Company's Articles of Association, Messrs. Yeung Chun Wai, Anthony, Wai Ching Sum and Chan Fong Kong, Francis will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

Directors' and Senior Management's Biographies

Biographical details of the Directors and the senior management of the Group are set out on pages 32 to 35 of this annual report.

Directors' Service Contracts

Each of the executive Directors of the Company has entered into a service contract with the Company with a term of three years starting from the Listing Date or the date of appointment or re-election.

The Company has entered into a formal letter of appointment with each of the independent non-executive Director. Details of the terms of appointment of the current Independent non-executive Directors can be found in the Corporate Governance Report contained on page 20 in this annual report.

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

Directors' Interests in Contracts

Save as the Directors' service contracts disclosed above and the connected transactions mentioned below, no Director had a material interest, either directly or indirectly, in any contract of significance to which the Company or any of its subsidiaries was a party at any time during the year or at the end of the year.

Directors' Emoluments

The Directors' emoluments are subject to shareholders' approval at general meetings. The emoluments to be received by the Directors will be determined by the Board based on the adopted remuneration policy reviewed by the Remuneration Committee of the Company, with reference to the Directors' qualification and experience, responsibilities undertaken, contribution to the Group, and the prevailing market level of remuneration of similar position.

Emolument Policy and Long-Term Incentive Plan

To attract and retain talent and calibre, the Company provides a competitive remuneration package to its executive Directors and senior management. This comprises basic monthly salary and long-term incentive plan which includes share option scheme to subscribe for the Shares of the Company. 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 emoluments payable to the Directors and senior management are set out in Notes 11 and 12 to the consolidated financial statements.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2014, none of the Directors or chief executives of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

As at 31 December 2014, the interests or short positions of the persons (other than the Directors or chief executives of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Long position in Shares and underlying Shares of the Company

Name of shareholder	**Capacity/nature of interests**	**Number of ordinary shares held**	**Percentage of the Company's issued share capital** *(Note 2)*
Taiping Quantum Strategic Fund	Beneficial owner	261,000,000	13.10%
Quantum China Asset Management Limited	Investment manager	284,000,000 *(Note 1)*	14.26%
Mr. Lai Aizhong	Beneficial owner	200,000,000	10.04%

Note:

1. Represents the aggregate number of Shares held by investment funds managed by Quantum China Asset Management Limited, namely, Taiping Quantum China Opportunities Fund and Taiping Quantum Strategic Fund, which held 23,000,000 Shares and 261,000,000 Shares respectively.

2. Based on 1,992,000,000 shares of the Company in issue as of 31 December 2014, the percentages are rounded to two decimal places.

Save as disclosed above, as at 31 December 2014, no person (other than the Directors or chief executives of the Company) had any interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

Sufficiency of Public Float

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

Continuing Connected Transactions

During the year, the Group conducted certain continuing connected transactions with Fujian Ronghecheng Food Group Company Limited ("Ronghecheng Food Corporation") (being a non-wholly owned subsidiary of an associate of Mr. Lin Qinglin). Details of the continuing connected transactions are as follows:

On 28 December 2012, the Group entered into two renewed supply agreements in respect of agricultural side products (collectively, the "Renewed Supply Agreements (Side Products)") with Ronghecheng Food Corporation, an associate of Mr. Lin Qinglin, pursuant to which the Group agreed to supply to Ronghecheng Food Corporation:

(1) all chicken blood produced during the slaughtering process at a price of RMB0.001 per head of broiler slaughtered for the purpose of the production of blood powder, provided that the Group may make appropriate adjustment to the price with reference to the market price of blood powder; and

(2) all chicken feathers produced during the slaughtering process at a price of RMB0.05 per head of broiler slaughtered for the purpose of the production of feather powder, provided that the Group may make appropriate adjustment to the price with reference to the market price of feather powder.

The selling prices of chicken blood and chicken feathers were determined based on market prices, which were not less favourable than those available from or offered by independent third parties.

The Group shall have the absolute discretion to sell the chicken blood and chicken feathers to any other parties. The Group shall invoice Ronghecheng Food Corporation for the price of the chicken blood and chicken feathers sold within 10 days after the end of each month and Ronghecheng Food Corporation shall make the payment within 20 days after the end of each month.

To the best knowledge of the Directors, Ronghecheng Food Corporation will mix such chicken blood with pig blood to make blood powder and use chicken feathers to make feather powder.

The Renewed Supply Agreements (Side Products) shall be for a term of 3 years commencing from 1 January 2013 to 31 December 2015 (both days inclusive) and may be renewable upon expiry by way of agreement between the parties.

It was expected that the aggregate amount of purchase price payable by Ronghecheng Food Corporation per year will not exceed RMB1,500,000 for the year ended 31 December 2013 and RMB1,700,000 and RMB1,700,000 for the years ending 31 December 2014 and 2015 respectively.

For the year ended 31 December 2014, the aggregate amount of purchase price paid by Ronghecheng Food Corporation was approximately RMB1,500,000.

Annual Review of Continuing Connected Transactions

The independent non-executive Directors have reviewed the above continuing connected transactions for the year ended 31 December 2014 and have confirmed that these continuing connected transactions are entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) in accordance with the terms of respective agreements governing the transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with Rule 14A.56 of the Listing Rules, the Company engaged the auditors of the Company to perform certain agreed upon procedures on the continuing connected transactions in accordance with Hong Kong Standards on Assurance Engagement 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have reported to the Board that the transactions:

(1) have been approved by the Board;

(2) are, in all material respects, in accordance with the pricing policies of the Company;

(3) have been entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(4) have not exceeded the caps disclosed in the Company's announcement dated 28 December 2012.

Related Party Transactions

Details of the related party transactions of the Group for the year ended 31 December 2014, which included the continuing connected transactions disclosed above and other connected transactions of the Group are set out in Note 38 to the consolidated financial statements. The Directors (including the independent executive Directors) believe that the related party transactions set out in the Note 38 to the consolidated financial statements were carried out in the ordinary course of business of the Company and were on normal commercial terms.

Save as the continuing connected transactions disclosed above, no other transaction listed in Note 38 to the consolidated financial statements constitutes a connected transaction of the Company required to be disclosed pursuant to Chapter 14A of the Listing Rules.

Directors' Interests in Competing Business

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

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

Save as disclosed below, 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.

On 17 April 2014, the Company agreed to place 332,000,000 Shares to no less than six independent placees. The placing was completed on 29 April 2014. For details, please refer to the paragraph headed "Financial Resources" above.

Directors' Interests in Contracts

Details of the continuing connected transactions and material related party transactions are set out in the Report of the Directors and Note 38 to the consolidated financial statements.

Save for the above, no contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at any time during the year or at the end of the year.

Interests of Controlling Shareholders in Contracts

Save as disclosed in this annual report, no contracts of significance had been entered into by the Company or its subsidiaries with the controlling shareholders and their subsidiaries at any time during the year.

Corporate Governance Practices and Corporate Governance Report

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 15 to 31 in this annual report.

Auditors

The financial statements of the Company for the year have been audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the Company's forthcoming annual general meeting. A resolution for the reappointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year will be proposed at the Company's forthcoming annual general meeting.

On behalf of the Board
Lin Qinglin
Chairman

Hong Kong, 30 March 2015

Independent Auditors' Report

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

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

TO THE SHAREHOLDERS OF
LEYOU TECHNOLOGIES HOLDINGS LIMITED
(FORMERLY KNOWN AS SUMPO FOOD HOLDINGS LIMITED)
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Leyou Technologies Holdings Limited (formerly known as Sumpo Food Holdings Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 134, 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 loss 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	**1,226,077**	1,041,847
Cost of sales		**(1,115,606)**	(982,174)
Gross profit		**110,471**	59,673
Other revenue and gains	7	**16,570**	25,450
Change in fair value less costs to sell of biological assets	22	**(2,068)**	3,252
Net gain on financial assets at fair value through profit or loss	10	**5,557**	2,197
Fair value of agricultural produce on initial recognition	21	**97,330**	100,353
Reversal of fair value of agricultural produce due to hatch and disposals	21	**(101,608)**	(98,415)
Selling and distribution expenses		**(32,204)**	(19,911)
Administrative expenses		**(63,084)**	(38,418)
Finance costs	8	**(13,251)**	(10,963)
Other operating expenses		**(27,222)**	(34,036)
Loss before taxation		**(9,509)**	(10,818)
Taxation	9	**(509)**	(672)
Loss for the year	10	**(10,018)**	(11,490)
Other comprehensive loss for the year, net of income tax:			
Other comprehensive income for the year, net of income tax		**–**	–
Total comprehensive loss for the year		**(10,018)**	(11,490)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(10,250)**	(12,762)
Non-controlling interests		**232**	1,272
		(10,018)	(11,490)
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(10,250)**	(12,762)
Non-controlling interests		**232**	1,272
		(10,018)	(11,490)
Loss per share			
Basic and diluted (RMB cents per share)	15	**(0.51)**	(0.77)

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	17	**346,758**	343,870
Investment property	18	**923**	959
Biological assets	22	**5,432**	14,056
Prepaid lease payments	19	**49,708**	50,616
Prepayment for prepaid lease payments		**18,072**	18,010
Deferred tax assets	16	**3,824**	4,286
		424,717	431,797
Current assets			
Inventories	21	**127,312**	105,689
Biological assets	22	**9,396**	3,154
Trade receivables	23	**33,197**	29,538
Deposits paid, prepayments and other receivables	24	**114,079**	45,949
Prepaid lease payments	19	**1,346**	1,298
Financial assets at fair value through profit or loss	25	**59,004**	32,469
Pledged bank deposits	26	**8,064**	–
Cash and bank balances	26	**128,332**	108,717
		480,730	326,814
Current liabilities			
Trade payables	27	**38,920**	34,113
Accruals, deposits received and other payables	28	**60,337**	52,269
Obligation under finance lease	32	**491**	–
Bank borrowings	29	**257,820**	187,000
		357,568	273,382
Net current assets		**123,162**	53,432
Total assets less current liabilities		**547,879**	485,229

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Equity			
Share capital	33	**167,392**	141,007
Reserves	34	**325,742**	312,102
Equity attributable to owners of the Company		**493,134**	453,109
Non-controlling interests		**14,733**	14,501
Total equity		**507,867**	467,610
Non-current liabilities			
Obligation under finance lease	32	**1,921**	–
Debenture	31	**3,163**	–
Deferred revenue	30	**34,928**	17,619
		40,012	17,619
Total equity and non-current liabilities		**547,879**	485,229

Approved by the Board of Directors on 30 March 2015 and signed on its behalf by:

Lin Qinglin
Executive Director

Yeung Chun Wai, Anthony
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			
Property, plant and equipment	17	**774**	490
Investment in subsidiaries	20	**–**	–
		774	490
Current assets			
Deposits paid, prepayments and other receivables	24	**255**	492
Amounts due from subsidiaries	20	**215,411**	213,754
Financial assets at fair value through profit or loss	25	**18,939**	–
Cash and bank balances	26	**16,475**	3,582
		251,080	217,828
Current liabilities			
Accruals, deposits received and other payables	28	**3,160**	979
		3,160	979
Net current assets		**247,920**	216,849
Total assets less current liabilities		**248,694**	217,339
Equity			
Share capital	33	**167,392**	141,007
Reserves	34	**78,139**	76,332
Total equity		**245,531**	217,339
Non-current liability			
Debenture	31	**3,163**	–
		3,163	–
Total equity and non-current liability		**248,694**	217,339

Approved by the Board of Directors on 30 March 2015 and signed on its behalf by:

Lin Qinglin	**Yeung Chun Wai, Anthony**
Executive Director	*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

	Equity attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000 Note 34(a)	Statutory reserve RMB'000 Note 34 (b)	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non–controlling interests RMB'000	Total equity RMB'000
As at 1 January 2013	141,007	113,622	17,423	5,205	41,343	38,193	109,078	465,871	13,229	479,100
(Loss)/profit for the year	–	–	–	–	–	–	(12,762)	(12,762)	1,272	(11,490)
Total comprehensive (loss)/income for the year	–	–	–	–	–	–	(12,762)	(12,762)	1,272	(11,490)
Transfer to statutory reserve	–	–	–	–	3,283	–	(3,283)	–	–	–
As at 31 December 2013 and 1 January 2014	141,007	113,622	17,423	5,205	44,626	38,193	93,033	453,109	14,501	467,610
(Loss)/profit for the year	–	–	–	–	–	–	(10,250)	(10,250)	232	(10,018)
Total comprehensive (loss)/income for the year	–	–	–	–	–	–	(10,250)	(10,250)	232	(10,018)
Issue of shares under placing	26,385	26,385	–	–	–	–	–	52,770	–	52,770
Transaction cost on placement of shares	–	(2,495)	–	–	–	–	–	(2,495)	–	(2,495)
Transfer to statutory reserve	–	–	–	–	1,614	–	(1,614)	–	–	–
As at 31 December 2014	**167,392**	**137,512**	**17,423**	**5,205**	**46,240**	**38,193**	**81,169**	**493,134**	**14,733**	**507,867**

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		
Loss before taxation	(9,509)	(10,818)
Adjustments for:		
Interest income	(156)	(158)
Dividend received	(1,525)	–
Interest expenses	13,251	10,963
Loss on disposal of property, plant and equipment	2,113	22
Depreciation and amortisation	30,109	26,017
Impairment losses recognised on other receivables	–	2,766
Reversal of impairment recognised on other receivables	(150)	(323)
Fair values of agricultural produce on initial recognition	(97,330)	(100,353)
Reversal of fair values of agricultural produce due to hatch and disposals	101,608	98,415
Net gain on financial assets at fair value through profit or loss	(5,557)	(2,197)
Change in fair values less costs to sell of biological assets	2,068	(3,252)
Operating cash flows before movements in working capital	34,922	21,082
Decrease in biological assets	314	5,266
Increase in trade receivables	(3,659)	(5,259)
Increase in deposits paid, prepayments and other receivables	(68,643)	(22,851)
Increase in financial assets at fair value through profit or less	(20,978)	–
Increase in inventories	(25,901)	(34,916)
Increase in trade payables	4,807	14,801
Increase/(decrease) in accruals, deposits received and other payables	8,068	(13,419)
Cash used in operations	(71,070)	(35,296)
Interest paid	(13,251)	(10,963)
Income tax paid	(47)	130
Net cash used in operating activities	(84,368)	(46,129)

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
Investing activities		
Dividends received	**1,525**	–
Interest received	**156**	158
Proceeds from disposal of property, plant and equipment	**399**	239
Purchase of property, plant and equipment	**(27,554)**	(39,921)
Purchase of prepaid lease payment	**(486)**	–
Prepayment of prepaid lease payment	**(3,325)**	–
(Increase)/decrease in pledged bank deposits	**(8,064)**	36,622
Increase/(decrease) in deferred revenue	**17,309**	(1,897)
Net cash used in investing activities	**(20,040)**	(4,799)
Financing activities		
Repayments of bank borrowings	**(217,000)**	(11,492)
Proceeds from bank borrowings	**290,983**	40,000
Repayment of obligation under finance lease	**(235)**	–
Issue of shares	**52,770**	–
Payment for transaction costs attributable to issue of shares	**(2,495)**	–
Net cash generated from financing activities	**124,023**	28,508
Net increase/(decrease) in cash and cash equivalents	**19,615**	(22,420)
Cash and cash equivalents at beginning of the year	**108,717**	131,137
Cash and cash equivalents at the end of the year	**128,332**	108,717

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

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 22 February 2010 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of 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 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 principal activity of the Company is investment holdings. The activities of its principal subsidiaries are set out in Note 20 to the consolidated financial statements.

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") (which included all HKFRSs, Hong Kong Accounting Standards ("HKASs") and interpreations) issued by the Hong Kong Institute of Certified Public Accountants (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

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.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 – *Investment Entities* (continued)

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.

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.

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

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.

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)	Disclosure 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.

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

HKFRS 9 – *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was 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.

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.

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

HKFRS 9 – *Financial Instruments* (continued)

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.

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.

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

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.

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.

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

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.

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.

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

Amendments to HKAS 27 – *Equity Method in Separate Financial Statements* (continued)

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.

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.

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

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.

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 shortterm 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.

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

Annual Improvements to HKFRSs 2010-2012 Cycle (continued)

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.

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.

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

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. 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 and by the disclosure requirements of the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for biological assets and agricultural produce and certain financial instruments 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business 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.

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 year are included in the consolidated statement of profit or loss and other comprehensive income from the date 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 attributed 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 intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business consolidation (continued)

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 specified/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 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly 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.

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 the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (continued)

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 noncontrolling 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-bytransaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by 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 considered 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 being made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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

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 (see above), 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 as of that date.

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

(a) Sales of goods

Revenue is recognised when goods are delivered at the customers' premises which are taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(b) Rental income

Rental income received under operating leases is recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the term of lease. Contingent rentals are recognised income in the accounting period in which they are earned.

(c) 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 consolidated financial statements are presented in Renminbi ("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 difference 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.

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 entity under the heading of exchange reserve.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue 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.

Retirement benefit costs

Retirement benefits to employees are provided through defined contribution plans.

The Group contributes to a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries.

The employees of the Group’s subsidiary which operates in the People’s Republic of China (the “PRC”) are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit and loss as they become payable in accordance with the rules of the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group’s obligations under these plans are limited to the fixed percentage contributions payable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company'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 bases 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 and associates, and interests in joint ventures, 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 each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

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 effects 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 provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual values, 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

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

Buildings	10-30 years
Machinery and equipment	3-10 years
Motor vehicles	5-10 years
Tools	3-5 years

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

Investment property

Investment property is a building component held for long-term rental yields and is not occupied by the Group.

The investment property is initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (if any). Depreciation is calculated using a straight-line method to allocate the depreciable amount over the estimated useful lives of 30 years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are measured 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.

Agricultural produce is included under inventories at its fair value less costs to sell at the point of lay, subsequently included under inventory and stated at the lower of cost and net realisable value.

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 and agricultural produce

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.

Agricultural produce, which comprises broiler eggs, is initially measured at its fair value less costs to sell at the point of lay. Any resultant gain or loss recognised in consolidated statement of profit or loss and other comprehensive income.

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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 profit or loss.

Financial assets

The Group's financial assets are classified into two of the four categories, including financial assets at fair value through profit or loss ("FVTPL") and 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.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading.

A financial asset is classified as held for trading if:

(a) it has been acquired principally for the purpose of selling it in the near term; or

(b) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

(c) it is a derivative that is not designated and effective as a hedging instrument.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL (continued)

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other operating expenses' line item.

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, prepayments 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, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where 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 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 71 – 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 instruments

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 Instruments

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

Other financial liabilities

Financial liabilities (including trade payables, accruals, deposits received and other payables, obligation under finance lease, debenture 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 expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when a financial asset is transferred, the Group has transferred substantially 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 recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a 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, 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 join 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.

(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 partent, 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 which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties transactions (continued)

(b) (continued)

(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 outflow 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 the inflows of economic benefits are probable. When inflows are virtually certain, assets are recognised.

Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

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

4. 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 entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

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

(a) Impairment of property, plant and equipment and investment property

The Group reviews its property, plant and equipment and investment property for indications of impairment at the end of 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) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management reassesses these estimations at the end of the reporting period to ensure inventories are shown at the lower of cost and net realisable value.

(c) Impairment of trade and other receivables

The Group makes impairment of trade and other receivables based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairment arises where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade receivables and doubtful debt expenses in the reporting period in which such estimate has been changed.

(d) Depreciation and amortisation

Items of property, plant and equipment and prepaid lease payments are depreciated 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 and amortisation expense 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 and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

(e) Income taxes

Determining income tax provisions involve judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

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

(f) Fair values of biological assets and agricultural produce

The fair value less costs to sell of breeders and Parent Stock Day-Old Chicks are determined using the income approach. The income approach focuses on the income-producing capability of the breeders. It assumes the value of breeders can be measured by the present worth of the net economic benefit to be received over the useful life of breeders. Discounted cash flow method had been used in the valuation. The value depends on the present worth of future economic benefits to be derived from the ownership of breeders. The value is calculated by discounting future cash flows generated from the asset to their present worth at a market-derived rate of return appropriate for the risks and hazards of investing in similar asset.

The fair value less costs to sell of chicken breeds is determined using the market approach. The market approach assumes sales of Parent Stock Day-Old Chicks and chicken breeds in their existing state and making reference to similar sales or offerings or listings of comparable assets on the market.

The independent qualified professional valuer and management review the assumptions and estimates periodically to identify any significant change in the fair value of biological assets and agricultural produce. Details of the assumptions used are disclosed in note 22.

5. SEGMENT INFORMATION

Segment information has been identified on the basis of internal management reports which are prepared in accordance with accounting policies which conform to HKFRSs that are regularly reviewed by the chief operating decision maker in order to allocate resources to the reportable segments and to assess their performance.

For the purpose of resources allocation and performance assessment, the Group's executive directors, chief operating decision makers, review operating results and financial information by divisions, which are organised by business lines. Where any group company is operating in similar business model, selling similar products and subject to a similar target group of customers, they are aggregated into the following reportable segments according to the nature of each company:

Chicken meat:	The chicken meat segment carries on the business of slaughtering, production and sales of chicken meat.
Chicken breeds:	The chicken breeds segment carries on the business of hatching of broiler eggs and breeding of Parent Stock Day-Old Chicks.
Animal feeds:	The animal feeds segment carries on the business of feeds production.

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 31 December 2014

	Chicken Meats RMB'000	Chicken breeds RMB'000	Animal feeds RMB'000	Elimination RMB'000	Total RMB'000
Segment results					
External segment revenue	754,996	93,281	377,800	–	1,226,077
Inter-segment revenue	659,545	88,476	106,496	(854,517)	–
Segment revenue	1,414,541	181,757	484,296	(854,517)	1,226,077
Segment results	40,526	40,853	22,746	–	104,125
Unallocated revenue and gains					16,570
Unallocated gain on financial assets at fair value through profit or loss					5,557
Unallocated selling and distribution expenses					(32,204)
Unallocated administrative expenses					(63,084)
Unallocated other operating expenses					(27,222)
Profit from operations					3,742
Finance costs					(13,251)
Loss before taxation					(9,509)
Other segment items included in the consolidated statement of profit or loss and other comprehensive income					
Interest income					
– allocated	57	15	84	–	156
– unallocated					–
					156
Interest expenses					
– allocated	5,689	2,857	4,367	–	12,913
– unallocated					338
					13,251
Depreciation of property, plant and equipment					
– allocated	14,845	9,885	3,748	–	28,478
– unallocated					249
					28,727
Amortisation of prepaid lease payments					
– allocated	1,006	73	267	–	1,346

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

For the year ended 31 December 2013

	Chicken Meats RMB'000	Chicken breeds RMB'000	Animal feeds RMB'000	Elimination RMB'000	Total RMB'000
Segment results					
External segment revenue	646,824	71,059	323,964	–	1,041,847
Inter-segment revenue	616,538	68,551	122,080	(807,169)	–
Segment revenue	1,263,362	139,610	446,044	(807,169)	1,041,847
Segment results	10,239	39,963	14,661	–	64,863
Unallocated revenue and gains					27,647
Unallocated selling and distribution expenses					(19,911)
Unallocated administrative expenses					(38,418)
Unallocated other operating expenses					(34,036)
Profit from operations					145
Finance costs					(10,963)
Loss before taxation					(10,818)
Other segment items included in the consolidated statement of profit or loss and other comprehensive income					
Interest income					
– allocated	43	13	101	–	157
– unallocated					1
					158
Interest expenses					
– allocated	5,063	2,077	3,461	–	10,601
– unallocated					362
					10,963
Depreciation of property, plant and equipment					
– allocated	14,020	6,628	3,797	–	24,445
– unallocated					203
					24,648
Amortisation of prepaid lease payments					
– allocated	1,007	25	301	–	1,333
Impairment loss recognised on other receivables					
– allocated	134	–	2,632	–	2,766

5. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

As at 31 December 2014

	Chicken meats RMB'000	Chicken breeds RMB'000	Animal feeds RMB'000	Elimination RMB'000	Total RMB'000
Segment assets and liabilities					
Segment assets	**426,945**	**133,751**	**256,049**	**–**	**816,745**
Unallocated assets					**88,702**
Total assets					**905,447**
Segment liabilities	**153,763**	**51,808**	**182,514**	**–**	**388,085**
Unallocated liabilities					**9,495**
Total liabilities					**397,580**
Capital expenditures*					
– allcoated	**2,165**	**13,600**	**15,062**	**–**	**30,827**
– unallcoated					**3,301**
					34,128

As at 31 December 2013

	Chicken meats RMB'000	Chicken breeds RMB'000	Animal feeds RMB'000	Elimination RMB'000	Total RMB'000
Segment assets and liabilities					
Segment assets	411,681	160,122	180,805	–	752,608
Unallocated assets					6,003
Total assets					758,611
Segment liabilities	113,994	35,169	110,750	–	259,913
Unallocated liabilities					31,088
Total liabilities					291,001
Capital expenditures *					
– allcoated	17,427	17,467	5,022	–	39,916
– unallcoated					5
					39,921

* Capital expenditures consist of additions to property, plant and equipment.

5. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (continued)

Reportable segment's assets are reconciled to total assets as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Segment assets for reportable segment	**816,745**	752,610
Unallocated:		
Property, plant and equipment	**8,466**	496
Investment property	**923**	959
Financial assets at fair value through profit or loss	**59,004**	–
Cash and bank balances	**16,690**	3,703
Other receivables and deposits	**3,619**	843
Total assets	**905,447**	758,611

Reportable segment's liabilities are reconciled to total liabilities as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Segment liabilities for reportable segment	**388,085**	259,913
Unallocated:		
Bank borrowings	**–**	30,000
Obligation under finance lease	**2,412**	–
Debenture	**3,163**	–
Other payables	**3,920**	1,088
Total liabilities	**397,580**	291,001

Geographical information

The Group's revenue, assets, liabilities and capital expenditure are principally attributable to a single geographical region, which is the PRC and accordingly, no further geographical segment information is presented.

5. SEGMENT INFORMATION (CONTINUED)

Other information

Revenue from major products

The Group's revenue from its major products is as follows:

	Group For the year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Chicken meat products	**754,996**	646,824
Animal feeds	**377,800**	323,964
Chicken breeds	**93,281**	71,059
	1,226,077	1,041,847

Information about major customers

For the year ended 31 December 2014, revenue generated from one customer (2013: one customer) of the Group amounting to approximately RMB156,112,000 (2013: approximately RMB120,056,000) has individually accounted for over 10% of the Group's total revenue. No other single customer contributed 10% or more to the Group's revenue for both years ended 31 December 2013 and 2014.

Revenue from a major customer, it amounted to 10% or more of the Group's revenue is set out below:

	Group For the year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Customer A	**156,112**	120,056

6. REVENUE

The principal activities of the Group are the trading and manufacturing of chicken meat products, animal feeds and chicken breeds. The amount of each significant category of turnover recognised during the year is as follows:

	Group For the year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Chicken meat products	**754,996**	646,824
Animal feeds	**377,800**	323,964
Chicken breeds	**93,281**	71,059
	1,226,077	1,041,847

7. OTHER REVENUE AND GAINS

	Group For the year ended 31 December 2014 RMB'000	2013 RMB'000
Interest income on:		
Bank deposits	**156**	158
Total interest income	**156**	158
Sales of side products and related products, net	**6,976**	12,396
Gain on disposal of property, plant and equipment	**–**	43
Government grants (Note)	**6,261**	11,056
Reversal of impairment loss recognised on other receivables	**150**	323
Dividend income	**1,525**	–
Rental income	**317**	423
Exchange gain	**708**	599
Sundry income	**477**	452
	16,570	25,450

Note:

Government grants included subsidies income received by subsidiaries 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 qualifying assets. Subsidies income received by subsidiaries of the Group are 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 qualifying assets are recognised as deferred revenue (Note 30). The government grants recognised at the year ended 31 December 2013 and 2014 are non-recurring. There are no unfulfilled conditions or contingencies relating to these government grants.

8. FINANCE COSTS

	Group For the year ended 31 December 2014 RMB'000	2013 RMB'000
Interest on:		
– Bank borrowings wholly repayable within five years	**12,914**	10,963
– Debenture wholly repayable over five years	**275**	–
– Obligation under finance lease	**62**	–
	13,251	10,963

9. TAXATION

	Group For the year ended 31 December 2014 RMB'000	2013 RMB'000
PRC enterprise income tax		
– current year	**47**	246
Deferred tax (Note 16)		
– current year	**462**	426
Income tax expense	**509**	672

	Group For the year ended 31 December 2014 RMB'000	2013 RMB'000
Loss before taxation	**(9,509)**	(10,818)
National tax on loss before income tax calculated at rates applicable to profits in the countries concerned	**(397)**	4,902
Tax exemption for subsidiaries operating in the PRC	**(5,854)**	(1,483)
Tax effect of the expense not deductible for tax purpose	**194**	2,401
Tax effect of income not taxable for tax purpose	**(1,012)**	(7,510)
Under provision for previous years	**–**	(246)
Tax effect of unrecognised temporary difference	**462**	(426)
Tax effect of tax loss not recognised	**7,116**	3,034
	509	672

Notes:

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

(b) No provision for Hong Kong profits tax has been made as the Group did not have assessable profits subject to Hong Kong profits tax during the reporting period.

(c) Pursuant to the income tax rules and regulations of the PRC, the companies comprising the Group in the PRC are liable to PRC Enterprise Income Tax ("EIT") at a tax rate of 25% for the years ended 31 December 2013 and 2014, except for the following:

(i) Pursuant to the Ministry of Finance's Notice on Preferential Enterprise Income Tax on Agricultural Products (《國家税務總局關於發佈享受企業所得税優惠政策的農產品初加工範圍(試行)的通知》) ("Order [2008] No. 149"), issued on 20 November 2008, effective on 1 January 2008, Fujian Sumpo Food Holdings Co., Ltd ("Fujian Sumpo") is entitled to EIT exemption with respect to the income derived from the processing of frozen chicken meat products during the period between 1 January 2008 and 7 September 2018.

Fujian Baojiashun Food Development Limited ("Fujian Baojiashun") is also entitled to EIT exemption with respect to the income derived from the processing of frozen chicken meat products during the period between 1 January 2014 to 31 December 2014.

(ii) Pursuant to the Ministry of Finance's Notice on Preferential EIT (《國家税務總局關於企業所得税若干優惠政策的通知》) ("Order 1994 No. 001"), issued on 29 March 1994, effective on 1 January 1994, and the Ministry of Finance's Approval on the Implementation of Preferential Income Tax for Newly Established Enterprises (《國家税務總局關於新辦企業所得税優惠執行口徑的批覆》) ("Order 2003 No. 1239") issued on 18 November 2003, Longyan Baotai Agriculture Company Limited ("Longyan Baotai") is entitled to EIT exemption with respect to the income derived from broilers breeding during the reporting period.

Fujian Hetai Poultry Company Limited ("Fujian Hetai") is also entitled to EIT exemption with respect to the income derived from broilers breeding during the period between 1 January 2014 to 31 December 2014.

(iii) Longyan Baotai is also entitled to exemption from the value-added tax during the period between 1 December 2005 and 1 November 2025.

(iv) According to the notice issued by the State Council (the "Notice"), enterprises which are entitled to enjoy tax incentive shall have a grace period of five years commencing from 1 January 2008 before they are required to pay the corporate income tax at the rate of 25%. Before the promulgation of the new PRC EIT Law, as Xiamen Sumpo Food Trading Limited ("Xiamen Sumpo Food") is located in the Xiamen Special Economic Zone, it was only required to pay corporate income tax at the reduced rate of 15%. As a result of the new PRC tax law and the Notice, it was required to pay corporate income tax at the reduced rate of 24% for the year ended 31 December 2011 and 25% for the year ended 31 December 2012 and onwards.

9. TAXATION (CONTINUED)

Notes: (continued)

(d) Pursuant to the new PRC EIT Law, from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 5% or 10% on various types of passive income such as dividends derived from sources in the PRC. Distributions of the pre-2008 earnings are exempt from the above-mentioned withholding tax. Dividends received by the Group from its PRC subsidiaries are subject to the above-mentioned withholding tax.

No deferred tax liabilities were provided in respect of the tax that would be payable on the distribution of the retained profits as the Group determined that the retained profits as at 31 December 2014 would not be distributed in the foreseeable future.

10. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	Group	
	For the year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Staff costs including directors' remuneration (Note 11)	**15,580**	16,819
Retirement schemes benefits	**3,252**	2,252
Total staff costs	**18,832**	19,071
Depreciation of property, plant and equipment (Note 17)	**28,727**	24,648
Amortisation of investment property (Note 18)	**36**	36
Amortisation of prepaid lease payments (Note 19)	**1,346**	1,333
Total depreciation and amortisation	**30,109**	26,017
Auditors' remuneration	**793**	1,000
Impairment loss recognised on other receivables	**–**	2,766
Research and development costs	**5,354**	6,768
Operating lease rental expenses	**1,089**	697
Loss on disposal of property, plant and equipment	**2,113**	65

Net gain on financial assets at fair value through profit or loss:

	Group	
	For the year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Proceeds on sales	**(1,732)**	(36,623)
Less: Cost of sales	**2,525**	36,000
Net realised loss/(gain) on financial assets at fair value through profit or loss	**793**	(623)
Unrealised gain on financial assets at fair value through profit or loss	**(6,350)**	(1,574)
Net gain on financial assets at fair value through profit and loss	**(5,557)**	(2,197)

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The aggregate amounts of emoluments paid by the Group to the directors of the Company during the reporting period are as follows:

	Group For the year ended 31 December 2014 RMB'000	2013 RMB'000
Directors' fees	**96**	144
Salaries, allowances and benefits in kind	**3,063**	2,280
Discretionary bonus	**1,344**	–
Retirement schemes contributions	**88**	38
	4,591	2,462

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

The Group

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2014					
Chairman and chief executive officer:					
Mr. Lin Qinglin	**–**	**951**	**–**	**13**	**964**
Executive directors:					
Mr. Wu Shiming	**–**	**761**	**–**	**13**	**774**
Mr. Yin Shouhong	**–**	**500**	**–**	**50**	**550**
Mr. Yeung Chun Wai, Anthony (Vice Chairman)(note (a))	**–**	**697**	**1,344**	**8**	**2,049**
Ms. Wai Ching Sum (Finance director)(note(b))	**–**	**154**	**–**	**4**	**158**
Independent non-executive directors:					
Mr. Chau On Ta Yuen	**48**	**–**	**–**	**–**	**48**
Mr. Hu Chung Ming	**48**	**–**	**–**	**–**	**48**
Mr. Wei Ji Min (note (c))	**–**	**–**	**–**	**–**	**–**
	96	**3,063**	**1,344**	**88**	**4,591**
For the year ended 31 December 2013					
Chairman and chief executive officer:					
Mr. Lin Qinglin	–	961	–	12	973
Executive directors:					
Mr. Wu Shiming	–	769	–	12	781
Mr. Yin Shouhong	–	550	–	14	564
Independent non-executive directors:					
Mr. Chau On Ta Yuen	48	–	–	–	48
Mr. Hu Chung Ming	48	–	–	–	48
Mr. Wei Ji Min (note (c))	48	–	–	–	48
	144	2,280	–	38	2,462

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

The Group (continued)

Notes:

(a) Mr. Yeung Chun Wai, Anthony has been appointed as executive director and vice chairman of the board dated on 11 June 2014.

(b) Ms. Wai Ching Sum has been appointed as executive director and finance director of the Company dated on 17 October 2014.

(c) Mr. Wei Ji Min has resigned as an independent non-executive director dated on 1 January 2015.

12. EMPLOYEES EMOLUMENTS

The five individuals whose emoluments were the highest in the group for the year included two directors with their emolument stated in Note 11 with the remaining three (2013: three) directors whose emoluments are reflected in the analysis below:

	Group For the year ended 31 December	
	2014 **RMB'000**	2013 RMB'000
Salaries, allowances and benefits in kind	**5,271**	1,698
Retirement schemes contributions	**110**	23
	5,381	1,721

The number of these non-directors, highest paid employees whose remuneration fell within the following band is as follows:

	Group For the year ended 31 December	
	2014 **RMB'000**	2013 RMB'000
Nil to RMB793,000 (equivalents to HK$1,000,000)	**2**	2

During the reporting period, 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).

The number of senior management (excluding directors) whose emoluments fell within the following band is as follows:

	Group For the year ended 31 December	
	2014	2013
Nil to RMB793,000 (equivalents to HK$1,000,000)	**3**	3

13. LOSS OF THE COMPANY

The net loss for the year dealt with in the financial statements of the Company amounted to approximately RMB22,083,000 (2013: net loss of approximately RMB16,004,000).

14. DIVIDENDS

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

15. LOSS PER SHARE

	Group For the year ended 31 December **2014** **RMB'000**	 2013 RMB'000
Loss		
Loss attributable to owners of the Company for the purpose of calculating basic loss per share	**(10,250)**	(12,762)

	2014 **'000**	2013 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**1,992,000**	1,660,000

Diluted loss per share were same as the basic loss per share as there were no potential dilutive ordinary shares in existence for both of the reporting periods.

16. DEFERRED TAX ASSETS

The movements of the deferred tax assets during the reporting period are as follows:

	Group **Deferred revenue** RMB'000
As at 1 January 2013	4,712
Charge to profit or loss (Note 9)	(426)
As at 31 December 2013 and 1 January 2014	4,286
Charge to profit or loss (Note 9)	(462)
As at 31 December 2014	**3,824**

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Tools RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
As at 1 January 2013	226,063	168,484	14,290	6,196	23,139	438,172
Additions	15,599	6,140	207	596	17,379	39,921
Disposals	–	(561)	(2,076)	–	–	(2,637)
Transfer	26,044	2,808	–	–	(28,852)	–
As at 31 December 2013 and 1 January 2014	267,706	176,871	12,421	6,792	11,666	475,456
Additions	6,657	4,151	3,385	148	19,787	34,128
Disposals	(10,360)	(3,571)	(564)	(784)	–	(15,279)
Transfer	1,150	96	–	–	(1,246)	–
As at 31 December 2014	**265,153**	**177,547**	**15,242**	**6,156**	**30,207**	**494,305**
Accumulated depreciation						
As at 1 January 2013	42,721	56,924	5,194	4,475	–	109,314
Provided for the year	8,204	14,411	1,685	348	–	24,648
Disposals	–	(516)	(1,860)	–	–	(2,376)
As at 31 December 2013 and 1 January 2014	50,925	70,819	5,019	4,823	–	131,586
Provided for the year	12,280	14,739	1,255	453	–	28,727
Disposals	(8,931)	(2,720)	(393)	(722)	–	(12,766)
As at 31 December 2014	**54,274**	**82,838**	**5,881**	**4,554**	**–**	**147,547**
Net book values						
As at 31 December 2014	**210,879**	**94,709**	**9,361**	**1,602**	**30,207**	**346,758**
As at 31 December 2013	216,781	106,052	7,402	1,969	11,666	343,870

Note:

The property, plant and equipment with net book amount of approximately RMB31,822,000 at the end of the reporting period (2013: approximately RMB58,243,000), are pledged as collaterals for the Group's bank borrowings. Please refer to note 41 for details.

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost			
As at 1 January 2013	451	537	988
Additions	5	–	5
As at 31 December 2013 and 1 January 2014	456	537	993
Additions	59	594	653
Disposals	–	(537)	(537)
As at 31 December 2014	**515**	**594**	**1,109**
Accumulated depreciation			
As at 1 January 2013	89	215	304
Provided for the year	91	108	199
As at 31 December 2013 and 1 January 2014	180	323	503
Provided for the year	95	104	199
Disposals	–	(367)	(367)
As at 31 December 2014	**275**	**60**	**335**
Net book values			
As at 31 December 2014	**240**	**534**	**774**
As at 31 December 2013	276	214	490

18. INVESTMENT PROPERTY

	Group As at 31 December 2014 RMB'000	2013 RMB'000
Cost		
As at 1 January 2013, 31 December 2013 and 31 December 2014	**1,187**	1,187
Accumulated depreciation		
At the beginning of the year	**228**	192
Charge for the year	**36**	36
At the end of the year	**264**	228
Net book values	**923**	959

The investment property is located in PRC, on land with land use right of 30 years.

The fair values of the investment property was approximately RMB3,500,000 at the end of the reporting period (2013: approximately RMB3,500,000). The fair values of the investment property of the Group at the end of the reporting periods has been arrived at on the basis of a valuation carried out at that date by Asset Appraisal Limited (the "Valuer") and have appropriate qualifications and recent experiences in the valuation of properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

19. PREPAID LEASE PAYMENTS

	Group As at 31 December **2014** **RMB'000**	 2013 RMB'000
Cost		
At the beginning of the year	**57,943**	57,943
Additions	**486**	–
At the end of the year	**58,429**	57,943
Accumulated depreciation		
At the beginning of the year	**6,029**	4,696
Charge for the year	**1,346**	1,333
At the end of the year	**7,375**	6,029
Net book values	**51,054**	51,914
Analysed for reporting purposes as:		
Current assets	**1,346**	1,298
Non-current assets	**49,708**	50,616
	51,054	51,914

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

The prepaid lease payments with net book amount of approximately RMB42,208,000 at the end of the reporting period (2013: approximately RMB43,215,000), are pledged as collaterals for the Group's bank borrowings. Please refer to note 41 for details.

20. INVESTMENT IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

	Company As at 31 December 2014 RMB'000	2013 RMB'000
Unlisted shares, at cost	**–**	–
Amounts due from subsidiaries	**215,411**	213,754
	215,411	213,754

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

Name of subsidiary	Place of incorporation	Paid up capital RMB'000	Percentage of equity interest and voting power attributable to the company Direct %	Indirect %	Principal activities
Sumpo International Holdings Limited	BVI	34	100	–	Investment holding
Fujian Sumpo	PRC	218,000	–	94.84	Manufacturing and trading of animal feeds, trading of poultry, processing and trading of meat and meat product
Longyan Baotai	PRC	60,000	–	94.84	Breeding and sales of poultry commodity broilers, chicken breeds, aquatic products and provision of breeding techniques consultancy services
Xiamen Sumpo Food	PRC	30,000	–	94.84	Sales of packaged food products
Fujian Hetai	PRC	50,000	–	94.84	Breeding and sales of poultry commodity broilers, chicken breeds, aquatic products and provision of breeding techniques consultancy services
Fujian Baojiashun	PRC	180,000	–	94.84	Processing and trading of meat and meat product

20. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES (CONTINUED)

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

Name of subsidiary	Place of incorporation	Paid up capital RMB'000	Percentage of equity interest and voting power attributable to the company Direct %	Indirect %	Principal activities
Fujian Longzeji Feed Company Limited ("Fujian Longzeji")	PRC	30,000	–	94.84	Manufacturing and trading of animal feeds
Shanghai Xiantong International Trading Limited ("Shanghai Xiantong)")	PRC	6,000	–	94.84	Sales of packaged food products
Dream Beyond Holdings Limited	BVI	–	100%	–	Investment holdings
Leyou International Limited (formerly known as Leyou Technologies Holdings Limited)	HK	–	–	100%	Investment holdings
Leyou World Ltd	HK	–	–	100%	Investment holdings
Dreamscape Horizon Limited	BVI	–	–	100%	Investment holdings
Leyou Multi-Media Limited	HK	–	–	100%	Investment holdings
Multi Dynamic Games Group Inc. ("Multi Dynamic Games")	Canada	–	–	100%	Investment holdings

In addition, the directors of the Company made an assessment as at the date of initial application of HKFRS 12 and at the end of the reporting period. In the opinion of the directors, there is no subsidiary that have non-controlling interest individually that are material to the Group and therefore no information is disclosed for these non-wholly owned subsidiaries.

Significant restrictions

Cash and short-term deposits of RMB held in the PRC are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the PRC, other than through normal dividends.

21. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	Group As at 31 December	
	2014	2013
	RMB'000	RMB'000
Frozen meats	**87,047**	64,455
Animal feeds	**5,006**	2,952
Processed foods	**2,811**	3,063
Agricultural produce	**6,966**	11,245
Raw materials (Note)	**24,281**	20,599
Wine	**195**	2,477
Consumables	**82**	92
Packaging	**924**	806
	127,312	105,689

Note:

Included in the raw materials were mainly raw materials for the production of animal feeds, such as corn, wheat, soya meal and additives.

The analysis of the amount of inventories recognised as an expense is as follows:

	Group As at 31 December	
	2014	2013
	RMB'000	RMB'000
Carrying amount of inventories sold	**977,747**	869,901
Fair value of agricultural produce on initial recognition	**(97,330)**	(100,353)
Reversal of fair value of agricultural produce due to hatch and disposals	**101,608**	98,415
	982,025	867,963

The Group is exposed to a number of risks related to biological assets and agricultural produce. In addition to the financial risk disclosed in note 37, the Group is exposed to the following operation risks:

(a) Regulatory and environmental risks

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

21. INVENTORIES (CONTINUED)

(b) Climate, disease and other natural risks

The Group's biological assets and agricultural produce are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including but not limited to regular inspections, disease controls, surveys and insurance.

Principal assumptions for valuation of agricultural produce

The following principal assumptions have been adopted by the 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 breeders are free from any animal diseases, including but not limiting to avian 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;

(e) the life cycle, natural mortality rates and infertility rates of that particular breed of breeders as given by the Group are fair and reasonable and egg laying pattern of that particular breed of breeders is not materially different from that as shown in the Arbor Acres Plus (AA+) Parent Stock Performance Objectives as published by Aviagen Group which is the developer of AA+ branded chicken;

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

(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 breeders 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 breeders.

21. INVENTORIES (CONTINUED)

The qualification of the Valuer

The Group's agricultural produce were independently valued by 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 (the "MRICS"), professional member of the Hong Kong Institute of Surveyors (the "MHKIS"), professional member of the China Institute of Real Estate Appraisal (the "CIREA"), charterholder of the Chartered Financial Analyst Institute (the "CFA") and member of the Global Association of Risk Professional (the "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 (the "IVSC") which encourages their respective members to adopt and use the International Valuation Standards (including relevant standards on Biological Asset Valuation) laid down by the 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, the directors are of the view that the Valuer is competent to determine the fair value of the Group's biological assets.

Physical count of agricultural produce

The Group currently has two hatching facilities. After the mature breeders grown from parent stock day-old chicks lay the broiler eggs, the Group collect and deliver the same to the hatching facilities. The Group select those broiler eggs that can satisfy the quality requirements. Broiler eggs are incubated in machines and the Group carefully monitor and maintain the optimum temperature and humidity throughout the entire hatching process. It generally takes approximately 21 days for broiler eggs to be hatched. Hatched chicken breeds are inspected, selected, vaccinated and then delivered to either the Group's broiler breeding farms or the contract farmers.

The following steps have been taken for undertaking the physical counting by the Valuer:

- to obtain the housekeeper records in relation to the number of broiler eggs in the hatching facilities as at the relevant reporting date and the counting date;
- to obtain the housekeeper records in relation to the daily movement on the number of broiler eggs in the hatching facilities between the relevant reporting date and the counting date;
- to count the number of broiler eggs in the hatching facilities; and
- to work out the number of broiler eggs as at the relevant reporting date by rolling back the counted number from the counting date to the relevant reporting date using the warehouse records as mentioned above.

21. INVENTORIES (CONTINUED)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of agricultural produce:

- 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 prices 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 asset or liability that are not based on observable market data (unobservable inputs).

As at 31 December 2014

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Agricultural produce				
Broiler eggs	**–**	**6,966**	**–**	**6,966**

As at 31 December 2013

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Agricultural produce				
Broiler eggs	–	11,245	–	11,245

Type	**Fair value hierarchy**	**Valuation technique and key input**	**Significant unobservable inputs**
Broiler eggs	Level 2	The fair value of broiler eggs is determined by using the market approach with reference to market-determined prices.	• Average market prices of broiler eggs: RMB2.00 per egg (2013:RMB2.50 per egg)

Selling price of broiler eggs sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in selling price of broiler eggs, with all other variables held constant, of the Group's profit before taxation (through the impact on changes in selling price of broiler eggs).

21. INVENTORIES (CONTINUED)

	Increase/(decrease) in profit before taxation For the year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Increase of selling price of 5%	**245**	562
Decrease of selling price of 5%	**(245)**	(562)

22. BIOLOGICAL ASSETS

Movements of the biological assets are summarised as follows:

Group

	Parent Stock Day-Old Chicks and immature breeders	**Mature breeders**	**Chicken breeds**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2013	2,102	12,407	4,715	19,224
Increase due to purchases	6,011	–	–	6,011
Increase due to raising (Feeding cost and others)	3,493	–	122,961	126,454
Transfer	(5,973)	5,973	–	–
Decrease due to retirement and deaths	–	(13,286)	–	(13,286)
Decrease due to sales	–	–	(124,445)	(124,445)
Change in fair value less costs to sell	4,145	(816)	(77)	3,252
As at 31 December 2013 and 1 January 2013	9,778	4,278	3,154	17,210
Increase due to purchases	645	–	–	645
Increase due to raising (Feeding cost and others)	6,332	–	101,266	107,598
Transfer	(11,671)	11,671	–	–
Decrease due to retirement and deaths	–	(10,451)	–	(10,451)
Decrease due to sales	–	–	(98,106)	(98,106)
Change in fair value less costs to sell	(5,084)	(66)	3,082	(2,068)
As at 31 December 2014	**–**	**5,432**	**9,396**	**14,828**

22. BIOLOGICAL ASSETS (CONTINUED)

The numbers of biological assets are summarised as follows:

	Group	
	As at 31 December	
	2014	2013
	’000	’000
Parent Stock Day-Old Chicks and immature breeders	**–**	161
Mature breeders	**130**	106
Chicken breeds	**699**	521
At the end of the year	**829**	788

Analysed for reporting purposes as:

	Group	
	As at 31 December	
	2014	2013
	RMB’000	RMB’000
Non-current assets	**5,432**	14,056
Current assets	**9,396**	3,145
At the end of the year	**14,828**	17,210

The Group is exposed to a number of risks related to biological assets. In addition to the financial risk disclosed in note 37, the Group is exposed to the certain operation risks which are similar to agricultural produce. Please refer to note 21 for details.

22. BIOLOGICAL ASSETS (CONTINUED)

Principal assumptions for valuation of biological assets

The following principal assumptions have been adopted by the 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 breeders are free from any animal diseases, including but not limiting to avian 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;

(e) the life cycle, natural mortality rates and infertility rates of that particular breed of breeders as given by the Group are fair and reasonable and egg laying pattern of that particular breed of breeders is not materially different from that as shown in the Arbor Acres Plus (AA+) Parent Stock Performance Objectives as published by Aviagen Group which is the developer of AA+ branded chicken;

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

(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 breeders 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 breeders.

22. BIOLOGICAL ASSETS (CONTINUED)

The qualification of the Valuer

The Group's biological assets were independently valued by 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. Please refer to note 21 for details.

Physical count of biological assets

The Group currently has three breeder farms and five broiler breeding farms on which various sheds are erected. Parent Stock DayOld Chicks and chicken breeds are moved into a shed at the same time such that all chickens within a shed would be in the same stage of life cycle. For administration purposes, the housekeeper of the shed would keep proper records on the number of chickens moved into the shed and also the number of chicken remaining alive inside the shed every day throughout the breeding period. After the breeding period, the shed would be vacated by moving out all the chickens for sale or for slaughtering. Cages of prescribed dimensions that can contain a certain number of mature breeders or broilers are used for carrying the chickens from the sheds to the prescribed destinations.

The following steps have been taken for undertaking the physical counting by the Valuer:

- to confirm with the Company the time when the chickens are mature enough for moving out from the sheds for sale or for slaughtering;
- to obtain the housekeeper records in relation to the number of chickens in the sheds by the time when they are moved out from the sheds;
- to obtain the housekeeper records in relation to the daily reduction on the number of chickens within the sheds between the relevant reporting date and the date when they are moved out;
- to count the number of cages containing the chickens at the entrance of the sheds when they are moved out from the sheds; and
- to work out the number of chicken breeds/broilers or breeders as at the relevant reporting date by rolling back the counted number from the counting date to the relevant reporting date using the warehouse records as mentioned above.

22. BIOLOGICAL ASSETS (CONTINUED)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of biological assets:

- 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 prices 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 asset or liability that are not based on observable market data (unobservable inputs).

As at 31 December 2014

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Biological assets				
Parent Stock Day-Old Chicks and immature breeders	–	–	–	–
Mature breeders	–	–	5,432	5,432
Chicken breeds	–	9,396	–	9,396
Total biological assets	–	9,396	5,432	14,828

As at 31 December 2013

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Biological assets				
Parent Stock Day-Old Chicks and immature breeders	–	–	9,778	9,778
Mature breeders	–	–	4,278	4,278
Chicken breeds	–	3,154	–	3,154
Total biological assets	–	3,154	14,056	17,210

22. BIOLOGICAL ASSETS (CONTINUED)

Fair value hierarchy (continued)

Type	Fair value hierarchy	Valuation technique and key input	Significant unobservable inputs
Biological assets			
Parent stock day-old chicks and immature breeders and mature breeders	Level 3	The fair value less costs to sell of parent stock day-old chicks and immature breeders and mature breeders are determined by using the income approach based on present value of expected net profit discounted at market determined discounted rate.	• The discount rate in the discounted cash flow adopted model is 21.83% (2013: 24.27%), which has been developed by the capital asset pricing model. The selling price of broiler eggs adopted in the discounted cash flow is RMB2.00 per egg (2013: RMB2.50 per egg). The production costs adopted in the discounted cash flow is RMB304 per head 2013: RMB309 per head).
Chicken breeds	Level 2	The fair value of chicken breeds is determined by using the market approach with reference to market determined prices.	• Average market prices of chicken breeds: RMB9.85 per chicken (2013: RMB6.06 per chicken).

Sensitivity analysis

Discount rate sensitivity analysis for present stock day-old chicks and immature breeders and mature breeders

The following table demonstrates the sensitivity to a reasonably possible change in discount rate, with all other variables held constant, of the Group's profit before taxation (through the impact on changes in discount rate).

	Increase/(decrease) in profit before taxation	
	For the year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Increase of discount rate of 5%	**(73)**	(440)
Decrease of discount rate of 5%	**73**	440

22. BIOLOGICAL ASSETS (CONTINUED)

Sensitivity analysis (continued)

Selling price of broiler eggs sensitivity analysis for parent stock day-old chicks and immature breeders and mature breeders

The following table demonstrates the sensitivity to a reasonably possible change in selling price of broiler eggs, with all other variables held constant, of the Group's profit before taxation (through the impact on changes in selling price of broiler eggs).

	Increase/(decrease) in profit before taxation For the year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Increase of selling price of 5%	**681**	2,110
Decrease of selling price of 5%	**(681)**	(2,110)

Production costs sensitivity analysis for parent stock day-old chicks and immature breeders and mature breeders

The following table demonstrates the sensitivity to a reasonably possible change in production costs, with all other variables held constant, of the Group's profit before taxation (through the impact on changes in production costs).

	Increase/(decrease) in profit before taxation For the year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Increase of production costs of 5%	**(516)**	(1,510)
Decrease of production costs of 5%	**516**	1,510

Selling price sensitivity analysis for chicken breeds

The following table demonstrates the sensitivity to a reasonably possible change in selling price, with all other variables held constant, of the Group's profit before taxation (through the impact on changes in selling price).

	Increase/(decrease) in profit before taxation For the year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Increase of selling price of 5%	**427**	158
Decrease of selling price of 5%	**(427)**	(158)

23. TRADE RECEIVABLES

	Group As at 31 December 2014 RMB'000	2013 RMB'000
Trade receivables	**33,605**	29,946
Less: Impairment loss recognised	**(408)**	(408)
	33,197	29,538

The Group normally allows a credit period ranging from 15 to 70 days. The ageing analysis of trade receivables, net of impairment is as follows:

	Group As at 31 December 2014 RMB'000	2013 RMB'000
Within 30 days	**29,953**	27,447
31 days to 70 days	**742**	2,022
71 days to 180 days	**2,502**	69
	33,197	29,538

23. TRADE RECEIVABLES (CONTINUED)

Certain trade receivables that were past due but not impaired. These related to a number of independent customers for whom there were no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group As at 31 December	
	2014	2013
	RMB'000	RMB'000
Overdue by:		
1 day to 110 days	**2,502**	69

At the end of the reporting period, trade receivables of approximately RMB408,000 (2013: approximately RMB408,000) were impaired and had been fully provided for. These receivables mainly related to wholesales in unexpected difficult economic situations. The ageing of these receivables are as follows:

	Group As at 31 December	
	2014	2013
	RMB'000	RMB'000
Over 180 days	**408**	408

Movements of impairment loss recognised on trade receivables:

	Group As at 31 December	
	2014	2013
	RMB'000	RMB'000
At the beginning of the year	**408**	408
Reversal of impairment loss recognised	**–**	–
Impairment loss recognised	**–**	–
At the end of the year	**408**	408

The creation and release of provision for impairment of trade receivables have been included in administrative expenses. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

The trade receivables are denominated in RMB.

There is no concentration of credit risk with respect to trade receivable as the Group has a large number of customers.

24. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	Group As at 31 December		Company As at 31 December	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deposits paid, prepayments and other receivables	**117,190**	49,210	**255**	492
Less: Impairment loss recognised	**(3,111)**	(3,261)	**–**	–
	114,079	45,949	**255**	492

Deposits paid, prepayments and other receivables

	Group As at 31 December		Company As at 31 December	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advances to staff	**866**	628	**–**	–
Amounts due from related parties (Note 38(d))	**3,262**	521	**–**	–
Deposits paid and prepayments (Note (a))	**4,534**	5,922	**255**	492
Deposits paid and prepayments for purchase of property, plant and equipment	**9,899**	2,897	**–**	–
Deposits paid and prepayments to suppliers (Note (b))	**59,660**	7,665	**–**	–
Government grant receivables	**1,357**	–	**–**	–
Other receivables	**6,508**	5,977	**–**	–
VAT recoverable (Note (c))	**31,104**	25,600	**–**	–
	117,190	49,210	**255**	492
Less: Impairment loss recognised	**(3,111)**	(3,261)	**–**	–
	114,079	45,949	**255**	492

Notes:

(a) As at 31 December 2014, an amount of approximately RMB1,824,000 (2013: approximately RMB2,118,000) was prepayment for repair and maintenance of breeding facilities.

(b) The amount was mainly related to guarantees paid to, against other, raw materials suppliers to secure a stable supply of raw material as requested by such suppliers.

(c) As at 31 December 2013 and 2014, the VAT recoverable was mainly for the machinery and equipment purchased during the year.

24. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

Movements of impairment loss recognised on deposits paid, prepayments and other receivables are as follows:

	Group As at 31 December **2014** **RMB'000**	 2013 RMB'000
At the beginning of the year	**3,261**	818
Reversal of impairment loss recognised	**(150)**	(323)
Impairment loss recognised	**–**	2,766
At the end of the year	**3,111**	3,261

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group As at 31 December **2014** **RMB'000**	 2013 RMB'000	Company As at 31 December **2014** **RMB'000**	 2013 RMB'000
Held for trading:				
– Listed equity securities in the PRC (Note (a))	**–**	121	**–**	–
– Listed equity securities in the HK (Note (a))	**18,939**	–	**18,939**	–
– Unlised equity securities in the PRC (Note (b))	**40,065**	32,348	**–**	–
	59,004	32,469	**18,939**	–

Notes:

(a) Fair value is determined with reference to quoted market bid prices.

(b) The Group holds 0.56% of the paid up capital of Xiamen Bank Company Limited ("Xiamen Bank"), a company engaged in the business of banking for small and medium size enterprise of the local economy. The directors of the Group do not believe that the Group is able to exercise significant influence over Xiamen Bank.

The unlisted equity securities are measured at fair value and are classified as Level 3 fair value measurement (see note 37(c)). The fair value of the unlisted equity securities are estimated by International Valuation Limited. The valuation was arrived at by reference to market comparables which are the closest proxies to Xiamen Bank with similar industry focus, risk and nature.

At the end of the reporting period, the Group had been pledged of 0.56% of the paid up capital of Xiamen Bank to secure the general banking facilities which granted to the Group's bank borrowings. Please refer to the note 29.

26. PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES

	Group As at 31 December		Company As at 31 December	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**128,332**	108,717	**16,475**	3,582
Pledged bank deposits (Note 41)	**8,064**	–	**–**	–
	136,396	108,717	**16,475**	3,582

Cash and bank balance comprise:

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 0.35% to 0.50% per annum during the reporting period (2013: 0.35%). The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Included in the cash and bank balances at the end of the reporting period were amounts in RMB of approximately RMB119,707,000 (2013: approximately RMB105,015,000) which are not freely convertible into other currencies.

Non-cash transactions:

During the year ended 31 December 2014, the Group entered into following non-cash investing activities which is not reflected in the consolidated statement of cash flow.

During the year ended 31 December 2014, the addition of property, plant and equipment of approximately RMB6,338,000 which has been paid in previous year and accounted in deposit and prepayments for property, plant and equipment.

The Group acquired an motor vehicle of approximately RMB2,647,000 under a finance lease.

27. TRADE PAYABLES

	Group As at 31 December	
	2014	2013
	RMB'000	RMB'000
Trade payables	**38,920**	34,113

27. TRADE PAYABLES (CONTINUED)

The ageing analysis of trade payables is as follows:

	Group As at 31 December 2014 RMB'000	Group As at 31 December 2013 RMB'000
Within 30 days	**35,847**	32,923
31 to 90 days	**1,138**	1,146
91 to 180 days	**1,164**	44
Over 180 days	**771**	–
	38,920	34,113

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

28. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	Group As at 31 December		Company As at 31 December	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Deposits received	**18,507**	1,529	**–**	–
Amount due to a related party (Note 38(e))	**139**	–	**–**	–
Accruals and other payables	**41,691**	50,740	**3,160**	979
	60,337	52,269	**3,160**	979

29. BANK BORROWINGS

	Group As at 31 December 2014 RMB'000	Group As at 31 December 2013 RMB'000
Bank borrowings – secured	**223,000**	177,000
Loan from other bank facilities	**34,820**	10,000
Total bank borrowings	**257,820**	187,000

29. BANK BORROWINGS (CONTINUED)

Carrying amount repayable:

	Group As at 31 December 2014 RMB'000	2013 RMB'000
On demand or within one year	**257,820**	187,000
Over five years	**–**	–
Total bank borrowings	**257,820**	187,000
Less: Amounts due within one year shown under current liabilities	**(257,820)**	(187,000)
	–	–

Bank borrowings at:

	Group As at 31 December 2014 RMB'000	2013 RMB'000
– floating interest rate	**257,820**	65,000
– fixed interest rate	**–**	122,000
	257,820	187,000

As at 31 December 2013 and 2014, 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 values.

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

	Group As at 31 December 2014	2013
Bank borrowings	**5.0%-6.6%**	5.0%-6.0%

29. BANK BORROWINGS (CONTINUED)

During the reporting period, the Group's bank borrowings were secured by:

(a) the Group's property, plant and equipment with a carrying amount of approximately RMB31,822,000 (2013: approximately RMB58,243,000).

(b) the Group's prepaid lease payments with a carrying amount of approximately RMB42,208,000 (2013: approximately RMB43,215,000).

(c) the Group's bank deposits of approximately RMB8,064,000 was pledged to secure bank borrowing of the Group as at 31 December 2014 (2013: Nil).

(d) the Group was pledged 0.56% of the paid up capital of Xiamen Bank to secure bank borrowings with amount of approximately RMB30,000,000 as at 31 December 2014 (2013: Nil).

30. DEFERRED REVENUE

At the end of the reporting period, the Group has unused government grants in relation to the construction of qualifying assets of approximately RMB15,723,000 (2013: approximately RMB17,619,000) of which will be recognized upon construction of qualifying assets; and the government compensation in relation to qualified assets dismantling of approximately RMB19,205,000. The aforementioned government grants and government compensation are not repayable.

31. DEBENTURE

	Group and Company As at 31 December	
	2014	2013
	RMB'000	RMB'000
Unsecured debenture at 5%	**3,163**	–

As at 31 December 2014, the Group and the Company had issued debenture amount of approximately RMB3,943,000 (equivalent to HKD 5,000,000) to an independent third party.

The debenture bear interest 5% per annum, are unsecured and repayable on 19 January 2021.

32. OBLIGATION UNDER FINANCE LEASE

The Group and the Company

The Group and the Company leased certain of its motor vehicles under finance lease.

	Minimum lease payments 2014 RMB'000	Present values of minimum lease payments 2014 RMB'000
Amounts payable under finance lease:		
Within one year	595	491
In the second to fifth year, inclusive	2,083	1,921
	2,678	–
Less: Future finance charges	(266)	–
Present value of finance lease	2,412	
Less: amount due for settlement within one year		(491)
Amount due for settlement after one year		1,921

The Group and the Company leased a motor vehicle under finance lease. The lease term is 5 years. Interest rates underlying an obligation under finance lease is fixed as 2.5% per annum at the contract date.

The Group and the Company obligation under finance lease is secured by the lessor's title to the leased asset.

Finance lease obligation is dominated in Hong Kong dollars, currency other than the functional currency of the relevant group entity.

33. SHARE CAPITAL

The Group and the Company

	Number of shares	Nominal value of ordinary shares	
		HK$'000	RMB'000
Authorised:			
As at 1 January, 31 December 2013 and 2014 ordinary shares of HK$0.1 each	4,000,000,000	400,000	320,000
Issued and fully paid:			
As at 1 January, 31 December 2013 and 2014 ordinary shares of HK$0.1 each	1,660,000,000	165,999	141,007
Issued of shares under placing (note)	332,000,000	33,200	26,385
Balance as at 31 December 2014	**1,992,000,000**	**199,199**	**167,392**

Note:

On 29 April 2014, the Company placed and issued 332,000,000 new ordinary shares under placing and at the placing price of HK$0.2 per shares. The net proceeds of approximately HK$66.4 million was utilized by the Group as its general working capital.

34. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the consolidated financial statement.

(a) Exchange reserve

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

(b) Statutory reserve

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

34. RESERVES (CONTINUED)

The Company

	Share premium	Accumulated loss	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2013	113,622	(21,286)	92,336
Loss for the year	–	(16,004)	(16,004)
Total comprehensive loss for the year	–	(16,004)	(16,004)
As at 31 December 2013 and 1 January 2014	113,622	(37,290)	76,332
Loss for the year	–	(22,083)	(22,083)
Total comprehensive loss for the year	–	(22,083)	(22,083)
Issue of shares under placing	26,385	–	26,385
Transaction cost on placement of shares	(2,495)	–	(2,495)
As at 31 December 2014	**137,512**	**(59,373)**	**78,139**

35. 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.

36. 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, debenture, obligation under finance lease and equity attributable to owners of the Company (comprising issued share capital, share premium, reserves and retained earnings).

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

36. CAPITAL RISK MANAGEMENT (CONTINUED)

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

	Group As at 31 December	
	2014	2013
	RMB'000	RMB'000
Total borrowings	**263,395**	187,000
Total assets	**905,447**	758,611
Gearing ratio (%)	**29%**	25%

37. FINANCIAL INSTRUMENTS AND FAIR VALUES

(a) Categories of financial instruments

	Group As at 31 December	
	2014	2013
	RMB'000	RMB'000
Financial assets		
Financial assets at fair value through profit of loss		
– Held for trading	**59,004**	32,469
Loans and receivables (including cash and bank balances)		
– Trade receivables	**33,197**	29,538
– Deposits paid, prepayments and other receivables	**10,636**	7,458
– Pledged bank deposits	**8,064**	–
– Cash and bank balances	**128,332**	108,717
Financial liabilities		
Amortised cost		
– Trade payables	**38,920**	34,113
– Accruals, deposits received and other payables	**41,830**	50,740
– Bank borrowings	**257,820**	187,000
– Obligation under finance lease	**2,412**	–
– Debenture	**3,163**	–

37. FINANCIAL INSTRUMENTS AND FAIR VALUES (CONTINUED)

(a) Categories of financial instruments (continued)

	Company As at 31 December	
	2014	2013
	RMB'000	RMB'000
Financial assets		
Financial assets at fair value through profit or loss	**18,939**	–
Loans and receivables (including cash and bank balances)		
– Amounts due from subsidiaries	**215,411**	213,754
– Cash and bank balances	**16,475**	3,582
Financial liabilities		
Amortised cost		
– Accruals, deposits received and other payables	**3,160**	979
– Debenture	**3,163**	–

(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 payables, accruals, deposits received and other payables, financial assets at fair value through profit or loss, pledged bank deposit, cash and bank balances, debenture, obligation under finance lease and bank borrowings. Details of these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

It is the risk that a counterparty is unable to pay amount in full when due. It arises primarily from the Group's trade receivables. The Group limits its exposure to credit risk by rigorously selecting counterparties. The Group mitigates its exposure to risk relating to trade receivables by dealing with diversified customers with sound financial standing. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. In addition, all receivables balances are monitored on an ongoing basis and overdue balances are followed up by senior management. The Group diversified business base ensures that there are no significant concentrations of credit risk for a particular customer. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

37. FINANCIAL INSTRUMENTS AND FAIR VALUES (CONTINUED)

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

Interest rate risk

(i) Exposure to 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 has not used any interest rate swaps to hedge its exposure to interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

(ii) Sensitive analysis

At 31 December 2014, if interest rates at the date had been 100 basis points higher/lower with all other variables held constant, the Group's loss for the year would increase/decrease by RMB133,000 (2013: RMB100,000). This is mainly attributable to the Group's exposure as result of increase/decrease interest expense on short term bank loans net off with interest income from bank deposits.

Business risk

The Group is exposed to financial risks arising from changes in prices of livestock and livestock's agricultural produce 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 livestock 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.

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.

37. FINANCIAL INSTRUMENTS AND FAIR VALUES (CONTINUED)

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

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.

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	More than five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2014							
Non-derivative financial liabilities							
Trade payables	–	38,920	–	–	–	38,920	38,920
Accruals, deposits received and other payable	–	41,830	–	–	–	41,830	41,830
Bank borrowings	5.6%	257,820	–	–	–	257,820	257,820
Obligation under finance lease	2.5%	595	595	1,488	–	2,678	2,412
Debenture	9.4%	197	197	591	2,965	3,950	3,163
		339,362	792	2,079	2,965	345,198	344,145

37. FINANCIAL INSTRUMENTS AND FAIR VALUES (CONTINUED)

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

Group (continued)

	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	More than five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2013							
Non-derivative financial liabilities							
Trade payables	–	34,113	–	–	–	34,113	34,113
Accruals, deposits received and other payable	–	50,740	–	–	–	50,740	50,740
Bank borrowings	5.3%	187,000	–	–	–	187,000	187,000
		271,853	–	–	–	271,853	271,853

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**	**More than five years RMB'000**	**Total undiscounted cash flows RMB'000**	**Carrying amount RMB'000**
As at 31 December 2014							
Non-derivative financial liabilities							
Accruals, deposits received and other payable	**–**	**3,160**	**–**	**–**	**–**	**3,160**	**3,160**
Debenture	**9.4%**	**197**	**197**	**591**	**2,965**	**3,950**	**3,163**
		3,357	**197**	**591**	**2,965**	**7,110**	**6,323**

37. FINANCIAL INSTRUMENTS AND FAIR VALUES (CONTINUED)

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

Company (continued)

	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	More than five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2013							
Non-derivative financial liabilities							
Accruals, deposits received and other payable	–	979	–	–	–	979	979

(c) Fair value

Fair value hierarchy

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 measurements are observable and the significance of the inputs to the fair value measurements in its entirety.

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices 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 asset or liability that are not based on observable market data (unobservable inputs).

37. FINANCIAL INSTRUMENTS AND FAIR VALUES (CONTINUED)

(c) Fair value (continued)

Fair value hierarchy (continued)

As at 31 December 2014

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets				
Financial assets at fair value through profit or loss	**18,939**	**–**	**40,065**	**59,004**

As at 31 December 2013

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Financial assets at fair value through profit or loss	121	–	32,348	32,469

Reconciliation of Level 3 fair value measurements of financial assets

	2014 RMB'000	2013 RMB'000
As at 1 January 2013 and 1 January 2014	**32,348**	30,792
Purchases	**–**	–
Fair value gain in profit or loss	**7,717**	1,556
As at 31 December 2014	**40,065**	32,348

The above fair value gain included in the consolidated statement of profit or loss and other comprehensive income for the current year related to investment in financial assets at fair value through profit or loss (Note 25) held at the end of the reporting period.

37. FINANCIAL INSTRUMENTS AND FAIR VALUES (CONTINUED)

(c) Fair value (continued)

Fair value hierarchy (continued)

Reconciliation of Level 3 fair value measurements of financial assets (continued)

Type	Fair value hierarchy	Valuation technique and key input	Significant unobservable inputs
Financial assets			
Financial assets at fair value through profit or loss Unlisted equity securities 2014: RMB40,065,000 2013: RMB32,348,000	Level 3	Using the market approach, a price over net book value ("P/B ratio") was used by analysing comparable companies and applying the industry average ratio to value Xiamen Bank.	• For the year ended 31 December 2014, the fair value is based on the net book value of Xiamen Bank as at 31 December 2013, which stands at approximately RMB4,687.5 million, adjusted for net earnings of approximately RMB415.6 million estimated on the basis of historical performance and multiplied by the P/B ratio. (note) For the year ended 31 December 2013, the fair value is based on the net book value of Xiamen Bank as at 31 December 2012, which stands at approximately RMB4,382.63 million, adjusted for net earnings of approximately RMB412.73 million estimated on the basis of historical performance and multipied by the P/B ratio. (note)
Listed equity securities • in the PRC 2014: RMBNil 2013: RMB121,000 • in the HK 2014: RMB18,939,000 2013: RMBNil	Level 1	Quoted Price in active market	• NA

Note: A slight increase in the P/B ratio used in the valuation would result in a slight increase in the fair value measurement of unlisted equity securities and vice versa.

38. SIGNIFICANT RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, 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) Significant related party transactions

Particulars of significant party transactions during the reporting period are as follows:

			Group For the year ended 31 December	
Name of company	Nature of transaction	Relationship	**2014 RMB'000**	2013 RMB'000
Fujian Ronghecheng Food Corporation ("Ronghecheng Food Corporation"), formerly known as Fujian Sumhua Enterprise Limited	Rental income	Common director in a related company (Note)	**876**	423
Ronghecheng Food Corporation	Sales of side products	Common director in a related company (Note)	**1,500**	1,482
Xiamen Sumpo	Rental paid	Common director in a related company (Note)	**54**	–

Note: Mr. Lin Qinglin is the director of Xiamen Sumpo, Ronghecheng Food Corporation and the Company.

(b) Key management personnel remuneration

	Group For the year ended 31 December	
	2014 RMB'000	2013 RMB'000
Short term employee benefits	**5,271**	1,698
Retirement schemes contributions	**110**	23
	5,381	1,721

38. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Guarantees

As at the end of the reporting period, certain related parties provided personal guarantees to secure Group's bank borrowings as follows:

Personal guarantee given by:	Name of Banks	Period of terms	Group For the year ended 31 December 2014 RMB'000	2013 RMB'000
Mr. Lin Qinglin, Mrs. Lin, Mr. Yin Shouhong, And Mrs. Yin (Notes (i) and (ii))	Agricultural Bank of China	29 November 2013 to 28 November 2014	–	27,000
Mr. Lin Qinglin (Note (ii))	China Minsheng Bank	8 June 2014 to 8 June 2015	**20,000**	–
Mr. Lin Qinglin (Note (ii))	China Minsheng Bank	8 June 2014 to 8 June 2015	**8,000**	–
Mr. Lin Qinglin (Note (ii))	China Minsheng Bank	20 August 2014 to 20 August 2015	**20,000**	–
Mr. Lin Qinglin (Note (ii))	China Minsheng Bank	25 August 2014 to 25 August 2015	**10,000**	–
Mr. Lin Qinglin (Note (ii))	China Minsheng Bank	5 March 2014 to 5 May 2015	**15,000**	–
Mr. Lin Qinglin and Mr Lin Genghua (Notes (ii) and (iii))	China CITIC Bank	28 September 2014 to 28 September 2015	**30,000**	–
Mr. Lin Qinglin and Mr Lin Genghua (Notes (ii) and (iii))	Bank of Communications	22 September 2014 to 23 September 2015	**20,000**	–
Mr. Lin Qinglin and Mr Lin Genghua (Notes (ii) and (iii))	Bank of Communications	22 September 2014 to 23 September 2015	**10,000**	–
Mr. Lin Qinglin and Mr Lin Genghua (Notes (ii) and (iii))	Ping An Bank	11 December 2014 to 27 May 2015	**4,820**	–
			137,820	27,000

Notes:

(i) Mr. Yin Shouhong, a director of the Company and his wife ("Mrs Yin").

(ii) Mr. Lin Qinglin, a director of the Company and his wife ("Mrs. Lin").

(iii) Mr. Lin Genghua is the son of Mr. Lin Qinglin.

38. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Amounts due from related parties

As at the end of the reporting period, the Group had the following balances with related parties:

	Group As at 31 December	
	2014	2013
	RMB'000	RMB'000
Included in other receivables (Note 24):		
– Ronghecheng Food Corporation	**258**	512
– Winston Wine PTY Ltd	**3,004**	–
– Fujian Sumhui Agriculture Development Limited	**–**	9
	3,262	521

Other receivables from related parties are unsecured, interest frees and are expected to be recovered within one year. There was no impairment loss made against these amounts as at 31 December 2014 (2013: Nil).

(e) Amount due to a related party

	Group As at 31 December	
	2014	2013
	RMB'000	RMB'000
Included in other payables (Note 28):		
– Xiamen Winston Trading Limited	**139**	–

Other payables to related party are unsecured, interest frees and repayable on demand.

39. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

At the end of each reporting period, the Group had commitments for future minimum lease payments in respect of farms and office premises under non-cancellable operating leases from selected farmers at an agreed price based on the area of the farm, which fall due as follows:

	For the year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Within one year	**699**	836
In the second to fifth years, inclusive	**2,851**	3,250
After the fifth years	**1,561**	1,772
	5,111	5,858

Operating lease payments represent rentals payable by the Group for certain of its farm and office premises. Lease in respect of farms are negotiated for a term of fifteen to fifty years with fixed rentals. Lease in respect of office premises are negotiated for a term of one to two years with fixed rentals.

40. COMMITMENTS FOR EXPENDITURE

	Group	
	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Commitments for acquisition of property, plant and equipment	**50,544**	–

41. 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 29):

	Group As at 31 December	
	2014	2013
	RMB'000	RMB'000
Bank deposits	**8,064**	–
Property, plant and equipment	**31,822**	58,243
Prepaid lease payments	**42,208**	43,215
Unlisted equity securities in the PRC	**30,000**	–
	112,094	101,458

In addition, the Group and the Company obligation under finance lease (Note 32) are secured by the lessor's title to the leased asset, which have a carrying amount of approximately RMB2,646,000 (equivalent to HK$3,350,000).

42. EVENTS AFTER THE END OF THE REPORTING PERIOD

The following significant events took place subsequent to 31 December 2014:

(a) Change of Company name

Pursuant to the special resolution passed at the extraordinary general meeting of the Company hold on 27 January 2015, the English name of the Company was changed from "Sumpo Food Holdings Limited" to "Leyou Technologies Holdings Limited" and "樂遊科技控股有限公司" as its secondary name to replace "森寶食品控股有限公司" as dual foreign name of the Company was passed by the shareholders at the extraordinary general meeting held on 27 January 2015. The change of Company's name took effect on 28 January 2015.

For further details, please refer to the Company's announcements dated 27 January 2015 and 23 February 2015 respectively.

(b) Placing of Shares under general mandate

On 2 February 2015, the Company and the Placing Agent entered into a placing agreement pursuant to which the Company has conditionally appointed Kingston Securities Limited ("placing agent") to procure, on a best effort basis, as placing agent of the Company, independent placees to subscribe for a maximum of 398,400,000 shares of the Company ("Placing Shares") at a price of HK$1.00 per Placing Share. The placees and (where appropriate) their respective ultimate beneficial owner(s) shall be independent third parties. The Placing Shares were allotted and issued pursuant to the general mandate granted to the directors of the Company at the annual general meeting held on 6 June 2014. Such placing was completed on 16 February 2015.

For further details, please refer to the Company's announcements dated 2 February 2015 and 16 February 2015.

42. EVENTS AFTER THE END OF THE REPORTING PERIOD (CONTINUED)

(c) Refreshment of general mandate

On 11 February 2015, the board of directors of the Company proposed to refresh the existing general mandate for the directors to allot and issue new shares up to 20% of the issued share capital of the Company as at the date of the extraordinary general meeting, which will be held for the Company's shareholders to consider and, if thought fit, to pass the ordinary resolution to approve the proposed grant of the refreshed general mandate.

For further details, please refer to the Company's announcement dated 11 February 2015.

On 24 March 2015, the shareholders of the Company approved the refreshment of the existing general mandate for the directors of the Company to allot and issue new shares up to 20% of the issued share capital of the Company as at 24 March 2015, being the date of passing of such resolution at the extraordinary general meeting.

For further details, please refer to the Company's circular and announcement dated 6 March 2015 and 24 March 2015, respectively.

(d) Pursuant to the acquisition agreement dated 14 October 2014, Multi Dynamic Games, an indirect wholly-owned subsidiary of the Company, and Perfect Online Holding Limited conditionally agreed to severally but not jointly acquire the Sumpo sale shares (representing 58.0% of the entire issued share capital of Digital Extremes Ltd. ("Digital Extremes")) and the PW sale shares (representing 3.0% of the entire issued share capital of Digital Extremes) respectively from the vendors for an aggregate consideration of US$73.2 million (equivalent to approximately HK$567.3 million) (subject to adjustment), of which US$69.6 million (subject to adjustment) is attributable to the Sumpo sale shares and the balance of US$3.6 million (subject to adjustment) is attributable to the PW sale shares. The sale shares represent 61% of the entire issued share capital of Digital Extremes. Digital Extremes is a company incorporated under the laws of Ontario, Canada, and is a next generation studio developing ground-foreaking Free-to-Play, AAA- quality multiplatform video games.

For further details, please refer to the Company's announcements dated 14 October 2014 and 17 December 2014, and circular of the Company dated 23 December 2014 respectively.

As the acquisition is not yet completed, it is impracticable to disclose further information about the acquisition as at the date of this annual report.

43. 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, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited consolidated financial statements in this annual report 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
Continuing operations					
Revenue	**1,226,077**	1,041,847	787,481	663,041	633,255
Cost of sales	**(1,115,606)**	(982,174)	(717,948)	(541,343)	(507,280)
Gross profit	**110,471**	59,673	69,533	121,698	125,975
Other revenue and gains	**16,570**	25,450	15,594	16,607	23,905
Change in fair value less cost to sell of biological assets	**(2,068)**	3,252	(2,956)	(3,025)	2,429
Net gain/(loss) on financial assets at fair value through profit or loss	**5,557**	2,197	2,204	(1,296)	7
Fair value of agricultural produce on initial recognition	**97,330**	100,353	69,827	64,920	58,340
Reversal of fair value of agricultural produce due to hatch and disposals	**(101,608)**	(98,415)	(68,403)	(62,260)	(55,983)
Selling and distribution expenses	**(32,204)**	(19,911)	(13,559)	(13,409)	(10,674)
Administrative expenses	**(63,084)**	(38,418)	(41,038)	(47,061)	(41,786)
Finance costs	**(13,251)**	(10,963)	(6,890)	(5,198)	(10,045)
Other operating expenses	**(27,222)**	(34,036)	(27,191)	(22,713)	(19,315)
(Loss)/profit before taxation	**(9,509)**	(10,818)	(2,879)	48,263	72,043
Taxation	**(509)**	672	3,808	(1,159)	(2,103)
(Loss)/profit for the year from continuing operations	**(10,018)**	(11,490)	929	47,104	69,904
Discontinued operation					
(Loss)/profit for the year from discontinued operation	**–**	–	–	–	–
(Loss)/profit for the year	**(10,018)**	(11,490)	929	47,104	69,940
(Loss)/profit attributable to:					
For continuing and discontinued operations					
(Loss)/profit attributable to:					
Owners of the Company	**(10,250)**	(12,762)	80	42,840	61,919
Non-controlling interests	**232**	1,272	849	4,264	8,021
	(10,018)	(11,490)	929	47,104	69,940

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**905,447**	758,611	742,108	618,655	419,757
Total liabilities	**(397,580)**	(291,001)	(263,008)	(122,972)	(225,817)
Non-controlling interests	**(14,733)**	(14,501)	(13,229)	(16,340)	(12,076)
	493,134	453,109	465,871	479,343	181,864